

SAN MATEO

**LOCAL AGENCY FORMATION COMMISSION**

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 11, 2015

To: LAFCo Commissioners
From: Martha Poyatos, Executive Officer
Subject: Draft Proposed 2015-16 LAFCo Budget

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 CKH 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, 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—reviewed by the Budget Committee and subsequently distributed to

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 available. For estimation purposes, agencies can use the apportionment share calculated by the County Controller for Fiscal Year 2014-15.

the County, cities, and independent special districts—includes the 2012-13, 2013-14, and 2014-15 budget information and the Draft Proposed 2015-16 Fiscal Year Budget. Past budgets reflect the salary freeze implemented in 2008 and increases in benefits costs. Key fluctuations include primarily fund balance, secretarial support costs, consulting services, and County Counsel charges.

In the 2013-14 Fiscal Year, the Commission approved an appropriation of \$50,000 for consultant-prepared Municipal Service Reviews (MSRs). Because the Request for Proposal (RFP) had to be reissued, these funds were carried over to the 2014-15 Fiscal Year. Also at midyear, the Commission approved hiring a half-time Executive Secretary, which had no net impact on the Adopted Budget because funds could be transferred from Secretarial Support and County Counsel to fund the position for half of a fiscal year.

The Adopted 2014-15 Budget included a full year of the half-time secretarial position and includes a total of \$100,000 for consulting (carryover of \$50,000 from Fiscal Year 2013-14 and an additional \$50,000.) Consulting contracts underway include the North County and Harbor District MSRs.

The Draft Proposed 2015-16 Budget does not include an appropriation for consulting but does include \$40,000 of the fund balance carryover in “Special Reserve.” This would allow the Commission to transfer funds if it is determined that consulting services should be funded during the fiscal year.

Estimated Actual 2014-15 Budget

The 2014-15 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. It is estimated that actual appropriations will be \$67,000 less than adopted in spite of a Board of Supervisors’ approved salary increase of 4 percent that took effect on October 12, 2014. On the revenue side, funds include fund balance carryover; application fees (estimated to come in \$10,000 under the projected amount); and intergovernmental revenue from the County, cities, and special districts.

Based on estimated revenues and expenditures, the estimated fund balance carryover that can be applied to the 2015-16 Fiscal Year is \$57,435. Note that the higher fund balance carryover applied to the 2014-15 Fiscal Year resulted from non-expenditure of the \$50,000 appropriation for consulting, which was carried over to the current year.

Draft Proposed 2015-16 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, please note that some charges for 2015-16 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. 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 Los Angeles and budgeting for staff to attend the staff conference to be held in Santa Barbara.

The Draft Proposed 2015-16 Fiscal Year Budget as presented is approximately \$73,000 lower than the Adopted 2014-15 budget, due primarily to applying a portion of the estimated fund balance to a reserve and not allocating funds for consulting. The Committee considered whether to place a portion or all of the estimated fund balance in the consulting account versus reserve and supported placing it in reserve with the option of transferring funds during the fiscal year if there is an identified need for consulting. This reflects the Commission's practice of minimizing impacts to funding agencies and operating with a staff of less than two full-time positions.

While the proposed 2015-16 Gross Appropriations Budget is lower than the Adopted 2014-15 appropriations, the Proposed Net Operating Budget (appropriations less fee revenue and fund balance) of \$391,316 is approximately \$49,000 greater than the 2014-15 Adopted Net Operating Budget. This is because the estimated fund balance carryover is \$64,833 lower than the previous fund balance carryover. The net operating budget of \$391,316 results in one-third shares of \$130,439 to the County, cities, and special districts, or an increase of 14 percent.

Salary & Benefits

Salary and benefits of \$287,964 reflects the negotiated salary increases totaling \$12,753 approved by the Board of Supervisors in November 2014. The increase is offset by elimination of the County annuity beginning in the 2015-16 Fiscal Year.

Rent

Rent reflects a 31 percent increase as determined by the County Department of Public Works and results from a change in the methodology of allocating rent for county facilities and an increase in labor costs following negotiated salary increases.

Consulting

In lieu of continuing the \$50,000 in consulting fees that has been appropriated in the current and previous fiscal years, staff has included an appropriation of \$40,000 in a

special one-time reserve leaving the potential for contracting with a consultant for future studies.

