

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

May 12, 2021

To: LAFCo Commissioners

From: Martha Poyatos, Executive Officer
Rob Bartoli, Management Analyst

Subject: Adoption of LAFCo Budget Policy

Summary

San Mateo LAFCo has contracted with the County of San Mateo for staffing, office space, general services and supplies and legal counsel since 1996. Under the contract, the Commission's adopted budget is maintained in the County's budget system and all payroll and financial transactions including accounts payable and receivable are processed by County fiscal staff, the County budget office and the County Controller. In all cases, accounting practices allow for segregation of duties. In processing payments from applicants, payments to vendors or reimbursements, LAFCo staff submits checks or invoices per County procedures and policies. LAFCo staff works with the County Budget Office to transmit the LAFCo adopted budget to the Budget Office for input into the County's budget system.

Since 1996, the Commission and staff have operated consistent with County budget and accounting practices. In order to memorialize these practices, it is recommended that the Commission adopt budget policies to serve as guidance to the Commission's staff and the County Controller and budget office.

The draft policy addresses the LAFCo budget adoption process, process for budget adjustments, contingency and reserve amounts, expenditures, billing agencies for apportionment and contract approval.

Regarding the contingency and reserve amounts, the Budget Committee recommended that reserve levels not exceed 10% of the overall LAFCo Budget. Currently, the reserve budget stands at 9% of the proposed FY21-22 budget.

COMMISSIONERS: WARREN SLOCUM, CHAIR, COUNTY ▪ MIKE O'NEILL, VICE CHAIR, CITY ▪ HARVEY RARBACK, CITY ▪ DON HORSLEY, COUNTY
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ALTERNATES: KATI MARTIN, SPECIAL DISTRICT ▪ DIANA REDDY, CITY ▪ JAMES O'NEILL, PUBLIC ▪ DAVE PINE, COUNTY

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER ▪ TIM FOX, LEGAL COUNSEL ▪ ROB BARTOLI, MANAGEMENT ANALYST ▪ ANGELA MONTES, CLERK

Provisions of this policy include directing that the difference in estimated and actual year end fund be allocated in the Commission's reserve and that if one of the funding agencies fails to remit their share of apportionment, the Controller shall collect the amount due from any property tax or other revenues owed to that agency as permitted by Government Code Section 56381. The Commission reviewed the draft Budget Policy at the March 17, 2021 and recommend it be circulated for comment to County, cities, special districts and interested parties. No comments were received.

As directed at the March meeting, this policy, along with other administrative policies, will be organized separately from LAFCo polices focused on proposals, service reviews, and other actions related to changes in organizations and reorganizations.

Recommended Commission Action

By motion, adopt the proposed LAFCo Budget Policy.

Attachments

A. Draft LAFCo Budget Policy

San Mateo LAFCo Budget Policy

Budget Policy**1. LAFCO AS A SEPARATE FUND**

For administrative purposes, the LAFCo budget is a separate fund within the County's financial accounting system. Unexpended appropriations are retained as fund balance as available financing for the following year.

2. BUDGET ADOPTION

Section 56381 of Cortese-Knox-Hertzberg Act (the Act) requires Commission consideration of a proposed budget by May 1 and by June 15. The Commission shall adopt the proposed and final operating budget at a noticed public hearing following circulation of the proposed and recommended budget to the County, all cities and all independent special districts.

The Act also provides that the proposed and final budgets shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs of the Act.

Because the Proposed Budget and Adopted Budget are adopted before the end of the fiscal year and include an estimate of fund balance carry over, Commission policy is that the difference in fund balance shall be added to or deducted from the adopted reserve.

3. BILLING OF LAFCO APPORTIONMENT TO COUNTY, CITIES AND INDEPENDENT SPECIAL DISTRICTS

Upon adoption of the final budget, the Executive Officer shall transmit the budget to the County, cities and special districts and the County Controller. The Controller shall apportion the net operating budget of the Commission in thirds amongst the County, the cities and independent special districts. The cities' and districts' shares shall be apportioned in proportion to each city's and district's total revenues, as reported in the most recent edition of the Cities Annual Report published by the State Controller, as a percentage of the combined city and district revenues within the County. The Controller's office shall collect and deposit revenues received in the Commission's budget. The County shall be billed the one-third share and shall remit funds owed via intrafund transfer.

