



**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 7a**

**TO:** Local Agency Formation Commission

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

**MEETING DATE:** October 5, 2015

**SUBJECT:** Proposed Amendments to Policy on Municipal Service Reviews and Budget Policy

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**RECOMMENDATION**

Staff recommends the Commission discuss the staff report and approve the proposed amendments to the *Policy on Municipal Service Reviews* and *Budget Policy* with any desired changes.

**BACKGROUND / DISCUSSION**

At its August 3<sup>rd</sup> meeting, the Commission considered approving proposed amendments to its *Policy on Municipal Service Reviews*. Commission action on the proposed amendments was continued to today's meeting due to the need for clarification regarding the implementation of the recently adopted Work Program as well as the scheduling and data collection procedures for future municipal service reviews. Additionally, the Commission requested that the *Budget Policy* be amended to reflect the staff recommendation from the August 3<sup>rd</sup> meeting for the Work Program to be reviewed annually as part of the budget process. The proposed amendments to the *Policy on Municipal Service Reviews* (Attachment One) and the *Budget Policy* (Attachment Two) address these policy shortcomings and are presented for Commission consideration.

**ATTACHMENTS**

- 1) Proposed Amendment to Policy on Municipal Service Reviews (tracked changes)
- 2) Proposed Amendment to Budget Policy (tracked changes)
- 3) Staff Report from August 3, 2015 Meeting (no attachments)

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Juliana Inman, Chair  
Councilmember, City of Napa

Greg Pitts, Commissioner  
Councilmember, City of St. Helena

Joan Bennett, Alternate Commissioner  
Councilmember, City of American Canyon

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

Brad Wagenknecht, Commissioner  
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Keith Caldwell, Alternate Commissioner  
County of Napa Supervisor, 5th District

Brian J. Kelly, Commissioner  
Representative of the General Public

Gregory Rodeno, Alternate Commissioner  
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Brendon Freeman  
Executive Officer



## LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

### *Policy on Municipal Service Reviews*

#### **I. Background**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires the Commission to prepare municipal service reviews in conjunction with its mandate to review and update each local agency's sphere of influence every five years as necessary. The legislative intent of the municipal service review process is to inform the Commission with regard to the availability, capacity, and efficiency of governmental services provided within its jurisdiction prior to making sphere of influence determinations. Municipal service reviews must designate the geographic area in which the governmental service or services are under evaluation. Municipal service reviews must also include determinations addressing the governance factors prescribed under Government Code Section 56430 and any other matters relating to service provision as required by Commission policy.

#### **II. Purpose**

The purpose of these policies is to guide the Commission in conducting municipal service reviews. This includes establishing consistency with respect to the Commission's approach in the (a) scheduling, (b) preparation, and (c) adoption of municipal service reviews.

#### **III. Objective**

The objective of the Commission in conducting municipal service reviews is to proactively and comprehensively evaluate the level, range, and structure of governmental services necessary to support orderly growth and development in Napa County. Underlying this objective is to develop and expand the Commission's knowledge and understanding of the current and planned provision of local governmental services in relationship to the present and future needs of the community. The Commission will use the municipal service reviews not only to inform subsequent sphere of influence determinations but also to identify opportunities for greater coordination and cooperation between providers as well as possible government structure changes.

#### **IV. Municipal Service Review Policies**

##### **A. Scheduling**

~~Beginning in 2008, and every five years thereafter, the Commission will hold a public hearing to adopt a study schedule calendaring municipal service reviews over the next five year period. Public hearing notices will be circulated 21 days in advance to all local agencies as well as posted on the Commission website.~~

Each year, the Commission will adopt a Work Program, which shall include a schedule for initiating and completing municipal service reviews, consistent with the Commission's obligation to update each sphere of influence, as necessary.

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Adopted: November 3, 2008

Updated: August 4, 2014, October 5, 2015

The Commission will generally schedule municipal service reviews in conjunction with sphere of influence updates. The Commission, however, may schedule municipal service reviews independent of sphere of influence updates. The Commission may also amend the ~~study-schedule~~Work Program to add, modify, or eliminate ~~ealendared-scheduled~~ municipal service reviews to address changes in circumstances, priorities, and available resources.

In adopting a ~~study-schedule~~Work Program, the Commission may calendar three types of municipal service reviews. These three types of municipal service reviews are 1) service-specific, 2) region-specific, and 3) agency-specific and are summarized below.

