

SAN MATEO

**LOCAL AGENCY FORMATION COMMISSION**

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March 9, 2016

To: LAFCo Commissioners
From: Martha Poyatos, Executive Officer
Subject: Consideration of Adoption of Draft Proposed 2016-17 LAFCo Budget

Summary:

Consider the Proposed 2016-17 Appropriations Budget of \$454,535 which includes a Net Operating Budget of \$323,821 resulting in one-third apportionment of \$107,940 to the County, cities and special districts. Following public comments adopt the Proposed Budget with any desired amendments and direct the Executive Officer to schedule consideration of Final Budget for public hearing at the May 18 Commission meeting and distribute the Final Budget to the County, cities and special districts.

Budget Review Schedule and Background

Section 56381 of the Cortese-Knox-Hertzberg (CKH) Act, which covers adoption of the LAFCo budget, requires Commission consideration of both a proposed and final budget at the following intervals:

1. By May 1, the Commission shall adopt a "Proposed" Net Operating Budget at a noticed public hearing following circulation to the County, cities and independent special districts.
2. By June 15, the Commission shall adopt a "Final" Net Operating Budget at a noticed public hearing following circulation of the recommended final budget to the County, all cities, and all independent special districts.

The Act also provides that the Proposed and Final Budgets shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs of the Act. There is also a provision for carryover of unused funds to the subsequent year's budget and the Act requires that the LAFCo net operating budget be apportioned in thirds to the County, the cities, and independent special districts¹. Also,

¹ Apportionment of the one-third shares to individual cities and special districts is calculated by the County Controller based on a proportionate share of revenues reported in the most recent edition of the State Controller's reports on cities and special districts. These reports are not yet

because the Proposed and Final Budgets are adopted before the end of the fiscal year and include an estimate of fund balance carryover, once the current fiscal year closes and the actual fund balance carryover is determined, the Commission must consider revisions to the budget to reflect application of the actual fund balance carryover.

The Commission's budget is based on costs associated with LAFCo's contract with the County of San Mateo for staffing, offices, supplies, and legal counsel. The attached draft proposed budget, updated with revised cost and fund balance estimates since reviewed by the Budget Committee has been distributed to the County, cities and independent special districts. The budget document includes the 2013-14, 2014-15, 2015-16 budget information and the draft Proposed 2016-17 Fiscal Year Budget. The mandated schedule requiring a preliminary budget action by the Commission in March requires staff to use estimates for some 2016-17 costs that have not yet been provided and update this information for the Final Budget to be considered at the May meeting.

The Adopted 2014-15 Budget included a full year of the half-time secretarial position and included a total of \$100,000 for consulting (carryover of \$50,000 from FY 13-14 and an additional \$50,000.) Studies completed included the North County and Harbor District MSRs. In 2015-16, the Commission appropriated \$65,000 in special reserve in the event of the need to hire consultants or augment legal fees and these funds were not spent. This year's estimated fund balance carry over is \$100,714. The Proposed 2016-17 budget includes an appropriation for consulting of \$60,000 of the fund balance carry over, \$14,714 in special reserves allowing for \$26,000 of the fund balance carry over to be used to offset the net operating budget and the County, city and special district apportionment shares. This recommendation takes into consideration hiring consultants to prepare a municipal service review and sphere of influence update for the health care districts. The Committee considered the recommendation to appropriate funds for this purpose and supported the recommendation.

Estimated Actual 2015-16 Budget

The 2015-16 Adopted Budget includes appropriations for the Executive Officer position, half-time Executive Secretary, Commission meetings, County Counsel, general operating expenditures including rent, supplies, travel and meetings. Estimated expenditures are less than budgeted primarily due to savings resulting from less than budgeted County Counsel charges, and unspent reserves and other service charges. It is estimated that actual appropriations will be \$107,714 less than adopted in spite of a Board of Supervisors' approved salary increase of 3 percent that took effect on October 11, 2015. On the revenue side, revenues include fund balance carryover; application fees (estimated to come in \$7,000 under the projected amount); and intergovernmental revenue from the County, cities and special districts.

available. For estimation purposes, agencies can use the apportionment share calculated by the County Controller for Fiscal Year 2015-16.

Based on estimated revenues and expenditures, the estimated fund balance carryover that can be applied to the 2016-17 Fiscal Year is \$100,714.

Proposed Draft 2016-17 Budget

While the CKH Act sets a deadline for adoption of a budget by July 1st, LAFCo prepares the budget earlier in the fiscal year than does the County of San Mateo so that funding agencies can include the mandated apportionment for LAFCo in their budget development. For this reason, as noted above some charges for 2016-17 are not yet available and it is necessary to estimate current year actual expenditures. Some appropriations may therefore need adjustment prior to Commission consideration of a final budget in May. Also, the draft budget includes an estimate of insurance through the California Special Districts Association (CSDA) and a more exact number will be included when the CSDA provides the quote for the upcoming year.

Meetings and Conferences (Account 5721) appropriation is maintained at \$8,000 based on the annual CALAFCO conference venue in Santa Barbara and budgeting for staff to attend the staff conference to be held in Fresno.

