



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

February 3, 2014
Agenda Item No. 7a (Action)

January 28, 2014

TO: Local Agency Formation Commission

FROM: Budget Committee (Bennett, Pitts, and Banning)

SUBJECT: Approval of Draft Proposed Budget for Fiscal Year 2014-2015

The Commission will review a draft proposed budget for 2014-2015. The draft's operating expenses total \$456,525 and represent a 1.4% decrease over the current fiscal year. The draft's operating revenues total \$442,685 with the remaining shortfall – (\$13,840) – to be covered by drawing down on agency reserves. The draft is being presented to the Commission for approval and authorization to circulate to local funding agencies for their review in anticipation of adopting a proposed budget in April.

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.

A. Background

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-fifth of total revenues – is budgeted from application fees and interest earnings.

Joan Bennett, Vice Chair
Councilmember, City of American Canyon

Greg Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

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

Bill Dodd, Commissioner
County of Napa Supervisor, 4th 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

Peter Banning
Acting 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 appointed Commissioners and the Executive Officer. The Committee’s core responsibilities are divided between three distinct and sequential phases as summarized below.

- The Committee’s initial responsibility is to present a draft proposed budget for Commission approval in February before it is circulated for comment to each funding agency for no less than 21 days. The draft proposed budget, notably, is the opportunity for the Committee to identify and propose recommendations on changes in baseline expenditures for Commission feedback. It also provides the funding agencies an early opportunity to review and comment on the Commission’s anticipated budget needs relative to their own budgeting processes.
- The Committee’s second formal action is to incorporate the comments received from the funding agencies during the initial review along with any updated cost/revenue projections into a proposed budget for Commission adoption in April. The adopted proposed budget is subsequently circulated to the funding agencies for review and comment for another 21 day period. The adopted proposed budget is also posted for public review and comment on the Commission’s website.
- The Committee’s third and final formal action is to incorporate the comments received from the funding agencies and general public on the proposed budget into a final budget for Commission adoption in June. Significantly, and in terms of intent, any changes incorporated into the final budget in June are generally limited to relatively minor updates or to address new information on budgetary needs that was not previously known or addressed by the Committee.

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. Markedly, and by practice, 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.

B. Discussion

The 2014-2015 Committee (Bennett, Pitts, and Banning) conducted a noticed public meeting on January 23, 2014 to review and develop draft recommendations on the Commission's operating expenses and revenues for the upcoming fiscal year.¹ Three specific budget factors permeated the Committee's review. First, the Committee considered baseline agency costs to maintain the current level of services at next year's projected price for labor and supplies. Second, the Committee considered whether changes – increases or decreases – in baseline agency costs are appropriate to accommodate changes in need or demand. Third, upon a preliminary setting of operating expenses, the Committee considered the need for any changes in agency contributions and whether agency reserves should be utilized to lower contribution requirements.

The Committee's review of the three referenced budget factors premises its recommendation for a line-item draft proposed budget totaling \$456,525 in expenses and \$442,685 in revenues. The Committee further recommends the resulting shortfall – (\$13,840) – should be covered by drawing down on agency reserves; an amount calculated to represent exactly one-half of the increase in agency contributions between the two affected fiscal years if no reserves were to be utilized. A summary of the draft proposed budget's operating expenses and revenues follows with the corresponding general ledger showing all affected accounts attached.

Operating Expenses

The draft proposed budget represents largely a status quo with some pertinent exceptions as detailed in the succeeding paragraphs. The draft proposed budget ultimately decreases operating expenses from \$462,800 to \$456,525; a difference of \$6,275 or 1.4%. Nearly all of the decrease lies within the services/supplies unit with the majority tied to the Commission's consulting services agreement with the interim Executive Officer. The draft proposed budget incorporates a limited number of changes to reflect current fiscal year expense trends with notable changes summarized below.

