

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF DECEMBER 7, 2016

REGULAR MEETING

TO: Ken Humphreys, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

**AGENDA ITEM #7: APPROVE POLICIES REGARDING CARRYOVER/FUND
BALANCE AMOUNTS**

RECOMMENDATION

Staff recommends that the Commission approved the proposed policy regarding the manner in which the fund balance are used in the budget. Specifically, the new process calls for utilizing carryover funds, and possibly applicant fees, in the budget a year after calculation/collection.

REASON FOR RECOMMENDED ACTION

The proposed policy implements one half of the Commission's approval of the use of carryover/fund balances at the September meeting (Agenda Item 6 implements the other half). The proposed policy ensures that the carryover/fund balance amounts are implemented consistent with the Commission's direction and with sufficient oversight.

BACKGROUND

At the September 28, 2016 meeting, staff proposed, and the Commission approved, a new process on how to utilize the carryover/fund balance amount is used in relation to LAFCO's budget. In summary, the Fiscal Year 2015-16 carryover/fund balance will be set aside minus the amount the FY2016-17 budget assumed would be carried over and minus approximately \$18,700 to replace LAFCO's IT infrastructure. The net amount of \$120,555 will be used in FY2017-18's budget. From that point forward, carryovers will be used one fiscal year after their calculation. As indicated in September, and corroborated by LAFCO's auditors, this process is not in conflict with any standard accounting practice.

Please note that this process was also approved for the use with applicant fees, but this item will focus only on the carryover/fund balance amounts. This is because of the uncertainty on the number of applications that will be received and the amount of earned fees LAFCO will collect this year. Staff will follow up at a later date once this uncertainty is resolved.

Proposed Policies

To ensure transparency and accountability, staff recommends the adoption of two policies. The relevant sections of the current Policies and Guidelines are provided as attachments for the Commission's reference and convenience. The first proposed policy adds subsection 2.1.11 to define the term, to direct the agency on how to use the funds and to provide a measure of accountability:

2.1.11 ***Carryover/Fund Balance Amounts:*** *For purposes of this section and Policies and Guidelines Section 2.10, the carryover/fund balance amount is defined as the amount left over at the end of each fiscal year after all outstanding payments for that fiscal year have been made. The carryover/fund balance amount will be calculated at the close of the books for a fiscal year. After it has been calculated, the LAFCO Executive Officer must report the carryover/fund balance amount to the Commission and to LAFCO's auditors. The carryover/fund balance amount will be used as a revenue source for the fiscal year beginning on July 1 after the carryover/fund balance amount has been calculated. The LAFCO Executive Officer shall deposit these funds consistent with Policy 2.10.*

The second proposed policy adds Subsection 2.10.5(d). It authorizes the use of the LAFCO account with CalTRUST as a place to deposit the fund balance until these funds are needed:

2.10.5(d) *Unassigned: Carryover/Fund Balance amounts, as defined in Policy 2.1, can be deposited into LAFCO's short-term CalTRUST account between the time the amount is calculated and its utilization on the fiscal year beginning with July 1 after the amount has been calculated.*

Should the Commission approve staff's recommendation, the deposit into CalTRUST will occur before mid-December for this year only. In subsequent years the deposit will occur on the month following the calculation of the carryover. The withdrawal of the funds to use for the following fiscal year will occur at the last week of June so that LAFCO has the funds at the beginning of the fiscal year.

Attachments:

Attachment A: Richardson & Company Letter

Attachment B: Policies & Guidelines, Section 2.1 and Section 2.10