If the County, a city, or an independent special district does not remit its required payment within 60 days, the Controller shall collect the required payment from the property tax, or any fee or eligible revenue owed to the County, city, or district. The Controller shall provide written notice to the County, city, or district prior to appropriating a share of the property tax or other revenue to the Commission for the payment due the Commission. Any expenses incurred by the Commission or the Controller in collecting late payments or successfully challenging nonpayment shall be added to the payment owed to the Commission (Government Code 56381(4)(c)).

Provision for loan to Commission

If, during the fiscal year, the Commission is without adequate funds to operate, the board of supervisors may loan the Commission funds. The Commission shall appropriate sufficient funds in its budget for the subsequent fiscal year to repay the loan (Government Code 56381(4)(c)).

In 2021, the County of San Mateo approved a resolution that allows San Mateo LAFCo to receive a loan not to exceed \$100,000 to cover cash-flow issues that arise from restricted cash-flow pending its receipt of agency apportionment from agencies under its jurisdiction and/or due to differences in actual revenues received compared to budgeted.

4. BUDGET ADJUSTMENTS

The Commission may make adjustments to its budget at any time during the fiscal year, as it deems appropriate. Subsequent to the adoption of the budget, the Executive Officer may transfer appropriations between accounts (i.e. sub-objects) within major categories (i.e. objects) such as salaries and benefits, services and supplies, etc., without approval from the Commission. Transfers of appropriations between major categories/objects and appropriation of unanticipated revenue or from fund balance or reserve requires approval from the Commission.

5. CONTINGENCY AND RESERVE

The annual budget should strive to contribute to the reserve an amount equal to 2 % of the overall budget as needed and as determined by the Commission. An amount not to exceed 10% of the budget should be held in reserve. Funds appropriated in the reserve shall not be used or transferred to any other expenditures account without prior approval of the Commission.

6. EXPENDITURES AND DISBURSEMENTS

San Mateo County currently administers LAFCo's budget in the County's budget system. LAFCo staff shall follow adopted County policies and procedures for invoices, claims, disbursements, receipts and deposits of revenues. Staff shall initiate transactions such as purchase orders and payment of invoices and claims. The Executive Officer shall review all claims and invoices received by LAFCo and may authorize payment, as appropriate, within the framework and limitations of the budget as adopted by the Commission. Financial records shall be maintained and reconciled for all financial transactions. Detailed procedures for processing invoices for review and payment shall be created and maintained as an attachment to this policy.

The primary objectives of accounts payable and cash disbursements are to ensure disbursements are properly authorized, invoices are processed in a timely manner, and invoice charges do not exceed the purchase order or contract amounts. Purchases shall be made in accordance with the San Mateo County purchasing policies and procedures. Quarterly financial updates and budget status reports including expenditure detail per account shall be presented to the Commission.

7. PAYROLL AND BENEFITS ADMINISTRATION

San Mateo County administers payroll and benefits for employees serving the Commission by contract. LAFCo staff shall review each payroll report and the entry of the payroll posted by the County into the general ledger on a monthly basis to ensure the payroll is complete and accurate.

8. CONTRACT APPROVAL AND EXECUTION

The Commission delegates to the Executive Officer the authority to approve and execute contracts, agreements and amendments for \$5,000 or less, provided sufficient funds are contained in the appropriate line item in the LAFCo budget. Any contract, agreement or amendment greater than \$5,000, or any contract agreement or amendment for which there are not sufficient funds contained in the appropriate line item of the LAFCo budget, shall be presented to the Commission for approval and execution. For other policies including, but not limited to, pricing and contractual solicitations and contract documents, LAFCo defers to the County of San Mateo Contracting and Purchasing Policies.