- The Committee proposes increasing the salaries and wages account from \$164,019 to \$212,625. The proposed change represents a \$48,606 or 29.6% increase and accounts for a full-time Executive Officer. The Committee proposes a corresponding decrease of \$48,000 in the consulting services account that is budgeted for the interim Executive Officer during the current fiscal year.
- The Committee proposes decreasing the employee insurance premiums account from \$51,203 to \$44,796. The proposed change represents a \$6,407 or 12.5% decrease and reconciles the previously erroneous practice of assigning the Commission Secretary as a full-time employee for purposes of budgeting benefits.
- The Committee proposes increasing the legal service account from \$22,540 to \$32,000. The proposed change represents a \$9,460 or 42% increase and accounts for the current trend in which Commission Counsel is required for staff matters in the absence of a permanent full-time Executive Officer.

¹ The Commission appointed Commissioners Bennett and Pitts to the 2014-2015 Budget Committee at its December 2, 2013 meeting.

- The Committee proposes decreasing the special departmental expense account from \$16,500 to \$4,000. The proposed change represents a \$12,500 or 75.8% decrease and eliminates a budgeted expense associated with the County Human Resource Department's efforts to recruit a permanent full-time Executive Officer.

The following table summarizes operating expenses in the draft proposed budget.

| Expense Unit | Adjusted FY13-14 | Draft FY14-15 | Change % |
|----------------------|---------------------|------------------|----------|
| 1) Salaries/Benefits | 281,236 | 323,875 | 12.2 |
| 2) Services/Supplies | 181,564 | 132,650 | (26.9) |
| 3) Contingencies | 0 | 0 | 0.0 |
| | \$462,800 | \$456,525 | (1.4) |

Operating Revenues

The draft proposed budget increases operating revenues from \$435,937 to \$442,865; a difference of \$6,747 or 1.5%. The Committee proposes nearly this entire amount of new revenues to be collected – \$430,185 – would be drawn from agency contributions and would exceed the current fiscal year total by \$7,747 or 1.8%. Budgeted service charges and interest earnings on the fund balance invested by the County Treasurer represent the remaining portion of revenues in the draft. No changes in service charges are proposed. A 33.3% decrease in interest earning is budgeted based on current fiscal year collections.

The following table summarizes operating revenues in the draft proposed budget.

| Revenue Unit | Adjusted FY13-14 | Draft FY14-15 | Change % |
|-----------------------------|---------------------|------------------|----------|
| 1) Agency Contributions | 422,415 | 430,185 | 1.8 |
| (a) County of Napa | 211,219 | 215,092 | 1.8 |
| (b) City of Napa | 136,583 | 143,657 | 2.6 |
| (c) City of American Canyon | 33,321 | 34,673 | 2.7 |
| (d) City of St. Helena | 14,153 | 14,288 | 2.4 |
| (e) City of Calistoga | 12,095 | 12,697 | 2.5 |
| (f) Town of Yountville | 8,635 | 9,777 | 2.4 |
| 2) Service Charges | 10,500 | 10,500 | 0.0 |
| 3) Interest Earnings | 3,000 | 2,000 | (33.3) |
| Total | \$435,937 | \$442,685 | 1.5 |

C. Analysis

The draft proposed budget for 2014-2015 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 draft preserves present staff and service levels the Committee believes are merited given the agency's prescribed and expanding duties. The draft also budgets monies to retain an outside consultant to facilitate the next biannual workshop as well as

provide per diems for members to represent the Commission at outside events and meetings, such as the CALAFCO annual conferences.

D. Alternatives for Action

The following alternative actions are available to the Commission.

Alternative Action One (Recommended):

(a) Approve the draft proposed budget for 2014-2015 as provided in Attachment One with any desired changes and (b) direct the Executive Officer to circulate the approved draft proposed budget to funding agencies for review and schedule a public hearing on April 7, 2014 for consideration of adoption.

Alternative Action Two:

Continue the item to a specified meeting date and provide direction to staff with respect to providing additional information as needed.

E. Recommendation

It is recommended the Commission take both of the actions provided in Alternative One as outlined in the preceding section.

F. Procedures for Consideration

This item has been agendized as part of the action calendar. The following procedures are recommended with respect to the Commission's consideration of this item:

- 1) Receive verbal report from the Committee;
- 2) Invite public testimony (optional); and
- 3) Discuss item and consider action on recommendation.

