



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

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

Agenda Item 7a (Public Hearing)

TO: Local Agency Formation Commission

PREPARED BY: Brendon Freeman, Executive Officer *BF*

MEETING DATE: April 7, 2025

SUBJECT: Proposed Budget for Fiscal Year 2025-26 and Draft Work Program

RECOMMENDATION

It is recommended the Commission take the following actions:

- 1) Open the public hearing and take testimony;
- 2) Close the public hearing;
- 3) Adopt the Resolution of the Local Agency Formation Commission of Napa County Adopting a Proposed Budget for the 2025-26 Fiscal Year (Attachment 1);
- 4) Direct staff to circulate the adopted proposed budget to each of the funding agencies as well as the general public for review and comment; and
- 5) Direct the Budget Committee to return with recommendations for a final budget for adoption at a noticed public hearing on June 2, 2025.

It is also recommended the Commission discuss the draft Work Program as described on page 4 of this report and consider providing any appropriate direction to staff.

BACKGROUND AND SUMMARY

LAFCOs are responsible for annually adopting a proposed budget by May 1st and a final budget by June 15th pursuant to California Government Code section 56381.

Margie Mohler, Commissioner
Councilmember, Town of Yountville

Beth Painter, Vice Chair
Councilmember, City of Napa

David Oro, Alternate Commissioner
Councilmember, City of American Canyon

Anne Cottrell, Commissioner
County of Napa Supervisor, 3rd District

Belia Ramos, Commissioner
County of Napa Supervisor, 5th District

Joelle Gallagher, Alternate Commissioner
County of Napa Supervisor, 1st District

Kenneth Leary, Chair
Representative of the General Public

Eve Kahn, Alternate Commissioner
Representative of the General Public

Brendon Freeman
Executive Officer

Prescriptive Funding Sources

The Commission's annual operating expenses are primarily funded by the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and Town of Yountville. State law specifies the County is responsible for one-half of the Commission's operating expenses while the remaining amount is to be apportioned among the cities and town. The current formula for allocating the cities' and town's shares of the Commission's budget was adopted by the municipalities in 2003 and is based on a weighted calculation of population (60%) and general tax revenues (40%). Additional funding – typically less than 10% of total revenues – is budgeted from anticipated application fees and interest earnings.

Budgeting Policies

Consistent with the Commission's *Budget Policy* ("the Policy"), included as Attachment 2, the Commission appointed Chair Leary and Vice Chair Painter to serve on an ad hoc Budget Committee ("the Committee") to inform the Commission's decision-making process in adopting an annual operating budget. The Policy directs the Committee to also consider the Commission's work program.

The Commission is directed to control operating expenses by utilizing its available undesignated/unreserved fund balance ("reserves") whenever possible and appropriate. Following a recent amendment to the Policy, the Commission is now directed to retain reserves equal to 10% of budgeted expenses. The Commission's reserves totaled \$424,359 on July 1, 2024 and are projected to total \$437,106 at the end of the current fiscal year.

The Budget Committee agreed to recommend the Commission utilize its reserves by contracting with more consultants and minimize annual increases in agency contributions over an approximate five-year period to reach the 10% target under the Policy.

Proposed Budget Overview

The Commission will consider approving a proposed budget for fiscal year 2025-26 with operating expenses totaling \$859,000 and operating revenues totaling \$773,950, resulting in an intentional deficit/shortfall of \$85,050 and positioning the Commission to finish the fiscal year with reserves totaling \$352,056 or 41% of operating expenses.

Proposed Operating Expenses

The Committee proposes a decrease in budgeted operating expenses from \$902,704 to \$859,000; a difference of \$43,704 compared to the current fiscal year. The decrease is primarily due to higher consultant expenses in the current fiscal year budget.

A summary of significant operating expenses follows.

Salaries and Benefits Unit

This budget unit is proposed to total \$8,150 and is primarily associated with Commissioner stipends for attendance at meetings. Staff salaries and benefits are categorized under Administration Services (Account No. 52100) within the Services and Supplies budget unit as summarized below.

Services and Supplies Unit

This budget unit is proposed to total \$850,850. A summary of key accounts follows.

