

REVISED

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Item 4

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

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March 9, 2017

To: LAFCo Commissioners
From: Martha Poyatos, Executive Officer
Subject: Consideration of Adoption of Draft Proposed 2017-18 LAFCo Budget

Summary

Consider the Proposed 2017-18 Appropriations Budget of \$447,237, which includes a Net Operating Budget of \$323,821 resulting in one-third apportionment of \$120,650 to the County, cities, and special districts. Following public comment, it is recommended that the Commission adopt the Proposed Budget with any desired amendments, and direct the Executive Officer to schedule consideration of the Final Budget for public hearing at the May 17, 2017 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

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

ALTERNATES: RIC LOHMAN, Special District ▪ RAY MUELLER, City ▪ SEPI RICHARDSON, Public ▪ (VACANT), County

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

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. On March 7, the LAFCo Budget Committee reviewed the attached draft Proposed Budget and recommended that it be considered for approval by the full Commission. The budget document includes the 2014-15, 2015-16, and 2016-17 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 2017-18 costs that have not yet been provided and update this information for the Final Budget to be considered at the May meeting.

The Budget Committee, with Commissioner Cosgrove absent, considered the recommendation to appropriate funds for this purpose and supported the recommendation.

Estimated Actual 2016-17 Budget

The 2016-17 Adopted Budget includes appropriations for the Executive Officer position, commission meetings, county counsel, general operating expenditures including rent, supplies, etc., travel, and meetings and a half-time Executive Secretary position. 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 \$62,786 less than adopted as a result of not spending reserves and savings in several accounts. Staff is conservatively estimating County Counsel actual charges based on the complexity of the upcoming health care Municipal Service Review (MSR). On the revenue side, funds include fund balance carryover; application fees (estimated to come in under projected); and the intergovernmental revenue from the County, cities, and special districts.

As noted below, based on estimated revenues and expenditures, the estimated fund balance carryover to be applied to the 2017-18 Fiscal Year is \$55,286.

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 2016-17.

Proposed Draft 2017-18 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, and as noted above, some charges for 2017-18 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.

2017-18 Budget Narrative

As noted above, because LAFCo prepares the draft budget ahead of the County of San Mateo, some charges for 2017-18 are not yet available. Some appropriations may therefore need adjustment after the Committee's review and prior to Commission consideration. The following narrative identifies salary and benefits as a major cost center and the accounts with significant changes.

In preparing the draft budget for the upcoming fiscal year, staff called to the Budget Committee's attention that San Mateo LAFCo has not yet completed the first round of MSRs for the 20 cities and 22 independent special districts but is in the process of preparing studies for the Cities of Foster City, Burlingame, Millbrae and San Bruno, and the Town of Hillsborough and a second MSR for the Resource Conversation District. MSRs for the City of South San Francisco and Westborough Water District will be prepared in May and this will complete the first round of service reviews.

It is staff's assessment that San Mateo LAFCo's staffing level of 1.5 FTE combined with limited use of consultants over the years is no longer sufficient to meet mandated requirements. The recommendation to place \$50,000 in special reserve is based on this assessment and would allow the Commission to begin the hiring of a full-time analyst or to contract with consultants in the 2017-18 Fiscal Year. The 2018-19 budget preparation would then include the full year cost of increased staffing or use of consultants. Budget Committee Members Horsley and Garbarino supported this recommendation.

Salary and Benefits

Salary and benefits of \$290,421 reflects the Executive Officer position, the half-time Executive Secretary, and the Commissioner stipend. Implementation of an alternative staffing level during the 2017-18 Fiscal Year would require transfer of funds from reserves to fund increased staffing for the partial year.

Meetings and Conferences

The meetings and conferences appropriation is maintained at \$8,000 based on the 2017 California Association of Local Agency Formation Commissions (CALAFCO) Conference venue

in Santa Barbara and budgeting for staff to attend the 2017 Staff Workshop to be held in Fresno.

County Service Charges including Rent, Information Services, Controller

Information services and controller charges are estimates pending actual estimates from these departments. The rent increase (\$7,519) for a total of \$12,925 for two work stations reflects increased rental charges and an updated methodology of charging per workstation based on rent, insurance, etc.

