



LOCAL AGENCY FORMATION COMMISSION

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

October 12, 2020

To: LAFCo Commissioners

From: Martha Poyatos, Executive Officer *M. Poyatos*

Subject: Consideration of Revisions to the Adopted 2020-2021 LAFCo Budget

Recommendations

1. Open the public hearing on the Recommended Revisions to the Adopted LAFCo 2020-21 recommended Budget and receive public comment.
2. Consider and adopt the recommended revisions Appropriations Budget of \$728,804 for the 2020-21 Fiscal Year and Final Work Plan with any desired changes and direct the Executive Officer to distribute it to the County, cities, and independent special districts.

Summary

At the June 17, 2020 LAFCo meeting, the Commission adopted a final 2020-21 Appropriations Budget of \$668,796 and Net Operating Budget of \$571,717¹, which reflected increasing the Commission's staffing level to add a management analyst position and fund a shared clerical position with the San Mateo County Planning Department. The Recommended budget was based on application of the 2019-20 estimated fund balance of \$65,079. Following the close of the fiscal year and additional information from the County Budget Office, the final actual fund balance for the 2019-20 Fiscal Year was \$152,367, or \$87,288 greater than estimated. The greater than anticipated fund balance results from savings in legal and other services, non-expenditure of reserves, non-payment of a refund to the County of San Mateo for a prior overpayment, salary savings from a delay in the hiring of the administrative secretary and corrections for the year end fund balance provided by the County Controller's Office. This change in fund balance and other adjustments necessitates revising the Commission's 2020-21 Adopted Budget. It is recommended that the Commission consider and approve the attached recommended revised Appropriations Budget of \$728,804 with a net operating budget of \$544,437.

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.

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ALTERNATES: KATI MARTIN, SPECIAL DISTRICT • HARVEY RARBACK, CITY • JAMES O'NEILL, PUBLIC • DAVE PINE, COUNTY

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER • TIM FOX, LEGAL COUNSEL • ROB BARTOLI, MANAGEMENT ANALYST • ANGELA MONTES, CLERK

The revised recommended 2020-21 Appropriations Budget is \$728,804 with a net operating budget of \$544,437 and one-third apportionment of \$181,479 to be paid by the County, the 20 cities and 21 independent special districts. The following table summarizes the FY 2019-20 and FY 2020-21.

	Revised Adopted 2019-2020 FY	Draft 2020-21 May 13, 2020	Proposed Final 2020-21 June 10, 2020	Proposed Revised Final 2020-21 October 14, 2020
Appropriations Budget	\$623,038	\$692,564	\$668,796	\$728,804
Net Operating Budget	\$491,055	\$595,485	\$571,717	\$544,437
One-third Apportionment	\$163,685	\$198,495	\$190,572	\$181,479

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.

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 districts². 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 October 14, 2020 budget spreadsheet).

Application of Fund Balance

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 2019-20 Fiscal Year.

The excess fund balance of \$152,367, was not set aside in reserve resulting a reduction of \$27,280 in 2020-21 net operating budget.

Reserve Fund

As part of the 2020-21 adopted budget, staff recommended lowering the 3% reserve to 2% for a reserve of \$13,114 consistent with County reserve policy resulting in a reduction of \$6,950. In consultation with County budget staff, the budget for LAFCo's reserve has been increased to correctly march the current amount of funds in the account. As LAFCo has not needed to draw on these reserve funds, the funds have accumulated over previous budget years. The amount shown in the revised budget reflects this accumulation.

County Counsel

The adopted July 2020 appropriation of \$20,000 for County Counsel charges has been increase to \$30,000. This appropriation is based on requirement for indemnification by applicants for all annexation/reorganization proposals and due to the potential for several complex proposals this fiscal year that may require additional legal review.

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 the August 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 interfund transfer as the LAFCo budget has been moved from the County General Fund to a Trust Fund. The Recommended Revised 2020-21 LAFCo Net Operating Budget of \$544,437 (appropriations budget less fund balance and application revenue) results in a reduction in the amount of \$9,093 to each of the one-third apportionments from the June adopted budget equaling \$190,572.

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.

The Budget Committee (Commissioners Draper, Horsley and Mike O'Neill) met on August 14, 2020 to review the recommended revisions to the proposed budget for consideration at the Commission's August 19 meeting. The Committee unanimously recommended approval of the proposed revisions.

Since these draft visions in August, staff has continued to work County budget staff and made adjustments to the Commission Reserve and Fund Balance amounts as described previously in this report.

