LAFCO
Local Agency Formation Commission of Santa Clara County

March 31, 2003

TO: LAFCO

FROM: Neelima Palacherla, Executive Officer

SUBJECT: **Proposed Budget FY 2003-2004**
Agenda Item # 7

STAFF RECOMMENDATION

1. Adopt the Proposed LAFCO Budget for fiscal year 2003-2004.
2. Find that the Proposed FY-04 Budget is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the proposed budget adopted by the Commission including the draft agency costs to each of the cities, the County and the Cities Association.

BACKGROUND

The budget for the FY 03-04 will be the third budget under the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (CKH Act) which became effective on January 1, 2001.

Budget and Adoption Process

The CKH Act requires LAFCO to annually adopt a proposed budget by May 1 and a final budget by June 15 at noticed public hearings. Both the proposed and the final budgets are required to be transmitted to the cities and the County. The CKH Act 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 into next fiscal year budget. After the adoption of the final budget, the County Auditor is required to apportion the net operating expenses of the Commission to the agencies represented on LAFCO.

Apportionment of LAFCO Costs

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. Since the

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City of San Jose has a permanent membership on LAFCO, the law requires costs to be split between the County, the City of San Jose and the remaining cities. Hence the County pays half the LAFCO cost, the City of San Jose a quarter and the remaining cities the other quarter.

The cities' share (other than San Jose's) is 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.

The CKH Act requires the County Auditor to request payment from the cities 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.

FY 2003-2004 BUDGET TIMELINE

Dates	Staff Tasks / LAFCO Action
March 19-April 9	Notice period, proposed budget posted on LAFCO web site and available for review and comment on April 3
April 9	Public Hearing and adoption of proposed budget
April 9- May 21	Proposed budget along with draft apportionment amounts transmitted to agencies (cities and County) together with notice of public hearing for the final budget hearing
June 11	Public hearing and adoption of final budget
June 12 - July 1	Final budget along with final agency apportionments transmitted to agencies; Auditor requests payment from agencies

WORK PLAN FOR FY 2003-2004

The key areas of focus in Fiscal Year 2004 will remain the service reviews. Staff is working on LAFCO's first service review – a countywide fire service review. It is anticipated that this service review will be completed by the end of this calendar year and LAFCO will start on a countywide water service review. In addition to service reviews, staff will also be working on developing a LAFCO policies and procedures manual. Other general work areas of LAFCO staff include, providing public information, processing applications, tracking legislation, participating in training, general administration and conducting other special projects such as developing an enhanced LAFCO web site. The LAFCO Annual Report which will be published at the end of the current fiscal year will detail the various activities / projects that LAFCO has completed in the current year.

STATUS OF CURRENT YEAR BUDGET

The approved budget for the current year is $533,091. It is projected that there will be a savings of about $140,814 at the end of this fiscal year.

Projected Year End Savings = Projected Year End Revenue - Projected Year End Expenses

Projected Year End Savings = $572,167-$431,353

Projected Year End Savings = $140,814

This savings amount is largely due to the following:

1. Not having spent the entire amount budgeted for consultants and Intra County Professional

2. Not having spent the amount ($50,000) allocated as reserves

3. Having a larger fund balance at the end of the previous year. Last year, $122,262 was anticipated as savings from the FY 02 budget. However, the actual fund balance available was $160,338.

The unspent funds and the larger than anticipated fund balance from FY-02 would result in an estimated savings of about $140,814 at the end of the current fiscal year. These savings would be carried over to reduce the proposed FY 04 budget's costs for the cities and the County.

PROPOSED FY 2003-2004 BUDGET

The proposed budget for FY 2003-2004 is $552,642 which is slightly higher than the budget for the current year. A detailed itemization of the budget is provided below.

I. SALARIES AND BENEFITS

Executive Officer and LAFCO Analyst $168,130

The Executive Officer and LAFCO Analyst positions would continue to be staffed through the County Executive's Office. The Executive Officer's position is expected to remain at the 60% level. The Analyst would remain full time. The proposed salary and benefits for the Executive Officer is $63,902 and the salary and benefits for the LAFCO Analyst is $104,228.

This item is being increased from $163,400 to $168,130 to account for the cost of living expense salary raises for the two positions.

