

SHASTA LAFCO

Report to the Shasta Local Agency Formation Commission

From: Marissa Jackson, Analyst

Meeting Date: October 3, 2013
Agenda Item #: 5b
Subject: Financial Status Report (*Information*)

Background

This matter was postponed from the September 12, 2013, Commission meeting to allow staff to further review and make corrections to the spreadsheets presented at that time. This has occurred, and revised and updated financial reports for FY 2012-13 and year-to-date for 2013-14 are provided for Commission consideration.

FY 2012-13

The attached spread sheet comparing actual to budgeted expenses and revenues is self-explanatory. As the attached spreadsheet shows, some expected expenses reflected in the FY 2012-13 budget were not fully expended and others were exceeded. For the budgeted revenues last year, primarily consisting of participating agency contributions, there were not significant deviations from the budget, except for receipt of applicant proposal related fees.

Because the actual revenues exceeded the increased actual LAFCO expenses in FY 2012-13 there was a reduced reliance on fund balance transfers, and a somewhat higher resulting fund balance. Moreover, on further review of LAFCO's financial position by staff it has been determined that the previously assumed year end fund balance as of June 30, 2013, was understated. The 2012-13 adopted budget assumed an ending fund balance for that budget year of \$23,523. However, as the attached Fund Balance Summary indicates, based on actual LAFCO banking and Local Agency Investment Fund (LAIF) statements, the actual fund balance at the end of FY 2012-13 was \$92,051.

As discussed below, this has a direct impact on the beginning fund balance for FY2013-14, and related budget and operating issues.

FY 2013-14 - July 1, 2013 to Date

For year to date in FY 2013-14, higher than anticipated payroll costs as of the end of August are attributable to severance and mandatory accrued leave payments of the former Executive Officer following her separation from employment effective July 22, 2013. Extraordinary legal costs are attributable to LAFCO's General Counsel having been asked by the Commission to act as the Interim Executive Officer since that time. This higher than budgeted expense category has resulted in average monthly increased legal services line item costs of approximately \$5,500, which is equal to about 70% of the former Executive Officer's total compensation costs per month. That increased legal services expense will be eliminated upon the Commission's appointment of a new Executive Officer.

Concerning revenues to date, most member agencies have paid their Commission approved cost-share allocations for FY 2013-14. For those who have not include Burney Fire Protection District (in

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Attachments: Year to Date Budget Tables

process with the County Auditor), Fall River Mills Community Services District and Mayers Memorial Hospital. None of those agencies that have not yet paid their requested cost share amount have expressed an unwillingness or inability to make the requested payment to help fund Shasta LAFCO. Accordingly, there are no indications that the requested payments will not be forthcoming. Second billings were sent out by the Shasta County Auditor's Office on or about September 3, 2013.

As indicated above, further review by staff of LAFCO finances has revealed that previously stated carry-forward fund balance for FY 2013-14 was understated. The estimated fund-balance as presented by staff when the proposed FY 2013-14 budget was presented, which was not changed when the final budget was previously approved by the Commission on June 13, 2013, was \$31,500. However, the June 30, 2013, fund balance carried forward in the FY 2013-14 budget year was actually \$91,209, representing an understated beginning year fund balance by \$59,709.

Discussion

In effect, there has been a significant unexpected one-time LAFCO expense this year associated with the former Executive Officer's employment separation in July, and also a significant previously unaccounted for increased LAFCO fund balance that was carried over from FY 2012-13 into 2013-14.

The biggest potential unanticipated expense for the duration of FY 2013-14 will relate to Executive Officer services, which the Commission has determined to address on an independent contract basis. An estimate of net "uncommitted" resources expected to be available to fund Executive Officer contract services and other for the balance of FY 2013-14, considering extraordinary costs associated with the former Executive Officer's separation, expected related FY 2013-14 savings, and updated fund balance determinations, is attached (Estimated Uncommitted LAFCO Resources Summary).

