

**EXECUTIVE OFFICER'S AGENDA REPORT
JANUARY 25, 2012**

TO: LAFCO Commissioners
FROM: ^{MB} Marjorie Blom, Executive Officer
SUBJECT: **Mid-Year Budget Report - Fiscal Year 2011-2012**

RECOMMENDATION

It is recommended that the Commission receive and file this financial update.

DISCUSSION

This Mid-Year Budget Report provides an overview of agency expenses and revenues through the second quarter, which ended on December 31, 2011. This report is provided to the Commission as an oversight of agency costs and revenues throughout the fiscal year.

Overall, second quarter expenditures totaled \$163,414, which represents approximately 42% of the budget with half of the fiscal year complete. (See attached "Expense and Revenue Summary".) An overview of expenses and revenues through mid-year is highlighted below:

➤ Salaries and Benefits:

Through the end of the second quarter, the Commission expended \$139,649 on "Salaries and Benefits". Expenditures in this budget category represent 46% of the total amount budgeted for the fiscal year.

It is anticipated that the funds expended under "Salaries and Benefits" will collectively finish within budget. However, Staff will closely monitor this category to ensure that expected savings in other budgetary accounts are sufficient to cover a shortfall, if necessary.

➤ Services and Supplies:

At the end of the second quarter, the Commission expended \$17,998 on "Services and Supplies". These expenditures represent 41% of the total amount budgeted and it is anticipated that this category will finish within budget. Of note is the following:

- It is normal for expenditure accounts to show, as they do, totals greater than 50% of the budget at mid-year. Expenditures for Commission General Liability Insurance and Membership costs (including SDRMA, CALAFCO and CSDA dues) are billed as one-time costs early in the fiscal year, and were paid in the first quarter.
- The Special Department Expense account reflects an expenditure of \$5,759, of the \$12,000 budgeted, due to outside legal expenses associated with a lawsuit filed against LAFCO (now dismissed). Originally the \$12,000 was categorized under "Reserve Funds"; however, at the request of the County Auditor's office, these funds were placed within a Special Department Expense line item. The primary purpose of these funds is to allow the Commission to: 1) allocate reserve monies to fund the hiring of outside legal and/or consultant services, when necessary; 2) ensure that funds are available to cover liability costs associated with future employee cash-out benefits; and 3) maintain funds in reserve to stabilize LAFCO's operating revenues.

➤ Other Charges:

Through the end of the second quarter, the Commission expended \$5,767 or 15% of the budget under the “Other Charges” category. These charges primarily originate from County departments such as: Auditor, Purchasing and CEO indirect costs. Additional County charges include: telecommunications, postage and mailroom charges, building services and utilities. This budget category also contains expenses under the line item “Planning Dept. Services”, which has been established for shared copier costs, as well outsourcing of financial support (processing accounts payable/receivable and payroll reporting). These services are billed on a quarterly basis and are anticipated to finish within budget.

➤ Revenues:

In the area of revenues, in accordance with Government Code Section 56381(a), the County and the nine cities have paid their required apportionment shares toward the net operating expenses of the Commission. The total contribution collected pursuant to State law is \$364,542. As a reminder, as in past budgets, previous year-end carry over funds are applied to the LAFCO budget to reduce agency contributions. The Adopted Budget for this fiscal year is \$387,615.

Receipts from LAFCO application fees are trending over the amount estimated due to the number of applications processed during the first half of this fiscal year. To date, revenue for LAFCO services is \$27,229, which is \$15,229 over the estimated revenue of \$12,000 for this fiscal year.

MID-YEAR BUDGET SUMMARY CHART

| | ADOPTED 2011-2012 | ESTIMATED EXPENDITURES MID-YEAR | % of BUDGET |
|-----------------------------------|------------------------------|--|------------------------|
| Salaries and Benefits | \$306,014 | \$139,649 | 46% |
| Services and Supplies | \$43,963 | \$17,998 | 41% |
| Other Charges | \$37,638 | \$5,767 | 15% |
| TOTAL EXPENSES | \$387,615 | \$163,414 | 42% |
| | ADOPTED 2011-2012 | ESTIMATED REVENUES MID-YEAR | % of BUDGET |
| LAFCO Services (Application Fees) | \$12,000 | \$27,229 | 226% |
| Cities/County Contribution | \$364,542 | \$364,542 | 100% |
| TOTAL REVENUE | \$376,542 | \$391,771 | 104% |

CONCLUSION

The Commission continues to be financially sound. No fiscal adjustments are recommended at this time; however, if this situation changes, Staff will bring the matter to the Commission’s immediate attention.

