



LOCAL AGENCY FORMATION COMMISSION

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March 9, 2022

To: LAFCo Commissioners

From: Rob Bartoli, Interim Executive Officer

Subject: Review of Draft Work Program and LAFCo Budget for Fiscal Year 2022-23

Budget Review Schedule and Background

Section 56381 of Cortese-Knox-Hertzberg Act (CKH or 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” net operating budget at a noticed public hearing.
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 requires that the LAFCo net operating budget be apportioned in thirds to the County, the cities and independent special districts¹.

Proposed 2022-23 Budget

The proposed draft LAFCo Budget for Fiscal Year 2022-23 Budget is \$768,143. Key items addressed in more detail below include a reduction to salary and benefits due to staffing changes, \$2,300 for internet and communications to support remote work, including the purchase of a cell phone and associated

¹ 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. For estimation purposes, agencies can use apportionment rates used by the Controller for the current Fiscal Year.

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

ALTERNATES: KATI MARTIN, SPECIAL DISTRICT ▪ DIANA REDDY, CITY ▪ JAMES O’NEILL, PUBLIC ▪ DAVE PINE, COUNTY

STAFF: ROB BARTOLI, INTERIM EXECUTIVE OFFICER ▪ TIM FOX, LEGAL COUNSEL ▪ ANGELA MONTES, CLERK

phone plan for the Executive Officer, \$6,500 for mapping and GIS work, including \$5,000 for the scanning of historic LAFCo records and maps in conjunction with County Department of Public Works, and a special reserve of \$75,000 for consultant costs for future MSRs.

The one-time revenue that was received the municipal service review for the City of East Palo Alto, East Palo Alto Sanitary District and West Bay Sanitary District will be expended in FY2021-22. The removal of the funds and corresponding charges and savings in salary and benefits results in a decrease in the net operating budget of approximately \$202,277 and an associated decrease in apportionment to funding agencies. The proposed one-third apportionment is \$173,795, a decrease of \$37,053 from FY 2021-22.

CKH Section 56381 stated that “at a minimum, the proposed and final budget 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.” While the proposed FY 2022-23 budget is less than the previous adopted budget, the reduction in the budget is due to staffing changes and the associated decrease in salary and benefits. The reduction in the proposed budget is not anticipated to impact LAFCo operations or the proposed workplan.

	Final FY 21-22 Budget	Draft Proposed FY 22-23 Budget	Change
Appropriations Budget	\$896,551	\$768,143	-\$128,408
Net Operating Budget	\$835,420	\$633,143	-\$202,277
One-third Apportionment	\$210,848	\$173,795	-\$37,053

Estimated Actual 2021-22 Budget

The 2021-22 Adopted Budget includes appropriations for the Executive Officer, Management Analyst, and shared Executive Secretary; Commission meetings; County Counsel; general operating expenditures including rent, supplies, etc.; travel; meetings and legal counsel. It also included the expenditure of \$129,475 for the consultant led MSR for City of East Palo Alto, East Palo Alto Sanitary District, and West Bay Sanitary District. Staff is conservatively estimating County Counsel actual charges based on the complexity of the several anticipated applications. Revenues 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 2022-23 fiscal year is \$216,758.

Proposed Work Program

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.

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 an 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.

