

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

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

September 14, 2016

To: LAFCo Commissioners

From: Martha Poyatos, Executive Officer

A handwritten signature in black ink, appearing to read 'M. Poyatos', written over the printed name.

Subject: Recommended Revision to the Adopted 2016-17 LAFCo Budget

Recommendation

1. Open the public hearing on Recommended Revision to the Adopted 2016-17 LAFCo Budget and receive public comment.
2. Consider and adopt the recommended revisions resulting in an Appropriations Budget of \$493,590 for the 2016-17 Fiscal Year with any desired changes and direct the Executive Officer to distribute it to the County, cities, and independent special districts.

Summary

At the May LAFCo meeting, the Commission adopted a final 2016-17 Appropriations Budget of \$450,230 and Net Operating Budget of \$321,244¹, which reflected application of the 2015-16 *estimated* fund balance of \$98,986. Following the close of the fiscal year, the final actual fund balance for the 2015-16 Fiscal Year was \$151,888, or \$52,902 greater than estimated. The greater than anticipated fund balance results from lower than anticipated expenditures in salary and benefits, savings in legal and other services, non-expenditure of reserves, and the incorrect posting of some service charges in the 2016-17 Fiscal Year rather than in the 2015-16 Fiscal Year, requiring an appropriation for these accounts in the 2016-17 Fiscal year as explained in more detail below. This change in fund balance necessitates revising the Commission's 2016-17 Adopted Budget. It is recommended that the Commission consider and approve the attached recommended revised Appropriations Budget of \$493,590 and Net Operating Budget (appropriations less fund balance and fee revenue) of \$311,702.

¹ Net Operating Budget is the appropriations budget less fund balance and application fees. Government Code Section 56381(b)(1)(A) sets forth that the County, cities, and independent special districts shall each provide a one-third share of the Commission's operational costs. This section establishes that the cities' and districts' shares shall be apportioned in proportion to each city's and district's total revenues as a percentage of the combined city and district revenues within the County, as reported in the most recent edition of the Annual Report published by the State Controller.

COMMISSIONERS: JOSHUA COSGROVE, CHAIR, Special District • DON HORSLEY, VICE CHAIR, County • ANN DRAPER, Public • RICH GARBARINO, City
MIKE O'NEILL, City • JOE SHERIDAN, Special District • ADRIENNE TISSIER, County

ALTERNATES: RIC LOHMAN, Special District • RAY MUELLER, City • SEPI RICHARDSON, Public • WARREN SLOCUM, County

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER • REBECCA ARCHER, LEGAL COUNSEL • JEAN BROOK, COMMISSION CLERK

Background

Section 56381 of the Cortese-Knox-Hertzberg Act, which covers adoption of the LAFCo budget, requires Commission consideration of both a Proposed and a Final Budget at the following intervals:

1. By May 1, the Commission shall adopt a Proposed Budget at a noticed public hearing.
2. By June 15, the Commission shall adopt a Final Budget at a noticed public hearing.

This process requires distribution of both the Proposed Budget and Final Budget to all funding agencies prior to Commission action. The Act also provides for carryover of unused funds to the subsequent year's budget and requires that the LAFCo net operating budget be funded in thirds by the County, the cities, and independent special districts.² 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, it is necessary for the Commission to consider revisions to the budget to reflect application of the actual fund balance carryover and other necessary adjustments.

2015-16 Final Fund Balance

The Final Actual 2015-16 Year End Fund balance is \$151,888 compared to the May estimate of \$98,986. In the May Recommended 2016-17 Budget, staff estimated the 2015-16 actual expenditures at \$370,262 and at the close of the fiscal year, the Final Actual 2015-16 expenditures were \$316,613. The difference between the May estimate and the actual year-end expenditures reflects lower than anticipated expenditures in salary and benefits (savings of \$28,129 compared to the May estimated savings of \$6,000), lower expenditures in legal and other services (\$56,778 compared to the May estimate of \$88,298), and non-expenditure of reserves (\$76,978).

Since the May estimate and the close of the fiscal year, it was also determined that several charges for services provided by the County that are processed by journal entry³ during the close of the fiscal year were inadvertently posted to the 2016-17 budget. These include copier usage, office supplies, unanticipated purchase of a new computer and screen, accounts payable and receivable services, and rent (\$6,806). Lastly, a credit of \$12,416 to the County for overpayment of the County's share of the LAFCo budget in 2014-15 did not post in the 2015-16 fiscal year. These journal entry adjustments of \$19,222 are now reflected in the Revised Recommended 2016-17 Budget. On the revenue side, actual application fee revenue was \$22,253 compared to the May estimate of \$23,000.

² Apportionment of the one-third shares to individual cities and special districts is calculated by the County Controller based on 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 reference the apportionment rates calculated for the 2016-17 Fiscal Year.

³ As part of the Commission's contract with the County for personnel, office space, etc., the Commission budget is maintained in the County's budget system and payment for services provided by the County are processed by journal entry.

Application of Fund Balance

Of the actual Final 2015-16 Year End Fund Balance carry-over of \$151,888, the \$19,222 in journal entries should not be considered savings. The remaining fund balance is \$132,666. Each year, the Commission determines how to appropriate the fund balance. Staff recommends budgeting an additional \$25,286 of the final fund balance to special reserve to bring the special reserve balance to \$40,000 to augment the consulting account if necessary during the fiscal year.

