

LAFCO MEETING: June 1, 2016
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
SUBJECT: FINAL LAFCO BUDGET FOR FISCAL YEAR 2017

STAFF RECOMMENDATION

1. Revise the Draft FY 2017 Budget to reflect receipt of additional revenues and adopt the Final Budget for Fiscal Year 2016-2017. (Attachment A)
2. Find that the Final LAFCO Budget for Fiscal Year 2017 is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the Final LAFCO Budget adopted by the Commission including the estimated agency costs to the cities, the special districts, the County, the Cities Association and the Special Districts Association.
4. Direct the County Auditor–Controller to apportion LAFCO costs to the cities; to the special districts; and to the County; and to collect payment pursuant to Government Code §56381.

REVISIONS TO THE DRAFT / PRELIMINARY BUDGET

The Commission on April 6, 2016, adopted LAFCO’s preliminary budget for Fiscal Year 2016-2017. The preliminary budget was prepared using the best information available at that time.

Since adoption of the Draft Budget in April 2016, LAFCO has received additional revenue through application fees and settlement agreement payments. As a result, current fiscal year LAFCO revenues are higher by approximately \$104,000 from those budgeted for FY 2016 or previously projected for the FY 2016 year-end. The proposed Final Budget should be revised to reflect this additional revenue.

Since the timing did not allow for staff to schedule a meeting of the LAFCO Finance Sub-Committee (composed of Commissioners Wasserman, Vicklund Wilson and Tucker) to consider this issue and provide a recommendation to the Commission, staff contacted Commissioner Wasserman (who is also, LAFCO Vice-Chairperson) who suggested Option #1 which proposes that the additional revenue be used to reduce the FY 2017 cost for the cities, county and special districts. As seen in **Attachment A**, if the Commission implemented this option, LAFCO’s FY 2017 net operating expenses would be lower than its FY 2016 expenses by 13%, with a corresponding reduction in costs to the local agencies.

A second option (Option # 2) that the Commission may consider as a tentative measure to address the emerging LAFCO office space issue is to add the \$104,000 in additional revenue (or a portion

thereof) to the FY 2017 reserves thus temporarily increasing the LAFCO reserve to \$254,000 in order to address any potential costs related to the LAFCO office relocation. If the amount is not utilized during FY 2017, the reserves could be reduced the following year. Please see Staff Report for Agenda Item #10 for more information on this issue. As seen in **Attachment A**, this option will not change net operating expenses or the proposed cost to agencies in the Draft FY 2017 budget adopted by LAFCO on April 6th.

BACKGROUND

The Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires LAFCO to annually adopt a draft budget by May 1 and a final budget by June 15 at noticed public hearings. Both the draft and the final budgets are required to be transmitted to the cities, to the special districts and to the County. Government Code §56381(a) establishes that at a minimum, the budget must be equal to that of the previous year unless the Commission finds that reduced staffing or program costs will nevertheless allow it to fulfill its statutory responsibilities. Any unspent funds at the end of the year may be rolled over into the next fiscal year budget.

Government Code §56381(c) requires the County Auditor to request payment from the cities, special districts and the County no later than July 1 of each year for the amount each agency owes based on the net operating expenses of the Commission and the actual administrative costs incurred by the Auditor in apportioning costs and requesting payment.

COST APPORTIONMENT TO CITIES, DISTRICTS AND COUNTY

The CKH Act requires LAFCO costs to be split in proportion to the percentage of an agency's representation (excluding the public member) on the Commission. The LAFCO of Santa Clara County is composed of a public member, two County board members, two city council members, and since January 2013 – of two special district members. Government Code §56381(b)(1)(A) provides that when independent special districts are seated on LAFCO, the county, cities and districts must each provide a one-third share of LAFCO's operational budget.

