



LOCAL AGENCY FORMATION COMMISSION

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May 13, 2020

To: LAFCo Commissioners

From: Martha Poyatos, Executive Officer

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

Subject: Consideration of Adoption of Proposed Work Program and LAFCo Budget for Fiscal Year 2020-21

Summary

Consider the Proposed 2020-20 Appropriations Budget of \$692,564, which includes a Net Operating Budget of \$595,458 resulting in a one-third apportionment of \$198,495 to the County, cities, and independent 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 (1) schedule consideration of the Final Budget for public hearing to be held June 17, 2020 and (2) distribute it to the County, cities, and independent special districts.

Budget Review Schedule and Background

Section 56381 of the Cortese-Knox-Hertzberg Local Government Reorganization Act (the 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" Budget at a noticed public hearing following circulation of the Proposed Budget to the County, cities, and independent special districts.
2. By June 15, the Commission shall adopt a "Final" Budget at a noticed public hearing following circulation of the recommended Final Budget to the County, cities, and independent special districts.

The Budget Committee (Commissioners Draper, Horsley and Mike O'Neill) met on March 3, 2019 to review a recommended proposed budget for consideration at the Commissions March 18 meeting. Due to the County Health Officer's Shelter in Place Order on March 16, the March and April meetings were cancelled. The mandated timeline above requires that the Draft Proposed Budget be considered at the May 20 Commission meeting and that there be a noticed

COMMISSIONERS: JOSHUA COSGROVE, CHAIR, SPECIAL DISTRICT ▪ WARREN SLOCUM, VICE CHAIR, COUNTY ▪ RICH GARBARINO, CITY ▪ DON HORSLEY, COUNTY ▪ MIKE O'NEILL, CITY ▪ RIC LOHMAN, SPECIAL DISTRICT ▪ ANN DRAPER, PUBLIC

ALTERNATES: KATI MARTIN, SPECIAL DISTRICT ▪ HARVEY RARBACK, CITY ▪ JAMES O'NEILL, PUBLIC ▪ DAVE PINE, COUNTY
MARTHA POYATOS, EXECUTIVE OFFICER ▪ REBECCA ARCHER, LEGAL COUNSEL ▪ ROB BARTOLI, MANAGEMENT

STAFF: ANALYST ▪ ANGELA MONTES, CLERK

public hearing on June 17 to consider the final budget. Additionally, after the close of the fiscal year, the Commission considers amendments to the budget based on the final year end fund balance.

Both meetings will be held remotely via Zoom consistent with the Governor's Executive Order. On March 17, 2020, the Governor issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Pursuant to the Shelter-in-Place Order issued by the San Mateo County Health Officer on March 16, 2020, the statewide Shelter-in-Place Order issued by the Governor in Executive Order N-33-20 on March 19, 2020, and the CDC's social distancing guidelines which discourage large public gatherings, the Board chambers will not be open to the public for the May 20, 2020 nor the June 17, 2020 Local Agency Formation Commission (LAFCo) meetings.

Since the Committee's review of the budget on March 3, staff reviewed and revised the draft budget to reflect new budget information provided by the County and moved the salary for the half time secretary from Salary and Benefits to Services and Supplies because LAFCo is billed by the Planning Department for our one-half share of the Secretary's time.

Also, given the unprecedented fiscal impact the shelter in place will have on the County, cities and independent special districts, we identified areas in which the budget could be reduced in order to minimize the shares to be paid by LAFCo's funding agencies.

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 the 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, legal counsel, and other services. The 2020-21 Fiscal year budget reflects the first full year of 2.5 FTE staffing including the Executive Officer, Management Analyst and shared administrative assistant compared to the long standing staffing level of the full time executive office and half-time secretary, which limited LAFCo's ability to complete state mandated studies. The Commission's Budget considered the revised draft proposed budget and unanimously recommended approval.

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 2017-18.

