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AGENDA REPORT
Consent | Action

TO: Chair Becker and Commissioners

FROM: Keene Simonds, Executive Officer
Erica Sellen, Commission Clerk

SUBJECT: **4th Quarter Budget Report for 2025-2026 | Administrative Close of the Fiscal Year**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review a report comparing budgeted and actual transactions through the fourth quarter as part of the administrative close of the fiscal year. The report details the Commission finished June 30th with an overall net surplus of $92,932 or 3.5%. The favorable result largely ties to operating expenses – led by professional services – finishing under budget, partially offset by lower-than-anticipated application-fee revenue as detailed. The report is being presented to the Commission to accept and file. No correcting budget amendments are needed, as all expense units concluded the year within their authorized balances.

BACKGROUND

San Diego LAFCO's adopted budget for 2025-2026 totals $3.164 million in matching expenses and revenues. The majority of budgeted expenses and revenues – $2.714 million – are allocated to operating accounts with the balance – $450,000 – tied to transacting State grants. Notably, the operating budget includes the Commission's allocation of $317,202 in reserves as offsetting revenue to help moderate the increase in apportionments made to local agencies. The total unrestricted cash balance at the start of the fiscal year was $1.672 million with $0.922 million left as unassigned monies.

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DISCUSSION

This item presents San Diego LAFCO with a comparison of budgeted to actual expenses and revenues through the fourth quarter as part of the administrative year-end close and in preparation for the outside audit review. A detailing of all booked expenses and revenues is provided as Attachment One. The item provides the Commission with the opportunity to review year-end trends relative to recent years with the opportunity to pull for discussion.

Agency Expenses

LAFCO's budgeted expense total for 2025-2026 is $3.164 million divided between $2.714 million in operating and $0.450 million in non-operating units. Through the close of the fiscal year, actual expenses total $2.549 million or 80.6% of budget, yielding savings of $0.615 million or 19.4%. Unit details of budgeted and actual amounts follow.

Operating: Salaries and Benefits | LAFCO budgeted $1.589 million in salaries and benefits largely tied to funding 8.0 full-time equivalent positions. Year-end actuals total $1.532 million or 96.4% of budget, yielding a savings of $0.057 million or 3.6%.

Operating: Services and Supplies | LAFCO budgeted $1.125 million in services and supplies largely tied to professional service expenses (e.g., legal, consultants) as well as payments to the County of San Diego for overhead and information technology. Year-end actuals total $0.966 million or 85.8% of budget, yielding a savings of $0.159 million or 14.2%.

Non-Operating | LAFCO budgeted $0.450 million in non-operating costs covering grant award payments. (Consistent with Commission action adopting the 2026-2027 budget, OPEB bond debt service has been administratively reclassified from this unit to operating services and supplies.) Year-end actuals total $0.052 million or 11.5% of budget, reflecting the timing of pass-through grant transactions.

Agency Revenues

LAFCO's budgeted revenue total for 2025-2026 is $3.164 million divided between $2.714 million in operating and $0.450 million in non-operating units. Through the close of the fiscal year, actual revenues total $2.642 million or 83.5% of budget. The resulting shortfall of ($0.522 million) is largely attributable to grant awards received below budget – offset by a corresponding reduction in grant payments – with the balance reflecting lower-than-expected application fees and interest earnings on the operating side. Unit details of budgeted and actual amounts follow.

Operating: Intergovernmental Fees | LAFCO budgeted $2.181 million in intergovernmental fees divided among the agency's four membership categories based on statutory formula. All invoices were collected.

Operating: Service Charges | LAFCO budgeted $0.200 million in application fees. Year-end actuals total $0.080 million or 40.2% of budget, yielding a deficit of ($0.120 million) or (60%).

Operating: Interest | LAFCO budgeted $0.015 million in interest earnings. Year-end actuals total $0.002 million or 13.4% of budget, yielding a shortfall of ($0.013 million) or (87%).

Operating: Reserves | LAFCO budgeted $0.317 million in reserve usage; the full budgeted amount was booked as utilized by year-end. As addressed in the analysis, the favorable operating result reduced the effective draw on reserves.

Non-Operating | LAFCO budgeted $0.450 million in non-operating revenues for anticipated grant awards. Year-end actuals total $0.061 million or 13.6% of budget, reflecting the timing of grant receipts.