As a result, for illustration purposes, if the foregoing estimates are realized during the rest of this year and if all such funds were to be committed by the Commission and expended to fund contract Executive Officer services and other unanticipated expenses for the balance of FY 2013-14, the effect would be to have the original expected year-end fund balance of in excess of \$30,000.00 at the end of June 2013. If the Commission determined to commit more or less funds for those contract services, the resulting year end fund balance would be increased or decreased accordingly.

Attachments: 2012-13 Budget vs. Actual Report
July 1, 2013 to Date Budget vs. Actual Report
Fund Balance Summary
Estimated Uncommitted Funds Summary

**SHASTA LAFCO 2012-13 ADOPED BUDGET
VS. ACTUAL THROUGH JUNE 30, 2013**

Expenses & Income Categories	2012-13 Adopted Budget	Actual 2012-13	Difference Between Budget & Actual	Percentage of Final Budget	Notes & Explanation
EXPENSES					
Employer Share Health/Dental	8,250	8,975	725	109%	SDRMA increased rates effective January 1, 2013
Employer Taxes	11,750	8,861	(2889)	75%	
Payroll	105,000	106,019	1019	101%	
Payroll - Temporary Personnel	300	0	(300)	0%	
Retirement	14,500	18,715	4215	129%	
Worker's Comp Exposure	1,200	849	(351)	71%	
Total Salaries & Benefits	141,000	143,420	2420	102%	Higher than anticipated PERS costs incurred.
Bank & Transfer Fees	100	2	(98)	2%	\$3,248 of FY 2-12-13 legal costs are attributed to FRVCSD proceedings that are the subject of discussions with that District.
Communications	3,100	2,191	(909)	71%	
Household Expense	750	542	(208)	72%	
Information Technology Tools & Equip	1,850	1,495	(355)	81%	
Legal Counsel	3,500	7,569	4069	216%	
Legal Reserves	0	0	0	0%	
Local Mileage Reimbursement	2,400	1,896	(504)	79%	
Memberships	3,250	3,183	(67)	98%	
Office Furnishings	250	0	(250)	0%	
Office Supplies	2,250	2,075	(175)	92%	
Postage & Shipping	1,600	1,017	(583)	64%	
Printing	1,000	748	(252)	75%	
Professional Svs Elections	400	0	(400)	0%	
Professional Svs Engineering	400	0	(400)	0%	
Professional Svs Audit	500	5,500	5000	1100%	
Professional Svs InfoTech	1,000	318	(682)	32%	
Professional Svs InfoTech - Website	800	279	(521)	35%	
Professional Svs Payroll Process	2,000	1,476	(525)	74%	
Professional Svs Planning and GIS	2,000	1,799	(201)	90%	
Property & General Liability	3,000	1,462	(1538)	49%	
Publications and Legal Notices	1,200	2,973	1773	248%	
Rents & Leases Equipment	2,500	2,362	(138)	94%	
Rents & Leases of Structures	10,750	11,029	279	103%	
Small Tools & Equipment	500	426	(74)	85%	
Software	350	299	(51)	85%	
Transportation/Travel - Staff Training	3,000	2,057	(943)	69%	
Transportation/Travel - Commissioner	3,000	4,600	1600	153%	
Utilities	2,000	1,438	(562)	72%	
Total Services & Supplies	53,450	56,734	3284	106%	This extraordinary expense occurs every 3-5 years.
Appropriation for Contingency	0	0	0%	0%	\$1200 of costs incurred were due to extraordinary FRVCSD SOI application processing costs.
Total Expenses	194,450	200,153	5,703.35	103%	\$1,984 in publication costs incurred were the result of the FRVCSD SOI application.
INCOME					
Interest Revenue	460	487	27	106%	
Contribution from Cities	62,000	62,000	0	100%	
Contribution from Shasta County	62,000	62,000	0	100%	
Contribution from Special Districts	62,000	62,000	0	100%	
Total Intergovernmental Revenues	186,000	186,000	0.00	100.0%	
Proposal Fees Received	0	11,350	11350		This does not include any fees for the FRVCSD SOI application fees invoiced but not paid.
Transfer Required from Reserves	7,990	2,306	(5684)	29%	
Miscellaneous Revenue	0	10	10		A FRVCSD invoice in the amount of \$12,500 for SOI application costs remains outstanding and under joint discussion.
Total Income	194,450	200,153	5,693	103%	
FUND BALANCE					
Expenditures Over/(Under) Revenue	7,990	2,306	(5684)	29%	
Operating Fund Balance	31,513	93,516	62003	297%	It appears that the adopted 2012-13 Budget did not account for the Local Agency Investment Fund (LAIF) fund balance.
Fund Balance Use or Addition	(7,990)	(2,306)	5684	29%	
Ending Fund Balance	23,523	91,209	67686	388%	