Since the City of San Jose has permanent membership on LAFCO, as required by Government Code §56381.6(b), the City of San Jose's share of LAFCO costs must be in the same proportion as its member bears to the total membership on the commission, excluding the public member. Therefore in Santa Clara County, the City of San Jose pays one sixth and the remaining cities pay one sixth of LAFCO's operational costs. Per the CKH Act, the remaining cities' share must be apportioned in proportion to each city's total revenue, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county. Each city's share is therefore based on the 2013/2014 Report – which is the most recent edition available.

Government Code Section 56381 provides that the independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. The Santa Clara County Special Districts Association (SDA), at its August 13, 2012 meeting, adopted an alternative formula for distributing the independent special districts' share to individual districts. The SDA's agreement requires each district's cost to be based on a fixed percentage of the total independent special districts' share.

The estimated apportionment of LAFCO's FY 2017 costs to the individual cities and districts is included as **Attachment B for both the options**. Depending on the option selected by the

Commission, the final costs will be calculated and invoiced to the individual agencies by the County Controller's Office after LAFCO adopts the final budget.

ATTACHMENTS

Attachment A: Proposed Final LAFCO Budget for Fiscal Year 2017

Attachment B: Costs to Agencies Based on the Proposed Final Budget

**FINAL LAFCO BUDGET
FISCAL YEAR 2016 - 2017**

**AGENDA ITEM # 9
Attachment A**

					FINAL BUDGET FY 2017		
ITEM #	TITLE	APPROVED BUDGET FY 2016	ACTUALS Year to Date 2/25/2016	PROJECTIONS Year End 2016	DRAFT FY 2017 BUDGET ADOPTED BY LAFCO ON APRIL 6, 2016	OPTION #1:	OPTION #2:
						Reduce Agencies' Costs in FY 2017	Increase FY 2017 Reserves to Cover Potential LAFCO Office Relocation Costs
EXPENDITURES							
Object 1:	Salary and Benefits	\$499,823	\$298,144	\$480,000	\$594,370	\$594,370	\$594,370
Object 2:	Services and Supplies						
5255100	Intra-County Professional	\$45,000	\$2,036	\$7,000	\$45,000	\$45,000	\$45,000
5255800	Legal Counsel	\$59,000	\$24,396	\$75,000	\$65,000	\$65,000	\$65,000
5255500	Consultant Services	\$100,000	\$31,975	\$50,000	\$100,000	\$100,000	\$100,000
5285700	Meal Claims	\$750	\$45	\$350	\$750	\$750	\$750
5220100	Insurance	\$5,600	\$4,135	\$5,600	\$7,000	\$7,000	\$7,000
5250100	Office Expenses	\$2,000	\$187	\$1,000	\$12,000	\$12,000	\$12,000
5255650	Data Processing Services	\$7,100	\$2,450	\$7,100	\$5,000	\$5,000	\$5,000
5225500	Commissioners' Fee	\$10,000	\$2,700	\$8,000	\$10,000	\$10,000	\$10,000
5260100	Publications and Legal Notices	\$2,500	\$393	\$1,000	\$2,500	\$2,500	\$2,500
5245100	Membership Dues	\$7,577	\$7,577	\$7,577	\$8,107	\$8,107	\$8,107
5250750	Printing and Reproduction	\$1,500	\$0	\$1,000	\$1,500	\$1,500	\$1,500
5285800	Business Travel	\$15,000	\$3,989	\$8,000	\$16,000	\$16,000	\$16,000
5285300	Private Automobile Mileage	\$2,000	\$136	\$600	\$2,000	\$2,000	\$2,000
5285200	Transportation&Travel (County Car Usa	\$1,000	\$302	\$500	\$1,000	\$1,000	\$1,000
5281600	Overhead	\$49,993	\$24,997	\$49,993	\$0	\$0	\$0
5275200	Computer Hardware	\$3,000	\$106	\$3,000	\$3,000	\$3,000	\$3,000
5250800	Computer Software	\$4,000	\$854	\$4,000	\$4,000	\$4,000	\$4,000
5250250	Postage	\$2,000	\$244	\$700	\$2,000	\$2,000	\$2,000
5252100	Staff/ Commissioner Training Programs	\$2,000	\$0	\$1,000	\$2,000	\$2,000	\$2,000
5701000	Reserves	\$0	\$0	\$0	\$0	\$0	\$104,000
TOTAL EXPENDITURES		\$819,843	\$404,666	\$711,420	\$881,227	\$881,227	\$985,227
REVENUES							
4103400	Application Fees	\$30,000	\$26,559	\$134,000	\$30,000	\$30,000	\$30,000
4301100	Interest: Deposits and Investments	\$3,000	\$2,518	\$3,000	\$3,000	\$3,000	\$3,000
TOTAL REVENUE		\$33,000	\$29,077	\$137,000	\$33,000	\$33,000	\$33,000
FUND BALANCE FROM PREVIOUS FISCAL YEAR		\$124,839	\$187,310	\$187,310	\$170,894	\$274,894	\$274,894
NET OPERATING EXPENSES		\$662,004	\$188,279	\$387,110	\$677,333	\$573,333	\$677,333
3400800	RESERVES	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$254,000
COSTS TO AGENCIES							
5440200	County	\$220,668	\$220,668	\$220,668	\$225,778	\$191,111	\$225,778
4600100	Cities (San Jose 50% + Other Cities 50%)	\$220,668	\$220,668	\$220,668	\$225,778	\$191,111	\$225,778
4600100	Special Districts	\$220,668	\$220,668	\$220,668	\$225,778	\$191,111	\$225,778