Respectfully submitted on behalf of the Committee,

Peter Banning
Acting Executive Officer



Local Agency Formation Commission of Napa County

Subdivision of the State of California

FY2014-2015 OPERATING BUDGET / DRAFT PROPOSED

Prepared on January 15, 2014

| Expenses | | FY2011-12 | | FY2012-13 | | FY2013-14 | | FY2014-15 | <i>Difference</i> | |
|-----------------------------------|-------------------------------------|--------------------|-------------------|--------------------|-------------------|----------------------|---------------------|-------------------|--------------------|---------------|
| | | Adopted FY11-12 | Actual FY11-12 | Adopted FY12-13 | Actual FY12-13 | Adjusted* FY13-14 | Estimate FY13-14 | Draft FY14-15 | | |
| Salaries and Benefits | | | | | | | | | | |
| <u>Account</u> | <u>Description</u> | | | | | | | | | |
| 51100 | Salaries and Wages | 202,387.60 | 203,108.73 | 203,183.19 | 212,429.87 | 164,019.15 | 163,490.00 | 212,624.80 | 48,605.65 | 29.6% |
| 51400 | Employee Insurance: Premiums | 45,648.12 | 37,643.35 | 47,646.00 | 39,635.35 | 51,202.80 | 42,864.35 | 44,796.00 | (6,406.80) | -12.5% |
| 51600 | Retirement | 36,701.99 | 36,871.55 | 37,736.30 | 37,730.04 | 39,595.42 | 23,771.94 | 39,853.01 | 257.59 | 0.7% |
| 51605 | Other Post Employment Benefits | 9,341.00 | 9,341.00 | 12,139.00 | 12,139.00 | 12,166.00 | 12,166.00 | 12,321.00 | 155.00 | 1.3% |
| 51210 | Commissioner/Director Pay | 9,600.00 | 5,700.00 | 6,400.00 | 6,000.00 | 10,000.00 | 10,000.00 | 10,000.00 | - | 0.0% |
| 51300 | Medicare | 2,934.62 | 2,790.20 | 2,946.16 | 2,896.38 | 3,012.22 | 2,578.14 | 3,012.22 | (0.00) | 0.0% |
| 51205 | Cell Phone Allowance | 840.00 | 843.50 | 840.00 | 840.00 | 840.00 | 140.00 | 840.00 | - | 0.0% |
| 51405 | Workers Compensation | 327.00 | 327.00 | 396.00 | 396.00 | 400.00 | 320.25 | 428.00 | 28.00 | 7.0% |
| 51110 | Extra Help | - | - | - | - | - | - | - | - | - |
| 51115 | Overtime | - | - | - | - | - | - | - | - | - |
| | | 307,780.33 | 296,625.33 | 311,286.65 | 312,066.64 | 281,235.59 | 255,330.68 | 323,875.02 | 42,639.43 | 15.2% |
| Services and Supplies | | | | | | | | | | |
| <u>Account</u> | <u>Description</u> | | | | | | | | | |
| 52605 | Rents and Leases: Building/Land | 29,280.00 | 29,280.00 | 25,560.00 | 25,560.00 | 25,560.00 | 25,560.00 | 25,560.00 | - | 0.0% |
| 52140 | Legal Services | 22,540.00 | 17,593.30 | 22,540.00 | 10,673.44 | 22,540.00 | 28,556.40 | 32,000.00 | 9,460.00 | 42.0% |
| 52310 | Consulting Services | - | - | - | - | 48,000.00 | 58,000.00 | - | (48,000.00) | -100.0% |
