



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: Brendon Freeman, Analyst

MEETING DATE: June 1, 2015

SUBJECT: Final Budget for Fiscal Year 2015-2016

RECOMMENDATION

Open the public hearing, invite public testimony, close the public hearing, and adopt the final budget for fiscal year 2015-2016 (Attachment One) with any desired changes.

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.

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.

Juliana Inman, Chair
Councilmember, City of Napa

Greg Pitts, Commissioner
Councilmember, City of St. Helena

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

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

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.

Committee Actions to Date

The Committee presented a proposed budget for adoption by the Commission on April 6th. Prior to adoption of the proposed budget, the Commission approved a new budget adjustment for the upcoming fiscal year to allow the use of reserves to cover the costs associated with back-scanning decades of historical files into the agency's electronic document management system. Subsequently, operating expenses identified in the proposed budget represent a 2.2% increase over the current fiscal year. The proposed budget was adopted by the Commission with direction to the Committee to circulate the document to the funding agencies in anticipation of taking action on a final budget in June. Electronic copies of the approved proposed budget were sent to all six local agencies with a request to provide written comments by June 1st. An electronic copy was also posted to the agency website. No comments were received as of the date of this report.

DISCUSSION

The Committee has prepared a final budget in line-item form for consideration by the Commission as part of a noticed public hearing. The budget worksheet reflects the following five budget amendments for the current fiscal year that impact operating expenses: (1) decrease in salaries and benefits associated with the departure of the former Executive Officer, (2) interim Executive Officer Peter Banning's consulting services contract, (3) contract with Regional Government Services to recruit a new Executive Officer, (4) contract with Ascent Environmental for CEQA consulting services, and (5) transfer from consulting services to special departmental expense for an electronic document management system server upgrade. A detailed summary of 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 final budget provides for an increase in operating expenses from \$514,218 to \$525,683; a difference of \$11,465 or 2.2% over the adjusted budget amount for the current fiscal year. Nearly all of the increase lies within the salaries and benefits 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 change from a consultant contract to a permanent Executive Officer contributes to an \$81,875 or 31.5% increase in salaries and benefits over the current fiscal year. The final budget includes a decrease in the consulting services account from \$111,500 to \$55,000. The decrease in consulting services represents a total of \$56,500 or (50.7%) that is budgeted for the interim Executive Officer during the current fiscal year.

The following table summarizes operating expenses in the final budget.

Expense Unit	Adjusted FY14-15	Final FY15-16	Change %
1) Salaries/Benefits	\$259,875	\$341,750	31.5
2) Services/Supplies	\$254,343	\$183,933	(27.7)
3) Contingencies	\$0	\$0	0.0
	\$514,218	\$525,683	2.2

Operating Revenues

The final budget provides for an increase in operating revenues from \$444,205 to \$482,444; a difference of \$38,239 or 8.6% over the current fiscal year. The Committee proposes the majority of operating revenues to be collected – \$449,944 – would be drawn from agency contributions and would exceed the current fiscal year total by \$18,239 or 4.2%. Service charges and interest earnings on the fund balance invested by the County Treasurer represent the remaining portion of operating revenues in the final budget. Application fee revenues are budgeted at \$30,000, representing an increase of \$20,000 in response to recent trends in proposal activity.

The following table summarizes operating revenues in the final budget.

Revenue Unit	Adjusted FY14-15	Final FY15-16	Change \$	Change %
1) Agency Contributions	\$431,705	\$449,944	\$18,239	4.2
(a) County of Napa	\$215,852	\$224,972	\$9,119	4.2
(b) City of Napa	\$144,529	\$149,571	\$5,041	3.5
(c) City of American Canyon	\$34,422	\$35,997	\$1,575	4.6
(d) City of St. Helena	\$14,145	\$14,582	\$437	3.1
(e) City of Calistoga	\$12,907	\$13,467	\$561	4.3
(f) Town of Yountville	\$9,850	\$11,355	\$1,505	15.3
2) Service Charges	\$10,500	\$30,500	\$20,000	190.5
3) Interest Earnings	\$2,000	\$2,000	\$0	0.0
Total	\$444,205	\$482,444	\$38,239	8.6

