

Adopted: September 25, 2009

## **PARAMETERS AND GUIDELINES**

Government Code Section, 56425, Subdivision (i)(1) (formerly Subdivision (h)(1))

Chapter 761, Statutes of 2000

*Local Agency Formation Commissions*

02-TC-23

Sacramento Metropolitan Fire District, Claimant

### **I. SUMMARY OF THE MANDATE**

On September 27, 2007, the Commission on State Mandates (Commission) adopted a Statement of Decision finding that the test claim legislation imposes a partially reimbursable state-mandated program upon certain independent special districts within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. Specifically, the Commission found that only one statutory provision, Government Code section 56425, subdivision (h) (subsequently renumbered to subdivision (i)(1)), constitutes a state-mandated “new program or higher level of service” in an existing program. The findings for this test claim apply to independent special districts that are subject to the tax and spend limitations of articles XIII A and XIII B of the California Constitution. Local agency formation commissions (LAFCOs) are not eligible claimants. All other activities claimed for sphere of influence reviews or municipal service reviews are either required of the LAFCO and not special districts, or the activities are not mandated since the Municipal Service Review Guidelines and Appendices do not constitute executive orders.

The Commission approved this test claim for the following reimbursable activities:

Filing written statements with the LAFCO specifying the functions or classes of service provided by independent special districts, for the following time periods and types of spheres of influence:

- July 1, 2001 through December 31, 2001 – when a LAFCO adopts or updates any sphere of influence or sphere of influence that includes a special district.
- On and after January 1, 2002 – when a LAFCO adopts or updates a sphere of influence for a special district.

### **II. ELIGIBLE CLAIMANTS**

Any independent special district participating in the LAFCO which is subject to the tax and spend limitations of articles XIII A and XIII B of the California Constitution and that incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of those costs. LAFCOs are not eligible claimants.

### **III. PERIOD OF REIMBURSEMENT**

Government Code section 17557, subdivision (e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The Sacramento Metropolitan Fire District filed the test claim on May 29, 2003, establishing eligibility

for reimbursement for fiscal year 2001-2002. Therefore, costs incurred pursuant to Government Code section 56425, subdivision (h) are reimbursable on or after July 1, 2001.

Actual costs for one fiscal year shall be included in each claim. Pursuant to Government Code section 17561, subdivision (d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.

If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564.

#### **IV. REIMBURSABLE ACTIVITIES**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

For each eligible claimant, the following activities are reimbursable:

##### **A. On-going Activities:**

Filing written statements to the LAFCO pursuant to Government Code section 56425, subdivision (i)(1) (formerly numbered subdivision (h)(1).), specifying the functions or classes of service provided by the district, for the following time periods and types of spheres of influence:

- July 1, 2001 through December 31, 2001 – when a LAFCO adopts or updates any sphere of influence or sphere of influence that includes a special district.
- On and after January 1, 2002 – when a LAFCO adopts or updates a sphere of influence for a special district:
  1. Gather information on the functions or classes of services provided by the special district, as needed to prepare the written statements required by Government Code section 56425, subdivision (i)(1).

2. Draft written statements, including but not limited to, the initial draft, reviews and revisions as needed.
3. File written statements with the LAFCO.
4. Prepare for, attend, and present written statements as required by Government Code section 54625, subdivision (i)(1), at LAFCO hearing.

## **V. CLAIM PREPARATION AND SUBMISSION**

Each of the following cost elements must be identified for each reimbursable activity identified in Section IV, Reimbursable Activities, of this document. Each claimed reimbursable cost must be supported by source documentation as described in Section IV. Additionally, each reimbursement claim must be filed in a timely manner.

### **A. Direct Cost Reporting**

Direct costs are those costs incurred specifically for the reimbursable activities. The following direct costs are eligible for reimbursement.

#### **1. Salaries and Benefits**

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

#### **2. Materials and Supplies**

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

#### **3. Contracted Services**

Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

#### **4. Fixed Assets and Equipment**

Report the purchase price paid for fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

## 5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1., Salaries and Benefits, for each applicable reimbursable activity.

