

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #5: Unaudited Year-end Financial Report for FY 2015-16

RECOMMENDATION:

Staff recommends that the Commission note the receipt of and file the Unaudited Year-End Financial Report for Fiscal Year 2015-16.

BACKGROUND:

Staff is presenting the Commission with its FY 2015-16 year-end review of finances which includes unaudited expenditures, reserves, revenues; an update on activities during the year; and a breakdown of the fund balance. The financial position based on the unaudited data shows that the Commission continues to operate in a fiscally prudent manner, retaining its reserves for transfer into the new Fiscal Year. Attachment #1 to this report is a spreadsheet summarizing the unaudited financial activity for the period July 1, 2015 through June 30, 2016. The spreadsheet identifies that total expenditures were within appropriation authority for all fund categories and total revenues were above projections based upon the increase in application receipts for the period. 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 \$1,118,178 (89% of Final Budget); the difference of \$138,023 between the final budget and Unaudited Year-End is explained below. A single transfer from contingencies was approved during the year, while the remainder of Contingencies (\$155,501) and the entirety of Reserves (\$450,364) carry forward into FY 2016-17.

1. Salaries and Benefits (1000 series)

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$668,940 for the year, representing 91% of budget authority. The nine percent variance is primarily explained by the LAFCO Analyst position being unfilled from August to December due to the separation of an employee. The position was filled in December, resulting in a savings of salary and benefits expenses for roughly four months. Also during this period, the Assistant Executive Officer was on medical leave for which the short-term disability program paid a portion of his salary.

During this fiscal year the Commission approved a consulting contract with Robert Aldrich in September 2015 not to exceed \$75,000 to provide for supplemental staffing during the absences noted above and to provide assistance due to the complexity of proposals submitted. The full extent of this contract was used and is accounted for in Account 2245 (Other Professional Services) in the Services and Supplies series of accounts.

Additionally, the Commission approved the County Exempt Compensation Plan amendments approved on December 15, 2015 to include a one percent (1.0%) across-the-board salary increase retroactive to January 9, 2016 along with other changes through July 1, 2018. While the Executive Officer's contract is currently being negotiated related to compensation, it is anticipated that any changes in contract terms will also be retroactive to January 9, 2016, paid from funds previously allocated during the current fiscal year in salary reserves and carried forward into Fiscal Year 2016-17. .

2. Services and Supplies (2000 and 5000 series)

Expenditures for Services and Supplies (2000 and 5000 series of accounts) are at \$449,238 for the year, or 87% of Budget authority. However, \$11,388 in invoices were submitted for payment to the County Auditor in June but will be processed in July. The funds for these activities carry forward into FY 2016-17.

The year was a banner year for LAFCO - one not only with above normal activity, but also one with complex proposals which could directly impact the quality of life of hundreds of thousands of residents of our County. By action taken at the September hearing, the Commission directed staff to prioritize its activities to address the fire proposals submitted as the top priority, other jurisdictional changes next, and service reviews to follow. As noted above, the approval of a consultant contract for supplemental staffing assisted in processing these complex and controversial proposals.

Items of note during this Fiscal Year are:

- Due to the County Workforce Development Department vacating the building where the LAFCO office is located, LAFCO was required to install its own

dedicated communications line, at a cost of roughly \$20,000. As a part of this change, the Commission now pays its own charges to Frontier (formerly Verizon) of \$926 monthly for access to the internet, County intranet, and telephone via a fiber line. Staff encountered issues in this transition related to billing, but these issues have been brought current by the close of the fiscal year.

- Significant unanticipated individual notice costs of roughly \$67,000 for the proposals related to annexations to County Fire that include the extension of a special tax (San Bernardino, Twentynine Palms, and Needles). These costs are fully recovered from the proponents of the changes.
- The consulting contract with Bob Aldrich for staffing services – the Commission approved this contract in September 2015 in an amount not to exceed \$75,000.

3. Contingency and Reserves (6000 series)

In October the Commission authorized the transfer of \$6,722 from Contingencies to accommodate the mandatory leave payouts from the separation of the former LAFCO Analyst. The remainder of Contingencies (\$155,501) and the entirety of Reserves (\$450,364) carry forward into FY 2016-17.

Revenue and Proposal Activity

1. Revenues at Year-end

The unaudited Total Revenues at year's end is \$2,060,781 is above amended budget projections by roughly 11%. The items below outline the revenue activity for the year:

- Interest (Account 8500) – Interest earnings projected for the year received by the County Treasury are 148% of budget. For FY 2015-16 there were a number of significant proposals requiring additional processing deposits from the applicants. As a result, even with meager interest rates additional interest was earned during the period.
- Apportionment (Account 8842) – 100% of the mandatory apportionment payments from the County, cities, and independent special districts billed by the County Auditor have been received.
- Fees and Deposits (Accounts 9545-9800) – The Fees and Deposits series of accounts has received 151% of its budgeted revenue (\$401,978). This large variance is due to more proposals received than budgeted, as well as recovery of costs in excess of deposits by applicants for the year-end closing. Of this recovery amount, 95% is related to proposals and 5% to service contracts.

