



**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 (Public Hearing)**

**TO:** Local Agency Formation Commission

**PREPARED BY:** Brendon Freeman, Executive Officer *BF*

**MEETING DATE:** April 4, 2022

**SUBJECT:** Proposed Budget for Fiscal Year 2022-23

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**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 2022-23 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 6, 2022.

**BACKGROUND AND SUMMARY**

LAFCOs are responsible for annually adopting a proposed budget by May 1<sup>st</sup> and a final budget by June 15<sup>th</sup> 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.

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Margie Mohler, Vice Chair  
Councilmember, Town of Yountville

Mariam Aboudamous, Commissioner  
Councilmember, City of American Canyon

Beth Painter, Alternate Commissioner  
Councilmember, City of Napa

Diane Dillon, 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

Kenneth Leary, Commissioner  
Representative of the General Public

Eve Kahn, Alternate Commissioner  
Representative of the General Public

Brendon Freeman  
*Executive Officer*

### ***Budgeting Policies***

On December 6, 2021, 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 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 principally 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’ 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 2022-23 with operating expenses and revenues each totaling \$663,588. This amount represents a notable increase over previous fiscal years in which the Commission’s practice was to budget for sizeable deficits with little flexibility to address changes in circumstances. In addition, the proposed budget reflects rising costs associated with recent inflation figures.<sup>1</sup>

The proposed budget positions the Commission to finish the 2022-23 fiscal year with available reserves totaling \$285,777 or 43.1% of proposed operating expenses. Therefore, the proposed budget would result in sufficient reserves to meet the Policy directive to retain reserves equal to no less than one-third of operating expenses.

### ***Proposed Operating Expenses***

The Committee proposes an increase in budgeted operating expenses from \$569,966 to \$663,588; a difference of \$93,622 compared to the current fiscal year. The following table summarizes operating expenses in the proposed budget.

<b>Expense Unit</b>	<b>FY21-22</b>	<b>FY22-23</b>	<b>Change \$</b>
1) Salaries/Benefits	\$13,250	\$15,950	\$2,700
2) Services/Supplies	\$556,716	\$647,638	\$90,922
<b>Total</b>	<b>\$569,966</b>	<b>\$663,588</b>	<b>\$93,622</b>

<sup>1</sup> The U.S. Labor Department reports the annual inflation rates for the United States were 7.5% for the 12 months preceding February 2021 and 7.9% for the 12 months preceding February 2022. These inflation rates were not considered in the Commission’s previous fiscal year budgets.

Notable proposed changes to budgeted operating expenses are summarized as follows.

Salaries and Benefits Unit

This budget unit is proposed to increase from \$13,250 to \$15,950, representing a total increase of \$2,700. This amount is associated with Commissioner per diems for attendance at meetings and other activities related to LAFCO business. Notably, consistent with the Commission's Support Services Agreement with the County of Napa, the Commission's 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 increase from \$556,716 to \$647,638, representing a total increase of \$90,922 compared to the current fiscal year. The following is a summary of changes involving a difference of at least \$1,000 in an individual expense account:

- 1) Increase Administration Services (Account No. 52100) from \$439,901 to \$509,844 to reflect anticipated adjustments to staff position titles and classifications, including salary ranges, as part of ongoing efforts to revise the Commission's Support Services Agreement with the County of Napa.
- 2) Increase Legal Services (Account No. 52140) from \$25,000 to \$35,000 in anticipation of the need for counsel on island annexations, policy updates, municipal service reviews, and sphere of influence updates.
- 3) Increase Consulting Services (Account No. 52310) from \$0 to \$10,000 in anticipation of hiring an outside facilitator and other expenses related to a strategic planning session.
- 4) Decrease Rents and Leases: Building/Land (Account No. 52605) from \$31,322 to \$25,995 to reflect cost savings associated with the recent relocation of the Commission's office.
- 5) Increase Communications/Telephone (Account No. 52800) from \$2,000 to \$3,000 in anticipation of the Commission returning to in-person meetings, which involve a meeting recording cost of \$150 per hour.
- 6) Increase Training/Conference (Account No. 52900) from \$10,000 to \$15,000 in anticipation of in-person training and conference opportunities for staff and Commissioners.

