



March 14, 2013

To: Members, Formation Commission

From: Martha Poyatos,
Executive Officer

Subject: Proposed 2013-14 LAFCo Operating Budget

Recommendation:

1. Open the public hearing on the LAFCo 2013-14 Proposed Operating Budget and receive public comment
2. Consider and Adopt the Proposed Operating Budget of \$374,325 for 2013-14 with any desired changes and direct the Executive Officer to distribute it to the County, cities and independent special districts prior to consideration for adoption at the May 15, 2013 meeting pursuant to Government code Section 56381

Background

Section 56381 of Cortese-Knox-Hertzberg, 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
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, all cities and all independent special districts.

This process requires distribution of both the proposed budget and final budget to all funding agencies for comment 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 apportioned in thirds to the County, the cities and independent special districts¹. Also, because the Proposed and Adopted Budget are adopted before the end of the fiscal year

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. These reports are not yet available. For estimation purposes, agencies can reference the apportionment rates calculated for the 2011-12 Fiscal Year .

and include an *estimate* of fund balance carry over, once the current fiscal year closes and the actual fund balance carry-over is determined, it will be necessary for the Commission to consider revisions to the budget to reflect application of the actual fund balance carry-over.

Budget Committee Recommendations

The Commission's Budget Committee consisting of Commissioners Horsley, Patridge and Altscher met on March 4 to review the draft budget and provide direction to staff.

Components of the budget include appropriations for salaries, services and supplies, which are provided by contract with the County of San Mateo and appropriations for reserve.² A key change in this budget recommendation includes an appropriation for Consulting in the amount of \$50,000 in order to complete the first round of municipal service reviews. Components of revenues include fund balance carry-over from the previous fiscal year, application fees and intergovernmental revenues comprised of mandatory one-third funding by the County, cities and special districts.

The LAFCo budget is based on contract amounts provided by the County of San Mateo for salary and benefits, county counsel and other services and supplies. This year, staff prepared for Committee review, a budget that aimed completing the balance of State-mandated municipal service reviews that are beyond the work of a single staff person. The proposed budget maintains reductions adopted in previous years that include:

1. Reduced level of sharing secretarial support with Parks Department to 20% time or \$25,000.
2. Elimination of one-time reserve and retain only 3% reserve.

The following narrative explains each budget account. The attached budget reflects the Committee's discussion and direction, and includes a spreadsheet showing Actual 2010-11 and 2011-12 and Adopted and Estimated Actual 2012-13 and Proposed 2013-14. Updates since the Budget committee's review include: the County Controller for charges for administering LAFCo apportionment, amending the estimate to \$2,440, an increase of \$504. As shown in Column G, based on Committee discussion the proposed appropriations budget is \$311,133 and net operating budget³ (appropriations less application fees and fund balance) is \$236,720. The Net Operating Budget reflects an offset of \$49,413 in estimated fund balance carry-over from the current fiscal year. The anticipated fund balance results primarily from savings in secretarial support and county counsel and non-use of reserve funds.

The Committee supported including consulting funds to complete first-round municipal service reviews and also supported elimination of continued elimination of one-time reserve, with the

² The Commission's reserve amount is re-established each year and does not accumulate.

³ Shown as intergovernmental revenues

caveat that if the Commission experiences a shortfall during the fiscal year, a loan can be obtained from the County of San Mateo and be repaid in the subsequent fiscal year, as provided by Section 56381[c].

Apportionment to Cities and Special Districts:

As noted above, the net operating budget is apportioned in thirds to the County, cities and 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, the County Controller prepares apportionment tables indicating each agency's share of the LAFCo net operating budget. The State Controller's reports are typically not available until September. Cities and districts can estimate their 2013-14 share by applying the percent increase explained below. The County's apportionment is transferred to the LAFCo budget via intrafund transfer.