**SHASTA LAFCO 2013-14 ADOPED BUDGET
VS. ACTUAL TO DATE**

Expenses & Income Categories	2013-14 Adopted Final Budget	Year to Date through 9-30-13	Percentage of Final Budget	Actual for 2012- 13	Percentage 2013-14 Increase	Notes & Explanation
EXPENSES						
Employer Share Health/Dental	9,075	0	0.0%	8,975	1.1%	No more such expenses will be incurred this year if contract EO services are provided.
Employer Taxes	11,750	3,719	31.7%	8,861	32.6%	This year to date expense is primarily attributed to separation payments to the former Executive Officer including her accrued leave payout.
Payroll	105,000	42,903	40.9%	106,019	-1.0%	This year to date expense is primarily attributed to separation payments to the former Executive Officer including her accrued leave payout.
Payroll - Temporary Personnel	300	0	0.0%	0		
Retirement	17,400	1,421	8.2%	18,715	-7.0%	Such expenses will be significantly reduced if the EO function is performed by contract for the rest of this year.
Worker's Comp Exposure	1,200	403	33.6%	849	41.3%	Such expenses will be significantly reduced if the EO function is performed by contract for the rest of this year.
Total Salaries & Benefits	144,725	48,447	33.5%	143,420	0.9%	Significant reduced net salary & benefit costs will be incurred if EO contract services are provided.
Bank & Transfer Fees	100	(13)	-12.5%	2		Reversal of charges carried over from last FY
Communications	2,800	667	23.8%	2,191	27.8%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Household Expense	500	55	11.0%	542	-7.7%	
Information Technology Tools & Equip	1,850	0	0.0%	1,495	23.7%	
Legal Counsel	2,500	12,949	517.9%	7,569	-67.0%	This is the result of extraordinary costs for services with LAFCO's General Counsel serving as the Interim Executive Officer.
Legal Reserves	2,500	0	0.0%	0		
Local Mileage Reimbursement	2,400	0	0.0%	1,896	26.6%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Memberships	3,350	2,300	68.7%	3,183	5.2%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Office Furnishings	0	0	NA	0		
Office Supplies	2,000	63	3.2%	2,075	-3.6%	
Postage & Shipping	1,300	127	9.8%	1,017	27.9%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Printing	500	0	0.0%	748	-33.1%	
Professional Svs Elections	400	0	0.0%	0		
Professional Svs Engineering	400	0	0.0%	0		
Professional Svs Audit	2,500	1,000	40.0%	5,500	-54.5%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Professional Svs InfoTech	1,000	0	0.0%	318	214.5%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Professional Svs InfoTech - Website	650	220	33.8%	279	133.0%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Professional Svs Payroll Process	2,000	369	18.4%	1,476	35.5%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Professional Svs Planning and GIS	2,000	2,000	100.0%	1,799	11.2%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Property & General Liability	3,000	1,415	47.2%	1,462	105.2%	This expense category should be reviewed for possible costs reductions if necessary to manage expenses as this year proceeds.
Publications and Legal Notices	1,500	540	36.0%	2,973	-49.5%	
Rents & Leases Equipment	2,500	591	23.6%	2,362	5.8%	
Rents & Leases of Structures	11,100	3,714	33.5%	11,029	0.6%	
Small Tools & Equipment	500	0	0.0%	426	17.3%	
Software	350	0	0.0%	299	17.1%	
Transportation/Travel - Staff Training	2,000	0	0.0%	2,057	-2.8%	
Transportation/Travel - Commissioner	0	0	NA	4,600	-100.0%	
Utilities	1,500	480	32.0%	1,438	4.3%	
Total Services & Supplies	51,200	26,477	51.7%	56,734	-9.8%	Significant increased net services and supplies costs will be incurred if EO services are provided by contract.
Appropriation for Contingency	0	0	NA	0		
Total Expenses	195,925	74,924	38.2%	200,153	-2.1%	See the 10-3-13 "Financial Status Report" concerning related issues and options.
INCOME						
Interest Revenue	460	58	12.5%	487	-5.5%	
Contribution from Cities	62,000	62,000	100.0%	62,000	0.0%	
Contribution from Shasta County	62,000	62,000	100.0%	62,000	0.0%	
Contribution from Special Districts	62,000	58,423	94.2%	62,000	0.0%	\$3,577 in cost-share payments from participating agencies is outstanding.
Total Intergovernmental Revenues	186,000	182,481	98.1%	186,000	0.0%	
Proposal Fees Received	0	0		11,350	-100.0%	This does not account for any funds that may be received for FRVCSD SOI application fees invoiced but not paid.
Transfer Required from Reserves	9,465	0		2,306	310.5%	
Miscellaneous Revenue	0	1,500		10		Received from former Executive Officer for personal computing equipment as part of her separation.
Total Income	195,925	184,038	93.9%	200,153	-2.1%	See the 10-3-13 "Financial Status Report" concerning related issues and options.
FUND BALANCE						
Expenditures Over/(Under) Revenue	9,465			2,306	310.4%	
Operating Fund Balance	31,500			93,515	-66.3%	
Fund Balance Use or Addition	(9,465)			(2,306)	310.4%	
Ending Fund Balance	22,035			91,209	-75.8%	See the 10-3-13 "Financial Status Report" concerning related issues and options.

