


# 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

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**SUBJECT:** Agenda Item #13: Unaudited Year-End Financial Report for  
FY 2019-20 to include Transfer from Reserves to Services and  
Supplies

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## **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.

Activity	Budget	Through June	
		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.

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

**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