Revised Proposed 2020-21 Budget

The attached draft budget includes the actual budget for 2018-2019, adopted and estimated actual for 2019-20 and the revised draft proposed 2020-21 Budget of \$692,564 compared to \$687,431 included in the February 28 draft reviewed by the Budget Subcommittee. Key items addressed in more detail below include an increase of \$600 in general liability insurance, \$1,500 in one time funding for the purchase of a new laptop, increase in .5 FTE Secretary to 57,856 compared to \$43,448 estimated in the February 28 draft, a \$3,157 increase in CALAFCO dues, and a significant increase in A 87/Cost Allocation charges with a total of \$33,163 compared to last year’s \$8,598, primarily related to how the State Controller directs Counties to apportion unfunded retirement liability. This results in an appropriations budget of \$692,564 and a net operating budget of \$595,485 or a one-third apportionment of \$198,495. The following table summarizes the FY 2019-20 and FY 2020-21.

	<u>Adopted 2019-2020 FY</u>	<u>Proposed Draft 2020-21</u>
Appropriations Budget	623,038	692,564
Net Operating Budget	491,055	595,485
One-third Apportionment	163,685	198,495

The one-third apportionment reflects the County’s share, the share that is billed to the 20 cities based on proportional city general fund revenue and the 21 independent special districts with majority territory in the county based on proportional revenues.

Proposed Work Program

LAFCo is a state-mandated agency that is required to prepare municipal service reviews and sphere updates on each city, the 22 independent special districts and several of the County-governed special districts in addition to processing boundary change and reorganization applications. Due to the Pandemic’s fiscal impacts on local government, the County and cities in particular, municipal service reviews will be more complex and necessary to assist local agencies in post-pandemic economic recovery.

The following draft work plan includes a summary of recent activities and upcoming goals/objectives, such as preparing Municipal Service Reviews (MSRs)/Sphere of Influence (SOI) updates and special studies, updating the Commission’s policies and procedures, and other projects and activities. It is anticipated that projects proposed in the work plan will be completed by LAFCo staff and not consultants.

Since the shelter in place order, staff is working from home and only coming into the LAFCo office as necessary. Staff is also working with the County Manager’s Office and the Planning Department on a plan for reopening of our offices.

MSRs/SOI Updates

LAFCO law provides that every five years the Commission shall, as necessary, review and update each SOI [Gov. Code §56425(g)]. The statute also provides that in order to prepare and update an SOI, the Commission shall conduct a MSR. San Mateo LAFCo has completed first round MSR's for all districts except Westborough Water District and all cities except Foster City, Burlingame, Hillsborough, Millbrae, San Bruno and South San Francisco.

Staff has established the following prioritization for completing MSR's:

<u>Agency</u>	<u>Completion date</u>
San Mateo County Resource Conservation	Commission consideration in July 2020
City of South San Francisco/Westborough Water District	July 2020
San Bruno and Millbrae	October 2020
Burlingame, Hillsborough and Foster City	January 2021

Policies and Procedures Updates

Staff is working with the Legislative/Policy Committee on updating the Commission's Policy and Procedures and will be bringing recommended updates to the Commission in the coming months.

Annexation Program

To the extent possible, staff will begin outreach to affected cities regarding plans for annexation and deferred annexation agreements to encourage local agencies to areas in their spheres including islands.

Other Items of Interest

LAFCo staff has been focused on several areas including the following:

Processing boundary change applications

Budget Preparation

Independent Special District Selection Committee

On-going update of the LAFCO Directory of Local Agencies on the LAFCo website

Preparing for the FY 2018-19 financial audit

CALAFCO support activities including serving as the CALAFCO Deputy Executive Officer

Informational Webinars on fiscal impacts of Covid-19

In addition to finishing first round MSR's, staff will commence sphere reviews and MSR's for South County and Coastside cities and districts. It is anticipated that these updates will focus on issues identified in prior studies, changes in service demands and finances as well as measures agencies are taking in regard to economic recovery.

Estimated Actual 2019-20 Budget

The 2019-20 Adopted Budget includes appropriations for the Executive Officer and Management Analyst and Admin. Secretary positions; Commission meetings; County Counsel; general operating expenditures including rent, supplies, etc.; travel; meetings; and a partial year of the shared Executive Secretary position which was filled in December of 2019. Staff is conservatively estimating county counsel actual charges based on the complexity of the several potential applications. Revenue funds include fund balance carry over, application fees (estimated to come in under the 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 2020-21 fiscal year is \$65,079.