ANALYSIS

The final 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 final budget preserves present staff and service levels the Committee believes are merited given the agency’s prescribed and expanding duties. Also, despite allocating \$43,239 as offsetting revenues, the final budget positions the Commission to finish the fiscal year with an available fund balance of \$146,255; 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 (Final Budget Provided as Exhibit “A”)
- 2) Local Agency Contributions Worksheet

RESOLUTION NO. _____

**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
ADOPTING A FINAL 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 no later than May 1st and a final budget by June 15th; and

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

WHEREAS, the Commission adopted a proposed budget prepared by the Budget Committee at a noticed public hearing on April 6, 2015; and

WHEREAS, at the direction of the Commission, the Budget Committee circulated for review and comment the adopted 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 adopted proposed budget; and

WHEREAS, the Budget Committee prepared a report with recommendations for a final budget; and

WHEREAS, the Budget Committee’s report on a final budget has been 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 final budget held on June 1, 2015; and

WHEREAS, the Commission determined the final 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 final budget as outlined in Exhibit “A” is approved.
2. The final 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 June 1, 2015 by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSTAIN: Commissioners _____

ABSENT: Commissioners _____

ATTEST: Kathy Mabry
Commission Secretary



Local Agency Formation Commission of Napa County

Subdivision of the State of California

FY2015-2016 OPERATING BUDGET / FINAL

Prepared on May 4, 2015

Expenses		FY2012-13		FY2013-14		FY2014-15		FY2015-16	Difference	
		Adopted FY12-13	Actual FY12-13	Adjusted* FY13-14	Actual FY13-14	Adjusted** FY14-15	Estimate FY14-15	Final 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	11,000.00	1,000.00	10.0%
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	341,750.56	81,875.56	31.5%
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	111,500.00	111,500.00	55,000.00	(56,500.00)	-50.7%
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	10,000.00	1,005.00	11.2%
53600	Special Departmental Expense	3,500.00	3,415.29	21,500.00	10,850.36	14,000.00	11,685.00	4,000.00	(10,000.00)	-71.4%
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	183,933.00	(70,410.00)	-27.7%
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	525,683.56	11,465.56	2.2%

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

** Adjusted Budget for 2014-15 reflects (1) decrease in salary and benefits tied to departure of prior Executive Officer, (2) contract for Interim Executive Officer, (3) Executive Officer recruitment costs, (4) CEQA consulting services, and (5) EDMS server upgrade.

Revenues

		FY2012-13		FY2013-14		FY2014-15		FY2015-16	Difference	
		Adopted FY12-13	Actual FY12-13	Adjusted FY13-14	Actual FY13-14	Adjusted FY14-15	Estimate FY14-15	Final FY15-16		
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	224,972.00	9,119.49	4.2%
43950	Other Governmental Agencies	204,787.17	204,787.17	209,675.01	209,675.01	215,852.51	215,852.51	224,972.00	9,119.49	4.2%
----	City of Napa	136,583.40	136,583.40	140,020.50	140,020.50	144,529.41	144,529.41	149,571.03	5,041.62	3.5%
----	City of American Canyon	33,320.64	33,320.64	33,757.20	33,757.20	34,421.92	34,421.92	35,996.86	1,574.94	4.6%
----	City of St. Helena	14,152.67	14,152.67	13,956.84	13,956.84	14,145.09	14,145.09	14,581.81	436.72	3.1%
----	City of Calistoga	12,095.39	12,095.39	12,388.75	12,388.75	12,906.58	12,906.58	13,467.37	560.79	4.3%
----	Town of Yountville	8,635.00	8,635.00	9,551.72	9,551.72	9,849.52	9,849.52	11,354.93	1,505.41	15.3%
		409,574.34	409,574.34	419,350.03	419,350.03	431,705.02	431,705.02	449,944.00	18,238.98	4.2%
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	482,444.00	38,238.98	8.6%
OPERATING DIFFERENCE		(8,810.40)	19,718.86	(39,949.44)	23,872.80	(70,012.98)	1,098.02	(43,239.56)		

Negative Balance Indicates Use of Reserves

	2012-2013 Actual	2013-2014 Actual	2014-2015 Estimate	2015-2016 Final Budget
PERCENTAGE OF OPERATING EXPENSES				
Salaries/Benefits	75.1%	54.7%	50.9%	65.0%
Services/Supplies	24.9%	45.3%	49.1%	35.0%

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	146,255.46

MINIMUM THREE MONTH RESERVE GOAL	107,132.34	117,217.12	127,569.50	130,435.89
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Local Agency Formation Commission of Napa County