AGENDA ITEM # 9
Attachment B

LAFCO COST APPORTIONMENT: County, Cities, Special Districts
Estimated Costs to Agencies Based on the Proposed 2017 LAFCO Budget

Proposed LAFCO Net Operating Expenses for 2017				\$573,333
Jurisdictions	Revenue per 2013/2014 Report	Percentage of Total Revenue	Allocation Percentages	Allocated Costs
County	N/A	N/A	33.3333333%	\$191,111.00
Cities Total Share			33.3333333%	\$191,111.00
San Jose	N/A	N/A	50.0000000%	\$95,555.50
Other cities share			50.0000000%	\$95,555.50
Campbell	\$50,818,475	2.3182652%		\$2,215.23
Cupertino	\$103,531,818	4.7229715%		\$4,513.06
Gilroy	\$76,203,320	3.4762850%		\$3,321.78
Los Altos	\$47,630,502	2.1728345%		\$2,076.26
Los Altos Hills	\$11,122,677	0.5074004%		\$484.85
Los Gatos	\$40,683,512	1.8559228%		\$1,773.44
Milpitas	\$134,314,766	6.1272449%		\$5,854.92
Monte Sereno	\$3,130,132	0.1427921%		\$136.45
Morgan Hill	\$73,058,518	3.3328237%		\$3,184.70
Mountain View	\$209,278,137	9.5469653%		\$9,122.65
Palo Alto	\$454,722,108	20.7437635%		\$19,821.81
Santa Clara	\$639,006,083	29.1505313%		\$27,854.92
Saratoga	\$22,282,708	1.0165048%		\$971.33
Sunnyvale	\$326,307,937	14.8856951%		\$14,224.10
Total Cities (excluding San Jose)	\$2,192,090,693	100.0000000%		\$95,555.50
Total Cities (including San Jose)				\$191,111.00
Special Districts Total Share			33.3333333%	\$191,111.00
Aldercroft Heights County Water District		0.06233%		\$119.12
Burbank Sanitary District		0.15593%		\$298.00
Cupertino Sanitary District		2.64110%		\$5,047.43
El Camino Healthcare District		4.90738%		\$9,378.54
Guadalupe Coyote Resource Conservation District		0.04860%		\$92.88
Lake Canyon Community Services District		0.02206%		\$42.16
Lion's Gate Community Services District		0.22053%		\$421.46
Loma Prieta Resource Conservation District		0.02020%		\$38.60
Midpeninsula Regional Open Space District		5.76378%		\$11,015.22
Purissima Hills Water District		1.35427%		\$2,588.16
Rancho Rinconada Recreation and Park District		0.15988%		\$305.55
San Martin County Water District		0.04431%		\$84.68
Santa Clara County Open Space Authority		1.27051%		\$2,428.08
Santa Clara Valley Water District		81.44126%		\$155,643.21
Saratoga Cemetery District		0.32078%		\$613.05
Saratoga Fire Protection District		1.52956%		\$2,923.16
South Santa Clara Valley Memorial District		0.03752%		\$71.70
Total Special Districts		100.00000%		\$191,111.00
Total Allocated Costs				\$573,333.00

