



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** COUNTY MANAGER

**File #:** 21-149

Board Meeting Date: 2/23/2021

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Mike Callagy, County Manager  
**Subject:** Loans to Local Agency Formation Commission

**RECOMMENDATION:**

Adopt a resolution authorizing the County Manager, or the County Manager's designee, to make loans pursuant to Government Code § 56381(c) from available County General Funds to the San Mateo County Local Agency Formation Commission, in an amount not to exceed a total of \$100,000 per fiscal year.

**BACKGROUND:**

The San Mateo County Local Agency Formation Commission (LAFCO) is a state-mandated independent commission with jurisdiction over the boundaries of 20 cities, 22 independent special districts and many of the active county-governed special districts serving San Mateo County. LAFCO is authorized by state law to approve proposals for changes in the boundaries and organization of these entities, to establish and periodically update their spheres of influence, and to assist agency studies to improve efficiency and reducing costs of providing urban services.

From time to time during the fiscal year, LAFCO may experience periods of restricted cash-flow pending its receipt of fees from agencies under its jurisdiction and/or due to differences in actual revenues received compared to budgeted estimates. These conditions can restrict LAFCO's cash-flow needed to fund its operations and creates temporary budget shortfalls. LAFCO may at times be temporarily without adequate funds to operate due to these cash-flow issues.

**DISCUSSION:**

Government Code § 56381 governs LAFCO's annual budget procedures and outlines the county auditor's role in apportioning costs and requesting payment from agencies to fund the commission's operations. To ensure the commission's liquidity at the start of the fiscal year, Section 56381(c) requires that, "[b]etween the beginning of the fiscal year and the time the auditor receives payment from each affected city and district, the board of supervisors shall transmit funds to the commission sufficient to cover the first two months of the commission's operating expenses as specified by the commission."

Section 56381(c) further provides that this Board is authorized to loan funds to LAFCO to cover cash-flow issues and provide operating funds. It provides that: “[i]f, 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.”

The County Manager has determined that, to the extent that the County has funds available that are not immediately necessary for the County’s own financial obligations, it is necessary and desirable to authorize loans to LAFCO, on an as-needed basis, in an amount not to exceed a total amount of \$100,000 per fiscal year.

Close communication and coordination will be maintained by County officials and LAFCO to ensure compliance with constitutional and statutory provisions which authorize and limit temporary borrowing. With these safeguards, the County can loan funds to LAFCO, with the assurance that any amounts borrowed will be repaid as required by law the following fiscal year.

The resolution has been reviewed and approved by County Counsel as to form.

**FISCAL IMPACT:**

The fiscal impact to the County is limited to an amount up to \$100,000 per fiscal year, subject to repayment of the amount borrowed the following fiscal year. Interest is charged at the pool rate.