Notably, consistent with prior fiscal years, the proposed budget includes \$1,000 for the 401A Employer Contribution under Administration Services (Account No. 52100). The Executive Officer is authorized to participate in the County of Napa's 401(a) retirement savings plan. The Commission has budgeted \$1,000 for this purpose in each of the last eight fiscal years.

### **Proposed Operating Revenues**

The Committee proposes an increase in operating revenues from \$540,270 to \$663,588; a difference of \$123,318 compared to the current fiscal year. The following table summarizes operating revenues in the proposed budget.

<b>Revenue Unit</b>	<b>FY21-22</b>	<b>FY22-23</b>	<b>Change \$</b>
1) Agency Contributions	\$509,670	\$627,588	\$117,918
(a) County of Napa	\$254,835	\$313,794	\$58,959
(b) City of Napa	\$166,432	\$209,259	\$42,827
(c) City of American Canyon	\$45,843	\$54,374	\$8,531
(d) City of St. Helena	\$18,608	\$21,293	\$2,685
(e) City of Calistoga	\$13,976	\$16,992	\$3,016
(f) Town of Yountville	\$9,976	\$11,876	\$1,900
2) Service Charges	\$20,600	\$30,000	\$9,400
3) Interest Earnings	\$10,000	\$6,000	(\$4,000)
<b>Total</b>	<b>\$540,270</b>	<b>\$663,588</b>	<b>\$123,318</b>

\* Agency contributions reflect general tax revenues provided by the State Controller's Office's (SCO) Cities Annual Report as well as population estimates provided by the State Department of Finance's (DOF) Population Estimates. Agency contributions will be updated prior to adoption of a final budget to reflect new information from the SCO and the DOF.

The Committee proposes the majority of operating revenues to be collected – \$627,588 – would be drawn from agency contributions and would represent a \$117,918 increase compared to the current fiscal year. Service charges (i.e., proposal application fees) are proposed to total \$30,000 and would represent a \$9,400 increase compared to the current fiscal year. Interest earnings on the Commission's fund balance are proposed to total \$6,000 based on recent trends and would represent a \$4,000 decrease compared to the current fiscal year.

### **ATTACHMENTS**

- 1) Draft Resolution Adopting a Proposed Budget for Fiscal Year 2022-23
- 2) Budget Policy

**RESOLUTION NO. \_\_\_\_**

**RESOLUTION OF  
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY  
ADOPTING A PROPOSED BUDGET FOR THE 2022-23 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 4, 2022; 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 approved.
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 4, 2022, after a motion by Commissioner \_\_\_\_\_, seconded by Commissioner \_\_\_\_\_, by the following vote:

AYES: Commissioners \_\_\_\_\_

NOES: Commissioners \_\_\_\_\_

ABSENT: Commissioners \_\_\_\_\_

ABSTAIN: Commissioners \_\_\_\_\_

\_\_\_\_\_  
Diane Dillon  
Commission Chair

ATTEST: \_\_\_\_\_  
Brendon Freeman  
Executive Officer

DRAFT



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

**FY 2022-23 PROPOSED BUDGET**

Proposed for Adoption on April 4, 2022

**Expenses**

**Salaries and Benefits**

Account    Description

	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23
	Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Proposed Budget
51210	15,000	10,980	14,500	12,720	12,500	12,436	15,200
51300	225	158	250	181	250	167	250
51305	500	506	500	512	500	472	500
<b>Total Salaries &amp; Benefits</b>	<b>15,725</b>	<b>11,644</b>	<b>15,250</b>	<b>13,413</b>	<b>13,250</b>	<b>13,075</b>	<b>15,950</b>

