



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 7c (Action)

TO: Local Agency Formation Commission

PREPARED BY: Brendon Freeman, Executive Officer *BF*

MEETING DATE: August 2, 2021

SUBJECT: Budget Adjustment No. 1 for Fiscal Year 2021-22

RECOMMENDATION

It is recommended the Commission approve Budget Adjustment No. 1 to the budget for fiscal year 2021-22 as reflected in Attachment One. It is also recommended the Commission provide direction to staff to return with budget alternatives at the next regular meeting.

BACKGROUND AND SUMMARY

On June 7, 2021, the Commission adopted a final budget for fiscal year 2021-22 that includes \$554,141 in total operating expenses. The adopted budget includes \$424,076 for Administration Services (Account No. 52100), which covers staff salaries and benefits. The Commission did not budget for a cost-of-living adjustment (COLA) for staff.

Subsequent to the adoption of the final budget, staff was alerted that all County of Napa employees will receive a 4.0% COLA and a one-time \$1,500 bonus in fiscal year 2021-22.

LAFCO staff are contracted County employees consistent with the Commission's support services agreement with the County. Employees are members of Service Employees International Union (SEIU) 1021. As such, the Commission has no discretion over the COLA or bonus given that they apply to all represented members of SEIU 1021. The combined financial impact is \$15,825.

With this in mind, staff recommends the Commission adjust the budget to increase Administration Services (Account No. 52100) by \$15,825 to be offset by drawing down the Commission's undesignated/unreserved fund balance ("reserves").

A summary of the Commission's reserves and the impact of the budget adjustment is provided on the following page.

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

Reserves Projections

The budget adjustment would reduce the Commission's reserves to approximately \$235,638 at the end of fiscal year 2021-22, representing 41.1% of expenses in the adjusted budget as reflected in Attachment Two. This amount is consistent with local policy that directs the Commission to retain reserves equal to at minimum 33.3% of budgeted expenses.

Staff has projected the next five fiscal year budgets and reserves totals incorporating the budget adjustment and relying on the following assumptions that are identical to the assumptions described when the Commission adopted the final budget on June 7, 2021:

- Annual 3.0% increases in total operating expenses;
- Annual 5.0% increases in agency contribution revenues; and
- No changes to other revenues (i.e., service charges and interest).

The following table shows the Commission's current and projected expenses, revenues, and reserves over the next five fiscal years based on the aforementioned assumptions.

Category	2021-22	2022-23	2023-24	2024-25	2025-26
Expenses	\$573,437	\$590,640	\$608,360	\$626,610	\$645,409
Revenues	\$540,270	\$565,754	\$592,511	\$620,607	\$650,107
Net Surplus/Deficit	\$(33,167)	\$(24,887)	\$(15,848)	\$(6,004)	\$4,698
Reserves at End of FY	\$235,638	\$210,751	\$194,902	\$188,899	\$193,597
Reserves as % of Expenses	41.1%	35.7%	32.0%	30.1%	30.0%

Notably, reserves are projected to fall below the minimum 33.3% policy target in fiscal year 2023-24. Staff recommends the Commission discuss options to prevent reserves from falling below 33.3% of budgeted expenses in any fiscal year.

Next Steps

The aforementioned COLA and bonus expenses will adversely affect the Commission's plan to balance the budget by gradually eliminating its reliance on drawing down on reserves. This unanticipated structural imbalance suggests it would be appropriate for the Commission to reconsider its assumptions related to future expenses and revenues. Staff recommends the Commission discuss this issue and consider providing direction to staff to return with budget alternatives at the next regular meeting. The Commission may also wish to consider establishing a subcommittee for purposes of meeting with the Executive Officer to develop budget strategies.

ATTACHMENTS

- 1) Budget Adjustment No. 1 for FY 2021-22
- 2) Adjusted Budget for FY 2021-22



Local Agency Formation Commission of Napa County
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FY 2021-2022 ADJUSTED BUDGET
 Proposed on August 2, 2021

Expenses

Salaries and Benefits

<u>Account</u>	<u>Description</u>	FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22	<i>Difference from Prior FY</i>	
		Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Adjusted Budget		
51210	Commissioner Per Diems	15,000	12,150	15,000	10,980	14,500	12,720	12,500	(2,000)	-13.8%
51300	Medicare - Commissioners	-	173	225	158	250	181	250	-	0.0%
51305	FICA - Commissioners	500	550	500	506	500	512	500	-	0.0%
Total Salaries & Benefits		15,500	12,873	15,725	11,644	15,250	13,413	13,250	(2,000)	-13.1%