ANALYSIS

San Diego LAFCO finished 2025-2026 with an overall net surplus of $92,932 or 3.5% – a favorable comparison from the prior year's shortfall. Importantly, no correcting amendments are required for the year: each expense unit concluded within its adopted authorized balance – the salaries and benefits unit at 96.4%, the services and supplies unit at 85.8%, and the non-operating unit at 11.5%. This means that, while several individual line-item accounts finished above their estimates, no amendments are needed to align unit totals with actuals. The favorable result largely ties to cost savings, with operating expenses finishing $216,329 or 8.0% under budget, led by curbing professional-service costs whenever possible during the fiscal year following the prior year's high-priority contract commitments; personnel costs also finished under budget. This overall favorable result was partially offset on the revenue side, where application fees and interest earnings finished well under budget. LAFCO also concluded the year with healthy reserves. While the adopted budget booked a $317,202 draw on unrestricted reserves, the favorable net result reduced the effective draw to an estimated $224,270 – leaving a preliminary year-end unrestricted fund balance near $1.45 million, equivalent to roughly three-fifths of actual operating costs and subject to the outside audit.

RECOMMENDATION

It is recommended San Diego LAFCO accept and file the final quarterly budget report for 2025-2026. This recommendation is consistent with Alternative One outlined below.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

Alternative One (recommended):
Accept and file the report with any additional direction to staff as needed.

Alternative Two:
Continue to a future meeting and provide direction to staff with respect to any additional analysis or information requested.

PROCEDURES

This item has been placed on the agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Respectfully,



Keene Simonds
Executive Officer

Attachment:

1) 2025-2026 Budget with Actuals Through June 30, 2026

San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

		FY2025			FY2026			
EXPENSES		Adopted	Amended	Actuals	ADOPTED	Actuals Thru 4th Quarter	% of Budget	$ Balance
Salaries and Benefits Unit								
Account	Description							
51110 +	Salaries and Per Diems	898,906	898,906	892,617	986,200	963,314	97.7%	22,886
51410	Retirement - SDCERA	350,146	350,146	352,251	384,503	369,035	96.0%	15,468
51415	Retirement - OPEB	10,196	10,196	9,047	11,112	6,515	58.6%	4,597
51450	Payroll Taxes	65,044	65,044	63,697	71,457	67,725	94.8%	3,732
51510 +	Group Insurance	143,481	143,481	115,039	134,394	124,822	92.9%	9,572
51560	Unemployment Insurance	1,000	1,000	362	1,000	245	24.5%	755
		1,468,773	1,468,773	1,433,013	1,588,667	1,531,656	96.4%	57,011
Services and Supplies Unit								
Account	Description							
52074	Communications	42,299	42,299	40,596	50,726	27,202	53.6%	23,524
52138	General Liability Insurance	14,194	14,194	15,599	15,599	16,775	107.5%	(1,176)
52178	Vehicle - Maintenance	1,000	1,000	1,814	1,000	1,944	194.4%	(944)
52182	Vehicle - Fuel	500	500	490	500	255	51.0%	245
52270	Memberships	38,736	38,736	25,467	34,807	27,696	79.6%	7,111
52304	Miscellaneous	50	50	18	50	8	16.0%	42
52330	Office: General Support	12,380	12,380	11,066	13,217	12,989	98.3%	228
52332	Office: Postage USPS	250	250	495	250	423	169.0%	(173)
52334	Office: Design + Printing	23,000	23,000	11,958	22,500	27,330	121.5%	(4,830)
52336	Office: Books and Guidelines	-	-	132	-	-		-
52344	Office: Supplies + Furnishings	12,100	12,100	13,783	10,300	14,054	136.4%	(3,754)
52354	Office: County Mail Services	10,000	10,000	7,817	10,000	9,292	92.9%	708
52370	Professional Services	445,767	698,558	698,558	566,600	455,986	80.5%	110,614
52490	Publications + Legal Notices	8,500	8,500	21,142	7,000	13,462	192.3%	(6,462)
52504	Leases: Equipment	4,500	4,500	3,335	4,000	2,684	67.1%	1,316
52530	Leases: Office Space	154,308	154,308	157,167	158,688	152,600	96.2%	6,088
52550	Special Expenses: County Overhead	33,000	33,000	57,293	58,000	60,739	104.7%	(2,739)
52562	Special Expenses: New Hire Checks	-	-	215	-	125		(125)
52566	Special Expenses: Minor Equipment	-	-	3,699	-	2,530		(2,530)
52610	Travel-Training | In County	2,700	2,700	14,193	2,700	2,805	103.9%	(105)
52612	Employee Auto + Reimbursements	8,700	8,700	11,068	8,700	10,936	125.7%	(2,236)
52622	Travel-Training | Out of County	15,050	15,050	23,771	15,050	8,474	56.3%	6,576
52721	IT: Network	18,000	18,000	18,193	18,000	19,322	107.3%	(1,322)
52723	IT: Data Center	30,000	30,000	12,504	27,000	8,827	32.7%	18,173
52725 +	IT: Financial Systems	25,000	25,000	18,083	23,000	16,771	72.9%	6,229
52732	IT: Desktop Computing	30,000	30,000	26,744	30,000	28,139	93.8%	1,861
52734	IT: Help Desk	2,331	2,331	1,608	2,331	1,479	63.4%	852
52750	IT: Catalog Equipment	25,000	25,000	6,389	10,000	7,604	76.0%	2,396
51421*	Debt Service: OPEB Bonds	34,092	34,092	33,591	33,000	33,265	100.8%	(265)
52758	Fleet Reimbursements: Lease	2,000	2,000	1,986	2,000	1,986	99.3%	14
		993,456	1,246,247	1,238,774	1,125,018	965,700	85.8%	159,318
	OPERATING EXEPENSE TOTAL	2,462,230	2,715,021	2,671,787	2,713,685	2,497,356	92.0%	216,329

