



Local Agency Formation Commission of Napa County

Subdivision of the State of California

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

Lewis Chilton, Chairman ■ Brad Wagenknecht, Vice Chairman ■ Joan Bennett ■ Bill Dodd ■ Brian J. Kelly
Juliana Inman, Alternate ■ Mark Luce, Alternate ■ Gregory Rodeno, Alternate

Administrative Office

1030 Seminary Street, B
Napa, California 94559
Telephone: 707-259-8645
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REGULAR MEETING AGENDA

Monday, December 3, 2012

County of Napa Administration Building
1195 Third Street, Board Chambers, 3rd Floor
Napa, California 94559

1. CALL TO ORDER BY CHAIR; ROLL CALL: 4:00 P.M.

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF AGENDA

The Chair will consider a motion to approve the agenda as prepared by the Executive Officer with any requests to remove or rearrange items by members or staff.

4. PUBLIC COMMENTS

In this time period anyone may comment to the Commission regarding any subject over which the agency has jurisdiction. No comments will be allowed involving any subject matter scheduled for hearing, action, or discussion as part of the current agenda other than to request discussion on a specific consent item. Individuals will be limited to three minutes. No action will be taken by the Commission as a result of any item presented at this time.

5. CONSENT ITEMS

All items calendared as consent are considered ministerial or non-substantive and subject to single motion approval. With the concurrence of the Chair, a Commissioner may request discussion of an item on the consent calendar.

a) First Quarter Budget Report for 2012-2013 (Action)

The Commission will review a first quarter budget report for 2012-2013. The report compares budgeted versus actual transactions through one-fourth of the fiscal year. The report projects the Commission is on pace to improve its year-end financial position by eliminating its budgeted funding gap of (\$8,811) and finish with an overall operating surplus of \$2,955. The report is being presented to the Commission to formally accept.

b) Approval of Meeting Calendar for First Half of 2013 (Action)

The Commission will consider approving a meeting calendar for the first six months for 2013. It is recommended the Commission approve regular meetings for January 7th, February 4th, April 1st, and June 3rd. This recommendation would be consistent with the Commission's recent practice of holding regular meetings every other month with the addition of a meeting in January. No special meetings are proposed at this time.

c) Progress Report on Strategic Plan (Action)

The Commission will receive report on progress made in meeting goals and implementing strategies in the current two-year strategic plan. The report is being presented to the Commission to formally accept.

d) Approval of Meeting Minutes (Action)

The Commission will consider approving minutes prepared by staff for the October 1, 2012 meeting.

e) Designation of Chair and Vice Chair for Calendar Year 2013 (Information)

The Commission will receive a report regarding the designation of the Chair and Vice Chair for the 2013 calendar year. The report is being presented for information.

f) Notice of Expiring Commissioner Terms in 2013 (Information)

The Commission will receive a report identifying the member terms scheduled to expire in 2013. Three terms are set to expire and effect members Chilton, Inman, and Luce. The report is being presented for information only.

g) CALAFCO Quarterly Report (Information)

The Commission will receive the most recent quarterly report prepared by the California Association of Local Agency Formation Commissions. The report is being presented to Commissioners for information only.

h) Report on Website Visits (Information)

The Commission will receive a report summarizing visitor traffic to the agency's new website since December 2011. The report is being presented for informational purposes only.

i) Current and Future Proposals (Information)

The Commission will receive a report summarizing current and future proposals. The report is being presented for information. No new proposals have been submitted since the October 3, 2012 meeting.

6. PUBLIC HEARING ITEMS

Any member of the public may address the Commission with respect to a scheduled public hearing item. Comments should be limited to no more than five minutes unless additional time is permitted by the Chair.

a) Sphere of Influence Update on Lake Berryessa Resort Improvement District

The Commission will hold a public hearing to consider taking actions with respect to its scheduled sphere of influence update on the Lake Berryessa Resort Improvement District; the governmental entity tasked with providing water and sewer services to the Berryessa Estates community. The final report prepared by staff recommends updating the sphere of influence with no changes. The Commission will consider formally accepting and filing the final report along with adopting a resolution codifying the report's recommendations.

7. ACTION ITEMS

Items calendared for action do not require a public hearing before consideration by the Commission. Any member of the public may receive permission to provide comments on an item at the discretion of the Chair.

a) Financial Audit for Fiscal Year Ending June 30, 2012

The Commission will review a written report from an outside consultant auditing the agency's financial statements for the 2011-2012 fiscal year. The report is being presented to the Commission to receive and file.

b) Amendments to Policy on Preparing an Annual Budget / Budget Committee Appointments

The Commission will consider two separate actions concerning the preparation of an annual budget for the agency. The first action proposes minor amendments to the Commission's adopted policy on preparing an annual budget to reflect existing practices. The second action requests appointments of two members to serve with the Executive Officer on the 2013-2014 Budget Committee.

8. DISCUSSION ITEMS

A member of the public may receive permission to provide comments on any item calendared for discussion at the discretion of the Chair. General direction to staff for future action may be provided by Commissioners.

a) Informational Report on Private Community Water Systems

The Commission will receive an informational report from staff identifying the scope and range of private community water systems operating in Napa County. The report is in preliminary form and complies with the Commission's strategic plan to broaden the agency's understanding of private water systems supporting local growth and development. The report is being presented to the Commission for discussion and feedback in anticipation of presenting a complete report at a future regular meeting.

b) Anticipated Work Plan for 2013

The Commission will receive a work plan outlining anticipated activities in 2013. The work plan is being presented for discussion and the Commission may provide direction to staff with respect to amendments relative to member preferences and priorities for the next 12 months.

c) Report on the 2012 CALAFCO Annual Conference

The Commission will receive a report summarizing the activities associated with the 2012 CALAFCO Annual Conference held on October 3-5 at the Monterey Hyatt Regency. The report is being presented for discussion and attending Commissioners are encouraged to share their thoughts on the programs and sessions.

9. EXECUTIVE OFFICER REPORT

The Commission will receive a verbal report from the Executive Officer regarding current staff activities.

10. CLOSED SESSION

a) Public Employee Annual Performance Evaluation: LAFCO Executive Officer

11. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

12. ADJOURNMENT TO NEXT REGULAR SCHEDULED MEETING: See Agenda Item No. 5c



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

December 3, 2012
Agenda Item No. 5a (Consent/Action)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: First Quarter Budget Report for 2012-2013

The Commission will review a first quarter budget report for 2012-2013. The report compares budgeted versus actual transactions through one-fourth of the fiscal year. The report projects the Commission is on pace to improve its year-end financial position by eliminating its budgeted funding gap of (\$8,811) and finish with an overall operating surplus of \$2,955. The report is being presented to the Commission to formally accept.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 mandates operating costs for Local Agency Formation Commissions (LAFCOs) shall be annually funded by the affected counties, cities, and, if applicable, special districts. In most instances, the county is responsible for one-half of the LAFCO's annual budget with the remaining amount proportionally shared by the cities based on a weighted calculation of population and tax revenues. LAFCOs are also authorized to establish and collect fees for purposes of offsetting agency contributions.

A. Discussion

LAFCO of Napa County's ("Commission") adopted final budget for 2012-2013 totals \$432,461. This amount represents the total approved operating expenditures for the fiscal year divided between salaries and benefits, services and supplies, and contingencies. Budgeted revenues total \$423,650 and divided between intergovernmental fees, service charges, and investments. Markedly, an operating shortfall of (\$8,811) was intentionally budgeted at the beginning of the fiscal year to reduce the funding requirements of the local agencies and to be covered by drawing down on unreserved funds. The pre-audit unreserved portion of the fund balance totaled \$118,523 as of July 1, 2012.

Budgeted Operating Expenses	Budgeted Operating Revenues	Budgeted Operating Balance
\$432,461	\$423,650	(\$8,811)

Lewis Chilton, Chair
Councilmember, Town of Yountville

Brad Wagenknecht, Vice Chair
County of Napa Supervisor, 1st District

Brian J. Kelly, Commissioner
Representative of the General Public

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

Operating Revenues

Operating revenues budgeted for 2012-2013 total \$423,650. Actual revenues collected through the first quarter totaled \$410,873. This amount represents 97% of the adopted budget total with 25% of the fiscal year complete. The following table compares budgeted and actual revenues through the first quarter.

Revenue Units	Adopted	Actuals Through 1 st Quarter	\$ Difference	% Collected
Intergovernmental	409,574	409,574	0	100.0
Service Charges	10,000	1,299	(8,701)	12.9
Investments	4,076	0	(4,076)	0.0
Total	\$423,650	\$410,873	(\$12,777)	96.9

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$420,599 in total revenues and produce a deficit of (\$3,051) or (0.7%). An expanded discussion on budgeted and actual revenues through the first quarter within the Commission's three revenue units along with projected year-end totals follows.

Intergovernmental Fees

The Commission budgeted \$409,574 in intergovernmental fees in 2012-2013. Half of the total was invoiced to the County of Napa in the amount of \$204,787. The remaining amount was proportionally invoiced to the cities based on a weighted calculation of population and general tax revenues. This latter formula resulted in invoice charges totaling \$33,321 for American Canyon, \$12,095 for Calistoga, \$136,583 for Napa, \$14,153 for St. Helena, and \$8,635 for Yountville. All agency invoices were paid in full by the end of the first quarter.

Service Charges

The Commission budgeted \$10,000 in service charges in 2012-2013. At the end of the first quarter, actual revenues collected within this unit totaled \$1,299 or 13% of the budgeted amount. The collected service charges are predominately tied to collecting a fee for additional staff hours needed in completing a reorganization proposal involving the Napa Sanitation District and City of Napa.¹ A review of pending proposals suggests there may be upwards of five applications filed in the near term. Staff believes it would be reasonable – for budgeting purposes – to assume only two of these proposals will be filed by the end of the fiscal year and would result in a year-end unit deficit of (\$1,448) or (14.5%).

¹ The referenced proposal is titled Rosewood Lane No. 1 Reorganization.

Investments

The Commission budgeted \$4,076 in investment income in 2012-2013 based on actual revenues collected during the first two quarters of the prior fiscal year. All income generated in this unit is tied to interest earned on the Commission’s fund balance, which is under pooled investment by the County Treasurer. First quarter earnings have not been issued for the current fiscal year. It is reasonable to assume, however, earnings will fall short and reflect the actual collection from the previous fiscal year, which significantly declined over the last two quarters. Staff anticipates, accordingly, a year-end unit deficit of (\$1,603) or (39.3%).

Operating Expenses

Actual expenses through the first quarter, including encumbrances, totaled \$109,047. This amount represents 25% of the budgeted total with 25% of the fiscal year complete. The following table compares budgeted and actual expenses through the first quarter.

Expense Units	Adopted	Actuals Through 1 st Quarter	\$ Difference	% Remaining
Salaries/Benefits	311,287	51,825	259,462	83.4
Services/Supplies	121,174	57,222	63,952	52.78
Contingencies	-	-	-	-
Total	432,461	109,047	323,414	74.8

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$417,644 in total expenses and produce a surplus/savings of \$14,817 or 3.4%. An expanded discussion on budgeted and actual expenses through the first quarter within the Commission’s three expense units follows.

Salaries/Benefits

The Commission budgeted \$311,287 in salaries and benefits for 2012-2013. At the end of the first quarter, the Commission’s actual expenses within the 10 affected accounts totaled \$51,825, representing 16.7% of the budgeted amount. None of the affected accounts finished the first quarter with balances exceeding 25% of their budgeted allocation. Staff projects the Commission will finish the fiscal year with a moderate surplus of approximately \$16,180 or 5.2% in the unit with the majority of the savings tied to lower group insurance costs.

Services/Supplies

The Commission budgeted \$121,174 in services and supplies for 2012-2013. At the end of the first quarter, the Commission’s actual expenses within the 20 affected accounts totaled \$57,222, which represents 47% of the budgeted amount. Six of the affected accounts – (1) building/land, (2) accounting/auditing, (3) rents/leases: equipment, (4) training/conferences, (5) computer software/license, and (6) memberships/certifications – finished with balances exceeding 25% of their budgeted allocation with expanded explanations provided below. Staff projects the Commission will finish the fiscal year with a slight deficit of approximately (\$1,363) or (1.1%) due to additional costs associated with the recent office relocation.

- Building/Land

This account covers the Commission's lease for office space at 1030 Seminary Street in Napa. The account was budgeted to equal the contracted annual lease amount of \$25,560, which is fixed over the next five fiscal years and results in a monthly payment of \$2,130. The entire annual lease amount was encumbered during the first quarter to expedite monthly payments as well as to reflect the Commission's financial obligation for office space for the fiscal year. An additional charge of \$2,000 was also billed during the first quarter to cover the Commission's security deposit. This additional charge will result in a corresponding deficit of (\$2,000) or (7.8%) in this account at the end of the fiscal year.

- Auditing and Accounting

This account primarily covers the Commission's annual costs for contracted financial support services provided by the County Auditor's Office. This includes processing accounts payable and receivable along with payroll. The account also covers costs to retain an outside consultant to prepare an annual audit for the prior completed fiscal year. The Commission budgeted \$9,126 in this account in 2012-2013. Expenses through the first quarter totaled \$4,725 or 52% of the budgeted amount. This entire expense amount incurred during the initial quarter is tied to encumbering the payment of an outside consultant (Gallina) to prepare an audit report for the prior fiscal year. No charges for financial support services from the Auditor's Office were received through September 30th. Staff projects the Commission will finish with a nominal surplus/deficit in this account at the end of the fiscal year.

- Rents/Leases: Equipment

This account currently covers the Commission's annual costs for leasing a copier/printer work station.² This includes the monthly equipment charge plus actual copy usage. The Commission budgeted \$6,500 in this account in 2012-2013. Expenses through the first quarter totaled \$6,000 or 92% of the budgeted amount. This entire expense amount incurred during the initial quarter is tied to encumbering the amount equal to the average actual lease cost over the last two years. The remaining amount – \$500 – has been set aside and may be needed for additional copy costs for the pending central county study. Staff projects the Commission will finish with a nominal surplus/deficit in this account at the end of the fiscal year.

² The referenced lease is with Xerox and extends between August 2010 and July 2015. The monthly equipment charge is \$362.

- Training/Conferences

This account is used for a variety of instructional activities for commissioners and staff with the majority of actual expenditures associated with the California Association of LAFCOs or CALAFCO. The Commission budgeted \$4,000 in this account in 2012-2013. Expenses through the first quarter totaled \$4,243 and represent 106% of the budgeted amount. All charges incurred during the initial quarter are tied to registering commissioners and staff for the recent CALAFCO Annual Conference.³ Staff projects the Commission will finish with an account deficit of (\$2,000) or (50%) at the end of the fiscal year due to other scheduled training sessions.

- Computer Software/License

This account is used to cover the Commission's annual fees for computer software services. The Commission budgeted \$3,487 in this account in 2012-2013 to cover three license fees that provide website hosting/updates, live video/audio streaming, and digital record archiving. Expenses through the first quarter totaled \$2,480 and represent 71% of the budgeted amount; all of which is tied to encumbering the entire contract amount for digital record archiving services. (Website hosting is billed quarterly and the video/audio streaming services are expected to be implemented in January 2013). Staff projects the Commission will finish with a nominal surplus/deficit in this account at the end of the fiscal year.

- Memberships/Certifications

This account currently covers the Commission's annual membership fee for CALAFCO. The Commission's budgeted membership fee is \$2,248 in 2012-2013 and was paid in full during the first quarter.

Contingencies

The Commission did not budget funds for contingencies in 2012-2013, and instead will rely on its unreserved fund balance to address any unexpected costs.

³ Attendees for the CALAFCO Annual Conference included six commissioners (Bennett, Chilton, Kelly, Inman, Rodeo, and Wagenknecht) and three staff (Simonds, Freeman, and Gong). CALAFCO's Annual Conference was held on October 3-5 at the Hyatt Regency in Monterey, California.

B. Analysis

Activity through the end of the first quarter indicates the Commission is on pace to finish 2012-2013 with an operating surplus of \$2,955; an amount that would represent a significant improvement compared to the (\$8,811) deficit budgeted at the beginning of the fiscal year. This projected improvement in the Commission's year-end financial standing is attributed – among other factors – to anticipated savings in budgeted employee health insurance as the premium rates are measurably lower than originally expected. Further, if these projections prove accurate, the Commission will be positioned to increase its unreserved fund balance from \$118,523 to \$121,477; a change that would mark the first year-end increase in reserves since 2007-2008.

C. Recommendation

It is recommended the Commission formally accept the report as presented.

D. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative Action One (Recommended):

Accept the staff report as presented.

Alternative Action Two:

Continue consideration of the staff report to a future meeting and provide direction for more information as needed.

E. Procedures for Consideration

This item has been agendaized as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

- 1) 2012-2013 General Ledger through September 30, 2012



Local Agency Formation Commission of Napa County

Subdivision of the State of California

FY2012-2013 Operating Budget: First Quarter Report

Amended as of October 1, 2012

Expenses

		FY2009-10		FY2010-11		FY2011-12		FY2012-13		
		Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Actual FY11-12	Adopted FY12-13	Actual 1st Quarter	Projected Year End
Salaries and Benefits										
<u>Account</u>	<u>Description</u>									
51100	Salaries and Wages	195,580.00	193,055.65	198,346.60	198,280.48	202,387.60	203,108.73	203,183.19	35,758.81	199,886.61
51400	Employee Insurance: Premiums	36,471.00	29,210.94	37,953.96	33,872.67	45,648.12	37,643.35	47,646.00	7,954.63	38,231.72
51600	Retirement	34,064.00	33,015.37	34,991.95	34,924.41	36,701.99	36,871.55	37,736.30	6,495.70	35,550.90
51605	Other Post Employment Benefits	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	9,341.00	12,139.00	-	12,139.00
51210	Commissioner/Director Pay	9,600.00	5,100.00	9,600.00	4,900.00	9,600.00	5,700.00	6,400.00	1,000.00	5,300.00
51300	Medicare	2,836.00	2,657.51	2,876.49	2,738.20	2,934.62	2,790.20	2,946.16	493.28	2,762.28
51205	Cell Phone Allowance	840.00	843.50	840.00	843.50	840.00	843.50	840.00	123.00	840.00
51405	Workers Compensation	168.00	168.00	226.00	226.00	327.00	327.00	396.00	-	396.00
51110	Extra Help	-	-	-	-	-	-	-	-	-
51115	Overtime	-	-	-	-	-	-	-	-	-
		288,265.00	272,756.97	293,973.00	284,923.26	307,780.33	296,625.33	311,286.64	51,825.42	295,106.51
Services and Supplies										
<u>Account</u>	<u>Description</u>									
52605	Rents and Leases: Building/Land	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	25,560.00	27,560.00	27,560.00
52140	Legal Services	24,990.00	17,938.31	26,010.00	17,659.74	22,540.00	17,593.30	22,540.00	2,219.18	18,863.03
52130	Information Technology Services	22,438.00	19,182.50	18,438.91	17,625.42	24,630.83	23,385.87	22,009.00	5,502.24	22,008.96
52125	Accounting/Auditing Services	7,883.00	7,819.33	8,277.15	7,301.48	8,691.01	7,340.78	9,125.56	4,725.00	9,125.56
52600	Rents and Leases: Equipment	-	-	-	-	-	-	6,500.00	6,000.00	6,500.00
53100	Office Supplies	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	14,508.46	5,500.00	246.9	5,246.90
52905	Business Travel/Mileage	4,500.00	5,044.48	4,500.00	6,469.45	5,000.00	2,253.35	5,000.00	1,029.03	4,839.03
52900	Training/Conference	4,500.00	6,063.92	4,500.00	4,140.97	4,000.00	5,141.00	4,000.00	4,243.00	6,243.00
53600	Special Departmental Purchases	1,000.00	1,095.25	1,000.00	2,482.00	1,000.00	426.64	3,500.00	-	3,500.00
53415	Computer Software/License	-	-	-	-	-	-	3,487.13	2,479.58	4,127.58
52800	Communications/Telephone	3,500.00	1,205.16	3,500.00	1,640.02	4,470.00	2,329.81	2,970.00	58.51	2,872.12
53120	Memberships/Certifications	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,248.40	2,248.40	2,248.40
53205	Utilities: Electric	-	-	-	-	-	-	1,500.00	363.42	1,363.42
52830	Publications and Notices	1,500.00	1,112.17	1,500.00	1,433.43	1,500.00	2,255.64	1,500.00	343.83	1,375.32
52835	Filing Fees	850.00	250.00	850.00	450.00	850.00	237.50	850.00	50.00	850.00
53110	Postage/Freight	-	-	-	-	-	-	800.00	77.42	654.84
52700	Insurance: Liability	347.00	347.00	444.00	444.00	321.00	321.00	153.00	-	153.00
52105	Election Services	-	-	-	-	-	-	-	75.00	75.00
53105	Office Supplies: Furniture/Fixtures	-	-	-	-	-	-	-	-	1,000.00
54600	Capital Replacement/Depreciation*	-	3,931.50	3,931.40	3,931.40	3,931.40	3,931.40	3,931.40	-	3,931.40
		118,063.00	105,166.62	119,506.46	104,685.99	120,489.23	111,204.75	121,174.49	57,221.51	122,537.56
Contingencies										
<u>Account</u>	<u>Description</u>									
58100	Appropriation for Contingencies	90,632.80	-	-	-	-	-	-	-	-
		90,632.80	-	-	-	-	-	-	-	-
EXPENSE TOTALS		496,960.80	377,923.59	413,479.46	389,609.25	428,269.56	407,830.08	432,461.13	109,046.93	417,644.07