Recommendation

Open the public hearing, receive public comment, and adopt the Recommended Revised 2020-2021 Appropriations Budget of \$728,840 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 – 10/14/2020

June Budget Report and Spreadsheet – 6/17/2020

cc: County of San Mateo

Cities

Special District

LAFCo	DRAFT Revised Recommended FY 20-21 Budget	Revised	Final	Proposed	Adopted	Recomm.	Est. Actual	Revised Final	Adopted	Revised	
	October 14, 2020	Adopted	Actual	March 2019	May 2019	Revised	FY 19-20	Actual FY 19-20	June 2020	Oct 2020	
		FY 18-19	FY 18-19	FY 19-20	FY 19-20	FY 19-20		20	FY 20-21	FY 20-21	
4111	Salary & Benefits Executive Officer	234,340	234,340	253,324	253,324	253,324	253,324	253,324	272,889	273,234	updated based on budget office advice
	Management Analyst	145,000	114,733	178,075	178,075	178,075	178,075	178,075	190,224	190,570	
4141	Admin. Leave Cash Out	6,000	0	6,000	6,000	6,000	0	0	0	0	
4161	Commissioner Compensation	4,800	3,600	4,800	4,800	4,800	4,000	3,250	4,800	4,800	
4000	SALARIES & BENEFITS SUBTOTAL	390,140	352,673	442,199	442,199	442,199	435,399	434,649	467,913	468,604	
5184	Refund County overpayment in 2014/15 & 18/19	12,416	0	0	0	17,346		0	17,346	17,346	
5191	Outside Printing (other special printing)	1,000	0	1,000	1,000	1,000	0	0	1,000	1,000	
5193	General Office Supplies	500	398	500	500	500	500	345	500	500	
5196	Photocopy - in-house copier	500	500	500	500	500	500	500	500	500	
5197	Postage & Mailing Service	1,200	204	1,200	1,200	1,200	300	219	1,200	1,200	
5211	Computer Supplies					0		243	0	300	
5212	Computer Equipment under \$5,000	0	0	0	0	0	0	0	1,500	1,500	
5218	Corovan Records Storage	700	143	700	700	700	200	233	700	700	
5331	Memberships (CALAFCO/CSDA)	7,714	7,911	8,882	9,000	9,000	8,951	7,505	16,000	16,000	
5341	Legal Advertising	1,500	140	1,500	1,500	1,500	250	1,002	1,200	1,200	
5712	Mileage Allowance	250	216	250	250	250	291	291	250	250	
5721	Meetings & Conferences	9,000	5,532	9,000	9,000	9,000	7,000	8,051	0	0	budget reduction measure Covid
5733	Training	250	75	250	250	250	50	50	250	250	
5814	Fiscal Office Specialist	988	988	988	988	988	988	988	988	988	
5838	.5 FTE Exec. Secretary	52,138	0	52,138	55,733	40,989	40,989	40,989	57,856	57,856	
5842	Outside Auditing Services	7,700	0	7,700	7,700	7,700	7,700	1,498	7,700	7,700	Contract actuarial and audit service
5848	Graphics	1,500	1,015	1,500	1,500	1,500	600	350	1,500	1,500	
5856	Consulting	0	0	0	0	0	0	0	0	0	
5858	Video Recording Comm. Meetings	4,000	0	4,000	4,000	8,000	0	0	8,000	8,000	
5861	DPW/GIS Mapping	1,000	0	1,000	1,000	1,000	0	18,403	1,000	1,000	DPW mapping charge reimbursed by applicant (see Misc. Revenue)
5866	Fingerprinting new employee		70			70	88	88	0	0	
5872	Controller Admin	1,982	0	1,982	2,500	4,482	4,000	3,918	2,114	2,114	
5000	SERVICES & SUPPLIES SUBTOTAL	104,338	17,192	93,090	97,321	105,975	72,407	84,673	119,604	119,904	
6712	Telephone	500	344	1,413	1,413	1,413	1,200	1,409	3,227	3,227	
6713	ISD (Automation Services)	8,443	7,467	7,576	7,576	7,576	7,576	8,266	14,202	14,202	
6714	Rent	12,925	12,925	12,925	12,925	12,925	12,925	12,925	12,925	12,925	
6717	Motor Pool						0	188	150	150	
6722	Countywide security and HR	90	195	105	590	255					
6725	Gen'l Liability	4,591	4,342	5,950	5,950	5,950	6,400	7,849	7,000	8,000	
6727	Bond Insurance						60	60	100	100	
6732	County Counsel	30,000	12,737	20,000	20,000	20,000	5,000	2,366	20,000	30,000	
6733	Human Resources						70	67	150	150	
6738	Countywide Security						124	124	150	150	
6739	All Other Charges						200	239	400	400	
6821	A 87 Charges/County Cost Allocation	6,640	6,640	8,598	8,598	8,598	8,598	8,598	9,861	9,861	
6000	OTHER CHARGES SUBTOTAL	63,189	44,650	56,567	57,052	56,717	42,153	42,091	68,165	79,165	
	Subtotal Appropriations	557,667	414,515	591,856	596,572	604,891	549,959	561,413	655,682	667,673	
8612	Reserve 3%	16,730	0	17,756	17,897	18,147	0	0	13,114	61,131	

	Special Reserve	0	0	0	0	0	0	0	0	0
	Total Appropriations Budget	574,397	414,515	609,612	614,469	623,038	549,959	561,413	668,796	728,804
	Revenues									
3333	Fund Balance	128,846	79,593	99,983	79,593	99,983	99,983	106,785	65,079	152,367
2421	Application Fees	30,000	14,424	28,000	28,000	28,000	20,000	20,040	28,000	28,000
	Miscellaneous Revenue							29,217	0	0
2658	CALAFCO Deputy EO Stipend		0	4,000	4,000	4,000	4,000	8,000	4,000	4000
	Intergov. Rev. (County/City/Dist)	415,551	420,481	498,019	502,876	491,055	491,055	491,055	571,717	544,437
	Total Revenues	574,397	514,498	609,612	614,469	623,038	615,038	655,097	668,796	728,804
	County/City/District 1/3 Apportionment	138,517	138,517	166,006	167,625	163,685	163,685	163,685	190,572	181,479

