



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

TO: Local Agency Formation Commission

PREPARED BY: Peter Banning, Interim Executive Officer
Brendon Freeman, Analyst

MEETING DATE: April 6, 2015

SUBJECT: Proposed Budget for Fiscal Year 2015-2016

RECOMMENDATION

Adopt the proposed budget for fiscal year 2015-2016 (Attachment One) with any desired changes and circulate the adopted proposed budget to the funding agencies as well as make the proposed budget available to the public for review and comment. The Budget Committee will return with recommendations for a final budget for adoption at a noticed public hearing on June 1, 2015.

BACKGROUND

Local Agency Formation Commissions (LAFCOs) are responsible under State law for annually adopting a proposed budget by May 1st and a final budget by June 15th. State law specifies the proposed and final budgets shall – at a minimum – be equal to the budget adopted for the previous fiscal year unless LAFCO finds the reduced costs will nevertheless allow the agency to fulfill its prescribed regulatory and planning duties.

Prescriptive Funding Sources

LAFCO of Napa County's ("Commission") annual operating expenses are principally funded by the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and 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 five cities. The current formula for allocating the cities' shares of the Commission's budget was adopted by the municipalities in 2003 as an alternative to the standard method outlined in State law and is based on a weighted calculation of population and general tax revenues. Additional funding – typically representing less than one-tenth of total revenues – is budgeted from anticipated application fees and interest earnings.

Joan Bennett, Chair
Councilmember, City of American Canyon

Greg Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

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

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

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

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Peter Banning
Interim Executive Officer

Budgeting Policies

It is the policy of the Commission to utilize a Budget Committee (“Committee”) to inform the agency’s decision-making process in adopting an annual operating budget. The Commission establishes a Committee for each fiscal year to include two commissioners and the Executive Officer. The Committee’s responsibilities are summarized in the Budget Policy (Attachment Three). Commissioners Bennett and Kelly were appointed to serve on the Committee at the Commission’s December 1, 2014 regular meeting.

Two specific policy determinations underlie the Committee’s work and related recommendations to the Commission. First, it is the policy of the Commission to ensure the agency is appropriately funded to effectively and proactively meet its prescribed duties while controlling operating expenses whenever possible to limit the financial impact on the funding agencies. This means utilizing reserves when appropriate to offset increases in agency contributions. Second, it is the policy of the Commission to retain sufficient reserves to equal no less than three months of budgeted operating expenses in the affected fiscal year less any capital depreciation.

DISCUSSION

The Committee has prepared a proposed budget in line-item form for consideration by the Commission as part of a noticed public hearing. The proposed budget worksheet reflects three budget amendments for the current fiscal year that were each approved at public meetings to increase current fiscal year operating expenses for (1) CEQA consulting services, (2) interim Executive Officer’s consulting services contract, and (3) contract with Regional Government Services to recruit a new Executive Officer. A detailed summary of proposed operating expenses and revenues follows with the corresponding general ledger showing all affected accounts provided as an exhibit to the attached draft resolution of approval.

Operating Expenses

The Committee proposes a decrease in operating expenses from \$514,218 to \$498,684; a difference of \$15,534 or (3.0%) over the adjusted budget amount for the current fiscal year. Nearly all of the decrease lies within the services/supplies unit with the majority associated with the Commission transitioning from a consulting services agreement for interim Executive Officer services to a full-time Executive Officer with standard salary and benefits. The Committee proposes increasing the salaries and wages account from \$147,625 to \$224,182. The proposed change represents a \$76,557 or 51.9% increase and accounts for hiring a full-time Executive Officer subject to an increased salary range. The Committee proposes a decrease in the consulting services account from \$121,500 to \$30,000. The decrease in consulting services represents a total of \$91,500 or (75.3%) that is budgeted for the interim Executive Officer during the current fiscal year.

The following table summarizes operating expenses in the proposed budget.

Expense Unit	Adjusted FY14-15	Proposed FY15-16	Change %
1) Salaries/Benefits	\$259,875	\$340,750	31.1
2) Services/Supplies	\$254,343	\$157,933	(37.9)
3) Contingencies	\$0	\$0	0.0
	\$514,218	\$498,683	(3.0)

Operating Revenues

The Committee proposes operating revenues increase from \$444,205 to \$481,444; a difference of \$37,239 or 8.4% over the current fiscal year. The Committee proposes the majority of operating revenues to be collected – \$448,944 – would be drawn from agency contributions and would exceed the current fiscal year total by \$17,239 or 4.0%. Service charges and interest earnings on the fund balance invested by the County Treasurer represent the remaining portion of operating revenues in the proposed budget. Application fee revenues are proposed to increase from \$10,000 to \$30,000 in response to recent trends in proposal activity.