- Other Types of Revenue (Accounts 9910-9970) – In sum this category of revenue accounts exceeded budget projections by thirty-one percent. This group of accounts includes Miscellaneous Revenue and Carryover of Open Proposals and Carryover of Prior Year Unassigned Revenue. One unique item in the Miscellaneous Revenue category was the receipt of funds from the Second District of \$8,469 for the Rosenow Spevacek Group (RSG) to prepare the sensitivity analysis related to the feasibility study for incorporation of the Rim of the World communities. The corresponding amount was paid to RSG from the Professional Services account within the 2000 series.

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 vastly exceeded projections. Attachment #2 to this report is a chart showing the yearly comparison of proposal, service review, and completed service review activity.

Activity	Budget	Year-End	
		No.	% of Budget
Proposals	6	16	267%
Service Contracts - Commission approval	1	4	400%
Service Contracts - Commission approval for exemption	0	2	
Service Contracts - Admin (E.O.) approval	4	3	75%
Protest Hearing Deposits	5	5	100%

What this does not show is the complexity of proposals received and processed by the Commission during the year. The Commission's direction at the September 2015 hearing was for staff to prioritize its activities to address the fire proposals submitted as the top priority, other jurisdictional changes next, and service reviews to follow. Based on that direction the following provides a highlight of the activities during the year:

- LAFCO 3197(sphere)/3198(reorganization) – City of San Bernardino inclusion within the San Bernardino County Fire Protection District – completed June 21, 2016 effective July 1, 2016.
- LAFCO 3199(sphere)/3200(reorganization) – Twentynine Palms Water District inclusion within the San Bernardino County Fire Protection District – completed June 20, 2016 effective July 1, 2016.
- LAFCO 3205(sphere)/3206(reorganization) – City of Needles inclusion within the San Bernardino Fire Protection District – completed June 30, 2016.

- LAFCO 3201 –City of Rialto Reorganization (Lytle Creek Ranch) – after 15 years of processing at the City level, it has completed the review process via the Commission’s hearing in May 2016 and the protest hearing scheduled for July 21st.
- LAFCO 3196 – Reorganization which annexed 19 separate City owned properties to the City of Big Bear Lake was completed November 23, 2015 saving the City approximately \$110,000 per year in property tax payments.
- LAFCO 3193(sphere)/3194(reorganization) – Phelan Pinon Hills Community Services District sphere expansion and annexation of four parcels which are owned by the District were approved. Upon completion (effective date is July 7, 2016) the District will save approximately \$30,000 a year in property tax payments.
- Six out-of-agency service contracts were presented for Commission consideration – four were contract reviews based upon being development related and two were exemptions for contracts between public agencies.
- The service review for water conservation districts within the Valley region was conducted and completed with the expansion of the spheres of influence for both agencies – Chino Basin Water Conservation District (LAFCO 3192) and San Bernardino Valley Water Conservation (LAFCO 3173) -- approved.
- Staff continued with its on-going programs for maintenance of the Fiscal Indicators program (update available on the Commission website January 2016) and the continuing governance education programs. As reported in prior mid-year and third quarter reports, the three education programs were well received and attended.

Processing for one fire proposal (Hesperia FPD—LAFCO 3203(sphere)/3204(reorganization)) continues into FY 2016-17 with the requirement for revision of the proposal and amendment to the plan for service. Additionally, staff is currently processing the countywide service reviews for water (wholesale, retail, and recycled) and wastewater (collection, treatment, and reclamation).

Fund Balance

As of June 30, 2016, the Commission’s cash in the County Treasury was \$942,579. A breakdown of this amount is shown below.

June 30, 2016 Balance		\$942,579
Balance is composed of the following:		
Liabilities		
Accounts Payable, above \$3,500 materiality level		11,388
Deposits Payable (Receivable) from open applications		30,431
Committed (constrained to specific purposes)		
Net Pension Liability Reserve (Account 6010)		82,750
Compensated Absences Reserve (Account 6030)		76,607
Assigned (intended for specific purposes)		
Contingency (Account 6000)		155,501
General Reserve (Account 6025)		291,007
Amount used to Balance FY 16-17 Budget		276,968
Estimated Unassigned Carryover into FY 2016-17		17,927
BALANCE		\$942,579

After accounting for liabilities, committed, and assigned funds, the additional estimated carryover into FY 2015-16 is \$17,927. At the first quarter review for FY 2016-17, staff will present a discussion of the assignment of these revenues and recommend the appropriate action.

CONCLUSION:

In sum, the financial position based on the unaudited data shows that the Commission continues to manage its operations in a fiscally prudent manner, securing its reserves for the future. Total expenditures were within appropriation authority for all fund categories, and total revenues were above projections due to an increase in applications received with their corresponding complexity during the year. Contingencies (\$155,501) and Reserves (\$450,364) carry forward into FY 2016-17.

Staff recommends that the Commission take the action to receive and file the report. Staff will be happy to answer any questions prior to or at the hearing.

KRM/MT

Attachments:

1. [Spreadsheet of Year-end Expenditures, Reserves, and Revenues for FY 2015-16](#)
2. [Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity](#)