LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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DATE: **JULY 8, 2020**

FROM: **SAMUEL MARTINEZ, Executive Officer**
MICHAEL TUERPE, Project Manager

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item #13: Unaudited Year-End Financial Report for FY 2019-20 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 $30,727 from Reserve Account 6000 (Contingencies) to Revenue Account 9970 (General Reserve) to cover the deficit.

3. Approve a transfer of $42,500 from Reserve Account 6010 (Net Pension Liability Reserve) to Revenue Account 9990 (SBCERA Contributions) to provide budget authority for the payment to SBCERA that occurred in June 2020.

BACKGROUND:

Staff presents the Commission with its year-end financial report for FY 2019-20. 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 year started on a normal note, a bit of a development slowdown ensued, then the pandemic hit. The spreadsheet identifies that total expenditures were within appropriation authority (94.2%) and total revenues were less than budgeted (95.2%). With revenues roughly five percent less than the budget, the result is a cash deficit of $30,727. 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 $1,256,723 (94.2% of Final Budget).

1. Salaries and Benefits (1000 series)

The Salaries and Benefits series of accounts (1000 series) had expenditures of $800,085 for the year, representing 97.2% 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 $456,639, or 89.3% of budget authority.

Status of Ongoing Commission-approved Projects

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

Service Reviews

The Commission has completed the following state-mandated service reviews:

- Wrightwood Community Services District (in conjunction with its sphere of influence establishment)
- Countywide Service Review for Fire/Emergency Medical Services/Dispatch (25 agencies)

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. *Peeling Back the Layers: Understanding Pension and OPEB Obligations*, was a course presented to a packed house at the Frontier Project in Rancho Cucamonga.

Due to social distancing measures, there were no other courses scheduled for the remainder of the fiscal year.

Fiscal Indicators:

The annual update to the Fiscal Indicators Program was released on the LAFCO website on January 15. Work on the next update has begun, and staff is on schedule for a January 2021 release.

3. Reserves (6000 series)

With expenditures more than revenues, the result is a cash deficit of $30,727. This report requests a transfer from Contingencies (Account 6000) to Expenditure Account 2445 (Other Professional Services) to cover the deficit.

Additionally, staff recommends a transfer of $42,500 from Reserve Account 6010 (Net Pension Liability Reserve) to Expenditure Account 9990 (SBCERA Contributions) to provide budget authority for the June 2020 payment to SBCERA.

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

Revenues

The Commission has received 95.2% 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 11 proposals; however, four proposals were received during the year. The figure below identifies the number of proposals (four) and service contracts (11) received.

		Through June	
Activity	**Budget**	**No.**	**% of Budget**
Proposals - Agency/LO/RV initiated	11	4	36%
Service Contracts - Commission approval	2	5	250%
Service Contracts - Admin (E.O.) approval	4	6	150%

Cash in Treasury

As of June 30, the Commission's cash in the County Treasury was $278,746. Below is a breakdown of this amount. The Third Quarter report in April projected a deficit of $90,743 for the year; fortunately, a large proposal was received and fewer expenditures occurred in the fourth quarter. After accounting for liabilities, and committed and assigned funds, the estimated deficit into FY 2019-20 is $30,727. To cover this deficit, staff recommends that the Commission transfer said amount from Contingencies.

June 30, 2020 Balance		**$278,746**
Cash Balance is composed of the following:		
Committed *(constrained to specific purposes)*		
	Net Pension Liability Reserve (Account 6010) *June payment to SBCERA*	0
	Compensated Absences Reserve (Account 6030)	110,146
Assigned *(intended for specific purposes)*		
	Contingency (Account 6000) *$30,727 used to balance 19-20 budget*	18,600
	General Reserve (Account 6025)	150,000
Carryover or (Deficit)		**($0)**

CONCLUSION:

This year's budget has encountered activities, or lack of, that have stressed the Commission's finances. First, the pandemic hit which has upended the economy. Second, the receipt of proposals dropped precipitously to a low level, which results in fewer revenue receipts. The budget anticipated 11 proposals for the year; however, four proposals were received.