Administration Services (Account No. 52100) expenses are proposed to increase from \$614,588 to \$630,571 over the current fiscal year to reflect the following:

- Staffing at 3.0 full-time equivalent employees including one Executive Officer, one Assistant Executive Officer, and one Clerk/Jr. Analyst
- 3.5% cost of living adjustments for all staff
- Executive Officer management leave cash out (80 hours)
- Executive Officer vacation leave cash out (40 hours)
- \$3,600 for the Executive Officer and Assistant Executive Officer to participate in the County of Napa's 401(a) retirement savings plan and agree to the maximum matching contribution
- Increase in cell phone allowance to \$1,680 to reflect recent changes following labor negotiations with Napa County

Consulting Services (Account No. 52310) expenses are proposed to decrease from \$127,754 to \$75,000 over the current fiscal year to reflect the completion of the Countywide Fire and Emergency Medical Services Municipal Service Review (MSR) by a consultant in the current fiscal year. It is anticipated another consultant will be hired to prepare the scheduled City of St. Helena MSR during fiscal year 2025-26. In addition, the Budget Committee recommends the Commission anticipate consulting expenses associated with the scheduled Napa Sanitation District Sphere of Influence Update.

Training/Conference (Account No. 52900) expenses are proposed to decrease from \$20,000 to \$10,000 over the current fiscal year to reflect historical demand from staff and Commissioners for additional training and educational opportunities.

Insurance: Liability (Account No. 52700) expenses are proposed to increase from \$922 to \$12,157 over the current fiscal year to reflect an accounting error in which two general liability claims were inadvertently ignored and thus not factored into LAFCO's annual general liability charge from Napa County. The proposed amount in fiscal year 2025-26 is the correct amount. Notably, the two referenced claims will be dropped within the next three years, which will substantially reduce the Commission's annual general liability expenses moving forward.

Proposed Operating Revenues

The Committee proposes an increase in operating revenues from \$767,910 to \$773,950; a difference of \$6,040 compared to the current fiscal year. Agency contributions are proposed to remain equal to the current fiscal year and total \$737,950.

Work Program

The Commission annually adopts a work program and the Budget Committee is directed to consider it as part of the budget preparation process. The Committee considered a draft Work Program for Fiscal Year 2025-26 prepared by staff, included as Attachment 3. This includes approximate schedules for the preparation of MSRs and other projects. The Commission is invited to discuss the draft Work Program and consider any appropriate changes before adoption of a final Work Program at a future meeting.

ATTACHMENTS

- 1) Draft Resolution Adopting a Proposed Budget for Fiscal Year 2025-26
- 2) Budget Policy
- 3) Draft Work Program for Fiscal Year 2025-26

RESOLUTION NO. _____

**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
ADOPTING A PROPOSED BUDGET FOR THE 2025-26 FISCAL YEAR**

WHEREAS, the Local Agency Formation Commission of Napa County (hereinafter referred to as “Commission”) is required by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code sections 56000 et seq.) to adopt a proposed budget for the next fiscal year; and

WHEREAS, Government Code section 56381 requires the Commission to adopt a proposed budget by May 1 and a final budget by June 15; and

WHEREAS, the Commission appoints and utilizes an ad hoc subcommittee (“Budget Committee”) to help inform and make decisions regarding the agency’s funding requirements; and

WHEREAS, the Executive Officer prepared a report concerning the Budget Committee’s recommended proposed budget; and

WHEREAS, the Executive Officer’s report was presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at its public hearing on the proposed budget held on April 7, 2025; and

WHEREAS, the Commission determined the proposed budget projects the staffing and program costs of the Commission as accurately and appropriately as is possible.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The proposed budget as outlined in Exhibit “A” is adopted.
2. The proposed budget provides the Commission sufficient resources to fulfill its regulatory and planning responsibilities in accordance with Government Code section 56381(a).

The foregoing resolution was duly and regularly adopted by the Commission at a public meeting held on April 7, 2025, after a motion by Commissioner _____, seconded by Commissioner _____, by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSENT: Commissioners _____

ABSTAIN: Commissioners _____

Kenneth Leary
Commission Chair

ATTEST: _____
Brendon Freeman
Executive Officer

Recorded by: Stephanie Pratt
Clerk/Jr. Analyst

DRAFT

Napa LAFCO Fiscal Year 2025-26 Proposed Budget

Adopted on April 7, 2025

Expenses

Salaries and Benefits

<u>Account</u>	<u>Description</u>	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26
		Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Draft Budget
51210	Commissioner Per Diems	15,200	12,690	16,000	15,750	18,000	10,500	7,200
51300	Medicare - Commissioners	250	181	250	228	300	250	250
51305	FICA - Commissioners	500	583	1,100	967	700	650	700
Total Salaries & Benefits		15,950	13,454	17,350	16,946	19,000	11,400	8,150