**Services and Supplies**

Account    Description

	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23
	Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Proposed Budget
52100	424,278	404,710	415,869	421,287	439,901	409,535	509,844
52125	8,000	6,710	7,500	6,593	7,500	7,250	7,500
52130	24,590	24,590	24,323	24,323	24,489	24,489	23,974
52131	-	-	-	-	1,837	1,837	1,685
52140	30,000	30,000	25,500	24,286	25,000	20,000	35,000
52310	112,624	79,623	25,551	25,550	-	-	10,000
52345	300	300	300	225	300	150	300
52515	2,000	1,929	1,930	1,929	1,930	1,930	1,930
52600	5,500	4,969	5,500	3,220	4,000	4,000	4,000
52605	29,523	29,523	30,409	30,408	31,322	29,800	25,995
52700	4,554	380	813	-	578	578	638
52800	3,000	3,591	3,500	1,428	2,000	1,812	3,000
52830	1,500	1,440	1,500	814	1,000	1,120	1,000
52835	250	154	50	100	200	200	200
52900	12,295	8,348	989	200	10,000	1,000	15,000
52905	3,000	1,449	1,000	-	500	250	1,000
53100	2,000	1,193	1,250	1,179	1,000	500	1,000
53110	300	158	350	100	500	150	150
53115	-	-	-	-	-	119	119
53120	3,261	3,261	3,060	3,060	2,934	2,934	3,078
53205	1,300	1,306	1,500	1,389	1,500	1,921	2,000
53415	-	-	-	150	225	225	225
<b>Total Services &amp; Supplies</b>	<b>669,275</b>	<b>604,373</b>	<b>551,144</b>	<b>546,274</b>	<b>556,716</b>	<b>509,800</b>	<b>647,638</b>
<b>EXPENSE TOTALS</b>	<b>685,000</b>	<b>616,017</b>	<b>566,394</b>	<b>559,687</b>	<b>569,966</b>	<b>522,875</b>	<b>663,588</b>

Revenues		FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23
		Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Proposed Budget
<b>Intergovernmental</b>								
<u>Account</u>	<u>Description</u>							
43910	County of Napa	235,631	235,631	242,700	242,700	254,835	254,835	313,794
43950	Other Governmental Agencies	235,631	235,631	242,700	242,700	254,835	254,835	313,794
----	<i>City of Napa</i>	154,514	154,514	162,800	162,800	166,432	166,432	209,259
----	<i>City of American Canyon</i>	38,707	38,707	41,166	41,166	45,843	45,843	54,374
----	<i>City of St. Helena</i>	15,357	15,357	15,159	15,159	18,608	18,608	21,293
----	<i>City of Calistoga</i>	15,575	15,575	14,515	14,515	13,976	13,976	16,992
----	<i>Town of Yountville</i>	11,478	11,478	9,060	9,060	9,976	9,976	11,876
	<b>Total Intergovernmental</b>	471,261	471,261	485,400	485,400	509,670	509,670	627,588
<b>Service Charges</b>								
<u>Account</u>	<u>Description</u>							
42690	Application/Permit Fees	25,000	26,964	21,060	37,356	20,000	18,000	25,000
46800	Charges for Services	500	781	624	593	600	924	1,000
47900	Miscellaneous	-	-	-	-	-	2,845	4,000
	<b>Total Service Charges</b>	25,500	27,745	21,684	37,949	20,600	21,769	30,000
<b>Investments</b>								
<u>Account</u>	<u>Description</u>							
45100	Interest	7,000	15,128	12,000	6,817	10,000	6,728	6,000
	<b>Total Investments</b>	7,000	15,128	12,000	6,817	10,000	6,728	6,000
	<b>REVENUE TOTALS</b>	503,761	514,134	519,084	530,166	540,270	538,167	663,588
<b>OPERATING DIFFERENCE</b>		(181,239)	(101,883)	(47,310)	(29,521)	(29,696)	15,292	0
<b>Fund Balances</b>								
			2019-20	2020-21	2021-22	2022-23		
<b>RESTRICTED FUND BALANCE (EQUIPMENT REPLACEMENT RESERVE)</b>								
	Beginning:		19,657	19,657	19,657	19,657		19,657
	Ending:		19,657	19,657	19,657	19,657		19,657
<b>UNDESIGNATED/UNRESERVED FUND BALANCE ("RESERVES")</b>								
	Beginning:		401,889	300,006	270,485	285,777		285,777
	Ending:		300,006	270,485	285,777	285,777		285,777
<b>TOTAL FUND BALANCE</b>								
	Beginning:		421,546	319,663	290,142	305,434		305,434
	Ending:		319,663	290,142	305,434	305,434		305,434
<b>MINIMUM FOUR MONTH RESERVE GOAL</b>								
			228,333	188,798	189,989	221,196		





## 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.