Revenues

		FY2009-10		FY2010-11		FY2011-12		FY2012-13		
		Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Actual FY11-12	Adopted FY12-13	Actual 1st Quarter	Projected Year End
Intergovernmental										
Account	Description									
43910	County of Napa	-	153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	204,787.17
43950	Other Governmental Agencies		153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	204,787.17
----	<i>City of Napa</i>	-	105,428.75	119,646.81	119,647.00	126,330.38	126,330.38	136,583.40	136,583.40	136,583.40
----	<i>City of American Canyon</i>	-	22,010.54	27,468.37	27,468.00	32,912.04	32,912.04	33,320.64	33,320.64	33,320.64
----	<i>City of St. Helena</i>	-	11,135.35	12,656.54	12,657.00	12,997.37	12,997.37	14,152.67	14,152.67	14,152.67
----	<i>City of Calistoga</i>	-	8,742.73	10,642.45	10,642.00	11,393.34	11,393.34	12,095.39	12,095.39	12,095.39
----	<i>Town of Yountville</i>	-	6,648.33	7,595.60	7,596.00	7,917.37	7,917.37	8,635.07	8,635.07	8,635.07
			307,931.40	356,019.55	356,020.00	383,101.00	383,101.00	409,574.34	409,574.34	409,574.34
Service Charges										
42690	Application/Permit Fees	-	18,437.00	10,000.00	24,293.00	10,000.00	8,562.00	10,000.00	1,130.00	8,258.00
46800	Charges for Services	-	625.00	-	3,187.00	-	475.00	-	125.00	250.00
47900	Miscellaneous	-	156.30	-	-	-	50.00	-	44.00	44.00
			19,218.30	10,000.00	27,480.00	10,000.00	9,087.00	10,000.00	1,299.00	8,552.00
Investments										
45100	Interest	-	3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	-	2,472.66
			3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	-	2,472.66
	REVENUE TOTALS	-	330,941.18	371,019.55	386,070.00	395,441.00	394,660.66	423,650.34	410,873.34	420,599.00
OPERATING DIFFERENCE		-	(43,051)	(42,459.91)	(3,539)	(32,828.56)	(13,169.42)	(8,810.79)		2,954.93

UNRESERVED/UNRESTRICTED FUND BALANCE

Beginning:	186,574.00	134,344.00	131,692.00	118,522.58
Ending:	134,344.00	131,692.00	118,522.58	121,477.51



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

December 3, 2012

Agenda Item No. 5b (Consent/Action)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Approval of Meeting Calendar for First Half of 2013

The Commission will consider approving a meeting calendar for the first six months for 2013. It is recommended the Commission approve regular meetings for January 7th, February 4th, April 1st, and June 3rd. This recommendation would be consistent with the Commission's recent practice of holding regular meetings every other month with the addition of a meeting in January. No special meetings are proposed at this time.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires Local Agency Formation Commissions (LAFCOs) to adopt policies and procedures with respect to conducting meetings. Government Code Section 56375(i) specifies LAFCOs must establish regulations to ensure meetings are conducted on a regular and orderly basis.

A. Discussion

It is the policy of LAFCO of Napa County's ("Commission") to schedule regular meetings on the first Monday of each month as needed. All regular meetings shall be held in the Board Chambers at the County of Napa Administration Building with a start time of 4:00 P.M. The Commission may also schedule special meetings in conjunction with calendaring regular meetings as necessary. The Commission is directed to review and approve a meeting calendar every six months at the June and December meetings.

B. Discussion/Analysis

The Commission's expected workload justifies holding consecutive monthly meetings in January and February before reverting to every other month thereafter for the first half of the new calendar year. Holding a regular meeting in January, notably, would allow the Commission to address two time-sensitive projects: a public workshop on the scheduled study on the central county region and a pending annexation proposal involving the City of Napa. This consideration is particularly pertinent for the latter project – pending annexation – given the affected landowners' would be adversely effected if the Commission is not able to consider the proposal until February. (The pending annexation

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County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

is expected to be formally proposed by the City Council at their November 27, 2012 meeting; a date that precludes the Commission from considering the item at the December 3rd meeting given statutory review requirements.) Holding bimonthly regular meetings after February are recommended given the rest of the first half of the calendar year is expected to be largely dedicated to work associated with the referenced study on the central county region; a study that is expected to require more than one month time to evolve from one phase to the next.

C. Recommendation

It is recommended the Commission approve a meeting calendar for the first half of 2013 consisting of the following regular dates: January 7th, February 4th, April 1st, and June 3rd. No special meetings are proposed at this time.

D. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative Action One (Recommended):

Approve the regular meeting dates as proposed by staff for the first half of 2013 with any desired changes.

Alternative Action Two:

Continue consideration of the staff report to a date specific meeting and provide direction for more information as needed.

E. Procedures for Consideration

This item has been agendized as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

- 1) *Policy on Commission Meeting Calendar*



LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
Policy on Regular Commission Meeting Calendar

Adopted: June 14, 2001
Last Amended: December 1, 2008

I. Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires Local Agency Formation Commissions (LAFCOs) to adopt policies and procedures with respect to conducting meetings. Government Code Section 56375(i) specifies LAFCOs shall establish regulations to ensure meetings are conducted on a regular and orderly basis.

II. Objective

The objective of this policy is to guide the Commission in scheduling regular and special meetings in a consistent and logical manner.

III. Guidelines

A. Regular Meetings

- 1) The regular meeting day of the Commission is the first Monday of each month. The time and place of regular meetings is 4:00 P.M. in the Board Chambers of the County of Napa Administration Building, located at 1195 Third Street, Napa.
- 2) The Commission shall review and approve its regular meeting calendar every six months. If a regular meeting falls on a holiday, the Commission shall determine an alternate day as part of its review if needed.
- 3) The Chair may cancel or change the date or time of a regular meeting if he or she determines the Commission cannot achieve a quorum or there is a lack of business. Regular meetings may also be canceled or changed with the consent of a majority of the regular members of the Commission. For the purpose of this policy, a majority includes at least one member representing the cities and one member representing the county.
- 4) Notice of any change to a scheduled regular meeting shall be posted on the Commission website and transmitted to all interested parties.

B. Special Meetings

- 1) The Chair may schedule special meetings of the Commission as needed. The Chair shall consult with the Executive Officer in scheduling special meetings to ensure a quorum is available at a specified place and time.
- 2) Requests from outside parties for special meetings must be made in writing and submitted to the Executive Officer. If approved and scheduled by the Chair, the affected outside party requesting the special meeting will be responsible for any related charges pursuant to the Commission's *Schedule of Fees and Deposits*.
- 3) Notices for scheduled special meetings will be posted on the Commission website and transmitted to all interested parties within 72 hours of the meeting date.



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

December 3, 2012

Agenda Item No. 5c (Consent/Action)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Progress Report on Strategic Plan

The Commission will receive a report on progress made in meeting goals and implementing strategies in the current two-year strategic plan. The report is being presented to the Commission to formally accept.

Local Agency Formation Commissions (LAFCOs) are responsible for regulating the formation and development of local governmental agencies under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). Commonly exercised regulatory actions include forming, expanding, and reorganizing cities and special districts for the purpose of facilitating orderly urban growth and efficient municipal service. LAFCOs inform their regulatory powers through various planning activities, namely preparing municipal service reviews. All regulatory and planning actions undertaken by LAFCOs may be conditioned and must be consistent with written policies.

A. Discussion

Adoption and Vision

LAFCO of Napa County's ("Commission") strategic plan was adopted on June 4, 2012. The strategic plan is the byproduct of an earlier workshop discussion and intended to guide the agency's resources over the next two years in a manner consistent with the collective preference of current members. The strategic plan is anchored by a vision statement orienting the Commission to proactively fulfill its duties and responsibilities under CKH in a manner responsive to local conditions.

Near-Term Goals

The strategic plan identifies five near-term goals to be accomplished over the next two years. The first goal directs the Commission to focus its activities – external and internal – on improving service efficiencies. The second goal directs the Commission to proactively expand the use and relevance of the municipal service reviews. The third goal directs the Commission to emphasize partnering with local agencies in coordinating planning activities. The fourth and fifth goals direct the Commission to participate in regional and statewide discussions impacting local agencies and services as well as improve the general public's understanding of the agency and its various functions.

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Representative of the General Public

Keene Simonds
Executive Officer

Implementing Strategies

The strategic plan prescribes one or more implementing strategies in support of achieving each identified near-term goal. An underlying intent of the implementing strategies is to serve as a public performance measurement for the Commission in reconciling its goals with actions for subsequent review and reset at the end of the two year timeframe. A summary of the implementing strategies for each near-term goal follows.

Goal: Improve Service Efficiencies

- Prepare a cost-analysis to transition agenda packets to electronic tablets.
- Expand website to allow for online applications and updates.

Goal: Expand Use and Relevance of Municipal Service Reviews

- Establish formal process in soliciting scoping comments on studies.
- Conduct scoping workshop for pending study on central county region.

Goal: Renew and Strengthen Coordination with Local Government Agencies

- Invite local agencies to present current/future planning activities.
- Present updates to local agencies on current/planned activities.
- Prepare an informational report on local school districts and boards.

Goal: Anticipate and Evaluate Regional/Statewide Issues

- Prepare an informational report on private water services.
- Provide reports on relevant regional agency activities.

Goal: Improve the Public's Understanding of the Commission

- Prepare annual agency newsletters for public distribution.

B. Analysis

The Commission is one quarter into the current two-year strategic plan and the agency has made substantive progress with respect to addressing several of the implementing strategies. This progress includes drafting an informational report on private water services within Napa County as part of the Commission's stated goal of evaluating regional issues of interest to the agency and its prescribed responsibilities. The informational report will be presented as part of a separate agenda item for today's meeting and aims at broadening the Commission's understanding of the extent of private community water systems and their role in supporting existing growth and development. Other notable activities undertaken to date include making a presentation to the County Planning Commission on the policies and programs of the Commission and preparing informational updates on relevant planning activities undertaken by the Association of Bay Area Governments and the Metropolitan Transportation Commission. Work has also begun on developing an online application feature on the agency's website. Additionally, while not a listed implementing strategy, the Commission recently took a substantive step in its goal to improve the public's understanding of the agency by adopting a tagline to

better convey core responsibilities; the first such formal action taken by any LAFCO in California.

A complete status update on all implementing strategies as of date follows.

Goal to Improve Service Efficiencies	Started	Completed
- Cost Analysis for Electronic Tablets		
- Online Application Feature	■	
Goal to Expand Use and Relevance of MSRs	Started	Completed
- Establish Scoping Comment Process		
- Workshop for Central County MSR		
Goal to Strengthen Coordination with Agencies	Started	Completed
- Invite Local Agencies to Meetings		
- Present Updates to Local Agencies	■	
- Informational Report on Schools		
Goal to Evaluate Regional/Statewide Issues	Started	Completed
- Informational Report on Private Water	■	
- Reports on Regional Agencies Activities	■	
Goal to Improve Public's Understanding of LAFCO	Started	Completed
- Annual Newsletter on Activities		

C. Recommendation

It is recommended the Commission formally accept the report as presented.

D. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative Action One (Recommended)

Accept the report as presented with any further direction as specified.

Alternative Action Two:

Continue consideration of the report to a future meeting and provide direction for more information as needed.

E. Procedures for Consideration

This item has been agendized as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully submitted,

 Keene Simonds
 Executive Officer

Attachment:

1) Adopted Strategic Plan for Calendar Years 2012 and 2013



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

Strategic Plan 2012-2013

Vision Statement

Provide effective oversight of local government agencies and their municipal service consistent with the tenets and ideals of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and in a manner responsive to local character and circumstances. The Commission will strive diligently to achieve this vision by emphasizing the following core values at all times.

a) Professional

The Commission will be accountable and transparent in developing, implementing, and communicating its policies, procedures, and programs.

b) Principled

The Commission will maintain a higher set of standards in fulfilling its prescribed duties and responsibilities with integrity and fairness in facilitating orderly growth.

c) Reasonable

The Commission will be objective in its decision-making with particular focus in considering the “reasonableness” of all potential actions before the agency.

Goals and Strategies

The Commission’s goals supporting its vision statement along with corresponding implementation strategies for the 2012-2013 planning period follow.

1. Improve Service Efficiencies

The Commission shall focus its prescribed duties and responsibilities in assisting local governmental agencies in pursuing efficiencies relative to available resources to reduce costs and enhance services. The Commission, accordingly, will lead by example and use creativity and innovation in improving its own service efficiencies by doing more with less for the benefit of both local funding agencies and the general public. This includes:

- a) Prepare a cost-benefit analysis for the Commission to purchase electronic tablets for purposes of converting all agenda packets to digital-only copies.
- b) Expand the use of the Commission website to allow applicants to submit all required proposal forms on-line. The website should also be expanded to allow each applicant to log-in with a personal password to check the status of their proposal.

2. Expand Use and Relevance of Municipal Service Reviews

The Commission shall proactively expand the use and relevance of municipal service reviews by focusing on issues of local significance within each affected community. This includes:

- a) Formally invite all affected local agencies and the general public to submit comments on governance and service related issues for consideration before the start of each scheduled municipal service review. Include a summary of the comments received along with staff responses in the final report.
- b) Conduct a scoping workshop for the pending central county municipal service review (City of Napa, Napa Sanitation District, Silverado Community Services District, and Congress Valley Water District) to help inform the report's direction and focus on specific areas of analysis as it relates to potential sphere of influence changes.

3. Renew and Strengthen Coordination with Local Governmental Agencies

The Commission shall fulfill its prescribed duties and responsibilities in partnership with local governmental agencies. To this end, and given the significant change in boards, councils, directors, and senior staff over the last several years, the Commission shall make a concerted effort to renew and strengthen its coordination with local agencies to help ensure appropriate communication relative to current and planned activities exists. This includes:

- a) Invite the County of Napa, cities, and special districts to make individual presentations to the Commission summarizing their current and future planning activities. Presentations will be scheduled by the Executive Officer and subject to the Chair's approval.
- b) Present formal updates to the County of Napa, cities, and special districts on current and future activities relevant to the affected agency. Updates should be scheduled in consultation with the affected agency's director/manager.
- c) Prepare a report for Commission use on local school districts and boards. The report shall be prepared in consultation with the affected agencies and address, among other items, the relationship between current/planned growth and school resources. The report shall also be distributed to all local agencies for review and file.

4. Anticipate and Evaluate Regional and Statewide Issues Impacting Municipalities and their Services

The Commission shall participate and provide, as appropriate, its expertise and perspective in regional and statewide discussions on critical issues that have the potential for significantly affecting local municipalities and their services. The Commission shall also, as appropriate, assume a leadership role in convening discussions among multiple stakeholders on critical service and growth issues affecting Napa County. This includes:

- a) In conjunction with Assembly Bill 54, prepare a report on private water companies operating in Napa County. The report shall be limited initially to identifying the location, service area, and general service capacity/demand of each private water company and distributed to all local agencies for their review and file.
- b) Actively follow the Association of Bay Area Governments and Metropolitan Transportation Commission. Provide annual reports on these agencies' current and planned activities as it relates to issues of interest to the Commission.

5. Improve the Public's Understanding of the Commission

The Commission shall make a concerted effort to improve the public's awareness and understanding of the agency's responsibilities and activities. This includes:

- a) Actively utilize print and social media resources in expanding the public's understanding of the role and function of the Commission.
- b) Prepare an annual newsletter for public distribution summarizing recent and planned Commission activities. The annual newsletter will be made available on the Commission website and directly e-mailed out through the agency's distribution list.



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

December 3, 2012
Agenda Item No. 5d (Consent/Action)

November 20, 2012

TO: Local Agency Formation Commission

FROM: Kathy Mabry, Commission Secretary

SUBJECT: Approval of Minutes for Regular Meeting on October 1, 2012

A. Discussion and Recommendation

Attached are summary minutes prepared for the Commission's Regular Meeting on October 1, 2012. Staff recommends approval.

Respectfully submitted,

Kathy Mabry
Commission Secretary

Attachment: as stated

Lewis Chilton, Chair
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Representative of the General Public

Keene Simonds
Executive Officer



**LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
MEETING MINUTES OF OCTOBER 1, 2012**

1. CALL TO ORDER; ROLL CALL

Chair Chilton called the regular meeting of October 1, 2012 to order at 4:00P.M. The following Commissioners and staff were present:

Regular Commissioners	Alternate Commissioners	Staff
Lewis Chilton, Chair	Juliana Inman	Keene Simonds, Executive Officer
Brad Wagenknecht, Vice Chair	Gregory Rodeno	Jackie Gong, Commission Counsel
Joan Bennett	Mark Luce - <i>Excused</i>	
Bill Dodd		Kathy Mabry, Secretary
Brian J. Kelly		

2. PLEDGE OF ALLEGIANCE

Chair Chilton led the Pledge of Allegiance.

3. AGENDA REVIEW

The Commission approved a motion to accept the agenda as prepared.

4. PUBLIC COMMENTS

Chair Chilton invited members of the audience to provide public comment. No public comments were received.

5. CONSENT ITEMS

a) Proposed Amendments to the Fiscal Year 2012-2013 Budget

The Commission considered technical amendments to the current fiscal year budget to correspond with a new financial accounting system implemented by the County of Napa that became effective July 1st and applies to all departments. This includes authorizing the establishment, redesignation and/or consolidation of certain accounts along with making corresponding fund transfers. The proposed amendments would not make changes to overall revenue or expense totals.

b) Amendment to Adopted Fee Schedule

The Commission considered an amendment to its adopted fee schedule to increase the initial deposit collected on behalf of the County of Napa's Public Works Department to review the maps and descriptions accompanying change of organization or reorganization proposals. The proposed amendment increased the number of hours included in the initial deposit from three to six and, as a result, raised the amount from \$495 to \$990.

c) Approval of Meeting Minutes

The Commission considered minutes prepared by staff for the August 6, 2012 meeting.

d) Report on Nominations for CALAFCO Board

Staff provided the Commission with a report from the California Association of Local Agency Formation Commissions on submitted nominations for board elections scheduled for October 4, 2012, as part of the Annual Conference in Monterey. CALAFCO reported one nomination each has been filed for the two opening seats in the coastal region. Both nominations involved incumbents John Leopold (Santa Cruz / county) and Michael McGill (Contra Costa / district).

5. CONSENT ITEMS – *continued*:

e) Current and Future Proposals

The Commission received a report summarizing current and future proposals. No new proposals have been filed with the Commission since the August 6, 2012 meeting, leaving two active proposals; both of which remain dormant given economic (forming the Villa Berryessa Water District) or political (annexing wastewater spray fields to St. Helena) considerations. The report notes three annexations are expected to be filed in the near future and all involve the City of Napa (29 Forrest Drive; 1201 Imola Avenue; and 1101 Grandview Drive).

Upon motion by Commissioner Wagenknecht and second by Commissioner Kelly, the consent items were unanimously approved.