### B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include both (1) overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in OMB Circular A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or
2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

## **VI. RECORD RETENTION**

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter<sup>1</sup> is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

## **VII. OFFSETTING REVENUES AND REIMBURSEMENTS**

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

## **VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS**

Pursuant to Government Code section 17558, subdivision (b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561, subdivision (d)(1), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

## **IX. REMEDIES BEFORE THE COMMISSION**

Upon request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, subdivision (d), and California Code of Regulations, title 2, section 1183.2.

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<sup>1</sup> This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

**X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES**

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.

# DRAFT

OFFICE OF THE STATE CONTROLLER  
STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2009-11  
LOCAL AGENCY FORMATION COMMISSIONS (LAFCO)  
NOVEMBER 30, 2009

In accordance with Government Code (GC) Section 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state mandated programs. The following are claiming instructions and forms for filing claims for the LAFCO program. These claiming instructions are issued subsequent to adoption of the program's Parameters and Guidelines (P's & G's) by the Commission on State Mandates (Commission). The P's and G's are included as an integral part of the claiming instructions.

On September 27, 2007, the Commission adopted a Statement of Decision finding that the test claim legislation imposes a partially reimbursable state mandated program upon certain independent special districts within the meaning of Government Code Section 17514 and Article XIII B, Section 6 of the California Constitution.

## **Eligible Claimants**

Any independent special district participating in the LAFCO which is subject to the tax and spend limitations of Article XIII A and XIII B of the California Constitution and incurs increased costs as a result of this state-mandated program, is eligible to claim reimbursement of these costs.

## **Filing Deadlines**

### **A. Reimbursement Claims**

Initial reimbursement claims must be filed within 120 days from the issuance date of the claiming instructions. Costs incurred for compliance with this mandate are reimbursable for fiscal years 2001-2002 through 2008-2009 and must be filed with the SCO and be delivered or postmarked on or before **March 30, 2010**. Claims filed after **March 30, 2010**, are subject to a late penalty. **Claims filed more than one year after the deadline will not be accepted.**

### **B. Late Penalty**

#### **1. Initial Claims**

Late initial claims are assessed a late penalty of 10% of the total amount of the initial claims without limitation.

#### **2. Annual Reimbursement Claims**

Late annual reimbursement claims are assessed a late penalty of 10% of the claim amount; \$10,000 maximum penalty.

## **Minimum Claim Cost**

GC Section 17564(a) provides that no claim may be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**\$1,000**), provided that a county may submit a combined claim on behalf of direct service districts or special districts within their county if the



combined claim exceeds \$1,000, even if the individual direct service district's or special district's claim does not each exceed \$1,000. The county will determine if the submission of the combined claim is economically feasible and will be responsible for disbursing the funds to each direct service district or special district. These combined claims may be filed only when the county is the fiscal agent for the districts. A combined claim must show the individual claim costs for each eligible district. All subsequent claims based upon the same mandate must only be filed in the combined form unless a direct service district or special district provides a written notice of its intent to file a separate claim to the county and to the SCO, at least one hundred and eighty days before filing the claim.

### **Reimbursement of Claims**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, notices of order of suspension or revocation, sworn reports, arrest reports, notices to appear, employee time records, or time logs, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating: "I certify, (or declare), under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of the Code of Civil Procedure Section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

### **Audit of Costs**

All claims submitted to the SCO are subject to review to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the Commission. If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim activity adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within thirty days after payment of the claim.

Pursuant to GC Section 17558.5, Subdivision (a), a reimbursement claim for actual costs filed by a local agency pursuant to this chapter is subject to the initiation of an audit by the SCO no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the SCO during the period subject to audit, the



retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

**Retention of Claim Documentation**

All documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or last amended regardless of the year of costs incurred. When no funds were appropriated for initial claims at the time the claim was filed, supporting documents must be retained for three years from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Questions, or requests for hard copies of these instructions, should be faxed to LRSDAR at (916) 323-6527 or e-mailed to [LRSDAR@sco.ca.gov](mailto:LRSDAR@sco.ca.gov) or you may call the Local Reimbursements Section at (916) 324-5729. These claiming instructions and forms can also be found on the Internet at [www.sco.ca.gov/ard\\_mancost.html](http://www.sco.ca.gov/ard_mancost.html).