- A service-specific municipal service review will examine particular governmental services across multiple local agencies on a countywide basis.
- A region-specific municipal service review will examine the range of governmental services provided by local agencies within a particular area.
- An agency-specific municipal service review will examine the breadth of governmental services provided by a particular local agency.

## B. Preparation

The Commission will encourage input among affected local agencies in designing the municipal service reviews to enhance the value of the process among stakeholders and capture unique local conditions and circumstances effecting service provision. This includes identifying appropriate performance measures as well as regional growth and service issues transcending political boundaries. The Commission will also seek input from the affected local agencies in determining final geographic area boundaries for the municipal service reviews. Factors the Commission may consider in determining final geographic area boundaries include, but are not limited to, spheres of influence, jurisdictional boundaries, urban growth boundaries, general plan designations, and topography.

The Commission will prepare the municipal service reviews but may contract with outside consultants to assist staff as needed. Data collection is an integral component of the municipal service review process and requires cooperation from local agencies. The Commission will strive to reduce the demands on local agencies in the data collection process ~~by using existing information resources when available and adequate to the extent possible~~. All service related information ~~compiled-provided~~ by local agencies will be ~~independently~~ reviewed and verified by the Commission.

Each municipal service review will generally be prepared in three distinct phases. The first phase will involve the ~~preparation of an administrative report and will include a basic outline of distribution of an initial checklist and request for~~ service information ~~collected to be provided by the local agency~~ and analyzed by Commission staff. ~~The~~This information will be compiled in an administrative draft report, which will be made available to each affected local agency for ~~their~~its review and comment to identify any technical corrections. ~~The second phase will involve the preparation of a~~The draft report, including any technical corrections identified by the affected local agencies, that will be ~~presented-provided~~ to the

Commission ~~for discussion at a public meeting. The draft report will incorporate any technical corrections identified during the administrative review and include determinations. The draft report~~and will be made available to the public for review and comment for a period of no less than 21 days. ~~The third phase will involve the preparation of~~Finally, a final report ~~and will address~~ing any new information or comments generated during the public review period, ~~as appropriate, and~~ will be presented to the Commission ~~as part of~~for its consideration ~~at~~ a public hearing.

In addition to making determinations on various factors as prescribed by Government Code Section 56430, the Commission will additionally make determinations with respect to the relationship with regional growth goals and policies.

### **C. Adoption**

The Commission will complete each scheduled municipal service review by formally receiving a final report and adopting a resolution codifying its determinations as part of public hearing.



## LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

### BUDGET POLICY

- 1) An annual budget shall be prepared, adopted and administered in accordance with Government Code 56381.
- 2) The Commission should annually consider the Fee Schedule and Work Program in conjunction with the budget process.
- 3) 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 and cities, hereafter referred to as the “funding agencies,” whenever possible and appropriate.
- 4) The budget shall include an undesignated/unreserved fund balance equal to a minimum of one-fourth of annually budgeted operating expenses.
- 5) The Commission shall establish an ad-hoc budget committee at the last meeting of each calendar year comprising of two Commissioners and the Executive Officer which will terminate each year with the adoption of the final budget. Commissioners appointed to a budget committee shall receive a regular per diem payment for each meeting attended.
- 6) The adopted final budget should be posted on the Commission’s website for public viewing for the entirety of the affected fiscal year.



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

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**Agenda Item 6b**

**TO:** Local Agency Formation Commission

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

**MEETING DATE:** August 3, 2015

**SUBJECT:** Study Schedule Update and Work Program

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**RECOMMENDATION**

Staff recommends the Commission discuss the staff report and approve the four specified actions included as part of Alternative Three with any desired changes.

**BACKGROUND**

In February 2008, the Commission adopted an ambitious study schedule for fiscal year 2008-09 through 2012-13 outlining the specific timeline for completion of the agency's second round of municipal service reviews (MSRs) and sphere of influence (SOI) updates pursuant to California Government Code (G.C.) Sections 56430 and 56425, respectively. The Commission amended the study schedule in November 2008, June 2010, and December 2011 primarily in response to (1) unanticipated increases in proposal activity and (2) reduction in available staff resources associated with the Commission hosting the 2011 CALAFCO Annual Conference at Silverado Resort. Additionally, two separate vacancies in the agency's Executive Officer position further reduced the Commission's ability to meet the adopted study schedule timeline.