| 52130 | Information Technology Services | 24,630.83 | 23,385.87 | 22,009.00 | 22,149.36 | 22,374.00 | 22,374.00 | 24,000.00 | 1,626.00 | 7.3% |
| 52125 | Accounting/Auditing Services | 8,691.01 | 7,340.78 | 9,125.56 | 8,051.60 | 9,125.56 | 8,426.16 | 10,000.00 | 874.44 | 9.6% |
| 52600 | Rents and Leases: Equipment | - | - | 6,500.00 | 5,739.88 | 6,000.00 | 6,500.00 | 6,000.00 | - | 0.0% |
| 53100 | Office Supplies | 12,000.00 | 14,508.46 | 5,500.00 | 2,375.00 | 5,000.00 | 3,761.66 | 4,000.00 | (1,000.00) | -20.0% |
| 52905 | Business Travel/Mileage | 5,000.00 | 2,253.35 | 5,000.00 | 6,528.78 | 5,000.00 | 4,078.16 | 2,000.00 | (3,000.00) | -60.0% |
| 52900 | Training/Conference | 4,000.00 | 5,141.00 | 4,000.00 | 6,925.77 | 4,000.00 | 6,909.21 | 8,000.00 | 4,000.00 | 100.0% |
| 53600 | Special Departmental Expense | 1,000.00 | 426.64 | 3,500.00 | 3,415.29 | 16,500.00 | - | 4,000.00 | (12,500.00) | -75.8% |
| 53415 | Computer Software/License | - | - | 3,487.13 | - | 3,487.73 | 3,487.13 | 3,500.00 | 12.27 | 0.4% |
| 52800 | Communications/Telephone | 4,470.00 | 2,329.81 | 2,970.00 | 2,486.89 | 2,950.00 | 2,491.68 | 2,950.00 | - | 0.0% |
| 53120 | Memberships/Certifications | 2,275.00 | 2,200.00 | 2,248.00 | 2,248.00 | 2,292.96 | 2,300.00 | 2,300.00 | 7.04 | 0.3% |
| 53205 | Utilities: Electric | - | - | 1,500.00 | 1,029.77 | 1,500.00 | 1,127.86 | 1,500.00 | - | 0.0% |
| 52830 | Publications and Notices | 1,500.00 | 2,255.64 | 1,500.00 | 1,169.59 | 1,500.00 | 872.22 | 1,500.00 | - | 0.0% |
| 52830 | Filing Fees | 850.00 | 237.50 | 850.00 | 350.00 | 850.00 | 200.00 | 500.00 | (350.00) | -41.2% |
| 53110 | Postage/Freight | - | - | 800.00 | 277.42 | 800.00 | 300.00 | 800.00 | - | 0.0% |
| 52700 | Insurance: Liability | 321.00 | 321.00 | 153.00 | 148.00 | 34.63 | 35.00 | 100.00 | 65.37 | 188.8% |
| 52705 | Insurance: Premiums | - | - | - | - | 118.00 | - | - | (118.00) | -100.0% |
| 52105 | Election Services | - | - | - | 150.00 | - | - | - | - | - |
| 53105 | Office Supplies: Furniture/Fixtures | - | - | - | 322.38 | - | - | - | - | - |
| 54600 | Capital Replacement/Depreciation | 3,931.40 | 3,931.40 | 3,931.40 | 3,931.40 | 3,931.40 | 3,931.40 | 3,940.00 | 8.60 | 0.2% |
| | | 120,489.24 | 111,204.75 | 121,174.09 | 103,532.57 | 181,564.28 | 178,910.88 | 132,650.00 | (48,914.28) | -26.9% |
| Contingencies and Reserves | | | | | | | | | | |
| <u>Account</u> | <u>Description</u> | | | | | | | | | |
| 58100 | Appropriation for Contingencies | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - |
| | EXPENSE TOTALS | 428,269.57 | 407,830.08 | 432,460.74 | 415,599.21 | 462,799.87 | 434,241.56 | 456,525.02 | (6,274.85) | -1.4% |