**Address for Filing Claims**

Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms. **To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**

Use the following mailing addresses:

If delivered by  
U.S. Postal Service:

Office of the State Controller  
Attn.: Local Reimbursement Section  
Division of Accounting and Reporting  
P. O. Box 942850  
Sacramento, CA 94259

If delivered by  
other delivery services:

Office of the State Controller  
Attn.: Local Reimbursement Section  
Division of Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816



Adopted: September 25, 2009

## **PARAMETERS AND GUIDELINES**

Government Code Section, 56425, Subdivision (i)(1) (formerly Subdivision (h)(1))

Chapter 761, Statutes of 2000

*Local Agency Formation Commissions*

02-TC-23

Sacramento Metropolitan Fire District, Claimant

### **I. SUMMARY OF THE MANDATE**

On September 27, 2007, the Commission on State Mandates (Commission) adopted a Statement of Decision finding that the test claim legislation imposes a partially reimbursable state-mandated program upon certain independent special districts within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. Specifically, the Commission found that only one statutory provision, Government Code section 56425, subdivision (h) (subsequently renumbered to subdivision (i)(1)), constitutes a state-mandated “new program or higher level of service” in an existing program. The findings for this test claim apply to independent special districts that are subject to the tax and spend limitations of articles XIII A and XIII B of the California Constitution. Local agency formation commissions (LAFCOs) are not eligible claimants. All other activities claimed for sphere of influence reviews or municipal service reviews are either required of the LAFCO and not special districts, or the activities are not mandated since the Municipal Service Review Guidelines and Appendices do not constitute executive orders.

The Commission approved this test claim for the following reimbursable activities:

Filing written statements with the LAFCO specifying the functions or classes of service provided by independent special districts, for the following time periods and types of spheres of influence:

- July 1, 2001 through December 31, 2001 – when a LAFCO adopts or updates any sphere of influence or sphere of influence that includes a special district.
- On and after January 1, 2002 – when a LAFCO adopts or updates a sphere of influence for a special district.

### **II. ELIGIBLE CLAIMANTS**

Any independent special district participating in the LAFCO which is subject to the tax and spend limitations of articles XIII A and XIII B of the California Constitution and that incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of those costs. LAFCOs are not eligible claimants.

### **III. PERIOD OF REIMBURSEMENT**

Government Code section 17557, subdivision (e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The Sacramento Metropolitan Fire District filed the test claim on May 29, 2003, establishing eligibility



for reimbursement for fiscal year 2001-2002. Therefore, costs incurred pursuant to Government Code section 56425, subdivision (h) are reimbursable on or after July 1, 2001.

Actual costs for one fiscal year shall be included in each claim. Pursuant to Government Code section 17561, subdivision (d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.

If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564.

#### **IV. REIMBURSABLE ACTIVITIES**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

For each eligible claimant, the following activities are reimbursable:

##### **A. On-going Activities:**

Filing written statements to the LAFCO pursuant to Government Code section 56425, subdivision (i)(1) (formerly numbered subdivision (h)(1).), specifying the functions or classes of service provided by the district, for the following time periods and types of spheres of influence:

- July 1, 2001 through December 31, 2001 – when a LAFCO adopts or updates any sphere of influence or sphere of influence that includes a special district.
- On and after January 1, 2002 – when a LAFCO adopts or updates a sphere of influence for a special district:
  1. Gather information on the functions or classes of services provided by the special district; as needed to prepare the written statements required by Government Code section 56425, subdivision (i)(1).



2. Draft written statements, including but not limited to, the initial draft, reviews and revisions as needed.
3. File written statements with the LAFCO.
4. Prepare for, attend, and present written statements as required by Government Code section 54625, subdivision (i)(1), at LAFCO hearing.

## V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for each reimbursable activity identified in Section IV, Reimbursable Activities, of this document. Each claimed reimbursable cost must be supported by source documentation as described in Section IV. Additionally, each reimbursement claim must be filed in a timely manner.

### A. Direct Cost Reporting

Direct costs are those costs incurred specifically for the reimbursable activities. The following direct costs are eligible for reimbursement.

