

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #4: Unaudited Year-end Financial Report for FY 2013-14

RECOMMENDATION:

Staff recommends that the Commission note the receipt of and file the Unaudited Year-End Financial Report for Fiscal Year 2013-14.

BACKGROUND:

Staff is presenting the Commission with its year-end review of the FY 2013-14 Budget which includes unaudited expenditures, reserves, revenues, and cash in the County Treasury. Attachment #1 to this report is a spreadsheet summarizing the unaudited financial activity for the period July 1, 2013 through June 30, 2014. The spreadsheet identifies that total expenditures were within appropriation authority for all fund categories and total revenues were above projections due to an increase in application receipts during the year. Additional information, in narrative form regarding the year-end review, is provided below.

Expenditures and Reserves

Expenditures comprise two categories of accounts: 1) Salaries and Benefits and 2) Services and Supplies. The unaudited Total Expenditures at June 30 was \$900,410 (87% of Final Budget); the difference of \$131,504 between the amended budget and Unaudited Year-End is explained below. Also, during FY 2013-14, the Commission did not authorize activity for the Contingency and Reserve accounts; therefore, the entirety of the Contingencies (\$99,872) and Reserves (\$363,400) accounts were carried forward into FY 2014-15.

1. Salaries and Benefits (1000 series)

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$608,417 for the year, representing 91% of budget authority. No extraordinary expenditures occurred for this series. However, roughly \$37,000 in budgeted activity did not take place:

- During the year recruitment was conducted for a LAFCO Secretary (filled in October). However, prior to October, clerical support was acquired through a contract with a temporary employment agency paid out of the Services and Supplies series of accounts (Account 2335). This has led to a decrease in Salary and Benefits costs. However, during the year a staff restructuring occurred with the elimination of the LAFCO Secretary, replaced with an Administrative Assistant position, and the upgrade of a position to LAFCO Analyst. The net financial effect of these changes was a decrease of approximately \$15,570. Additional salary based expenses not incurred brings the total to approximately \$22,000
- \$9,000 for the retirement replacement benefit plan was not required during the year.
- Additionally, due to a retirement calculation error by SBCERA roughly \$3,500 of activity anticipated for June will take place in July.

2. Services and Supplies (2000 and 5000 series)

A. *Year-End Activity*

Expenditures for Services and Supplies (2000 and 5000 series of accounts) are at \$291,993 for the year, or 80% of Budget authority. However, \$5,410 in invoices were submitted for payment to the County Auditor in June but will be processed in July. The funds for these activities have been carried forward into FY 2014-15.

B. *Status of Ongoing Commission-approved Projects*

The current Commission authorized projects have reached certain milestones, identified below:

FISCAL INDICATORS

The background on this project is that the County Information Services Department (ISD) work on the project began in October and was completed within the prescribed six week period. LAFCO staff conducted a survey with the County, Cities, Special Districts, and the JPAs that provide a municipal service to

seek their opinion on the range of indicators to be included in this project yielded a 66% response rate.

LAFCO staff conducted a workshop on October 30 with the agencies who had indicated a desire to participate in a working group to determine the final indicators for use in the program. This yielded a range of twelve indicators to be included as appropriate for each of the entities. Copies of audits for the five years, FY 2007-08 through 2011-12, from all agencies were requested and ultimately obtained. LAFCO staff is currently inputting that data into spreadsheet format – the most labor intensive part of the project for staff. The newly formatted data is being provided to all agencies for review prior to placement on the LAFCO website. The first concentration is the agencies within the Valley Region, the current service review region under consideration. The review of documentation has been completed and staff is moving forward to launch the website for the valley agencies within the month.

As a part of budget approval, the project allocation (with contingency) was \$14,497. \$12,642 of this amount has been expended to date (note that this cost does not include staff time – only direct costs from the County for programming). Staff anticipates that the full program will be available on the website by October of 2014 and will continue providing status updates on the project in the interim.

SPECIAL STUDY FOR DAGGETT, NEWBERRY, AND YERMO COMMUNITY SERVICES DISTRICTS:

At the September 2013 hearing the Commission initiated a special study for the Newberry CSD and the bordering Daggett and Yermo CSDs based upon the recommendations within the 2012-13 Grand Jury report. The Commission allocated \$10,000 towards the study from the unassigned carryover of funds from FY 2012-13 into FY 2013-14 with an additional \$5,000 provided by the County First Supervisorial District.

At the January hearing, the Commission authorized an additional \$5,000 for governance training to be provided by SDRMA for these districts, with an invitation to be offered to all independent special districts within the County. The training took place on March 25 at the Mojave Water Agency in Apple Valley. Fortunately, SDRMA did not charge for the training (even with non-SDRMA members attending) as governance and liability training is seen by SDRMA as risk reduction. There were 45 participants at this meeting with representatives from each of the three affected CSDs present.

Staff conducted site visits with the three districts in November, and conducted a second site visit with the Newberry CSD in February since there had been significant director and staff changes: three new members of the Board of Directors, a new general manager and office staff since the first visit. Staff received the outstanding FY 2011-12 audit in early June and completed the draft

staff report for internal review by early July. A draft will be reviewed with the affected agencies, First District and Grand Jury for comment and editorial purposes. Thereafter a community meeting will be held to review the draft staff report with the community, most likely to be held in August or September at the Silver Valley High School in Yermo.