The LAFCo net operating budget of \$295,909 as proposed results in one-third apportionments of \$98,636, an increase of \$21,177 or 27% from the 2012-13 one-third apportionment to the funding groups. Fiscal impact to the County of San Mateo is \$21,177. Fiscal impact of \$21,177 to the Cities would be shared by the 20 cities based on their proportional revenues among cities as reported in the State Controller's report and the fiscal impact of \$21,177 to the 23 independent special district would be apportioned to the 23 independent special districts based on proportional revenues as reported in the State Controller's reports.

Application of Fund Balance

In regard to application of fund balance, the estimated actual revenue for 2012-13 is \$323,553. Based on estimated expenditures of \$270,137, the resulting estimated fund balance is \$53,416, and is applied as revenue and labeled "fund balance from previous year." The portion of the LAFCo budget that is apportioned in thirds to funding groups is the appropriations budget less fund balance and application fees and labeled "intergovernmental revenue".

Proposed 2013-14 Budget Narrative

The following provides a narrative to the attached 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 \$196,912 includes the County position of Principal Management Analyst that serves as Executive Officer by contract with the County as well as administrative leave cash out and Commissioner stipend of \$100 per bi-monthly meeting. County salaries have been

frozen since the 2009-10 Fiscal Year. Salary and benefits increases reflect an increase both health and retirement costs. Annuity represents the amount of the County offset of management position retirement contributions.

SERVICES & SUPPLIES

Outside Printing (5191)

Appropriation of \$1,000 for copying and printing by outside print shops for special community mailings related to municipal service reviews that cannot be satisfied by reliance on electronic distribution of documents.

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 \$1,500 for postage/ mailing service through County Mail Room.

Records Storage (5218)

Appropriation of \$200 for offsite records storage.

Memberships (5331)

Includes CALAFCo dues of \$5,342, and California Special Districts Association dues of \$846.

Legal Advertising (5341)

Appropriation of \$1,500 for legal notices published in newspaper for LAFCo hearing items requiring notice.

Mileage Allowance (5712)

Appropriation of \$250 for mileage reimbursement for staff attendance at offsite meetings or site visits.

Meetings & Conferences (5721)

Appropriation of \$6,000 associated with commission and staff attendance/travel at CALAFCo Annual Workshop and Staff Workshop based on the venue of each event. (Budgets for four commissioners, Executive Officer and legal counsel if available to attend Annual Conference in Lake Tahoe and attendance of one staff person at CALAFCo staff workshop in Bay Area)

Training (5733)

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

Fiscal Office Specialist (5810)

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

Graphics/GIS (5848)

Appropriation of \$4,500 for GIS and other mapping for LAFCo studies and sphere updates.

Consulting (5856)

Appropriation of \$50,000 for Consultant prepared Municipal Service Review and Sphere update for North County agencies.

Admin Assistant Shared with Parks (5962)

Appropriation of \$25,000 for executive secretary position shared with San Mateo County Parks Department through contract.

GIS (5861)

Appropriation \$2,500 for special work completed by ISD/Public Works GIS mapping related to LAFCo applications or studies.

Controller (5872)

Estimated Cost of \$2,440 for administering the apportionment and collection of LAFCo budget to county, cities and special districts.

Telephone (6712)

Telephone charges of \$670 for Executive Officer phone line.

Other Information Services Department Services (6713)

Charges of \$4,650 for internet access, technical support and website maintenance including posting of notice, agenda materials and studies.

Rent (6714)

Rent charges of \$2,703

General Liability & Bond Insurance (6725)

Appropriation of \$4,229 for insurance through California Special Districts Association and employee bond insurance with County of San Mateo.

County Counsel (6732)

Appropriation of \$30,000 for charges for County Counsel.

A-87 Charges (6821)

A-87 Charges represent indirect charges such as Human Resources, county manager, etc. A-87 for 2013-143 results in a charge of \$4,229 .

Reserve (8612)

Amount of \$10,903 in reserve for unanticipated expenditures, historically set at 3% of gross appropriations.

Recommended Action:

It is respectfully recommended that the Commission open the public hearing, accept comment and consider and adopt the Proposed Operating Budget for 201-14 of \$374,425 as proposed or with any desired changes and direct the Executive Officer to distribute it to the County, cities and independent special districts prior to consideration for final adoption at the May 15, 2013 meeting.

