



Local Agency Formation Commission of Napa County
Subdivision of the State of California

1030 Seminary Street, Suite B
Napa, California 94559
Phone: (707) 259-8645
Fax: (707) 251-1053
www.napa.lafco.ca.gov

We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

Agenda Item 6b (Public Hearing)

TO: Local Agency Formation Commission

PREPARED BY: Budget Committee (Kelly, Gregory, Freeman)

MEETING DATE: April 2, 2018

SUBJECT: Proposed Budget for Fiscal Year 2018-2019

RECOMMENDATION

It is recommended the Commission take the following actions:

- 1) Open the public hearing and take testimony;
- 2) Close the public hearing;
- 3) Adopt the draft resolution approving the proposed budget for 2018-2019 with any desired changes (Attachment One);
- 4) Direct the Budget Committee to circulate the adopted proposed budget to each of the funding agencies as well as the general public for review and comment; and
- 5) Direct the Budget Committee to return with recommendations for a final budget for adoption at a noticed public hearing on June 4, 2018.

BACKGROUND AND SUMMARY

LAFCOs are responsible for annually adopting a proposed budget by May 1st and a final budget by June 15th pursuant to California Government Code Section 56381. This statute 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.

Consistent with the Commission’s *Budget Policy* (Attachment Two), on December 4, 2017, the Commission appointed Vice Chair Brian J. Kelly and Commissioner Ryan Gregory to serve with the Executive Officer on an ad hoc subcommittee (“Budget Committee”) to inform the agency’s decision-making process in adopting an annual operating budget.

Scott Sedgley, Commissioner
Councilmember, City of Napa

Margie Mohler, Commissioner
Councilmember, Town of Yountville

Kenneth Leary, Alternate Commissioner
Councilmember, City of American Canyon

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

Diane Dillon, Commissioner
County of Napa Supervisor, 3rd District

Ryan Gregory, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Brendon Freeman
Executive Officer

Proposed Budget

The Commission will consider adopting a resolution to approve a proposed budget for 2018-2019. Proposed operating expenses total \$691,146 and represent a 31.5% increase over the current fiscal year. The increase in expenses is primarily associated with a Countywide Water and Wastewater Municipal Service Review (MSR). Notably, the Countywide Water and Wastewater MSR is included in the Commission's recently adopted Strategic Plan 2018-2022. Proposed operating revenues total \$476,319 with the remaining \$214,827 shortfall to be covered by drawing down on the Commission's available unrestricted fund balance ("reserves").

The proposed budget for 2018-2019 accomplishes the Budget Committee's objectives to provide sufficient resources to maintain current service levels while minimizing impacts on the funding agencies by increasing overall contributions by 5% compared to the current fiscal year. Additionally, and despite allocating \$214,827 as offsetting revenues, the proposed budget positions the Commission to finish the fiscal year with available reserves totaling \$299,546; an amount representing 43.3% of proposed operating expenses. Therefore, the proposed budget retains an amount of reserves more than sufficient to meet the Commission's policy to retain reserves equal to no less than four months of operating expenses.

Prescriptive Funding Sources

The Commission's annual operating expenses are principally funded by the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and Town of 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 (60%) and general tax revenues (40%). 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 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 the Commission's reserves when appropriate to offset increases in agency contributions. It is the policy of the Commission to retain sufficient reserves to equal no less than four months of budgeted operating expenses in the affected fiscal year.¹ The Commission does not budget for contingencies and instead relies on reserves to address unexpected expenses and emergencies.

¹ Unrestricted reserves are estimated to total \$514,373 at the end of 2017-2018, representing 97.9% or approximately 11.7 months of budgeted operating expenses in the current fiscal year.

Committee Actions to Date

The Budget Committee held a meeting on February 13, 2018, and subsequently prepared a proposed budget in line-item form for consideration by the Commission as part of a noticed public hearing. 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 Budget Committee proposes an increase in operating expenses from \$525,524 to \$691,146; a difference of \$165,623 or 31.5% over the current fiscal year. Notable proposed changes to budgeted operating expenses are summarized below.