**DISCUSSION**

The Commission's existing MSR policy (Attachment One) states, "*The Commission may also amend the study schedule to add, modify, or eliminate calendared municipal service reviews to address changes in circumstances, priorities, and available resources.*" It is therefore within the Commission's authority to direct staff to amend the policy in recognition of recent changes in available resources associated with the departure of the agency's previous Executive Officer in December 2014. Additional language in the MSR policy may also warrant amendments if desired by the Commission. Further, the Commission's adopted study schedule (Attachment Two) warrants reconsideration given that many studies are past due.

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 Executive Officer

## **ANALYSIS**

Staff has explored options that would allow the Commission to complete its second round of MSR and SOI updates (“studies”) pursuant to the requirements of G.C. Sections 56425 and 56430. Current progress on the study schedule is included as Attachment Three to this report. This undertaking includes conferring with LAFCO staff in other counties to discuss their methodologies. Other LAFCOs typically perform their studies through a combination of in-house staff resources coupled with outside consultants. It is important to note that following their first round of studies, many LAFCOs do not prepare subsequent studies for all individual local agencies within their jurisdictions. A summary of alternative LAFCO models is provided below.

### Orange LAFCO (Attachment Four)

Orange LAFCO prepared an extensive first round of studies resulting in agency fatigue and lack of interest among the majority of stakeholders for subsequent comprehensive updates. They performed minimal information collection and analysis during their second round of studies. Their third round of studies involved grouping all agencies according to previous MSR determinations and found the majority of agencies do not require comprehensive updates. This involved using ongoing monitoring technology with a focus on best practices and fiscal trends for local agencies. This third round of studies resulted in the re-confirmation of earlier MSR determinations and re-affirmation of existing SOIs for most agencies within Orange County.

### Sacramento LAFCO (Attachment Five)

Sacramento LAFCO performed a focused first round of agency-specific MSRs. For the second round of studies, staff uses an MSR request for information worksheet and questionnaire that is distributed to each local agency. Staff works closely with each agency to ensure that accurate and complete information is provided to the Commission. MSRs inform the need to perform a comprehensive SOI update. In general, no comprehensive SOI update is needed. SOI updates are typically performed in conjunction with large development projects that require annexation.

### Yolo LAFCO (Attachment Six)

Yolo LAFCO uses a checklist format to determine level of information needed for each local agency in updating their MSRs and, as necessary, SOIs. For any agency in which the MSR concludes there is no need for a comprehensive SOI update, Yolo LAFCO adopts a resolution making an explicit determination that no SOI update is necessary for the affected agency. This allows Yolo LAFCO to better utilize and prioritize their limited staff resources while continuing to meet legislative mandates.

Other LAFCOs use models that are successful given their unique local conditions and circumstances. In particular, the other counties discussed above each consist of a much higher number of local agencies to be reviewed pursuant to G.C. Sections 56425 and 56430. Additionally, while the Orange LAFCO web-based model is innovative and could be used by Napa LAFCO in the future, implementation in Napa County would require the acquisition of new technical infrastructure and expertise. Given time constraints, as well as the differences between Napa County and the other counties reviewed, it would be appropriate to draw from their experience and use only the tools that can be successfully implemented locally and immediately.

It is also important to note that the Commission is on pace to realize a significant budget surplus associated with salaries and benefits due to the reduction in agency staff from 2.5 to 1.5 full-time employees. The vacant full-time Analyst position will result in a surplus within the Salaries and Benefits expense account totaling approximately \$71,600. At this time, staff recommends that the current fiscal year budget be amended to transfer this surplus from salaries and benefits to the budget line item for consultants. This would allow staff to utilize consultants to prepare the more comprehensive MSR and/or SOI studies, while in-house staff would prepare abbreviated studies as appropriate. When combined with agency reserves, the current budget surplus will be more than sufficient to cover the estimated costs associated with hiring consultants to prepare studies for the Commission.

Given the current staffing levels and needs of Napa LAFCO, staff is recommending that to the Commission direct staff to perform MSRs and SOI updates for all local agencies included in the adopted study schedule through a hybrid approach that uses a combination of in-house staff resources and private consultants. Given the estimated costs to prepare these studies and the Commission's purchasing policies which only provide the Executive Officer with discretion to select service contracts totaling a maximum of \$5,000, staff is recommending the Commission authorize distribution of a Request for Proposals (RFP) for these services and return with a recommended service provider or multiple service providers as early as the next regular meeting. A draft RFP is included as Attachment Eight to this report, for the Commission's review.