The following table summarizes operating revenues in the proposed budget.

Revenue Unit	Adjusted FY14-15	Proposed FY15-16*	Change \$	Change %
1) Agency Contributions	\$431,705	\$448,944	\$17,239	4.0
(a) County of Napa	\$215,852	\$224,472	\$8,620	4.0
(b) City of Napa	\$144,529	\$150,301	\$5,772	4.0
(c) City of American Canyon	\$34,422	\$35,796	\$1,374	4.0
(d) City of St. Helena	\$14,145	\$14,710	\$565	4.0
(e) City of Calistoga	\$12,907	\$13,422	\$515	4.0
(f) Town of Yountville	\$9,850	\$10,243	\$393	4.0
2) Service Charges	\$10,500	\$30,500	\$20,000	190.5
3) Interest Earnings	\$2,000	\$2,000	\$0	0.0
Total	\$444,205	\$481,444	\$37,239	8.4

* Proposed agency contributions for 2015-16 reflect general tax revenues for 2011-12 as provided by the State Controller's Office's (SCO) Cities Annual Report as well as population estimates for January 1, 2014 as provided by the State Department of Finance's (DOF) Population Estimates. Agency contributions will be updated in the final budget to reflect general tax revenues from SCO's 2012-2013 Cities Annual Report and new population estimates as of January 1, 2015 from DOF's 2015 Population Estimates once these reports have been published.

ANALYSIS

The proposed budget for 2015-2016 accomplishes the Committee's two core objectives to (a) provide sufficient resources to maintain current service levels while (b) minimizing impacts on the funding agencies by limiting overall contribution increases. In particular, the proposed budget preserves present staff and service levels the Committee believes are merited given the agency's prescribed and expanding duties. Also, despite allocating \$17,239 as offsetting revenues, the proposed budget positions the Commission to finish the fiscal year with an available fund balance of \$172,256; an amount more than sufficient to meet the Commission's policy to retain reserves equal to no less than three months of operating expenses.

ATTACHMENTS

- 1) Draft Resolution of Approval (Proposed Budget Provided as Exhibit "A")
- 2) Local Agency Contributions Worksheet
- 3) Budget Policy

RESOLUTION NO. ____**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
ADOPTING A PROPOSED BUDGET FOR THE 2015-2016 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 no later than May 1; and

WHEREAS, the Commission appoints and utilizes a Budget Committee to help inform and make decisions regarding the agency’s funding requirements; and

WHEREAS, at the direction of the Commission, the Budget Committee circulated for review and comment an approved draft proposed budget to the administrative and financial officers of each of the six local agencies that contribute to the Commission budget; and

WHEREAS, the Commission reviewed all substantive written and verbal comments concerning the draft proposed budget; and

WHEREAS, the Budget Committee prepared a report concerning the proposed budget, including recommendations thereon; and

WHEREAS, the Budget Committee’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 6, 2015; 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 approved.

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 regular meeting held on April 6, 2015 by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSTAIN: Commissioners _____

