



Solano Local Agency Formation Commission

675 Texas St. Ste. 6700 • Fairfield, California 94533

(707) 439-3897 • FAX: (707) 438-1788

Finance Committee

Members: Commissioner Sanchez and Alternate Commissioner Smith

Location

Solano County Government Center

675 Texas Street Ste. 6700

Fairfield, CA 94533

January 30, 2018

9:00 AM

Public parking is available on the second floor of the parking garage adjacent to the Solano County Government Center. Vehicular entrance to the parking garage is on Delaware St.

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact the LAFCO staff, at (707) 439-3898, by e-mail to mmcintyre@solanolafco.com. Requests must be made as early as possible, and at least two business days before the start of the meeting.

If you or your agent has made a contribution of \$250 or more to any Commissioner or Alternate during the 12 months preceding the decision, you and the Commissioner are obligated to disclose the contribution and that Commissioner or Alternate must disqualify himself or herself from the decision. However, disqualification is not required if the Commissioner or Alternate returns the campaign contribution within thirty (30) days of learning both about the contribution and the fact that you are a participant in the proceedings.

If you wish to speak on an agenda item, green speaker cards are provided. The cards must be completed and returned to the Commission's Clerk. The Commission limits speaker comments to three (3) minutes. The Commission may extend the time as necessary.

Commissioners

Nancy Shopay, Chair • Harry Price, Vice-Chair • Pete Sanchez • Jim Spering • John Vasquez

Alternate Commissioners

Len Augustine • Shawn Smith • Skip Thomson

Staff

Rich Seithel, Executive Officer • Michelle McIntyre, Analyst • P. Scott Browne, Legal Counsel

A G E N D A

1. CALL TO ORDER

2. ROLL CALL

3. PUBLIC COMMENTS

Opportunity for the public to speak to the Committee on any subject matter within the Committee's jurisdiction but not appearing on today's agenda.

4. Mid-Year Budget Status

Receive an update of the budget as of December 31, 2017, mid-year.

5. 2018-2019 Budget and Work Plan

Preliminary discussion of the 2018-2019 budget and work plan (No staff report)

6. Adjournment



Solano Local Agency Formation Commission

675 Texas St. Ste. 6700 • Fairfield, California 94533
(707) 439-3897 • FAX: (707) 438-1788

Staff Report

DATE: January 26, 2018 for the Meeting of January 30, 2018
TO: Finance Committee (Commissioner Sanchez and Alt. Commissioner Smith)
FROM: LAFCO Staff
SUBJECT: Mid-Year Budget Status, and Budget Appropriation Discussion

RECOMMENDATION:

- 1) Receive the mid-year budget status report.
- 2) Discuss making recommendations to the Commission to appropriate funds from Fund Balance.
- 3) Discuss making other recommendations to the Commission as related to the mid-year budget.

BACKGROUND:

The mid-year budget status provides an overview of LAFCO's expenses and revenues through December 31, 2017. The Commission's adopted operating budget for the current year is \$459,319. This included \$316,539 for salaries and employee benefits, and \$142,780 for services and supplies. At mid-year, expenditure (actuals plus encumbrance) totaled \$185,858 which represents approximately 40% of the adopted operating budget.

The operating budget was adopted with the anticipation that the fund balance from 2016-2017 would not be appropriated until mid-year due to the uncertainty of the starting date of the new Executive Officer.

Commissioners

Nancy Shopay, Chair • Harry Price, Vice-Chair • Pete Sanchez • Jim Spering • John Vasquez

Alternate Commissioners

Len Augustine • Shawn Smith • Skip Thomson

Staff

Rich Seithel, Executive Officer • Michelle McIntyre, Analyst • P. Scott Browne, Legal Counsel

Mid-Year Status:

It is important to note that the budget was developed with the intention that an executive officer employee would begin on July 1, 2017, the first day of the fiscal year. However, the new Executive Officer’s start date was approximately 3 pay periods into the fiscal year and that during this time period, the Commission relied on a consultant for executive services. Thus, the salaries and employee benefits category is only at 37% of the budgeted expenses. As an aside, consultants are paid from Services and Supplies budget line items.

