

LAFCO MEETING: June 6, 2018
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
SUBJECT: FINAL LAFCO BUDGET FOR FISCAL YEAR 2019

STAFF RECOMMENDATION

1. Adopt the Final Budget for Fiscal Year 2018-2019.
2. Find that the Final Budget for Fiscal Year 2019 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.

BACKGROUND

LAFCO Budget Process Requirements

The Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (CKH Act) which became effective on January 1, 2001, requires LAFCO, as an independent agency, 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, the special districts and 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. After adoption of the final budget by LAFCO, the County Auditor is required to apportion the net operating expenses of the Commission to the agencies represented on LAFCO.

LAFCO and the County of Santa Clara entered into a Memorandum of Understanding (MOU) (effective since July 2001), under the terms of which, the County provides

staffing, facilities, and services to LAFCO. The associated costs are reflected in the LAFCO budget. LAFCO is a stand-alone, separate fund within the County's accounting and budget system and the LAFCO budget information is formatted using the County's account descriptions/codes.

REVISIONS TO THE DRAFT /PRELIMINARY BUDGET

The Commission on April 4, 2018, adopted LAFCO's preliminary budget for Fiscal Year 2018- 2019. The preliminary budget was prepared using the best information available at that time. Since adoption of the Draft Budget in April 2018, the County has updated employee benefits cost information as a result of which the proposed salary and benefits for the four staff members is expected to increase to \$720,316 from \$691,802. The County Information Services Department has updated its charges to LAFCO from \$4,123 to \$5,068. Additionally, with the potential adoption of the revised Fee Schedule, LAFCO will likely experience an increase in its application fee revenues. The proposed Final Budget is revised to reflect these additional costs and revenue.

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 – 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 2015/2016 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 2019 costs to the individual cities and districts is included as **Attachment B**. 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: Final LAFCO Budget for Fiscal Year 2019

Attachment B: Costs to Agencies Based on the Final Budget

**FINAL LAFCO BUDGET
FISCAL YEAR 2018 - 2019**

**AGENDA ITEM # 4
Attachment A**

ITEM # TITLE	APPROVED	ACTUALS	PROJECTIONS	PROPOSED
	BUDGET FY 2018	Year to Date 2/28/2018	Year End 2018	FY 2019 BUDGET
EXPENDITURES				
Object 1: Salary and Benefits	\$685,072	\$392,486	\$629,046	\$720,316
Object 2: Services and Supplies				
5255100 Intra-County Professional	\$45,000	\$1,376	\$3,000	\$45,000
5255800 Legal Counsel	\$70,200	\$32,400	\$65,000	\$70,200
5255500 Consultant Services	\$100,000	\$0	\$75,000	\$100,000
5285700 Meal Claims	\$750	\$580	\$750	\$750
5220100 Insurance	\$5,000	\$4,893	\$4,893	\$6,000
5250100 Office Expenses	\$9,236	\$6,457	\$10,000	\$10,000
5270100 Rent & Lease	\$42,764	\$34,040	\$42,000	\$42,764
5255650 Data Processing Services	\$3,600	\$379	\$3,600	\$5,068
5225500 Commissioners' Fee	\$10,000	\$3,500	\$9,000	\$10,000
5260100 Publications and Legal Notices	\$2,500	\$54	\$200	\$2,500
5245100 Membership Dues	\$8,674	\$8,674	\$8,674	\$8,926
5250750 Printing and Reproduction	\$1,500	\$0	\$500	\$1,500
5285800 Business Travel	\$16,000	\$6,625	\$12,000	\$16,000
5285300 Private Automobile Mileage	\$2,000	\$286	\$700	\$2,000
5285200 Transportation&Travel (County Car Usage)	\$1,000	\$47	\$600	\$605
5281600 Overhead	\$28,437	\$14,219	\$28,437	\$79,368
5275200 Computer Hardware	\$3,000	\$0	\$3,000	\$3,000
5250800 Computer Software	\$4,000	\$3,456	\$4,000	\$4,000
5250250 Postage	\$2,000	\$101	\$1,000	\$2,000
5252100 Staff/Commissioner Training Programs	\$2,000	\$0	\$1,000	\$2,000
5701000 Reserves	\$42,000	\$0	\$0	\$0
TOTAL EXPENDITURES	\$1,084,733	\$509,573	\$902,400	\$1,131,997
REVENUES				
4103400 Application Fees	\$35,000	\$21,158	\$25,000	\$35,000
4301100 Interest: Deposits and Investments	\$4,000	\$5,705	\$6,500	\$4,000
TOTAL REVENUE	\$39,000	\$26,863	\$31,500	\$39,000
3400150 FUND BALANCE FROM PREVIOUS FY	\$246,839	\$331,177	\$331,177	\$259,171
NET LAFCO OPERATING EXPENSES	\$798,894	\$151,533	\$539,723	\$833,826
3400800 RESERVES Available	\$150,000	\$150,000	\$150,000	\$150,000
COSTS TO AGENCIES				
5440200 County	\$266,298	\$266,298	\$266,298	\$277,942
4600100 Cities (San Jose 50% + Other Cities 50%)	\$266,298	\$266,298	\$266,298	\$277,942
4600100 Special Districts	\$266,298	\$266,298	\$266,298	\$277,942