The project allocation is \$20,000, of which \$345 has been expended to date. It is important to note that the majority of the costs for this project will be related to the community meeting (advertisement and individual notice provided) and Commission hearing (advertisement and individual notice provided). Staff will continue providing status updates on the project at regular intervals to the Commission.

3. Contingency and Reserves (6000 series)

The Commission has not authorized any activity in the Contingency or Reserve accounts during the fiscal year. In addition, during the year the Commission increased Contingencies (Account 6000) by \$36,059 to \$99,872 to accommodate additional carryover from the prior year.

Revenue and Proposal Activity

1. Revenues at Year-end

The unaudited Total Revenues at year's end is \$1,630,079 which is above budget projections by roughly 9%. The items below outline the revenue activity for the year:

- Interest (Account 8500) – Eighty-two percent of the interest projected for the year was received by the County Treasury. This is due to interest rates remaining low resulting in this revenue stream being minimal.
- Apportionment (Account 8842) – Of the apportioned costs to the County, cities, and independent special districts, 100% was received. Of note, the County Auditor-Controller deducted the apportionment cost from one special district and transferred that sum to the Commission.
- Fees and Deposits (Accounts 9545-9800) – The Fees and Deposits series of accounts has received 398% of its budgeted revenue (\$135,296). This large variance is due to a sharp increase in applications received (almost two times the number anticipated, with multiple changes within each proposal received). Of this amount, 83% is related to proposals, 13% to service contracts, and 4% to cost recovery for completed actions.
- Other Types of Revenue (Accounts 9910-9970) – In sum this category of revenue accounts exceeded budget projections by six percent. However, this accounting series includes Miscellaneous Revenues which were 236% of budget.

This included the receipt of payment from CALAFCO for Assistant Executive Officer Martinez serving as a Deputy EO for the organization.

2. Proposal Activity

The figure below identifies the number of proposals, service contracts, and service review deposits received through the year. The figure identifies that proposals and service contracts far exceeded projections. It appears that proposal receipts are emerging from many years of stagnant activity. Only one proposal required a protest hearing this year. Attachment #2 to this report is a chart showing the yearly comparison of proposal, service review, and completed service review activity.

Activity	Budget	Actual	
		No.	% of Budget
Proposals	3	8	267%
Service Contracts - Commission approval	1	2	200%
Service Contracts - Admin (E.O.) approval	3	7	233%
Protest Hearing Deposits	3	1	33%

Two service reviews were finished during the year, completing the first cycle of service reviews. The remainder of the year included preparation of the off-cycle service reviews for the Daggett, Newberry Springs, and Yermo communities (related to the Grand Jury report) and second-cycle service reviews for water conservation and open space and habitat preservation for the Valley Region – these service reviews are anticipated for Commission consideration in the first half of FY 2014-15. The discussion of water, wastewater, fire protection and emergency response, and streetlighting are anticipated to be considered in the second half FY 2014-15.

Cash in Treasury

As of June 30, 2014, the Commission’s balance in the County Treasury was \$729,669. This amount is comprised of the categories shown in the chart below. The entirety of the Commission’s Contingencies and Reserves are carried forward into FY 2014-15.

June 30, 2014 Cash Balance	\$729,669
Projected Cash Carryover is composed of the following:	
Liabilities	
Unearned Revenue from open applications, estimated year end	34,087
Deposits Payable from open applications, estimated year end	15,151
Accounts Payable (as of July 7, 2013)	5,410
Committed (formal action to impose, remove, or modify)	
COWCAP Reserve (Account 6010)	46,780
Compensated Absences Reserve (Account 6030)	66,620
Assigned (limitation resulting from intended use)	
Contingency (Account 6000)	99,872
General Reserve (Account 6025)	250,000
Ongoing Approved Projects (2000 Series)	16,510
Amount Used to Balance FY 2014-15 Budget	176,807
Unassigned Cash Carryover into FY 2014-15 (as of July 7, 2014)	18,432
PROJECTED CASH CARRYOVER INTO FY 2014-15	\$729,669

After accounting for liabilities, committed, and assigned funds, the additional carryover into FY 2014-15 is \$18,432. At the first quarter review for FY 2014-15, staff will present a discussion of the use of these revenues and recommend the appropriate action or placement of the unassigned, additional carryover.

CONCLUSION:

Total expenditures were within appropriation authority for all fund categories, and total revenues were above projections due to an increase in applications received during the year. Cost savings were achieved when the hiring of the LAFCO secretary position deferred to October even while the office restructuring which took effect in April upgraded one position to a LAFCO Analyst. The entirety of the Commission's Contingencies and Reserves were carried forward into FY 2014-15.

Staff recommends that the Commission take the action identified on page 1 of this report to receive and file the report. Staff will be happy to answer any questions from the Commission prior to or at the hearing.

MT/KRM

Attachments:

1. [Spreadsheet of Year-end Expenditures, Reserves, and Revenues for FY 2013-14](#)
2. [Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity](#)