



**Local Agency Formation Commission**  
**LAFCO of Napa County**

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**April 6, 2009**

**Agenda Item No. 6b (Public Hearing)**

March 20, 2009

**TO:** Local Agency Formation Commission  
**FROM:** Budget Committee (Gingles, Kelly, and Simonds)  
**SUBJECT: Proposed Budget for 2009-2010**

The Commission will receive a proposed budget from the Budget Committee for 2009-2010. The proposed budget projects an overall decrease in operating costs in the amount of \$55,133 or 10%. The proposed budget is being presented to the Commission for adoption.

The Local Agency Formation Commission of Napa County (“Commission”) is responsible for annually adopting a proposed budget by May 1<sup>st</sup> and a final budget by June 15<sup>th</sup>. In preparing for its own provisions, the Commission has established a Budget Committee consisting of two appointed Commissioners and the Executive Officer. The Budget Committee’s initial responsibility is to prepare and present a draft proposed budget for approval by the Commission before it is circulated for comment to each funding agency. It is has been the practice of the Commission to receive proposed and final budgets from the Budget Committee for adoption at its April and June meetings, respectively.

**A. Background**

The Commission’s annual operating costs are entirely funded by the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and Yountville. The law states the County is responsible for one half of the Commission’s operating costs while the remaining amount is apportioned among the five cities based on a weighted calculation of population and general tax revenues. It is the Commission’s practice to only budget operating costs given its prescribed funding sources. As part of this practice, the Commission returns all of its unspent revenues (contributions, application fees, etc.) to the funding agencies in the form of credits towards their calculated share of the subsequent fiscal year budget. Accordingly, for budgeting purposes, the Commission has two annual funding sources: (a) agency credits and (b) agency contributions. The Commission’s adopted operating costs and its matching revenue sources for the last three fiscal years is presented below.

	<u>FY06-07</u>	<u>FY07-08</u>	<u>FY08-09</u>
<u>Adopted Budget (Costs)</u>	<u>\$456,758</u>	<u>\$466,672</u>	<u>\$552,168</u>
<u>Agency Credits (Revenue)</u>	145,317	183,338	199,402
<u>Agency Contributions (Revenue)</u>	311,441	283,333	352,765
	<u>\$456,758</u>	<u>\$466,672</u>	<u>\$552,168</u>

Juliana Inman, Vice Chair  
Councilmember, City of Napa

Jack Gingles, Commissioner  
Mayor, City of Calistoga

Cindy Coffey, Alternate Commissioner  
Councilmember, City of American Canyon

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

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

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

Brian J. Kelly, Chair  
Representative of the General Public

Gregory Rodeno, Alternate Commissioner  
Representative of the General Public

Keene Simonds  
Executive Officer

At its December 1, 2008 meeting, the Commission appointed Commissioners Gingles and Kelly to the Budget Committee (“Committee”). The Committee met on January 14, 2009 to review the Commission’s operating costs for the upcoming fiscal year. The Committee created a spending baseline to estimate how much it would cost to maintain current service levels and activities at next fiscal year’s price for labor and supplies. In reviewing these estimates, the Committee prioritized minimizing costs whenever warranted to help limit the financial impact on the funding agencies given the downturn in the economy.

Based on its initial review, the Committee presented a draft proposed budget for 2009-2010 projecting an overall decrease in operating costs of 8.4% (\$46,608) to the Commission at its February 2<sup>nd</sup> meeting. The Commission approved the draft proposed budget as submitted and directed staff to seek comments from the funding agencies in anticipation of holding a public hearing to adopt the proposed budget in April 6<sup>th</sup> meeting. On February 4<sup>th</sup>, staff circulated the approved draft proposed budget to all funding agencies for their review and comment. No comments were received.

## **B. Discussion**

The Committee’s proposed budget for 2009-2010 includes a small number of revisions to the draft approved by the Commission at its February meeting. These revisions overall further reduce the projected operating costs over the current fiscal year to 10% or \$55,133. A summary of the key revisions made to the proposed budget from the earlier draft follows.