LAFCO COST APPORTIONMENT: County, Cities, Special Districts

Estimated Costs to Agencies Based on the FY 2019 LAFCO Final Budget

Proposed LAFCO Net Operating Expenses for 2019				\$833,826
Jurisdictions	Revenue per 2015/2016 Report	Percentage of Total Revenue	Allocation Percentages	Allocated Costs
County	N/A	N/A	33.3333333%	\$277,942.00
Cities Total Share			33.3333333%	\$277,942.00
San Jose	N/A	N/A	50.0000000%	\$138,971.00
Other cities share			50.0000000%	\$138,971.00
Campbell	\$60,301,132	2.4104175%		\$3,349.78
Cupertino	\$89,560,885	3.5800177%		\$4,975.19
Gilroy	\$98,555,795	3.9395713%		\$5,474.86
Los Altos	\$48,765,263	1.9492941%		\$2,708.95
Los Altos Hills	\$12,123,746	0.4846226%		\$673.48
Los Gatos	\$38,891,129	1.5545953%		\$2,160.44
Milpitas	\$161,941,706	6.4732967%		\$8,996.01
Monte Sereno	\$3,115,782	0.1245472%		\$173.08
Morgan Hill	\$92,720,766	3.7063277%		\$5,150.72
Mountain View	\$247,667,000	9.8999943%		\$13,758.12
Palo Alto	\$482,352,538	19.2810806%		\$26,795.11
Santa Clara	\$744,300,212	29.7519164%		\$41,346.53
Saratoga	\$24,642,602	0.9850389%		\$1,368.92
Sunnyvale	\$396,749,744	15.8592797%		\$22,039.80
Total Cities (excluding San Jose)	\$2,501,688,300	100.0000000%		\$138,970.99
Total Cities (including San Jose)				\$277,941.99
Special Districts Total Share			33.3333333%	\$277,942.00
Aldercroft Heights County Water District		0.06233%		\$173.24
Burbank Sanitary District		0.15593%		\$433.39
Cupertino Sanitary District		2.64110%		\$7,340.73
El Camino Healthcare District		4.90738%		\$13,639.67
Guadalupe Coyote Resource Conservation District		0.04860%		\$135.08
Lake Canyon Community Services District		0.02206%		\$61.31
Lion's Gate Community Services District		0.22053%		\$612.95
Loma Prieta Resource Conservation District		0.02020%		\$56.14
Midpeninsula Regional Open Space District		5.76378%		\$16,019.97
Purissima Hills Water District		1.35427%		\$3,764.09
Rancho Rinconada Recreation and Park District		0.15988%		\$444.37
San Martin County Water District		0.04431%		\$123.16
Santa Clara Valley Open Space Authority		1.27051%		\$3,531.28
Santa Clara Valley Water District		81.44126%		\$226,359.47
Saratoga Cemetery District		0.32078%		\$891.58
Saratoga Fire Protection District		1.52956%		\$4,251.29
South Santa Clara Valley Memorial District		0.03752%		\$104.28
Total Special Districts		100.00000%		\$277,942.00
Total Allocated Costs				\$833,825.99

* Based on the FY 2015-2016 Annual Cities Report