


LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: JULY 10, 2019 
FROM: SAMUEL MARTINEZ, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #12: Unaudited Year-End Financial Report for
FY 2018-19 to include Transfer from Reserves to Services and
Supplies

RECOMMENDATION:

Staff recommends that the Commission:

1. Note receipt of this report and file.
2. Approve a transfer of \$673 from Account 6000 (Contingencies) to Account 2400 (Legal Counsel) to cover the deficit.
3. Approve a transfer of \$184,963 from Account 6010 (Net Pension Liability Reserve) to Account 9990 (SBCERA Contributions) to provide budget authority for the payment to SBCERA that the Commission authorized in April 2019.

BACKGROUND:

The 2018-19 Fiscal Year has concluded, and staff is presenting the Commission with its year-end financial report. This report includes a review of the financial activities and the presentation of a spreadsheet showing the line item expenditures and receipts for the year. The spreadsheet identifies that total expenditures were within appropriation authority (99.7%) and total revenues essentially met projections (99.6%). With expenditures being one-tenth more than revenues, the result is a cash deficit of \$673. This report requests a transfer from Contingencies to cover the deficit.

Additional information, in narrative form regarding the year-end review, is below.

Expenditures and Reserves

Expenditures are composed of two categories of accounts: 1) Salaries and Benefits, and 2) Services and Supplies. The unaudited Total Expenditures at June 30 was \$1,299,670 (99.7% of Final Budget).

1. Salaries and Benefits (1000 series)

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$824,325 for the year, representing 98.2% of budget authority. No unusual activity related to salaries and benefits occurred during the year.

2. Services and Supplies (2000 and 5000 series)

Expenditures for Services and Supplies (2000 and 5000 series of accounts) ended the year at \$475,375, or 102.5% of budget authority.

The main reason for expenditures exceeding budget authority is due to legal activity related to two proposals totaling roughly \$56,281 for the year, which are outlined below. This has pushed Legal Counsel (Account 2400) to 240% of budget authority. However, the applicants have indemnified LAFCO for these matters, and the reimbursements received have been deposited into Revenue Account 9555.

Status of Ongoing Commission-approved Projects

The following provides an update on expenditures and progress on projects approved by the Commission:

- *Countywide Service Review for Fire/Emergency Medical Response/Ambulance/Dispatch:*

Staff has met with affected parties and their related associations. In March, staff sent a questionnaire and survey to all fire chiefs within the county. Only two agencies have not submitted responses to the questionnaire, but intend to do so. Staff will conduct focused interviews during the summer. Significant sections are complete with the remainder underway.

- *Fiscal Indicators:*

Staff anticipates a late summer release date to include two fiscal years' worth of data.

3. Reserves (6000 series)

With expenditures being one-tenth more than revenues, the result is a cash deficit of \$673. This report requests a transfer from Contingencies (Account 6000) to Account 2400 (Legal Counsel) to cover the deficit.

Additionally, staff recommends a transfer of \$184,963 from Account 6010 (Net Pension Liability Reserve) to Account 9990 (SBCERA Contributions) to provide budget authority for the payment to SBCERA that the Commission authorized in April 2019.

The accounting spreadsheet (Attachment #1) identifies these transfers in red.

Revenues

The Commission has received 99.6% of Total Revenues through the end of the year. Interest gains are above the budgeted amount, and 100% of the mandatory apportionment payments from the County, cities, and independent special districts were received.

The budget projected the receipt of nine proposals; however, four proposals were received during the year. The figure below identifies the number of proposals (four) and service contracts (14) received.

Activity	Budget	Through June	
		No.	% of Budget
Proposals - Agency/LO/RV initiated	9	4	44%
Proposals - Commission initiated	--	2	--
Service Contracts - Commission approval	2	7	350%
Service Contracts - Commission approval for exemption	0	2	--
Service Contracts - Admin (E.O.) approval	4	5	125%
Protest Hearing Deposits	6	0	0%

Cash in Treasury

As of March 31, the Commission's cash in the County Treasury was \$296,704. Below is a breakdown of this amount. The Third Quarter report in April projected a deficit of \$29,889 for the year; fortunately, three proposals were received in the fourth quarter. After accounting for liabilities, and committed and assigned funds, the estimated deficit into FY 2019-20 is \$673.

Additionally, in April the Commission authorized a payment of the entirety of its Net Pension Liability Reserve (\$184,963) to SBCERA as a credit towards LAFCO's net pension liability. This payment occurred in June and is reflected as a debit in Revenue Account 9990.

June 30, 2019 Balance		\$296,704
Cash Balance is composed of the following:		
Committed (constrained to specific purposes)		
Net Pension Liability Reserve (Account 6010) <i>June 2019 payment to SBCERA</i>		0
Compensated Absences Reserve (Account 6030)		97,377
Assigned (intended for specific purposes)		
Contingency (Account 6000), <i>July 2018 increase of \$34,852</i>		50,000
General Reserve (Account 6025), <i>July 2018 increase of \$64,392</i>		150,000
Carryover or (Deficit)		(\$673)

CONCLUSION:

This year's budget has encountered activities, or lack of, that have stressed the Commission's finances. First, significant legal charges were incurred, the vast majority of which are recoverable. Second, the receipt of proposals dropped precipitously to a low level, which results in fewer revenue receipts. The budget anticipated nine proposals for the year; however, four proposals were received. To start 2019-20, one proposal has been received as of this writing

Additionally, in April the Commission authorized a payment of the entirety of its Net Pension Liability Reserve (\$184,963) to SBCERA as a credit towards LAFCO's net pension liability. This will reduce the Commission's net pension liability, and will be reflected in the financial statements.