Additionally, in April the Commission authorized a payment of the entirety of its Net Pension Liability Reserve ($42,500) 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

7/5/2020

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	FINAL BUDGET FY 19-20	AMOUNT THRU Q3	APRIL	MAY	JUNE	AMOUNT THRU YEAR END	PERCENT THRU YEAR END
	SALARIES AND BENEFITS								
1010	Earnable Compensation	$ 503,704	$ 492,781	$ 372,163	$ 36,474.30	$ 36,360.70	$ 36,360.70	$ 481,359	97.7%
1030	Auto and Cell Phone Allowances	19,269	9,135	7,635	700.00	700.00	700.00	9,735	106.6%
1035	Overtime			-				-	
1045	Termination Payment			-				-	
1110	General Member Retirement	173,050	189,146	142,062	14,012.25	13,969.06	13,969.06	184,013	97.3%
1130	Survivors Benefits	179	176	135	13.50	13.50	13.50	176	99.6%
1135	Retirement Subsidy (no longer active)	1,995		-				-	
1200	Medical Premium Subsidy	53,970	53,799	43,538	4,388.50	4,388.50	4,388.50	56,704	105.4%
1205	Long-Term Disability	1,068	1,141	851	86.44	86.44	86.44	1,110	97.3%
1207	Vision Care Insurance	782	782	599	59.90	59.90	59.90	779	99.6%
1215	Dental Insurance Subsidy	1,230	1,235	954	95.44	95.44	95.44	1,240	100.4%
1222	Short-Term Disability	4,990	5,316	4,307	444.98	444.98	444.98	5,642	106.1%
1225	Social Security Medicare	6,277	5,917	4,486	440.87	439.22	439.24	5,805	98.1%
1235	Workers' Compensation	3,019	5,074	-				-	0.0%
1240	Life Insurance & Medical Trust Fund	9,251	10,735	7,452	755.27	753.28	753.28	9,714	90.5%
1305	Medical Reimbursement Plan	3,900	6,516	3,000	300.00	300.00	300.00	3,900	59.9%
1310	Annuitant Employee Medical (no longer active)	3,774		-				-	
1314	457/401a Contribution	2,695	3,275	2,188	220.82	220.82	220.82	2,850	87.0%
1315	401k Contribution	35,173	38,040	28,411	2,889.10	2,880.00	2,880.00	37,060	97.4%
	TOTAL SALARIES & BENEFITS	**$ 824,325**	**$ 823,068**	**$ 617,779**	**$ 60,881**	**$ 60,711.84**	**$ 60,711.86**	**$ 800,085**	**97.2%**
	Staffing (Full time equivalent units)	5.25	5.0						
	SERVICES AND SUPPLIES								
	General Services & Supplies								
2031	Payroll System Services		$ 826	$ 539.75	$ 63.50	$ 63.50	$ 127.00	$ 793.75	96.2%
2035	Communications			-				-	
2037	COMNET Charge (ISF)	$ 3,593	3,434	2,290	286.20	286.20	572.40	3,434	100.0%
2040	Relocation Charges - Phone Service	-		-				-	
2041	Phone Service/Outside Company	8,644	8,400	5,498	671.87	78.45	1,343.74	7,592	90.4%
2043	Electronic Equipment Maintenance	92	-	-				-	
2075	Membership Dues	10,303	11,753	11,822				11,822	100.6%
2076	Tuition Reimbursement	-	1,000	999				999	99.9%
2080	Publications	2,723	3,163	2,292	233.36		233.36	2,758	87.2%
2085	Legal Notices	21,188	18,750	8,430	2,486.40	1,444.03		12,361	65.9%

