



## LOCAL AGENCY FORMATION COMMISSION

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

May 8, 2019

**To:** LAFCo Commissioners

**From:** Martha Poyatos, Executive Officer

*M. Poyatos*

**Subject:** Consideration of Adoption of Final Work Program and LAFCo Budget for Fiscal Year 2019-20

### Recommendations

1. Open the public hearing on the LAFCo 2019-20 recommended Final Budget and receive public comment.
2. Consider and adopt the Recommended Final Appropriations Budget of \$614,469 for the 2019-20 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 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

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

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

**STAFF:** MARTHA POYATOS, EXECUTIVE OFFICER ▪ REBECCA ARCHER, LEGAL COUNSEL ▪ ROB BARTOLI, MANAGEMENT ANALYST

requires that the LAFCo net operating budget be apportioned in thirds to the County, the cities, and the independent special districts<sup>1</sup>. Also, because the Proposed and Final Budgets are adopted before the end of the fiscal year and include an estimate of fund balance carryover, once the current fiscal year closes and the actual fund balance carryover is determined, 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 2019-20 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. The Commission's Budget Committee (Vice Chair Cosgrove and Commissioners Horsley and O'Neill) considered the draft proposed budget and unanimously recommended approval. The Proposed Budget was unanimously recommended for approval by the Commission at the March 20, 2019 meeting. Public notices were circulated in the San Mateo County Times and to affected agencies.

There are four minor revisions from the March 20, 2019 Proposed Budget based on finalized charges from the County and revised membership costs. The budget for Memberships to CALAFCo and California Special Districts Association was increased from \$8,882 to \$9,000. County Controller Administration was increased from \$1,982 to \$2,500. Countywide security and Human Resources were increased from \$105 to \$590. LAFCo's reserve was also increased from \$17,756 to \$17,897 because it is based on three percent of appropriations. Additionally, the budgeted salary for the part-time Executive Secretary was increased to \$55,733 from \$52,138 to align the duties of the position with the correct County job classification.

### **Final Work Program**

The following draft work plan includes a summary of recent activities and upcoming projects, 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 a MSR. San Mateo LAFCo has completed first round MSR's for all but 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:

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<sup>1</sup> 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.

| <u>Agency</u>  | <u>Completion date</u>                |
|--|---------------------------------------|
| San Mateo County Resource Conservation District  | August 30, 2019                       |
| City of South San Francisco/Westborough Water District for completion<br>County Service Areas 7 and 11 | August 30, 2019<br>September 31, 2019 |
| San Bruno and Millbrae   | October 31, 2019                      |
| Burlingame, and Hillsborough and Foster City   | January 30, 2020                      |

**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**

Staff will be 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 have been focused on several areas including the following:**

Pre-application inquiries and processing boundary change applications

Preparing the FY 2019-20 budget and Recommended Revisions to the Fee Schedule

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 Executive Officer serving as the CALAFCo Deputy Executive Officer and staff preparation of the CALAFCo Annual Survey

Ongoing discussions with San Francisco Public Utilities Commission (SFPUC) staff regarding transfer of properties directly connected to the SFPUC transmission line to a local retail provider, discussion with City of South San Francisco regarding requests for sewer connections in Unincorporated Country Club Park and pre-application discussion regarding a proposal to annex Pescadero High School to County Service Area 11 to mitigate an inadequate well and water service to a County fire station proposed to be constructed at the high school.

**2019-20 Work Program:**

In addition to finishing first round MSR's, Staff will commence second round sphere reviews and msr's for South County and Coastside cities and districts. It is anticipated that these updates will be less extensive than the first round reviews focusing on issued identified in prior studies and any changes in service demands and finances.

**Estimated Actual 2018-19 Budget**

The 2018-19 Adopted Budget includes appropriations for the Executive Officer position, 9 months for the Management Analyst position and 2 months of the shared Administrative Secretary position, as well as Commission meetings, County Counsel, general operating expenditures including rent, supplies, etc., travel and meetings.

In addition to salary savings, expenditures are less than budgeted in County Counsel charges and an unspent 3 percent reserve. It is estimated that actual appropriations will be \$79,593 less than adopted as a result and this amount will be carried over to offset operating expenditures in the 2019-20 Fiscal Year.