Task	Progress	Comments
Prepare Municipal Service Reviews and Sphere of Influence Studies for the following anticipated agencies: City of East Palo Alto, East Palo Alto Sanitary District, and West Bay Sanitary District (Consultant, On-going, Hearings in Spring 2022) CSA-11 (On-going, Hearings in Spring 2022) South San Francisco and Westborough Water District (On-going, Hearings in Spring/Summer 2022) Burlingame and Hillsborough (early 2023) San Bruno and Millbrae (mid to late 2023) Foster City (Late 2023) Future consultant MSR (2023-24) If approved by the Commission in concept	On-going	All studies will include administrative and public hearing drafts. The MSR for City of East Palo Alto, East Palo Alto Sanitary District, and West Bay Sanitary District is consultant prepared and funded by developers with no cost to LAFCo or member agencies
Process applications for boundary changes in a responsive, professional, and efficient manner.	On-going	Priority is given to applications for economic development, public health and safety, or other urgent needs. Potential proposals include: CSA-11 annexation West Bay Sanitary District divestiture of solid waste Belmont annexation
Complete annual audits.	2020-2021 is on-going	Fiscal Year 2018-2019 and 2019-2020 have been completed.
Comment on potential LAFCo applications, relevant projects & development proposals, city General Plan updates and/ or related environmental documents.	On-going as needed	
Initiate informal meetings to discuss budget and policy issues with Cities,	On-going	

Special Districts, and County, as appropriate.		
Review of contract with County.	On-going	Proposal to update annual contract with County to better reflect services provided by County staff and departments to LAFCo
Post public information on the LAFCo website and review website layout, graphics, and content for ease of public use.	On-going	San Mateo County, which hosts the LAFCo website, is in the process of updating a new website platform. This process is just starting and is likely to last into 2022
Provide Commission with regular updates of laws, policies, and procedures.	On-going	
Quarterly update for budget	On-going	Provide timely quarterly updates on budget to Commission after budget adoption
Hiring for vacant Management Analyst position	New	
Participate in regional activities for which LAFCo has indirect or direct responsibilities, such as Plan Bay Area and Regional Housing Needs Allocation.	On-going	
Promote San Mateo LAFCo's interests in statewide issues through active participation in the California Association of Local Agency Formation Commissions (CALAFCO).	On-going	
Digital Archiving	On-going	Staff continues to digitize proposal files, meeting agendas, and meeting minutes. Staff coordinates with County staff regarding converting annexation records into digital format and potential cost estimate for that work.
Mapping program	On-going	Continue to coordinate with County staff to update maps of agencies and provide them on the LAFCo website

Review by Budget Committee

On March 1, 2022, the LAFCo Budget Committee reviewed the draft budget. The Commission did not have proposed changes to the draft budget.

Recommendation:

Provide direction to Staff regarding any desired changes to the budget and recommendation to the full Commission on the Draft FY 2022-23 budget and work program.

Attachments

- A. Budget Spreadsheet for FY 22-23
- B. Adopted FY 21-22 Budget and previous years

LAFCO PROPOSED 2022-23 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 \$422,460 reflects the Executive Officer position, Management Analyst, and Commissioner stipend. Reflecting guidance from the County Budget Office, the vacant Management Analyst position has been budgeted at Step 3 of the County's salary schedule. On a limited basis, this account is charged for extra-help staff time to assist LAFCo staff with website updates. administrative leave cash out, experience pay for positions per County HR, workers compensation charges, and Commissioner stipend of \$100 per bi-monthly meeting. Salary and benefits increase reflects the County's Salary Schedule. The shared administrative secretary position charges appear in Account 5838 and not in payroll.

Services & Supplies

Internet/Communications (5132)

Appropriation of \$2,300 for internet and communication tools and services to support LAFCo staff. This includes \$600 for a one-time purchase of cell phone for the Executive Officer and \$830 for the on-going service plan. Staff has had to previously utilize their private cell phones for returning calls when working remote.

Refund to County (5184)

Zero dollars have been appropriated to this category. The refund to the County will be completed in FY21-22.

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 \$1,000 for postage/ mailing service through the County mailroom.

Computer Supplies (5211)

Appropriation of \$500 for computer supplies including the use of internet hotspots to support teleworking for staff.

Software License (5215)

Appropriation of \$800 for two Microsoft 365 and Adobe licenses.

Records Storage (5218)

Appropriation of \$700 for offsite records storage.

Memberships (5331)

Estimated dues of \$16,000 for CALAFCO and California Special Districts Association. Membership with CALAFCO allows staff and the Commission access to LAFCo focused training, conferences, and legislative updates. Along with access to SDRMA, membership with CSDA keeps staff apprised of issues of interest to special districts and LAFCo.

