



**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*

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**Agenda Item 6b (Consent/Action)**

**TO:** Local Agency Formation Commission  
**PREPARED BY:** Brendon Freeman, Executive Officer  
**MEETING DATE:** December 7, 2020  
**SUBJECT:** Budget Adjustment No. 3 for Fiscal Year 2020-2021

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**RECOMMENDATION**

It is recommended the Commission approve Budget Adjustment No. 3 to the budget for fiscal year 2020-2021 as reflected in Attachment One.

**BACKGROUND AND SUMMARY**

Following two administrative budget adjustments consistent with Section V of the Commission's adopted *Budget Policy*, included as Attachment One, the Commission's current budget for fiscal year 2020-2021 includes \$566,394 in total expenses. Of this amount, \$17,500 was budgeted under Legal Services (Account No. 52140), \$29,523 was budgeted under Rents and Leases: Building/Land (Account No. 52605), \$5,875 was budgeted under Training/Conference (Account No. 52900), and \$6,000 was budgeted under Computer Equipment/Accessories (Account No. 53410).

Staff recommends the Commission approve a budget adjustment for the four aforementioned expense accounts as described below:

- 1) Increase Legal Services by \$10,000 to account for the higher than anticipated demand for professional legal services related to the *Napa Countywide Water and Wastewater Municipal Service Review* and related legal issues. This fiscal year the legal services budget was reduced \$12,500 from the previous fiscal year, and reduced \$17,500 from the prior two fiscal years. The requested increase will adjust the legal services budget amount to be \$2,500 less than the previous fiscal year, and \$7,500 less than the prior two fiscal years.
- 2) Increase Rents and Leases: Building/Land by \$886 to account for the true cost of rent for the Commission's office. Office rent was increased by 3% this year, with the increase inadvertently omitted from the adopted budget.
- 3) Decrease Training/Conference by \$4,886 to account for the cancellation of all conferences and availability of virtual training at no cost.
- 4) Decrease Computer Equipment/Accessories by \$6,000 to recognize staff will not require any computer purchases during the current fiscal year.

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Margie Mohler, Chair  
Councilmember, Town of Yountville

Vacant  
Councilmember, City of American Canyon

Scott Sedgley, Alternate Commissioner  
Councilmember, City of Napa

Diane Dillon, Vice Chair  
County of Napa Supervisor, 3rd District

Brad Wagenknecht, Commissioner  
County of Napa Supervisor, 1st District

Ryan Gregory, Alternate Commissioner  
County of Napa Supervisor, 2nd District

Vacant  
Representative of the General Public

Eve Kahn, Alternate Commissioner  
Representative of the General Public

Brendon Freeman  
Executive Officer

***Net Financial Impact***

The recommended adjustment involving the four expense accounts as described on the previous page of this report would result in a total increase of \$10,886 and a total decrease of \$10,886. Therefore, the budget adjustment would have a zero net impact on the Commission's bottom line or require new contributions from the local funding agencies. Staff believes the transfer is reasonable and necessary to ensure the Commission can make timely payments on any invoices for legal services and office rent.

**ATTACHMENTS**

- 1) Budget Policy
- 2) Proposed Budget Adjustment No. 3 for Fiscal Year 2020-2021
- 3) Proposed Adjusted Budget for Fiscal Year 2020-2021