ABSENT: Commissioners _____

ATTEST: Peter Banning
Interim Executive Officer

RECORDED: Kathy Mabry
Commission Secretary



Local Agency Formation Commission of Napa County

Subdivision of the State of California

FY2015-2016 OPERATING BUDGET / PROPOSED

Prepared on March 23, 2015

Expenses

		FY2012-13		FY2013-14		FY2014-15		FY2015-16	Difference	
		Adopted	Actual	Adjusted*	Actual	Adjusted**	Estimate	Proposed		
		FY12-13	FY12-13	FY13-14	FY13-14	FY14-15	FY14-15	FY15-16		
Salaries and Benefits										
<u>Account</u>	<u>Description</u>									
51100	Salaries and Wages	203,183.19	212,429.87	155,519.15	148,967.67	147,625.00	160,615.00	224,181.83	76,556.83	51.9%
51400	Employee Insurance: Premiums	47,646.00	39,635.35	51,202.80	30,172.56	44,796.00	28,140.00	42,936.00	(1,860.00)	-4.2%
51600	Retirement	37,736.30	37,730.04	39,595.42	28,257.05	39,853.00	30,050.00	43,791.10	3,938.10	9.9%
51605	Other Post Employment Benefits	12,139.00	12,139.00	12,166.00	12,166.16	12,321.00	13,861.00	14,751.00	2,430.00	19.7%
51210	Commissioner/Director Pay	6,400.00	6,000.00	10,000.00	11,500.00	10,000.00	11,125.00	10,000.00	-	0.0%
51300	Medicare	2,946.16	2,896.38	3,012.22	2,476.78	3,012.00	2,466.00	3,250.64	238.64	7.9%
51305	FICA	-	-	-	193.40	-	302.00	500.00	500.00	New
51205	Cell Phone Allowance	840.00	840.00	840.00	595.00	840.00	682.00	840.00	-	0.0%
51405	Workers Compensation	396.00	396.00	400.00	427.00	428.00	428.00	500.00	72.00	16.8%
51200	401A Employer Contribution	-	-	-	-	1,000.00	300.00	-	(1,000.00)	-100.0%
		311,286.65	312,066.64	272,735.59	234,755.62	259,875.00	247,969.00	340,750.56	80,875.56	31.1%
Services and Supplies										
<u>Account</u>	<u>Description</u>									
52605	Rents and Leases: Building/Land	25,560.00	25,560.00	25,560.00	25,560.00	25,560.00	25,560.00	25,560.00	-	0.0%
52140	Legal Services	22,540.00	10,673.44	22,540.00	32,863.95	32,000.00	28,600.00	28,600.00	(3,400.00)	-10.6%
52310	Consulting Services	-	-	61,500.00	58,600.00	121,500.00	121,500.00	30,000.00	(91,500.00)	-75.3%
52130	Information Technology Services	22,009.00	22,149.36	22,374.00	22,374.00	23,663.00	23,663.00	24,052.00	389.00	1.6%
52125	Accounting/Auditing Services	9,125.56	8,051.60	9,125.56	8,460.42	10,000.00	8,850.00	10,000.00	-	0.0%
52600	Rents and Leases: Equipment	6,500.00	5,739.88	6,000.00	5,995.03	6,000.00	6,160.00	6,500.00	500.00	8.3%
53100	Office Supplies	5,500.00	2,375.00	5,000.00	2,301.79	4,000.00	3,325.00	4,000.00	-	0.0%
52905	Business Travel/Mileage	5,000.00	6,528.78	5,000.00	2,882.96	2,000.00	1,380.00	2,000.00	-	0.0%
52900	Training/Conference	4,000.00	6,925.77	4,000.00	7,494.42	8,995.00	8,175.00	9,000.00	5.00	0.1%
53600	Special Departmental Expense	3,500.00	3,415.29	21,500.00	10,850.36	4,000.00	1,685.00	4,000.00	-	0.0%
52515	Maintenance-Software	-	-	-	4,400.61	-	1,127.00	1,500.00	1,500.00	New
53415	Computer Software/License	3,487.13	-	3,487.73	183.36	2,500.00	-	500.00	(2,000.00)	-80.0%
52800	Communications/Telephone	2,970.00	2,486.89	2,950.00	2,488.39	2,950.00	1,215.00	2,000.00	(950.00)	-32.2%
53120	Memberships/Certifications	2,248.00	2,248.00	2,292.96	2,300.00	2,335.00	2,335.00	2,381.00	46.00	2.0%
53205	Utilities: Electric	1,500.00	1,029.77	1,500.00	1,050.64	1,500.00	955.00	1,100.00	(400.00)	-26.7%
52830	Publications and Notices	1,500.00	1,169.59	1,500.00	1,823.00	2,000.00	640.00	1,500.00	(500.00)	-25.0%
52830	Filing Fees	850.00	350.00	850.00	-	500.00	-	500.00	-	0.0%
53110	Freight/Postage	800.00	277.42	800.00	353.68	800.00	325.00	500.00	(300.00)	-37.5%
52700	Insurance: Liability	153.00	148.00	34.63	35.00	100.00	98.00	150.00	50.00	50.0%
52705	Insurance: Premiums	-	-	118.00	-	-	-	-	-	0.0%
52105	Election Services	-	150.00	-	150.00	-	-	150.00	150.00	0.0%
53105	Office Supplies: Furniture/Fixtures	-	322.38	-	-	-	-	-	-	0.0%
54600	Capital Replacement/Depreciation	3,931.40	3,931.40	3,931.00	3,931.00	3,940.00	3,931.00	3,940.00	-	0.0%
		121,174.09	103,532.57	200,063.88	194,098.61	254,343.00	239,524.00	157,933.00	(96,410.00)	-37.9%
Contingencies and Reserves										
<u>Account</u>	<u>Description</u>									
58100	Appropriation for Contingencies	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
	EXPENSE TOTALS	432,460.74	415,599.21	472,799.47	428,854.23	514,218.00	487,493.00	498,683.56	(15,534.44)	-3.0%

* Adjusted Budget for 2013-14 reflects (1) decrease in salary and benefits tied to departure of prior Executive Officer, (2) consulting services for Interim Executive Officer, and (3) Executive Officer recruitment costs.

