



Local Agency Formation Commission of Napa County
Subdivision of the State of California

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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

Agenda Item 6a (Public Hearing)

TO: Local Agency Formation Commission

PREPARED BY: Brendon Freeman, Executive Officer *B F*

MEETING DATE: April 3, 2023

SUBJECT: Proposed Budget for Fiscal Year 2023-24 and Draft Work Program

RECOMMENDATION

It is recommended the Commission take the following actions:

- 1) Open the public hearing and take testimony;
- 2) Close the public hearing;
- 3) Adopt the Resolution of the Local Agency Formation Commission of Napa County Adopting a Proposed Budget for the 2023-24 Fiscal Year (Attachment One);
- 4) Direct staff to circulate the adopted proposed budget to each of the funding agencies as well as the general public for review and comment; and
- 5) Direct the Budget Committee to return with recommendations for a final budget for adoption at a noticed public hearing on June 5, 2023.

It is also recommended the Commission discuss the draft Work Program as described on page four of this report and consider providing any appropriate direction to staff.

BACKGROUND AND SUMMARY

LAFCOs are responsible for annually adopting a proposed budget by May 1st and a final budget by June 15th pursuant to California Government Code Section 56381. This statute specifies the proposed and final budgets shall – at a minimum – be equal to the budget adopted for the previous fiscal year unless LAFCO finds the reduced costs will nevertheless allow the agency to fulfill its prescribed regulatory and planning duties.

Margie Mohler, Chair
Councilmember, Town of Yountville

Mariam Aboudamous, Commissioner
Councilmember, City of American Canyon

Beth Painter, Alternate Commissioner
Councilmember, City of Napa

Anne Cottrell, Vice Chair
County of Napa Supervisor, 3rd District

Belia Ramos, Commissioner
County of Napa Supervisor, 5th District

Joelle Gallagher, Alternate Commissioner
County of Napa Supervisor, 1st District

Kenneth Leary, Commissioner
Representative of the General Public

Eve Kahn, Alternate Commissioner
Representative of the General Public

Brendon Freeman
Executive Officer

Budgeting Policies

Consistent with the Commission's *Budget Policy* ("the Policy"), included as Attachment Two, the Commission appointed Commissioners Mohler and Leary to serve on an ad hoc Budget Committee ("the Committee") to inform the Commission's decision-making process in adopting an annual operating budget. The Policy directs the Committee to also consider the Commission's work program.

The Commission is directed to control operating expenses by utilizing its available undesignated/unreserved fund balance ("reserves") whenever possible and appropriate. The Commission is also directed to retain sufficient reserves to equal no less than one third (i.e., four months) of budgeted operating expenses in the affected fiscal year.

Prescriptive Funding Sources

The Commission's annual operating expenses are primarily funded by the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and Town of Yountville. State law specifies the County is responsible for one-half of the Commission's operating expenses while the remaining amount is to be apportioned among the cities and town. The current formula for allocating the cities' and town's shares of the Commission's budget was adopted by the municipalities in 2003 and is based on a weighted calculation of population (60%) and general tax revenues (40%). Additional funding – typically less than 10% of total revenues – is budgeted from anticipated application fees and interest earnings.

Proposed Budget

The Commission will consider approving a proposed budget for fiscal year 2023-24 with operating expenses and revenues each totaling \$709,436, which positions the Commission to finish the fiscal year with available reserves totaling \$393,934 or 55.5% of proposed operating expenses.

Proposed Operating Expenses

The Committee proposes an increase in budgeted operating expenses from \$663,588 to \$709,436; a difference of \$45,848 compared to the current fiscal year. A summary of significant operating expenses follows.

Salaries and Benefits Unit

This budget unit is proposed to total \$15,850 and is primarily associated with Commissioner per diems for attendance at meetings, conferences, trainings, and other activities related to LAFCO business. Staff salaries and benefits are categorized under Administration Services (Account No. 52100) within the Services and Supplies budget unit as summarized below.