On the revenue side, funds include fund balance carryover, application fees (estimated to come in \$11,000 under the projected amount), and intergovernmental revenue from the County, cities, and independent special districts.

**Proposed 2019-20 Budget**

**Salary and Benefits**

Salary and benefits of \$497,932 reflects the Executive Officer position, full-time Management Analyst, part time Executive Secretary, and Commissioner stipend. Administrative support for LAFCo meetings will be provided by the part time Executive Secretary which will be shared between LAFCo and the Planning and Building Department. It is anticipated that this position will be filled in May 2019.

The increase in salary and benefits increases reflect the County's Salary Schedule and recent negotiated salary increase of 4% effective January 27, 2019 and 4% effective December 15, 2019 . The Commission contracts with the County of San Mateo for staffing. The salary and benefits for the Principal Management Analyst (who serves as the Executive Officer), Management Analyst, and part time Executive Secretary are in parity with those that fill these three job classifications in County departments.

**Services and Supplies**

The Commission's contract with the County of San Mateo includes staffing, office space, and related services.

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

The Meetings and Conferences appropriation is set at \$9,000 based on the annual CALAFCO conference and workshop venues and attendance by four commissioners and the Executive Officer at the annual conference and three staff members at the annual workshop.

#### A-87 Charges

A-87 is an Office of Management and Budget (OMB) 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 A-87. The A-87 formula for 2019-20 allocates \$8,598 compared to \$6,640 in the current fiscal year.

#### Reserve

Staff recommends appropriating the customary 3 percent reserve of \$17,897 in this fiscal year.

#### Application of Fund Balance

The Commission's practice regarding fund balance has been to appropriate all or a portion of the fund balance for consulting and/or special reserve and use a portion to offset the net operating budget, thereby reducing to the extent possible the funding obligation of the County, cities, and independent special districts. In preparing the annual budget, staff has been mindful of balancing the fiscal impact of the LAFCo budget on funding entities with the Commission's purpose to carry out mandated processing of applications and preparation of Municipal Service Reviews and sphere studies.

This year's estimated fund balance carryover is \$79,593. It is recommended this amount be used to offset the operating expenditures and there is no recommendation to appropriate funds for special reserves or consulting.

**Review by Budget Committee**

The Budget Committee unanimously recommended approval of the Draft Proposed 2019-20 budget but has not met to review the attached revised budget.

**Recommendation**

1. Open the public hearing and accept public comment,
2. Consider and adopt by resolution the Recommended Final Budget for 2019-20 Budget of \$614,469 as proposed or with any desired changes,
3. Direct the Executive Officer to distribute the budget to the County, cities, and independent special districts and forward it to the County Controller.

Attachment: Spreadsheet and Narrative

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

## **LAFCO PROPOSED 2019-20 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 \$497,932 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 increases reflect the County's Salary Schedule. Additionally, the budgeted salary for the part-time Executive Secretary was increased to \$55,733 from \$52,138 to align the duties of the position with the correct County job classification.

### **Services & Supplies**

#### **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.

#### **Records Storage (5218)**

Appropriation of \$700 for offsite records storage.

#### **Memberships (5331)**

Estimated dues of \$9,000 for CALAFCo and California Special Districts Association.

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 for staff attendance at off-site meetings or site visits.

Video Recording of Commission Meetings

\$4,000 based on minimum of 4 hours at \$100 per hour. Six regular meetings of various duration and one potential additional meeting.

Meetings & Conferences (5721)

Appropriation of \$9,000 for Commission and staff attendance and travel related to CALAFCO Annual Workshop and Staff Workshop based on the venue for each event (four Commissioners and Executive Officer to attend the Annual Conference and three staff members to attend at the CALAFCO staff workshop.

Training (5733)

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

Fiscal Office Specialist (5810)

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

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 \$2,500 for administering the apportionment and collection of LAFCo budget to county, cities, and special districts.

Telephone (6712)

Telephone charges of \$1,413 for Executive Officer and Management Analyst phone lines.

Other Information Services Department (ISD) Services (6713)

An estimate of \$7,576 for computer support, connectivity, etc.

Rent (6714)

Rent charges of \$12,925.

Countywide Security and HR (6722)

County charges for security and HR support charges of \$590

General Liability & Bond Insurance (6725)

Estimated Appropriation of \$5,950 for insurance through CSDA and employee bond insurance with County of San Mateo.