Services and Supplies

<u>Account</u>	<u>Description</u>	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26
		Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Draft Budget
52100	Administration Services	509,844	429,510	559,015	572,978	614,588	508,787	630,571
	<i>Salaries and Wages</i>	360,698	271,335	395,246	391,561	421,018	342,500	440,306
	<i>401A Employer Contribution</i>	1,000	1,000	3,200	1,590	3,600	2,850	3,600
	<i>Cell Phone Allowance</i>	420	420	455	420	455	1,680	1,680
	<i>Medicare - Staff</i>	5,201	5,164	5,731	5,483	5,872	4,870	6,145
	<i>Employee Insurance-Premiums</i>	54,703	52,679	67,054	64,567	63,684	60,500	55,538
	<i>Worker's Compensation</i>	595	595	692	692	876	876	889
	<i>PERS Retirement</i>	73,599	84,690	79,226	101,254	107,232	83,660	110,706
	<i>OPEB</i>	13,627	13,627	7,411	7,411	11,851	11,851	11,707
52125	Accounting/Auditing Services	7,500	7,742	7,500	8,039	7,500	7,450	7,500
52130	Information Technology Services	23,974	23,974	34,309	30,875	27,746	27,746	31,635
52131	ITS Communication Charges	1,685	1,692	2,000	2,000	2,757	2,757	2,908
52140	Legal Services	35,000	32,402	35,000	36,195	35,000	35,000	35,000
52310	Consulting Services	10,000	-	105,000	20,662	127,754	127,754	75,000
52345	Janitorial Services	300	150	300	-	300	270	300
52515	Maintenance-Software	1,930	629	3,062	1,762	1,512	1,512	1,512
52600	Rents and Leases: Equipment	4,000	2,740	3,500	2,994	3,000	2,700	3,000
52605	Rents and Leases: Building/Land	25,995	25,995	26,775	26,775	27,570	27,570	28,200
52700	Insurance: Liability	638	638	716	-	922	922	12,157
52800	Communications/Telephone	3,000	1,667	5,000	4,397	3,000	2,500	3,000
52830	Publications and Notices	1,000	1,282	750	1,133	1,000	500	1,000
52835	Filing Fees	200	-	150	100	200	100	200
52900	Training/Conference	15,000	8,937	12,500	11,183	20,000	11,000	10,000
52905	Business Travel/Mileage	1,000	-	2,000	201	1,000	500	1,000
53100	Office Supplies	1,000	1,282	2,000	1,192	2,500	700	1,000
53110	Freight/Postage	150	-	100	-	100	50	100
53115	Books/Media/Subscriptions	119	119	119	-	119	119	119
53120	Memberships/Certifications	3,078	3,078	3,332	3,332	3,411	3,411	3,523
53205	Utilities: Electric	2,000	1,540	2,400	1,837	2,500	2,100	2,500
53410	Computer Equipment/Accessories	-	-	571	1,140	-	-	-
53415	Computer Software/License	225	-	225	-	225	225	225
53650	Business Related Meal/Supplies	-	316	760	594	1,000	130	400
Total Services & Supplies		647,638	543,693	807,084	727,389	883,704	763,803	850,850
EXPENSE TOTALS		663,588	557,147	824,434	744,335	902,704	775,203	859,000

Revenues

		FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26
		Final Budget	Actual	Final Budget	Actual	Final Budget	Estimate	Draft Budget
Intergovernmental								
<u>Account</u>	<u>Description</u>							
43910	County of Napa	313,794	313,794	339,738	339,738	368,975	368,975	368,975
43950	Other Governmental Agencies	313,794	313,794	339,738	339,738	368,975	368,975	368,975
----	<i>City of Napa</i>	207,969	207,969	222,680	222,680	241,028	241,028	244,290
----	<i>City of American Canyon</i>	56,307	56,307	61,235	61,235	64,258	64,258	64,904
----	<i>City of St. Helena</i>	20,381	20,381	22,609	22,609	25,171	25,171	22,124
----	<i>City of Calistoga</i>	16,885	16,885	20,342	20,342	22,963	22,963	23,035
----	<i>Town of Yountville</i>	12,252	12,252	12,872	12,872	15,554	15,554	14,622
	Total Intergovernmental	627,588	627,588	679,476	679,476	737,950	737,950	737,950
Service Charges								
<u>Account</u>	<u>Description</u>							
42690	Application/Permit Fees	25,000	30,110	22,950	40,170	25,000	26,000	25,000
46800	Charges for Services	1,000	2,667	510	4,150	1,000	4,000	1,000
47900	Miscellaneous	4,000	-	-	-	4,000	-	-
	Total Service Charges	30,000	32,777	23,460	44,320	23,460	30,000	26,000
Investments								
<u>Account</u>	<u>Description</u>							
45100	Interest	6,000	7,243	6,500	18,168	6,500	20,000	10,000
	Total Investments	6,000	7,243	6,500	18,168	6,500	20,000	10,000
	REVENUE TOTALS	663,588	667,608	709,436	741,964	767,910	787,950	773,950
OPERATING DIFFERENCE		0	110,461	(114,998)	(2,371)	(134,794)	12,747	(85,050)