Subdivision of the State of California

2015-2016 Agency Contributions Calculation

Step 1		Total Agency Contributions		FY15-16	Difference	Difference	
	FY14-15	FY15-16	Adjusted	Dollar	Percentage		
Total	431,705.02	525,683.56	449,944.00	\$ 18,238.98	4.2%		
Step 2		Allocation Between County and Cities		Difference	Difference		
	FY14-15	FY15-16	Dollar	Percentage			
50% to the County of Napa	\$ 215,852.51	\$ 224,972.00	\$ 9,119.49	4.2%			
50% to the 5 Cities	\$ 215,852.51	\$ 224,972.00	\$ 9,119.49	4.2%			
Step 3a		Cities' Share Based on Total General Tax Revenues (FY2012-2013)					
General Tax Revenues	American Canyon	Calistoga	Napa	St. Helena	Yountville	All Cities	
Secured & Unsecured Property Tax	5,922,694.00	1,250,910.00	14,947,356.00	2,737,862.00	658,585.00	25,517,407.00	
Voter Approved Indebtedness Property Tax	-	-	1,513,684.00	264,613.00	-	1,778,297.00	
Other Property Tax	1,210,595.00	437,609.00	8,060,789.00	507,664.00	388,054.00	10,604,711.00	
Sales and Use Taxes	1,731,775.00	680,805.00	9,077,893.00	1,438,145.00	795,114.00	13,723,732.00	
Transportation Tax	700,420.00	86,386.00	-	-	-	786,806.00	
Transient Lodging Tax	1,200,642.00	3,948,825.00	12,773,487.00	1,307,604.00	5,678,023.00	24,908,581.00	
Franchises	560,553.00	163,149.00	1,495,988.00	163,537.00	115,865.00	2,499,092.00	
Business License Taxes	155,043.00	142,533.00	2,764,060.00	159,420.00	14,159.00	3,235,215.00	
Real Property Transfer Taxes	99,067.00	20,491.00	233,999.00	53,804.00	17,509.00	424,870.00	
Utility Users Tax	-	-	-	-	-	-	
Other Non-Property Taxes	717,202.00	640,700.00	6,011,358.00	900,278.00	273,867.00	8,543,405.00	
Total	\$ 12,297,991	\$ 7,371,408	\$ 56,878,614	\$ 7,532,927	\$ 7,941,176	\$ 92,022,116	
Percentage of Total Taxes to all Cities	13.4%	8.0%	61.8%	8.2%	8.6%	100%	
Step 3b		Cities' Share Based on Total Population (1/1/15)					
	American Canyon	Calistoga	Napa	St. Helena	Yountville	All Cities	
Population	20,149	5,261	78,971	6,065	3,017	113,463	
Population Percentage	17.76%	4.64%	69.60%	5.35%	2.66%	100%	
Step 4		Cities Allocation Formula					
	American Canyon	Calistoga	Napa	St. Helena	Yountville	All Cities	
Cities' Share Based on Total General Taxes	13.4%	8.0%	61.8%	8.2%	8.6%	100%	
Portion of LAFCO Budget	12,026.26	7,208.53	55,621.83	7,366.48	7,765.71	40%	
Cities' Share Based on Total Population	17.76%	4.64%	69.60%	5.35%	2.66%	100%	
Portion of LAFCO Budget	23,970.60	6,258.84	93,949.20	7,215.33	3,589.23	60%	
Total Agency Allocation	\$ 35,996.86	\$ 13,467.37	\$ 149,571.03	\$ 14,581.81	\$ 11,354.93	\$ 224,972.00	
Allocation Share	16.0006%	5.9862%	66.4843%	6.4816%	5.0473%	100%	
Step 5		FY15-16 Invoices					
	County of Napa	American Canyon	Calistoga	Napa	St. Helena	Yountville	All Agencies
	\$ 224,972.00	\$ 35,996.86	\$ 13,467.37	\$ 149,571.03	\$ 14,581.81	\$ 11,354.93	\$ 449,944.00
Difference From FY14-15:	\$ 9,119.49	\$ 1,574.94	\$ 560.79	\$ 5,041.62	\$ 436.72	\$ 1,505.41	\$ 18,238.98
	4.22%	4.58%	4.34%	3.49%	3.09%	15.28%	4.22%