The Proposed Draft 2016-17 Fiscal Year Appropriations Budget as presented is approximately \$21,713 lower than the Adopted 2015-16 Appropriations Budget. As required by Section 56381, if the adopted budget is less than the previous year, the Commission must make a finding that reduced program costs allow the Commission to fulfill the purpose and programs of the Act. Staff believes the Commission can make this finding.

Application of a portion of the estimated fund balance to offset the Net Operating Budget² and agency contributions results in the Net Operating Budget being lower as well. This reflects the Commission's practice of minimizing impacts to funding agencies and operating with a staff of less than two full-time positions. The draft net operating budget of \$323,821 results in one-third shares of \$107,940 to the County, cities, and special districts, compared to \$111,639 in the 2015-16 Fiscal year.

Salary and Benefits

Salary and benefits of \$284,804 reflects the negotiated salary increases of 3% effective October 2016 which is offset by reduced health benefit costs.

Application of Fund Balance

Fund balance is budgeted as one-time revenue. The fund balance fluctuates each year based on the difference between adopted expenditures and revenues and actual expenditures and revenues. As noted above, of the estimated fund balance of \$100,714,

² The Net Operating Budget is the Appropriations Budget less fund balance and application fee revenue.

\$60,000 is budgeted for consulting, \$14,714 is budgeted in special reserve and \$26,000 is applied to offset the operating budget and agency contributions.

Recommendation

- 1) Open the Public Hearing and accept public comment.
- 2) Consider and approve by resolution the attached Proposed Draft Appropriations Budget of \$454,535 and Net Operating Budget of \$323,821. The attached resolution includes the finding required by Section 56831 that the reduced program costs allow the Commission to fulfill the purpose and program of the Act.
- 3) Direct the Executive Officer to schedule the Final 2016-17 Budget for a public hearing at the May 18, 2016 Commission meeting and circulate the Final Budget with any necessary amendments to the County, cities and independent special districts.

Attachments: Budget Narrative and Spreadsheet

Distribution: County of San Mateo, Cities, Independent Special Districts

LAFCO PROPOSED 2016-17 BUDGET NARRATIVE

The following provides a narrative to the attached budget spreadsheet and reflects costs associated with LAFCo's contract with the County of San Mateo for staffing, office space, supplies and legal counsel.

Salary & Benefits (4111 through 4161)

Salary and benefits of \$287,964 includes the County position of Principal Management Analyst that serves as Executive Officer by contract with the County, 0.5 FTE Executive Secretary salary and benefits, Executive Officer administrative leave cash out, and Commissioner stipend of \$100 per bi-monthly meeting. Salary and benefits increases reflect the negotiated salary increases totaling of 3% approved by the Board of Supervisors but are offset by reduction in health insurance premiums.

Services & Supplies**Outside Printing (5191)**

Appropriation of \$1,000 for copying and printing by outside print shops for special community mailings or workshop distribution of MSRs that cannot be distributed electronically.

General Office Supplies (5193)

A flat appropriation of \$500 for incidental office supplies provided to LAFCo.

Photocopy (5196)

A flat appropriation of \$500 for incidental copies made from the Planning Department copier where the LAFCo office is located.

Postage & Mailing (5197)

Appropriation of \$1,500 for postage/ mailing service through the County mailroom.

Records Storage (5218)

Appropriation of \$200 for offsite records storage.

Memberships (5331)

Estimated CALAFCo dues of \$5,864 and estimated California Special Districts Association dues of \$1,426.

Legal Advertising (5341)

Appropriation of \$1,500 for legal notices published in newspapers for LAFCo hearing items that require notice.

Mileage Allowance (5712)

Appropriation of \$250 for mileage reimbursement for staff attendance at off-site meetings or site visits.

Meetings & Conferences (5721)

Appropriation of \$8,000 for Commission and staff attendance and travel related to CALAFCO Annual Workshop and Staff Workshop based on the venue for each event (four Commissioners and Executive Officer to attend the Annual Conference in Santa Barbara, and staff attendance at the CALAFCO staff workshop in Fresno).

Training (5733)

Appropriation of \$250 for educational classes, workshops, or training related to LAFCo or CEQA.

Fiscal Office Specialist (5810)

Appropriation of \$988 for a County Fiscal Office Specialist to process LAFCo accounts receivable, accounts payable, and payroll.

Graphics/GIS (5848)

Appropriation of \$4,500 for GIS and other mapping services for LAFCo studies and sphere updates.

Consulting (5856)

Appropriation of \$60,000 in consulting fees for preparation of a municipal service review and sphere update for the health care districts.

GIS (5861)

Appropriation of \$2,500 for special work completed by ISD/Public Works GIS mapping related to LAFCo applications or studies.

Controller (5872)

Estimated Cost of \$1,641 for administering the apportionment and collection of LAFCo budget to county, cities, and special districts.

Telephone (6712)

Telephone charges of \$670 for Executive Officer and Executive Secretary phone lines.

Other Information Services Department (ISD) Services (6713)

An estimate of \$8,377 is being used as place holder until ISD provides the 2016-17 estimate for computer support, connectivity, etc.