Apportionment to County, Cities, and Special Districts

While the changes noted above result in an Appropriations Budget that is \$43,360 greater than the budget adopted in May, the appropriation of \$40,000 of \$132,666 fund balance to special reserve and \$60,000 to consulting results in a fund balance offset to the Net Operating Budget of \$32,666. The one-third shares of the Net Operating Budget to be funded by the County, 20 cities, and 22 independent special districts for 2015-16 originally adopted at \$107,081 is reduced to \$103,901.

As noted above, the Net Operating Budget is apportioned in thirds to the County, cities, and independent special districts with the cities' shares based on general fund revenues as reported to the State Controller and the independent special districts' shares based on the same formula. After September revisions to the budget based on actual fund balance, the County Controller prepares apportionment tables indicating each agency's share of the LAFCo net operating budget and invoices cities and special districts. The County's apportionment is transferred to the LAFCo budget via intrafund transfer. The Recommended Final LAFCo Net Operating Budget of \$311,702 as proposed results in one-third apportionments of \$103,901.

The September 14, 2016 budget spreadsheet is attached for your reference.

Recommendation

Open the public hearing, receive public comment, and adopt the Recommended Amended 2016-17 Appropriations Budget of \$493,590 and Net Operating Budget of \$311,702 with any desired amendments. The Revised Budget would then be transmitted to the County, cities, and independent special districts. The County Controller will invoice funding agencies for their share of the Net Operating Budget based on the formula set forth in Government Code Section 56381(b)(1)(A).

Attachment: Budget Spreadsheet

cc: County of San Mateo
Cities
Special Districts

LAFCo	Recommended Revised 2016-17	Adopted Revised 2014-15	Final Actual 2014-15	September Revised 2015-16	Final Actual 2015-16	May Adopted 2016-17	Recomm. Revised 2016-17
	Sept. 14, 2016						
4111	Salary & Benefits Executive Officer	205,258	208,804	223,164	223,164	222,349	222,349
4111	Salary & Benefits Executive Secretary	52,000	40760	54,000	48,000	45,203	45,203
4141	Admin. Leave Cash Out (E.O.)	5,300	4848	6000	5900	6000	6000
4161	Commissioner Compensation	4,800	3400	4800	3800	4800	4800
	County Annuity	7,853	1986	0	0	0	0
	SALARIES & BENEFITS	275,211	259,798	287,964	259,835	278,352	278,352
	Prior Year Refund/withdrawn application		1,287				
	Refund County overpayment in 2014/15			12,416	0	0	12,416
5191	Outside Printing (other special printing)	1,000	0	1,000	0	1,000	1,000
5193	General Office Supplies	500	514	500	0	500	1,000
5196	Photocopy - in-house copier	500	500	500	0	500	1,000
5197	Postage & Mailing Service	1,500	168	1,500	248	1,500	1,500
5212	Computer Equipment under \$5,000				0		1,278
5331	Memberships (CALAFCo/CSDA)	6,268	6,455	6,649	6,637	7,100	7,100
5341	Legal Advertising	1,500	310	1,500	737	1,500	1,500
5712	Mileage Allowance/Motor Pool	250	250	250	0	250	250
5721	Meetings & Conferences	8,000	5,338	8,000	5,781	8,000	8,000
5733	Training	250	0	250	0	250	250
5810	Fiscal Office Specialist	988	988	988	0	988	1,976
5218	Corovan Records Storage	200	209	200	193	200	200
5848	Graphics	4,500	0	4,500	0	4,500	4,500
5858	Consulting	100,000	95,398	16,557	16,557	60,000	60,000
5861	GIS Mapping	2,500	0	2500	0	2500	2500
5872	Controller Admin**	2,440	1,552	1,660	1,660	1,641	1,641
6712	Telephone	670	391	500	352	500	500
6713	ISD (Automation Services)	4,650	4,238	8,377	5,354	8,377	8,377
6714	Rent	2,703	2,703	3,540	0	3,540	5,406
6722	countywide security and hr	0	34	90	88	53	53
6725	Gen'l Liability & bond ins.	4,229	3,319	4,651	3,299	5,387	5,387
6732	County Counsel	30,000	10,983	30,000	11,215	30,000	30,000
6821	A 87 Charges	4,135	2,576	5,178	4,657	6,193	6,193
	Subtotal Appropriations	451,994	397,011	399,270	316,613	422,831	440,379
8612	Reserve 3%	13,560	0	11,978	-	12,685	13,211
	one time reserve*	29,068	0	65,000	-	14,714	40,000
	Total Appropriations Budget	\$494,622	\$397,011	476,248	316,613	450,230	493,590
	Revenues						
	Fund Balance**	122,268	122,268	111,331	111,331	98,986	151,888
	Unanticipated Rev-Env. Review Fee		14,745				
	Application Fees	30,000	16,559	30,000	22,253	30,000	30,000
	Intergov. Revenue (County/City/Dist)	342,354	354,770	334,917	334,917	321,244	311,702
	Total Revenues	\$494,622	\$508,342	476,248	468,501	450,230	493,590
	County/City/District 1/3 Apportionment	\$114,118	114,118	111,639	111,639	107,081	103,901

*One time reserve reflects a portion of unanticipated fund balance.

**Fund balance for 16-17 - savings in various accounts, posting of various 15-16 charges in 16-17 fiscal year