



**Local Agency  
Formation Commission  
of Santa Clara County**  
777 North First Street  
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[SantaClaraLAFCO.org](http://SantaClaraLAFCO.org)

**Commissioners**  
Rich Constantine  
Susan Ellenberg  
Sequoia Hall  
Sergio Jimenez  
Linda J. LeZotte  
Mike Wasserman  
Susan Vicklund Wilson

**ITEM # 5**

**Alternate Commissioners**  
Cindy Chavez  
Maya Esparza  
Yoriko Kishimoto  
Russ Melton  
Terry Trumbull  
**Executive Officer**  
Neelima Palacherla

**LAFCO MEETING: June 3, 2020**  
**TO: LAFCO**  
**FROM: Neelima Palacherla, Executive Officer**  
**SUBJECT: FY 2021 FINAL BUDGET**

**FINANCE COMMITTEE / STAFF RECOMMENDATION**

1. Adopt the Final Budget for Fiscal Year 2020-2021.
2. Find that the Final Budget for Fiscal Year 2021 is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the Final 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**

On April 8, 2020, the Commission adopted its preliminary budget for Fiscal Year 2020-2021. The preliminary budget was prepared using the best information available at that time. Since then, new information has become available for two line items which require adjustment in the LAFCO budget. Presented below are the proposed line item revisions:

**5281600 Overhead Reduced from \$167,019 to \$30,917**

This item is LAFCO’s share of the County’s FY 2021 Cost Allocation Plan. As discussed in the preliminary budget, working in cooperation with staff, the County has reviewed and reconsidered its Cost Plan to exclude those programs and allocations (totaling \$68,051) that do not provide a benefit to LAFCO. Furthermore, the County has accordingly adjusted the Roll Forward amount which is part of its Cost Plan and is calculated by comparing FY 2019 Cost Plan estimates with FY 2019 actuals. Because the FY 2019 cost estimates were higher than the actuals by \$4,649, this amount is reduced from LAFCO’s FY 21 allocations. Together, these adjustments have resulted in a total reduction of \$136,102 for this line item and therefore, the County’s net billing to LAFCO in FY 21 is reduced to \$30,917.

**5220200 Insurance Increased from \$6,000 to \$10,452**

This item is for purchasing general liability insurance for LAFCO and workers' compensation coverage for LAFCO commissioners from the Special District Risk Management Authority (SDRMA). As reported in the preliminary budget, SDRMA in mid-March 2020, notified LAFCO that it is in the process of negotiating rates on behalf of its program membership and that the 2021 renewal rates for the SDRMA property / liability program are expected to increase significantly for all members due to the increased reinsurer costs. LAFCO recently received the rate letter from SDRMA which confirmed an 85% rate increase for the property/liability program. The workers' compensation program rates remain flat, with no change for the 2020-2021 program year. The proposed Final Budget therefore includes \$9,470 for the property/liability coverage and \$981 for the workers compensation program.

**Reduction in LAFCO's FY 2021 Expenditures and Operating Expenses**

The proposed FY 2021 Final Budget (Attachment A) includes the above listed modifications and indicates a 7% reduction in FY 2021 overall expenditures and a 14% reduction in net operating expenses compared to the current year budget. This in turn results in a corresponding reduction in costs to LAFCO's funding agencies – the 15 cities, 17 independent special districts and the County.

**LAFCO BUDGET PROCESS REQUIREMENTS**

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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.

**COST APPORTIONMENT TO CITIES, DISTRICTS AND COUNTY**

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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. Santa

Clara LAFCO 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 2017/2018 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 2021 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**

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- Attachment A: Final LAFCO Budget for Fiscal Year 2021
- Attachment B: Costs to Agencies Based on the Final Budget