For the purposes of this report, the term “revenue” is broadly used to encompass all sources of funds used to finance LAFCO’s total expenditure. This includes funding from the county and cities, fees collected from changes of organization applications, and interest income. At mid-year, total revenue recognized was \$478,143, representing 104% of the anticipated budget amount. The higher than anticipated revenue can be attributed to fees collected from changes of organization applications.

The table below is a summary of the mid-year budget status.

Table - Summary of Mid Year Status

	2017-18 Adopted	Mid-Year – (Actual Plus Encumbrance)	Percent of Budget at Mid- Year
EXPENDITURES			
Salaries and Benefits	\$316,539	\$116,394	37%
Services and Supplies	\$142,780	\$69,464	49%
Total Expenditures	\$459,319	\$185,858	41%
REVENUES			
Intergovernmental Revenue	\$447,319	\$447,319	100%
Applications	\$10,000	\$29,661	296%
Interest Income	\$2,000	\$1,163	58%
Total Revenues	\$459,319	\$478,143	104%
Reserve	\$91,996	\$91,996	
Fund Balance	\$28,710	\$28,710	

Discussion of Fund Balance and Appropriation Options:

Fund Balance

The fund balance account represents the carry-over funds from the prior fiscal year’s budget. The Commission’s unappropriated fund balance from fiscal year 2016-2017 is \$28,710. As noted above, the Commission’s budget was adopted with the concept that the fund balance would be appropriated at mid-year at the Commission’s discretion. At the April 2017 public hearing, discussions centered on appropriating funds from the fund balance to pay-down the

CalPERS Unfunded Actuarial Liability (UAL) and funding the Commission's reserve assigned to legal defense.

CalPERS Unfunded Actuarial Liability (UAL)

As of June 30, 2016, LAFCO's UAL was \$21,605. The Commission gave direction to pay-off the CalPERS UAL within 5 years beginning FY 2016-2017. The first payment was made on August 2016 that fiscal year. As of June 30, 2017 (the last day of the prior fiscal year), per CalPERS, the Commission's UAL was \$16,143. The Committee may consider recommending that the Commission appropriate funds from the fund balance to make a payment within this fiscal year.

Reserve Other and Reserve Legal Defense

The Commission's contingency reserve (budget line item 000730 and identified as Reserve Other), totals \$91,996. This represents approximately 20% of the Commission's total expenditures for FY 2017-18. Per policy, attached, the contingency reserve is no less than 20% of the Commission's total expenditures. The Committee may consider recommending the Commission appropriate funds from the fund balance to increase the contingency reserve.

The Commission's Legal Defense reserve is currently unfunded. Per policy, the Commission may use fund balance (and other sources outlined in the attached policy) to fund its legal defense reserve account. Therefore, the Committee may consider recommending the Commission appropriate funds from the fund balance to the legal defense reserve account.

2018-2019 Budget

California Government Code Section 56381 allows the Commission to retain the fund balance to use in the next fiscal year's budget, 2018-2019. This would help off-set the cost to LAFCO's funding agencies. The Committee may consider recommending the Commission defer appropriating the fund balance until next fiscal year.

Summary of Possible Recommendations for the Committee to Consider:

In summary, the Finance Committee should discuss the fund balance and whether to: pay-down/pay-off the CalPERS UAL, increase the contingency reserve, fund the legal defense reserve, or leave as is and use the funds to off-set the costs of the 2018-2019 budget. Upon the Committee's recommendation, staff can then prepare a resolution for the Commission's consideration and approval at its February 26, 2018 meeting.