** Adjusted Budget for 2014-15 reflects (1) new CEQA consulting services, (2) consulting services for Interim Executive Officer, (3) Executive Officer recruitment costs, and (4) consulting services for legal counsel.

Revenues

		FY2012-13		FY2013-14		FY2014-15		FY2015-16			
		Adopted FY12-13	Actual FY12-13	Adjusted FY13-14	Actual FY13-14	Adjusted FY14-15	Estimate FY14-15	Proposed FY15-16	<i>Difference</i>		
Intergovernmental											
Account	Description										
43910	County of Napa	204,787.17	204,787.17	209,675.02	209,675.02	215,852.51	215,852.51	224,472.14	8,619.63	4.0%	
43950	Other Governmental Agencies	204,787.17	204,787.17	209,675.01	209,675.01	215,852.51	215,852.51	224,472.14	8,619.63	4.0%	
----	<i>City of Napa</i>	<i>136,583.40</i>	<i>136,583.40</i>	<i>140,020.50</i>	<i>140,020.50</i>	<i>144,529.41</i>	<i>144,529.41</i>	<i>150,300.89</i>	<i>5,771.48</i>	<i>4.0%</i>	
----	<i>City of American Canyon</i>	<i>33,320.64</i>	<i>33,320.64</i>	<i>33,757.20</i>	<i>33,757.20</i>	<i>34,421.92</i>	<i>34,421.92</i>	<i>35,796.49</i>	<i>1,374.57</i>	<i>4.0%</i>	
----	<i>City of St. Helena</i>	<i>14,152.67</i>	<i>14,152.67</i>	<i>13,956.84</i>	<i>13,956.84</i>	<i>14,145.09</i>	<i>14,145.09</i>	<i>14,709.94</i>	<i>564.85</i>	<i>4.0%</i>	
----	<i>City of Calistoga</i>	<i>12,095.39</i>	<i>12,095.39</i>	<i>12,388.75</i>	<i>12,388.75</i>	<i>12,906.58</i>	<i>12,906.58</i>	<i>13,421.98</i>	<i>515.40</i>	<i>4.0%</i>	
----	<i>Town of Yountville</i>	<i>8,635.00</i>	<i>8,635.00</i>	<i>9,551.72</i>	<i>9,551.72</i>	<i>9,849.52</i>	<i>9,849.52</i>	<i>10,242.84</i>	<i>393.32</i>	<i>4.0%</i>	
		409,574.34	409,574.34	419,350.03	419,350.03	431,705.02	431,705.02	448,944.29	17,239.27	4.0%	
Service Charges											
42690	Application/Permit Fees	10,000.00	23,078.00	10,000.00	31,488.00	10,000.00	53,136.00	30,000.00	20,000.00	200.0%	
46800	Charges for Services	-	500.00	500.00	375.00	500.00	1,750.00	500.00	-	0.0%	
47900	Miscellaneous	-	180.70	-	-	-	-	-	-	0.0%	
		10,000.00	23,758.70	10,500.00	31,863.00	10,500.00	54,886.00	30,500.00	20,000.00	190.5%	
Investments											
45100	Interest	4,076.00	1,985.03	3,000.00	1,514.00	2,000.00	2,000.00	2,000.00	-	0.0%	
		4,076.00	1,985.03	3,000.00	1,514.00	2,000.00	2,000.00	2,000.00	-	0.0%	
	REVENUE TOTALS	423,650.34	435,318.07	432,850.03	452,727.03	444,205.02	488,591.02	481,444.29	37,239.27	8.4%	
OPERATING DIFFERENCE		(8,810.40)	19,718.86	(39,949.44)	23,872.80	(70,012.98)	1,098.02	(17,239.27)			
Negative Balance Indicates Use of Reserves											

	2012-2013 Actual	2013-2014 Actual	2014-2015 Estimate	2015-2016 Proposed Budget
PERCENTAGE OF OPERATING EXPENSES				
Salaries/Benefits	75.1%	54.7%	50.9%	68.3%
Services/Supplies	24.9%	45.3%	49.1%	31.7%

UNRESERVED/UNRESTRICTED FUND BALANCE				
Beginning:	144,805.34	164,524.20	188,397.00	189,495.02
Ending:	164,524.20	188,397.00	189,495.02	172,255.75

MINIMUM THREE MONTH RESERVE GOAL	107,132.34	117,217.12	127,569.50	123,685.89
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LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

BUDGET POLICY

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