EXPENSES CONTINUED…		FY2025			FY2026			
		Adopted	Amended	Actuals	ADOPTED Final	Actuals Thru 4th Quarter	% of Budget	$ Balance
Non Operating Unit								
Account No.	Description							
85000	Grant Award Payments	450,000	450,000	198,478	450,000	51,807	11.5%	398,193
		3,941,778	3,941,778	232,069	450,000	51,807	11.5%	398,193
	EXPENSE TOTALS	6,404,008	6,656,799	2,903,856	3,163,685	2,549,163	80.6%	614,522

REVENUES		FY2025		FY2026			
		Adopted	Actuals	ADOPTED Final	Actuals Thru 4th Quarter	% of Budget	$ Balance
Intergovernmental Unit							
Account No.	Description						
45918.1	Apportionments | County	1,621,345	623,997	654,902	654,902	100.0%	-
45918.2	Apportionments | Cities (less SD)	1,621,345	623,997	654,902	654,902	100.0%	-
45918.3	Apportionments | San Diego	810,956	312,108	327,566	327,566	100.0%	-
45918.4	Apportionments | Special Districts	1,621,345	734,786	544,113	544,113	100.0%	-
		5,674,990	2,294,888	2,181,483	2,181,483	98.5%	-
Service Charges Unit							
Account No.	Description						
46234	Application Fees	200,000	212,386	200,000	80,340	40.2%	119,660
		200,000	212,386	200,000	80,340	40.2%	119,660
Miscellaneous							
Account No.	Description						
44105	Interest and Dividends	15,000	9,084	15,000	2,005	13.4%	12,995
47540	Budgeted Use of Reserves	64,018	182,378	317,202	317,202	100.0%	-
		79,018	191,462	332,202	319,207	96.1%	12,995
	OPERATING REVENUE TOTAL	5,954,008	2,698,736	2,713,685	2,581,030	95.1%	132,655
Non-Operating Unit							
Account No.	Description						
85000	Grant Awards	450,000	172,415	450,000	61,065	13.6%	388,935
		450,000	172,415	450,000	61,065	13.6%	388,935
	REVENUE TOTALS	6,404,008	2,871,151	3,163,685	2,642,095	83.5%	521,590
TOTAL NET		-	-	-	92,932		

CASH FUND BALANCE ** (spendable - unrestricted)	FY2023 July 1st	FY2024 July 1st	FY2025 July 1st	FY2026 July 1st	FY2027 July 1st
Committed					
… Stabilization	500,000	500,000	500,000	500,000	-
… Opportunity	250,000	250,000	250,000	150,000	-
Assigned by EO	62,500	125,000	100,000	100,000	-
Unassigned	735,065	762,356	882,010	921,791	1,447,521
	1,547,565	1,637,356	1,732,010	1,671,791	1,447,521

* This expense has been adminstratively moved from the non-operating unit to an operating unit consistent with Commission action in adopting a FY27 budget

** Fund balance designations for FY27 have not been made by the Commission as of date.