County Counsel (6732)

Appropriation of \$20,000 for County Counsel charges, a reduction of \$10,000 from the 2018-189 budget. This appropriation is based on requirement for indemnification by applicants for all annexation/reorganization proposals.

A-87 Charges (6821)

Indirect charges such as Human Resources, County Manager, are \$8,598. 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 programs funded externally such as Federal and State government. 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 external governmental funds for this specific purpose is recovered through A- 87.

Reserve (8612)

Amount of \$17,789 in reserve for unanticipated expenditures, historically set at 3 percent of gross appropriations. Commission authorization is required to spend reserve.

| LAFCo       | Proposed Draft FY 19-20 Budget                | Adopt.Sept. | Final   | Revised | Final    | Revised  | Estimated | Proposed | Revisions      |
|-------------|---|-------------|---------|---------|----------|----------|-----------|----------|----------------|
|             | Date: April 3, 2019                           | Revised     | Actual  | Adopted | Actual   | Adopted  | Actual    | Draft    | to Draft       |
|             |   | 2016-17     | 2016-17 | 2017-18 | FY 17-18 | FY 18-19 | FY 18-19  | FY 19-20 | FY 19-20       |
| 4111        | Salary & Benefits Executive Officer           | 222,349     | 222,349 | 231,706 | 231,706  | 234,340  | 234,340   | 253,324  | 253,324        |
|             | <b>.5 FTE Exec. Secretary</b>                 | 45,203      | 45,203  | 45,416  | 42,451   | 52,138   | 9,000     | 52,138   | <b>55,733</b>  |
|             | Management Analyst (effective 9/24/18)        |             |         |         |          | 145,000  | 145,000   | 178,075  | 178,075        |
| 4141        | Admin. Leave Cash Out                         | 6,000       | 4,418   | 6,000   | 4,678    | 6,000    | 0         | 6,000    | 6,000          |
| 4161        | Commissioner Compensation                     | 4,800       | 4,600   | 4,800   | 4,400    | 4,800    | 4,800     | 4,800    | 4,800          |
|             | <b>SALARIES &amp; BENEFITS SUBTOTAL</b>       | 278,352     | 270,802 | 287,922 | 283,235  | 442,278  | 393,140   | 494,337  | <b>497,932</b> |
|             | Refund County overpayment in 2014/1           | 12,416      | 0       | 12,416  |          | 12,416   | 12,416    | 0        | 0              |
| 5191        | Outside Printing (other special printing)     | 1,000       | 0       | 1,000   | 0        | 1,000    | 0         | 1,000    | 1,000          |
| 5193        | General Office Supplies                       | 1,000       | 1,488   | 500     | 352      | 500      | 500       | 500      | 500            |
| 5196        | Photocopy - in-house copier                   | 1,000       | 1,000   | 500     | 500      | 500      | 500       | 500      | 500            |
| 5197        | Postage & Mailing Service                     | 1,500       | 856     | 1,200   | 602      | 1,200    | 675       | 1,200    | 1,200          |
| 5212        | Computer Equipment under \$5,000              | 1,278       | 1,278   | 0       |          | 0        | 0         | 0        | 0              |
| <b>5331</b> | <b>Memberships (CALAFCo/CSDA)</b>             | 7,100       | 7,095   | 7,628   | 8,872    | 7,714    | 7,714     | 8,882    | <b>9,000</b>   |
| 5341        | Legal Advertising                             | 1,500       | 753     | 1,500   | 334      | 1,500    | 650       | 1,500    | 1,500          |
| 5712        | Mileage Allowance/Motor Pool                  | 250         | 0       | 250     | 0        | 250      | 0         | 250      | 250            |
|             | Video Recording Comm. Meetings                |             |         | 2,000   | 0        | 4,000    | 4,000     | 4,000    | 4,000          |
| 5721        | Meetings & Conferences                        | 8,000       | 7,052   | 8,000   | 5,488    | 9,000    | 8,500     | 9,000    | 9,000          |
| 5733        | Training                                      | 250         | 98      | 250     | 0        | 250      | 250       | 250      | 250            |
