



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

1754 Second Street, Suite C
Napa, California 94559
Phone: (707) 259-8645
www.napa.lafco.ca.gov

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

Agenda Item 10a (Action)

TO: Local Agency Formation Commission

PREPARED BY: Brendon Freeman, Executive Officer *BF*

MEETING DATE: December 6, 2021

SUBJECT: Appointments to the Fiscal Year 2022-23 Budget Committee

RECOMMENDATION

It is recommended the Commission appoint two members to the Fiscal Year 2022-23 Budget Committee and give direction to the Budget Committee with respect to the possible inclusion of appropriations for a strategic planning session in fiscal year 2022-23.

BACKGROUND AND SUMMARY

The Commission establishes an ad hoc Budget Committee (“the Committee”) at its last meeting of each calendar year consistent with the adopted *Budget Policy* (“the Policy”), included as Attachment One.

The Budget Committee includes two appointed Commissioners to advise the Executive Officer in preparing a draft budget and a final budget for review by the Commission, the public, and the six affected funding agencies: Napa County; City of American Canyon; City of Calistoga; City of Napa; City of St. Helena; and Town of Yountville. Draft and final budgets are typically presented to the Commission for adoption at its April and June meetings, respectively. The Budget Committee will also consider the Commission’s adopted Fee Schedule and Work Program.

It is anticipated the Budget Committee will meet with the Executive Officer during the months of February and April. The Budget Committee for fiscal year 2022-23 will terminate after adoption of the final budget. Staff recommends the Commission appoint two members to the Fiscal Year 2022-23 Budget Committee. The Commission appointed Commissioners Mohler and Gregory to serve with the Executive Officer on the Fiscal Year 2021-22 Budget Committee.

The Policy directs the Commission to maintain its undesignated/unreserved fund balance (“reserves”) equal to no less than 33.3% of budgeted operating expenses. The Commission does not budget for contingencies and instead relies on reserves to cover any unanticipated expenses.

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

Continuation of October 4, 2021 Discussion Item

On October 4, 2021, the Commission received a report that provided alternatives (summarized below) to balance the Commission's budget while maintaining sufficient reserves in the foreseeable future. The Commission continued the discussion to today's meeting. The staff report for the October 4, 2021 item is available online at: https://www.napa.lafco.ca.gov/uploads/documents/10-4-21_7c_BudgetAlternatives.pdf.

A significant factor that contributed to the budget imbalance was an unanticipated increase to personnel costs that were negotiated by the County of Napa and Service Employees International Union 1021. The Union contract was approved after the Commission adopted its final budget for fiscal year 2021-22, which prompted the Commission to approve a budget adjustment to increase operating expenses by \$15,825 to be covered by drawing down reserves.

At the time of the October 4th meeting, it was anticipated the Commission's reserves would fall below the minimum 33.3% Policy threshold by fiscal year 2023-24 and remain below 33.3% of budgeted expenses until at least fiscal year 2027-28.

Subsequently, events occurred that improved the Commission's budget situation. LAFCO's Staff Analyst II, Dawn Mittleman Longoria, was appointed to the position of California Association of LAFCOs (CALAFCO) Coastal Region Deputy Executive Officer. The position includes a budget contribution from CALAFCO to Napa LAFCO in the amount of \$4,000 per year to offset staff time dedicated to CALAFCO business during this two-year assignment.

Another event that had a positive impact on the budget was the cancellation of the CALAFCO Annual Conference. The cancellation provided a one-time savings of approximately \$7,000 to \$8,000 relative to the budgeted amount.

Based on the aforementioned factors coupled with staff's year-end projections as part of the first quarter budget report for fiscal year 2021-22 (see item 7d on today's agenda), it is anticipated the Commission's reserves will remain above 33.3% of budgeted expenses for the foreseeable future and the budget will be balanced by fiscal year 2025-26. Therefore, it is no longer necessary for the Commission to discuss alternatives to balance the budget.

Strategic Planning

It is important to note the Commission's current strategic plan will sunset in 2022. Staff recommends the Commission consider providing direction to the Committee to include appropriations for a strategic planning session, including costs associated with potentially hiring a third party facilitator, during fiscal year 2022-23.

ATTACHMENT

- 1) Budget Policy



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.