#### 1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

#### 2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

#### 3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

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## 5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1., Salaries and Benefits, for each applicable reimbursable activity.

### B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include both (1) overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in OMB Circular A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

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1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or
2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.



## **VI. RECORD RETENTION**

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter<sup>1</sup> is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

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Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

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## **IX. REMEDIES BEFORE THE COMMISSION**

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In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, subdivision (d), and California Code of Regulations, title 2, section 1183.2.

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<sup>1</sup> This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.



**X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES**

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.



# DRAFT

|   |   |   |   |
|---|---|---|---|
| <b>CLAIM FOR PAYMENT</b><br>Pursuant to Government Code Section 17561<br><b>LOCAL AGENCY FORMATION COMMISSION</b>   |   | For State Controller Use Only<br>(19) Program Number 00300<br>(20) Date Filed<br>(21) LRS Input | <b>PROGRAM</b><br><br><span style="font-size: 2em; font-weight: bold;">300</span> |
| (01) Claimant Identification Number   |   | <b>Reimbursement Claim Data</b>   |   |
| (02) Claimant Name  |   | (22) FORM-1, (04)(A)(1)(g)  |   |
| County of Location  |   | (23) FORM-1, (04)(A)(2)(g)  |   |
| Street Address of P.O. Box  |   | (24) FORM-1, (04)(A)(3)(g)  |   |
| City  |   | (25) FORM-1, (04)(A)(4)(g)  |   |
| State   |   | (26) FORM-1, (04)(A)(5)(g)  |   |
| Zip Code  |   | (27) FORM-1, (06)   |   |
| Type of Claim   |   | (28) FORM-1, (07)   |   |
| (03)  | (09) Reimbursement <input type="checkbox"/> | (29) FORM-1, (09)   |   |
| (04)  | (10) Combined <input type="checkbox"/>      |   |   |
| (05)  | (11) Amended <input type="checkbox"/>       |   |   |
| Fiscal Year of Cost   |   | (30) FORM-1, (10)   |   |
| Total Claimed Amount  |   | (31)  |   |
| Less: 10% Late Penalty (refer to attached instructions)   |   | (32)  |   |
| Less: Prior Claim Payment Received  |   | (33)  |   |
| Net Claimed Amount  |   | (34)  |   |
| Due from State  |   | (35)  |   |
| Due to State  |   | (36)  |   |
| <b>(37) CERTIFICATION OF CLAIM</b>  |   |   |   |
| In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.  |   |   |   |
| I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant. |   |   |   |
| The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.  |   |   |   |
| I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.  |   |   |   |
| Signature of Authorized Officer   |   | Date Signed   | _____   |
| _____   |   | Telephone Number  | _____   |
| _____   |   | E-Mail Address  | _____   |
| Type or Print Name and Title of Authorized Signatory  |   |   |   |
| (38) Name of Agency Contact Person for Claim  |   | Telephone Number  | _____   |
| _____   |   | E-mail Address  | _____   |
| Name of Consulting Firm / Claim Preparer  |   | Telephone Number  | _____   |
| _____   |   | E-mail Address  | _____   |



|                              |  |                              |
|------------------------------|--|------------------------------|
| <b>PROGRAM</b><br><b>300</b> | <b>LOCAL AGENCY FORMATION COMMISSION</b><br><b>Certification Claim Form</b><br><b>Instructions</b> | <b>FORM</b><br><b>FAM-27</b> |
|------------------------------|--|------------------------------|

- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) to (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim as shown in the attached Form-1 line (11). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was timely filed. Otherwise, enter the penalty amount as a result of the calculation formula as follows:
- Late Initial Claims: FAM-27 line(13) multiplied by 10%, without limitation; or
  - Late Annual Reimbursement Claims: FAM-27, line (13) multiplied by 10%, late penalty not to exceed \$10,000.
- (15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.
- (16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form-1, (03)(a), means the information is located on form Form-1, line (), column (). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, telephone number and email address. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If claim is prepared by external consultant, type or print the name of the consulting firm, telephone number, and e-mail address.

**SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS TO:**

***Address, if delivered by U.S. Postal Service:***

OFFICE OF THE STATE CONTROLLER  
ATTN: Local Reimbursements Section  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, CA 94250

***Address, if delivered by other delivery service:***

OFFICE OF THE STATE CONTROLLER  
ATTN: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816



|                                  |   |                             |
|----------------------------------|---|-----------------------------|
| <b>PROGRAM</b><br><br><b>300</b> | <b>MANDATED COSTS</b><br><b>LOCAL AGENCY FORMATION COMMISSION</b><br><b>CLAIM SUMMARY</b> | <b>Form</b><br><br><b>1</b> |
|----------------------------------|---|-----------------------------|

|               |      |                          |
|---------------|------|--------------------------|
| (01) Claimant | (02) | Fiscal Year<br>20__/20__ |
|---------------|------|--------------------------|

|                 |  |
|-----------------|--|
| (03) Department |  |
|-----------------|--|

|                     |                        |
|---------------------|------------------------|
| <b>Direct Costs</b> | <b>Object Accounts</b> |
|---------------------|------------------------|

|   | (a)      | (b)      | (c)                    | (d)               | (e)          | (f)    | (g)   |
|---|----------|----------|------------------------|-------------------|--------------|--------|-------|
| (04) Reimbursable Activities  | Salaries | Benefits | Materials and Supplies | Contract Services | Fixed Assets | Travel | Total |
| <b>A. Ongoing Activities</b>  |          |          |                        |                   |              |        |       |
| 1. Filing Written Statements to LAFCO (07/01/01 through 12/31/01)             |          |          |                        |                   |              |        |       |
| 2. Filing Written Statements to LAFCO (01/01/02 and following)                |          |          |                        |                   |              |        |       |
| 3. Collection of Information on Services                                      |          |          |                        |                   |              |        |       |
| 4. Draft/Review/Revise Written Statements                                     |          |          |                        |                   |              |        |       |
| 5. Preparation/Attendance/Presentation of Written Statements at LAFCO Hearing |          |          |                        |                   |              |        |       |
| (05) Total Direct Costs   |          |          |                        |                   |              |        |       |

**Indirect Costs**

|                                      |                                  |   |
|--------------------------------------|----------------------------------|---|
| (06) Indirect Cost Rate              | [From ICRP or 10%]               | % |
| (07) Total Indirect Costs            | [Refer to Claiming Instructions] |   |
| (08) Total Direct and Indirect Costs | [Line (05)(g) + line (07)]       |   |

**Cost Reduction**

|                                 |   |
|---------------------------------|---|
| (09) Less: Offsetting Savings   |   |
| (10) Less: Other Reimbursements |   |
| (11) Total Claimed Amount       | [Line (08) - {(line (09) + line (10))}] |



|                              |   |                         |
|------------------------------|---|-------------------------|
| <b>PROGRAM</b><br><b>300</b> | <b>LOCAL AGENCY FORMATION COMMISSION</b><br><b>CLAIM SUMMARY</b><br><b>Instructions</b> | <b>Form</b><br><b>1</b> |
|------------------------------|---|-------------------------|

- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of costs.
- (03) Department. If more than one department has incurred costs for this mandate, give the name of each department. A separate form Form-1 should be completed for each department.
- (04) Reimbursable Activities. For each reimbursable activity, enter the totals from Form-2, line (05), columns (d) through (i), to form Form-1, block (04), columns (a) through (f), in the appropriate row. Total each row.
- (05) Total Direct Costs. Total columns (a) through (g).
- (06) Indirect Cost Rate. Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an ICRP. If an indirect cost rate of greater than 10% is used, include the Indirect Cost Rate Proposal (ICRP) with the claim.
- (07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's indirect cost rate proposal (ICRP) in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate, by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.
- (08) Total Direct and Indirect Costs. Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).
- (09) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (10) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds, which reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (11) Total Claimed Amount. From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Savings, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to form FAM-27, line (13) for the Reimbursement Claim.



|   |  |  |
|---|--|--|
| <b>Program</b><br><br><span style="font-size: 2em;"><b>300</b></span> | <b>MANDATED COSTS</b><br><b>LOCAL AGENCY FORMATION COMMISSION</b><br><b>ACTIVITY COST DETAIL</b> | <b>Form</b><br><br><span style="font-size: 2em;"><b>2</b></span> |
|---|--|--|

|               |                  |
|---------------|------------------|
| (01) Claimant | (02) Fiscal Year |
|---------------|------------------|