## 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.





# Local Agency Formation Commission of Napa County

Subdivision of the State of California

Attachment Three

## FY2020-2021 ADJUSTED BUDGET

Budget Adjustment No. 1 Approved on July 20, 2020

Budget Adjustment No. 2 Approved on August 13, 2020

Budget Adjustment No. 3 Proposed on December 7, 2020

Expenses		FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21	Difference	
		Adjusted <sup>1</sup>	Actual	Adjusted <sup>1</sup>	Actual	Adjusted <sup>1 2 3</sup>	Actual	Adjusted Budget <sup>1 4 5 6</sup>		
<b>Salaries and Benefits</b>										
<u>Account</u>	<u>Description</u>									
51210	Commissioner Per Diems	11,000	9,875	15,000	12,150	15,000	10,800	12,500	(2,500)	-16.7%
51300	Medicare - Commissioners	-	140	-	173	225	158	250	25	11.1%
51305	FICA - Commissioners	500	398	500	550	500	506	500	-	0.0%
	<b>Total Salaries &amp; Benefits</b>	11,500	10,413	15,500	12,873	15,725	11,464	13,250	(2,475)	-15.7%
<b>Services and Supplies</b>										
<u>Account</u>	<u>Description</u>									
52100	Administration Services <sup>2 3</sup>	348,201	245,673	371,069	319,297	424,278	407,298	415,869	(8,409)	-2.0%
52105	Election Services	100	-	500	-	200	-	-	(200)	-100.0%
52125	Accounting/Auditing Services	9,500	6,902	8,000	7,394	8,000	6,710	7,500	(500)	-6.3%
52130	Information Technology Services	16,859	16,859	17,301	16,653	24,590	24,590	24,323	(267)	-1.1%
52140	Legal Services <sup>6</sup>	35,000	35,000	35,000	27,152	30,000	30,000	27,500	(2,500)	-8.3%
52310	Consulting Services <sup>1 4</sup>	52,311	30,221	188,050	80,339	112,624	79,623	25,551	(87,073)	-77.3%
52345	Janitorial Services	200	75	150	165	300	300	300	-	0.0%
52515	Maintenance-Software	2,000	1,779	2,000	1,779	2,000	1,929	1,930	(70)	-3.5%
52600	Rents and Leases: Equipment	6,000	4,710	5,500	4,585	5,500	4,969	5,500	-	0.0%
52605	Rents and Leases: Building/Land <sup>6</sup>	27,828	27,828	27,828	28,663	29,523	29,523	30,409	886	3.0%
52700	Insurance: Liability	249	249	70	70	4,554	380	813	(3,741)	-82.1%
52800	Communications/Telephone	3,000	3,041	3,000	3,124	3,000	3,591	3,500	500	16.7%
52830	Publications and Notices	2,000	1,562	2,000	967	1,500	1,440	1,500	-	0.0%
52835	Filing Fees	500	150	500	200	250	154	50	(200)	-80.0%
52900	Training/Conference <sup>4 5 6</sup>	9,000	7,091	9,000	13,770	12,295	8,348	989	(11,306)	-92.0%
52905	Business Travel/Mileage	1,500	1,152	1,000	2,265	3,000	1,449	1,000	(2,000)	-66.7%
53100	Office Supplies	3,000	1,768	2,000	2,265	2,000	1,193	1,250	(750)	-37.5%
53110	Freight/Postage	300	253	300	100	300	158	350	50	16.7%
53120	Memberships/Certifications <sup>5</sup>	2,726	2,726	2,805	2,805	3,261	3,261	3,060	(201)	-6.2%
53205	Utilities: Electric	1,300	1,057	1,300	1,121	1,300	1,306	1,500	200	15.4%
53410	Computer Equipment/Accessories <sup>6</sup>	500	539	500	645	300	617	-	(300)	-100.0%
56350	Business Related Meal/Supplies	350	916	750	479	500	122	250	(250)	-50.0%
	<b>Total Services &amp; Supplies</b>	522,524	395,847	678,673	514,108	669,275	606,961	553,144	(116,131)	-17.4%
<b>EXPENSE TOTALS</b>		534,024	406,260	694,173	526,981	685,000	618,425	566,394	(118,606)	-17.3%

<sup>1</sup> Operating expenses in FYs 17-18, 18-19, 19-20, and 20-21 were adjusted to re-encumber existing consultant contracts that were not fully utilized in the preceding FYs.

<sup>2</sup> Administration Services (52100) includes the following eight expense accounts related to staff salaries and benefits: Salaries and Wages (51100); 401A Employer Contribution (51200); Cell Phone Allowance (51205); Medicare - Staff (51300); Employee Insurance-Premiums (51400); Worker's Compensation (51405); Retirement (51600); and OPEB (51605).