ISD Automation Services/IT Support

Estimates provided by the Information Services Department (\$8,377 compared to Actual of \$5,401) are subject to ongoing discussion and may be adjusted prior to the March 18 meeting.

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. Of the estimated fund balance of \$57,435, \$40,000 is applied as special reserve.

Recommendations

- 1) Open the Public Hearing and accept public comment.
- 2) Consider and approve by resolution the attached Draft Proposed Budget of \$421,316, which reflects a decrease in total appropriations of \$73,306. As presented, the budget funds a dedicated half-time secretarial position and includes a 3 percent reserve and a one-time reserve of \$40,000.

Attachments: Budget Narrative and Spreadsheet

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

LAFCO PROPOSED 2015-16 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, Commissioner stipend of \$100 per bi-monthly meeting, and County Annuity. County salaries were frozen from 2008 to November 2013. Salary and benefits increases reflect the negotiated salary increases totaling \$12,753 that was approved by the Board of Supervisors in November 2014. The increase is offset by elimination of the County annuity beginning in the 2015-16 Fiscal Year.

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)

Appropriation of \$6,562 for estimated CALAFCO dues of \$5,481 and estimated California Special Districts Association (CSDA) dues of \$1,081.

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 Los Angeles, and staff attendance at the CALAFCO staff workshop in Santa Barbara).

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)

No appropriation. In lieu of continuing the \$50,000 in consulting fees that has been appropriated in the current and previous fiscal years, an appropriation of \$40,000 is included in a special one-time reserve leaving the potential for contracting with a consultant for future studies.

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 \$1,660 for administering the apportionment and collection of LAFCo budget to county, cities, and special districts.

Telephone (6712)

Telephone charges of \$500.

Other Information Services Department Services (6713)

Estimates provided by the Information Services Department (\$8,377 compared to Actual of \$5,401) are subject to ongoing discussion and may be adjusted prior to the March 18 meeting.

Rent (6714)

Rent charges of \$3,540, reflecting a 31 percent increase as determined by the County Department of Public Works.

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 \$5,178. 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 \$11,106 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 \$40,000 appropriated in addition to the 3 percent reserve at Commission discretion. Commission authorization is required to spend one-time reserve.

Draft Proposed 2015-16 LAFCo Budget						
draft 3/3/15		Actual	Actual	Adopted	Estimated	Proposed
		2012-13	2013-14	Revised	Actual	Draft
				2014-15	2014-15	2015-16
4111	Salary & Benefits Executive Officer	196,760	196,912	205,258	210,790	223,164
4111	Salary & Benefits Executive Secretary	3,900	24,115	52,000	52,000	54,000
4141	Admin. Leave Cash Out (E.O.)	2,000	5,074	5,300	5,300	6,000
4161	Commissioner Compensation	5,152	4,200	4,800	4,800	4,800
	County Annuity		5,048	7,853	3,972	0
	SALARIES & BENEFITS	207,812	235,349	275,211	276,862	287,964
5191	Outside Printing (other special printing)	199	113	1,000	0	1,000
5193	General Office Supplies	500	583	500	500	500
5196	Photocopy - in-house copier	500	0	500	500	500
5197	Postage & Mailing Service	1,110	572	1,500	650	1,500
5212	Computer Equipment under \$5,000	-	4,002			
5331	Memberships (CALAFCo/CSDA)	6,110	6,281	6,268	6,488	6,562
5341	Legal Advertising	1,229	1,624	1,500	600	1,500
5712	Mileage Allowance	103	107	250	250	250
5721	Meetings & Conferences	4,736	6,171	8,000	6,500	8,000
5733	Training	0	0	250	0	250
5810	Fiscal Office Specialist	950	988	988	988	988
5218	Corovan Records Storage (new 09/10)	164	234	200	200	200
5848	Graphics	0	0	4,500	0	4,500
5856	Consulting**		-	100,000	104,970	
5962	Admin Asst. Shared with Parks.	8,132	2,561	0	0	0
5861	GIS Mapping	0	0	2,500	0	2,500
5872	Controller Admin**	2,440	1,740	2,440	1,552	1,660
6712	Telephone	571	502	670	500	500
6713	ISD (Automation Services)	6,383	5,480	4,650	5,401	8,377
6714	Rent	2,944	2,703	2,703	2,703	3,540
6722	countywide security and hr	0	105	0	90	90
6725	Gen'l Liability & bond ins.	3,418	3,423	4,229	4,229	4,651
6732	County Counsel	5,871	8,366	30,000	11,500	30,000
6821	A 87 Charges	-2,636	4,135	4,135	2,704	5,178
	Subtotal Appropriations	250,536	285,039	451,994	427,187	370,210
8612	Reserve 3%		0	13,560	0	11,106
	one time reserve (portion of fund balance)		0	29,068	0	40,000
	Total Appropriations Budget	\$250,536	\$285,039	\$494,622	\$427,187	421,316
	Revenues					
	Fund Balance ***	66,176	91,865	122,268	122,268	57,435
	Application Fees	36,497	19,533	30,000	20,000	30,000
	Intergov. Revenue (County/City/Dist)	232,377	295,909	342,354	342,354	391,316
	Total Revenues	\$335,050	\$407,307	\$494,622	\$484,622	478,751
	County/City/District 1/3 Apportionment	\$77,459	\$98,636	\$114,118	114,118	130,439