2. SERVICES AND SUPPLIES

2321 INTRA-COUNTY PROFESSIONAL $189,986

LAFCO Clerk $91,686

The LAFCO Clerk position would continue to be filled through the County's Clerk of the Board Office and will remain full time. The proposed salary and benefits for the full time position is $ 59,316. The Clerk of the Board's Office estimates an administrative overheard of $32,370 totaling to $91,686 for the service.

LAFCO Counsel $48,300

LAFCO would continue to contract with the Office of the County Counsel for this position on an as needed basis at an hourly rate of $161(for FY 04) for an estimated 300 hours annually.

LAFCO Surveyor $35,000

The County Surveyor will continue to assist with map review and approval. It is estimated that about 400 hours of service will be required in the next fiscal year. The County Surveyor's Office charges at the rate of about $85.77 per hour.

Miscellaneous Staffing $15,000

This amount allows LAFCO to seek technical assistance from the County Planning office on CEQA or other planning issues. LAFCO accesses data in the County Planning Office's GIS server. This item includes maintenance and technical assistance for GIS.

2329 CONTRACT SERVICES $100,000

This amount provides for hiring consultants to conduct service reviews. An amount of $100,000 is included in the current budget and it is projected that about $75,000 would be spent by the end of the year on the fire service review project that is currently underway.

2145 FOOD $750

This item is being maintained at $750.

2171 INSURANCE $288

This item is being increased slightly from $242 to $288 and is based on an estimate provided by the County to cover general liability, auto liability and

other miscellaneous coverages. Worker's Compensation is part of the payroll charge.

2301 OFFICE EXPENSES $3,000

This item is being maintained at $3,000 and provides for the purchase of books, periodicals, small equipment and supplies throughout the year.

2331 DATA PROCESSING SERVICES $7,500

This item is for computer systems maintenance and upgrades and is estimated at 35 hours per year at the County's rate of approximately $92 per hour. In addition funds ($4,000) are also being added to provide for enhancement and upgrade of the LAFCO web site. It is anticipated that maps and additional documents could be added to the LAFCO site in the upcoming year.

2343 COMMISSIONER'S FEES $1,500

This provides for a per diem of $50 to the commissioners for attendance at the 6 LAFCO meetings through the year.

2401 PUBLICATIONS AND LEGAL NOTICES $3,000

The budget for this item is being maintained at $3,000 in the proposed budget and is based on the anticipated level of applications and other activities which will require publication of hearing notices.

2574 MEMBERSHIP DUES $2,070

This amount provides for membership to the statewide CALAFCO, the California Association of LAFCOs.

2586 PRINTING AND REPRODUCTION $1,500

An amount of $1,500 is being budgeted for printing expenses.

2751 TRANSPORTATION AND TRAVEL $7,000

The amount budgeted for this item is maintained at $7,000 and includes air travel, accommodation and registration for attending conferences and workshops for both staff and commissioners. CALAFCO annually holds a Clerk's Conference, a Staff Workshop and an Annual Conference that is attended by commissioners as well as staff.

2752 AUTOMOBILE MILEAGE $500

This item provides for travel to conduct site visits, attend meetings, training sessions etc.

2756 GARAGE AUTOMOBILE SERVICES $500

This item is being separated from Transportation and Travel item to better conform to the county accounting system. This item would allow for the use of County vehicle for travel to conferences, workshops and meetings.

2955 OVERHEAD $8,918

The County cost plan allocation amount billed to LAFCO for the upcoming year has been estimated at $8,918. The space and equipment use related costs as well as the cost of other county services such as ESA, Purchasing and Controller's Office services are included in this amount. This expense is under the line item "County Departmental Charges" in the current year budget. This line item is proposed to be deleted in the proposed budget and the costs are more appropriately included under the line item, "Overhead".

2962 COMPUTER HARDWARE $2,000

This item is being maintained at $2,000 for hardware upgrades / purhases.

2963 COMPUTER SOFTWARE $2,000

This item is for purchases of computer software that would be required for the program and is being maintained at $2,000.

2992 POSTAGE $2,500

This amount is budgeted for the cost of mailing notices, agendas, agenda packets and other correspondence. This amount is being maintained at $2,500.

2995 TRAINING PROGRAMS $1,500

This item provides for staff development courses and seminars and is being reduced by $1,000.