- c: John Maltbie, County Manager
- Members, Board of Supervisors
- City Managers, San Mateo County Cities
- Finance Directors, San Mateo County Cities
- District Managers, Independent Special Districts

LAFCo Budget - Draft Proposed 2013-14

prepared march 4, 2013

A	b	c	d	d	f	g	h
		Actual	Amended	Final	Adopted	Estimated	Proposed
		2010-11	Adopted	Actual	Sept. Rev.	Actual	Draft
			2011-12	2011-12	2012-13	2012-13	2013-14
4111	Salary & Benefits	195,042	195,321	197,883	194,265	194,265	196,912
4141	Admin. Leave Cash Out	3,237	3,003	4,927	4,900	4,900	4,900
4161	Commissioner Compensation	3,700	4,800	4,500	4,800	4,800	4,800
	County Annuity	7,119	7,625	7,230	7,625	7,625	7,853
	SALARIES & BENEFITS	209,098	210,749	214,540	211,590	211,590	214,465
5191	Outside Printing (other special printing)	11	1,000	170	500	500	1,000
5193	General Office Supplies	500	500	500	500	500	500
5196	Photocopy - in-house copier	500	500	500	500	500	500
5197	Postage & Mailing Service	417	1,000	1,481	1,500	1,500	1,500
5212	Computer Equipment under \$5,000	-	-	1,386	-	-	-
5331	Memberships (CALAFCo/CSDA new in	5,093	5,939	5,939	6,069	6,069	6,188
5341	Legal Advertising	150	1,500	566	1,500	1,400	1,500
5712	Mileage Allowance	0	250	0	250	130	250
5721	Meetings & Conferences	3,658	5,000	3,953	6,000	4,900	6,000
5733	Training	0	250	275	250	150	250
5810	Fiscal Office Specialist	988	988	988	988	988	988
5218	Corovan Records Storage (new 09/10)	177	200	140	200	200	200
5848	Graphics	2,320	6,500	950	4,500	2,500	4,500
5856	consulting						50,000
5962	Admin Asst. Shared with Parks.	14,997	25,000	11,030	25,000	15,000	25,000
5861	GIS Mapping	0	2,500	0	2,500	1,500	2,500
5872	Controller Admin**	1,760	1,936	1,760	2,440	2,440	2,440
6712	Telephone	670	670	620	670	670	670
6713	ISD (Automation Services)	2,694	4,650	4,462	4,650	4,000	4,650
6714	Rent	2,986	3,937	2,703	2,703	2,703	2,703
6722	Copy Center Charges	241	2,000	0	0	0	0
6725	Gen'l Liability & bond ins.	3,559	3,560	4,208	4,229	3,533	4,229
6732	County Counsel	18,060	39,280	4,752	30,000	12,000	30,000
6821	A 87 Charges	12,168	7,440	7,447	-2,636	-2,636	3,389
	Subtotal Appropriations	280,047	325,349	268,370	303,903	270,137	363,422
8612	Reserve 3%	0	9,760		9,117		10,903
	one time reserve	0			10,533		
	Total Appropriations Budget	\$280,047	\$335,109	\$268,370	\$323,553	\$270,137	\$374,325
	Revenues						
	Fund Balance (Actual revenues over ex	94,886	79,097	79,097	66,176	66,176	53,416
	Application Fees	16,643	25,000	24,437	25,000	25,000	25,000
	*** Intergov. Revenue	247,615	231,012	231,012	232,377	232,377	295,909
	Total Revenues	\$359,144	\$335,109	\$334,546	\$323,553	\$323,553	\$374,325
	One-third apportionment	\$82,538	\$77,004	\$77,004	\$77,459	\$77,459	\$98,636

(*** Apportionment to county, cities & special districts (cities/districts based on proportional revenues)

also the net operating budget, (appropriation less revenues & fund balance)

net operating budget apportioned in thirds to funding agencies)

10-11 FB \$79,097

11-12 FB \$66,176

Fund balance carry over is actual total revenues less actual appropriations