Attachments:

- A - Mid-Year Status Report
- B - Reserve Policy

DEPT: 3450 - LAFCO					
MID YEAR (MY) BUDGET: FY 17/18					
CATEGORY SUBJECT	Description	16/17 Actuals	17/18 Working Budget	Year to Date (12/31/17) Actuals Plus Encumbrances	Year to Date as Percentage of Working Budget
1000	SALARIES AND EMPLOYEE BENEFITS				
0001110	SALARY/WAGES REGULAR	\$ 91,785.92	\$241,940.00	\$ 93,028.25	38%
0001210	RETIREMENT-EMPLOYER	\$ 16,483.04	\$ 23,947.00	\$ 9,099.61	38%
0001212	DEFERRED COMP-COUNTY MATCH	\$ 130.50	\$ 260.00	\$ 60.00	23%
0001220	FICA-EMPLOYER	\$ 1,358.50	\$ 3,328.00	\$ 1,424.68	43%
0001230	HEALTH INS-EMPLOYER	\$ 16,377.67	\$ 31,320.00	\$ 9,031.47	29%
0001231	VISION CARE INSURANCE	\$ 152.55	\$ 312.00	\$ 69.63	22%
0001240	COMPENSATION INSURANCE	\$ 1,388.40	\$ 1,404.00	\$ 82.55	6%
0001241	LT DISABILITY INSURANCE ER	\$ 265.82	\$ 480.00	\$ 121.33	25%
0001250	UNEMPLOYMENT INSURANCE	\$ 434.00	\$ 868.00	\$ 434.00	50%
0001260	DENTAL INS-EMPLOYER	\$ 1,235.93	\$ 2,424.00	\$ 1,063.85	44%
0001270	ACCRUED LEAVE CTO PAYOFF	\$ 1,406.68	\$ 8,816.00	\$ 1,715.47	19%
0001290	LIFE INSURANCE-EMPLOYER	\$ 576.71	\$ 1,440.00	\$ 263.23	18%
TOTAL	SALARIES AND EMPLOYEE BENEFITS	\$131,595.72	\$316,539.00	\$ 116,394.07	37%
2000	SERVICES AND SUPPLIES				
0002021	COMMUNICATION-TELEPHONE SYSTEM	\$ 712.56	\$ 600.00	\$ 303.30	51%
0002025	CELLULAR COMMUNICATION SERVICE	\$ -	\$ -	\$ 25.00	#DIV/0!
0002026	CELL PHONE ALLOWANCE	\$ -	\$ -	\$ 175.00	#DIV/0!
0002028	TELEPHONE SERVICES	\$ 2,399.82	\$ 2,100.00	\$ 1,247.93	59%
0002051	LIABILITY INSURANCE	\$ 7,214.55	\$ 3,562.92	\$ -	0%
0002140	MAINTENANCE-BLDGS & IMPROVE	\$ 113.73	\$ -	\$ 203.22	#DIV/0!
0002170	MEMBERSHIPS	\$ 8,308.00	\$ 4,800.00	\$ 1,299.00	27%
0002171	PROFESSIONAL LICENSES & CERT	\$ -	\$ 800.00	\$ -	0%
0002180	BOOKS & SUBSCRIPTIONS	\$ -	\$ 400.00	\$ 67.51	17%
0002200	OFFICE EXPENSE	\$ 1,666.32	\$ 3,500.00	\$ 1,991.57	57%
0002202	CONTROLLED ASSETS \$1500-\$4999	\$ -	\$ -	\$ 2,621.50	#DIV/0!
0002203	COMPUTER COMPONENTS <\$1,500	\$ -	\$ 2,500.00	\$ -	0%
0002205	POSTAGE	\$ 140.61	\$ 500.00	\$ 27.61	6%
0002235	ACCOUNTING & FINANCIAL SERVICE	\$ 13,839.76	\$ 7,428.00	\$ 793.38	11%
0002245	CONTRACTED SERVICES	\$ 16,861.35	\$ 30,000.00	\$ 19,720.00	66%
0002250	OTHER PROFESSIONAL SERVICES	\$168,817.26	\$ 36,000.00	\$ 7,970.21	22%
0002266	CENTRAL DATA PROCESSING SVCE	\$ 7,916.71	\$ 9,000.00	\$ 4,623.00	51%
0002270	SOFTWARE	\$ -	\$ 600.00	\$ 660.00	110%
0002280	PUBLICATIONS AND LEGAL NOTICES	\$ 2,260.42	\$ 2,000.00	\$ 241.83	12%
0002285	RENTS & LEASES - EQUIPMENT	\$ 4,672.62	\$ 6,000.00	\$ 2,398.52	40%