| 5814        | Fiscal Office Specialist                      | 1,976       | 1,976   | 988     | 988      | 988      | 988       | 988      | 988            |
| 5218        | Corovan Records Storage                       | 200         | 178     | 500     | 268      | 700      | 600       | 700      | 700            |
| 5848        | Graphics                                      | 4,500       | 50      | 1,500   | 0        | 1,500    | 0         | 1,500    | 1,500          |
|             | Outside Auditing Services                     |             |         |         |          | 7,700    | 7,700     | 7,700    | 7,700          |
| 5858        | Consulting                                    | 60,000      | 56,683  | 12,317  | 13,395   | 0        | 0         | 0        | 0              |
| 5861        | GIS Mapping                                   | 2,500       | 0       | 1,000   | 0        | 1,000    | 0         | 1,000    | 1,000          |
| <b>5872</b> | <b>Controller Admin</b>                       | 1,641       | 1,641   | 1,982   | 1,982    | 1,982    | 1,982     | 1,982    | <b>2,500</b>   |
| 6712        | Telephone                                     | 500         | 367     | 500     | 287      | 500      | 500       | 1,413    | 1,413          |
| 6713        | ISD (Automation Services)                     | 8,377       | 6,055   | 8,073   | 6,815    | 8,443    | 8,443     | 7,576    | 7,576          |
| 6714        | Rent  | 5,406       | 5,406   | 12,925  | 12,925   | 12,925   | 12,925    | 12,925   | 12,925         |
| <b>6722</b> | <b>Countywide security and HR</b>             | 53          | 84      | 90      | 90       | 90       | 90        | 105      | <b>590</b>     |
| 6725        | Gen'l Liability & bond ins.                   | 5,387       | 3,621   | 4,237   | 4,316    | 4,591    | 4,591     | 5,950    | 5,950          |
| 6732        | County Counsel                                | 30,000      | 4,478   | 30,000  | 7,656    | 30,000   | 15,000    | 20,000   | 20,000         |
| 6821        | A 87 Charges                                  | 6,193       | 6,193   | 10,250  | 10,250   | 6,640    | 6,640     | 8,598    | 8,598          |
|             | <b>SERVICES &amp; SUPPLIES SUBTOTAL</b>       | 162,027     | 106,352 | 119,606 | 75,120   | 115,389  | 94,664    | 97,519   | <b>98,640</b>  |
|             | <b>Subtotal Appropriations</b>                | 440,379     | 377,154 | 407,528 | 358,355  | 557,667  | 487,804   | 591,856  | <b>596,572</b> |
| <b>8612</b> | <b>Reserve 3%</b>                             | 13,211      | 0       | 11,484  | 0        | 16,730   | 0         | 17,756   | <b>17,897</b>  |
|             | Special Reserve                               | 40,000      | 0       | 73,559  | 0        | 0        | 0         | 0        | 0              |
|             | <b>Total Appropriations Budget</b>            | 493,590     | 377,154 | 492,571 | 358,355  | 574,397  | 487,804   | 609,612  | <b>614,469</b> |
|             | <b>Revenues</b>                               |             |         |         |          |          |           |          |                |
|             | Fund Balance                                  | 151,888     | 151,888 | 108,258 | 108,258  | 128,846  | 128,846   | 79,593   | 79,593         |
|             | Application Fees                              | 30,000      | 21,822  | 30,000  | 24,630   | 30,000   | 19,000    | 28,000   | 28,000         |
|             | CALFCO Deputy EO Stipend                      |             |         |         |          |          | 4,000     | 4,000    | 4,000          |
|             | <b>Intergov. Rev. (County/City/Dist)</b>      | 311,702     | 311,702 | 354,313 | 354,313  | 415,551  | 415,551   | 498,019  | <b>502,876</b> |
|             | <b>Total Revenues</b>                         | 493,590     | 485,412 | 492,571 | 487,201  | 574,397  | 567,397   | 609,612  | <b>614,469</b> |
|             | <b>County/City/District 1/3 Apportionment</b> | 103,901     | 103,901 | 118,104 | 118,104  | 138,517  | 138,517   | 166,006  | <b>167,625</b> |

Management analyst salary adjusted to reflect D step starting in September, Acct 5331 reflects overpayment of \$1,299 to be credited this fiscal year; Refund to county not issued & carried over to 18/19 FY