A-87 Charges

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 County programs funded by the Federal and State government. Under the circular, the County has to observe uniformity in its allocation of costs; that is, the County cannot be selective in the allocation process whereby externally (State and Federal) funded programs are not charged equitably. 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 funds from the Federal and State government for this specific purpose is recovered through A-87. The A-87 formula for Fiscal Year 2017-18 allocates \$10,250 compared to \$6,193 in the current fiscal year.

Reserve

As noted above, the special reserve account has a recommended allocation of \$50,000 with a recommendation that the Commission consider use of consultants or increased staffing to complete required studies in a timely manner.

Application of Fund Balance

The Commission's practice regarding fund balance has been to appropriate all or a portion of it for consulting and/or special reserve and use a portion to offset the net operating budget, thereby reducing the funding obligation of the County, cities, and special districts to the greatest extent possible. In preparing the annual budget, staff has been mindful of balancing the fiscal impact of the LAFCo budget to funding entities with the Commission's mandate to carry out processing of applications and preparation of MSRs and sphere of influence updates.

This year's estimated fund balance is \$55,286. The Proposed Draft 2017-18 Budget includes no appropriation for consulting, a special reserve of \$50,000 of the fund balance carryover,

and a standard 3 percent reserve of \$11,570. The remaining fund balance carryover of \$5,286 offsets the net operating budget and the resulting County, city, and special district apportionment.

The recommendation to allocate \$50,000 in special reserve gives the Commission flexibility in the upcoming fiscal year to increase staffing level from the current 1.5 FTE or to contract with consultants for preparation of MSRs or special studies to prepare these mandated reports in a timely manner.

At the time of this writing, Commissioner Cosgrove has not yet commented on the budget recommendation and his comments will be forwarded to the Commission upon receipt.

To assist cities and special districts in budgeting the apportionment shares of the proposed budget, attached is a spreadsheet with the current year shares

Recommendation

- 1) Open the Public Hearing and accept public comment.
- 2) Consider and approve by resolution the attached Proposed Draft Appropriations Budget of \$447,237.
- 3) Direct the Executive Officer to schedule the Final 2017-18 Budget for a public hearing at the May 17, 2017 Commission meeting and circulate the Final Budget with any necessary amendments to the County, cities and independent special districts.

Attachments: Budget Narrative and Spreadsheet
Current Year Apportionment for Cities and Special Districts