Legal Advertising (5341)

Appropriation of \$1,500 for legal notices published in newspapers for LAFCo hearing items that require notice.

Mileage Allowance (5712)

Appropriation of \$250 for mileage reimbursement.

Meetings & Conferences (5721)

The Meetings and Conference appropriation is estimated at \$11,000 based on the annual CALAFCO conference venue in Orange County and budgeting for staff to attend the staff conference in 2023.

Training (5733)

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

Fiscal Office Specialist (5814)

Appropriation of \$1,526 for a County Fiscal Office Specialist to process LAFCo accounts receivable, accounts payable, and payroll. This is an estimated cost.

.5 FTE LAFCo Clerk (5838)

Appropriation of \$61,820 for part-time contracted Executive Secretary position. This amount includes salary, benefits, and administrative overhead charges from County Planning. This is an estimated cost.

Outside Auditing Services (5842)

Allocation of \$7,700 for outside auditing services for the anticipated FY21-22 audit.

Graphics/GIS (5848)

Appropriation of \$6,500 for GIS and other mapping services for LAFCo studies and sphere updates. This includes \$5,000 for the professional scanning of historical LAFCo records and maps. This scanning effort is being coordinated between LAFCo and County DPW.

Consulting (5856)

Appropriation of \$0 for consulting costs. The funds for the municipal service review for the City of East Palo Alto, East Palo Alto Sanitary District and West Bay Sanitary District will be expended in FY2021-22.

Video Recording of Commission Meetings (5858)

\$4,000 based on minimum of 4 hours at \$100 per hour and carry over from charges not received in FY 21-22. Six regular meetings of various duration and one potential additional meeting.

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 \$3,000 for administering the apportionment and collection of LAFCo budget to County, cities, and special districts.

Telephone (6712)

Estimated telephone charges of \$350 for Executive Officer and Management Analyst phone lines.

Other Information Services Department (ISD) Services (6713)

An estimate of \$12,500 for computer support, connectivity, etc.

Rent (6714)

Rent charges of \$13,587. This is an estimated cost.

General Liability (6725)

Estimated appropriation of \$9,000 for insurance through CSDA and employee insurance with County of San Mateo.

County Counsel (6732)

Appropriation of \$40,000 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. 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 2022-23 allocates \$12,000 compared to \$10,928 in the current fiscal year. This is an estimated cost.

Reserve (8612)

Staff recommends appropriating \$60,000 of the fund balance to reserve, consistent with the current level of reserves. As this is an allocation from the fund balance, no additional agency apportionments are required. Commission authorization is required to spend reserve.

Special Reserve (8612)

Appropriation of \$75,000 for a portion of the estimated cost for a future consultant lead Municipal Service Reviews

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

This year's estimated fund balance carry over is \$216,758 to offset agency costs.