LAFCO COST APPORTIONMENT: County, Cities, Special Districts
Estimated Costs to Agencies Based on the Proposed 2017 LAFCO Budget

Proposed LAFCO Net Operating Expenses for 2017				\$677,333
Jurisdictions	Revenue per 2013/2014 Report	Percentage of Total Revenue	Allocation Percentages	Allocated Costs
County	N/A	N/A	33.3333333%	\$225,777.67
Cities Total Share			33.3333333%	\$225,777.67
San Jose	N/A	N/A	50.0000000%	\$112,888.84
Other cities share			50.0000000%	\$112,888.83
Campbell	\$50,818,475	2.3182652%		\$2,617.06
Cupertino	\$103,531,818	4.7229715%		\$5,331.71
Gilroy	\$76,203,320	3.4762850%		\$3,924.34
Los Altos	\$47,630,502	2.1728345%		\$2,452.89
Los Altos Hills	\$11,122,677	0.5074004%		\$572.80
Los Gatos	\$40,683,512	1.8559228%		\$2,095.13
Milpitas	\$134,314,766	6.1272449%		\$6,916.98
Monte Sereno	\$3,130,132	0.1427921%		\$161.20
Morgan Hill	\$73,058,518	3.3328237%		\$3,762.39
Mountain View	\$209,278,137	9.5469653%		\$10,777.46
Palo Alto	\$454,722,108	20.7437635%		\$23,417.39
Santa Clara	\$639,006,083	29.1505313%		\$32,907.67
Saratoga	\$22,282,708	1.0165048%		\$1,147.52
Sunnyvale	\$326,307,937	14.8856951%		\$16,804.29
Total Cities (excluding San Jose)	\$2,192,090,693	100.0000000%		\$112,888.83
Total Cities (including San Jose)				\$225,777.67
Special Districts Total Share			33.3333333%	\$225,777.66
Aldercroft Heights County Water District		0.06233%		\$140.73
Burbank Sanitary District		0.15593%		\$352.06
Cupertino Sanitary District		2.64110%		\$5,963.01
El Camino Healthcare District		4.90738%		\$11,079.77
Guadalupe Coyote Resource Conservation District		0.04860%		\$109.73
Lake Canyon Community Services District		0.02206%		\$49.81
Lion's Gate Community Services District		0.22053%		\$497.91
Loma Prieta Resource Conservation District		0.02020%		\$45.61
Midpeninsula Regional Open Space District		5.76378%		\$13,013.33
Purissima Hills Water District		1.35427%		\$3,057.64
Rancho Rinconada Recreation and Park District		0.15988%		\$360.97
San Martin County Water District		0.04431%		\$100.04
Santa Clara County Open Space Authority		1.27051%		\$2,868.53
Santa Clara Valley Water District		81.44126%		\$183,876.16
Saratoga Cemetery District		0.32078%		\$724.25
Saratoga Fire Protection District		1.52956%		\$3,453.40
South Santa Clara Valley Memorial District		0.03752%		\$84.71
Total Special Districts		100.00000%		\$225,777.66
Total Allocated Costs				\$677,333.00