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

Draft Proposed 2017-18 LAFCo Budget

LAFCo	Recommended Proposed 2017-18 Feb. 7, 2017	Final Actual 2014-15	September Revised 2015-16	Final Actual 2015-16	May Adopted 2016-17	Final Sept. Revised 2016-17	Estimated Actual 2016-17	Recomm. Proposed 2017-18
4111	Salary & Benefits Executive Officer	208,804	223,164	223,164	222,349	222,349	222,349	231,706
4111	Salary & Benefits Executive Secretary	40,760	54,000	48,000	45,203	45,203	45,203	47,915
4141	Admin. Leave Cash Out (E.O.)	4,848	6,000	5,900	6,000	6,000	6,000	6,000
4161	Commissioner Compensation	3,400	4,800	3,800	4,800	4,800	4,600	4,800
	County Annuity	1,986	-	-	-	-		-
	SALARIES & BENEFITS	259,798	287,964	259,835	278,352	278,352	278,152	290,421
	Prior Year Refund/withdrawn applica	1,287						
	Refund County overpayment in 2014/15		12,416	0	0	12,416	12,416	0
5191	Outside Printing (other special printin	0	1,000	0	1,000	1,000	0	1,000
5193	General Office Supplies	514	500	0	500	1,000	1,000	500
5196	Photocopy - in-house copier	500	500	0	500	1,000	1,000	500
5197	Postage & Mailing Service	168	1,500	248	1,500	1,500	950	1,200
	5212 Computer Equipment under \$5,000			0		1,278	1,278	0
5331	Memberships (CALAFCo/CSDA)	6,455	6,649	6,637	7,100	7,100	7,085	7,628
5341	Legal Advertising	310	1,500	737	1,500	1,500	850	1,500
5712	Mileage Allowance/Motor Pool	250	250	0	250	250	200	250
	Video Recording Comm. Meetings							2,000
5721	Meetings & Conferences	5,338	8,000	5,781	8,000	8,000	7,300	8,000
5733	Training	0	250	-	250	250	98	250
5810	Fiscal Office Specialist	988	988	-	988	1,976	1,976	988
5218	Corodata Records Storage	209	200	193	200	200	185	200
5848	Graphics	0	4,500	-	4,500	4,500	1,500	1,500
	5858 Consulting	95,398	16,557	16,557	60,000	60,000	60,000	-
5861	GIS Mapping	0	2,500	-	2,500	2,500	1,000	1,000
5872	Controller Admin**	1,552	1,660	1,660	1,641	1,641	1,641	1,800
6712	Telephone	391	500	352	500	500	500	500
6713	ISD (Automation Services)	4,238	8,377	5,354	8,377	8,377	8,377	9,170
6714	Rent	2,703	3,540	-	3,540	5,406	5,406	12,925
6722	Countywide security and HR	34	90	88	53	53	84	90
6725	Gen'l Liability & bond ins.	3,319	4,651	3,299	5,387	5,387	3,613	3,995
6732	County Counsel	10,983	30,000	11,215	30,000	30,000	30,000	30,000
6821	A 87 Charges	2,576	5,178	4,657	6,193	6,193	6,193	10,250
	Subtotal Appropriations	397,011	399,270	316,613	422,831	440,379	430,804	385,667
8612	Reserve 3%	0	11,978	-	12,685	13,211	-	11,570
	special reserve*	0	65,000	-	14,714	40,000	-	50,000
	Total Appropriations Budget	\$397,011	476,248	316,613	450,230	493,590	430,804	447,237
	Revenues							
	Fund Balance**	122,268	111,331	111,331	98,986	151,888	151,888	55,286
	Unanticipated Rev-Env. Review Fee	14,745						
	Application Fees	16,559	30,000	22,253	30,000	30,000	22,500	30,000
	Intergov. Revenue (County/City/Dist	354,770	334,917	334,917	321,244	311,702	311,702	361,951
	Total Revenues	\$508,342	476,248	468,501	450,230	493,590	486,090	447,237
	County/City/District 1/3 Apportionment	114,118	111,639	111,639	107,081	103,901	103,901	120,650

7% increase in CALAFCo and 10% increase in CSDA

Conference and Workshop in San Diego and Marin

estimated

estimated

increase in charge per square foot and reallocation by work space

10% increase from SDRMA

Per formula

to be determined for increased staffing or use of consultants

16% increase

FY16-17 Apportionment

	City/District	Share
1	Atherton	1,433.00
2	Belmont	3,193.00
3	Brisbane	2,225.00
4	Burlingame	8,004.00
5	Colma	1,268.00
6	Daly City	8,355.00
7	East Palo Alto	2,516.00
8	Foster City	4,356.00
9	Half Moon Bay	1,759.00
10	Hillsborough	3,523.00
11	Menlo Park	5,097.00
12	Millbrae	3,383.00
13	Pacifica	4,576.00
14	Portola Valley	439.00
15	Redwood City	16,540.00
16	San Bruno	6,367.00
17	San Carlos	5,370.00
18	San Mateo	15,153.00
19	South San Francisco	9,631.00
20	Woodside	713.00
1	Colma Fire Protection District	808.00
2	Coastside Fire Protection District	5,002.00
3	Menlo Park Fire Protection District	22,224.00
4	Woodside Fire Protection District	9,421.00
5	Peninsula Health Care District	4,769.00
6	Sequoia Healthcare District	5,783.00
7	San Mateo County Mosquito and Vector Control District	2,333.00
8	Broadmoor Police Protection District	973.00
9	Highlands Recreation District	1,573.00
10	Ladera Recreation District	388.00
11	San Mateo County Resource Conservation District	150.00
12	San Mateo County Harbor District	5,906.00
13	Bayshore Sanitary District	854.00
14	East Palo Alto Sanitary District	2,889.00
15	Granada Sanitary District	1,534.00
16	Montara Water and Sanitary District (Waste)	1,526.00
17	West Bay Sanitary District	16,036.00
18	Westborough Co. Water District (Waste)	1,274.00
19	Mid-Peninsula Water District	5,665.00
20	Coastside County Water District	5,679.00
22	Montara Water and Sanitary District (Water)	2,048.00
23	North Coast Co. Water District	5,573.00
24	Westborough Co. Water District (Water)	1,493.00
	Total	207,802.00