Rent (6714)

Rent charges of \$3,540.

General Liability & Bond Insurance (6725)

Estimated Appropriation of \$4,651 for insurance through CSDA and employee bond insurance with County of San Mateo.

County Counsel (6732)

Appropriation of \$30,000 for County Counsel charges. This appropriation is based on requirement for indemnification by applicants for all annexation/reorganization proposals.

A-87 Charges (6821)

Indirect charges such as Human Resources, County Manager, are \$4,656. A-87 is an Office of Management and Budget (OMB) circular or guideline that sets forth principles and standards for the determination of costs applicable to programs funded externally such as Federal and State government. Also referred to as the Countywide Cost Allocation Plan, the County uses A-87 guidelines to obtain reimbursement from Federal, State and non-General Fund programs for departments that do not charge directly for services rendered. For example, the Controller's Office does not charge departments for payroll services. However, the cost of providing payroll services to Non-General Fund Departments and programs receiving external governmental funds for this specific purpose is recovered through A- 87.

Reserve (8612)

Amount of \$12,810 in reserve for unanticipated expenditures, historically set at 3 percent of gross appropriations. Commission authorization is required to spend reserve.

One-time Reserve

Amount of \$14,714 appropriated in addition to the 3 percent reserve at Commission discretion. Commission authorization is required to spend one-time reserve.

LAFCo	Proposed Draft 2016-17	Actual 2013-14	Adopted	Final	September	Estimated	Proposed
	3/9/2016		Revised 2014-15	Actual 2014-15	Revised 2015-16	Actual 2015-16	Draft 2016-17
4111	Salary & Benefits Executive Office	196,912	205,258	208,804	223,164	223,164	222,136
4111	Salary & Benefits Executive Sec	24,115	52,000	40,760	54,000	48,000	51,868
4141	Admin. Leave Cash Out (E.O.)	5,074	5,300	4,848	6,000	6,000	6,000
4161	Commissioner Compensation	4,200	4,800	3,400	4,800	4,800	4,800
	County Annuity	5,048	7,853	1,986	0	0	0
	SALARIES & BENEFITS	235,349	275,211	259,798	287,964	281,964	284,804
	Prior Year Refund/withdrawn application			1,287			
	Refund County overpayment in 2014/15				12,416	12,416	0
5191	Outside Printing (other special p	113	1,000	0	1,000	0	1,000
5193	General Office Supplies	583	500	514	500	500	500
5196	Photocopy - in-house copier	0	500	500	500	500	500
5197	Postage & Mailing Service	572	1,500	168	1,500	350	1,500
5212	Computer Equipment under \$5,	4,002					
5331	Memberships (CALAFCo/CSDA)	6,281	6,268	6,455	6,649	6,637	7,100
5341	Legal Advertising	1,624	1,500	310	1,500	950	1,500
5712	Mileage Allowance/Motor Pool	107	250	250	250	200	250
5721	Meetings & Conferences	6,171	8,000	5,338	8,000	7,500	8,000
5733	Training	0	250	0	250	0	250
5810	Fiscal Office Specialist	988	988	988	988	988	988
5218	Corovan Records Storage	234	200	209	200	150	200
5848	Graphics	0	4,500	0	4,500	0	4,500
5858	Consulting	-	100,000	95,398	16,557	16,557	60,000
5962	Admin Asst. Shared with Parks.	2,561	0	0	0	0	0
5861	GIS Mapping	0	2,500	0	2,500	0	2,500
5872	Controller Admin**	1,740	2,440	1,552	1,660	1,660	1,641
6712	Telephone	502	670	391	500	425	500
6713	ISD (Automation Services)	5,480	4,650	4,238	8,377	6,800	8,377
6714	Rent	2,703	2,703	2,703	3,540	3,540	3,504
6722	countywide security and hr	105	0	34	90	90	90
6725	Gen'l Liability & bond ins.	3,423	4,229	3,319	4,651	4,651	4,651
6732	County Counsel	8,366	30,000	10,983	30,000	18,000	30,000
6821	A 87 Charges	4,135	4,135	2,576	5,178	4,656	4,656
	Subtotal Appropriations	285,039	451,994	397,011	399,270	368,534	427,011
8612	Reserve 3%	0	13,560	0	11,978	-	12,810
	one time reserve (portion of fur	0	29,068	0	65,000	-	14,714
	Total Appropriations Budget	\$285,039	\$494,622	\$397,011	476,248	368,534	454,535
	Revenues						
	Fund Balance ***	91,865	122,268	122,268	111,331	111,331	100,714
	Unanticipated Rev-Env. Review Fee			14,745			
	Application Fees	19,533	30,000	16,559	30,000	23,000	30,000
	Intergov. Revenue (County/City	295,909	342,354	354,770	334,917	334,917	323,821
	Total Revenues	\$407,307	\$494,622	\$508,342	476,248	469,248	454,535
	County/City/District 1/3 Apportionmen	\$98,636	\$114,118	114,118	111,639	111,639	107,940

***Fund balance for 15/16 - savings in various accounts, county overpayment and carry over of consulting.