**RFP for consulting reissued and to be funded in FY 2014/15

***Fund balance in 14-15 FY reflects consulting appropriation of \$50,000 carried over to FY 2014/15

County of San Mateo LAFCO

Apportionment of LAFCO's Net Operating Expenses - AB2838 / GC 56381

- Cities

Sample Proportion
to use for 2015-16
Fiscal Year

Apportionment For Fiscal Year: **2014-2015**

Net Operating Expenses: \$ 342,354
 Apportionment Ratio: 1/3
 Apportionment Amount: \$ 114,118

State Controller's Annual Report for Fiscal Year: **2011-12** (see Note 1)

<u>City</u>	<u>Total Revenues</u> (Note 1)		<u>State Annual Report</u> <u>Page Ref.</u>	<u>Proportion</u> (%)	<u>Share</u>
1 Atherton	\$ 14,131,629	ok	23	1.2658%	1,444.00
2 Belmont	35,488,549	ok	30	3.1787%	3,627.00
3 Brisbane	22,252,119	ok	37	1.9931%	2,276.00
4 Burlingame	87,219,437	ok	39	7.8122%	8,915.00
5 Colma	14,301,810	ok	55	1.2810%	1,462.00
6 Daly City	95,186,230	ok	64	8.5258%	9,729.00
7 East Palo Alto	26,633,428	ok	73	2.3856%	2,722.00
8 Foster City	34,406,973	ok	86	3.0818%	3,517.00
9 Half Moon Bay	19,879,800	ok	97	1.7806%	2,032.00
10 Hillsborough	37,765,946	ok	103	3.3827%	3,860.00
11 Menlo Park	65,741,855	ok	142	5.8885%	6,720.00
12 Millbrae	51,547,922	ok	143	4.6171%	5,269.00
13 Pacifica	41,407,961	ok	164	3.7089%	4,233.00
14 Portola Valley	5,891,915	ok	178	0.5277%	602.00
15 Redwood City	181,572,043	ok	184	16.2634%	18,558.00
16 San Bruno	77,469,265	ok	194	6.9389%	7,919.00
17 San Carlos	46,575,200	ok	195	4.1717%	4,761.00
18 San Mateo	144,055,997	ok	203	12.9031%	14,725.00
19 So. San Francisco	107,271,234	ok	222	9.6083%	10,965.00
20 Woodside	7,647,830	ok	250	0.6850%	782.00
	<u>\$ 1,116,447,143</u>			<u>100.00000%</u>	<u>\$ 114,118.00</u>

Total Check: \$ 114,118.00

County of San Mateo LAFCO

Apportionment of LAFCO's Net Operating Expenses - AB2838 / GC 56381

- Independent Special Districts

1 of 2

Apportionment For Fiscal Year: 2014-2015

Net Operating Expenses: \$ 342,354
 Apportionment Ratio: 1/3
 Apportionment Amount: \$ 114,118

