

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: OCTOBER 9, 2019

FROM: SAMUEL MARTINEZ, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #11: First Quarter Financial Review for Period
July 1 through September 30, 2019

RECOMMENDATION:

Staff recommends that the Commission note receipt of this report and file.

BACKGROUND:

The first quarter of Fiscal Year 2019-20 has concluded and staff is presenting the Commission with its first financial report. This report includes a review of the financial activities and the presentation of a spreadsheet (Attachment #1) showing the line item expenditures and receipts during the period.

FIRST QUARTER REVIEW:

The following narrative provides a discussion of expenditures and reserves, revenues received, an update on special project activities, and a breakdown of the fund balance at the end of the quarter.

Expenditures and Reserves

Expenditures are comprised of two categories of accounts: 1) Salaries and Benefits, and 2) Services and Supplies. Through the first quarter, total expenditures are at 26% of Approved Budget authority. No request is being presented, at this time, by staff for authorization to utilize funds maintained in the Contingency or Reserve accounts. A more detailed analysis of the categories is as follows:

1. Salaries and Benefits (1000 series)

A. First Quarter Activity

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$209,333 through the first quarter, representing 25% of Approved Budget authority – on par for one quarter.

B. Anticipated Activity

The remainder of the year is anticipated to maintain the adopted budget.

2. Services and Supplies (2000 and 5000 series)

A. First Quarter Activity

For the first quarter, the Services and Supplies series of accounts (2000 and 5000 series) had expenditures of \$121,979, or 28% of Approved Budget authority. The first quarter includes full-year and one-time payments. Payments that are typical to the first quarter that have taken place include: California Association of LAFCOs (CALAFCO) membership, the CALAFCO Annual conference (registration), the Commission's property and liability insurance, and the annual payment to SBCERA for GASB 68 processing. These one-time and full-year expenditures are generally on target for the fiscal year.

The first quarter included unanticipated or unbudgeted legal activity totaling \$8,860, which is outlined below. However, LAFCO is indemnified by the applicants for this matter, and the reimbursements received have been deposited. At this time staff is not recommending any budget adjustments; rather, as a part of the mid-year financial review staff will recommend the appropriate budget adjustments (an increase in revenues with a corresponding increase in expenditures).

Legal Counsel charges from litigation of two cases regarding LAFCO 3216: City of Upland annexation to San Bernardino County Fire Protection District et al filed by the San Antonio Heights Property Owners Association. LAFCO is indemnified by the City of Upland and County Fire for these cases. Payments made through the first quarter total \$5,740.

B. Second Quarter Anticipated Expenditures

Anticipated activities for the second quarter include significant expenditures, identified as:

- Full-year payments for the annual financial audit (\$11,268). This is the fourth year of a four-year contract with the firm Davis Farr LLP.
- Subscription to the County Street Network (\$10,500) for maintenance of digital mapping.
- Governance Training Program, a total cost not to exceed \$5,000. An update of the project is discussed later in this report.
- CALAFCO Annual conference expenses (hotel and travel for two staff and seven Commissioners).
- Significant payments for the processing of proposals and countywide fire service review (legal costs, advertising and mailing) are anticipated.

C. Status of Ongoing Commission-approved Projects

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

Governance Training Program:

The Commission is continuing its efforts to provide governance training for special districts, as well as other levels of government, within the County. As a part of this year’s budget, staff developed an education program in coordination with CALAFCO and California Special Districts Association (CSDA) – see chart below. The budget allocates \$5,000 total for payments to CALAFCO or CSDA, per the agreed upon cost.

Governance Training Program Fiscal Year 2018-19		
Training Session	Collaboration	Date
<i>Peeling Back the Layers: Understanding Pension and OPEB Obligations</i>	California Special Districts Association with BB&K	December 12, 2019 Cucamonga Valley WD
<i>LAFCO 101</i>	CALAFCO	February/March 2020

3. Reserves (6000 series)

No spending activity has been requested by staff or authorized by the Commission to take place in the Reserve accounts during the first quarter.

Revenues

1. Revenues through First-Quarter

The Commission has received 88% of Adopted Budget revenues through the first quarter. The items below outline the revenue activity:

- Interest (Account 8500) – Interest rates have steady increased over the past two years, albeit still providing a minimal cash amount. \$4,027 in interest revenue was earned from the Commission’s cash in the County Treasury reflecting the final quarter of Fiscal Year 2018-19 cash. The bulk of LAFCO’s revenues are received during the first quarter of the fiscal year through receipt of its annual apportionment. However, it is anticipated that the annual interest rate will remain low for the balance of the year providing limited resources.
- 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) – Through the first quarter, the Fees and Deposits series of accounts have received 16% of its budgeted revenue (\$28,105). This amount is made up of a combination of application fees, service contract filing fees and legal cost recovery.
- Carryover from Prior Year (Account 9970)

Prior Year Contingency and Reserve funds have been carried forward, \$296,704.

2. Proposal Activity

The figure below identifies the number of proposals and service contracts received through the first quarter. The figure identifies that two proposals and three service contracts were received in the first quarter. Attachment #2 to this staff report includes a chart showing the yearly comparison of proposal, service review, and completed service review activity.

Activity	Budget	Through September	
		No.	% of Budget
Proposals - Agency/LO/RV initiated	11	2	18%
Proposals - Commission initiated	0		--
Service Contracts - Commission approval	2	1	50%
Service Contracts - Commission approval for exemption	0		--
Service Contracts - Admin (E.O.) approval	4	2	50%
Protest Hearing Deposits	9		0%

The second quarter anticipates the receipt of two annexations, one encompassing over 4,000 acres.

In the first quarter, the Commission completed the service review for Wrightwood Community Services District. The *Countywide Service Review for Fire/Emergency Medical Services/Ambulance/Dispatch* is anticipated for presentation in either December or January.

Fund Balance

As of September 30, the Commission’s cash in the County Treasury was \$1,088,570. A breakdown of this amount is shown below. As shown, the Commission is anticipated to contribute its Net Pension Liability Reserve amount of \$42,500 to SBCERA in June 2020 to reduce its net pension liability.

August 31, 2019 Balance		\$1,088,570
Cash Balance is composed of the following:		
Committed (constrained to specific purposes)		
	Net Pension Liability Reserve (Account 6010) <i>scheduled June 2020 payment to SBCERA</i>	42,500
	Compensated Absences Reserve (Account 6030)	110,146
Assigned (intended for specific purposes)		
	Contingency (Account 6000) <i>\$673 used to balance 18-19 budget</i>	49,327
	General Reserve (Account 6025)	150,000
Budgeted Expenditures		929,638
Budgeted Revenues (shown as negative)		(193,040)

CONCLUSION:

For the first quarter, expenditures are on track, all of the apportionment receipts were received, and proposal activity is slightly less than on par for one quarter.

Staff will be happy to answer any questions from the Commission prior to or at the hearing regarding the items presented in this report.

SM/MT

Attachment:

Spreadsheet of First-Quarter Expenditures, Reserves, and Revenues