

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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DATE: OCTOBER 11, 2007

FROM: MICHAEL TUERPE, LAFCO Analyst

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: **Agenda Item # 4: First Quarter Financial Report for Period
July 1, 2007 through September 30, 2007**

RECOMMENDATION:

No action is required. Note report and file.

BACKGROUND:

Staff is presenting the Commission with a spreadsheet that summarizes the Commission's expenditures and revenues for the period beginning July 1, 2007, through the end of the first quarter, September 30, 2007 (Attachment #1). The information attached shows that the Commission has incurred 28% of its anticipated expenditures and has received 84% of its anticipated revenues. The following information provides a discussion of these revenues and expenditures.

Expenditures

Although 28% of expenditures have been incurred, Total Expenditures are generally on target for the fiscal year. Expenditures within the 1000 series of accounts (Salaries and Benefits) are at 26% of expenditure authority. However, the first quarter included termination payments of the retiring Clerk (Account 1045) totaling \$13,220 (one-time payment that was budgeted) and seven pay periods. The Salaries and Benefits series also includes unbudgeted benefit increases for auto allowance, portable communication device allowance, and retirement medical trust fund contributions. The Commission at the July 2007 hearing approved these increases to mirror changes in the County's Exempt Compensation Plan. Additionally, a Dental Health Subsidy, which went into effect this fiscal year, is now reflected in Account 1215 (Dental Insurance).

At the time of the budget adoption, the County did not have a dedicated dental health account. The budget planned for this benefit, and funding is available in Account 1010 (Salary Reserve).

Expenditure items sensitive to activity levels in addition to one-time payments have brought expenditures within the 2000 series of accounts (Services and Supplies) to 32% of appropriation authority. The expenditures identified on the spreadsheet include:

- Full year and one-time payments totaling \$38,985 in Accounts:
 - 2075 (Memberships) for membership in professional organizations (\$5,500). One membership remains (\$600) with billing expected in November.
 - 2245 (Other Insurance) for property liability purchased through SDRMA (\$9,257). This is the full year cost and no additional costs are anticipated.
 - 2415 (COWCAP - Countywide cost allocation plan) for costs incurred from FY 05-06 (\$24,228).
- CEQA litigation related to LAFCO 3076 – Consolidation of the San Bernardino Valley Municipal Water District and the San Bernardino Valley Water Conservation District (Account 2400 Legal Counsel) totaling \$1,936. However, these costs are reimbursable.
- Travel expenses related to the CALAFCO conference totaling \$7,102 (2935 Other Travel).
- The elevated costs for increased Commission activity level attributable to FY 07-08 are identified as follows:
 - Processing of the County Fire Reorganization totaling \$12,136 (to include legal advertisement, printing, environmental review and notices, and legal charges).
 - Processing of the formation of the Phelan/Pinon Hills CSD totaling \$3,867

Given these one-time, full year, and reimbursable costs, expenditures are generally on target for the fiscal year. However, significant legal advertisement, publication and printing costs are anticipated for the upcoming months as the remaining costs for processing the County Fire Reorganization are received, the Commission begins its consideration of the San Bernardino Valley Municipal Water District and San Bernardino Valley Water Conservation District

consolidation, and completes its consideration of the municipal service reviews. Staff will closely monitor expenditures to ensure that costs are reported appropriately.

Revenues

The Commission has received 84% of its anticipated revenues, and the revenue receipts include 99.5% of the mandatory apportionment payments from the County, the cities and independent special districts billed by the County Auditor.

Of note, Account 8842 (Local Government Apportionment) has experienced 102% of budgeted revenues, even though 99.5% of the apportionment payments have been received. This circumstance is due to a calculation error by the Auditor in determining the apportionment. The recalculation of the apportionment as prepared by the Auditor increased for one district and reduced the apportionment obligation for 22 districts. The difference was increased for the one district (which had not yet paid) and refunded to the 22 districts. The refunds, totaling \$2,520, were withdrawn by the Auditor from Account 9990 (Trust Transfer) rather than Account 8842 (Local Government Apportionment).

Additionally, Account 9990 (Trust Transfer) also includes the \$30,000 repayment for the loan from the County received during FY 06-07.

Revenues within the fee and deposit categories are not meeting expectations, as illustrated by the percentage of receipts for Total Fee Revenue (19% of yearly estimate); although, the fees and deposits that comprise Total Fee Revenue vary, depending on the proposal. However, this amount does not include roughly \$20,000 in carryover from last year for deposits for active proposals.

At quarter's end, the Commission's operating fund had a balance of \$723,611.68.

Proposal Activity

Attachment #2 to this report is a chart outlining a comparison of the Commission's proposal type activity through September 30, 2007. To date, the Commission has received three proposals, eight service contracts, and has completed two service reviews, CSA 9 and CSA 56.

The staff will be happy to respond to any questions on this information prior to or at the hearing.

MT/

Attachments:

1. First Quarter Status Report Spreadsheet Expenditures and Revenues
2. Chart Illustrating Proposal Activity through September 30, 2007