Attachment A

LAFCo	Draft FY 22-23 Budget March 9, 2022	Final Actual FY 20-21	Adopted FY 21-22	Est. Actuals FY 21-22	Draft Proposed FY 22-23	
	<i>Expenditures</i>					
4111	Salary & Benefits Executive Officer	273,234	275,588	246,000	234,000	Estimated costs
4111	Salary & Benefits Management Analyst	190,570	200,714	125,000	183,460	Estimated costs
4141	Admin. Leave Cash Out	0	0	8,000	0	
4161	Commissioner Compensation	6,202	4,800	4,800	5,000	
4000	SALARIES & BENEFITS SUBTOTAL	470,006	481,102	383,800	422,460	
5132	Internet/Communications	778	950	840	2,300	Cell phone purchase (one time and monthly charges)
5184	Refund County overpayment in 2014/15 & 18/19	0	17,346	12,416	0	
5191	Outside Printing (other special printing)	0	1,000	0	1,000	
5193	General Office Supplies	500	500	500	500	
5196	Photocopy - in-house copier	500	500	500	500	
5197	Postage & Mailing Service	5	1,000	60	1,000	
5211	Computer Supplies	243	500	100	500	
5212	Computer Equipment under \$5,000	5,000	5,000	0	0	
5215	Software License	453	700	600	800	
5218	Corovan Records Storage	908	700	500	700	
5331	Memberships (CALAFCO/CSDA)	12,144	16,000	13,872	16,000	
5341	Legal Advertising	604	1,200	700	1,500	
5712	Mileage Allowance	0	250	0	250	
5721	Meetings & Conferences	0	10,170	1,560	11,000	
5733	Training	0	250	0	250	
5814	Fiscal Office Specialist	988	1,526	1,526	1,526	Estimated costs
5838	.5 FTE LAFCo Clerk	57,856	58,161	58,161	61,820	Estimated costs
5842	Outside Auditing Services	6,160	13,400	13,400	7,700	
5848	Graphics	0	1,500	0	1,500	
5856	Consulting	0	130,000	129,475	0	
5858	Other Professional Contract Services (Recording of Meetings)	1,360	4,000	0	4,000	
5861	DPW/GIS Mapping	0	1,000	0	6,500	
5866	Fingerprinting new employee	0	0	0	100	
5872	Controller Admin	2,114	3,000	3,000	3,000	
5000	SERVICES & SUPPLIES SUBTOTAL	89,613	268,653	237,210	122,446	
6712	Telephone	925	350	350	350	
6713	ISD (Automation Services)	12,316	11,500	12,000	12,500	
6714	Rent	13,587	13,587	13,587	13,587	Estimated costs
6717	Motor Pool	0	0	0	0	
6725	Gen'l Liability	7,890	8,500	6,343	9,000	
6727	Bond Insurance	62	100	32	100	
6732	County Counsel	14,059	40,000	25,000	40,000	
6733	Human Resources	67	150	217	150	
6738	Countywide Security	128	150	139	150	Estimated costs
6739	All Other Charges (Card key and Accounting Software)	496	400	350	400	
6821	A 87 Charges/County Cost Allocation	9,861	10,928	10,928	12,000	Estimated costs
6000	OTHER CHARGES SUBTOTAL	59,391	85,665	68,946	88,237	

	Subtotal Appropriations	619,010	835,420	689,956	633,143
8612	Reserve	0	61,131	0	60,000
	Special Reserve	0	0		75,000
	Total Appropriations Budget	619,010	896,551	689,956	768,143
	Revenues				
3333	Fund Balance	152,367	38,877	401,925	216,758
2421	Application Fees	28,000	30,000	20,000	30,000
	Miscellaneous Revenue	0	130,000	0	0
2658	CALAFCO Deputy EO Stipend	4,000	4,000	0	0
	Intergov. Rev. (County/City/Dist)	434,643	632,543	484,789	521,385
	Total Revenues	619,010	835,420	906,714	768,143
	County/City/District 1/3 Apportionment	144,881	210,848	210,848	173,795

Portion for future consultant lead MSR

In FY 21-22, \$147,755 of fund balance is Intergov Rev that was received in FY20-21, but budgeted in FY 21-22