0002295	RENTS & LEASES-BUILDINGS/IMPR	\$ 18,123.86	\$ 18,689.35	\$ 16,140.35	86%
0002310	EDUCATION & TRAINING	\$ -	\$ 2,000.00	\$ 360.00	18%
0002311	TUITION REIMBURSEMENT	\$ 1,100.00	\$ -	\$ -	
0002335	TRAVEL EXPENSE	\$ 11,082.39	\$ 10,000.00	\$ 7,178.25	72%
0002339	MANAGEMENT BUSINESS EXPENSE	\$ 129.77	\$ 300.00	\$ 321.90	107%
0002354	CAR ALLOWANCE	\$ -	\$ -	\$ 800.00	
0002355	PERSONAL MILEAGE	\$ 1,226.10	\$ 2,000.00	\$ 295.19	15%
TOTAL	SERVICES AND SUPPLIES	\$266,585.83	\$142,780.27	\$ 69,464.27	49%
9200	LICENSES, PERMITS & FRANCHISE				
0009229	LICENSES & PERMITS-OTHER	\$ 15,834.59	\$ 10,000.00	\$ 29,661.16	297%
TOTAL	LICENSES, PERMITS & FRANCHISE	\$ 15,834.59	\$ 10,000.00	\$ 29,661.16	297%
9400	REVENUE FROM USE OF MONEY/PROP				
0009401	INTEREST INCOME	\$ 3,154.65	\$ 2,000.00	\$ 1,162.68	58%
TOTAL	REVENUE FROM USE OF MONEY/PROP	\$ 3,154.65	\$ 2,000.00	\$ 1,162.68	58%
9500	INTERGOVERNMENTAL REVENUES				
0009511	OTHER GOVERNMENTAL AGENCIES	\$358,464.00	\$447,319.27	\$ 447,319.00	100%
TOTAL	INTERGOVERNMENTAL REVENUES	\$358,464.00	\$447,319.27	\$ 447,319.00	100%
9700	MISC REVENUES				
0009703	OTHER REVENUE	\$ 510.80	\$ -	\$ -	
TOTAL	MISC REVENUES	\$ 510.80	\$ -	\$ -	
	TOTAL EXPENDITURES	\$398,181.55	\$459,319.27	\$ 185,858.34	40%
	TOTAL REVENUES	\$377,964.04	\$459,319.27	\$ 478,142.84	104%
	NET	\$ 20,217.51	\$ -	\$ (292,284.50)	
0000730	Reserve Other		\$ 91,996.00	\$ 91,996.00	
0000740	Fund Balance		\$ 28,710.95	\$ 28,710.95	

Solano LAFCO Reserves Policy
Adopted June 14, 2010
Amended June 8, 2015
AMENDED FEBRURARY 27, 2017

GENERAL POLICY

It is the policy of the Commission to carry out its responsibilities by prudently planning ahead for economic downturns and unforeseen costs through its budgetary process.

RESERVES

- A. The Commission maintains a contingency reserve fund of not less than 20 percent of annual budgeted appropriations in any given year. This fund is intended for extraordinary, unbudgeted and high priority expenditures authorized by the commission. Transfers from the contingency reserve fund require a budget amendment approved by the commission with four (4) affirmative votes.
- B. Fund balance amounts remaining after the close of the fiscal year may be appropriated by LAFCO into the budget of a future year at the discretion of the Commission.
- C. The commission may appropriate revenue to establish and maintain a legal defense reserve fund to minimize the cost impact of litigation on the funding cities and the county in any given fiscal year. The Commission may use fund balance, general reserves above the 20% minimum, or other sources of revenue to fund its legal defense reserve.