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	FINAL BUDGET FY 19-20	AMOUNT THRU Q3	APRIL	MAY	JUNE	AMOUNT THRU YEAR END	PERCENT THRU YEAR END
2090	Building Expense	6,466	7,000	5,877	815.50	490.00	490.00	7,672	109.6%
2115	Computer Software	3,054	3,054	-				-	0.0%
2125	Inventoriable Equipment		-	-				-	
2130	Moving Expenses			-				-	
2135	Utilities			2,557				2,557	
2180	Electricity	3,576	6,000	4,317	332.66	296.69	259.64	5,206	86.8%
2182	Electricity	-		-				-	
2195	Reimbursement Services and Supplies			-				-	
2245	Other Insurance	14,285	14,238	12,683				12,683	89.1%
2305	General Office Expense	4,918	4,850	2,954	19.25	54.52	89.38	3,117	64.3%
2308	Credit Card Clearing Account	(1,276)	-	311	110.25	826.86	(570.77)	677	
2309	Visa Temp Card			-				-	
2310	Postage - Direct Charge	7,121	6,116	4,836	909.98	4,933.53	470.15	11,150	182.3%
2315	Records Storage	808	900	1,005	64.37		64.37	1,134	126.0%
2316	Surplus Handling			-				-	
2323	Reproduction Services	162	-	89	985.52			1,074	
2335	Temporary Services	699	-	-				-	
				-					
	Consultant & Special Services:			-					
2400	Legal Counsel	94,182	46,300	28,584	2,728.36	4,676.54	3,809.10	39,798	86.0%
2405	Auditing	8,000	11,268	14,528	6,837.00			21,365	189.6%
2410	Data Processing		11,252	8,442	938.00	938.00	934.00	11,252	100.0%
2414	Application Development Maint.	12,851	2,000	-				-	0.0%
2415	COWCAP	10,109	13,328	9,996	3,332.03			13,328	100.0%
2416	Enterprise Printing		31	27	3.00	1.00		31	100.0%
2418	Enterprise Data Storage		8,457	6,345	705.00	705.00	702.00	8,457	100.0%
2420	Wireless Device Access	300	286	191	23.83	23.83	47.66	286	100.0%
2421	Desktop Support Services	17,417	16,762	10,990	1,248.10	977.76	1,955.52	15,171	90.5%
2424	Environmental Consultant	10,605	14,200	20,326	50.00	150.00	270.00	20,796	146.5%
2444	Security Services	480	468	568		123.00		691	147.6%
2445	**Other Professional Services**	96,029	**111,553**	54,922	5,078.80	2,200.00	1,053.91	63,255	56.7%
2449	Outside Legal (Litigation & Special Counsel)	3,216	-	4,115	2,623.00	330.00	385.00	7,453	
2450	Application Development Support		-	-				-	
2460	GIMS Charges	13,518	16,500	3,000				3,000	18.2%
				-					
	Lease/Purchases:			-					
2895	Rent/Lease Equipment (copier)	5,289	4,800	4,404	486.70	432.83	452.33	5,776	120.3%

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ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	FINAL BUDGET FY 19-20	AMOUNT THRU Q3	APRIL	MAY	JUNE	AMOUNT THRU YEAR END	PERCENT THRU YEAR END
2905	Office/Hearing Chamber Rental	99,052	100,928	74,445	23,506.23			97,951	97.1%
				-					
	Travel Related Expenses:			-					
2940	Private Mileage	4,952	3,436	3,359	23.05		44.86	3,427	99.7%
2941	Conference/Training	5,231	4,740	5,205			100.00	5,305	111.9%
2942	Hotel	5,886	7,990	5,926				5,926	74.2%
2943	Meals	456	1,200	574	30.04		140.29	744	62.0%
2944	Car Rental	-	-	-				-	
2945	Air Travel	1,011	2,200	1,592				1,592	72.4%
2946	Other Travel	122	825	773				773	93.6%
				-					
	Other:			-					
5012	Services Out (Staples)	283	600	2,469		173.85	88.75	2,732	455.3%
9990	**SBCERA Contributions**	184,963	**42,500**				42,500.00	42,500	100.0%
	TOTAL SERVICES & SUPPLIES	**$ 660,308**	**$ 511,109**	**$ 327,279**	**$ 54,592.00**	**$ 19,205.59**	**$ 55,562.69**	**$ 456,639**	**89.3%**
TOTAL EXPENDITURES		**$ 1,484,633**	**$ 1,334,177**	**$ 945,058**	**$ 115,473.37**	**$ 79,917.43**	**$ 116,274.55**	**$ 1,256,723**	**94.2%**
	RESERVES								
6000	**Contingency (Assigned)**		**$ 18,600**						
6010	**Net Pension Liability Reserve (Committed)**		**-**					-	
6025	General Reserve (Assigned)		150,000						
6030	Compensated Absences Reserve (Committed)		110,146						
TOTAL CONTINGENCIES & RESERVES		**$ -**	**$ 278,746**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**0%**
TOTAL APPROPRIATION		**$ 1,484,633**	**$ 1,612,923**	**$ 945,058**	**$ 115,473.37**	**$ 79,917.43**	**$ 116,274.55**	**$ 1,256,723**	**77.9%**

