



Agenda Item No: 3

Meeting Date: August 6, 2021

Cities Association of Santa Clara County Agenda Report

Consideration of items regarding the SCSC Roundtable and Cities Association

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Executive Director

TOPIC: Consideration of items regarding the SCSC Roundtable and Cities Association

SUBJECT: SCSC Roundtable

- ITEM A: BUDGET UPDATE AND IMPACT OF THE ROUNDTABLE ON THE CASCC
- ITEM B: FUTURE RELATIONSHIP WITH THE SCSC ROUNDTABLE
- ITEM C: POTENTIAL COST AND COST RECOVERY FROM THE SCSC ROUNDTABLE

ITEM A. Budget Update & Summary:

This is a budget update for FY 21 and its impact on FY 22 and to inform future decisions of the Board of Directors. The FY 21 year-end report is not complete as all bills have not been received or finalized.

In June, the CASCC Board of Directors approved a FY 22 budget. The Board approved a budget anticipating that the CASCC reserves would fall below the threshold of reserves set forth in the bylaws which is six - nine months operating budget. ***The updated current projection for the FY 22 Budget of CASCC General Fund Reserves is now projected below one month of operating budget.***

Currently, the entire CASCC FY 21 budget is \$10,000 over budget. (The Planning Collaborative and SCSC Roundtable budgets are separate.)

- LEGAL FY 21 budget = \$23,000.00
- LEGAL current expenditures = \$47,502.50

(The overage of legal was offset by the CASCC not expending typical event costs or Board priorities line item.)

ATTACHMENTS: SCSC Roundtable Financial Status
P&L for CASCC, Roundtable, Planning Collaborative
CASCC FY 22 Budget

ITEM B. FUTURE RELATIONSHIP WITH THE SCSC ROUNDTABLE

Policy questions for consideration of the Executive Board and Board to consider:

- Should the Cities Association continue financially supporting the Roundtable?

If yes,

- What is the cost consideration to continuing financing the SCSC Roundtable and who should pay for this?
- Should the Roundtable be subsidized by all of the cities or just by the member jurisdictions?
- What potential new or revised governing documents need to be written? (This may include MOU, Bylaws, or other documents.)

If no,

- What is the divesture process?
- Is it the CASCC responsibility to find a new fiscal agent?
- What other options exist?

ITEM C. POTENTIAL COST AND COST RECOVERY FROM THE SCSC ROUNDTABLE

Policy questions for consideration of the Executive Board and Board to consider:

- Should the SCSC Roundtable pay for the costs the Cities Association have incurred on their behalf?
 - Should the SCSC Roundtable pay for CASCC legal counsel/staff to review documents pertaining to the Roundtable?
- How does the CASCC want to recover these costs?
 - From SCSC Roundtable funds?
 - From one-time assessment?
 - Other
- What is the process for recovering these costs?
- What recourse does CASCC have if the Roundtable doesn't recover the costs?
- What should the policy be to resolve financial disputes?

FREQUENTLY ASKED QUESTIONS REGARDING CASCC and the SCSC ROUNDTABLE

Understanding the CASCC Budget:

The Cities Association has a General Fund Budget and two separate project budgets: the SCSC Roundtable, and the Planning Collaborative.

The CASCC Budget includes the Executive Director, legal counsel, part-time administrative support, part-time bookkeeper. Office expenses include D & O insurance, banking, software, office supplies, payroll, and taxes. Staff receive no benefits such as health-care or retirement, or reimbursements. Events and programming are also a part of this budget.

Why isn't the Roundtable it's own legal entity?

The SCSC Roundtable did not form as a JPA or a non-profit. The CASCC agreed to be the fiscal agent to allow for its almost immediate organization until the time when the SCSC Roundtable would become independent.

Understanding the SCSC Roundtable Budget:

- Original 2019 budget was created based on the formula outlined in MOU and Bylaws.
- The original Scope of Work for the Facilitation and Technical Consultant was created in consultation with staff of member jurisdictions. The Scope of Work was revised in 2020 in consultation with the Chair and approved by the SCSC Roundtable.
- Per the bylaws and MOU, staff, in consultation with the Chair, present a budget to the Roundtable for approval, then dues are invoiced by the CASCC staff. The last budget approved was for FY 2021.
- Invoices are reviewed and approved by the Chair and project manager. Invoices are also approved by the CASCC Board of Directors before they are paid.

History of the Cities Association regarding the SCSC Roundtable including Actions by the Board of Directors and Recent Actions of the SCSC Roundtable regarding request of the Cities Association.