EXPENSE AND REVENUE SUMMARY
JULY 1, 2011 - DECEMBER 31, 2011

| <u>Account</u> | <u>Line Item</u> | <u>FY 11-12 Budgeted</u> | <u>Expenditures Total to Date</u> | <u>% of Budget</u> |
|--------------------------------------|--------------------------------|--------------------------|---------------------------------------|--------------------|
| Salaries & Benefits | | | | |
| 50000 | Salaries | \$176,875 | \$86,052 | 48.65% |
| | Non-Productive salaries-vac | | | |
| | Non-Productive salaries-sick | | | |
| | Non-Productive salaires-other | | | |
| | Termination cash-out | | | |
| 50020 | Extra Help | \$28,713 | \$12,374 | 43.10% |
| 52000 | Retirement | \$38,563 | \$13,797 | 35.78% |
| 52010 | FICA | \$18,103 | \$6,734 | 37.20% |
| 53000 | Group Health Insurance | \$32,595 | \$16,793 | 51.52% |
| 53009 | OPEB Hlth Post Retirement | \$1,573 | \$0 | 0.00% |
| 53020 | Unemployment Insurance | \$1,050 | \$522 | 49.71% |
| 53051 | Employee Benefit Adm Fee | \$215 | \$52 | 24.19% |
| 53081 | Long Term Disability | \$515 | \$169 | 32.82% |
| 54000 | Worker's Compensation | \$1,140 | \$570 | 50.00% |
| 55000 | Auto Allowance | \$2,400 | \$1,209 | 50.38% |
| 55130 | Deferred Compensation | \$2,418 | \$1,377 | 56.95% |
| 55140 | Cafeteria Pln-Hlth Ben Cashout | \$1,854 | \$0 | 0.00% |
| Total Salaries & Benefits | | \$306,014 | \$139,649 | 45.63% |
| Services and Supplies | | | | |
| 61000 | Insurance | \$3,500 | \$2,875 | 82.14% |
| 62200 | Memberships | \$4,458 | \$4,401 | 98.72% |
| 62400 | Miscellaneous Expense | \$2,650 | \$0 | 0.00% |
| 62600 | Office Supplies | \$1,200 | \$331 | 27.58% |
| 63640 | Legal Services | \$11,150 | \$1,876 | 16.83% |
| 65000 | Publications & Legal Notices | \$700 | \$224 | 32.00% |
| 65660 | Special Dept. Expense | \$12,000 | \$5,759 | 47.99% |
| 65780 | Education & Training | \$2,430 | \$453 | 18.64% |
| 65890 | Commission Expense | \$5,400 | \$1,862 | 34.48% |
| 67040 | Other Travel | \$475 | \$217 | 45.68% |
| Total Services & Supplies | | \$43,963 | \$17,998 | 40.94% |

EXPENSE AND REVENUE SUMMARY
JULY 1, 2011 - DECEMBER 31, 2011

| <u>Account</u> | <u>Line Item</u> | <u>FY 11-12 Budgeted</u> | <u>Expenditures Total to Date</u> | <u>% of Budget</u> |
|----------------------------|--------------------------------|--------------------------|---------------------------------------|--------------------|
| Other Charges | | | | |
| 73024 | Planning Dept Services | \$18,600 | \$336 | 1.81% |
| 74011 | Telecommunications | \$870 | \$434 | 49.89% |
| 74100 | Mail Room Postage Meter | \$950 | \$399 | 42.00% |
| 74102 | Presort Postage | \$40 | \$0 | 0.00% |
| 74110 | Mail Room Services | \$308 | \$28 | 9.09% |
| 74120 | Messenger Services | \$250 | \$29 | 11.60% |
| 74123 | Salvage Disposal | \$75 | \$9 | 12.00% |
| 74130 | Data processing Services | \$3,350 | \$1,596 | 47.64% |
| 74190 | GSA Pick-up & Delivery | \$140 | \$0 | 0.00% |
| 74220 | PW (Engineering Services) | \$1,250 | \$532 | 42.56% |
| 74230 | PW (GIS Mapping Services) | \$825 | \$0 | 0.00% |
| 74270 | Utilities | \$1,450 | \$474 | 32.69% |
| 74300 | Funds>13 Bill-Grand Jury Audit | \$50 | \$0 | 0.00% |
| 74301 | Funds>13 Bill-Auditor | \$3,750 | \$736 | 19.63% |
| 74302 | Funds>13 Bill-Purchasing Agent | \$160 | \$22 | 13.75% |
| 74304 | Funds>13 Bill-Risk Management | \$520 | \$150 | 28.85% |
| 74307 | Funds>13 Bill-BM Srvcs & Sup | \$1,650 | \$598 | 36.24% |
| 74520 | Public Works-Safety Analyst | \$550 | \$106 | 19.27% |
| 74620 | Contract Janitorial/TSP | \$700 | \$207 | 29.57% |
| 74880 | Funds>13-A-87 Charges-CEO | \$1,990 | \$869 | 43.67% |
| 74881 | Funds>13-A-87 Carry Forward | \$150 | (\$762) | -508.00% |
| 75040 | Fiduciary Liability Insurance | \$10 | \$4 | 40.00% |
| Total Other Charges | | \$37,638 | \$5,767 | 15.32% |
| TOTAL EXPENSE | | \$387,615 | \$163,414 | 42.16% |

| REVENUE | JUL-DEC 2011 |
|---|---------------------|
| 36414 LAFCO Services (Application Fees) | \$27,229 |
| 40590 County Contribution | \$182,271 |
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| 40700 Copies Prepared | \$0 |
| TOTAL REVENUE | \$391,771 |