Services and Supplies Unit

This budget unit is proposed to total \$693,586. The following is a summary of expense accounts that differ by at least \$1,000 compared to the current fiscal year:

- 1) Increase Administration Services (Account No. 52100) from \$509,844 to \$545,088 to reflect the anticipated hiring of a full-time Clerk/Jr. Analyst.
- 2) Increase Information Technology Services (Account No. 52130) from \$23,974 to \$34,309 to reflect price increases in hardware, software, contract renewals, and cybersecurity.
- 3) Decrease Consulting Services (Account No. 52310) from \$10,000 to \$5,000 to hire an outside facilitator for the Commission's scheduled strategic planning session on July 10, 2023.
- 4) Increase Maintenance/Software (Account No. 52515) from \$1,930 to \$3,062 to reflect a planned update of the Commission's website, including a change in the website host from Planeteria to Streamline.
- 5) Increase Business Travel/Mileage (Account No. 52905) from \$1,000 to \$3,000 to reflect an increase in anticipated travel for Chair Mohler to attend CALAFCO Board of Directors meetings in person.
- 6) Increase Office Supplies (Account No. 53100) from \$1,000 to \$2,000 in anticipation of an increase in purchases related to the new Clerk/Jr. Analyst.

Notably, consistent with prior fiscal years, the proposed budget includes \$2,000 for the 401A Employer Contribution under Administration Services (Account No. 52100). The Executive Officer and Assistant Executive Officer are authorized to participate in the County of Napa's 401(a) retirement savings plan.

Proposed Operating Revenues

The Committee proposes an increase in operating revenues from \$663,588 to \$709,436; a difference of \$45,848 compared to the current fiscal year. Agency contributions are proposed to total \$679,476. Service charges (i.e., proposal application fees) are proposed to total \$23,460 based on anticipated proposal activity. Interest earnings on the Commission's fund balance are proposed to total \$6,500 based on recent trends.

Work Program

The Commission annually adopts a work program and the Budget Committee is directed to consider it as part of the budget preparation process.

The Committee considered a draft Work Program for Fiscal Year 2023-24 prepared by staff, included as Attachment Three. This includes approximate schedules for the preparation of municipal service reviews and other projects. The Commission is invited to discuss the draft Work Program and consider any appropriate changes before adoption of a final Work Program at a future meeting.

Notably, the draft Work Program includes “Special Projects and Studies” that are yet to be determined. This would typically involve entering into a contract with a consultant to perform a specific duty, such as the preparation of a countywide service-specific study similar to the Commission’s recently completed Napa Countywide Water and Wastewater Municipal Service Review. The cost for this type of study would be paid out of the Commission’s reserves.

Staff recommends the Commission discuss its interest in identifying any desired special projects or studies to initiate in the foreseeable future, and consider providing direction to staff to return with any desired changes to the budget or Work Program. It may also be appropriate for the Commission to continue this discussion at its strategic planning session scheduled for July 10, 2023, in Yountville.

ATTACHMENTS

- 1) Draft Resolution Adopting a Proposed Budget for Fiscal Year 2023-24
- 2) Budget Policy
- 3) Draft Work Program for Fiscal Year 2023-24

RESOLUTION NO. _____

**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
ADOPTING A PROPOSED BUDGET FOR THE 2023-24 FISCAL YEAR**

WHEREAS, the Local Agency Formation Commission of Napa County (hereinafter referred to as “Commission”) is required by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.) to adopt a proposed budget for the next fiscal year; and

WHEREAS, Government Code Section 56381 requires the Commission to adopt a proposed budget by May 1 and a final budget by June 15; and

WHEREAS, the Commission appoints and utilizes an ad hoc subcommittee (“Budget Committee”) to help inform and make decisions regarding the agency’s funding requirements; and

WHEREAS, the Executive Officer prepared a report concerning the Budget Committee’s recommended proposed budget; and

WHEREAS, the Executive Officer’s report was presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at its public hearing on the proposed budget held on April 3, 2023; and

WHEREAS, the Commission determined the proposed budget projects the staffing and program costs of the Commission as accurately and appropriately as is possible.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The proposed budget as outlined in Exhibit “A” is adopted.
2. The proposed budget provides the Commission sufficient resources to fulfill its regulatory and planning responsibilities in accordance with Government Code Section 56381(a).