Reserves

	2022-23	2023-24	2024-25	2025-26
Undesignated/Unreserved Fund Balance ("Reserves")				
Beginning:	296,702	407,163	424,359	437,106
Ending:	407,163	404,792	437,106	352,056



LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

Budget Policy

(Adopted: August 9, 2001; Last Amended: February 3, 2025)

I. Background

The Cortese-Knox-Hertzberg Local Government Reorganization (CKH) Act of 2000 includes provisions for establishing a budget and for the receipt of funds. [Government Code \(G.C.\) §56381](#) establishes that the Commission shall annually adopt a budget for the purpose of fulfilling its duties under CKH.

II. Purpose

It is the intent of the Commission to adopt a policy for budget purposes which establishes procedures for compiling, adopting and administering the budget. The Commission is committed to providing transparency of its operations including its fiscal activities. The Commission follows recognized accounting principles and best practices in recognition of its responsibility to the public.

III. Preparation of Annual Budget

- A) An annual budget shall be prepared, adopted and administered in accordance with [\(G.C.\) §56381](#).
- B) The Commission should annually consider the Fee Schedule, including any anticipated changes, and Work Program in conjunction with the budget process.
- C) The Commission is committed to ensuring the agency is appropriately funded each fiscal year to effectively meet its prescribed regulatory and planning responsibilities. The Commission is also committed to controlling operating expenses to reduce the financial obligations on the County of Napa, the cities and town, hereafter referred to as the “funding agencies,” whenever possible and appropriate.
- D) The budget shall include an undesignated/unreserved fund balance equal to 10% of annually budgeted operating expenses.
- E) The Commission shall establish an ad-hoc budget committee at the last meeting of each calendar year comprising of two Commissioners which will terminate with the adoption of the final budget. Commissioners appointed to a budget committee shall receive a regular per diem payment for each meeting attended.
- F) The adopted final budget should be posted on the Commission’s website for public viewing for a minimum of five years.
- G) The Executive Officer shall provide quarterly budget reports to the Commission for informational purposes.

IV. Budget Contributions and Collection of Funds

[G.C. §56381](#) establishes that the Commission shall adopt annually a budget for the purpose of fulfilling its duties under CKH. It further establishes that the County Auditor shall apportion the operating expenses from this budget in the manner prescribed by [G.C. §56381\(b\)](#), or in a manner mutually agreed upon by the agencies responsible for the funding of the Commission's budget [G.C. §56381\(c\)](#) states that:

After apportioning the costs as required in subdivision (b), the auditor shall request payment from the Board of Supervisors and from each city no later than July 1 of each year for the amount that entity owes and the actual administrative costs incurred by the auditor in apportioning costs and requesting payment from each entity. If the County or a city does not remit its required payment within 60 days, the Commission may determine an appropriate method of collecting the required payment, including a request to the auditor to collect an equivalent amount from the property tax, or any fee or eligible revenue owed to the County or city. The auditor shall provide written notice to the County or city prior to appropriating a share of the property tax or other revenue to the Commission for the payment due the Commission pursuant to this section.

It is the intent of the Commission that all agencies provide the costs apportioned to them from the LAFCO budget. Pursuant to [G.C. §56381\(c\)](#), the policy of the Commission is:

- A) If the County or a city or a town does not remit its required payment within 45 days of the July 1 deadline, the County Auditor shall send written notice to the agency in question that pursuant to [G.C. §56381\(c\)](#) and this policy, the Auditor has the authority to collect the amount of the Commission's operating expenses apportioned to that agency after 60 days from the July 1 deadline.
- B) If the County or a city or a town does not remit its required payment within 60 days of the July 1 deadline, the County Auditor shall collect an amount equivalent to the cost apportioned to that agency from the property tax owed to that agency, or some other eligible revenue deemed appropriate or necessary by the County Auditor. The County Auditor shall send written notice of the action taken to the agency and to the Commission.

