

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: MAY 13, 2015 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #10 – Review and Adoption of Final Budget for Fiscal Year 2015-16

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Adopt the Fiscal Year 2015-16 Final Budget as presented with the apportionment of net LAFCO costs based upon the Auditor's information attached to this report.
2. Approve amendments to the LAFCO Benefit Plan, Section 5 – Flexible Spending Account to reflect County of San Bernardino and IRS required updates.
3. Determine that the amount owed by the applicant for LAFCO 3172 for costs in processing the environmental assessment are uncollectible and will no longer be recognized for financial reporting purposes.
4. Direct the Executive Officer to submit to the County Auditor-Controller the adopted Final Budget and request the apportionment of the Commission's net costs to the County, Cities/Towns and Independent Special Districts pursuant to the provisions of Government Code Section 56381 as shown in the approved Final Budget.

BACKGROUND:

The Commission's annual budget process began at the April 15 hearing through adoption of the Proposed Budget for Fiscal Year 2015-16. The Proposed Budget included an outline of the anticipated appropriations, revenues, and policy items for Commission consideration.

On April 20, the Proposed Budget was forwarded for review and comment, as required by Government Code Section 56381, to the County, each of the 24 Cities/Towns and Special Districts with the request to submit comments by May 7 for inclusion in the final report. As of the date of this report, no comments or concerns have been provided regarding the Proposed Budget as adopted at the April hearing. If concerns are received following the publication of this report, staff will provide those to the Commission at the hearing along with an oral response. Copies of the Final Budget and Budget Narrative and Apportionment Schedules are included as Attachments #1 and #2 to this report.

Following the April hearing, staff determined two additional items needed to be brought before that Commission:

1. It learned of another change required in the LAFCO Benefit Plan related to the Flexible Spending Account (medical expense reimbursement plan) provided for employees. The amendment provides for updates to the language to be consistent with the current administration of the benefit through the county's Human Resources Department and includes Treasury Department updates. The Treasury Department IRS rule changes allows participants to carry over up to \$500 in their accounts from one plan year to the next. The Plan Year commences in July 2015 so the changes need to be adopted at this hearing in order to be implemented next year. The changes proposed do not impact the budget since they are technical in nature. The update language is as follows with the inclusions in shown in bold:

SECTION 5: FLEXIBLE SPENDING ACCOUNT

*(Amended August 17, 2005; May 16, 2007; June 16, 2011; **May 20, 2015**)*

The County has established a **medical expense reimbursement plan**, Flexible Spending Account (FSA), for employees in regular positions. The FSA is established in accordance with the provisions of **Internal Revenue Code (IRC)** Section 125. The Human Resources Employee Benefits Department and Services Division Chief, or designee, will serve as the Plan's Administrator **and will administer the Exempt FSA in accordance with the County's exempt medical expense reimbursement plan document**. The Health Expense FSA Plan Year will coincide with the County's Benefit Plan Year. SB LAFCO contracts with SB County to provide this benefit to its employees.

Eligible employees may contribute **to the FSA**, on a pre-tax basis, a minimum of ten dollars (\$10.00) and **up to the IRC maximum per biweekly pay period**. SB LAFCO will contribute up to forty dollars (\$40.00) per bi-weekly pay period, matching employee contributions dollar for dollar.

Upon enrolling in the Plan, employees may not change their designated bi-weekly contribution amount or discontinue making contributions for the remainder of the plan year **except as permitted by the IRC**. Any unused amounts remaining in an employee's account at the end of the plan year shall be forfeited except as permitted by the IRC and the County's exempt medical expense reimbursement plan document.

2. WRITE-OFF OF UNCOLLECTIBLE ACCOUNT

In June 2014, the Commission considered LAFCO 3172, which had two alternatives:

Alternative #1 - Reorganization to include Annexation to the Big Bear City Community Services District and Detachment from San Bernardino County Fire Protection District and its Mountain Service Zone

Alternative #2 - Reorganization to include Formation of the Baldwin Lake Fire Protection District and Detachment from the San Bernardino County Fire Protection District and its Mountain Service Zone (community of Baldwin Lake)

The Commission approved Alternative #1, and per the LAFCO Fee Schedule staff issued billings to the Big Bear City CSD and the original applicant, Chief Larry Winslow for costs in excess of deposits. The Fee Schedule reads as follows:

For the item above, agencies will be required to reimburse the Commission for all direct charges (LAFCO legal counsel, environmental review, reproduction costs, notification costs, etc.) in excess of the deposit. If charges billed to LAFCO are less than the amount of the deposit, the balance of the deposit will be refunded to the applicant.

Costs incurred by LAFCO in conducting LAFCO 3172 in excess of deposits total \$3,319, composed of \$579 related to protest hearing charges attributable to Big Bear City CSD and \$2,740 related to environmental charges attributable to the applicant. Staff invoiced the Big Bear City CSD and reimbursement has been received. However, staff invoiced the applicant alone for \$2,740 with copies of each billing, as well issuing a second and third notice. Collection procedures have been conducted without results: therefore, the outstanding balance has been determined to be an account which is uncollectible.

Staff is recommending that the Commission determine the amount owed to LAFCO of \$2,740 for LAFCO 3172 to be uncollectible and approve the write-off of the amount. This will make the determination that the amount is no longer recognized as collectible receivables for financial reporting purposes. All financial documentation related to LAFCO 3172 will be a part of the materials for the 2014-15 audit.

Another option would be to have a collection agency attempt collection. However, the costs for the effort may not justify this option.

CONCLUSION:

In conclusion, LAFCO staff has provided copies of the Final Budget Spreadsheet and narrative recommended for adoption (Attachment #1 to this report). The apportionment for the County, Cities/Towns and Special Districts for Fiscal Year 2015-16 to be billed as of July 1, 2015 is also included as a part of Attachment #2.

The staff will be happy to answer any questions from the Commission prior to or at the hearing regarding any of the items within the budget documents or this report.

/krm

Attachments:

1. [Final Budget Spreadsheet, and Narrative](#)
2. [Apportionment Schedules](#)