The foregoing resolution was duly and regularly adopted by the Commission at a public meeting held on April 3, 2023, after a motion by Commissioner _____, seconded by Commissioner _____, by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

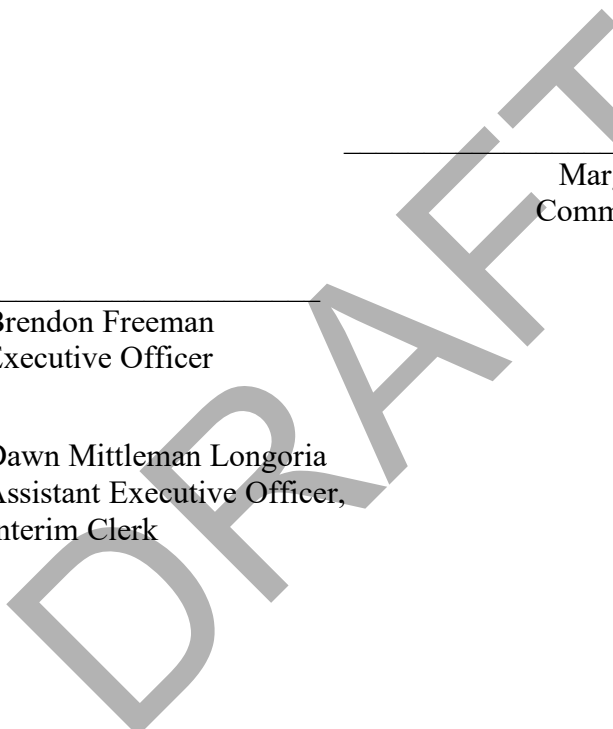
ABSENT: Commissioners _____

ABSTAIN: Commissioners _____

Margie Mohler
Commission Chair

ATTEST: _____
Brendon Freeman
Executive Officer

Recorded by: Dawn Mittleman Longoria
Assistant Executive Officer,
Interim Clerk





Local Agency Formation Commission of Napa County
 Subdivision of the State of California

FY 2023-24 PROPOSED BUDGET

Adopted on April 3, 2023

Expenses

Salaries and Benefits

Account Description

	FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24 Proposed Budget	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate		
51210	Commissioner Per Diems	14,500	12,720	12,500	12,300	15,200	12,900	15,000
51300	Medicare - Commissioners	250	181	250	205	250	206	250
51305	FICA - Commissioners	500	512	500	525	500	552	600
	Total Salaries & Benefits	15,250	13,413	13,250	13,030	15,950	13,658	15,850