V. Executive Officer Purchasing and Budget Adjustment Authority

Pursuant to [G.C. §56380](#), the Commission shall make its own provision for necessary quarters, equipment, supplies, and services. The associated operating costs are provided for through the Commission's adoption of its annual budget in the manner prescribed in [G.C. §56381](#).

It is the intent of the Commission to charge the LAFCO Executive Officer with the responsibility and authority for coordinating and managing the procurement of necessary quarters, equipment, supplies, and services, and to adjust the annual budget as necessary under certain circumstances. The policy of the Commission is:

- A) The Executive Officer is charged with the responsibility and authority for coordinating and managing the procurement of necessary quarters, equipment, supplies, and services in accordance with applicable laws, regulations and policies.
- B) The Executive Officer is authorized to act as the agent for LAFCO in procuring necessary quarters, equipment, supplies, and services.
- C) Only the Commission itself or the Executive Officer may commit LAFCO funds for the purchase of any necessary quarters, equipment, supplies, or services for LAFCO use.
- D) The Executive Officer is delegated purchasing authority on behalf of LAFCO for necessary quarters, equipment, supplies, and services not to exceed \$5,000 per transaction. The Commission must approve any purchase of necessary quarters, equipment, supplies, and services that exceed the monetary limits set forth in this policy.
- E) Following review and approval by the Chair, the Executive Officer is authorized to make adjustments and administrative corrections to the budget without Commission action provided the adjustments and corrections are within the total budget allocations adopted by the Commission and within the same budget category pursuant to [Revenue and Taxation Code §29125](#).
- F) Following review and approval by the Chair, the Executive Officer is authorized to adjust the budget for purposes of carrying over to the new fiscal year any encumbered funds that have been approved by the Commission in a prior fiscal year and involve unspent balances. Said funds include committed contracts for services that were not completed in the prior fiscal year and must be re-encumbered by way of a budget adjustment in the new fiscal year.

Napa LAFCO Work Program for Fiscal Year 2025-26			
		Timeline	Comments
STUDIES	Napa Sanitation District SOI (In-House)	Draft report in June 2025	Previous MSR completed in 2014 (Central County Region MSR). Previous SOI completed in 2015. Staff has engaged District staff, County staff, and interested community members to identify potential SOI study areas.
	Countywide Fire & EMS MSR (Consultant)	Draft report in June or August 2025	Previous Countywide Fire MSR completed in 2006. Contracting with AP Triton to prepare the report.
	City of St. Helena MSR & SOI (Consultant)	Draft report in October or December 2025	Previous MSR & SOI completed in 2008.
ADMINISTRATION	Audit	Annual	Presented by the County Auditor-Controller annually in December.
	Budget	Annual	Ad hoc Budget Committee appointed annually in December to assist staff in preparing budget and work program. Staff presents quarterly budget reports.
	Legislation	Annual	Ad hoc Legislative Committee appointed annually in December to review state legislation and recommend formal positions.
	New Commissioner Orientation	Ongoing	Mandatory in-person orientation process for new commissioners.
	Policies	Ongoing	Policy amendments will be proposed as needed. Policy Manual updated accordingly.
	Proposals	Ongoing	See "Current and Future Proposals" staff report on each meeting agenda for a status update.
	Staff Training	Ongoing	Clerk/Jr. Analyst requires ongoing training on LAFCO's administrative functions and application processing.
	Website/Document Management	Ongoing	Staff continuously updates information on website including agendas, minutes, meeting recordings, audits, budgets, etc.
OTHER	Special Projects & Studies	TBD	To be determined in budget cycle and strategic planning. Typically involves a contract with a consultant to be funded with reserves. See Countywide Fire & EMS MSR in "Studies".
	Education & Outreach to Stakeholders & Public	Ongoing	Proactive engagement with local agencies. Conduct regular presentations. Leverage website whenever possible.
	Climate Resiliency in LAFCO's Work	Ongoing	Research policies & best practices of other LAFCOs. Consider adopting additional local policies.
	Coordination & Provision of Broadband Services	Ongoing	Participate in the North Bay Broadband Consortium. Coordinate with other LAFCOs.
	2025 CALAFCO Annual Conference	October 22-24, 2025	Scheduled to be held in San Diego at the Wyndham San Diego Bayside.
	2026 CALAFCO Staff Workshop	TBD	Location to be determined.
DRAFT Work Program for Committee review			