

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 15, 2017

**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 2017-18 LAFCo Budget

## Recommendation

1. Open the public hearing on Recommended Revisions to the Adopted 2017-18 LAFCo Budget and receive public comment.
2. Consider and adopt the recommended revisions resulting in an Appropriations Budget of \$492,571 for the 2017-18 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 2017-18 Appropriations Budget of \$492,571 and Net Operating Budget of \$354,313<sup>1</sup>, which reflected application of the 2016-17 *estimated* fund balance of \$59,966. Following the close of the fiscal year, the final actual fund balance for the 2016-17 Fiscal Year was \$108,258<sup>2</sup>, or \$48,292 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, the late posting of the last invoices from Harvey Rose Consulting in the amount of \$12,317, and non-payment of a refund to the County of San Mateo for a prior overpayment of \$12,416 in apportionment. This change in fund balance necessitates revising the Commission's 2017-18 Adopted Budget. It is recommended that the Commission consider and approve the attached recommended revised Appropriations Budget of \$492,571 and Net Operating Budget (appropriations less fund balance and fee revenue) of \$354,313. Application of excess fund

<sup>1</sup> 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.

<sup>2</sup> Amount corrected following distribution of meeting packet.

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

**ALTERNATES:** VACANT, Special District ▪ HARVEY RARBACK, City ▪ SEPI RICHARDSON, Public ▪ DAVE PINE, County

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

balance to Reserves does not change the estimated city, County, and special district apportionment from the budget adopted by the Commission in May.

### **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.<sup>3</sup> 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 (please see the attached September 14, 2017 budget spreadsheet).

The Final Actual 2016-17 Year End Fund balance is \$108,258 compared to the May estimate of \$59,966. In the May Recommended 2017-18 Budget, staff estimated the 2016-17 actual expenditures at \$426,124 (please see 2017-18 Budget Spreadsheet approved May 17, 2017) and at the close of the fiscal year, the Final Actual 2016-17 expenditures were \$377,154. The difference between the May estimate and the actual year-end expenditures reflects lower than anticipated expenditures in salary and benefits, lower expenditures in legal and other services, and non-expenditure of reserves.

In addition, since the May estimate and the close of the fiscal year, it was determined that late payment of Harvey Rose Consulting invoices resulted in these payments not posting in the 2016-17 Fiscal Year. Also, a refund in the amount of \$12,416 to the County of San Mateo for overpayment of the one-third apportionment in a prior year was not credited to the County. On the revenue side, actual application fee revenue was \$21,822 compared to the May estimate of \$22,500.

### **Application of Fund Balance**

In the adopted budget in May, the special reserve was set at \$50,000. The excess fund balance of \$48,292 less the amount of the Harvey Rose late payments of \$12,317 and the refund to the County of \$12,416 equals \$23,559. Consistent with past practice, staff has added this amount to the reserve for a total reserve of \$73,559.

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<sup>3</sup> 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.

Apportionment to County, Cities, and Special Districts

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 Revised 2017-18 LAFCo Net Operating Budget of \$354,313 results in no change to the one-third apportionments of \$118,104.

**Recommendation**

Open the public hearing, receive public comment, and adopt the Recommended Amended 2017-18 Appropriations Budget of \$492,571 and Net Operating Budget of \$354,313 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 – 9-14-2017  
Budget Spreadsheet – 5-17-2017

cc: County of San Mateo  
Cities  
Special Districts

Please note corrected date

LAFCo	Recommended Adopted 17-18	Final Actual 2014-15	Final Sept. Revised 2015-16	Final Actual 2015-16	May Adopted 2016-17	Final Sept. Revised 2016-17	Final Actual 2016-17	Recomm. adopted 2017-18
	Thursday, September 14, 2017							
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	45,416
4141	Admin. Leave Cash Out (E.O.)	4,848	6,000	5,900	6,000	6,000	4,418	6,000
4161	Commissioner Compensation	3,400	4,800	3,800	4,800	4,800	4,600	4,800
	County Annuity	1,986	-	-	-	-	-	-
	<b>SALARIES &amp; BENEFITS</b>	<b>259,798</b>	<b>287,964</b>	<b>259,835</b>	<b>278,352</b>	<b>278,352</b>	<b>270,802</b>	<b>287,922</b>
	Prior Year Refund/withdrawn applica	1,287						
	<b>Refund County overpayment in 2014/15</b>		<b>12,416</b>	<b>0</b>	<b>0</b>	<b>12,416</b>	<b>0</b>	<b>12416</b>
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	1,488	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	856	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	7,095	7,628
5341	Legal Advertising	310	1,500	737	1,500	1,500	753	1,500
5712	Mileage Allowance/Motor Pool	250	250	0	250	250	0	250
	Video Recording Comm. Meetings							2,000
5721	Meetings & Conferences	5,338	8,000	5,781	8,000	8,000	7,052	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	178	500
5848	Graphics	0	4,500	-	4,500	4,500	50	1,500
5858	Consulting	95,398	16,557	16,557	60,000	60,000	56,683	12,317
5861	GIS Mapping	0	2,500	-	2,500	2,500	-	1,000
5872	Controller Admin**	1,552	1,660	1,660	1,641	1,641	1,641	1,982
6712	Telephone	391	500	352	500	500	367	500
6713	ISD (Automation Services)	4,238	8,377	5,354	8,377	8,377	6,055	8,073
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	3,621	4,237
6732	County Counsel	10,983	30,000	11,215	30,000	30,000	4,478	30,000
6821	A 87 Charges	2,576	5,178	4,657	6,193	6,193	6,193	10,250
	<b>Subtotal Appropriations</b>	<b>397,011</b>	<b>399,270</b>	<b>316,613</b>	<b>422,831</b>	<b>440,379</b>	<b>377,154</b>	<b>407,528</b>
8612	Reserve 3%	0	11,978	-	12,685	13,211	-	11,484
	special reserve*	0	65,000	-	14,714	40,000	-	73,559
	<b>Total Appropriations Budget</b>	<b>\$397,011</b>	<b>476,248</b>	<b>316,613</b>	<b>450,230</b>	<b>493,590</b>	<b>377,154</b>	<b>492,571</b>
	<b>Revenues</b>							
	Fund Balance**	122,268	111,331	111,331	98,986	151,888	151,888	108,258
	Unanticipated Rev-Env. Review Fee	14,745						
	Application Fees	16,559	30,000	22,253	30,000	30,000	21,822	30,000
	Intergov. Rev. (County/City/Dist)	354,770	334,917	334,917	321,244	311,702	311,702	354,313
	<b>Total Revenues</b>	<b>\$508,342</b>	<b>476,248</b>	<b>468,501</b>	<b>450,230</b>	<b>493,590</b>	<b>485,412</b>	<b>492,571</b>
	<b>County/City/District 1/3 Apportionment</b>	<b>114,118</b>	<b>111,639</b>	<b>111,639</b>	<b>107,081</b>	<b>103,901</b>	<b>103,901</b>	<b>118,104</b>