Corrected year end fund balance for final actual 19-20, provided by budget office

DPW Mapping, CALAFCO reimbursement, application fee incorrectly posted

new 1/3 share to county cities and special districts
2/3 (\$362,958) shows in acct 1992 and 181,479 shows in acct. 2542

Refund to county not issued & carried over to 18/19 FY 20/21 Reserve reduced to 2%



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June 10, 2020

To: LAFCo Commissioners

From: Martha Poyatos, Executive Officer *M. Poyatos*

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

Recommendations

1. Open the public hearing on the LAFCo 2020-21 recommended Final Work Program and Budget and receive public comment.
2. Consider and adopt the Recommended Final Appropriations Budget of \$668,796 for the 2020-21 Fiscal Year and Final Work Plan with any desired changes and direct the Executive Officer to 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) first met on March 3, 2020 to review a recommended proposed budget for consideration at the Commission's 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 required that the Commission consider the Draft Proposed Budget at the May 20 Commission meeting and that there be a noticed public hearing on June 17 to consider the final budget. Additionally, after the

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STAFF: ANALYST ▪ ANGELA MONTES, CLERK

close of the fiscal year, the Commission considers amendments to the budget based on the final year end fund balance.

Due to the March 16 Shelter-in-Place order and the Governor's March 17, 2020 Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown the Commission held the May 20 meeting via Zoom. At that meeting the Commission considered and approved a proposed budget that reflected reductions from the draft first approved by the budget committee "pre-Covid/Shelter-in-Place, to minimize the impact of the LAFCo budget on the County, cities and special districts as LAFCo's funding agencies. The staff report from the May 20 meeting is attached.

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.

Final Proposed 2020-21 Budget

The attached final budget includes the actual budget for 2018-2019, adopted and estimated actual for 2019-20 and the final proposed 2020-21 Budget of \$668,796 compared to \$692,564 draft budget published on May 13. 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, a \$3,157 increase in CALAFCO dues.

After the draft proposed 2020-21 budget was published an addendum memo and budget was issued that addressed a proposed increase in A 87/Cost Allocation charges. LAFCo staff received a

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 Cost Allocation Plan from the County Controller’s Office in the amount of \$9,861 compared to \$33,163 that was included in the May 13 report. This results in a reduction of \$23,768. The revised recommended 2020-21 Appropriations Budget is \$668,796 with a net operating budget of \$571,717 and one-third apportionment of \$190,572 to be paid by the County, the 20 cities and 21 independent special districts.

The following table summarizes the FY 2019-20 and FY 2020-21.

	Revised Adopted 2019-2020 FY	Draft 2020-21 May 13, 2020	Revised Proposed Final 2020-21 June 10, 2020
Appropriations Budget	\$623,038	\$692,564	\$668,796
Net Operating Budget	\$491,055	\$595,485	\$571,717
One-third Apportionment	\$163,685	\$198,495	\$190,572

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.

Final 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 final 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 Mateo County Harbor District	September/November 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.

Final 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 \$9,861 compared to \$8,598 in the current fiscal year. In the draft budget dated May 13, 2020, the A-87 charge was to be \$33,163 due mainly to a charge of \$19,274 for payments to unfunded retirement liability. However, since that time we received a revised Cost Allocation Plan from the County Controller's Office in the amount of \$9,861, removing the charge for unfunded retirement liability.

Reserve

Staff recommends lowering the 3% reserve to 2% for a reserve of \$13,114 consistent with County reserve policy resulting in a reduction of \$6,950.

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 final 2020-21 budget includes no appropriation for consulting and a standard 2% reserve of \$13,114.

Review by Budget Committee

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

Comments on Final Budget and Work Program

As of June 11, 2020, no comments have been received on the final budget or work program.

Recommendation

1. Open the public hearing on the LAFCo 2020-21 recommended Final Work Program and Budget and receive public comment.
2. Consider and adopt the Recommended Final Appropriations Budget of \$668,796 for the 2020-21 Fiscal Year and Final Work Plan with any desired changes and direct the Executive Officer to distribute it 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)

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.

The A-87 formula for 2020-21 allocates \$9,861 compared to \$8,598 in the current fiscal year. In the draft budget dated May 13, 2020, the A-87 charge was to be \$33,163 due mainly to a charge of \$19,274 for payments to unfunded retirement liability. However, since that time we received a revised Cost Allocation Plan from the County Controller's Office in the amount of \$9,861, removing the charge for unfunded retirement liability.

Reserve (8612)

Amount of \$13,114 in reserve for unanticipated expenditures set at 2% compared to the prior Commission established reserve set at 3% of gross appropriations. Commission authorization is required to spend reserve.