Proposed 2020-21 Budget

Salary and Benefits

Salary and benefits of \$467,913 reflects the Executive Officer position, Management Analyst, and Commissioner stipend.

Services and Supplies

The Commission's contract with the County of San Mateo includes staffing, office space, and related services. As noted above, funding for the shared secretarial position has been moved from Salary and Benefits because LAFCo is billed by Planning and Building for our share. Charges from outside agencies include Memberships (Account 5331), which includes California Association of Local Agency Formation Commissions (CALAFCO) membership and California Special Districts Association (CSDA) membership and liability insurance (Account 6725) purchased from the California Special District Risk Management Authority.

Meetings and Conferences

Since the last review by the Budget Committee, staff recommends eliminating the Meetings and Conference appropriation of \$9,000 based on more stringent guidelines on large meetings by the date of the annual conference in October. Staff is also willing to waive reimbursement for attendance at the staff workshop in the spring.

County Service Charges including Rent, Information Services, Controller

Information Services and Controller charges are estimates pending actuals from these departments. The rent charges remain flat at \$12,925.

A-87 Charges/County Cost Allocation

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 governments. 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 governments for this specific purpose is recovered through County Cost Allocation.

The A-87 formula for 2020-21 allocates \$33,163 compared to \$8,598 in the current fiscal year. This increase is mainly due to a charge of \$19,274 for payments to unfunded retirement liability. In previous years, this charge was assessed only on select County departments. However, based on direction from the State Controller, this charge is now being allocated to all County departments and those agencies that contract for staff services, such as LAFCo. Additionally, LAFCo was shifted from the General Fund in 2018/19 to a trust fund which made LAFCo subject to contributing to the countywide unfunded retirement liability.

At its March meeting, the Budget Committee expressed concern about the allocation of the share of the unfunded retirement liability. Staff has spoken with the Controller's Office regarding this allocation and has requested that a representative of the County Controller's Office be available at the May 20 meeting to respond to questions.

Reserve

Staff recommends lowering the 3% reserve to 2% for a reserve of \$13,580 consistent with County reserve policy resulting in a reduction of \$6,789

Application of Fund Balance Carry Over

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 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 mandated processing of applications and preparation of municipal service reviews and sphere studies.

This year's estimated fund balance is \$65,079. The proposed draft 2020-21 budget includes no appropriation for consulting and a standard 2% reserve of \$13,580.

Review by Budget Committee

The Budget Committee unanimously recommended approval of the Draft Proposed 2020-21 budget.

Recommendation

1. Open the public hearing and accept public comment.
2. Consider and approve by resolution the attached Proposed Budget of \$692,564.
3. Direct the Executive Officer to schedule the Final 2020-21 Budget for a public hearing at the June 20, 2020 Commission meeting and circulate it with any necessary amendments to the County, cities, and independent special districts.

Attachment: Spreadsheet and Narrative

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

LAFCO PROPOSED 2020-21 BUDGET NARRATIVE

The following provides a narrative to the 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 \$467,913 includes the County position of Principal Management Analyst that serves as Executive Officer by contract with the County, Management Analyst salary and benefits, part time Executive Secretary, Executive Officer administrative leave cash out, and Commissioner stipend of \$100 per bi-monthly meeting. Salary and benefits increase reflects the County's Salary Schedule.

Services & Supplies

Refund to County for Overpayment in 2014/15 and 2018/19 (5184)

In fiscal years 2014/15 and 2018/19, the County has overpaid their portion of the 1/3 apportionment. This appropriation is a refund to the County for these overpayments.

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 \$1,200 for postage/ mailing service through the County mailroom.

Computer Equipment under \$5,000 (5212)

Appropriation of \$1,500 in one-time funds to replace an existing 2011 laptop.

Records Storage (5218)

Appropriation of \$700 for offsite records storage.

Memberships (5331)

Estimated dues of \$16,500 for CALAFCO and California Special Districts Association. The increase in CALAFCO dues was considered at the September 18, 2019 LAFCo meeting. San Mateo LAFCo supported the dues increase and voted in favor of at the annual CALAFCO Conference.