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ACCT #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	FINAL BUDGET FY 19-20	AMOUNT THRU Q3	APRIL	MAY	JUNE	AMOUNT THRU YEAR END	PERCENT THRU YEAR END
	CONTRIBUTION REVENUES								
	Use of Money:								
8500	Interest	$ 16,191	$ 16,000	$ 12,323	$ 4,002.17			$ 16,325	102.0%
	Mandatory Contribution from Governments:								
8842	Local Government -- For FY 2019-20 apportionment to County, Cities, and Independent Special Districts ($363,499 total for each category)	1,105,497	1,090,497	1,090,497				1,090,497	100.0%
	Fees and Deposits (Current Services):								
9545	Individual Notice	8,916	14,300	5,429		1,000.00	1,000.00	7,429	52.0%
9555	Legal Services	70,067	28,000	14,050		3,193.31	1,159.98	18,404	65.7%
9595	Protest Hearing	3,000	10,800					-	0.0%
9655	GIMS Fees	825	10,945	1,055			550.00	1,605	14.7%
9660	Environmental	10,619	14,900	5,705		700.00	3,840.00	10,245	68.8%
9800	LAFCO Fees	69,389	98,795	42,895		11,604.74	38,921.80	93,422	94.6%
	Total Fees and Deposits	162,816	177,740	69,135	-	16,498.05	45,471.78	131,105	73.8%
	TOTAL CONTRIBUTION REVENUES	**1,284,504**	**1,284,237**	**1,171,954**	**4,002.17**	**16,498.05**	**45,471.78**	**1,237,926**	**96.4%**
	OTHER REVENUES								
9910	Prior Year Activity (refunds, collections)	$ (373)							
9930	Miscellaneous Revenues	265		580	106			685	
9970	Carryover of Open Proposals/Projects	(50)	31,982				115.76	116	
9970	Carryover from Prior Year, Assigned	50							
9973	Stale-dated Checks	1,000		38				38	
9990	SBCERA contributions	(184,963)						-	
	TOTAL OTHER REVENUES	**(184,071)**	**31,982**	**618**	**105.76**	**-**	**115.76**	**839**	**2.6%**
TOTAL REVENUES		$ 1,100,433	$ 1,316,219	$ 1,172,572	$ 4,107.93	$ 16,498.05	$ 45,587.54	$ 1,238,766	94.1%
	RESERVES FROM PRIOR YEAR								
9970	Contingency (Assigned)	$ 57,783	$ 49,327	$ 49,327				49,327	100.0%
9970	Net Pension Liability Reserve (Committed)	148,450		-				-	
9970	General Reserve (Assigned)	200,000	150,000	150,000				150,000	100.0%
9970	Compensated Absences Reserve (Committed)	89,708	97,377	97,377				97,377	100.0%
TOTAL RESERVES FROM PRIOR YEAR		$ 495,941	$ 296,704	$ 296,704	$ -	$ -	$ -	$ 296,704	100.0%
TOTAL REVENUE AND RESERVES		**$ 1,596,374**	**$ 1,612,923**	**$ 1,469,276**	**$ 4,107.93**	**$ 16,498.05**	**$ 45,587.54**	**$ 1,535,469**	**95.2%**