6. PUBLIC HEARING ITEMS

a) Continuation: Sphere of Influence Update on County Service Area No. 3

The Commission continued consideration of its scheduled sphere of influence update on County Service Area (CSA) No. 3 from the August 6, 2012 meeting. It was recommended the Commission update the sphere of influence to include an additional 100 acres of unincorporated land identified in the associated final report as Subarea "A-1." Staff provided a final report codifying its analysis and an accompanying resolution to update the sphere of influence as recommended for Commission approval. Staff also presented a supplemental report as previously directed by the Commission to evaluate a request by interested landowners ("Atkins Group") to also include a 25 acre lot located in Subarea "A-2" to facilitate a development and/or sale of the property. The supplemental report confirmed the conclusion of the final report that Commission policies and practices suggested it would be appropriate to continue to exclude the Atkins Group's lot from CSA No. 3's sphere at this time with specific emphasis on noting the land lies entirely within American Canyon's urban limit line. The supplemental report, however, also acknowledged the Atkins Group's negotiated rights with the County of Napa for future road and utility access to their lot from Airport Drive as part of an earlier settlement agreement between the two parties signals a potential economic and social tie to CSA No. 3 unique from the rest of the properties in A-2. Consequently, the supplemental report concluded adding the Atkins Group' lot to CSA No. 3's sphere as part of the update would be reasonable if it is the members' preference to assign deference to the referenced settlement agreement relative to the other addressed policy considerations.

Chair Chilton invited questions or comments by Commissioners. Commissioner Kelly wanted to know what – if any – changes in land use allowances exist between the County and American Canyon as it relates to the Atkins Group' lot. Staff replied there were no substantive differences between the County and American Canyon's land use policies as it relates to the Atkins Group' lot. Commissioner Kelly also asked whether American Canyon had indicated intent to change its land use policies concerning the Atkins Group' lot. Staff responded they were not aware of any new plans by American Canyon concerning the lot.

Commissioner Wagenknecht asked for clarification of the staff recommendation as it relates to the Atkins Group' lot and specifically the interaction with American Canyon's urban growth boundary Staff stated the recommendation to exclude the Atkins Group' lot from the sphere is principally driven by assigning deference to American Canyon's urban growth boundary as provided under Commission policy. Staff also noted, though, the Commission has occasionally approved sphere designations that did not follow the affected city's urban growth boundary based on unique conditions; a consideration that may apply in this case if the members believe it would be appropriate for the Atkins Group' lot to be developed – at least in the near term – under the County's land use authority.

Chair Chilton opened the public hearing.

Consultant Dick Lowkee addressed the Commission on behalf of his client Charles Merrill; a part owner in the Atkins Group' lot. Mr. Lowkee summarized his client's interest and justification with regards to why the Atkins Group' lot should be added to CSA No. 3's sphere given the land's nexus and similarity with properties located in Subarea A-1.

Chair Chilton thanked Mr. Lowkee for his comments, and asked for any other public comments. There were none. Chair Chilton closed the public hearing.

Commissioner Bennett asked staff how people were notified of the sphere update, and for more information regarding recurring problems with the County and the property owners. Staff stated that a public hearing notice was published in the local newspaper 21 days in advance of the hearing as required under law. Staff also noted they had voluntarily mailed out an announcement on the sphere update and recommendations therein to all affected landowners in the four subareas. Staff commented they purposefully limited the scope of the supplemental report in addressing the claims made by the Atkins Group against the County to only the outcome of the settlement agreement as it relates to establishing road and utility access for the subject lot.

Commissioner Inman noted that if the subject lot eventually develops as accessory uses for the airport, then it would be proper for it to be in CSA No. 3, however, if other uses, it would be proper to be in American Canyon.

Commissioner Dodd suggested it would be reasonable to add the Atkins Group's lot to CSA No. 3's sphere now given the analysis in the supplemental report while noting it does not preclude the lot from eventually going into American Canyon in the future if warranted based on development uses and service needs.

Chair Chilton asked for clarification from staff as to why the Atkins Group's lot is located within American Canyon's urban growth boundary but lies outside the City's sphere. Staff stated the Commission had conditionally added the Atkins Group's lot to American Canyon's sphere as part of the last update along with the two neighboring properties known as "Panattoni" and "Headwaters." Staff added the addition of these properties to the sphere were conditioned on American Canyon first executing land use easements with the affected landowners to ensure their continued industrial uses and within a specified time period. An industrial easement for the Atkins Group's lot was not completed by the established deadline and, as a result, remains outside American Canyon's sphere.

Commissioner Bennett commented she learned from the American Canyon that staff had tried very hard to get the Atkins Group to respond to an easement agreement, but they did not. Commissioner Bennett added she did not believe there would be a problem with the Commission adding the Atkins Group's lot to CSA No. 3's sphere at this time. Chair Chilton opened the public hearing again to take additional testimony.

Dick Lowkee responded to the question about why the Atkins Group's lot is not in American Canyon's sphere and clarified the property owners did not want to exercise that particular easement agreement given collateral considerations.

Commissioner Wagenknecht requested to hear from Napa County Airport staff on this matter.

Airport Manager Martin Pehl advised the Commission that it did not have a preference with respect to the Atkins Group's lot being added to CSA No. 3.

Chair Chilton once again closed the public hearing.

Upon motion by Commissioner Bennett and second by Commissioner Dodd, the staff recommendation to update the sphere of influence for CSA No. 3, as well as to include the Atkins property (APN#057-040-007) was approved unanimously (**Resolution #2012-08**).

7. ACTION ITEMS

None.

8. DISCUSSION ITEMS

a) Sphere of Influence Update on Lake Berryessa Resort Improvement District

The Commission received a draft report on its scheduled sphere of influence update on Lake Berryessa Resort Improvement District (LBRID). The main focus of the draft report is to consider whether it is appropriate to expand the current sphere of influence designation to include the entire jurisdictional boundary. There are 1,850 acres of remaining jurisdictional lands that lie outside of the sphere. There were no recommendations from staff, only three distinct update options, depending on Commission preference and according to LAFCO law:

Option 1) Expand the Sphere to Match the entire Jurisdictional Boundary;

Option 2) Retain Current Sphere and Pursue Detachment Alternatives; and

Option 3) Retain Current Sphere and Table Considerations.

The draft report was presented for discussion and direction in anticipation of staff preparing a final report for adoption at a future meeting. Staff plans to issue a 30-day public review notice on the draft report to all interested parties – including landowners, and will incorporate the input provided by Commissioners in preparing a final report for consideration at the next regularly scheduled meeting.

Chair Chilton invited questions or comments from Commissioners.

Commissioner Dodd expressed support for Option Three given the current flux underlying the municipal and fiscal operation of the District.

Chair Chilton invited questions or comments from the public.

Steve Lederer, County Public Works Director, addressed the Commission and stated Option Three made sense as commented by Commissioner Dodd. Mr. Lederer also noted the District was in the process of starting new outreach to assess community needs and preferences going forward, including performing a household income survey to determine the scope of financing options available to fund needed improvements. Mr. Lederer also stated the likelihood of the Napa County Regional Park and Open Space District initiating any projects in the near term for lands subject to the update were unlikely.

Lisa Diseptimo with Napa County Land Trust commented the organization – which owns a significant portion of land located within one of three subareas under review – has no interest in having their properties added to the District's sphere given they have no need for services. ,

Commissioner Rodeno questioned whether there was a compelling reason to add publicly owned/non-profit conservation lands in the sphere and specifically referenced the property owned by the Land Trust in Subarea A-3.

Chair Chilton asked if there are any requirements for property owners of privately-owned lands to agree to detachment. Staff responded yes and noted this issue presumably would be

an issue at a minimum for property owners in Subarea A-1, also known as Unit One, given several have indicated interest in establishing water service with the District.

Commissioner Inman inquired whether adding Subarea A-2 to the sphere would financially benefit the District. Staff responded there would be no financial benefit to the District given the land is already in its jurisdiction and, accordingly, generates a proportional amount of property tax revenue.

Chair Chilton noted the report was in draft form and asked Commissioners if there was any further direction for staff before a final version is prepared. Commissioners Bennett, Dodd, Kelly and Wagenknecht commented they supported Option Three.

b) Update on Adopted Study Schedule

Staff provided the Commission with a brief update on the status of the municipal service reviews and sphere of influence updates calendared as part of the current study schedule. The update was presented for discussion and the Commission's direction to staff with regards to future related actions.

9. EXECUTIVE OFFICER REPORT

The Commission received a verbal report from the Executive Officer regarding current staff activities. This included the following:

- Biennial Review of Conflict of Interest Code; updated with no changes.
- Informational Report on Private Community Water Systems Operating in Napa County
- CALAFCO Annual Conference, October 3-5, 2012, Monterey, California

10. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

None.

11. CLOSED SESSION

There was no closed session.

12. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

There was no discussion of this item.

13. ADJOURNMENT

The meeting was adjourned at 5:05 p.m. The next regular LAFCO meeting is scheduled for Monday, December 3, 2012 at 4:00 p.m.

Lewis Chilton, Chair

ATTEST: Keene Simonds, Executive Officer

Prepared by:

Brandon Freeman

FOR: Kathy Mabry, Commission Secretary



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

December 3, 2012

Agenda Item No. 5e (Consent/Information)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Designation of Chair and Vice Chair for Calendar Year 2013

The Commission will receive a report regarding the designation of the Chair and Vice Chair for the 2013 calendar year. The report is being presented for information.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 specifies each Local Agency Formation Commission (LAFCO) shall comprise no less than five regular members made by appointment. This includes two members appointed by the board of supervisors, two members appointed by the city selection committee, and one member appointed by the other four regular members.

A. Information

It is the policy of LAFCO of Napa County (“Commission”) to annually rotate the Chair and Vice Chair among its regular members. The subject policy was adopted in August 2004 and assigns seat designations for all five regular positions on the Commission. The underlying purpose of the policy is to provide an automatic and predetermined rotation of the Chair and Vice Chair at the beginning of each calendar year. The policy ensures each regular member position and – in the case of county and city members – their appointing authority has an opportunity to serve as the Commission’s presiding officer.

With the preceding comments in mind, and based on the current roster, the Commission’s adopted policy designates Brad Wagenknecht and Brian J. Kelly as Chair and Vice Chair, respectively, in 2013. The complete rotation schedule follows.

2013 Chair Schedule

1. County Member II (Wagenknecht)
2. Public Member (Kelly)
3. City Member I (Bennett)
4. County Member I (Dodd)
5. City Member II (Chilton)

2013 Vice Chair Schedule

1. Public Member (Kelly)
2. City Member I (Bennett)
3. County Member I (Dodd)
4. City Member II (Chilton)
5. County Member II (Wagenknecht)

Lewis Chilton, Chair
Councilmember, Town of Yountville

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Vice Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Commission Review

This item has been agendized as part of the consent calendar for information only. Accordingly, if interested, the Commission is invited to pull this item for additional discussion and/or to provide future direction with the concurrence of the Chair.

Attachment:

- 1) Commission Policy: *Appointment of Chair and Vice Chair*

Local Agency Formation Commission of Napa County
 Policy For the Appointment of Chair and Vice-Chair
 (Adopted: August 3, 2004)

It is the policy of the Commission that:

1. This policy becomes effective January 1, 2005.
2. The terms of office of the Chair and Vice-Chair shall be one calendar year and shall begin on January 1.
3. Upon the date of adoption of this policy, for the purposes of establishing a rotational system for the appointment of the chair and vice-chair, each regular member seat on the Commission shall have a designation as indicated in the following table:

<u>Seat Designation</u>	<u>Occupant of Seat on Aug. 1, 2004</u>
City Member I	Lori Luporini
City Member II	Ken Slavens
County Member I	Mike Rippey
County Member II	Brad Wagenknecht
Public Member	Guy Kay

It shall be the responsibility of the Executive Officer to maintain a record of the seat designations and occupants.

4. The Chair on January 1, 2005 shall be the occupant of the seat designated City Member I.
5. The Vice-Chair of the Commission shall be appointed according to the following:

<u>Seat Designation of the Chair</u>	<u>Seat Designation of the Vice-Chair</u>
City Member I	County Member I
County Member I	City Member II
City Member II	County Member II
County Member II	Public Member
Public Member	City Member I

6. Upon completion of a term as Vice-Chair, that member shall be appointed to serve as the Chair of the Commission.
7. If a vacancy should be created in the office of the Chair for any reason, the members shall, at the next regular meeting, appoint the Vice-Chair to fill the vacancy for the remaining unexpired term.
8. If a vacancy should be created in the office of the Vice-Chair for any reason, the members shall, at the next regular meeting, appoint a Vice-Chair to fill the vacancy for the remaining unexpired term in accordance with the system set forth in Statement #5.
9. If a member fulfills an unexpired term of the Chair, he shall be appointed to fulfill the subsequent full term of the office.
10. The Commission may create temporary changes to the schedule in Statement #5 as part of an action item placed on the agenda.

Local Agency Formation Commission of Napa County
Policy For the Appointment of Chair and Vice-Chair

Seat Designations and Occupants
Updated: July 25, 2005

City Member I	Lori Luporini
City Member II	Dr. Andrew Alexander
County Member I	Bill Dodd
County Member II	Brad Wagenknecht
Public Member	Guy Kay



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

December 3, 2012

Agenda Item No. 5f (Consent/Information)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Notice of Expiring Commissioner Terms in 2013

The Commission will receive a report identifying the member terms scheduled to expire in 2013. Affected members are Chilton, Inman, and Luce. The report is being presented for information only.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 states the composition of Local Agency Formation Commissions (LAFCOs) shall generally include two regular members representing the county, two regular members representing the cities, and one regular member representing the general public. LAFCOs may also have two regular members representing special districts. Each category represented on LAFCO also has one alternate member. Appointments for the county and city regular and alternate members are made by board of supervisors and city selection committees, respectively. Appointments for the regular and alternate public members are made by the county and city members on LAFCO. All terms on LAFCO are four years.

A. Information

LAFCO of Napa County (“Commission”) has a total of three members with terms scheduled to expire during the 2013 calendar year. The affected Commissioners are Chilton (Regular City), Inman (Alternate City), and Luce (Alternate County). The appointments to the Commission involving any county or city member are the sole jurisdiction of the Board of Supervisors and City Selection Committee, respectively. Staff will notify these respective bodies and request they make new four-year appointments/reappointments for the affected seats before May 4th. If appointments for these affected seats are not made by the referenced date, the current seat holders will remain on the Commission until reappointed or replaced as provided under LAFCO law.

A full listing of the expiring terms for all Commissioners follows.

Lewis Chilton, Chair
Councilmember, Town of Yountville

Brad Wagenknecht, Vice Chair
County of Napa Supervisor, 1st District

Brian J. Kelly, Commissioner
Representative of the General Public

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

Member	Appointing Authority	Term Expires
Lewis Chilton, Chair	City Selection Committee	May 4, 2013
Brad Wagenknecht, Vice Chair	Board of Supervisors	May 2, 2016
Joan Bennett	City Selection Committee	May 4, 2013
Bill Dodd	Board of Supervisors	May 5, 2014
Brian J. Kelly	Commission	May 4, 2014
Juliana Inman, Alternate	City Selection Committee	May 4, 2013
Mark Luce, Alternate	Board of Supervisors	May 4, 2013
Gregory Rodeno, Alternate	Commission	May 2, 2016

B. Commission Review

This item has been agendaized as part of the consent calendar for information only. Accordingly, if interested, the Commission is invited to pull this item for additional discussion and/or to provide future direction with the concurrence of the Chair.

Attachments: none



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

December 3, 2012

Agenda Item No. 5g (Consent/Information)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: CALAFCO Quarterly Report

The Commission will receive the most recent quarterly report prepared by the California Association of Local Agency Formation Commissions. The report is being presented to Commissioners for information only.

A. Information

The California Association of Local Agency Formation Commissions (CALAFCO) recently adopted a new strategic plan. The strategic plan includes a goal of maintaining enhanced communication with member agencies. This includes providing quarterly updates on Board actions and related activities within CALAFCO. The most recent quarterly report was issued at the end of October 2012 and is attached.

B. Commission Review

The Commission is invited to review and discuss the attached report as needed.

Attachments: as stated

Lewis Chilton, Chair
Councilmember, Town of Yountville

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Vice Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

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Representative of the General Public

Keene Simonds
Executive Officer



News from the Board of Directors

CALAFCO QUARTERLY

October 2012

New Board of Directors Meet at Annual Conference

The CALAFCO Board of Directors met in Monterey on Friday, October 5th. The Board welcomed new members Michael Kelley (Imperial LAFCo), Stephen Tomanelli (Riverside LAFCo), and Robert Bergman (Nevada LAFCo). New officers were also elected:

- ❖ Chair – Ted Novelli (Amador LAFCo)
- ❖ Vice Chair – Mary Jane Griego (Yuba LAFCo)
- ❖ Secretary – John Leopold (Santa Cruz LAFCo)
- ❖ Treasurer – Stephen Tomanelli (Riverside LAFCo)

On behalf of the entire Association, we thank outgoing Chair Jerry Gladbach for his strong leadership this past year. A portion of the meeting was spent reviewing the Association's annual IRS Form 990 filing. CALAFCO staff and CPA walked through the 24-page form. More than just financials, Form 990 requires an extensive array of policies and procedures to be adopted by 501(c)(3) agencies such as CALAFCO. It was reported that we are in full compliance with all IRS requirements and the Board unanimously approved the filing. A copy of the Form 990 and other corporate documents is available on the web site under the resources tab.

CALAFCO Executive Officer Lou Ann Texeira announced the appointment new Deputy Executive Officer Samuel Martinez (San Bernardino LAFCo). The Board expressed its gratitude and appreciation to June Savala (Los Angeles LAFCo) for her service as outgoing CALAFCO Deputy Executive Officer. Outgoing Chair Gladbach and incoming Chair Novelli, on behalf of the board, thank June for all of the work she did behind the scenes and her outstanding leadership for CALAFCO U this year.

Annual Conference Held in Monterey

The CALAFCO Annual Conference was held October 3rd - 5th at the Hyatt Regency Monterey. 239 commissioners, staff, and associate members attended, and 50 of the 57 member LAFCOs were represented. Our thanks to Monterey LAFCo for hosting and the Program Committee Chair (John Leopold, Santa Cruz LAFCo) and Members on the wonderful job they did delivering a rich learning and networking opportunity for all who attended. We also thank those who sponsored the conference this year. CALAFCO congratulates the gold, silver, and bronze medal winners of the beer and wine competition, as well as the first place golf team.

CALAFCO also congratulations this year's Achievement awardees:

- ❖ Outstanding Commissioner – *Sherwood Darington* (Monterey LAFCo)
- ❖ Outstanding LAFCo Clerk – *Gwenna MacDonald* (Lassen LAFCo)
- ❖ Outstanding LAFCo Professional – *Carole Cooper* (Sonoma LAFCo)

- ❖ Distinguished Service – *Marty McClelland* (Humboldt LAFCo)
- ❖ Project of the Year – *Countywide Service Review & SOI Update* (Santa Clara LAFCo)
- ❖ Government Leadership – *N. Orange County Coalition of Cities* (Orange LAFCo)
- ❖ Most Effective Commission – *Sonoma LAFCo*
- ❖ Outstanding CALAFCO Member – *Stephen A. Souza* (Yolo LAFCo)
- ❖ Lifetime Achievement – *P. Scott Browne* (Various LAFCos)
- ❖ Mike Gotch Courage & Innovation in Local Leadership – *Bill Chiat*

Evaluation and financial summaries will be reported during the November Board meeting. All presentation materials will be available by the end of October on the website under the education tab.

A Fond Farewell to Bill Chiat and Jamie Szutowicz and Warm Welcome to Pamela Miller

During the annual business meeting on October 4th, Board Chair Jerry Gladbach, on behalf of the CALAFCO Board, presented Bill Chiat, outgoing Executive Director, with an engraved silver ice bucket and a Resolution of Appreciation for his eight years of dedicated service to CALAFCO. The Association honored Bill for his leadership and expertise, which served to promote the growth and renewal of the Association, his effective representation of the Association's interests to the State Legislature and the Governor's Office, as well as successfully fostering collaborative and cooperative relationships with the Association's counterparts. Bill also received a resolution on behalf of Assemblyman Cameron Smyth, Chair of the Assembly Local Government Committee. We wish Bill all the best in his retirement and future endeavors.