BANK INVESTMENT ACCOUNT FUND BALANCE SUMMERY

Banking Institution	Account No.	Account Type	June 30 2012 Bank Balance	June 30 2013 Bank Balance	Difference	Notes & Comments
U.S. Bank	1 534 9510 2045	Business Checking	11,475.05	31,707.55	20232.50	Regular checking account.
U.S. Bank	1 534 9704 6984	Business Checking	<u>0</u>	<u>438.56</u>	<u>438.56</u>	Used for minor acquisitions and debit card use for travel & lodging reservations.
Sub-Total			<u>11,475.05</u>	<u>32,146.11</u>	<u>20671.06</u>	
Local Agency Investment Fund	45-45-001	Investment Account	<u>80,576.49</u>	<u>59,063.22</u>	<u>(21513.27)</u>	Long-term interest bearing account from which transfers to operating account occur as needed.
TOTAL			<u>92,051.54</u>	<u>91,209.33</u>	<u>(842.21)</u>	Aggregate Beginning Year Balances and FY 2012-13 and FY 2013-14 Difference

SHASTA LAFCO
ESTIMATED UNCOMMITTED FUNDS SUMMARY
September 30, 2013

Extraordinary Expenses Incurred (July through October)

Former Executive Officer severance/accrued paid leave payment	\$27,901.74
Added Legal Counsel/Interim Executive Officer costs (Est.)	<u>16,543.00</u>
Sub-Total	<u>\$44,444.74</u>

Projected Executive Officer Compensation Expense Savings (June 22, 2013 through June 2014)

Salary	\$67,032.00
Health/Dental Insurance	9,075.00
Retirement	<u>11,108.00</u>
Sub-Total	<u>\$87,215.00</u>

Understated Funds Balance (As of July 1, 2013)

Actual June 30, 2013, Fund Balance	\$ 91,209.33
Assumed Fund Balance in FY 2013-14 Adopted Budget	<u>31,500.00</u>
Difference	<u>\$ 59,709.33</u>
PROJECTED NET INCREASED AVAILABLE FUNDS	<u>\$ 102,479.59</u>