* 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) County Human Resources' recruitment to hire a permanent Executive Officer.

Revenues

| | | FY2011-12 | | FY2012-13 | | FY2013-14 | | FY2014-15 | | | |
|-----------------------------|--------------------------------|-------------|------------|------------|------------|-------------|------------|-------------|-------------------|--------|--|
| | | Adopted | Actual | Adopted | Actual | Adjusted | Estimate | Draft | | | |
| | | FY11-12 | FY11-12 | FY12-13 | FY12-13 | FY13-14 | FY13-14 | FY14-15 | | | |
| <u>Account</u> | <u>Description</u> | | | | | | | | <u>Difference</u> | | |
| Intergovernmental | | | | | | | | | | | |
| 43910 | County of Napa | 191,550.50 | 191,550.50 | 204,787.17 | 204,787.17 | 211,218.55 | 209,675.02 | 215,092.28 | 3,873.73 | 1.8% | |
| 43950 | Other Governmental Agencies | 191,550.50 | 191,550.50 | 204,787.17 | 204,787.17 | 211,218.55 | 209,675.01 | 215,092.28 | 3,873.73 | 1.8% | |
| ---- | <i>City of Napa</i> | 126,330.38 | 126,330.38 | 136,583.40 | 136,583.40 | 140,020.50 | 140,020.50 | 143,656.72 | 3,636.22 | 2.6% | |
| ---- | <i>City of American Canyon</i> | 32,912.04 | 32,912.04 | 33,320.64 | 33,320.64 | 33,757.20 | 33,757.20 | 34,672.95 | 915.75 | 2.7% | |
| ---- | <i>City of St. Helena</i> | 12,997.37 | 12,997.37 | 14,152.67 | 14,152.67 | 13,956.84 | 13,956.84 | 14,287.97 | 331.13 | 2.4% | |
| ---- | <i>City of Calistoga</i> | 11,393.34 | 11,393.34 | 12,095.39 | 12,095.39 | 12,388.75 | 12,388.75 | 12,697.28 | 308.53 | 2.5% | |
| ---- | <i>Town of Yountville</i> | 7,917.37 | 7,917.37 | 8,635.00 | 8,635.00 | 9,551.72 | 9,551.72 | 9,777.36 | 225.64 | 2.4% | |
| | | 383,101.00 | 383,101.00 | 409,574.34 | 409,574.34 | 422,437.10 | 419,350.03 | 430,184.55 | 7,747.45 | 1.8% | |
| Service Charges | | | | | | | | | | | |
| 42690 | Application/Permit Fees | 10,000.00 | 8,562.00 | 10,000.00 | 23,078.00 | 10,000.00 | 18,430.00 | 10,000.00 | - | | |
| 46800 | Charges for Services | - | 475.00 | - | 500.00 | 500.00 | 250.00 | 500.00 | - | | |
| 47900 | Miscellaneous | - | 50.00 | - | 180.70 | - | - | - | - | | |
| | | 10,000.00 | 9,087.00 | 10,000.00 | 23,758.70 | 10,500.00 | 18,680.00 | 10,500.00 | - | 0.0% | |
| Investments | | | | | | | | | | | |
| 45100 | Interest | 2,340.00 | 2,472.66 | 4,076.00 | 1,985.03 | 3,000.00 | 1,550.00 | 2,000.00 | (1,000.00) | -33.3% | |
| | | 2,340.00 | 2,472.66 | 4,076.00 | 1,985.03 | 3,000.00 | 1,550.00 | 2,000.00 | (1,000.00) | -33.3% | |
| | REVENUE TOTALS | 395,441.00 | 394,660.66 | 423,650.34 | 435,318.07 | 435,937.10 | 439,580.03 | 442,684.55 | 6,747.45 | 1.5% | |
| OPERATING DIFFERENCE | | (32,828.57) | (13,169) | (8,810.40) | 19,718.86 | (26,862.77) | 5,338.47 | (13,840.47) | | | |

Negative Balance Indicates Use of Reserves

| | 2013-2014 | 2013-2014 | 2013-2014 | 2014-2015 |
|---------------------------------------------|------------|------------|------------|--------------|
| | Actual | Actual | Actual | Draft Budget |
| PERCENTAGE OF OPERATING EXPENSES | | | | |
| Salaries/Benefits | 72.7% | 75.1% | 58.8% | 70.9% |
| Services/Supplies | 27.3% | 24.9% | 41.2% | 29.1% |
| UNRESERVED/UNRESTRICTED FUND BALANCE | | | | |
| Beginning: | 134,344.00 | 131,692.00 | 151,410.86 | 156,749.33 |
| Ending: | 131,692.00 | 151,410.86 | 156,749.33 | 142,908.86 |
| MINIMUM THREE MONTH RESERVE GOAL | | | | |
| | 106,084.54 | 107,132.34 | 114,717.12 | 113,146.26 |