Sample Proportion to use for 2015-16 Fiscal Year

State Controller's Annual Report for Fiscal Year: 2011-2012 Note 1

Enterprise Activities

Harbor and Port

State Annual Report Page Ref.	Operating Revenue (X)	Non-Operating Revenue (Y)	Inter-Governmental Revenues (Z)	Adjusted Revenues (X+Y-Z)			
12 San Mateo County Harbor 247	3,535,713	4,640,620	202,573	7,973,760	5.4173%	6,182.00	No

Waste Disposal

13 Bayshore Sanitary 266	1,054,054	255,788	1,092	1,308,750	0.8891%	1,015.00	No
14 East Palo Alto Sanitary 284	4,270,518	689,391	322,575	4,637,334	3.1506%	3,595.00	No
15 Granada Sanitary 289	1,275,720	816,651	4,636	2,087,735	1.4184%	1,619.00	No
16 Montara Sanitary (Waste Disposal) 301	2,047,876	216,201	1,991	2,262,086	1.5368%	1,754.00	No
17 West Bay 320	17,072,193	981,878	-	18,054,071	12.2657%	13,997.00	No
18 Westborough County (Waste Disposal) 321	1,828,670	-	-	1,828,670	1.2424%	1,418.00	No

Water Utility

19 MidPeninsula (Belmont) 374	8,299,561	444,008	38,587	8,704,982	5.9141%	6,749.00	No
20 Coastside County 336	6,403,349	1,125,124	4,266	7,524,207	5.1119%	5,834.00	No
21 Los Trancos County 369	-	268,616	1,386	267,230	0.1816%	207.00	No
22 Montara Sanitary (Water Activity) 376	1,483,520	1,592,832	11,449	3,064,903	2.0823%	2,376.00	No
23 North Coast County 378	8,432,937	982,252	3,011	9,412,178	6.3945%	7,297.00	No
24 Westborough County (Water Activity) 408	1,962,265	344,449	2,414	2,304,300	1.5655%	1,787.00	No

Note 1

\$ 142,457,675	\$ 12,357,810	\$ 7,624,331	\$ 147,191,154	100.0000%	\$ 114,118.00
----------------	---------------	--------------	----------------	-----------	---------------

Total revenues, as reported in the most recent edition of the Special Districts Annual Report published by the State Controller.

County of San Mateo LAFCO

Apportionment of LAFCO's Net Operating Expenses - AB2838 / GC 56381

- Independent Special Districts

Apportionment For Fiscal Year: 2014-2015

Net Operating Expenses: \$ 342,354

Apportionment Ratio: 1/3

Apportionment Amount: \$ 114,118

Sample Proportion to use for 2015-16 Fiscal Year.

State Controller's Annual Report for Fiscal Year: 2011-2012 Note 1

District	State Annual Report	Total Revenues	Inter-Governmental Revenues	Adjusted Revenues	Each District's Percentage	Each District's Share	> 50% of Apportionment
	Page Ref.	(X)	(Y)	(Z)	(X+Y-Z)		
Non-Enterprise Activities							
Fire Protection							
1 Colma	462	1,250,424	11,976	\$ 1,238,448	0.8414%	\$ 960.00	No
2 Coastsides	461	8,911,163	818,735	8,092,428	5.4979%	6,274.00	No
3 Menlo Park	617	32,842,153	4,319,069	28,523,084	19.3783%	22,114.00	No
4 Woodside	735	13,885,753	78,986	13,806,767	9.3802%	10,704.00	No
Health							
5 Peninsula Health Care	646	7,458,437	277,045	7,181,392	4.8790%	5,568.00	No
6 Sequoia Health Care	693	10,849,519	54,931	10,794,588	7.3337%	8,369.00	No
Pest Control							
7 SMC Mosquito and Vector	686	4,165,492	409,545	3,755,947	2.5517%	2,912.00	No
Police Protection							
8 Broadmoor	443	2,098,906	215,624	1,883,282	1.2795%	1,460.00	No
Recreation & Park							
9 Highlands Recreation	576	2,153,525	1,993	2,151,532	1.4617%	1,668.00	No
10 Ladera Recreation	589	207,429	118	207,311	0.1408%	161.00	No
Soil Conservation							
11 San Mateo County Resource Conservation	686	968,498	842,329	126,169	0.0857%	98.00	No

Note 1

Total revenues, as reported in the most recent edition of the Special Districts Annual