We also said farewell to Jamie Szutowicz, CALAFCO's Executive Assistant, after five years of service to the Association. Jamie worked diligently, efficiently, and always with a smile to bring order to a host of administrative processes that support the Association. Jamie has agreed to stay on for a short time to help with the transition of Executive Directors and the hiring of her replacement.

The Association welcomed new Executive Director Pamela Miller during its annual business meeting. The Executive Director baton was officially passed at the October 5th Board of Directors meeting. Pamela comes to CALAFCO with a diverse background that includes local government, non-profit, and private sector experience. She can be reached at pmiller@calafco.org.

Correction to Dates of 2013 Staff Workshop

The correct dates are April 10-12, 2013 (Wed – Fri). The Workshop is being hosted by Yolo LAFCo and will be held in Davis at the Odd Fellows Hall.





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

December 3, 2012

Agenda Item No. 5h (Consent/Information)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Brendon Freeman, Analyst

SUBJECT: Report on Website Visits

The Commission will receive a report summarizing visitor traffic to the agency's website. The report identifies trends in audience characteristics over the last two years and is being presented for information only.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires Local Agency Formation Commissions (LAFCOs) to establish and maintain websites. Government Code Section 56300 specifies LAFCO websites must provide notices of meetings and hearings as well as other pertinent information for public review.

A. Background

In July 2009, LAFCO of Napa County ("Commission") launched a new website. The website was designed and implemented by Planeteria out of Santa Rosa, California after a formal bid process. The website replaced the Commission's previous version, which had been developed and maintained by staff using Adobe GoLive. The purpose in budgeting for the new website was threefold: (a) improve visual setting; (b) enhance content management; and (c) increase interactivity through user-friendly navigation.

B. Information

Visitor usage has increased in each of the three years since the Commission's new website was launched. Overall visits to the website have expanded during this period by one-fifth and increased the average daily visits from approximately four to five. Other notable statistics or trends with respect to website visits follow.

Categories	November 1, 2009 to October 31, 2010	November 1, 2010 to October 31, 2011	November 1, 2011 to October 31, 2012	Trends
Total Visits	1,452	1,562	1,724	+18.7%
Avg. Daily Visits	3.9	4.3	4.7	+18.7%
Unique Visits	695	901	962	+38.4%
% New Visitors	47.5	51.7	51.5	+8.4%
Traffic Sources	---	---	---	---
- Search	58.5	54.3	61.7	+5.5%
- Referral	21.8	24.1	19.8	-9.2%
- Direct	19.4	21.6	18.5	-4.6%

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County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

C. Commission Review

The Commission is invited to review and discuss the report and direct staff to follow up with any additional information as needed.



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

December 3, 2012

Agenda Item No. 5i (Consent/Information)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Current and Future Proposals

The Commission will receive a report summarizing current and future proposals. The report is being presented for information. No new proposals have been submitted since the October 1, 2012 meeting.

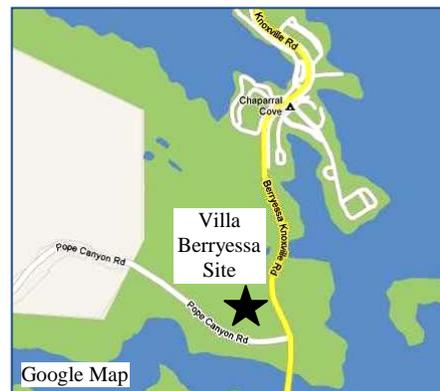
The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 delegates Local Agency Formation Commissions (LAFCOs) with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. This includes approving or disapproving proposals involving the formation, expansion, merger, and dissolution of cities and special districts.

A. Information

There are currently two active proposals on file with LAFCO of Napa County (“Commission”). A summary of these active proposals follows.

Formation of the Villa Berryessa Water District

This application has been submitted by Miller-Sorg Group, Inc. The applicant proposes the formation of a new special district under the California Water District Act. The purpose in forming the new special district is to provide public water and sewer services to a planned 100-lot subdivision located along the western shoreline of Lake Berryessa. A tentative subdivision map for the underlying project has already been approved by the County. The County has conditioned recording the final map on the applicants receiving written approval from the United States Bureau of Reclamation to construct an access road and intake across federal lands to receive water supplies from Lake Berryessa. Based on their own review of the project, the



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Gregory Rodeno, Alternate Commissioner
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Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

Bureau is requesting a governmental agency accept responsibility for the construction and perpetual operation of the water and sewer systems serving the subdivision.

Status: Staff is currently awaiting a response to an earlier request for additional information from the applicant.

Silverado Trail/Zinfandel Lane Annexation to the City of St. Helena

The City of St. Helena proposes the annexation of approximately 100 acres of unincorporated territory located northwest of the intersection of Silverado Trail and Zinfandel Lane. The subject territory consists of one entire parcel and a portion of a second parcel, which are both owned and used by St. Helena to discharge treated wastewater from an adjacent treatment plant through a spray irrigation system. Both subject parcels are located outside the City's sphere of influence. Rather than request



concurrent amendment, St. Helena is proposing only the annexation of a portion of the second parcel to ensure the subject territory is non-contiguous to its incorporated boundary and therefore eligible for annexation under Government Code Section 56742. This statute permits a city to annex non-contiguous land it owns and uses for municipal purposes without consistency with its sphere of influence. However, if sold, the statute requires the land be automatically detached. The two subject parcels are identified by the County Assessor as 030-240-017 (portion) and 030-250-018.

Status: Staff has completed its review of the proposal. St. Helena has filed a request with the Commission to delay consideration of the proposal in order to explore a separate agreement with the County to extend the current Williamson Act contract associated with the subject territory.

There are seven potential new proposals that may be submitted to the Commission in the near future based on extensive discussions with proponents. A summary of these anticipated proposals follows.

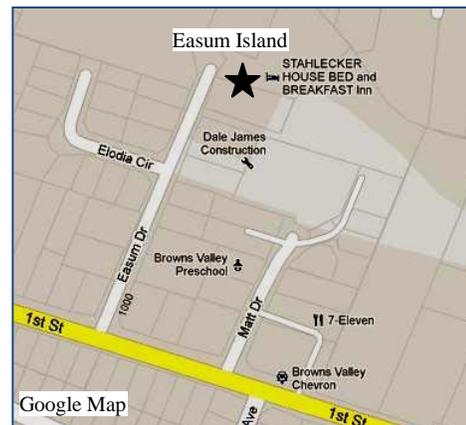
Sibsey Annexation to the City of Napa

A representative for an interested landowner of a 0.77 acre unincorporated property located at 2138 Wilkins Avenue has inquired about re-initiating annexation to the City of Napa. This property was conditionally approved for annexation by the Commission on February 2, 2009. The conditions, however, were never satisfied and annexation proceedings were formally abandoned on April 5, 2010. Staff is working with the landowner's representative and the City to discuss resuming annexation proceedings. This includes preparing a new application in consultation with the City.



Stahlecker Annexation to the City of Napa

An interested landowner within a completely surrounded unincorporated island located near Easum Drive in the City of Napa has inquired about annexation. The landowner owns and operates a bed and breakfast and is interested in annexation in response to an informational mailer issued by LAFCO outlining the cost benefits to annexation. Subsequent follow up indicates one of the other two landowners within the island is also agreeable to annexation if there is no financial obligation. Staff is working with the City on its interest/willingness to reduce or waive fees associated with adopting a resolution of application in order to initiate "island proceedings".



Garaventa Annexation to the City of Napa

An interested landowner within a substantially surrounded unincorporated island located near the intersection of Imola Avenue and Tejas Avenue has inquired about annexation to the City of Napa. The interested landowner owns an approximate 1.5 acre undeveloped lot and is interested in ultimately pursuing a development project, although no specific plans exist at this time. Staff worked with the landowner on gauging interest to increase the



scope of the annexation through a mailed survey. The results of the survey indicated, however, there is not sufficient interest to expand the boundary to eliminate the entire island. Accordingly, and in consultation with the City, staff supports the landowner moving forward with the City in initiating an application to LAFCO for the affected territory with the caveat that it may be amended at the dais if deemed appropriate by the Commission.

Alumbaugh Annexation to the City of Napa

An interested landowner has inquired about annexation to the City of Napa. The subject territory is approximately 6.0 acres and comprises one entire unincorporated parcel located at 29 Forest Drive in northwest Browns Valley. A review of LAFCO records shows the subject territory was added to Napa's sphere of influence in June 1978 as part of an approved amendment involving several other properties in the Redwood Road/Forest Drive area. The purpose of the potential proposal would be to allow the landowner to begin work with Napa in



processing a residential subdivision application consistent with the City's General Plan and Zoning Ordinance. The City Council will consider adopting a resolution of application for the Alumbaugh annexation at its December 4, 2012 meeting.

Pressey Annexation to the City of Napa

An interested landowner has inquired about annexation to the City of Napa. The subject territory is approximately 1.0 acres and comprises one entire unincorporated parcel located at 1101 Grandview Drive in the Hilton Subdivision. A review of LAFCO records shows the subject territory was added to Napa's sphere of influence in October 1973 as part of an approved amendment involving several other properties in the Grandview



Drive/Foster Road area. The landowner originally contacted staff with interest in executing an outside water service agreement with the City to support a pending building permit application filed with the County to construct a new single-family residence. In consultation with the City, it was determined an outside service extension is not an available option for the subject territory given prior City Council action that specifies all new water connections in the Hilton Subdivision must be accommodated through annexation. The landowner is now working with City staff in anticipation of initiating an annexation application. The landowner has also withdrawn their building permit application with the County. The City Council will consider adopting a resolution of application for the Pressey annexation at its December 4, 2012 meeting.

Airport Industrial Area Annexation to County Service Area No. 3

LAFCO staff recently completed a sphere of influence review and update for County Service Area (CSA) No. 3. This included amending CSA No. 3's sphere to add approximately 125 acres of unincorporated territory located immediately north of the City of American Canyon in the Airport Industrial Area. The County of Napa is expected to submit an application to annex the 125 acres to CSA No. 3 by the end of the fiscal year. The subject territory is completely uninhabited and includes seven entire parcels along with a portion of an eighth parcel. This eighth parcel, notably, comprises a railroad track owned and operated by Southern Pacific. The subject territory also includes segments of Airport Drive, Devlin Road, and South Kelly Road. Annexation would help facilitate the orderly extension of street and fire protection services to the subject territory under the land use authority of the County.



Formation of a Community Services District at Capell Valley

An interested landowner has inquired about the formation of a new special district for purposes of assuming water responsibilities from an existing private water company. The subject area includes the 58-space mobile home park adjacent to Moskowitz Corners as well as two adjacent parcels that are zoned for affordable housing by the County. Staff has been working with the landowner in evaluating governance options as well as other related considerations under LAFCO law. This includes presenting at a community meeting earlier this year. The meeting was attended by approximately 25 residents and provided staff the opportunity to explain options and processes available to residents with respect to forming a special district as well as to answer questions. Commissioner Dodd was also in attendance. The landowner subsequently requested a fee waiver for the cost of submitting an application to form a new special district at the Commission's June 4th meeting. The Commission denied the request without prejudice and noted the opportunity exists for the landowner to return at a future date with additional information to justify a fee waiver request as well as the underlying action: forming a new special district.



B. Commission Review

This item has been agendaized as part of the consent calendar for information only. Accordingly, if interested, the Commission is invited to pull this item for additional discussion with the concurrence of the Chair.

Attachments: none



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

December 3, 2012
Agenda Item No. 6a (Public Hearing)

November 27, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Lake Berryessa Resort Improvement District Sphere of Influence Update

The Commission will consider taking two separate actions relating to the agency's scheduled sphere of influence update on the Lake Berryessa Resort Improvement District. The first proposed action is for the Commission to formally receive and file a final report on the sphere update. The second proposed action is for the Commission to adopt a draft resolution enacting the final report's central recommendation to affirm the District's existing sphere designation with no changes.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") directs Local Agency Formation Commissions (LAFCOs) to establish, amend, and update spheres of influence ("spheres") for all cities and special districts. LAFCOs use spheres to designate the territory it independently believes represents the appropriate future service areas and jurisdictional boundaries of the affected agencies. Importantly, all jurisdictional changes and outside service extensions must be consistent with the affected agencies' spheres with limited exceptions. Sphere updates are prepared in concurrence with municipal service reviews and must be performed for all local agencies every five years.

A. Discussion

Staff has prepared a final report representing LAFCO of Napa County's ("Commission") scheduled sphere update on Lake Berryessa Resort Improvement District (LBRID); the governmental entity responsible for providing water and sewer services for the unincorporated Berryessa Estates community. The basic objective of the report – which was initially presented in draft form at the October 1st meeting for discussion and review – is to independently identify and evaluate areas warranting consideration for inclusion or removal from LBRID's sphere relative to the policies and goals codified in CKH and adopted by the Commission. The report follows the last comprehensive sphere update for LBRID adopted by the Commission in December 2007. The report also draws on information collected and analyzed in the Commission's recently completed municipal service review on the Lake Berryessa region, which included evaluating the adequacy and capacity of services provided by LBRID.

Lewis Chilton, Chair
Councilmember, Town of Yountville

Brad Wagenknecht, Vice Chair
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Councilmember, City of Napa

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

B. Summary/Analysis

Policy Focus

The final report and its analysis has been oriented to focus on a central policy question as to whether it is appropriate to expand LBRID's current sphere to include the District's entire jurisdictional boundary. This central consideration is drawn from the Commission's previous action to include only 10 percent of LBRID's jurisdictional boundary in establishing the sphere in 1985 for reasons detailed in this report and summarized in the succeeding paragraphs. The report, accordingly, evaluates the merits of adding this lone study category consisting of approximately 1,850 acres of remaining jurisdictional land to the sphere relative to current considerations (i.e., legislative directives, adopted policies, and member preferences). The report further divides this lone study category into three distinct subareas labeled "A-1," "A-2," and "A-3" based on ownership factors. An enlarged map of the study category and its subareas is attached.

Central Conclusions

The final report concludes there is equal merit in taking one of three actions with respect to updating LBRID's sphere at this time. These three options – which were also outlined in the initial draft presented on October 1st – are subject to Commission preferences in administering LAFCO law in Napa County. The three options are identified below with an expanded discussion provided in the report's Executive Summary.

- **Option One: Expand the Sphere to Match the Jurisdictional Boundary**
This option would be appropriate if it is the Commission's preference to assign overriding deference to the affected lands' existing social and economic ties with LBRID in choosing to add the subareas to the sphere.
- **Option Two: Retain Current Sphere and Pursue Detachment Alternatives**
This option would be appropriate if it is the Commission's preference to emphasize the affected lands' limited land use and service planning compatibilities with LBRID in choosing to continue to exclude the subareas from the sphere. This option would, notably, serve to reaffirm the Commission's policy statement the affected lands be detached and be memorialized by taking one or both of the following actions. The first alternative is for the Commission to formally request the LBRID Board take action to initiate a proposal to detach the subareas. The second alternative is for the Commission to direct the Executive Officer to initiate a proposal to reorganize LBRID to establish a new community services district with a jurisdictional boundary that excludes the subareas.
- **Option Three: Retain Current Sphere and Table Considerations**
This option would be appropriate if it is the Commission's preference to maintain the status quo and table all related policy considerations to the next scheduled update. This option would be appropriate if the Commission believes more information is warranted with regards to future LBRID operations and community needs before taking any new action.

Public Comments

A notice of review on the draft report prepared on LBRID's sphere update and presented at the October 1st meeting was issued on October 12th. The notice summarized the report's key conclusions and invited written comments through November 12th as well as in initiation to provide verbal testimony at today's hearing. The notice was posted on the Commission's website and mailed to LBRID as well as all landowners within the three subject subareas. Three written comments were received and are summarized below.

- **LBRID**
LBRID's General Manager Phillip Miller provided an email response on the sphere update to the Commission on October 25th. Mr. Miller requests the Commission defer making any changes to LBRID's sphere at this time given the existing flux permeating the District's operations and highlighted by the current construction of new facilities.
- **Land Trust of Napa County / Affected Landowner**
The Land Trust's Chairman Rob Andreae provided a written response on the sphere update to the Commission on October 29th. The Land Trust is the owner of three lots totaling 237 acres in Subarea A-3 and requests the properties remain outside LBRID's sphere at this time. The Land Trust notes there is no plan to develop the properties – which have been under conservation as a wildflower preserve since 2000 – and therefore LBRID's services are not needed.
- **Carlos Fischer / Affected Landowner**
Mr. Fisher provided an e-mail response on the sphere update to the Commission on November 2nd. Mr. Fischer is the owner of two lots located in Subarea A-1 and notes he and others within Unit One are committed to remaining in LBRID and establishing water services with the District.

Recommendation

The final report recommends the Commission retain LBRID's current sphere designation and table all related policy considerations to the next scheduled update; actions identified in the preceding section as Option Three. These actions – most notably – would be consistent with the preferences initially provided by Commissioners during the draft review of the report at October 1st meeting. These actions would also follow a referenced request by LBRID for more time before the Commission makes a decision on the outstanding policy considerations identified in the report.

C. Recommendation

Staff recommends the Commission formally accept the final report as presented. Staff also recommends the Commission adopt the attached draft resolution confirming the determinative statements in the final report to update LBRID's sphere with no changes.

D. Alternatives for Action

The following alternative actions are available to the Commission.

Alternative Action One (Recommended):

Approve by motion to (a) accept the final report as presented and (b) adopt the draft resolution confirming the determinative statements therein in updating LBRID's sphere as specified by members.

Alternative Action Two:

Approve by motion a continuance to a future meeting and provide direction to staff with respect to additional information requests as needed.

E. Procedures for Consideration

This item has been agendized as a noticed public hearing. The following procedures are recommended with respect to the Commission's consideration of this item:

- 1) Receive verbal report from staff;
- 2) Open the public hearing (mandatory); and
- 3) Discuss item and consider action on recommendations.

Respectfully submitted,

Keene Simonds
Executive Officer

Brendon Freeman
Analyst

Attachments: (Attachments available by viewing report on "Staff Reports" page)

~~1. Map of Study Category and Subareas~~

~~2. Final Report~~ (Final Report is available for viewing on the "Studies" page)

~~3. Draft Resolution~~

4. Written Comments on Draft Report

- a) LBRID
- b) Land Trust of Napa County / Landowner
- c) Carlos Fischer / Landowner

LAKE BERRYESSA RESORT IMPROVEMENT DISTRICT

ADMINISTRATION OFFICE

1195 Third Street, Suite 201
Napa, CA 94559-3092
Main: (707) 253-4351
Fax: (707) 253-4627

FIELD OFFICE

2446 Stagecoach Canyon Rd.
Pope Valley, CA 94567
Main: (707) 965-9186
Fax: (707) 965-9186

October 25, 2012

VIA E-MAIL

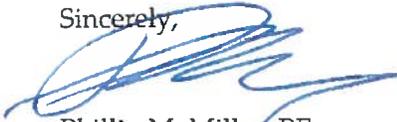
Local Agency Formation Commission
Attention: Keene Simonds
1700 Second Street, Suite 268
Napa, CA 94559

Re: Response to Sphere of Influence Update on Lake Berryessa Resort Improvement District

In response to the Local Agency Formation Commission's (LAFCO's) October draft report regarding whether it is appropriate to expand the Lake Berryessa Resort Improvement District's (LBRID's) current sphere to include the District's entire jurisdictional boundary, staff of LBRID would suggest that the Commission approve Option Three which retains the current sphere. At this time, LBRID operations and community needs are in a state of flux. LBRID is in the middle of upgrading its water and sewer facilities, having only recently completed a new water plant and upgrades to the sewer facilities are still needed. The community has suffered as a result of the recession with home prices plummeting and monthly bills increasing to cover the cost of facility upgrades and operations. Expanding the sphere at this time, would not serve any purpose. I would respectfully request that you delay this action until the next scheduled update which would provide time to make facility improvements and allow the community to recover from the recent financial crisis.

If you have any questions concerning our comments please feel free to contact me.

Sincerely,



Phillip M. Miller, PE
District Engineer

Cc: Board of Directors, LBRID
Janice Killion, District Counsel
Steve Lederer, Director of Public Works



October 25, 2012

Local Agency Formation Commission of Napa County

1030 Seminary Street, Suite B

Napa, California 94559

RECEIVED**OCT 29 2012****NAPA COUNTY
LAFCO**

Dear Commissioners:

The Land Trust of Napa County has received notice dated October 12, 2012 regarding the Sphere of Influence Update on Lake Berryessa Resort Improvement District (LBRID). We have also received a copy of the staff report that shows that one of our preserves may be included in the Sphere of Influence for LBRID.