Legal Advertising (5341)

Appropriation of \$1,200 for legal notices published in newspapers for LAFCo hearing items that require notice.

Mileage Allowance (5712) and Motor Pool (6717)

Appropriation of \$250 for mileage reimbursement and \$150 for the use of the County motor pool for staff attendance at off-site meetings or site visits.

Video Recording of Commission Meetings

\$8,000 based on minimum of 4 hours at \$100 per hour and carry over from charges not paid in FY 19-20. Six regular meetings of various duration and one potential additional meeting.

Meetings & Conferences (5721)

Staff recommends eliminating the Meetings and Conference appropriation of \$9,000 based on more stringent guidelines on large meetings by the date of the annual conference in October. Staff is also willing to waive reimbursement at the staff workshop in the spring.

Training (5733)

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

Fiscal Office Specialist (5814)

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

Part-time Executive Secretary (5838)

Estimated appropriation of \$57,856 for the position. The cost of part-time Executive Secretary position has been moved to services and supplies from salary and benefits to reflect that the position is contracted to LAFCo from the Planning and Building Department.

Outside Auditing Service (5842)

Allocation of \$7,700 for outside auditing services for the conducting of the FY19-20 audit.

Graphics/GIS (5848)

Appropriation of \$1,500 for GIS and other mapping services for LAFCo studies and sphere updates.

Consulting (5856)

No appropriation for consulting recommended at this time.

GIS (5861)

Appropriation of \$1,000 for special work completed by ISD/Public Works GIS mapping related to LAFCo applications or studies.

Controller (5872)

Estimated Cost of \$2,114 for administering the apportionment and collection of LAFCo budget to county, cities, and special districts.

Telephone (6712)

Telephone charges of \$3,227 for Executive Officer and Management Analyst phone lines.

Other Information Services Department (ISD) Services (6713)

\$14,202 for computer support, connectivity, etc.

Rent (6714)

Rent charges of \$12,925.

General Liability (6725)

Appropriation of \$7,000 for insurance through CSDA and employee insurance with County of San Mateo.

County Counsel (6732)

Appropriation of \$20,000 for County Counsel charges. This appropriation is based on requirement for indemnification by applicants for all annexation/reorganization proposals.

A-87 Charges/County Cost Allocation (6821)

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However, the cost of providing payroll services to Non-General Fund Departments and programs receiving funds from the Federal and State governments for this specific purpose is recovered through County Cost Allocation. The A-87 formula for 2020-21 allocates \$33,163 compared to \$8,598 in the current fiscal year. This increase is mainly due to a charge of \$19,274 for payments to unfunded retirement liability. In previous years, this charge was assessed only on select County departments. However, this charge is now being allocated to all County departments and those agencies that contract for staff services, such as LAFCo.

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Reserve (8612)

Amount of \$13,580 in reserve for unanticipated expenditures set at 2% compared to the prior Commission established reserve set at 3 percent of gross appropriations. Commission authorization is required to spend reserve.