Services and Supplies

<u>Account</u>	<u>Description</u>	FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22	<i>Difference from Prior FY</i>	
		Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Adjusted Budget		
52100	Administration Services	371,069	319,297	424,278	404,710	415,869	422,039	443,372	27,503	6.6%
52125	Accounting/Auditing Services	8,000	7,394	8,000	6,710	7,500	6,593	7,500	-	0.0%
52130	Information Technology Services	17,301	16,653	24,590	24,590	24,323	24,323	24,489	166	0.7%
52131	ITS Communication Charges	-	-	-	-	-	-	1,837	1,837	NEW
52140	Legal Services	35,000	27,152	30,000	30,000	25,500	24,286	25,000	(500)	-2.0%
52310	Consulting Services	188,050	80,339	112,624	79,623	25,551	25,550	-	(25,551)	-100.0%
52345	Janitorial Services	150	165	300	300	300	150	300	-	0.0%
52515	Maintenance-Software	2,000	1,779	2,000	1,929	1,930	1,929	1,930	-	0.0%
52600	Rents and Leases: Equipment	5,500	4,585	5,500	4,969	5,500	4,129	4,000	(1,500)	-27.3%
52605	Rents and Leases: Building/Land	27,828	28,663	29,523	29,523	30,409	30,408	31,322	913	3.0%
52700	Insurance: Liability	70	70	4,554	380	813	813	578	(235)	-28.9%
52800	Communications/Telephone	3,000	3,124	3,000	3,591	3,500	1,428	2,000	(1,500)	-42.9%
52830	Publications and Notices	2,000	967	1,500	1,440	1,500	814	1,000	(500)	-33.3%
52835	Filing Fees	500	200	250	154	50	100	200	150	300.0%
52900	Training/Conference	9,000	13,770	12,295	8,348	989	200	10,000	9,011	911.1%
52905	Business Travel/Mileage	1,000	2,265	3,000	1,449	1,000	-	500	(500)	-50.0%
53100	Office Supplies	2,000	2,265	2,000	1,193	1,250	1,156	1,000	(250)	-20.0%
53110	Freight/Postage	300	100	300	158	350	100	500	150	42.9%
53120	Memberships/Certifications	2,805	2,805	3,261	3,261	3,060	3,060	2,934	(126)	-4.1%
53205	Utilities: Electric	1,300	1,121	1,300	1,306	1,500	1,389	1,500	-	0.0%
53415	Computer Software/License	-	270	-	-	-	150	225	225	NEW
56350	Business Related Meal/Supplies	750	479	500	122	250	33	-	(250)	-100.0%
Total Services & Supplies		678,673	514,108	669,275	604,373	551,144	548,650	560,187	9,043	1.6%
EXPENSE TOTALS		694,173	526,981	685,000	616,017	566,394	562,063	573,437	7,043	1.2%

Revenues

		FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22			
		Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Adjusted Budget	<i>Difference from Prior FY</i>		
Intergovernmental											
<u>Account</u>	<u>Description</u>										
43910	County of Napa	224,410	224,410	235,631	235,631	242,700	242,700	254,835	12,135	5.0%	
43950	Other Governmental Agencies	224,410	224,410	235,631	235,631	242,700	242,700	254,835	12,135	5.0%	
----	<i>City of Napa</i>	148,793	148,793	154,514	154,514	162,800	162,800	166,432	3,632	2.2%	
----	<i>City of American Canyon</i>	35,803	35,803	38,707	38,707	41,166	41,166	45,843	4,677	11.4%	
----	<i>City of St. Helena</i>	14,897	14,897	15,357	15,357	15,159	15,159	18,608	3,449	22.8%	
----	<i>City of Calistoga</i>	13,673	13,673	15,575	15,575	14,515	14,515	13,976	(539)	-3.7%	
----	<i>Town of Yountville</i>	11,243	11,243	11,478	11,478	9,060	9,060	9,976	916	10.1%	
	Total Intergovernmental	448,820	448,820	471,261	471,261	485,400	485,400	509,670	24,270	5.0%	
Service Charges											
<u>Account</u>	<u>Description</u>										
42690	Application/Permit Fees	20,000	41,451	25,000	26,964	21,060	37,356	20,000	(1,060)	-5.0%	
46800	Charges for Services	500	500	500	781	624	593	600	(24)	-3.8%	
	Total Service Charges	20,500	41,951	25,500	27,745	21,684	37,949	20,600	(1,084)	-5.0%	
Investments											
<u>Account</u>	<u>Description</u>										
45100	Interest	7,000	12,367	7,000	15,128	12,000	7,414	10,000	(2,000)	-16.7%	
	Total Investments	7,000	12,367	7,000	15,128	12,000	7,414	10,000	(2,000)	-16.7%	
	REVENUE TOTALS	476,320	503,138	503,761	514,134	519,084	530,763	540,270	21,186	4.1%	
OPERATING DIFFERENCE		(217,853)	(23,843)	(181,239)	(101,883)	(47,310)	(31,300)	(33,167)			

Fund Balances

	2018-19	2019-20	2020-21	2021-22
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:	425,831	401,988	300,105	268,805
Ending:	401,988	300,105	268,805	235,638
TOTAL FUND BALANCE				
Beginning:	445,488	421,645	319,762	288,462
Ending:	421,645	319,762	288,462	255,295
MINIMUM FOUR MONTH RESERVE GOAL	231,391	228,333	188,798	191,146