- The SCSC Roundtable was established by the Board of Directors of the Cities Association of Santa Clara County in fall of 2018. The CASCC agreed to act as the fiscal agent of the SCSC Roundtable to allow for the immediate formation of the Roundtable until the Roundtable could become an independent organization. The CASCC Board of Directors and Executive Board expected staff time supporting the SCSC Roundtable to diminish over time.
- In June of 2020, the Executive Board of Directors requested the SCSC Roundtable move to become an independent organization and asked for a report at the January 2021 meeting. The Executive Board also requested the SCSC Roundtable utilize legal counsel at their meetings and for needed actions. The CASCC also shared (with no cost to the SCSC Roundtable) research from a tax expert and an attorney on various legal entities the SCSC roundtable might form.
- July 2020, the SCSC Roundtable lost 4 members of the Roundtable (Santa Cruz, Capitola, Santa Cruz County, Monte Sereno) and a third of their budget. SCSC Roundtable members voted to change bylaws and MOU during a budget discussion to remove fiduciary responsibility of the CASCC and cut in half the recommended budget for legal counsel.
- In November of 2020, the CASCC Audit urged cost recovery and that the SCSC Roundtable pay for staff time and other costs the CASCC were incurring because of the SCSC Roundtable.

- At the January 2021 Board of Directors Meeting, the Board directed staff to begin billing staff time spent on any SCSC Roundtable to the Roundtable.
- On January 25, legal counsel withdrew from representation of the Roundtable as the Roundtable was not heading legal advice, acting contrary to CASCC's request to form an independent organization creating a conflict, and ongoing disputes made unworkable relationship. The Executive Board requested that the Executive Director find legal counsel for the SCSC Roundtables upcoming meeting, and the Roundtable Chair declined to accept the recommendation.
- In February 2021, the CASCC Board of Directors ceased all operation of the SCSC Roundtable until legal representation was found.
- Joint Ad Hoc Committee formed (2 members of Executive Board of the CASCC and 3 members of the SCSC Roundtable) to discuss if the SCSC Roundtable should form own entity or remain with the CASCC and mitigate issues.
- The SCSC Roundtable requested Logan & Powell represent them on future meetings. Under direction of the Ad Hoc Committee, the SCSC Roundtable began having meetings.
- The SCSC Roundtable met in a "special meeting" in June 2021, and a regular meeting in July 2021.
- The SCSC Roundtable has not agendized or agreed to reimburse the CASCC for the bills sent.
- The SCSC Roundtable has not approved a FY 22 budget, as set forth by their bylaws, therefore dues may not be invoiced.

Cities Association of Santa Clara County

Profit and Loss by Class

July 2020 - June 2021

	CASCC	PC	ROUNDTABLE	TOTAL
Income				
4000 INCOME				\$0.00
4010 Membership Dues	149,957.07	160,000.00		\$309,957.07
4020 Roundtable Income			187,597.78	\$187,597.78
4060 LAIF INCOME	1,044.86			\$1,044.86
Total 4000 INCOME	151,001.93	160,000.00	187,597.78	\$498,599.71
4999 Uncategorized Income	25.00			\$25.00
Total Income	\$151,026.93	\$160,000.00	\$187,597.78	\$498,624.71
GROSS PROFIT	\$151,026.93	\$160,000.00	\$187,597.78	\$498,624.71
Expenses				
6000 GENERAL OFFICE				\$0.00
6112 Advertising/Promotional				\$0.00
6115 Website Update	40.17			\$40.17
Total 6112 Advertising/Promotional	40.17			\$40.17
6120 Bank Service Charges	36.00			\$36.00
6125 Directory Production	333.00			\$333.00
6180 Insurance	2,460.44			\$2,460.44
6190 Website SOS	600.00			\$600.00
6220 Dues and Subscriptions	400.00			\$400.00
6550 Supplies and Equipment	2,199.25			\$2,199.25
6610 Postage and Delivery	136.50			\$136.50
6611 Post Office Box	81.00			\$81.00
6615 Office/General Administrative Expenses	703.35			\$703.35
6620 Software Licenses	2,966.56			\$2,966.56
6665 Printing and Copying	113.52			\$113.52
6670 Recognition	586.35			\$586.35
Total 6000 GENERAL OFFICE	10,656.14			\$10,656.14
6700 Reimbursable Expense	437.50			\$437.50
EVENT EXPENSES				\$0.00
6400 General Meeting - catering	2,068.00			\$2,068.00
Total EVENT EXPENSES	2,068.00			\$2,068.00
Office				\$0.00
6880 Telephone	257.40			\$257.40
Total Office	257.40			\$257.40
OFFICE PERSONNEL_CONSULTANTS				\$0.00
6153 Contractors		128,575.00		\$128,575.00