Services and Supplies

Account Description

52100	Administration Services	415,869	421,287	439,901	408,954	509,844	460,000	545,088
52125	Accounting/ Auditing Services	7,500	6,593	7,500	6,847	7,500	7,500	7,500
52130	Information Technology Services	24,323	24,323	24,489	24,489	23,974	23,974	34,309
52131	ITS Communication Charges	-	-	1,837	1,837	1,685	1,692	2,000
52140	Legal Services	25,500	24,286	25,000	22,000	35,000	40,000	35,000
52310	Consulting Services	25,551	25,550	-	-	10,000	-	5,000
52345	Janitorial Services	300	225	300	150	300	300	300
52515	Maintenance-Software	1,930	1,929	1,930	1,930	1,930	1,930	3,062
52600	Rents and Leases: Equipment	5,500	3,220	4,000	2,784	4,000	3,500	3,500
52605	Rents and Leases: Building/Land	30,409	30,408	31,322	28,234	25,995	25,995	26,775
52700	Insurance: Liability	813	-	578	578	638	638	716
52800	Communications/Telephone	3,500	1,428	2,000	1,485	3,000	2,236	3,000
52830	Publications and Notices	1,500	814	1,000	1,100	1,000	696	750
52835	Filing Fees	50	100	200	150	200	50	150
52900	Training/Conference	989	200	10,000	-	15,000	7,500	15,000
52905	Business Travel/Mileage	1,000	-	500	-	1,000	1,426	3,000
53100	Office Supplies	1,250	1,179	1,000	400	1,000	832	2,000
53110	Freight/Postage	350	100	500	100	150	20	100
53115	Books/Media/Subscriptions	-	-	-	119	119	119	119
53120	Memberships/Certifications	3,060	3,060	2,934	2,934	3,078	3,078	3,332
53205	Utilities: Electric	1,500	1,389	1,500	1,950	2,000	1,800	2,400
53415	Computer Software/License	-	150	225	225	225	225	225
56350	Business Related Meal/Supplies	500	122	250	33	-	130	260
	Total Services & Supplies	551,394	546,363	556,966	506,337	647,638	583,641	693,586

EXPENSE TOTALS

	566,644	559,776	570,216	519,367	663,588	597,299	709,436
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Revenues

		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24
		Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Proposed Budget
Intergovernmental								
<u>Account</u>	<u>Description</u>							
43910	County of Napa	242,700	242,700	254,835	254,835	313,794	313,794	339,738
43950	Other Governmental Agencies	242,700	242,700	254,835	254,835	313,794	313,794	339,738
----	<i>City of Napa</i>	162,800	162,800	166,432	166,432	207,969	207,969	225,163
----	<i>City of American Canyon</i>	41,166	41,166	45,843	45,843	56,307	56,307	60,962
----	<i>City of St. Helena</i>	15,159	15,159	18,608	18,608	20,381	20,381	22,066
----	<i>City of Calistoga</i>	14,515	14,515	13,976	13,976	16,885	16,885	18,281
----	<i>Town of Yountville</i>	9,060	9,060	9,976	9,976	12,252	12,252	13,265
	Total Intergovernmental	485,400	485,400	509,670	509,670	627,588	627,588	679,476
Service Charges								
<u>Account</u>	<u>Description</u>							
42690	Application/Permit Fees	21,060	37,356	20,000	25,450	25,000	28,560	22,950
46800	Charges for Services	624	593	600	1,074	1,000	340	510
47900	Miscellaneous	-	-	-	2,845	4,000	2,667	-
	Total Service Charges	21,684	37,949	20,600	29,369	30,000	31,567	23,460
Investments								
<u>Account</u>	<u>Description</u>							
45100	Interest	12,000	6,817	10,000	5,700	6,000	6,700	6,500
	Total Investments	12,000	6,817	10,000	5,700	6,000	6,700	6,500
	REVENUE TOTALS	519,084	530,166	540,270	544,739	663,588	665,855	709,436

OPERATING DIFFERENCE (47,560) (29,610) (29,946) 25,372 0 68,556 (0)

Fund Balances

	2020-21	2021-22	2022-23	2023-24
RESTRICTED FUND BALANCE (EQUIPMENT REPLACEMENT RESERVE)				
Beginning:	19,657	19,657	19,657	19,657
Ending:	19,657	19,657	19,657	19,657
UNDESIGNATED/UNRESERVED FUND BALANCE ("RESERVES")				
Beginning:	329,616	300,006	325,378	393,934
Ending:	300,006	325,378	393,934	393,934
TOTAL FUND BALANCE				
Beginning:	349,273	319,663	345,035	413,591
Ending:	319,663	345,035	413,591	413,591
MINIMUM FOUR MONTH RESERVE GOAL				
	188,881	190,072	221,196	236,479



LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Budget Policy

(Adopted: August 9, 2001; Last Amended: November 18, 2019)

I. Background

The Cortese-Knox-Hertzberg Local Government Reorganization (CKH) Act of 2000 includes provisions for establishing a budget and for the receipt of funds. [Government Code \(G.C.\) §56381](#) establishes that the Commission shall annually adopt a budget for the purpose of fulfilling its duties under CKH.

