

October 20, 2023

To Lafco Commissioners

From Ann Draper

RE. Thoughts and Comments on the Broadmoor Police Protection District Update; Item 6

I will be out of town for the Lafco Commission special meeting on October 25, 2023. James O'Neill will be the public member. I have read the update report and received a briefing on the Board of Supervisor's meeting regarding supplemental County funding for the Broadmoor Special District. The follow are my current thoughts and comments about the status of Lafco's special study.

Approximately one year ago, Lafco commenced its special study regarding Broadmoor Police Protection District and finalized the study in March 2023. Lafco initiated that study because there was a concern that the District was experiencing significant financial challenges, was not providing adequate fiscal and administrative oversight and was not properly informing the public. The Lafco study found in fact that during the past ten years, the District was spending more funds than revenues received for many fiscal years; the District was very close to exhausting any fiscal reserves it has; and, it appeared that there was no to poor fiscal oversight by District leadership. The study also found that there was inadequate oversight regarding administrative matters leading to significant issues with PERS and adding to the District's financial stresses. The study also found that information available to the public regarding the operations and status of the District was sparse and in some cases did not meet public transparency norms. Lafco made several recommendations to help improve the operations of the District. One of those recommendations was for the District to prepare a short, medium and long term financial plan and budget to help it financially recover and be sustainable. The District has not prepared such plans and has not produced publicly available information to understand their monthly expenditure rate.

The information provided by staff shows that the District did reduce staffing costs yet needed to use its reserves to meet financial obligations resulting in a funding balance in the Voluntary Investment Pool of the County below the required minimum of \$250,000. As has been represented in the past, County Board policy calls for the Treasurer to remove any public agency from the Pool when its balance goes below the investment minimum. The staff report does not provide information as to what steps the Treasurer has taken to implement the County policy. I recommend that Lafco be provided with this information as soon as possible.

The Lafco staff report also anticipates that the District will draw its balance below zero by the end of 2023. It is not clear if there is an agreement among all of the other governmental participants in San Mateo who are in the pool to subsidize or share their funding with one of the pool participants. Lafco may want to consider how other agencies in the pool need to be notified of this anticipated situation.

The Lafco staff report states that Broadmoor is “Working with vendors to extend the timelines for paying outstanding bills”. I would like to know if this item includes costs owed to other public agencies including the County.

Broadmoor’s request for funding was not approved by the Board of Supervisors and it was continued to the November 7, 2023 meeting. As I understand, the following concerns were expressed at the meeting

- Broadmoor had not provided the Board with a budget or plan to understand how the requested funding would be used.
- There was no information on the anticipated expenditure rates of the District to understand how long or often the County is being requested to supplement the District’s funding.
- There was no plan showing a financial path to sustainable operations. Discussion was raised as to whether or not the District even has a path to sustainability, given information provided in the Lafco report and the declining financial situation of the District.
- There was discussion of an oversight group to monitor the requested funding. However, there was no information as to when and how such a group would be formed, how this group would relate to the existing District elected officials and what powers such a group would have.
- There was discussion that the leadership of the District might change but there was no information regarding the implications of this statement.

Given all of the above, I recommend that Lafco continue its review of the status of Broadmoor and identify actions it can take.

At the September Lafco meeting, information regarding Broadmoor’s bankruptcy action was requested. Because, the District has not filed for bankruptcy yet, it is anticipated that should the District file, then Lafco will receive its requested information.