

SONOMA LOCAL AGENCY FORMATION COMMISSION

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Item 5.1

Staff Report

Meeting Date: October 5, 2022
Agenda No. Item 5.1
Agenda Item Title: Consideration of a Fiscal Reserve Policy
Environmental Determination: Exempt.
Staff Contact: Mark Bramfitt

Analysis

Background

In 2019 the Policy Committee, at the behest of staff, held discussions to determine how best to manage the Commission's annual Fund Balance, which represents essentially a fiscal reserve of revenues from fees and apportionments which are not allocated to expenditures within the Commission's adopted budgets.

The Policy Committee recognized the need for fiscal reserves to cover unanticipated Commission activities (e.g. fees for consulting services to prepare an unanticipated Municipal Service Review or special studies), and for unexpected costs.

The three primary unanticipated costs include:

- Payments to departing employees for accrued vacation and sick leave.
- Judgements above and beyond insurance-covered risks such as workplace injuries or accidents.
- Legal fees accrued for unanticipated lawsuits filed against the Commission.

The annual Fund Balance has grown to far larger amounts compared to the budgets of the 2000s, from levels of around \$25,000 to \$400,000 in recent years.

The Policy Committee came to no conclusions regarding the need for specific reserve categories or appropriate level of individual and total reserves.

In September the Budget Committee revisited these discussions and provided guidance to staff regarding establishment of specific reserve categories and an overall fiscal reserve target.

The staff report prepared for the Budget Committee is attached, as is a draft Fiscal Reserve Policy for consideration.

With further feedback from the Commission, staff recommends consideration of a final Fiscal Reserve Policy at a later meeting.

Recommendation

Staff is seeking commission review and consideration of the draft Fiscal Reserve Policy, prepared with guidance from the Budget Committee. Staff will amend the policy at Commission direction and return with a final draft and resolution of adoption at a later date.

Attachments

1. Staff Report to Budget Committee, September 7, 2022
2. Draft Fiscal Reserve Policy