LAFCo	DRAFT Recommended FY 20-21 Budget May 13, 2020	Revised Adopted FY 18-19	Final Actual FY 18-19	Proposed March 2019 FY 19-20	Adopted May 2019 FY 19-20	Recomm. Revised FY 19-20	Est. Actual FY 19-20	Proposed May 2020 FY 20-21
4111	Salary & Benefits Executive Officer	234,340	234,340	253,324	253,324	253,324	253,324	272,889
	Management Analyst	145,000	114,733	178,075	178,075	178,075	178,075	190,224
4141	Admin. Leave Cash Out	6,000	0	6,000	6,000	6,000	0	0
4161	Commissioner Compensation	4,800	3,600	4,800	4,800	4,800	4,000	4,800
4000	SALARIES & BENEFITS SUBTOTAL	390,140	352,673	442,199	442,199	442,199	435,399	467,913
5184	Refund County overpayment in 2014/15 & 18/19	12,416	0	0	0	17,346		17,346
5191	Outside Printing (other special printing)	1,000	0	1,000	1,000	1,000	0	1,000
5193	General Office Supplies	500	398	500	500	500	500	500
5196	Photocopy - in-house copier	500	500	500	500	500	500	500
5197	Postage & Mailing Service	1,200	204	1,200	1,200	1,200	300	1,200
5212	Computer Equipment under \$5,000	0	0	0	0	0	0	1,500
5218	Corovan Records Storage	700	143	700	700	700	200	700
5331	Memberships (CALAFCO/CSDA)	7,714	7,911	8,882	9,000	9,000	8,951	16,000
5341	Legal Advertising	1,500	140	1,500	1,500	1,500	250	1,200
5712	Mileage Allowance/ Motor Pool	250	216	250	250	250	291	250
5721	Meetings & Conferences	9,000	5,532	9,000	9,000	9,000	7,000	0
5733	Training	250	75	250	250	250	50	250
5814	Fiscal Office Specialist	988	988	988	988	988	988	988
5838	.5 FTE Exec. Secretary	52,138	0	52,138	55,733	40,989	40,989	57,856
5842	Outside Auditing Services	7,700	0	7,700	7,700	7,700	7,700	7,700
5848	Graphics/ contract minutes transcription	1,500	1,015	1,500	1,500	1,500	600	1,500
5856	Consulting	0	0	0	0	0	0	0
5858	Video Recording Comm. Meetings	4,000	0	4,000	4,000	8,000	0	8,000
5861	DPW/GIS Mapping	1,000	0	1,000	1,000	1,000	0	1,000
5866	Fingerprinting new employee		70			70	88	0
5872	Controller Admin	1,982	0	1,982	2,500	4,482	4,000	2,114
5000	SERVICES & SUPPLIES SUBTOTAL	104,338	17,192	93,090	97,321	105,975	72,407	119,604
6712	Telephone	500	344	1,413	1,413	1,413	1,200	3,227
6713	ISD (Automation Services)/ card key	8,443	7,467	7,576	7,576	7,576	7,576	14,202
6714	Rent	12,925	12,925	12,925	12,925	12,925	12,925	12,925
6717	Motor Pool						0	150
6722	Countywide security and HR	90	195	105	590	255		
6725	Gen'l Liability & bond ins.	4,591	4,342	5,950	5,950	5,950	6,400	7,000
6727	Bond Insurance						60	100
6732	County Counsel	30,000	12,737	20,000	20,000	20,000	5,000	20,000
6733	Human Resources						70	150
6738	Countywide Security						124	150
6739	All Other Charges						200	400
6821	A 87 Charges/County Cost Allocation	6,640	6,640	8,598	8,598	8,598	8,598	33,163
6000	OTHER CHARGES SUBTOTAL	63,189	44,650	56,567	57,052	56,717	42,153	91,467
	Subtotal Appropriations	557,667	414,515	591,856	596,572	604,891	549,959	678,984
8612	Reserve 3%	16,730	0	17,756	17,897	18,147	0	13,580
	Special Reserve	0	0	0	0	0	0	0
	Total Appropriations Budget	574,397	414,515	609,612	614,469	623,038	549,959	692,564

added 250 for wellness dividend

added 250 for wellness dividend

budget reduction measure post covid

corrected per ISD

brought back to 20k

reduced reserve to 2% as post covid budget reduction measure

Revenues								
3333	Fund Balance	128,846	79,593	79,593	79,593	99,983	99,983	65,079
2421	Application Fees	30,000	14,424	28,000	28,000	28,000	20,000	28,000
2658	CALAFCO Deputy EO Stipend		0	4,000	4,000	4,000	4,000	4,000
	Intergov. Rev. (County/City/Dist)	415,551	420,481	498,019	502,876	491,055	491,055	595,485
	Total Revenues	574,397	514,498	609,612	614,469	623,038	615,038	692,564
	County/City/District 1/3 Apportionment	138,517	138,517	166,006	167,625	163,685	163,685	198,495

new 1/3 share to county cities an special district.

Refund to county not issued & carried over to 18/19 FY 20/21

Reserve reduced to 2%

2/3 (\$396,990) shows in acct 1992 and 198,495 shows in acct. 8142