The preserve at issue is our Snell Missimer Wildflower Preserve ("Preserve"). This Preserve was purchased by the Land Trust with funds donated by Dale and Sue Missimer in 1999. The Preserve is known for the diversity and display of wildflowers that occur in the extremely rare serpentine grassland habitat in the spring. The wildflower fields have long been recognized by Bay Area botanists as a gem of the regional flora of the North Coast Ranges. The property contains over 290 native species representing almost one quarter of all known Napa County native species, an exception for such a small area. Several of the species are listed as threatened or endangered by the California Native Plant Society, including the narrow-leaved daisy, Napa western flax and *Colusa lavia*.

It is the intent of the Land Trust to preserve these resources in perpetuity. The Land Trust has no intent to develop the property.

The LAFCO staff report regarding LBRID indicates that the properties in A-3 already have the services that they need and that LBRID is probably incapable of providing water and sewer to these properties.

Excerpts from the staff report at pages 25 and 26 read as follows:

It appears the present need for public services within the subarea is limited given its existing and future land uses to include only a basic level of fire protection and law enforcement; all of which are adequately provided at this time by the County.

The municipal service review, however, notes LBRID's existing sewer collection and storage capacities are already significantly overtaxed in meeting existing demands during peak wet periods within the current service area and require immediate improvements. Providing new sewer service to the subarea appears infeasible given these existing capacity limitations.

Therefore, based on the lack of need of services, and infeasibility of LBRID providing services, we would request that our Property is not included in the sphere of influence of LBRID at this time.

Thank you for the opportunity to comment on this issue. Please feel free to contact Karin Troedsson, Staff attorney for The Land Trust with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob Andreae', with a large, sweeping flourish extending to the right.

Rob Andreae

Chair of the Board of Trustees

Simonds, Keene

From: Carlos Fischer [REDACTED]
Sent: Friday, November 02, 2012 11:17 AM
To: Simonds, Keene
Subject: LBRID Sphere

Dear Mr Simonds,

I am a property owner of Units 1 & 2 of LBRID and have worked with Lafco in the past with any proposed changes, as you are I am sure aware Unit 1 has a right to the water as it paid off on the general obligation bond created to finance the 800,000 water and sewer plant in the 60s, myself and a group of owners worked with the County, and board of supervisors in order to extend the water svc, our rights to the water was never questioned, however erosion control, engineering cost, burocracy made it unfeasible at that particular time, I as a broker worked with the various owners who foreclosed on both units and the fringe lands, sold over 100 lots, and as many homes, I also worked with Ken Johansen the head of public works in the 70s and 80s, the successors to him have always considered extension a win win for LBRID as more use is more money and better quality of water, I am now in Austin TX, and not always able to fly out for meetings, my son and friends are owners of both units, I ask to be kept informed, also the County wants to use our road, Spanish Valley Tr. which is private, to access Spanish Valley now in county ownership, I dont know where they would get potable water for their "intended"? use as wells have not produced in that area, thanks for your time Carlos Fischer [REDACTED] cell [REDACTED]



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

1030 Seminary Street, Suite B
Napa, California 94559
Telephone: (707) 259-8645
Facsimile: (707) 251-1053
www.napa.lafco.ca.gov

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

December 3, 2012
Agenda Item No. 7a (Action)

November 27, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Financial Audit for Fiscal Year Ending June 30, 2012

The Commission will review a report from an outside consultant auditing the agency's financial statements for the 2011-2012 fiscal year. The report is being presented to the Commission to formally receive and file.

It is the practice of the Local Agency Formation Commission of Napa County ("Commission") to retain an outside consultant to perform an audit on the agency's financial statements for each fiscal year completed. The purpose of the audit is for a third-party to assess the reliability of the financial statements by reviewing records and testing transactions to determine their compliance with generally accepted governmental accounting standards. The audit also provides an opportunity for the third-party to identify reporting errors and omissions as well as to make suggestions for improvements.

A. Discussion

In June 2012, the Commission authorized the Executive Officer to retain Galina, LLP to conduct an independent audit of the agency's financial statements for the 2011-2012 fiscal year. Gallina completed its audit in November 2012 and found no material misstatements. The audit also found no instances of significant or unusual changes in reporting practices and does not include any suggestions for improvements. A copy of the audit is attached.

B. Analysis

Gallina's audit provides an unqualified opinion the Commission's financial statements for the 2011-2012 fiscal year are reliable representations of the agency's financial position as of June 30, 2012. This "clean" opinion affirms the Commission maintains an effective level of internal control in managing its financial records and transactions which helps to ensure maximum accountability with respect to the agency's use of public funds. The audit also affirms the Commission's is in relatively strong financial position given it finished the fiscal year with an unrestricted fund balance of \$119,787; an amount representing more than one-fourth of the agency's current operating expenses.

Lewis Chilton, Chair
Councilmember, Town of Yountville

Brad Wagenknecht, Vice Chair
County of Napa Supervisor, 1st District

Brian J. Kelly, Commissioner
Representative of the General Public

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

An attached chart depicts changes in the Commission's audited fund balance since becoming a separate legal entity from the County of Napa beginning in 2001-2002.

C. Alternatives for Commission Action

The following alternative actions are available to the Commission:

Alternative One (Recommend):

Receive and file the completed audit report for 2011-2012.

Alternative Two:

Continue consideration of the item to the next regular meeting and direct staff to provide additional information as needed.

Alternative Three:

Take no action.

D. Recommendation

The Committee recommends Alternative One as outlined in the preceding section.

E. Procedures for Consideration

This item has been agendaized for formal action. The following procedures are recommended with respect to the Commission's consideration of this item:

- 1) Receive verbal report;
- 2) Invite public comment (discretionary); and
- 3) Discuss item and consider action on recommendation.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachments:

- 1) 2011-2012 Audit Report, Prepared by Gallina, LLP
- 2) LAFCO Financial Summary Chart Since 2001-2002

**LOCAL AGENCY FORMATION
COMMISSION OF NAPA COUNTY**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2012**

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Audit Report
For the Year Ended June 30, 2012

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LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Commission Membership

For the Year Ended June 30, 2012

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Bill Dodd	Chair Napa County Board of Supervisors	May 2014
Lewis Chilton	Vice Chair City Selection Committee	May 2013
Brian J. Kelly	Member Public Member	May 2014
Brad Wagenknecht	Member Napa County Board of Supervisors	May 2016
Joan Bennett	Member City Selection Committee	May 2015
Mark Luce	Alternate Member Napa County Board of Supervisors	May 2013
Gregory Rodeno	Alternate Member Public Member	May 2016
Juliana Inman	Alternate Member City Selection Committee	May 2013

FINANCIAL SECTION



GALLINA^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Local Agency Formation Commission of Napa County
Napa, California

We have audited the accompanying basic financial statements of the Local Agency Formation Commission of Napa County (Commission), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2012, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

Board of Commissioners
Local Agency Formation Commission
of Napa County

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gallina LLP

Roseville, California
November 2, 2012

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Management's Discussion and Analysis

The Local Agency Formation Commission of Napa County (Commission) administers a section of California Government Code now known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The Commission is delegated regulatory and planning responsibilities to coordinate the logical formation and development of local agencies in a manner preserving agricultural and open-space resources, promoting the orderly extension of municipal services, and discouraging urban sprawl. Key duties include regulating boundary changes through annexations or detachments, approving city incorporations or disincorporations, and forming, consolidating, or dissolving special districts. The Commission is also responsible for preparing studies to inform its regulatory activities, including establishing and updating spheres of influence for all cities and special districts within its jurisdiction. Spheres are planning tools used by the Commission to designate the territory it believes represents the appropriate and probable future service area of the affected agency. All jurisdictional changes, such as annexations, must be consistent with the spheres of the affected agencies with limited exceptions. As of June 30, 2012, there are currently 23 cities and special districts subject to Commission jurisdiction in Napa County.

The Commission was first established in 1963 as an office within the County of Napa (County). From 1963 to 2000, 100% of the Commission's annual budget was funded by the County. On July 1, 2001, in conjunction with the enactment of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Commission became autonomous of the County in terms of fulfilling its statutory duties and responsibilities. This transition was highlighted by the Commission appointing its own Executive Officer and Counsel as well as altering its funding to include contributions from the five cities in Napa County: American Canyon; Calistoga; Napa; St. Helena; and Yountville. The County is now responsible for funding 50% of the Commission's annual budget with the remaining portion divided among the five cities based on a locally adopted formula as provided under Government Code Section 56381.

This narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2012, is offered by the Commission's manager, the Executive Officer, to provide greater context to the audit performed by the Commission's independent auditor, GALLINA LLP. Please read it in conjunction with the Commission's Financial Statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The following Statement of Net Assets and Governmental Fund Balance Sheet, and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, provide information about the activities of the Commission. The financial statements also include various footnote disclosures, which further describe the Commission's activities.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Management's Discussion and Analysis (continued)

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government wide statements.

The Commission adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the Fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

RSI is presented concerning the Commission's General Fund budgetary schedule. The Commission adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

FINANCIAL ANALYSIS OF THE COMMISSION

Net Assets

The Commission has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Management's Discussion and Analysis (continued)

Condensed Statement of Net Assets As of June 30,

	2012	2011	Variance
Current assets	\$ 173,948	\$ 181,782	\$ (7,834)
Noncurrent assets	7,864	11,795	(3,931)
Total assets	181,812	193,577	(11,765)
Current liabilities	14,436	12,570	1,866
Long term liabilities	39,725	37,520	2,205
Total liabilities	54,161	50,090	4,071
Net assets:			
Invested in capital assets, net of related debt	7,864	11,795	(3,931)
Unrestricted	119,787	131,692	(11,905)
Total net assets	\$ 127,651	\$ 143,487	\$ (15,836)

State law requires the County and the five cities of Napa County fund the Commission's budget each year. The Commission is also authorized to establish and collect fees for purposes of offsetting agency contributions. It is also the practice of the Commission to make use of its unrestricted fund balance to help cover operating costs to help minimize the fiscal impact on local agencies as long as the balance does not fall below the equivalent of three months of operating expenses. This practice of using the unrestricted fund balance to help cover operating costs occasionally results in budgeting an operating shortfall. For the fiscal year ending June 30, 2012, the Commission budgeted an operating shortfall of (\$32,828). The actual operating shortfall was reduced to (\$15,836) due to lower than anticipated costs in employee health insurance and legal services.

Changes in Net Assets

The government-wide financial statement presented on the following page represents an analysis of the Commission's governmental activities. It should be noted that *Intergovernmental Revenues* represent the amount each agency was required to contribute to the Commission's budget. The sum of these contributions and the fund balance at the beginning of the fiscal year must sum to the adopted budget.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Management's Discussion and Analysis (continued)

Condensed Statement of Activities For the Fiscal Year Ended June 30,

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 383,099	\$ 356,020	\$ 27,079
Planning fees	9,087	27,480	(18,393)
Interest income	2,472	2,570	(98)
Total revenues	<u>394,658</u>	<u>386,070</u>	<u>8,588</u>
Expenses:			
Salaries and benefits	298,830	287,968	10,862
Services and supplies	107,733	100,754	6,979
Depreciation	3,931	3,931	--
Total expenses	<u>410,494</u>	<u>392,653</u>	<u>17,841</u>
Change in net assets	(15,836)	(6,583)	(9,253)
Net assets - Beginning of year	<u>143,487</u>	<u>150,070</u>	<u>(6,583)</u>
Net assets - End of year	<u>\$ 127,651</u>	<u>\$ 143,487</u>	<u>\$ (15,836)</u>

Financial Analysis of the Commission's Governmental Fund

As noted earlier, fund accounting is used by the Commission to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ending June 30, 2012, the Commission reported an ending fund balance of \$159,512 for a decrease of \$9,700 from the prior year, which was a planned reduction through the budgeting process.

BUDGETARY HIGHLIGHTS

The Commission practices bottom-line accounting, giving management the discretion to use excess funds in one account to offset deficits in other accounts. This allows management to minimize the fiscal impact of unanticipated increases in salaries and benefits by controlling spending in other accounts.

CAPITAL ASSETS

During fiscal year 2008-2009, the Commission purchased an electronic document management system with a cost of \$19,657. This asset is being depreciated over an estimated useful life of 5 years, using the straight-line depreciation method.

DEBT ADMINISTRATION

With the close of the fiscal year on June 30, 2012, the Commission did not have any long-term obligations outstanding, except for compensated absences totaling \$32,290.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Management's Discussion and Analysis (continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Commission is committed to fulfilling its state-mandated mission with as little fiscal impact on local agencies as possible. In preparing the budget for fiscal year 2012-2013 the Commission used a spending baseline to estimate how much it would cost to continue the level of its activities and services at next year's price for labor and supplies. The Commission's adopted fiscal year 2012-2013 budget is \$432,461, an overall percentage increase of 1% from prior year's budget which offsets inflationary increases by a saving on property rental costs resulting from moving to a more efficient office space.

CONTACTING THE COMMISSION

This financial report is designed to provide a general overview of the Commission's finances for all those interested. Through a memorandum of understanding, the County provides certain management and administrative functions, including financial management and accounting. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Local Agency Formation Commission of Napa County
1030 Seminary Street, B
Napa, California, 94559

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Statement of Net Assets June 30, 2012

ASSETS

Current Assets:

Cash in County Treasury	\$	169,718
Imprest cash		100
Prepaid expenses		2,130
Deposits with others		2,000
Total Current Assets		<u>173,948</u>

Non-Current Assets:

Capital assets, net		<u>7,864</u>
---------------------	--	--------------

Total Assets	\$	<u><u>181,812</u></u>
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LIABILITIES

Current Liabilities:

Accounts payable	\$	1,635
Accrued salaries		12,801
Total Current Liabilities		<u>14,436</u>

Non-Current Liabilities:

Portion due or payable within one year:		
Compensated absences		7,435
Portion due or payable after one year:		
Compensated absences		32,290
Total Non-Current Liabilities		<u>39,725</u>

Total Liabilities		<u>54,161</u>
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NET ASSETS

Invested in capital assets, net		7,864
Unrestricted		<u>119,787</u>

Total Net Assets		<u>127,651</u>
------------------	--	----------------

Total Liabilities and Net Assets	\$	<u><u>181,812</u></u>
----------------------------------	----	-----------------------

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Statement of Activities For the Year Ended June 30, 2012

EXPENSES

Salaries and benefits	\$	298,830
Services and supplies		107,733
Depreciation expense		3,931
Total Expenses		<u>410,494</u>

PROGRAM REVENUES

Intergovernmental revenues:		
County of Napa		191,550
City of Napa		126,330
City of St. Helena		12,997
City of American Canyon		32,912
City of Calistoga		11,393
Town of Yountville		7,917
Planning fees		9,087
Total Program Revenues		<u>392,186</u>
Net Program Revenue (Expense)		<u>(18,308)</u>

GENERAL REVENUES

Interest income		<u>2,472</u>
Change in Net Assets		(15,836)
Net Assets - Beginning of Year		<u>143,487</u>
Net Assets - End of Year	\$	<u>127,651</u>

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Balance Sheet
Governmental Funds
June 30, 2012

ASSETS

Cash in County Treasury	\$	169,718
Imprest cash		100
Prepaid expenses		2,130
Deposits with others		<u>2,000</u>
Total Assets	\$	<u><u>173,948</u></u>

LIABILITIES

Accounts payable	\$	1,635
Accrued salaries		<u>12,801</u>
Total Liabilities		<u>14,436</u>

FUND BALANCE

Nonspendable for prepaids		2,130
Unassigned		<u>157,382</u>
Total Fund Balance		<u>159,512</u>
Total Liabilities and Fund Balance	\$	<u><u>173,948</u></u>

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Reconciliation of the Balance Sheet
to the Statement of Net Assets
June 30, 2012

Fund balance - total governmental funds	\$	159,512
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		7,864
Compensated absences payables are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(39,725)</u>
Net Assets of Governmental Activities	\$	<u>127,651</u>

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2012

REVENUES

Intergovernmental revenues:

County of Napa	\$	191,550
City of Napa		126,330
City of St. Helena		12,997
City of American Canyon		32,912
City of Calistoga		11,393
Town of Yountville		7,917
Planning fees		9,087
Interest income		2,472
		<hr/>
Total Revenues		394,658

EXPENDITURES

Salaries and benefits		296,625
Services and supplies		107,733
		<hr/>
Total Expenditures		404,358
		<hr/>
Change in Fund Balance		(9,700)
		<hr/>
Fund Balance - Beginning of Year		169,212
		<hr/>
Fund Balance - End of Year	\$	159,512

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities For the Year Ended June 30, 2012

Net change to fund balance - total governmental funds	\$	(9,700)
Amounts reported for governmental activities in the statement of activities are different because:		
Changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(2,205)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		<u>(3,931)</u>
Change in Net Assets of Governmental Activities	\$	<u>(15,836)</u>

The accompanying notes are an integral part of these financial statements.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Notes to Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Local Agency Formation Commission of Napa County (Commission) was created in 1963 by the California Legislature to encourage the orderly formation and development of local agencies, promote the efficient extension of municipal services, and protect against the premature conversion of agricultural and open-space lands. In 2001, following the enactment of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Commission became an independent agency separate from Napa County. As of June 30, 2012, there are 23 cities and special districts under the jurisdiction of the Commission in Napa County.

The Commission is comprised of five regular and three alternate members. Each member is appointed pursuant to California Government Code Section 56000 et. Seq. and represents one of the following three interests:

- County Members: Two regular and one alternate member represent Napa County. These members are Board of Supervisors. Appointments are made by the Board of Supervisors.
- City Members: Two regular and one alternate member represent the five cities in Napa County. The members are mayors or council members. Appointments are made by the City Selection Committee.
- Public Members: One regular and one alternate member represent the general public. Appointments are made by the county and city members on the Commission.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

B. Basis of Presentation and Accounting

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including all taxes and investment income, are presented as general revenues.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Notes to Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (continued)

Government-Wide Statements (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Nonexchange transactions in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales taxes and grants. Revenues from sales tax are recognized when the underlining transactions take place. Revenues from grants are recognized in the fiscal year in which all eligible requirements have been satisfied.

When both restricted and unrestricted net assets are available, restricted resources are used before non-restricted resources.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available ("susceptible to accrual"). Taxes, interest, certain state and federal grants, and charges for services revenues are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

C. Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. The Commission defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide statements. Depreciation begins on the first day of the fiscal year following the period the asset is placed in service and ends in the fiscal year that it is retired from service or is fully depreciated.

D. Compensated Absences

Earned vacation may be accumulated up to a maximum of 536 hours by management personnel. Supervisory employees may accumulate up to 416 hours vacation. The following chart is to be used for unused vacation benefits accrual by all other personnel.

<u>Year of Continuous Commission Service</u>	<u>Maximum Accrual of Unused Vacation Benefits</u>
Years 1 through 3	240 maximum hours
Years 4 through 10	300 maximum hours
Years 11 or more	400 maximum hours

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Notes to Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. **Compensated Absences (continued)**

The Commission accounts for compensated absences in accordance with Governmental Accounting Standards Board Statement No. 16 *Accounting for Compensated Absences*. The earned vacation is payable upon termination and is reported at the current balance of the liability. There is no payout of sick leave upon termination from the Commission.

E. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH

Cash at June 30, 2012 consisted of the following:

Cash in County Treasury	<u>\$ 169,718</u>
-------------------------	-------------------

The Commission maintains all of its cash and investments with the Napa County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. Napa County's financial statements may be obtained by contacting Napa County's Auditor-Controller's office at 1195 Third Street, Room B-10, Napa, California 94559. The Napa County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Commission's deposit and investment risks at June 30, 2012, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Notes to Financial Statements June 30, 2012

NOTE 3: CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2012 were as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets, being depreciated:				
Equipment	\$ 19,657	\$ --	\$ --	\$ 19,657
Less accumulated depreciation for:				
Equipment	(7,862)	(3,931)	--	(11,793)
Capital assets, net	<u>\$ 11,795</u>	<u>\$ (3,931)</u>	<u>\$ --</u>	<u>\$ 7,864</u>

NOTE 4: LONG-TERM LIABILITIES

The following is a summary of long-term liability activity of the Commission for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Amount Due Within One Year
Compensated Absences	<u>\$ 37,520</u>	<u>\$ 9,640</u>	<u>\$ (7,435)</u>	<u>\$ 39,725</u>	<u>\$ 7,435</u>

NOTE 5: NET ASSETS/FUND BALANCE

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets (net of related debt), restricted and unrestricted. The Commission has unrestricted funds and invested in capital assets (net of related debt). Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Unrestricted net assets consist of all other net assets not included in the above categories.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Notes to Financial Statements
June 30, 2012

NOTE 5: NET ASSETS/FUND BALANCE (CONTINUED)

Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balances for governmental funds are made up of the following:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted fund balance* – amount constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level of action to remove or change the constraint.
- *Assigned fund balance* – amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Commission's board or by an official or body to which the Commission's board delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commission's board establishes (and modifies or rescinds) fund balance commitments by adopting a final budget no later than June 15th and approving amendments as needed throughout the fiscal year. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives).

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

The Commission strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately three months of expenditures.

NOTE 6: RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2012, the Commission paid Napa County, a related party, \$40,470 for legal, personnel, and other support services.

In addition, the Commission received \$191,550 during the fiscal year ended June 30, 2012, from Napa County, a related party, pursuant to Government Code Section 56381. The County provides half of the intergovernmental revenue to the Commission. The other half is funded by City of Napa, City of St. Helena, City of American Canyon, City of Calistoga and Town of Yountville.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Notes to Financial Statements
June 30, 2012

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Commission contributes to the County of Napa's other post-employment benefits (OPEB) plan as a cost-sharing participant. All eligible employees of the Commission participate as County employees in the plan. The plan provides healthcare insurance benefits to eligible retirees. Benefit provisions are established and may be amended by the County. Retiree medical benefits are provided through the California Public Employees' Retirement System healthcare program.

During the fiscal year ended June 30, 2012, the Commission's contributions were \$9,138. Additional information and required disclosures can be obtained from the County's audited financial statements, available from the Auditor-Controller's Office.

NOTE 8: DEFINED BENEFIT PENSION PLAN

The Commission contributes to the County of Napa's retirement plan as a cost-sharing participant. All full-time employees of the Commission participate as County employees in which the County contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of PERS annual financial reports may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

During the fiscal year ended June 30, 2012, the Commission's contributions were \$36,872. Additional information and required disclosures can be obtained from the County's audited financial statements, available from the Auditor-Controller's Office.

NOTE 9: OPERATING LEASE

The Commission is committed under a non-cancelable operating lease for photocopy machines. The minimum future lease commitments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	4,000
2014	4,000
2015	4,000
	<u>\$ 12,000</u>

Rent expenditures were \$29,280 for the year ended June 30, 2012.

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Notes to Financial Statements
June 30, 2012

NOTE 10: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in Napa County's risk pool. Information about coverage can be found in the County's basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Budgetary Comparison Schedule
June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
<u>REVENUES</u>				
Intergovernmental revenues	\$ 383,101	\$ 383,101	\$ 383,099	\$ (2)
Interest income	2,340	2,340	2,472	132
Planning fees	10,000	10,000	9,087	(913)
Total Revenues	<u>395,441</u>	<u>395,441</u>	<u>394,658</u>	<u>(783)</u>
<u>EXPENDITURES</u>				
Salaries and benefits	304,503	307,780	296,625	11,155
Services and supplies	114,088	116,558	107,733	8,825
Depreciation expense	3,931	3,931	3,931	
Total Expenditures	<u>422,522</u>	<u>428,269</u>	<u>408,289</u>	<u>19,980</u>
Change in Fund Balance	<u>\$ (27,081)</u>	<u>\$ (32,828)</u>	(13,631)	<u>\$ 19,197</u>
Fund Balance - Beginning of Year			<u>169,212</u>	
Fund Balance - End of Year			<u>\$ 155,581</u>	

Explanation of Differences between Budgetary Outflows and USGAAP Expenditures:

Uses/outflows of resources:

Actual amounts (budgetary basis) "total expenditures"
from the budgetary comparison schedule

\$ 408,289

Differences - budget to USGAAP:

Depreciation expense

(3,931)

Total expenditures as reported on the statement of revenues, expenditures
and changes in fund balance

\$ 404,358

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Notes to the Required Supplementary Information For the Year Ended June 30, 2012

BUDGET AND BUDGETARY REPORTING

The Commission prepares and legally adopts a final budget on or before June 15th of each fiscal year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Commission resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Commission.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year end are completed or purchase commitments satisfied. Such year end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year end. Budgets are prepared using generally accepted accounting principles.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, and other charges.

OTHER REPORT



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Local Agency Formation Commission of Napa County
Napa, California

We have audited the financial statements of the Local Agency Formation Commission of Napa County (Commission) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Commissioners
Local Agency Formation Commission of Napa County

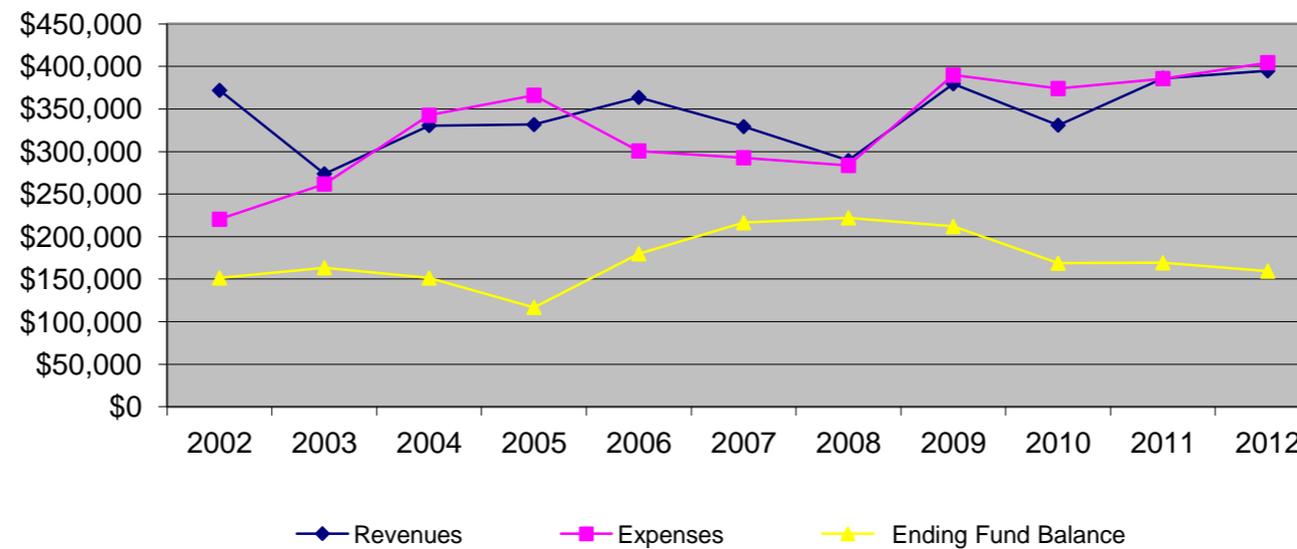
This report is intended solely for the information of the Commission, management and the six agencies that fund LAFCO and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
November 2, 2012

LAFCO Financial Summary For the Past 11 Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues	\$ 371,817	\$ 273,774	\$ 330,510	\$ 331,580	\$ 363,529	\$ 329,214	\$ 289,341	\$ 379,499	\$ 330,942	\$ 386,070	\$ 394,658
Expenses	220,378	261,803	342,558	366,056	300,653	292,636	283,622	389,688	373,993	385,677	404,358
Surplus/Deficit	<u>\$ 151,439</u>	<u>\$ 11,971</u>	<u>\$ (12,048)</u>	<u>\$ (34,476)</u>	<u>\$ 62,876</u>	<u>\$ 36,578</u>	<u>\$ 5,719</u>	<u>\$ (10,189)</u>	<u>\$ (43,051)</u>	<u>\$ 393</u>	<u>\$ (9,700)</u>
Fund Balance:											
Beginning Fund Balance	\$ -	\$ 151,439	\$ 163,410	\$ 151,362	\$ 116,886	\$ 179,762	\$ 216,340	\$ 222,059	\$ 211,870	\$ 168,819	\$ 169,212
Surplus/Deficit 6/30	151,439	11,971	(12,048)	(34,476)	62,876	36,578	5,719	(10,189)	(43,051)	393	(9,700)
Ending Fund Balance	<u>\$ 151,439</u>	<u>\$ 163,410</u>	<u>\$ 151,362</u>	<u>\$ 116,886</u>	<u>\$ 179,762</u>	<u>\$ 216,340</u>	<u>\$ 222,059</u>	<u>\$ 211,870</u>	<u>\$ 168,819</u>	<u>\$ 169,212</u>	<u>\$ 159,512</u>
Breakdown of Fund Balance:											
Professional Services	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -
Operating Reserve	22,462	22,462	22,462	11,983	35,174	36,978	37,879	40,594	-	-	-
Petty Cash Reserve	-	-	-	-	-	-	-	-	100	100	100
Equipment Replacement Reserve	-	-	-	-	-	-	-	-	3,931	7,862	11,793
Future Projects	-	-	-	-	-	-	55,000	-	-	-	-
Reserve for Encumbrances	-	-	4,000	4,803	165	-	-	-	-	-	-
Available Fund Balance	28,977	40,948	24,900	100	94,423	129,362	79,180	121,276	164,788	161,250	147,619
Total Fund Balance	<u>\$ 151,439</u>	<u>\$ 163,410</u>	<u>\$ 151,362</u>	<u>\$ 116,886</u>	<u>\$ 179,762</u>	<u>\$ 216,340</u>	<u>\$ 222,059</u>	<u>\$ 211,870</u>	<u>\$ 168,819</u>	<u>\$ 169,212</u>	<u>\$ 159,512</u>





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

1030 Seminary Street, Suite B
Napa, California 94559
Telephone: (707) 259-8645
Facsimile: (707) 251-1053
www.napa.lafco.ca.gov

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

December 3, 2012
Agenda Item No. 7b (Action)

November 27, 2012

TO: Local Agency Formation Commission

FROM: Committee on Policies and Procedures (Luce, Rodeno, and Simonds)

**SUBJECT: Amendments to Policy on Preparing an Annual Budget /
Budget Committee Appointments**

The Commission will consider two separate actions concerning the preparation of an annual budget for the agency. The first action proposes minor amendments to the Commission's adopted policy on preparing an annual budget to reflect existing practices. The second action requests appointments of two members to serve with the Executive Officer on the 2013-2014 Budget Committee.

Local Agency Formation Commissions (LAFCOs) are political subdivisions of the State of California and tasked with providing regional growth management services in all 58 counties. These growth management services are anchored by exercising delegated regulatory and planning responsibilities to oversee the formation and development of cities and special districts under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. This legislation, notably, directs LAFCOs to establish written policies and procedures in exercising their delegated responsibilities in a consistent and transparent manner.

A. Background

LAFCO of Napa County ("Commission") maintains several policies prescribing various procedures relating to the agency's administrative operations. This includes a policy on the preparation of an annual budget; a budget that under State law needs to be adopted in proposed and final forms no later than May 1st and June 15th, respectively. The policy – adopted in August 2001 and last amended in January 2003 – directs the Commission to establish an ad hoc budget committee at the last meeting of the calendar year to make recommendations for operating expenses for the upcoming fiscal year. The policy also prescribes the composition of the budget committee shall consist of two appointed Commissioners and the Executive Officer.

Lewis Chilton, Chair
Councilmember, Town of Yountville

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Vice Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Discussion/Analysis

Proposed Policy Amendments

The need to make appointments for the 2013-2014 Budget Committee offers the Commission the opportunity to also consider adopting amendments to the underlying policy, which was last amended in January 2003. The Policy Committee (Luce, Rodeno, and Simonds), accordingly, has reviewed the underlying policy and believes several amendments are warranted to reflect existing practices and preferences. The Policy Committee believes the proposed amendments are relatively minor and highlighted by three specific changes as summarized below.

- Establish a declaration statement orienting the preparation of an annual budget to ensure the Commission is appropriately funded to meet its prescribed duties while striving to control costs whenever possible to limit impact on funding agencies.
- Memorialize the Commission's existing policy intention to maintain sufficient reserves to be equal to no less than one-fourth of adopted operating expenses. This policy intention was established by the Commission in adopting a budget for 2010-2011 as part of a decision to eliminate the past practice of issuing credits.
- Delineate procedures consistent with current practice for the annual budget to be prepared in three distinct phases: draft proposed; proposed; and final. Notably, the current policy only contemplates the preparation of a proposed and final budget. The Policy Committee believes formalizing the practice of also preparing a draft proposed budget is important with respect to providing the funding agencies advance notice of their probable allocation amounts in order to inform their own budget processes.

Budget Committee Appointments

As referenced, and irrespective of taking action on the recommended policy amendments, the Commission is directed to appoint to Commissioners to serve with the Executive Officer on the 2013-2014 Budget Committee. The Budget Committee's primary task will be to will review and make recommendations on baseline expenditures to maintain or adjust current agency service levels as deemed appropriate and based on input provided by the Commission. No special or otherwise unique funding issues for 2013-2014 are anticipated at this time. Recent appointments are listed below.

Term	Appointee	Appointee
2012-2013	Brian J. Kelly	Lewis Chilton
2011-2012	Brian J. Kelly	Lewis Chilton
2010-2011	Brian J. Kelly	Lewis Chilton
2009-2010	Brian J. Kelly	Jack Gingles
2008-2009	Brian J. Kelly	Jack Gingles

With respect to time commitments, it is anticipated the Budget Committee will conduct a noticed public meeting during the second full week of January during the early afternoon. Additional meetings will be scheduled thereafter as needed. Meetings generally last one hour and will be held in the Board Chambers.

C. Recommendation

The Policy Committee recommends the Commission approve the proposed amendments to the policy on preparing an annual budget as identified in the preceding section. It is also recommended the Commission appoint two of its members to serve on the Budget Committee for 2013-2014. Appointees – among other considerations – should be available for a meeting for the second full week of January (14th-18th).

D. Alternatives for Action

The following alternative actions are available to the Commission.

Alternative Action One (Recommended):

Approve by motion to (a) approve the proposed amendments with any desired changes to the policy on preparing an annual budget as provided in Attachment Two and (b) appoint two members to serve on the Budget Committee for 2013-2014.

Alternative Action Two:

Approve by motion a continuance to a future meeting and provide direction to staff with respect to additional information requests as needed.

E. Procedures for Consideration

This item has been agenzized for action. The following procedures are recommended with respect to the Commission's continued consideration of this item:

- 1) Receive verbal report from the Policy Committee;
- 2) Invite comments from any interested audience members (voluntary); and
- 3) Discuss item and consider action on recommendation.

Respectfully submitted on behalf of the Policy Committee,

Keene Simonds
Executive Officer

Attachments:

- 1) Current Policy on Preparing an Annual Budget
- 2) Proposed Policy on Preparing an Annual Budget

Local Agency Formation Commission of Napa County

Policy on the Preparation of the LAFCO Budget
(Adopted: August 9, 2001; Last amended: January 9, 2003)

To facilitate the adoption of the LAFCO budget pursuant to Government Code §56381, it is the policy of the Commission that:

1. There shall be a LAFCO budget committee, composed of two members of the Commission and the Executive Officer. At the last regular Commission meeting of each calendar year, the Chair shall appoint two members to serve on the budget committee.
2. It is the responsibility of the budget committee to prepare a draft preliminary budget for circulation to the Commission, those agencies statutorily required to contribute to the LAFCO budget and all interested parties.
3. The draft preliminary budget shall be circulated no less than 30 days prior to the meeting at which it shall be considered and adopted.
4. Following the adoption of the preliminary budget, the Executive Officer shall prepare a draft final budget.
5. The draft final budget shall be circulated no less than 30 days prior to the meeting at which it shall be considered and adopted.



LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Budget Policy

Adopted: August 9, 2001

Last Amended: *****

I. Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 specifies the Commission shall annually adopt proposed and final budgets no later than May 1st June 15th, respectively. State law specifies the proposed and final budgets shall – at a minimum – be equal to the budget adopted for the previous fiscal year unless the Commission adopts a finding the reduced costs will nevertheless allow the agency to fulfill its prescribed duties. The Commission must adopt proposed and final budgets at noticed public hearings.

II. Objective

The objective of this policy is to guide the Commission in preparing and adopting an annual operating budget in a consistent and transparent manner.

III. Declaration

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.

III. Guidelines

A. Minimum Fund Balance

- 1) It is the policy of the Commission to maintain an undesignated/unreserved fund balance equal to no less than one-fourth of adopted operating expenses.

B. Budget Committee

- 1) The Commission shall establish a budget committee at the last meeting of each calendar year.
- 2) The budget committee shall be comprised of two members of the Commission and the Executive Officer.
- 3) The term of each budget committee shall commence upon the establishment and appointment of members and terminate at the time a final budget has been adopted by the Commission.

- 4) The budget committee will conduct noticed public meetings as needed in fulfilling its responsibilities as provided under this policy.
- 5) Commissioners appointed to a budget committee shall receive a regular per diem payment for each meeting attended.

C. Preparation of the Annual Budget

- 1) The annual budget shall be prepared in three distinct phases: draft proposed; proposed; and final.
- 2) The following procedures shall guide the preparation of a draft proposed budget:
 - (a) The budget committee shall prepare a draft proposed budget for Commission review and approval no later than February 15th.
 - (b) The approved draft proposed budget shall be circulated to all funding agencies for review and comment for no less than 21 days.
 - (c) The approved draft proposed budget shall also be posted on the Commission's website for review and comment for no less than 21 days.
- 3) The following procedures shall guide the preparation of a proposed budget:
 - (a) The budget committee shall prepare a proposed budget for Commission review and adoption at a noticed public hearing no later than May 1st.
 - (b) The adopted proposed budget shall be circulated to all funding agencies for review and comment for no less than 21 days.
 - (c) The adopted proposed budget shall also be posted on the Commission's website for review and comment for no less than 21 days.
- 4) The following procedures shall guide the preparation of a final budget:
 - (a) The budget committee shall prepare a final budget for Commission review and adoption at a noticed public hearing no later than June 15th.
 - (b) The Executive Officer shall provide immediate notice of the adopted final budget to all funding agencies.
 - (c) The Executive Officer shall request the County of Napa Auditor's Office prepare invoices for all funding agencies' annual contributions consistent with the adopted final budget no less than 20 business days from the Commission's adoption.
 - (d) The adopted final budget shall be posted on the Commission's website for public viewing for the entirety of the affected fiscal year.



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

December 3, 2012
Agenda Item No. 8a (Discussion)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Brendon Freeman, Analyst

SUBJECT: Informational Report on Private Community Water Systems

The Commission will receive an informational report from staff identifying the scope and range of private community water systems operating in Napa County. The report is in preliminary form and complies with the Commission's strategic plan to broaden the agency's understanding of private water systems supporting local growth and development. The report is being presented to the Commission for discussion and feedback in anticipation of preparing a complete report.

Local Agency Formation Commissions (LAFCOs) are responsible for regulating the formation and development of local governmental agencies under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). LAFCOs inform their regulatory powers through various planning activities, including preparing studies. The Legislature, notably, directs LAFCOs to make studies and to obtain and furnish information in contributing to the logical and reasonable development of local agencies so as to advantageously provide for the needs of each county and its communities.

A. Background

On June 4, 2012, LAFCO of Napa County ("Commission") adopted a strategic plan to guide agency activities over the next two years consistent with the interests and preferences of its members in administering CKH. The strategic plan includes five near-term goals paired with various implementing strategies to collectively orient the Commission to proactively fulfill its duties and responsibilities in a manner responsive to local conditions. One of the five near-term goals included in the strategic plan is for the Commission to focus resources in anticipating and evaluating regional and statewide issues that lie outside the agency's explicit authority, but nonetheless affect local growth management. Towards this end, the strategic plan directs the Commission to prepare an informational report on private water systems to broaden the agency's understanding of these operations and their role in supporting growth and development in Napa County.