Cities Association of Santa Clara County

Profit and Loss by Class

July 2020 - June 2021

	CASCC	PC	ROUNDTABLE	TOTAL
6300 Legal & Professional Fees				\$0.00
6310 Accounting Services	10,187.50			\$10,187.50
6320 Attorney Services	36,009.50		3,760.50	\$39,770.00
6350 Roundtable consultant and technical services	11,493.00		125,903.75	\$137,396.75
Total 6300 Legal & Professional Fees	57,690.00		129,664.25	\$187,354.25
6565 Payroll Service Fees	834.00			\$834.00
6568 Workers Compensation	729.75			\$729.75
6575 Payroll Wages/Salary	124,063.99			\$124,063.99
6580 Payroll Taxes	10,070.49			\$10,070.49
Total OFFICE PERSONNEL_CONSULTANTS	193,388.23	128,575.00	129,664.25	\$451,627.48
Total Expenses	\$206,807.27	\$128,575.00	\$129,664.25	\$465,046.52
NET OPERATING INCOME	\$ -55,780.34	\$31,425.00	\$57,933.53	\$33,578.19
NET INCOME	\$ -55,780.34	\$31,425.00	\$57,933.53	\$33,578.19

SCSC ROUNDTABLE: Financial Status

	Calendar 2019 Actual	FY2020 -- 1/20-6/20 Actual	FY 2021 Estimated	FY 2022 Estimated
Resources				
Beginning Fund Balance		\$24,849	\$35,913	\$3,443
Income/Dues	\$250,000	\$124,999	\$187,598	\$187,598 *
Total Resources	\$250,000	\$149,848	\$223,511	\$191,041
Expenditures				
ESA	\$222,655	\$107,492	\$180,000 *	\$46,257 **
Misc. Office	\$546	\$0	\$5,878	
Legal	\$1,950	\$6,443	\$34,191	\$3,000 ***
Total Expenses	\$225,151	\$113,935	\$220,068 ****	\$49,257 *****
Ending *	\$24,849	\$35,913	\$3,443	\$141,784

Notes:

- * Assumes dues remain as the same as FY 21.
- ** Amount of contract with ESA through December 2021
- ***expenditure approved by SCSC Roundtable July 2021
- **** Does not include CASCC staff time, billed to the RT, not yet paid by the RT
- ***** Does not include CASCC administrative staff time and other costs

*FY 21 Expenditure Detail

65+ Detail of FY 21 Expenditures			
Legal	Legal - paid	\$ 3,760	paid (koplow, logan/powell)
	Logan & Powell	\$ 4,840	pending Board approval
		\$ 4,648	pending Board approval
	CASCC (Jan-April)	\$ 9,450	invoiced, Not paid
	legal - hr	\$ 11,493	CASCC paid
	<u>subtotal</u>	\$ 34,191	
Misc Office (Staff time)	CASCC	\$ 3,623	Invoiced, not paid
	<u>CASCC</u>	\$ 2,255	invoiced, not paid
		\$ 5,878	

Date: August 5, 2021

Cities Association of Santa Clara County 2020-2021 General Budget

	2020-2021 adopted budget	fy 2021 estimate	fy 2022 Adopted
REVENUE:			
projected resources:			
starting balance	95,372	122,000	91,740
restricted	31,500		
unrestricted	63,872		
total BFB	190,744		
Dues	150,290	149,957.07	150,290
Non-dues (directories)	0		
LAIIF interest	2,000	1,044.86	2,000
Event Tickets (~65people x 2events)	10,400		10,400
Revenue Totals	162,690		162,690
Total Resources	258,062	273,002	254,430
GENERAL EXPENSES:			
Office Expenses (insurance, printing, meeting supplies, office supplies, ED expenses, software, website update, recognition, PO Box, postage, etc)	11,070	10,656	13,000
one time equipment for new hire/ <i>Priorities for Board Directed Projects (intern for legislative activities, project)</i>	5,000		1,200
attorney	18,000	47,503	50,000
accountant/bookkeeper		10,188	5,000
Office: Personnel salaries	119,400	124,650	124,650
Payroll expenses	10,500	11,634	12,650
<i>Consultant (legal or other consultant to complete organizational status, legal)</i>	5,000		5,000
EVENT EXPENSES:			
Membership Dinner - DECEMBER	14,000	2,300	14,000
Membership Meeting - SPRING	7,500	0	7,500
Expense Totals	195,470	206,930	238,000
ending fund balance	62,592	66,072	16,430

notes on fy 21

owl \$1200

equipment replacement schedule & Reserve
Board approved \$6000 additional on 8/2/2021

*includes investigation

*included status of CASCC