LAFCo	DRAFT Final FY 21-22 Budget April 22, 2021	Final Actual FY 19-20	Adopted FY 20 21	Est. Actuals FY 20-21	Final Proposed FY 21- 22	
	Expenditures					
4111	Salary & Benefits Executive Officer	253,324	273,234	273,234	275,588	
4111	Salary & Benefits Management Analyst	178,075	190,570	190,570	200,714	
4141	Admin. Leave Cash Out	0	0	0	0	
4161	Commissioner Compensation	3,250	4,800	4,800	4,800	
4000	SALARIES & BENEFITS SUBTOTAL	434,649	468,604	468,604	481,102	
5132	Internet/Communications	0	0	482	950	
5184	Refund County overpayment in 2014/15 & 18/19	0	17,346	0	17,346	Transfer funds via journal entry in FY 21-22
5191	Outside Printing (other special printing)	0	1,000	0	1,000	
5193	General Office Supplies	345	500	500	500	Estimated
5196	Photocopy - in-house copier	500	500	500	500	Estimated
5197	Postage & Mailing Service	219	1,200	5	1,000	
5211	Computer Supplies	243	300	243	500	
5212	Computer Equipment under \$5,000	0	1,500	0	5,000	Purchase of two laptops to replace desktops
5215	Software License	0	0	264	700	
5218	Corovan Records Storage	233	700	200	700	
5331	Memberships (CALAFCO/CSDA)	7,505	16,000	12,144	16,000	Estimated CSDA dues and actual CALAFCO dues
5341	Legal Advertising	1,002	1,200	285	1,200	
5712	Mileage Allowance	291	250	0	250	
5721	Meetings & Conferences	8,051	0	0	10,170	Estimated at \$250 round trip per person from SFO to Orange County, \$194 for lodging a day per CALAFCO, \$66 for meals per GSA, registrations rates (310 for staff workshop and 520 for annual conference) 3 staff for workshop, 3 staff and 3 commissions or conference
5733	Training	50	250	0	250	
5814	Fiscal Office Specialist	988	988	988	1,526	
5838	.5 FTE Exec. Secretary	40,989	57,856	57,856	58,161	
5842	Outside Auditing Services	1,498	7,700	2,000	13,400	Need to carry over what is in the budget this year to pay for rest of FY 18-19 and for next 19-20
5848	Graphics	350	1,500	0	1,500	
5856	Consulting	0	0	0	130,000	
5858	Other Professional Contract Services (Recording of Meetings)	0	8,000	0	4,000	Estimated in anticipation of in-person meetings
5861	DPW/GIS Mapping	18,403	1,000	0	1,000	
5866	Fingerprinting new employee	88	0	0	0	
5872	Controller Admin	3,918	2,114	2,114	3,000	Estimated (Processing LAFCo appropriation)
5000	SERVICES & SUPPLIES SUBTOTAL	84,673	119,904	77,099	268,653	
6712	Telephone	1,409	3,227	1,050	350	
6713	ISD (Automation Services)	8,266	14,202	14,500	11,500	
6714	Rent	12,925	12,925	12,925	13,587	
6717	Motor Pool	188	150	0	0	
6725	Gen'l Liability	7,849	8,000	8,000	8,500	
6727	Bond Insurance	60	100	62	100	

6732	County Counsel	2,366	30,000	30,000	40,000
6733	Human Resources	67	150	67	150
6738	Countywide Security	124	150	128	150
6739	All Other Charges (Card key and Accounting Software)	239	400	300	400
6821	A 87 Charges/County Cost Allocation	8,598	9,861	9,861	10,928
6000	OTHER CHARGES SUBTOTAL	42,091	79,165	76,893	85,665
	Subtotal Appropriations	561,413	667,673	622,596	835,420
8612	Reserve	0	61,131	0	61,131
	Special Reserve	0	0	0	0
	Total Appropriations Budget	561,413	728,804	622,596	896,551
	Revenues				
3333	Fund Balance	106,785	152,367	152,367	38,877
2421	Application Fees	20,040	28,000	19,000	30,000
	Miscellaneous Revenue	29,217	0	2,800	130,000
2658	CALAFCO Deputy EO Stipend	8,000	4,000	4,000	4,000
	Intergov. Rev. (County/City/Dist)	491,055	544,437	544,437	632,543
	Total Revenues	655,097	728,804	722,604	835,420
	County/City/District 1/3 Apportionment	163,685	181,479	181,479	210,848

It is anticipated that several proposals and studies will require substantial County Counsel review and support

Reserve fund would remain at current levels and no contributions would be made in FY 21-22