II. Purpose

It is the intent of the Commission to adopt a policy for budget purposes which establishes procedures for compiling, adopting and administering the budget. The Commission is committed to providing transparency of its operations including its fiscal activities. The Commission follows recognized accounting principles and best practices in recognition of its responsibility to the public.

III. Preparation of Annual Budget

- A) An annual budget shall be prepared, adopted and administered in accordance with [\(G.C.\) §56381](#).
- B) The Commission should annually consider the Fee Schedule, including any anticipated changes, and Work Program in conjunction with the budget process.
- C) The Commission is committed to ensuring the agency is appropriately funded each fiscal year to effectively meet its prescribed regulatory and planning responsibilities. The Commission is also committed to controlling operating expenses to reduce the financial obligations on the County of Napa, the cities and town, hereafter referred to as the “funding agencies,” whenever possible and appropriate.
- D) The budget shall include an undesignated/unreserved fund balance equal to a minimum of one-third (i.e., four months) of annually budgeted operating expenses.
- E) The Commission shall establish an ad-hoc budget committee at the last meeting of each calendar year comprising of two Commissioners which will terminate with the adoption of the final budget. Commissioners appointed to a budget committee shall receive a regular per diem payment for each meeting attended.
- F) The adopted final budget should be posted on the Commission’s website for public viewing for a minimum of five years.
- G) The Executive Officer shall provide quarterly budget reports to the Commission for informational purposes.

IV. Budget Contributions and Collection of Funds

[G.C. §56381](#) establishes that the Commission shall adopt annually a budget for the purpose of fulfilling its duties under CKH. It further establishes that the County Auditor shall apportion the operating expenses from this budget in the manner prescribed by [G.C. §56381\(b\)](#), or in a manner mutually agreed upon by the agencies responsible for the funding of the Commission's budget [G.C. §56381\(c\)](#) states that:

After apportioning the costs as required in subdivision (b), the auditor shall request payment from the Board of Supervisors and from each city no later than July 1 of each year for the amount that entity owes and the actual administrative costs incurred by the auditor in apportioning costs and requesting payment from each entity. If the County or a city does not remit its required payment within 60 days, the Commission may determine an appropriate method of collecting the required payment, including a request to the auditor to collect an equivalent amount from the property tax, or any fee or eligible revenue owed to the County or city. The auditor shall provide written notice to the County or city prior to appropriating a share of the property tax or other revenue to the Commission for the payment due the Commission pursuant to this section.

It is the intent of the Commission that all agencies provide the costs apportioned to them from the LAFCO budget. Pursuant to [G.C. §56381\(c\)](#), the policy of the Commission is:

- A) If the County or a city or a town does not remit its required payment within 45 days of the July 1 deadline, the County Auditor shall send written notice to the agency in question that pursuant to [G.C. §56381\(c\)](#) and this policy, the Auditor has the authority to collect the amount of the Commission's operating expenses apportioned to that agency after 60 days from the July 1 deadline.
- B) If the County or a city or a town does not remit its required payment within 60 days of the July 1 deadline, the County Auditor shall collect an amount equivalent to the cost apportioned to that agency from the property tax owed to that agency, or some other eligible revenue deemed appropriate or necessary by the County Auditor. The County Auditor shall send written notice of the action taken to the agency and to the Commission.

V. Executive Officer Purchasing and Budget Adjustment Authority

Pursuant to [G.C. §56380](#), the Commission shall make its own provision for necessary quarters, equipment, supplies, and services. The associated operating costs are provided for through the Commission's adoption of its annual budget in the manner prescribed in [G.C. §56381](#).