Staff recommends that the Commission take the actions identified on page 1 of this report and provide any comments on areas of concern and direction to staff for follow-up. Staff will be happy to answer any questions from the Commission prior to or at the hearing.

SM/MT

Attachment:

Spreadsheet of Expenditures, Reserves, and Revenues

7/5/2019

ACCT. #	ACCOUNT NAME	ADOPTED BUDGET MAY 2018	AMENDED BUDGET FINAL	THRU MID-YEAR	THRU 3RD QUARTER	APR	MAY	JUNE	YEAR-END	PERCENT OF BUDGET
2130	Moving Expenses									
2180	Electricity for Office	4,356	4,356	931	2,939	358.99	\$ 277.45		3,576	82%
2182	Electricity			959	-				-	
2195	Reimbursement Services and Supplies									
2245	Other Insurance	9,965	9,965	14,238	14,238	47.50			14,285	143%
	Supplies:									
2305	General Office Expense	5,834	5,834	2,949	4,681	12.93	\$ 223.65		4,918	84%
2308	Credit Card Clearing Account			(2,269)	(3,542)		\$ -	2,266.27	(1,276)	
2309	Visa Temp Card									
2310	Postage - Direct Charge	6,656	6,656	3,547	5,302	315.76	\$ 737.14	766.28	7,121	107%
2315	Records Storage	715	715	298	679	64.37	\$ 64.37		808	113%
2316	Surplus Handling									
2323	Reproduction Services			77	77	44.00	\$ 41.28		162	
2335	Temporary Services		15,000.00	354	699				699	5%
	Consultant & Special Services:									
2400	Legal Counsel	39,300	39,973	54,025	87,166	4,337.50	\$ 2,678.52		94,182	236%
2405	Auditing	11,019	11,019	-	8,000				8,000	73%
2410	Data Processing	12,851	12,851	6,426	9,639	1,071.00	\$ 1,071.00	1,070.00	12,851	100%
2415	COWCAP	10,109	10,109	5,055	7,582	2,527.25			10,109	100%
2420	ISD Other IT Services	225	225	168	225	18.72	\$ 18.72	37.44	300	133%
2421	ISD Direct	18,755	18,755	7,992	10,685	2,692.80	\$ 1,346.40	2,692.80	17,417	93%
2424	Environmental Consultant	7,350	7,350	5,770	8,640	100.00	\$ 1,765.00	100.00	10,605	144%
2444	Security Services	468	468	234	357		\$ 123.00		480	103%
2445	Other Professional Services	43,561	118,561	49,590	81,435	4,775.00	\$ 8,394.60	1,425.00	96,029	81%
2449	Outside Legal (Litigation & Special Counsel)			3,216	3,216				3,216	
2450	Application Development Support	200	200	-	-				-	0%
2460	GIMS Charges	16,170	16,170	13,518	13,518				13,518	84%
	Lease/Purchases:									
2895	Rent/Lease Equipment (copier)	4,800	4,800	2,704	4,483	387.73	\$ 418.05		5,289	110%
2905	Office/Hearing Chamber Rental	99,212	99,212	49,272	73,976	24,670.14	\$ 405.00		99,052	100%
	Travel Related Expenses:									
2940	Private Mileage	6,010	6,010	2,700	4,259	396.83	\$ 297.07		4,952	82%
2941	Conference/Training	5,330	5,330	4,446	5,166		\$ 65.00		5,231	98%

7/5/2019

ACCT. #	ACCOUNT NAME	ADOPTED BUDGET MAY 2018	AMENDED BUDGET FINAL	THRU MID-YEAR	THRU 3RD QUARTER	APR	MAY	JUNE	YEAR-END	PERCENT OF BUDGET
2942	Hotel	7,920	7,920	4,945	5,402		\$ 484.05		5,886	74%
2943	Meals	1,735	1,735	285	351		\$ 46.40	59.00	456	26%
2944	Car Rental	200	200	-	-				-	0%
2945	Air Travel	800	800	259	508	503.88			1,011	126%
2946	Other Travel	400	400	62	104		\$ 18.00		122	30%
	Other Charges:									
5012	Services Out (Staples)	1,200	1,200	264.94	283.29				283	24%
TOTAL SERVICES & SUPPLIES		\$ 373,835	\$ 464,508	\$ 268,829	\$ 397,030	\$ 47,189.68	\$ 21,861.64	\$ 9,264.02	\$ 475,345	102.3%
TOTAL EXPENDITURES		\$ 1,402,440	\$ 1,303,869	\$ 707,905	\$ 1,042,136	\$ 105,669.39	\$ 82,387.45	\$ 69,478.04	\$ 1,299,670	99.7%
RESERVES										
6000	Contingency	\$ 20,442	\$ 49,327	\$ -	\$ -				\$ -	0%
6010	Net Pension Liability Reserve	184,963	-	-	-				-	
6025	General Reserve - Litigation	85,608	150,000	-	-				-	0%
6030	Compensated Absences Reserve	97,377	97,377	-	-				-	0%
TOTAL CONTINGENCIES & RESERVES		\$ 388,390	\$ 296,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
TOTAL APPROPRIATION		\$ 1,790,830	\$ 1,600,573	\$ 707,905	\$ 1,042,136	\$ 105,669.39	\$ 82,387.45	\$ 69,478.04	\$ 1,299,670	81.2%