6001 RESERVES $50,000

This item includes reserves for two purposes: litigation reserve – for use if LAFCO is involved with any litigation and contingency reserve - to be used to deal with any unexpected expenses.

3. REVENUES

9198 Application Fees $45,000

The estimated revenue from LAFCO application fees is budgeted at $45,000 and is based on the adoption of a revised LAFCO fee schedule by the

Commission. The actual amount would depend entirely on the actual level of application activity.

9251 Interest $2,000

It is estimated that LAFCO will receive an amount of about $2,000 from interest earned on LAFCO funds.

COST APPORTIONMENT TO CITIES AND COUNTY

Calculation of Net Operating Expenses

FY 04 Net Operating Expenses = Proposed FY04 Expenditures – Proposed FY04 Fee Revenues – Projected Year End Savings

FY 04 Net Operating Expenses = $552,642 - $47,000 - $140,814

FY 04 Net Operating Expenses = $364,828

The proposed net operating expenses for FY 04 is only slightly higher (about $500) than the current year net operating expenses. The cost to the cities and the County remains about the same as the previous year.

The projected operating expenses for FY-04 are based on projected savings and expenses for the current year and not actual figures. It is therefore to be expected that there will be revisions to the final budget as we get a better indication of current year expenses towards the end of this fiscal year. This could result in changes to the proposed net operating expenses for FY-04 which could in turn impact the costs for each of the agencies. Provided below is the draft apportionment to the agencies based on the proposed net operating expenses for FY-04 ($364,828).

Cost to Agencies

County of Santa Clara	$182,414
City of San Jose	$91,207
Remaining 14 cities in the County	$91,207

Apportionment of the costs among the 14 cities will be based on percentage of the cities' total revenues and will be calculated by the County Controller's Office.

ATTACHMENTS

Proposed Budget for FY 2003-2004

PROPOSED LAFCO BUDGET
FISCAL YEAR 2003 - 2004

ITEM #	TITLE	APPROVED FY 02-03 BUDGET	END OF YEAR PROJECTIONS	PROPOSED FY 03-04 BUDGET
EXPENDITURES				
Object 1	Salary and Benefits	$163,400	$163,400	$168,130
	Services and Supplies			
2321	Intra-County Professional	$175,312	$157,000	$189,986
2329	Consultant Services	$100,000	$75,000	$100,000
2145	Food	$750	$500	$750
2171	Insurance	$242	$266	$288
2301	Office Expenses	$3,000	$1,000	$3,000
2331	Data processing Services	$7,500	$7,500	$7,500
2343	Commissioners' Fee	$1,500	$1,300	$1,500
2401	Publications and Legal Notices	$3,000	$2,000	$3,000
2574	Membership Dues	$2,070	$2,070	$2,070
2586	Printing and Reproduction	$1,500	$400	$1,500
2751	Transportation and Travel	$7,000	$7,000	$7,000
2752	Private Automobile Mileage	$500	$100	$500
2756	County Garage Automobile Services	$500	$500	$500
2770	County Departmental Charges	$7,817	$7,817	$0
2955	Overhead	$0	$0	$8,918
2962	Computer Hardware	$2,000	$0	$2,000
2963	Computer Software	$2,000	$1,500	$2,000
2992	Postage	$2,500	$2,500	$2,500
2995	Staff Training Programs	$2,500	$1,500	$1,500
6001	Reserves	$50,000	$0	$50,000
TOTAL EXPENDITURES		**$533,091**	**$431,353**	**$552,642**
REVENUES				
9198	Application Fees	$45,000	$45,000	$45,000
9251	Interest: Deposits and Investments	$1,500	$2,500	$2,000
	Total Interest / Application Fee Revenue	$46,500	$47,500	$47,000
9751	Cities	$182,164	$182,164	
7300	County	$182,165	$182,165	
	Savings/Fund Balance from previous FY	$122,262	$160,338	$140,814
TOTAL REVENUE		**$533,091**	**$572,167**	
NET LAFCO OPERATING EXPENSES		**$364,329**		**$364,828**
COSTS TO AGENCIES				
	County	$182,165		$182,414
	City of San Jose	$91,082		$91,207
	Other Cities	$91,082		$91,207