



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

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**February 2, 2009**  
**Agenda Item No. 7b (Action)**

January 27, 2008

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

The Commission will receive a draft proposed budget from the Budget Committee for 2009-2010. The draft proposed budget projects an overall decrease in operating costs in the amount of \$46,608 or 8.4%. The draft proposed budget is being presented to the Commission for approval.

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.

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

## B. Discussion

The Budget Committee met on January 14, 2009 to review the Commission's operating costs for the upcoming fiscal year. The Budget Committee created a spending baseline to estimate how much it would cost to continue the Commission's current level of services and activities at next fiscal year's price for labor and supplies. In reviewing these estimates, the Budget Committee considered actual expenses from previous fiscal years and whether adjustments in spending are appropriate to reflect anticipated changes in demand or need. The Budget Committee also prioritized minimizing costs whenever warranted to help limit the financial impact on the funding agencies given the current economic climate.

Based on its review and the aforementioned considerations, the Budget Committee's draft proposed budget for 2009-2010 projects an overall decrease of 8.4% (\$46,608) in operating costs over the current fiscal year. The majority of the projected decrease 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 factors contributing to the projected decrease include moderate savings in the Commission's legal service and retirement expense accounts.

With respect to increases, the Budget Committee has allocated additional funds in the Commission's regular salaries and property lease expenses accounts. The net increase in salaries totals 3.3% (\$6,373) and is primarily attributed to accommodating a cost-of-living adjustment and scheduled step advancements for the Executive Officer and Analyst.<sup>1</sup> The increase in the property lease totals 8.4% (\$2,280) and reflects the anticipated new cost to the Commission in renewing its agreement for office space at 1700 Second Street in Napa. The projected increase has been negotiated and would remain fixed over the next three years. The Budget 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>2</sup> A summary of the draft proposed budget's total operating costs in 2009-2010 is presented below.

Expense Type	Adopted Final FY08-09	Proposed Draft FY09-10	Change
Salaries/Benefits	294,325	299,802	5,477
Services/Supplies	167,192	114,343	(52,849)
Contingencies/Reserves	90,652	91,295	644
	<u>\$552,168</u>	<u>\$505,559</u>	<u>\$(46,608)</u>

\* The complete draft proposed budget for 2009-2010 is provided as Attachment One.

<sup>1</sup> The cost-of-living adjustment scheduled in 2009-2010 is 3.0% and has been negotiated as part of the County's labor agreement. The scheduled step advancements are consistent with the County's job classification system, but are considered a discretionary expense for the Commission.

<sup>2</sup> The current and proposed monthly rent at 1700 Second Street includes all utilities and three reserved parking spaces.

A key aspect underlying the Commission's consideration of the draft 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 \$155,628 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 0.9% (\$2,834) as summarized below.

	Adopted Final FY08-09	Draft Proposed FY09-10	Change
<b>Adopted Budget (Costs)</b>	<u>\$552,168</u>	<u>\$505,559</u>	<u>\$(46,608)</u>
<b>Agency Credits (Revenue)</b>	199,402	155,628	(43,774)
<b>Agency Contributions (Revenue)</b>	352,765	349,931	(2,834)
	<u>\$552,168</u>	<u>\$505,559</u>	<u>\$(47,920)</u>

### C. Analysis

The draft proposed budget for 2009-2010 accomplishes the Budget 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, however, is dependent on the Commission finishing this fiscal year with no less than \$151,483 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 Budget Committee believes it would be appropriate to cover the needed amount by drawing down on its undesignated reserves to ensure no new cost increases to the funding agencies in 2009-2010.

### D. Recommendation

It is recommended for the Commission to take the following actions:

- 1) Approve with any desired changes the draft proposed budget for 2009-2010;
- 2) Direct the Executive Officer to circulate the approved draft proposed budget for 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 proposed budget at its April 6, 2009 meeting.