Assuming that the Commission will agree that the use of private consultants is appropriate to assist in completing the necessary studies, staff has identified three alternative processes for satisfying LAFCO's obligation to perform MSRs and SOI updates now and in the future, for the Commission's consideration. Each of these alternatives would require specific actions to be taken and would result in the Commission meeting the mandates of G.C. Sections 56425 and 56430. The three alternatives are described as follows:

Alternative One

Alternative One represents the status quo in which the Commission, every five years, holds a public hearing and adopts a study schedule calendaring MSRs and SOI updates for each local agency in Napa County under LAFCO's jurisdiction. The Commission's existing study schedule and policy on MSRs would remain unchanged. Consultants would be enlisted to assist staff in completing the current round of studies. Upon completion of the current round of studies, the Commission would immediately commence its third round of studies in accordance with existing policies and procedures. Alternative One would require the following specific actions:

- 1) Approve a budget transfer in the amount of \$71,600 from Salaries and Wages (Account #51100) to Consulting Services (Account #52310)
- 2) Authorize the Executive Officer to distribute the RFP to private consultants

Alternative Two

Alternative Two involves retaining the existing policy on MSRs, but amending the existing study schedule to reorganize individual studies in response to concerns from local agencies. This includes separating out each of the three North Valley cities and moving them to the front of the study schedule to allow them to be studied individually and expeditiously. Upon completion of the current round of studies, the Commission would immediately



commence its third round of studies in accordance with existing policies and procedures, which includes scheduling a public hearing for a future meeting to adopt a new study schedule. Alternative Two would involve the Commission taking the following specific actions:

- 1) Approve amendments to the existing study schedule as described above
- 2) Approve a budget transfer in the amount of \$71,600 from Salaries and Wages (Account #51100) to Consulting Services (Account #52310)
- 3) Authorize the Executive Officer to distribute the RFP to private consultants

Alternative Three

Alternative Three involves amending the Commission's existing "Policy on Municipal Service Reviews" and replacing the Commission's adopted MSR Study Schedule with the following Work Program (Attachment Seven). Under the new Work Program, each of the three North Valley cities would be separated out to allow them to be studied individually in greater detail.

Alternative Three differs from Alternative Two with respect to the Commission's approach for future studies. The proposed amendment to the Commission's Policy on MSRs would remove Section IV(a), which requires adoption of a study schedule at a public hearing every five years. Upon completion of the current round of studies, the Commission would adopt a new Work Program scheduling studies and ongoing agency activities. The Work Program would provide the Commission with the greatest level of flexibility and responsiveness to local agency needs. Alternative Three would involve the Commission taking the following specific actions:

- 1) Approve the amendment to the Policy on MSRs as described above
- 2) Adopt the Work Program (Attachment Seven) replacing the existing study schedule
- 3) Approve a budget transfer in the amount of \$71,600 from Salaries and Wages (Account #51100) to Consulting Services (Account #52310)
- 4) Authorize the Executive Officer to distribute the RFP to private consultants

Staff anticipates that, in future years, the current staff level, when combined with private consultants hired on an as needed basis, will remain adequate and appropriate to maintain ongoing agency operations. As explained above, staff does not recommend investing resources in recruiting, hiring, and training a new full-time Analyst to serve the Commission at this time, given the need to get back on schedule expeditiously. However, during the budgeting process for next fiscal year (2016-17), staff will provide the Commission with an evaluation of staffing needs based on its experience utilizing consultants during fiscal year 2015-16.

(All attachments available on LAFCO's website under  
"Staff Reports" for August 3, 2015 meeting)

~~ATTACHMENTS~~

- ~~1) Proposed Amendment to Policy on Municipal Service Reviews (tracked changes)~~
- ~~2) Study Schedule~~
- ~~3) Progress on Study Schedule~~
- ~~4) Orange LAFCO MSR/SOI Example~~
- ~~5) Sacramento LAFCO MSR/SOI Questionnaire and Study Example~~
- ~~6) Yolo LAFCO MSR/SOI Checklist and Study Example~~
- ~~7) Proposed Work Program LAFCO of Napa County~~
- ~~8) Draft Request for Proposals for MSRs and SOI Updates~~