**FINAL LAFCO BUDGET  
FISCAL YEAR 2020- 2021**

**ITEM #4  
Attachment A**

| <b>ITEM # TITLE</b>                              | <b>APPROVED<br/>FY 2020<br/>BUDGET</b> | <b>ACTUALS<br/>Year to Date<br/>3/10/2020</b> | <b>PROJECTIONS<br/>Year End<br/>2020</b> | <b>FINAL<br/>FY 2021<br/>BUDGET</b> |
|--------------------------------------------------|----------------------------------------|-----------------------------------------------|------------------------------------------|-------------------------------------|
| <b>EXPENDITURES</b>                              |                                        |                                               |                                          |                                     |
| Object 1: Salary and Benefits                    | \$772,591                              | \$475,304                                     | \$732,000                                | \$806,845                           |
| Object 2: Services and Supplies                  |                                        |                                               |                                          |                                     |
| 5255100 Intra-County Professional                | \$45,000                               | \$346                                         | \$5,000                                  | \$45,000                            |
| 5255800 Legal Counsel                            | \$72,240                               | \$35,235                                      | \$70,000                                 | \$74,622                            |
| 5255500 Consultant Services                      | \$110,000                              | \$89,922                                      | \$110,000                                | \$110,000                           |
| 5285700 Meal Claims                              | \$750                                  | \$166                                         | \$400                                    | \$750                               |
| 5220100 Insurance                                | \$6,000                                | \$5,893                                       | \$6,000                                  | \$10,452                            |
| 5250100 Office Expenses                          | \$10,000                               | \$1,481                                       | \$5,000                                  | \$10,000                            |
| 5270100 Rent & Lease                             | \$44,478                               | \$33,138                                      | \$44,478                                 | \$46,254                            |
| 5255650 Data Processing Services                 | \$14,825                               | \$10,355                                      | \$14,825                                 | \$20,267                            |
| 5225500 Commissioners' Fee                       | \$10,000                               | \$3,000                                       | \$7,000                                  | \$10,000                            |
| 5260100 Publications and Legal Notices           | \$2,500                                | \$0                                           | \$200                                    | \$2,500                             |
| 5245100 Membership Dues                          | \$11,836                               | \$11,822                                      | \$11,822                                 | \$12,000                            |
| 5250750 Printing and Reproduction                | \$1,500                                | \$799                                         | \$1,000                                  | \$1,500                             |
| 5285800 Business Travel                          | \$16,650                               | \$7,910                                       | \$10,000                                 | \$12,000                            |
| 5285300 Private Automobile Mileage               | \$2,000                                | \$637                                         | \$1,000                                  | \$2,000                             |
| 5285200 Transportation&Travel (County Car Usage) | \$605                                  | \$256                                         | \$500                                    | \$605                               |
| 5281600 Overhead                                 | \$61,183                               | \$30,591                                      | \$61,183                                 | \$30,917                            |
| 5275200 Computer Hardware                        | \$3,000                                | \$0                                           | \$1,000                                  | \$3,000                             |
| 5250800 Computer Software                        | \$5,000                                | \$0                                           | \$2,000                                  | \$5,000                             |
| 5250250 Postage                                  | \$2,000                                | \$71                                          | \$500                                    | \$2,000                             |
| 5252100 Staff/Commissioner Training Programs     | \$2,000                                | \$525                                         | \$1,000                                  | \$2,000                             |
| 5701000 Reserves                                 | \$100,000                              | \$0                                           | \$0                                      | \$0                                 |
| <b>TOTAL EXPENDITURES</b>                        | <b>\$1,294,158</b>                     | <b>\$707,451</b>                              | <b>\$1,084,908</b>                       | <b>\$1,207,712</b>                  |
| <b>REVENUES</b>                                  |                                        |                                               |                                          |                                     |
| 4103400 Application Fees                         | \$35,000                               | \$7,585                                       | \$15,000                                 | \$30,000                            |
| 4301100 Interest: Deposits and Investments       | \$6,000                                | \$9,203                                       | \$10,000                                 | \$6,000                             |
| <b>TOTAL REVENUE</b>                             | <b>\$41,000</b>                        | <b>\$16,788</b>                               | <b>\$25,000</b>                          | <b>\$36,000</b>                     |
| 3400150 FUND BALANCE FROM PREVIOUS FY            | \$107,446                              | \$202,123                                     | \$202,123                                | \$187,927                           |
| <b>NET LAFCO OPERATING EXPENSES</b>              | <b>\$1,145,712</b>                     | <b>\$488,540</b>                              | <b>\$857,785</b>                         | <b>\$983,785</b>                    |
| 3400800 RESERVES Available                       | \$150,000                              | \$250,000                                     | \$250,000                                | \$250,000                           |
| <b>COSTS TO AGENCIES</b>                         |                                        |                                               |                                          |                                     |
| 5440200 County                                   | \$381,904                              | \$381,904                                     | \$381,904                                | \$327,928                           |
| 4600100 Cities (San Jose 50% + Other Cities 50%) | \$381,904                              | \$381,904                                     | \$381,904                                | \$327,928                           |
| 4600100 Special Districts                        | \$381,904                              | \$381,904                                     | \$381,904                                | \$327,928                           |