Respectfully submitted on behalf of the Budget Committee,

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Keene Simonds  
Executive Officer



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

**2009-2010 Draft Proposed Budget: Operating Costs**

		Adopted Final FY06-07	Adopted Final FY07-08	Adopted Final FY08-09	Draft 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>201,289</b> <sup>1</sup>	32,383	19.2%
51200100	Extra Help	-	-	26,010	-	(26,010)	-100.0%
51200200	Overtime	-	-	-	-	-	0.0%
51200500	Commissioner Per Diems	3,600	9,600	9,600	<b>9,600</b>	-	0.0%
51300100	Retirement: Pension	32,953	31,583	34,551	<b>35,058</b>	507	1.5%
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>2,919</b>	92	3.3%
51300500	Group Health Care	36,030	43,168	40,148	<b>41,223</b>	1,075	2.7%
51301200	Workers Compensation	685	185	149	<b>168</b>	19	12.8%
51301700	401A Employer Contributions	1,500	-	-	-	-	0%
51301800	Cell Phone Allowance	840	840	840	<b>840</b>	-	0.0%
	<b>SUB TOTALS</b>	<b>268,689</b>	<b>273,553</b>	<b>294,325</b>	<b>299,802</b>	<b>5,477</b>	<b>1.9%</b>
<b>Services/Supplies</b>							
<u>Account</u>	<u>Description</u>						
52243900	Filing Fees	-	850	850	<b>850</b>	-	0.0%
52235000	Special Departmental Expenses	1,000	1,000	56,000	<b>1,000</b> <sup>3</sup>	(55,000)	-98.2%
52185000	Professional Services	6,500	7,150	7,508	<b>7,883</b> <sup>4</sup>	375	5.0%
52070000	Communications	3,500	3,500	3,500	<b>3,500</b>	-	0.0%
52100300	Insurance: Liability	534	352	546	<b>347</b>	(199)	-36.4%
52150000	Memberships	2,200	2,000	2,200	<b>2,288</b> <sup>5</sup>	88	4.0%
52170000	Office Expenses	15,000	15,000	15,000	<b>15,000</b>	-	0.0%
52180200	Information Services	17,800	16,387	17,768	<b>18,705</b> <sup>6</sup>	937	5.3%
52180500	Legal Services	18,750	21,500	26,320	<b>24,990</b> <sup>7</sup>	(1,330)	-5.1%
52190000	Publications and Notices	1,000	1,500	1,500	<b>1,500</b>	-	0.0%
52240500	Property Lease	26,307	27,000	27,000	<b>29,280</b> <sup>8</sup>	2,280	8.4%
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%
52251200	Private Mileage	1,500	1,000	1,000	<b>1,000</b>	-	0.0%
	<b>SUB TOTALS</b>	<b>101,091</b>	<b>105,239</b>	<b>167,192</b>	<b>114,343</b>	<b>(52,849)</b>	<b>-31.6%</b>
<b>Contingencies/Reserves</b>							
<u>Account</u>	<u>Description</u>						
54000900	Operating Reserve	36,978	37,879	40,652	<b>41,414</b>	763	1.9%
54001000	Consultant Contingency	50,000	50,000	50,000	<b>50,000</b>	-	0.0%
	<b>SUB TOTALS</b>	<b>86,978</b>	<b>87,879</b>	<b>90,652</b>	<b>91,414</b>	<b>763</b>	<b>0.8%</b>
<b>GRAND TOTALS</b>		<b>\$ 456,758</b>	<b>\$ 466,672</b>	<b>\$ 552,168</b>	<b>\$ 505,559</b>	<b>\$ (46,608)</b>	<b>-8.44%</b>

## Notes

- 1) This account budgets two fulltime (Executive Officer and Analyst I) and one parttime (Secretary) employee. The budgeted amount anticipates scheduled step increases for the Executive Officer and Analyst I. The budgeted amount assumes approval of a 3.0% cost-of-living adjustment for all employees pending final approval by the County of Napa.
- 2) This account funds the Commission's Other Post Employment Benefits and covers retiree health care insurance.
- 3) The Commission budgeted two one-time 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.
- 4) 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.
- 5) The Commission is a member of the California Association of Local Agency Formation Commissions (CALAFCO). CALAFCO has advised its members to budget an approximate 4.0% increase in dues in 2009-2010 consistent with changes to the consumer price index.
- 6) 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.
- 7) 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.
- 8) 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.