- The proposed budget reduces salary and benefit costs by \$11,537 from the earlier draft. The majority of the savings is tied to the Board of Supervisors cancelling a previously planned 3.0% cost-of-living adjustment for all County employees.
- The proposed budget increases service and supply costs by \$3,787. The increase is primarily attributed to establishing expense accounts to support and maintain the Commission’s planned new website and electronic document management system.
- The proposed budget reduces the annual operating reserve account by \$775 to account for the total reduction in expenses.

Overall, the majority of the cost-savings projected in the proposed budget is attributed to the decision not to fund any substantive special departmental expenses in the upcoming fiscal year. This contrasts with the current fiscal year in which \$55,000 was budgeted to develop a new website and implement an electronic document management system. Other key factors contributing to the projected decrease includes the aforementioned cancellation of a cost-of-living adjustment and reductions in legal service and retirement expense accounts. Increases are limited and include the referenced establishment of new expenses accounts to support and maintain the website and electronic document management system and an anticipated rise in office space rent at 8.4% or \$2,280. The anticipated rent increase has been negotiated and would remain fixed over the next three years. The Committee has reviewed alternative accommodations and believes the rent increase is reasonable given it remains relatively low compared to other office spaces in the downtown area as measured

by its monthly \$2.03 square foot cost.<sup>1</sup> A summary of the proposed budget's total operating costs in 2009-2010 is presented below.

Expense Type	Adopted Final FY08-09	Proposed* FY09-10	Change
Salaries/Benefits	\$294,325	\$288,265	\$(6,060)
Services/Supplies	167,192	118,130	(49,062)
Contingencies/Reserves	90,652	90,639	(12)
	<u>\$552,168</u>	<u>\$497,034</u>	<u>\$(55,133)</u>

\* The complete proposed budget for 2009-2010 is provided as "Exhibit One" to the attached draft resolution.

A key aspect underlying the Commission's consideration of the proposed budget is its anticipated impact on the six funding agencies in terms of their expected contribution in 2009-2010. Most importantly, this includes considering the amount of unspent revenues expected to be available and returned to the funding agencies in the form of credits at the end of this fiscal year. With this in mind, it is currently expected the Commission will finish this fiscal year with approximately \$165,986 in unspent revenues which is primarily attributed to the delay in hiring a fulltime analyst and retention of all budgeted reserves and contingencies. The combination of the projected decrease in operating costs and anticipated year-end credits produces an overall savings to the funding agencies as measured by their expected contributions in 2009-2010 of 6.2% (\$21,717) as summarized below.

	Adopted Final FY08-09	Proposed FY09-10	Change
<b>Adopted Budget (Costs)</b>	<u>\$552,168</u>	<u>\$497,034</u>	<u>\$(55,134)</u>
<b>Agency Credits (Revenue)</b>	199,402	165,986	(33,416)
<b>Agency Contributions (Revenue)</b>	352,765	331,048	(21,717)
	<u>\$552,168</u>	<u>\$497,034</u>	<u>\$(55,134)</u>

### C. Analysis

The proposed budget for 2009-2010 accomplishes the Committee's principal objectives to (a) provide sufficient resources to maintain current service levels while (b) avoiding cost increases to the funding agencies. The latter accomplishment is dependent on the Commission finishing this fiscal year with no less than \$144,269 in unspent revenues which can be carried forward and reduce the funding agencies' contributions in 2009-2010. This minimum level of unspent revenues is expected to be available to the Commission at the end of the fiscal year based on the agency's current spending projection. If the Commission does finish the fiscal year with less than the stated minimum level of unspent revenues, the Committee believes it would be appropriate to cover the difference by drawing down on its undesignated reserves to ensure no new cost increases to the funding agencies in 2009-2010.

<sup>1</sup> The current and proposed monthly rent at 1700 Second Street includes all utilities and three reserved parking spaces.

**D. Recommendation**

It is recommended for the Commission to take the following actions at the close of the public hearing:

- 1) Adopt the attached draft resolution with any desired changes approving the proposed budget for 2009-2010;
- 2) Direct the Executive Officer to circulate the adopted proposed budget for final review and comment to each funding agency; and
- 3) Direct the Executive Officer to schedule a public hearing for the Commission to consider adopting a final budget at its June 1, 2009 meeting.