<sup>3</sup> Administration Services (52100) increased by \$25,000 in FY 19-20 to reflect actual expenses incurred associated with staff salaries and benefits. Offset with reserves.

<sup>4</sup> Consulting Services (52310) increased by \$50 and Training/Conference (52900) decreased by \$50 in FY 20-21.

<sup>5</sup> Memberships/Certifications (53120) increased by \$75 and Training/Conference (52900) decreased by \$75 in FY 20-21.

<sup>6</sup> Legal Services (52900) increased by \$10,000, Rents and Leases: Building/Land (52605) increased by \$886, Training/Conference (52900) decreased by \$4,886, and Computer Equipment/Accessories (53410) decreased by \$6,000 in FY 20-21.

**Revenues**

		FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21			
		Adopted Final	Actual	Adopted Final	Actual	Adopted Final	Actual	Adjusted Budget	<i>Difference</i>		
<b>Intergovernmental</b>											
<u>Account</u>	<u>Description</u>										
43910	County of Napa	213,724	213,724	224,410	224,410	235,631	235,631	242,700	7,070	3.0%	
43950	Other Governmental Agencies	213,724	213,724	224,410	224,410	235,631	235,631	242,700	7,070	3.0%	
----	<i>City of Napa</i>	143,028	143,028	148,793	148,793	154,514	154,514	162,800	8,286	5.4%	
----	<i>City of American Canyon</i>	34,380	34,380	35,803	35,803	38,707	38,707	41,166	2,459	6.4%	
----	<i>City of St. Helena</i>	13,856	13,856	14,897	14,897	15,357	15,357	15,159	(198)	-1.3%	
----	<i>City of Calistoga</i>	12,349	12,349	13,673	13,673	15,575	15,575	14,515	(1,060)	-6.8%	
----	<i>Town of Yountville</i>	10,111	10,111	11,243	11,243	11,478	11,478	9,060	(2,418)	-21.1%	
	<b>Total Intergovernmental</b>	427,448	427,448	448,820	448,820	471,261	471,261	485,400	14,139	3.0%	
<b>Service Charges</b>											
<u>Account</u>	<u>Description</u>										
42690	Application/Permit Fees	20,000	9,471	20,000	41,451	25,000	26,964	21,060	(3,940)	-15.8%	
46800	Charges for Services	500	250	500	500	500	781	624	124	24.8%	
	<b>Total Service Charges</b>	20,500	9,721	20,500	41,951	25,500	27,745	21,684	(3,816)	-15.0%	
<b>Investments</b>											
<u>Account</u>	<u>Description</u>										
45100	Interest	5,000	6,701	7,000	12,367	7,000	12,062	12,000	5,000	71.4%	
	<b>Total Investments</b>	5,000	6,701	7,000	12,367	7,000	12,062	12,000	5,000	71.4%	
	<b>REVENUE TOTALS</b>	452,948	443,870	476,320	503,138	503,761	511,068	519,084	15,323	3.0%	
	<b>OPERATING DIFFERENCE</b>	(81,076)	37,610	(217,853)	(23,843)	(181,239)	(107,357)	(47,310)			

Negative Balance Indicates Use of Unrestricted Fund Balance Reserves

	2017-18	2018-19	2019-20	2020-21
	Actual	Actual	Actual	Adjusted Budget
<b>RESTRICTED FUND BALANCE (EQUIPMENT REPLACEMENT RESERVE)</b>				
Beginning:	19,657	19,657	19,657	19,657
Ending:	19,657	19,657	19,657	19,657
<b>UNDESIGNATED/UNRESERVED FUND BALANCE ("RESERVES")</b>				
Beginning:	405,435	443,045	419,201	311,844
Ending:	443,045	419,201	311,844	264,535
<b>TOTAL FUND BALANCE</b>				
Beginning:	425,092	462,702	438,858	331,501
Ending:	462,702	438,858	331,501	284,192
<b>MINIMUM FOUR MONTH RESERVE GOAL</b>	178,008	231,391	228,333	188,798