Adopted 2017-18 LAFCo Budget

LAFCo	Adopted 17-18 May 17, 2017	Final Actual 2014-15	Final Sept. Revised 2015-16	Final Actual 2015-16	May Adopted 2016-17	Final Sept. Revised 2016-17	Estimated Actual 2016-17	May adopted 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	45,416
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	-	-	-	-	-	-
	<b>SALARIES &amp; BENEFITS</b>	<b>259,798</b>	<b>287,964</b>	<b>259,835</b>	<b>278,352</b>	<b>278,352</b>	<b>278,152</b>	<b>287,922</b>
	Prior Year Refund/withdrawn applica	1,287						
	<b>Refund County overpayment in 2014/15</b>		<b>12,416</b>	<b>0</b>	<b>0</b>	<b>12,416</b>	<b>12,416</b>	<b>0</b>
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
<b>5212</b>	<b>Computer Equipment under \$5,000</b>			<b>0</b>		<b>1,278</b>	<b>1,353</b>	<b>0</b>
5331	Memberships (CALAFCo/CSDA)	6,455	6,649	6,637	7,100	7,100	7,095	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	7,327	8,000
5733	Training	0	250	-	250	250	98	250
5810	Fiscal Office Specialist	988	988	-	988	1,976	1,976	988
<b>5218</b>	<b>Corovan Records Storage</b>	<b>209</b>	<b>200</b>	<b>193</b>	<b>200</b>	<b>200</b>	<b>650</b>	<b>500</b>
5848	Graphics	0	4,500	-	4,500	4,500	1,500	1,500
<b>5858</b>	<b>Consulting</b>	<b>95,398</b>	<b>16,557</b>	<b>16,557</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>-</b>
5861	GIS Mapping	0	2,500	-	2,500	2,500	500	1,000
5872	Controller Admin**	1,552	1,660	1,660	1,641	1,641	1,641	1,982
6712	Telephone	391	500	352	500	500	500	500
<b>6713</b>	<b>ISD (Automation Services)</b>	<b>4,238</b>	<b>8,377</b>	<b>5,354</b>	<b>8,377</b>	<b>8,377</b>	<b>6,120</b>	<b>8,073</b>
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	4,237
6732	County Counsel	10,983	30,000	11,215	30,000	30,000	18,500	30,000
6821	A 87 Charges	2,576	5,178	4,657	6,193	6,193	6,193	10,250
	<b>Subtotal Appropriations</b>	<b>397,011</b>	<b>399,270</b>	<b>316,613</b>	<b>422,831</b>	<b>440,379</b>	<b>417,124</b>	<b>382,795</b>
<b>8612</b>	<b>Reserve 3%</b>	<b>0</b>	<b>11,978</b>	<b>-</b>	<b>12,685</b>	<b>13,211</b>	<b>9,000</b>	<b>11,484</b>
	<b>special reserve*</b>	<b>0</b>	<b>65,000</b>	<b>-</b>	<b>14,714</b>	<b>40,000</b>	<b>-</b>	<b>50,000</b>
	<b>Total Appropriations Budget</b>	<b>\$397,011</b>	<b>476,248</b>	<b>316,613</b>	<b>450,230</b>	<b>493,590</b>	<b>426,124</b>	<b>444,279</b>
	<b>Revenues</b>							
	Fund Balance**	122,268	111,331	111,331	98,986	151,888	151,888	59,966
	Unanticipated Rev-Env. Review Fee	14,745						
	Application Fees	16,559	30,000	22,253	30,000	30,000	22,500	30,000
	<b>Intergov. Rev. (County/City/Dist)</b>	<b>354,770</b>	<b>334,917</b>	<b>334,917</b>	<b>321,244</b>	<b>311,702</b>	<b>311,702</b>	<b>354,313</b>
	<b>Total Revenues</b>	<b>\$508,342</b>	<b>476,248</b>	<b>468,501</b>	<b>450,230</b>	<b>493,590</b>	<b>486,090</b>	<b>444,279</b>
	<b>County/City/District 1/3 Apportionment</b>	<b>114,118</b>	<b>111,639</b>	<b>111,639</b>	<b>107,081</b>	<b>103,901</b>	<b>103,901</b>	<b>118,104</b>

7% increase in CALAFCo and 10% increase in CSDA

Conference and Workshop in San Diego and Marin

increase in charge per square foot and reallocation by work space

10% increase from SDRMA plus increases in County insurance

Per formula

to be determined for increased staffing or use of consultants