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

**A. Ongoing Activities**

|   |   |
|---|---|
| <input type="checkbox"/> Filing Written Statements with LAFCO (07/01/01 through 12/31/01) | <input type="checkbox"/> Draft, Review, & Revise Written Statements                                     |
| <input type="checkbox"/> Filing Written Statements with LAFCO (01/01/02 and following)    | <input type="checkbox"/> Preparation, Attendance, & Presentation of Written Statements at LAFCO Hearing |
| <input type="checkbox"/> Collection of Information on Services                            |   |

| (04) Description of Expenses  |                                 |                                 | Object Accounts |                 |                               |                          |                     |               |
|---|---------------------------------|---------------------------------|-----------------|-----------------|-------------------------------|--------------------------|---------------------|---------------|
| (a)<br>Employee Names, Job Classifications, Functions Performed and Description of Expenses | (b)<br>Hourly Rate or Unit Cost | (c)<br>Hours Worked or Quantity | (d)<br>Salaries | (e)<br>Benefits | (f)<br>Materials and Supplies | (g)<br>Contract Services | (h)<br>Fixed Assets | (i)<br>Travel |
|   |                                 |                                 |                 |                 |                               |                          |                     |               |

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
| (05) Total <input type="checkbox"/> Subtotal <input type="checkbox"/> Page: ___ of ___ |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|



|   |   |  |
|---|---|--|
| <b>Program</b><br><br><span style="font-size: 2em;"><b>300</b></span> | <b>LOCAL AGENCY FORMATION COMMISSION</b><br><br><b>ACTIVITY COST DETAIL</b><br><br><b>INSTRUCTION</b> | <b>Form</b><br><br><span style="font-size: 2em;"><b>2</b></span> |
|---|---|--|

- (01) Claimant. Enter the name of the claimant.
- (02) Fiscal Year. Enter the fiscal year for which costs were incurred.
- (03) Reimbursable Activities. Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.
- (04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated and no payment was made at the time the claim was filed, the time for the Controller to initiate an audit shall be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

| Object/<br>Sub object<br>Accounts | Columns  |  |  |                                       |                                    |                                  |                                   |                          |  | Submit<br>supporting<br>documents<br>with the<br>claim |
|-----------------------------------|--|--|--|---------------------------------------|------------------------------------|----------------------------------|-----------------------------------|--------------------------|--|--|
|                                   | (a)  | (b)  | (c)  | (d)                                   | (e)                                | (f)                              | (g)                               | (h)                      | (i)                                      |  |
| <b>Salaries</b>                   | Employee Name/Title  | Hourly Rate                                  | Hours Worked                               | Salaries = Hourly Rate x Hours Worked |                                    |                                  |                                   |                          |  |  |
| <b>Benefits</b>                   | Activities Performed   | Benefit Rate                                 |  |                                       | Benefits = Benefit Rate x Salaries |                                  |                                   |                          |  |  |
| <b>Materials and Supplies</b>     | Description of Supplies Used                                   | Unit Cost                                    | Quantity Used                              |                                       |                                    | Cost = Unit Cost x Quantity Used |                                   |                          |  |  |
| <b>Contract Services</b>          | Name of Contractor<br>Specific Tasks Performed                 | Hourly Rate                                  | Hours Worked<br>Inclusive Dates of Service |                                       |                                    |                                  | Cost = Hourly Rate x Hours Worked |                          |  | Copy of Contract                                       |
| <b>Fixed Assets</b>               | Description of Equipment Purchased                             | Unit Cost                                    | Usage                                      |                                       |                                    |                                  |                                   | Cost = Unit Cost x Usage |  |  |
| Travel                            | Purpose of Trip<br>Name and Title<br>Departure and Return Date | Per Diem Rate<br>Mileage Rate<br>Travel Cost | Days<br>Miles<br>Travel Mode               |                                       |                                    |                                  |                                   |                          | Total Travel Cost = Rate x Days or Miles |  |

- (05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to form 1, block (04), columns (a) through (f) in the appropriate row.