It is the intent of the Commission to charge the LAFCO Executive Officer with the responsibility and authority for coordinating and managing the procurement of necessary quarters, equipment, supplies, and services, and to adjust the annual budget as necessary under certain circumstances. The policy of the Commission is:

- A) The Executive Officer is charged with the responsibility and authority for coordinating and managing the procurement of necessary quarters, equipment, supplies, and services in accordance with applicable laws, regulations and policies.
- B) The Executive Officer is authorized to act as the agent for LAFCO in procuring necessary quarters, equipment, supplies, and services.
- C) Only the Commission itself or the Executive Officer may commit LAFCO funds for the purchase of any necessary quarters, equipment, supplies, or services for LAFCO use.
- D) The Executive Officer is delegated purchasing authority on behalf of LAFCO for necessary quarters, equipment, supplies, and services not to exceed \$5,000 per transaction. The Commission must approve any purchase of necessary quarters, equipment, supplies, and services that exceed the monetary limits set forth in this policy.
- E) Following review and approval by the Chair, the Executive Office is authorized to make adjustments and administrative corrections to the budget without Commission action provided the adjustments and corrections are within the total budget allocations adopted by the Commission.
- F) Following review and approval by the Chair, the Executive Officer is authorized to adjust the budget for purposes of carrying over to the new fiscal year any encumbered funds that have been approved by the Commission in a prior fiscal year and involve unspent balances. Said funds include committed contracts for services that were not completed in the prior fiscal year and must be re-encumbered by way of a budget adjustment in the new fiscal year.

Attachment Three

Napa LAFCO Work Program for Fiscal Year 2023-24			
		Timeline	Comments
STUDIES	Napa County Resource Conservation District MSR & SOI	Draft report in Aug 2023	Previous MSR & SOI completed in 2016
	County Service Area No. 4 MSR & SOI	Draft report in Oct 2023	Previous MSR & SOI completed in 2017
	Napa Sanitation District SOI	Draft report in Feb 2024	Previous MSR completed in 2014 (Central County Region MSR), previous SOI completed in 2015
	City of St. Helena MSR & SOI	Draft report in Apr 2024	Previous MSR & SOI completed in 2008
	City of Napa MSR & SOI	Draft report in Jun 2024	Previous MSR completed in 2014 (Central County Region MSR), previous SOI completed in 2014
ADMINISTRATION	Audit	Annual	Presented by the County Auditor-Controller annually in December
	Budget	Annual	Proposed budget must be adopted by May 1; final budget must be adopted by June 15; Budget Committee appointed annually in December; staff prepares quarterly budget reports
	Legislation	Annual	Legislative Committee appointed every 2 years to review state legislation and recommend formal positions
	Policies	Ongoing	Policy amendments will be proposed as needed and Policy Manual updated accordingly
	Proposals	Ongoing	See "Current and Future Proposals" staff report on each meeting agenda for a status update
	Staff Training	Ongoing	Staff is recruiting a Clerk/Jr. Analyst; new employee will require comprehensive training on LAFCO's administrative functions
	Website/Document Management	Ongoing	Staff continuously updates information on website including agendas, minutes, meeting recordings, audits, budgets, etc.; website host will change to Streamline beginning July 1, 2023; staff is also working on migrating all electronic documents from Laserfiche system to County-hosted network
OTHER	Strategic Planning (Yountville Town Hall)	July 10, 2023	Strategic planning is recommended every 2 years; Commission will conduct a strategic planning workshop on July 10, 2023 in Yountville with Pamela Miller as facilitator
	Special Projects and Studies	TBD	To be determined in budget cycle and strategic planning; typically involves a contract with a consultant to be funded with reserves; for example: countywide MSRs and whitepapers
	Support Services Agreement with County of Napa	TBD	Staff working with County to amend agreement for purposes of modernization and possible further LAFCO independence; amendments will require formal approval from both the Commission and County Board of Supervisors
	2023 CALAFCO Annual Conference	October 18 - 20, 2023	Monterey; all Commissioners and staff encouraged to attend
	2024 CALAFCO Staff Workshop	April 2024	TBD (Coastal Region will host); all staff encouraged to attend
Draft Work Program presented on April 3, 2023			