**LAFCO COST APPORTIONMENT: COUNTY, CITIES, SPECIAL DISTRICTS**  
**Estimated Costs to Agencies Based on the FY 2021 Final LAFCO Budget**

| <b>Proposed Net Operating Expenses for FY 2021</b> |                                         |                                        |                                   | <b>\$983,785</b>           |
|----------------------------------------------------|-----------------------------------------|----------------------------------------|-----------------------------------|----------------------------|
| <b>JURISDICTION</b>                                | <b>REVENUE PER<br/>2017/2018 REPORT</b> | <b>PERCENTAGE OF<br/>TOTAL REVENUE</b> | <b>ALLOCATION<br/>PERCENTAGES</b> | <b>ALLOCATED<br/>COSTS</b> |
| <b>County</b>                                      | N/A                                     | N/A                                    | 33.33333333%                      | <b>\$327,928.33</b>        |
| <b>Cities Total Share</b>                          |                                         |                                        | <b>33.33333333%</b>               | <b>\$327,928.33</b>        |
| San Jose                                           | N/A                                     | N/A                                    | 50.00000000%                      | \$163,964.17               |
| Other cities share                                 |                                         |                                        | 50.00000000%                      | \$163,964.16               |
| Campbell                                           | \$62,469,004                            | 1.9027943%                             |                                   | \$3,119.90                 |
| Cupertino                                          | \$104,218,557                           | 3.1744779%                             |                                   | \$5,205.01                 |
| Gilroy                                             | \$122,687,359                           | 3.7370342%                             |                                   | \$6,127.40                 |
| Los Altos                                          | \$53,411,743                            | 1.6269118%                             |                                   | \$2,667.55                 |
| Los Altos Hills                                    | \$15,986,557                            | 0.4869476%                             |                                   | \$798.42                   |
| Los Gatos                                          | \$49,799,685                            | 1.5168892%                             |                                   | \$2,487.15                 |
| Milpitas                                           | \$189,377,374                           | 5.7683997%                             |                                   | \$9,458.11                 |
| Monte Sereno                                       | \$3,510,862                             | 0.1069402%                             |                                   | \$175.34                   |
| Morgan Hill                                        | \$98,311,510                            | 2.9945503%                             |                                   | \$4,909.99                 |
| Mountain View                                      | \$374,877,705                           | 11.4187053%                            |                                   | \$18,722.58                |
| Palo Alto                                          | \$642,327,689                           | 19.5651822%                            |                                   | \$32,079.89                |
| Santa Clara                                        | \$961,395,788                           | 29.2839373%                            |                                   | \$48,015.17                |
| Saratoga                                           | \$29,306,193                            | 0.8926612%                             |                                   | \$1,463.64                 |
| Sunnyvale                                          | \$575,334,067                           | 17.5245689%                            |                                   | \$28,734.01                |
| <b>Total Cities (excluding San Jose)</b>           | <b>\$3,283,014,093</b>                  | <b>100.0000000%</b>                    |                                   | <b>\$163,964.16</b>        |
| <b>Total Cities (including San Jose)</b>           |                                         |                                        |                                   | <b>\$327,928.33</b>        |
| <b>Special Districts Total Share</b>               |                                         | <b>(Fixed %)</b>                       | <b>33.33333333%</b>               | <b>\$327,928.34</b>        |
| Aldercroft Heights County Water District           |                                         | 0.06233%                               |                                   | \$204.40                   |
| Burbank Sanitary District                          |                                         | 0.15593%                               |                                   | \$511.34                   |
| Cupertino Sanitary District                        |                                         | 2.64110%                               |                                   | \$8,660.92                 |
| El Camino Healthcare District                      |                                         | 4.90738%                               |                                   | \$16,092.69                |
| Guadalupe Coyote Resource Conservation District    |                                         | 0.04860%                               |                                   | \$159.37                   |
| Lake Canyon Community Services District            |                                         | 0.02206%                               |                                   | \$72.34                    |
| Lion's Gate Community Services District            |                                         | 0.22053%                               |                                   | \$723.18                   |
| Loma Prieta Resource Conservation District         |                                         | 0.02020%                               |                                   | \$66.24                    |
| Midpeninsula Regional Open Space District          |                                         | 5.76378%                               |                                   | \$18,901.07                |
| Purissima Hills Water District                     |                                         | 1.35427%                               |                                   | \$4,441.04                 |
| Rancho Rinconada Recreation and Park District      |                                         | 0.15988%                               |                                   | \$524.29                   |
| San Martin County Water District                   |                                         | 0.04431%                               |                                   | \$145.31                   |
| Santa Clara Valley Open Space Authority            |                                         | 1.27051%                               |                                   | \$4,166.36                 |
| Santa Clara Valley Water District                  |                                         | 81.44126%                              |                                   | \$267,068.96               |
| Saratoga Cemetery District                         |                                         | 0.32078%                               |                                   | \$1,051.93                 |
| Saratoga Fire Protection District                  |                                         | 1.52956%                               |                                   | \$5,015.86                 |
| South Santa Clara Valley Memorial District         |                                         | 0.03752%                               |                                   | \$123.04                   |
| <b>Total Special Districts</b>                     |                                         | <b>100.00000%</b>                      |                                   | <b>\$327,928.34</b>        |
| <b>Total Allocated Costs</b>                       |                                         |                                        |                                   | <b>\$983,785.00</b>        |