Lewis Chilton, Chair
Councilmember, Town of Yountville

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Vice Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Discussion

Scope of Analysis

As mentioned, the underlying purpose of this report is to broaden the Commission's understanding of private water systems relative to informing the agency's legislative mission to encourage orderly growth and development. The report – for purposes of focusing the analysis to the specific interest of the Commission – is oriented at this time to only examine private water systems in Napa County serving at least 15 connections yearlong or at least 25 residents yearlong.¹ These types of operations are classified as “private community water systems” and generally serve small to moderate residential developments in unincorporated areas with some exceptions.

Affected Providers

There are three types of private community water systems operating in California: investor-owned; mutual; and single owner. Each type of private system is briefly summarized below.

Investor-Owned Water Company

These are for-profit entities in which ownership is directly tied to stockholders. It appears these types of entities operate most frequently in urban areas in which the company operates under a lease agreement with a city or district. There is no explicit relationship between owner and service user.

Mutual Water Company

These are not-for-profit entities in which ownership is directly tied to shareholder titles. These types of entities appear to generally serve distinct residential subdivisions. There is an explicit relationship between owner and service user and only transferable by way of title with the affected land.

Single Owner Water System

These are auxiliary operations for either for-profit or not-for-profit entities and commonly associated with mobile home parks or farmworker housing centers.

¹ Classification of a “community water system” is codified under California Health and Safety Code 116275(i).

Application to Assembly Bill 54

It is important to note this report's orientation will assist the Commission in addressing its new legislative directive under Assembly Bill (AB) 54. This legislation was enacted in January 2012 and now directs LAFCOs to consider whether private water systems are complying with the California Safe Drinking Water Act as part of the municipal service review process. AB 54 also establishes new reporting protocols specific to mutual water companies and LAFCOs. This includes establishing a definition for mutual water companies and requiring these entities with 15 or more connections and/or have a year-round population of at least 25 submit copies of their service area maps to LAFCOs by December 31, 2012. AB 54 also directs mutual water companies to respond to information requests by LAFCOs in the course of preparing municipal service reviews and/or sphere of influence updates.²

C. Analysis

Regulating Private Water Systems

There are three different types of regulatory oversight potentially applicable to private community water systems in California; none of which directly involve LAFCOs. The most expansive and intensified level of oversight involves each system's need to secure and maintain an operating permit. Service areas and user rates are also regulated, albeit at a more limited and less intensified level. A summary of each type of oversight is provided below.

Operating Permits

All private community water systems are required to obtain an operating permit from the California Department of Public Health (CDPH).³ These operating permits are subject to ongoing compliance requirements with respect to meeting specified drinking water standards that are verified through regular testing by CDPH or a delegated county department if there are fewer than 200 connections.⁴ Additionally, all permitted water systems must prepare and mail annual "consumer confidence reports" to all users noting – among other items – disclosure of any contaminants or violations incurred during the previous 12 months. Importantly, in the event a permitted water system becomes unable or unwilling to serve its users, actually or effectively abandoned by its owners, or otherwise unresponsive, CDPH may petition the court to appoint a receiver to assume possession and operate the affected system.⁵

Type	Regulated
Investor-Owned	Yes
Mutual	Yes
Single-Owner	Yes

² AB 54 also establishes a number of pertinent provisions not directly related to LAFCOs. This includes establishing a definition of "mutual water company" to mean any corporation or business that sells, distributes, supplies, or delivers water for potable or irrigation purposes only to owners of its shares that are appurtenant to certain lands. AB 54 also requires board members to complete two-hour training courses on administrative, financial, and operational duties.

³ Private community water systems that provide supplies for agricultural purposes are exempt.

⁴ Requires compliance with primary and secondary drinking water standards and employ or utilize certified water treatment operators or water treatment operators in training.

⁵ Reference Public Health and Safety Code 116665.

Service Areas

The regulation of service areas or boundaries for private community water systems is primarily limited to oversight provided by the California Public Utilities Commission (CPUC) and is specific to investor-owned utilities. CPUC oversees investor-owned utility boundaries by approving requests for certificates of public conveyance; certificates that demark relatively exclusive service areas in which other regulated utilities are not authorized to serve unless special findings are made. The California Department of Corporations (CDC) also provides a basic level of boundary oversight for mutual water companies as part of its responsibilities for issuing and regulating business licenses. This level of oversight is drawn from Corporation Code and requires applicants forming mutual water companies to contact CPUC and LAFCO to determine if the proposed service area will overlap an existing service area or if another provider would be more appropriate. To this end, a determination by CPUC or LAFCO against the formation of a new mutual water company may lead to denial of the application. There is no boundary oversight for single owner water systems.

Type	Regulated
Investor-Owned	Yes
Mutual	Partial
Single-Owner	No

User Rates

The regulation of user rates of private community water systems is entirely limited to oversight provided by CPUC and is specific to investor-owned utilities. CPUC oversees investor-owned utility rates by approving, with or without modifications, rate proposals to cover operating costs along with providing an authorized rate of return. CPUC does allow for a streamlined procedure for utilities to adjust user rates on an annually based on changes to the Consumer Price Index so long as actual revenues are not exceeding the authorized rate of return. In contrast, there is no applicable regulation for mutual water companies and single owner water systems given these entities recover costs only through owner-approved assessments.

Type	Regulated
Investor-Owned	Yes
Mutual	No
Single-Owner	No

Private Community Water Systems in Napa County / Current Baseline

There are 22 private community water systems as defined in this report currently operating in Napa County. These private systems predominantly serve permanent residential developments operating in and around the unincorporated community of Angwin. There are also a small number of private systems serving transient residences (i.e., hotels, motels, inns) in the unincorporated area as well as farmworker housing sites.

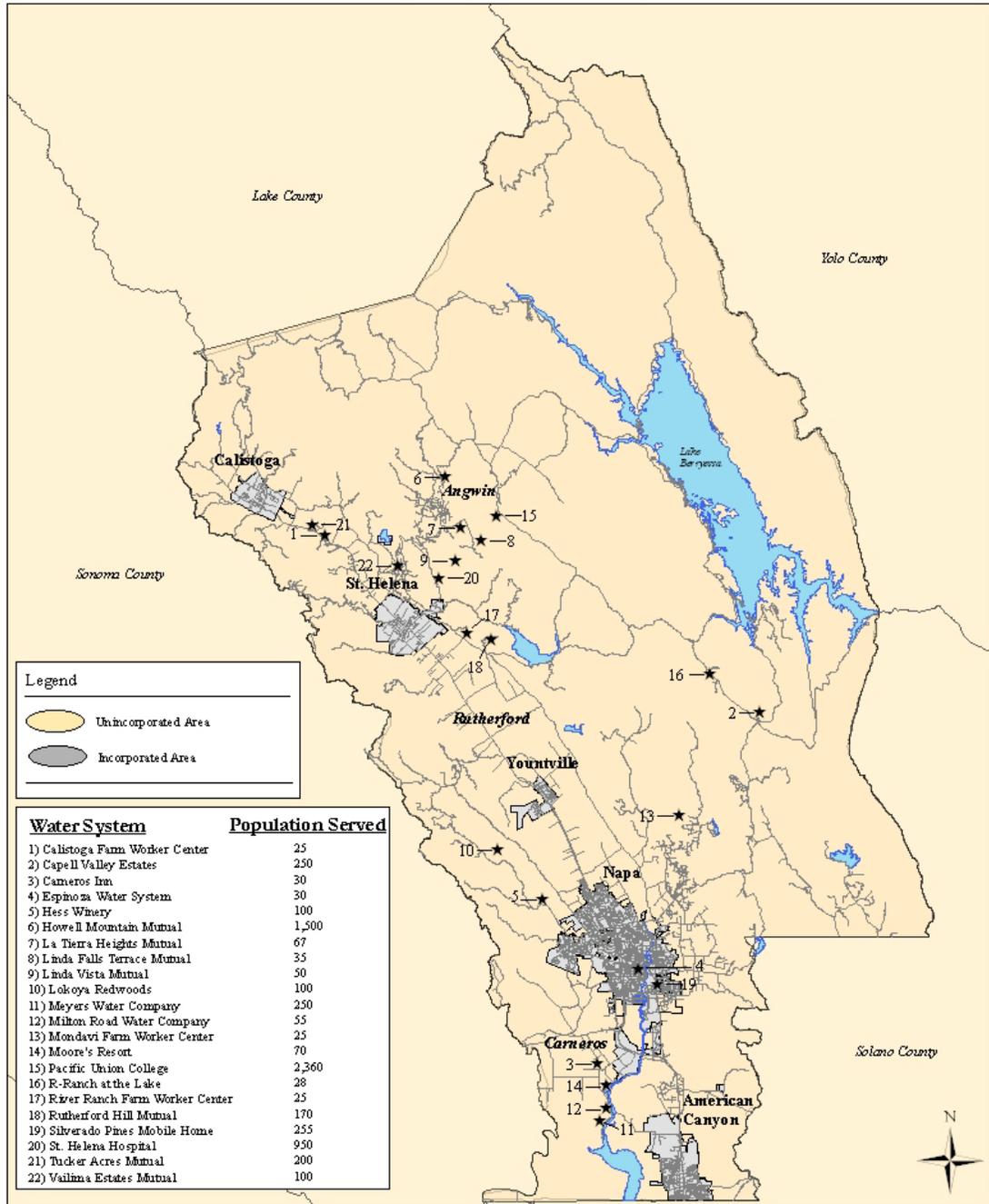
Only one of the 22 private community water systems in Napa County is investor-owned (Meyers) and subject to CPUC’s oversight. The others are mostly mutual water companies, although and importantly, an exact number is not known at this time due to changes in the underlying definition enacted as part of AB 54 as detailed in succeeding section. All but three of the private systems have less than 200 connections, and as a result, maintain operating permits directly with the County of Napa through a primacy agreement with CDPH.

A review of CDPH and County indices identifies the average service population of private community water systems in Napa County is 300. The overall estimated service population dependent on private community water systems – including permanent and seasonal occupancies – is 6,675; an amount that has remained relatively stagnant over the last five calendar years.

A summary listing of all 22 local private community water systems in order of their estimated service population as calculated by the affected entity follows along with a map depicting each entity’s approximate service area.

Name	Type	Source	Connections	Population	Service Area
Pacific Union College	- n/a -	Wells	211	2,360	Angwin
Howell Mountain	Mutual	Lake/Wells	377	1,500	Angwin
St. Helena Hospital	- n/a -	Wells	213	950	Angwin
Silverado Pines Co.	Single	Wells	85	255	Napa
Meyers Water Co.	Investor	Well	99	250	Elderly Island
Capell Valley Estates	Single	Lake	60	250	Capell Valley
Tucker Acres	Mutual	Wells	23	200	North Valley
Rutherford Hill	Mutual	Wells	3	170	Central Valley
Lokoya Redwoods	- n/a -	Spring/Well	18	100	Lokoya
Hess Winery	Single	Springs	1	100	South Valley
Vailima Estates	Mutual	Well	1	100	Angwin
Moore’s Resort	- n/a -	Well	20	70	Carneros
La Tierra Heights	Mutual	Wells	19	67	Angwin
Milton Road Water Co.	- n/a -	Well	24	55	Carneros
Linda Vista	Mutual	Wells	15	50	Angwin
Linda Falls Terrace	Mutual	Wells	10	35	Angwin
Espinoza Water	- n/a -	Well	11	30	Napa
Carneros Inn	Mutual	Wells	1	30	Carneros
R Ranch at the Lake	- n/a -	Wells	1	28	Capell Valley
Calistoga Farmworker	Single	Well	15	25	North Valley
Mondavi Farmworker	Single	Wells	15	25	North Valley
River Ranch Farmworker	Single	Well	15	25	North Valley

Private Community Water Systems in Napa County
 15 or More Connections and/or 25 or More Users



***Private Community Water Systems in Napa County /
Outstanding Issues***

This report on private community water systems in Napa County remains in preliminary form given at least two outstanding and related issues merit additional analysis. The first issue involves performing additional outreach to the private system operators in an attempt to better understand local service conditions, including a more exact description of the service areas for many of the affected entities. Additional outreach, importantly, would also provide the Commission the opportunity to engage an otherwise overlooked service provider in better understanding their respective interests and challenges in supporting unincorporated developments. The second issue involves addressing AB 54's new provisions relating to LAFCOs and mutual water companies. In particular, and as referenced, AB 54 establishes a broad new definition that requires more analysis to determine the actual number of mutual water companies operating in Napa County.⁶

D. Commission Review

Commissioners are encouraged to discuss and provide feedback on the preliminary report on private community water systems. This includes providing direction to staff with respect to additional analysis in anticipation of presenting a complete report at a future regular meeting.

Attachment:

- 1) Assembly Bill 54

⁶ In May 2012, staff issued a notice to all private community water service providers regarding the new provisions under AB 54. The letter also requested the affected entities reply to the Commission with certain information, including maps of their service areas and other related information. To date, eight of the 22 affected agencies have provided some response to the Commission. A complete listing of information provided will be included in the complete report.

Assembly Bill No. 54

CHAPTER 512

An act to amend Section 14300 of, and to add Sections 14300.5, 14301.1, 14301.2, and 14301.3 to, the Corporations Code, to amend Sections 56375 and 56430 of the Government Code, and to add Section 116760.65 to, and to add Article 12 (commencing with Section 116755) to Chapter 4 of Part 12 of Division 104 of, the Health and Safety Code, relating to drinking water.

[Approved by Governor October 7, 2011. Filed with
Secretary of State October 7, 2011.]

LEGISLATIVE COUNSEL'S DIGEST

AB 54, Solorio. Drinking water.

(1) Existing law authorizes any corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for irrigation purposes, and requires any corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for domestic use, to provide in its articles or bylaws that water shall be sold, distributed, supplied, or delivered only to owners of its shares and that those shares are appurtenant to certain lands, as specified.

This bill would specify that any corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for irrigation purposes, and any corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for domestic use that provides in its articles or bylaws that the water shall be sold, distributed, supplied, or delivered only to owners of its shares and that those shares are appurtenant to certain lands shall be known as a mutual water company.

The bill would also require each mutual water company that operates a public water system to, by December 31, 2012, submit a map depicting the approximate boundaries of the property that the municipal water company serves to the local agency commission within the county in which the mutual water company operates. The bill would prohibit a mutual water company from expanding its boundaries without approval from the appropriate local agency formation commission. The bill would require a mutual water company that operates a public water system to supply certain information to a local agency formation commission upon request, as specified. This bill would require a mutual water company that operates a public water system to maintain a financial reserve fund to be used for certain types of activities.

The bill would also require each board member of a mutual water company that operates a public water system to, within 6 months of taking office, complete a 2-hour course offered by a qualified trainer, as specified.

(2) Existing law, the California Safe Drinking Water Act, requires the State Department of Public Health to administer provisions relating to the regulation of drinking water to protect public health, including, but not limited to, conducting research, studies, and demonstration programs relating to the provision of a dependable, safe supply of drinking water, enforcing the federal Safe Drinking Water Act, adopting enforcement regulations, and conducting studies and investigations to assess the quality of water in domestic water supplies.

Existing law establishes the Safe Drinking Water State Revolving Fund, continuously appropriated to the department for the provision of grants and revolving fund loans to provide for the design and construction of projects for public water systems that will enable suppliers to meet safe drinking water standards. Existing law requires the department to establish criteria to be met for projects to be eligible for consideration for this funding.

This bill would provide that in considering an application for funding a project, the department shall not be prejudiced by the applicant initiating the project prior to the department approving the application for funding. This bill would also provide that preliminary project costs or construction costs that are otherwise eligible for funding shall not be ineligible because the costs were incurred by the applicant during certain time periods.

(3) Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, sets forth the powers and duties of a local agency formation commission, including, among others, the powers to review and approve or disapprove with or without amendment, wholly, partially, or conditionally, proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the commission.

This bill would additionally authorize the commission to approve, with or without amendment, wholly, partially, or conditionally, or disapprove the annexation of territory served by a mutual water company that operates a public water system into the jurisdiction of a city, a public utility, or a special district, with the consent of the respective public agency or public utility and mutual water company.

(4) Under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, each local agency formation commission is required to develop and determine the sphere of influence of each local governmental agency within the county and enact policies designed to promote the logical and orderly development of areas within the sphere of influence. In order to prepare and update spheres of influence, the commission is required to conduct a service review, including the review of growth and population projections for the affected area, present and planned capacity of public facilities and adequacy of public services, financial ability of agencies to provide services, the status of, and opportunities for, shared facilities,

accountability for community service needs, and any other matter related to effective or efficient service delivery, as required by commission policy.

This bill would authorize the commission to include in the service review, a review of whether the agencies under review comply with safe drinking water standards. This bill would provide that a public water system may comply with that review by submitting certain documents.

(5) Existing law provides for the imposition of civil fines in amounts up to \$5,000 or \$25,000 for specified violations of the California Safe Drinking Water Act.

This bill would provide that a mutual water company is liable for any fines, penalties, costs, expenses, or other amounts that may be imposed upon the mutual water company under the California Safe Drinking Water Act. This bill would authorize a mutual water company to levy an assessment to pay those fines. This bill would provide that if the amount of those fines exceeds 5% of the annual budget of a mutual water company, then the mutual water company would be required to levy an assessment to pay those fines.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) Californians rely on a broad diversity of public and private organizations to deliver clean and safe drinking water to their home water taps. Regardless of the form of the organization that operates a public water system, these organizations provide a public service that remains one of the core duties of the people's government.

(b) While the state's goal is to ensure clean and safe drinking water, California's drinking water quality has deteriorated and some public water systems continue to suffer poor water quality that are inconsistent with safe drinking water standards.

(c) The state provides funding to public water systems to improve drinking water quality through the Safe Drinking Water Revolving Fund, but demand far exceeds the available funding. Based on the United States Environmental Protection Agency's Drinking Water Infrastructure Needs Survey and Assessment, which was performed in 2007, the State Department of Public Health estimates that the 20-year drinking water infrastructure need for California is \$39 billion. Funding for such projects, however, for 1997–2008 totaled only \$1.2 billion.

SEC. 2. Section 14300 of the Corporations Code is amended to read:

14300. (a) Any corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for irrigation purposes may provide, and any corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for domestic use shall provide, in its articles or bylaws that water shall be sold, distributed, supplied, or delivered only to owners of its shares and that the shares shall be appurtenant to certain lands when the same are described in the certificate

issued therefor; and when the certificate is so issued and a certified copy of the articles or bylaws recorded in the office of the county recorder in the county where the lands are situated the shares of stock shall become appurtenant to the lands and shall only be transferred therewith, except after sale or forfeiture for delinquent assessments thereon as provided in Section 14303. Notwithstanding this provision in its articles or bylaws, any such corporation may sell water to the state, or any department or agency thereof, or to any school district, or to any public agency, or, to any other mutual water company or, during any emergency resulting from fire or other disaster involving danger to public health or safety, to any person at the same rates as to holders of shares of the corporations; and provided further, that any corporation may enter into a contract with a county fire protection district to furnish water to fire hydrants and for fire suppression or fire prevention purposes at a flat rate per hydrant or other connection. In the event lands to which any stock is appurtenant are owned or purchased by the state, or any department or agency thereof, or any school district, or public agency, the stock shall be canceled by the secretary, but shall be reissued to any person later acquiring title to the land from the state department, agency, or school district, or public agency.

(b) A corporation described in subdivision (a) shall be known as a mutual water company.

SEC. 3. Section 14300.5 is added to the Corporations Code, to read:

14300.5. For purposes of this chapter, "public water system" shall have the same meaning as provided in Section 116275 of the Health and Safety Code.

SEC. 4. Section 14301.1 is added to the Corporations Code, to read:

14301.1. (a) No later than December 31, 2012, each mutual water company that operates a public water system shall submit to the local agency formation commission for its county a map depicting the approximate boundaries of the property that the mutual water company serves.

(b) A mutual water company that operates a public water system shall respond to a request from a local agency formation commission, located within a county that the mutual water company operates in, for information in connection with the preparation of municipal service reviews or spheres of influence pursuant to Chapter 4 (commencing with Section 56425) of Part 2 of Division 3 of Title 5 of the Government Code within 45 days of the request. The mutual water company shall provide all reasonably available nonconfidential information relating to the operation of the public water system. The mutual water company shall explain, in writing, why any requested information is not reasonably available. The mutual water company shall not be required to disclose any information pertaining to the names, addresses, or water usage of any specific shareholder. This subdivision shall not be interpreted to require a mutual water company to undertake any study or investigation. A mutual water company may comply with this section by submitting to the local agency formation commission the same information that the mutual water company submitted to the State Department of Public Health.