Respectfully submitted on behalf of the Committee,

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Keene Simonds  
Executive Officer

Attachment:

- 1) Draft Resolution

**RESOLUTION NO. \_\_\_\_****RESOLUTION OF  
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY  
ADOPTING A PROPOSED BUDGET FOR THE 2009-2010 FISCAL YEAR**

**WHEREAS**, the Local Agency Formation Commission of Napa County (hereinafter referred to as “the Commission”) is required by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq., hereinafter referred to as “Act”) 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**, at the direction of the Commission, the Executive Officer circulated for review and comment a draft of the 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 Executive Officer prepared a report concerning the proposed budget, including his recommendations thereon; 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 6, 2009; 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 One is approved.
2. The reduction in overall operating costs will nevertheless continue to allow the Commission to fulfill its regulatory and planning responsibilities as required under Government Code Section 56381(a).

The foregoing resolution was duly and regularly adopted by the Local Agency Formation Commission of Napa County, State of California, at a regular meeting held on the 6<sup>th</sup> day of April 2009, by the following vote:

AYES: Commissioners \_\_\_\_\_

NOES: Commissioners \_\_\_\_\_

ABSTAIN: Commissioners \_\_\_\_\_

ABSENT: Commissioners \_\_\_\_\_

ATTEST: Keene Simonds  
Executive Officer

RECORDED: Kathy Mabry  
Commission Secretary



## Local Agency Formation Commission

### LAFCO of Napa County

#### 2009-2010 Proposed Budget: Operating Costs

		Adopted Final FY06-07	Adopted Final FY07-08	Adopted Final FY08-09	Proposed FY09-10	Difference Dollars	Difference Percentage
<b>Salaries/Benefits</b>							
<u>Account</u>	<u>Description</u>						
51100000	Regular Salaries	190,231	185,527	168,905	<b>195,580</b>	<sup>1</sup> 26,674	15.8%
51300500	Group Insurance	36,030	43,168	40,148	<b>36,471</b>	(3,677)	-9.2%
51300100	Retirement: Pension	32,953	31,583	34,551	<b>34,064</b>	(487)	-1.4%
51200500	Commissioner Per Diems	3,600	9,600	9,600	<b>9,600</b>	-	0.0%
51300120	Retirement: Non-Pension	-	-	11,295	<b>8,706</b>	<sup>2</sup> (2,589)	-22.9%
51300300	Medicare	2,849	2,650	2,826	<b>2,836</b>	10	0.3%
51301800	Cell Phone Allowance	840	840	840	<b>840</b>	-	0.0%
51301200	Workers Compensation	685	185	149	<b>168</b>	19	12.8%
51200100	Extra Help	-	-	26,010	-	(26,010)	-100.0%
51200200	Overtime	-	-	-	-	-	0.0%
51301700	401A Employer Contributions	1,500	-	-	-	-	0%
	SUB TOTALS	<u>268,689</u>	<u>273,553</u>	<u>294,325</u>	<u><b>288,265</b></u>	(6,060)	-2.1%
<b>Services/Supplies</b>							
<u>Account</u>	<u>Description</u>						
52240500	Property Lease	26,307	27,000	27,000	<b>29,280</b>	<sup>3</sup> 2,280	8.4%
52180500	Legal Services	18,750	21,500	26,320	<b>24,990</b>	<sup>4</sup> (1,330)	-5.1%
52180200	Information Technology Services	17,800	16,387	17,768	<b>18,705</b>	<sup>5</sup> 937	5.3%
52170000	Office Expenses	15,000	15,000	15,000	<b>15,000</b>	-	0.0%
52185000	Auditing Services	6,500	7,150	7,508	<b>7,883</b>	<sup>6</sup> 375	5.0%
52250000	Transportation and Travel	4,000	4,000	4,000	<b>4,000</b>	-	0.0%
52250800	Training	3,000	4,000	4,000	<b>4,000</b>	-	0.0%
52070000	Communications	3,500	3,500	3,500	<b>3,500</b>	-	0.0%
TBD	Electronic Document Management	-	-	-	<b>2,300</b>	<sup>7</sup> 2,300	100%
52150000	Memberships	2,200	2,000	2,200	<b>2,275</b>	<sup>8</sup> 75	3.4%
TBD	Website Hosting/Maintenance	-	-	-	<b>1,500</b>	<sup>9</sup> 1,500	100%
52190000	Publications and Notices	1,000	1,500	1,500	<b>1,500</b>	-	0.0%
52235000	Special Departmental Purchases	1,000	1,000	56,000	<b>1,000</b>	<sup>10</sup> (55,000)	-98.2%
52251200	Private Mileage	1,500	1,000	1,000	<b>1,000</b>	-	0.0%
52243900	Filing Fees	-	850	850	<b>850</b>	-	0.0%
52100300	Insurance: Liability	534	352	546	<b>347</b>	(199)	-36.4%
	SUB TOTALS	<u>101,091</u>	<u>105,239</u>	<u>167,192</u>	<u><b>118,130</b></u>	(49,062)	-29.3%
<b>Contingencies/Reserves</b>							
<u>Account</u>	<u>Description</u>						
54000900	Operating Reserve	36,978	37,879	40,652	<b>40,639</b>	(12)	0.0%
54001000	Consultant Contingency	50,000	50,000	50,000	<b>50,000</b>	-	0.0%
	SUB TOTALS	<u>86,978</u>	<u>87,879</u>	<u>90,652</u>	<u><b>90,639</b></u>	(12)	0.0%
	GRAND TOTALS	<u>\$ 456,758</u>	<u>\$ 466,672</u>	<u>\$ 552,168</u>	<u><b>\$ 497,034</b></u>	\$ (55,133)	-9.98%