(c) A mutual water company that operates a public water system shall be subject to the requirements of, and has the powers granted by, subdivision (b) of Section 116755 of the Health and Safety Code.

SEC. 5. Section 14301.2 is added to the Corporations Code, to read:

14301.2. Each board member of a mutual water company that operates a public water system shall comply with the training requirements set out in subdivision (a) of Section 116755 of the Health and Safety Code.

SEC. 6. Section 14301.3 is added to the Corporations Code, to read:

14301.3. (a) All construction on public water systems operated by a mutual water company shall be designed and constructed to comply with the applicable California Waterworks standards, as provided in Chapter 16 of Title 22 of the California Code of Regulations.

(b) A mutual water company that operates a public water system shall maintain a financial reserve fund for repairs and replacements to its water production, transmission, and distribution facilities at a level sufficient for continuous operation of facilities in compliance with the federal Safe Drinking Water Act (42 U.S.C. Sec. 300f et seq.) and the California Safe Drinking Water Act (Chapter 4 (commencing with 116270) of Part 12 of Division 104 of the Health and Safety Code).

SEC. 7. Section 56375 of the Government Code is amended to read:

56375. The commission shall have all of the following powers and duties subject to any limitations upon its jurisdiction set forth in this part:

(a) (1) To review and approve with or without amendment, wholly, partially, or conditionally, or disapprove proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the commission.

(2) The commission may initiate proposals by resolution of application for any of the following:

(A) The consolidation of a district, as defined in Section 56036.

(B) The dissolution of a district.

(C) A merger.

(D) The establishment of a subsidiary district.

(E) The formation of a new district or districts.

(F) A reorganization that includes any of the changes specified in subparagraph (A), (B), (C), (D), or (E).

(3) A commission may initiate a proposal described in paragraph (2) only if that change of organization or reorganization is consistent with a recommendation or conclusion of a study prepared pursuant to Section 56378, 56425, or 56430, and the commission makes the determinations specified in subdivision (b) of Section 56881.

(4) A commission shall not disapprove an annexation to a city, initiated by resolution, of contiguous territory that the commission finds is any of the following:

(A) Surrounded or substantially surrounded by the city to which the annexation is proposed or by that city and a county boundary or the Pacific Ocean if the territory to be annexed is substantially developed or developing, is not prime agricultural land as defined in Section 56064, is designated for

urban growth by the general plan of the annexing city, and is not within the sphere of influence of another city.

(B) Located within an urban service area that has been delineated and adopted by a commission, which is not prime agricultural land, as defined by Section 56064, and is designated for urban growth by the general plan of the annexing city.

(C) An annexation or reorganization of unincorporated islands meeting the requirements of Section 56375.3.

(5) As a condition to the annexation of an area that is surrounded, or substantially surrounded, by the city to which the annexation is proposed, the commission may require, where consistent with the purposes of this division, that the annexation include the entire island of surrounded, or substantially surrounded, territory.

(6) A commission shall not impose any conditions that would directly regulate land use density or intensity, property development, or subdivision requirements.

(7) The decision of the commission with regard to a proposal to annex territory to a city shall be based upon the general plan and rezoning of the city. When the development purposes are not made known to the annexing city, the annexation shall be reviewed on the basis of the adopted plans and policies of the annexing city or county. A commission shall require, as a condition to annexation, that a city prezone the territory to be annexed or present evidence satisfactory to the commission that the existing development entitlements on the territory are vested or are already at build-out, and are consistent with the city's general plan. However, the commission shall not specify how, or in what manner, the territory shall be rezoned.

(b) With regard to a proposal for annexation or detachment of territory to, or from, a city or district or with regard to a proposal for reorganization that includes annexation or detachment, to determine whether territory proposed for annexation or detachment, as described in its resolution approving the annexation, detachment, or reorganization, is inhabited or uninhabited.

(c) With regard to a proposal for consolidation of two or more cities or districts, to determine which city or district shall be the consolidated successor city or district.

(d) To approve the annexation of unincorporated, noncontiguous territory, subject to the limitations of Section 56742, located in the same county as that in which the city is located, and that is owned by a city and used for municipal purposes and to authorize the annexation of the territory without notice and hearing.

(e) To approve the annexation of unincorporated territory consistent with the planned and probable use of the property based upon the review of general plan and rezoning designations. No subsequent change may be made to the general plan for the annexed territory or zoning that is not in conformance to the rezoning designations for a period of two years after the completion of the annexation, unless the legislative body for the city makes a finding at a public hearing that a substantial change has occurred

in circumstances that necessitate a departure from the rezoning in the application to the commission.

(f) With respect to the incorporation of a new city or the formation of a new special district, to determine the number of registered voters residing within the proposed city or special district or, for a landowner-voter special district, the number of owners of land and the assessed value of their land within the territory proposed to be included in the new special district. The number of registered voters shall be calculated as of the time of the last report of voter registration by the county elections official to the Secretary of State prior to the date the first signature was affixed to the petition. The executive officer shall notify the petitioners of the number of registered voters resulting from this calculation. The assessed value of the land within the territory proposed to be included in a new landowner-voter special district shall be calculated as shown on the last equalized assessment roll.

(g) To adopt written procedures for the evaluation of proposals, including written definitions consistent with existing state law. The commission may adopt standards for any of the factors enumerated in Section 56668. Any standards adopted by the commission shall be written.

(h) To adopt standards and procedures for the evaluation of service plans submitted pursuant to Section 56653 and the initiation of a change of organization or reorganization pursuant to subdivision (a).

(i) To make and enforce regulations for the orderly and fair conduct of hearings by the commission.

(j) To incur usual and necessary expenses for the accomplishment of its functions.

(k) To appoint and assign staff personnel and to employ or contract for professional or consulting services to carry out and effect the functions of the commission.

(l) To review the boundaries of the territory involved in any proposal with respect to the definiteness and certainty of those boundaries, the nonconformance of proposed boundaries with lines of assessment or ownership, and other similar matters affecting the proposed boundaries.

(m) To waive the restrictions of Section 56744 if it finds that the application of the restrictions would be detrimental to the orderly development of the community and that the area that would be enclosed by the annexation or incorporation is so located that it cannot reasonably be annexed to another city or incorporated as a new city.

(n) To waive the application of Section 22613 of the Streets and Highways Code if it finds the application would deprive an area of a service needed to ensure the health, safety, or welfare of the residents of the area and if it finds that the waiver would not affect the ability of a city to provide any service. However, within 60 days of the inclusion of the territory within the city, the legislative body may adopt a resolution nullifying the waiver.

(o) If the proposal includes the incorporation of a city, as defined in Section 56043, or the formation of a district, as defined in Section 2215 of the Revenue and Taxation Code, the commission shall determine the property

tax revenue to be exchanged by the affected local agencies pursuant to Section 56810.

(p) To authorize a city or district to provide new or extended services outside its jurisdictional boundaries pursuant to Section 56133.

(q) To enter into an agreement with the commission for an adjoining county for the purpose of determining procedures for the consideration of proposals that may affect the adjoining county or where the jurisdiction of an affected agency crosses the boundary of the adjoining county.

(r) To approve with or without amendment, wholly, partially, or conditionally, or disapprove pursuant to this section the annexation of territory served by a mutual water company formed pursuant to Part 7 (commencing with Section 14300) of Division 3 of Title 1 of the Corporations Code that operates a public water system to a city or special district. Any annexation approved in accordance with this subdivision shall be subject to the state and federal constitutional prohibitions against the taking of private property without the payment of just compensation. This subdivision shall not impair the authority of a public agency or public utility to exercise eminent domain authority.

SEC. 8. Section 56430 of the Government Code is amended to read:

56430. (a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

- (1) Growth and population projections for the affected area.
- (2) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
- (3) Financial ability of agencies to provide services.
- (4) Status of, and opportunities for, shared facilities.
- (5) Accountability for community service needs, including governmental structure and operational efficiencies.
- (6) Any other matter related to effective or efficient service delivery, as required by commission policy.

(b) In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area.

(c) In conducting a service review, the commission may include a review of whether the agencies under review, including any public water system as defined in Section 116275, are in compliance with the Safe Drinking Water Act. A public water system may satisfy any request for information as to compliance with the Safe Drinking Water Act by submission of the consumer confidence or water quality report prepared by the public water system as provided by Section 116470 of the Health and Safety Code.

(d) The commission may request information, as part of a service review under this section, from identified public or private entities that provide wholesale or retail supply of drinking water, including mutual water companies formed pursuant to Part 7 (commencing with Section 14300) of Division 3 of Title 1 of the Corporations Code, and private utilities, as defined in Section 1502 of the Public Utilities Code.

(e) The commission shall conduct a service review before, or in conjunction with, but no later than the time it is considering an action to establish a sphere of influence in accordance with Section 56425 or 56426.5 or to update a sphere of influence pursuant to Section 56425.

SEC. 9. Article 12 (commencing with Section 116755) of Chapter 4 of Part 12 of Division 104 is added to the Health and Safety Code, to read:

Article 12. Board Member Training

116755. (a) Each board member of a mutual water company that operates a public water system, as defined in Section 116275, shall, within six months of taking office, or by December 31, 2012, if that member was serving on the board on December 31, 2011, complete a two-hour course offered by a qualified trainer regarding the duties of board members of mutual water companies, including, but not limited to, the duty of a corporate director to avoid contractual conflicts of interest and fiduciary duties, the duties of public water systems to provide clean drinking water that complies with the federal Safe Drinking Water Act (42 U.S.C. Sec. 300f et seq.) and this chapter, and long-term management of a public water system. For the purposes of this subdivision, a trainer may be qualified in any of the following ways:

- (1) Membership in the California State Bar.
- (2) Accreditation by the International Association of Continuing Education and Training (IACET) ANSI/IACET 1-2007.
- (3) Sponsorship by either the Rural Community Assistance Corporation or the California Rural Water Association.

(b) A mutual water company formed pursuant to Part 7 (commencing with Section 14300) of Division 3 of Title 1 of the Corporations Code shall be liable for the payment of any fines, penalties, costs, expenses, and other amounts that may be imposed upon the mutual water company pursuant to this chapter. The mutual water company may levy an assessment, pursuant to Section 14303 of the Corporations Code, to pay these fines, penalties, costs, expenses, and other amounts so imposed. If the amount of outstanding fines, penalties, costs, expenses and other amounts imposed pursuant to this chapter exceed 5 percent of the annual budget of the mutual water company, then the mutual water company shall levy an assessment, pursuant to Section 14303 of the Corporations Code, to pay those fines, penalties, costs, expenses, and other amounts so imposed.

SEC. 10. Section 116760.90 of the Health and Safety Code is amended to read:

116760.90. (a) The department shall not approve an application for funding unless the department determines that the proposed study or project is necessary to enable the applicant to meet safe drinking water standards, and is consistent with an adopted countywide plan, if any. The department may refuse to fund a study or project if it determines that the purposes of this chapter may more economically and efficiently be met by means other than the proposed study or project. The department shall not approve an application for funding a project with a primary purpose to supply or attract future growth. The department may limit funding to costs necessary to enable suppliers to meet primary drinking water standards, as defined in Chapter 4 (commencing with Section 116270).

(b) With respect to applications for funding of project design and construction, the department shall also determine all of the following:

(1) Upon completion of the project, the applicant will be able to supply water that meets safe drinking water standards.

(2) The project is cost-effective.

(3) If the entire project is not to be funded under this chapter, the department shall specify which costs are eligible for funding.

(c) In considering an application for funding a project that meets all other requirements of this chapter and regulations, the department shall not be prejudiced by the applicant initiating the project prior to the department approving the application for funding. Preliminary project costs that are otherwise eligible for funding pursuant to the provisions of this chapter shall not be ineligible because the costs were incurred by the applicant prior to the department approving the application for funding. Construction costs that are otherwise eligible for funding pursuant to the provisions of this chapter shall not be ineligible because the costs were incurred after the approval of the application by the department but prior to the department entering into a contract with the applicant pursuant to Section 116761.50.



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

December 3, 2012
Agenda Item No. 8b (Discussion)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Anticipated Work Plan for 2013

The Commission will receive a work plan outlining anticipated activities in 2013. The work plan is being presented for discussion and the Commission may provide direction to staff with respect to amendments relative to member preferences and priorities for the next 12 months.

Local Agency Formation Commissions' (LAFCOs) explicit work activities are generally divided between regulatory and planning functions as provided under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). Common regulatory functions include approving boundary change and outside service extension requests. Common planning functions – which are intended to inform subsequent regulatory activities – include preparing municipal service reviews and sphere of influence updates. All regulatory and planning activities undertaken by LAFCOs may be conditioned and must be consistent with written policies and procedures.

A. Background

LAFCO of Napa County (“Commission”) held its last biennial workshop on November 21, 2011. The purpose of the workshop was to discuss the Commission’s core objectives, key challenges, and near-term goals in administering LAFCO law in Napa County. Two key takeaways were generated from the biennial workshop. The first key takeaway was a collective desire by the Commission to develop a strategic plan; an action subsequently prepared and adopted in June 2012. The second key takeaway was a collective desire by the Commission to have more anticipatory discussions on pending activities to help inform and direct agency resources going forward. This includes preparing an annual work plan for Commission discussion at the start of each calendar year.

Lewis Chilton, Chair
Councilmember, Town of Yountville

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Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Vice Chair
County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

B. Discussion/Analysis

LAFCO of Napa County's ("Commission") anticipated work plan for the 2013 calendar year draws on activities previously approved as part of the agency's adopted study schedule and strategic plan along with other items identified by staff. The work plan, accordingly, is organized into three categories: planning; regulatory; and administrative. Specific work activities anticipated within each of these three categories follows.

- **Planning Activities**

The most prominent planning activity in terms of resources for 2013 involves the preparation of a study on the central county region. This study will incorporate both a region wide municipal service review and sphere of influence updates for the affected agencies; the latter including – among others – the City of Napa and Napa Sanitation District. Key policy issues to be addressed include whether there is sufficient merit to (a) expand Napa Sanitation District's sphere east to include non-agricultural designated unincorporated lands and (b) reconcile opportunities between Napa's sphere and its outside water service area. Other anticipated activities include informational reports on private community water services and local school districts. The table below identifies each anticipated planning activity with a priority ranking and projected start and end time.

Priority	Description	Start	End
1	Study on Central County Region	12/2012	12/2013
2	Informational Report on Private Community Water Systems	10/2012	2/2013
3	Informational Report on Local School Districts	2/2013	6/2013

- **Regulatory Activities**

Based on current information, it appears seven proposals will likely be filed with the Commission during the next 12 months and divided between five boundary changes and two outside service extensions. One of the anticipated proposals involves the annexation of the "Easum Drive Island" to the City of Napa. Markedly, if this boundary change is successful, it is possible additional proposals will be pursued during the calendar year as part of the Commission's developing island annexation program. Additionally, at least one other anticipated proposal involves a requested boundary change in the Imola Avenue area in which the Commission may choose to exercise its authority to add additional properties to prove a more orderly boundary; all of which may trigger protest from non-consenting landowners. The table below identifies each anticipated regulatory activity with a projected start and end time.

Priority	Description	Start	End
n/a	Outside Service Request: NSD / 1166 Monticello Road	12/2012	2/2013
n/a	Outside Service Request: Napa / 2937 Laurel Street	12/2012	2/2013
n/a	Boundary Change Request: Napa / 1101 Grandview	12/2012	2/2013
n/a	Boundary Change Request: Napa / 1201 Imola Avenue	2/2013	4/2013
n/a	Boundary Change Request: Napa / 29 Forest Drive	4/2013	6/2013
n/a	Boundary Change Request: CSA 3 / Study Area "A"	4/2013	8/2013
n/a	Boundary Change Request: Napa / Easum Island	4/2013	10/2013

- **Administrative Activities**

Administrative activities fall into two project types: special and office. Special projects for the next 12 months include staff continuing to participate on CALAFCO's Legislative Committee with particular focus once again in advocating the Commission's interest in providing more flexibility in authorizing outside services. Work also continues on the Commission's ongoing policy update and review with the end-goal of creating a cohesive policy manual. Staff also anticipates the latter part of the calendar year will include the dedication of resources in co-hosting duties along with other Bay Area LAFCOs for CALAFCO's 2014 Staff Workshop, which will be held in San Francisco. Office projects include continuing work on implementing the Commission's new records archiving system and expanding the website to allow for online applications and status updates. The table below identifies each anticipated administrative activity with a priority ranking and projected start and end time.

Priority	Description	Start	End
1	Special Project: CALAFCO Legislative Committee	on-going	...
2	Special Project: Comprehensive Policy Update / Manual	on-going	8/2013
3	Office Project: Records Archiving (EDMS)	on-going	...
4	Office Project: Expanding Website for Applicants	11/2012	6/2013
5	Office Project: Cost-Analysis for Electronic Tablets	2/2013	6/2013
6	Special Project: CALAFCO Staff Workshop	8/2013	4/2014

B. Commission Review

Commissioners are encouraged to discuss and provide feedback on the anticipated work plan for the 2013 calendar year as presented. This includes providing direction to staff with respect to making amendments in activities and/or priorities consistent with membership preferences.

Attachment: none



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

December 3, 2012
Agenda Item No. 8c (Discussion)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Report on the 2012 CALAFCO Annual Conference

The Commission will receive a report summarizing the activities associated with the 2012 CALAFCO Annual Conference held on October 3-5 at the Monterey Hyatt Regency. The report is being presented for discussion and attending Commissioners are encouraged to share their thoughts on the programs and sessions.

California Association of Local Agency Formation Commissions (CALAFCO) was established in 1971 to assist members in fulfilling their duties to coordinate the orderly formation and development of governmental agencies and services. Key services include facilitating information sharing among members by organizing annual conferences and workshops as well as providing technical assistance through training classes. CALAFCO also serves as a resource to the Legislature and actively drafts and reviews new legislation. CALAFCO's membership currently includes 57 of the 58 LAFCOs.

A. Background

Monterey LAFCO hosted the 2012 CALAFCO Annual Conference on October 3-5 at the Hyatt Regency and Conference Center in Monterey. The Conference theme was "Power of Partnerships." Napa LAFCO ("Commission") was represented by nine total attendees, including Commissioners Bennett, Chilton, Kelly, Inman, Rodeno, and Wagenknecht.

B. Discussion/Analysis

CALAFCO reports the 2012 Annual Conference was attended by over 300 registrants with representation from 50 of the 57 LAFCOS that are part of CALAFCO. The keynote speaker for the opening session was State of California's Food and Agriculture Secretary Karen Ross, who discussed trends in food and agricultural production in the state. Assemblymember Roger Dickinson (Sacramento) also spoke at one of the general sessions regarding the continued and evolving importance of municipal service reviews in promoting governmental efficiencies. In all, there were nearly two dozen sessions during the three day program, including items on strategic planning and outside service extensions, respectively, in which representatives from Napa LAFCO served as panelists.

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Keene Simonds
Executive Officer

Staff has identified three specific takeaways from the Conference directly relevant to the Commission's interest going forward. First, Napa LAFCO appears ahead of its peers with respect to having already adopted a strategic plan as evident by the positive responses to Commissioner Kelly's presentation on the topic during a general session on Friday morning. Second, interest continues to grow with regard to Napa LAFCO's proposed amendments to the statute governing outside service extensions. Towards this end, Orange LAFCO has asked staff to make a presentation on the proposed amendments at their December 12th meeting in Santa Ana. Third, despite the demand on resources, it appears most LAFCOs believe the municipal service requirement established in 2002 has been a significant improvement in helping commissions and other local stakeholders make more informed decisions. There also appeared to be support among LAFCOs to expand the functions of the municipal service reviews to also include – among other items – mandatory responses to determinations by the affected agencies.

C. Commission Review

Commissioners are encouraged to discuss and provide feedback on the 2012 CALAFCO Annual Conference. This includes providing direction to staff with respect to addressing best practices or other related issues learned at the Conference.

Attachment:

~~1) Conference Program~~ (Attachment available by viewing report on "Staff Reports" page)