## Notes

- 1) This account budgets two fulltime (Executive Officer and Analyst I) and one partime (Secretary) employee. The budgeted amount anticipates scheduled step increases for the Executive Officer and Analyst I.
- 2) This account funds the Commission's apportionment for post employment benefits, such as retiree health care insurance. These costs are calculated by the County and will decrease in 2009-2010 because the Board recently approved transitioning from a 14 to 20 year amortization schedule.
- 3) The Commission's lease for 1,200 square feet of office space at 1700 Second Street in Napa is scheduled to expire on June 30, 2009. The landlord has proposed extending the lease for an additional three years at a fixed annual amount of \$29,280 and includes all utilities.
- 4) It is expected the Commission will require 170 total hours of legal services in 2009-2010, which reflects the average number of hours required over the last three fiscal years. The budgeted amount has been calculated by multiplying Commission Counsel's expected hourly rate of \$147 in 2009-2010 by 170. A small savings is projected given the Commission is not budgeting additional funds for outside counsel.
- 5) This account is for administration costs associated with the County of Napa's Information Technology Information Department (ITS) and includes network maintenance for payroll, purchasing, accounting, and geographic information services. ITS costs are calculated by the County and apportioned based on the number of computers and employees in each department or contracting agency.
- 6) The budgeted amount anticipates a 5.0% across-the-board increase in hourly rates for the County of Napa Auditor's Office in 2009-2010.
- 7) This account will cover licensing and support costs relating to the Commission's electronic document management system. It is expected a selected vendor will install an electronic document management system by the end of 2008-2009. Estimated costs are a placeholder. Actual costs will be negotiated with the selected vendor.
- 8) The Commission is a member of the California Association of Local Agency Formation Commissions (CALAFCO). In 2007-2008, CALAFCO adopted a new rate schedule with annual increases tied to the consumer price index.
- 9) This account will cover hosting and support costs relating to the Commission's new website which is scheduled to go live by the end of 2008-2009. Estimated costs are based on the contracted vendor's current rate schedule and would provide annual hosting and 10 hours of support service.
- 10) The Commission budgeted two special office improvements in 2008-2009 to (a) develop a new website and (b) implement an electronic document management system. No substantive office improvements are scheduled for 2009-2010.