Salaries and Benefits Unit

Proposed increase in the Salaries and Benefits budget unit from \$359,701 to \$386,592, representing a total increase of \$26,892 or 7.5% over the current fiscal year and involves (1) full funding of the vacant Analyst position at the bottom of the salary scale²; (2) increasing the Executive Officer's salary from step two to step three of the salary scale; and (3) incorporating cost-of-living adjustments for all employees consistent with the Commission's agreement with the County of Napa for staff support services.

Legal Services Account

Proposed increase in Legal Services (Account No. 52140) from \$26,500 to \$35,000, representing a total increase of \$8,500 or 32.1% over the current fiscal year. The proposed increase is needed to reconcile a recent increase in hourly rates for legal counsel coupled with recent increases in the actual need for legal counsel. Additional information is provided in Item 7a on today's agenda.

Consulting Services Account

Proposed increase in Consulting Services (Account No. 52310) from \$52,311 to \$185,000, representing a total increase of \$132,689 or 253.7% over the current fiscal year. Proposed Consulting Services in 2018-2019 include (1) \$10,000 for the existing contract with Ascent Environmental for environmental services; (2) \$25,000 for a new contract with a private consultant to prepare an MSR and Sphere of Influence Update for the City of St. Helena; and (3) \$150,000 for a new contract with a private consultant to prepare the aforementioned Countywide Water and Wastewater MSR. Notably, the Budget Committee proposes the Countywide Water and Wastewater MSR be funded entirely with the use of reserves. The resulting decrease in reserves will bring the Commission closer to its policy goal of maintaining reserves equal to at least four months of budgeted operating expenses. Further, the Countywide Water and Wastewater MSR is expected to involve consultant work during 2018-2019 as well as 2019-2020, and will require additional funding – again using reserves – in the Commission's 2019-2020 budget.

² The Analyst position represents \$98,384 in total expenses in the proposed budget. This amount includes salaries and wages (\$66,756), retirement (\$13,217), Medicare (\$968), and group insurance (\$17,443).

Commissioner Per Diems Account

Proposed increase in Commissioner Per Diems (Account No. 51210) from \$11,000 to \$15,000, representing a total increase of \$4,000 or 36.3% over the current fiscal year. The proposed increase is consistent with (1) Commissioner Mohler’s recent election to the California Association of Local Agency Formation Commissions (CALAFCO) Board of Directors and (2) the recent establishment of a new standing Legislative Committee. The proposed increase also involves an increase in Commissioner per diems from \$125 to \$150, representing an increase of \$25 or 20%. The Budget Committee proposes the increase in Commissioner per diems based on an evaluation of other agencies with similar levels of decision making responsibility, including other LAFCOs.³ The proposed increase in per diems would necessitate an amendment to the Commission’s *Policy on Conducting Meeting and Business*.⁴

The following table summarizes operating expenses in the proposed budget.

Expense Unit	Adjusted FY17-18	Proposed FY18-19	Change \$	Change %
1) Salaries/Benefits	\$359,701	\$386,592	\$26,892	7.5%
2) Services/Supplies	\$165,823	\$304,554	\$138,731	83.7%
3) Contingencies	\$0	\$0	\$0	0.0%
	\$525,524	\$691,146	\$165,623	31.5%

³ Based on previous surveys, other responding LAFCOs with Commissioner per diems equaling or exceeding \$150 include Contra Costa (\$150), Los Angeles (\$150), Riverside (\$175), San Bernardino (\$200), and Santa Barbara (\$150). It is important to note several LAFCOs did not respond to the previous surveys and some LAFCOs may have recently increased their per diems. Therefore, this list may not be comprehensive.

⁴ Pursuant to the Commission’s *Policy on Conducting Meeting and Business*, Commissioners currently receive a \$125 per diem for time and attendance at the following meetings: (1) Commission meetings; (2) standing or ad hoc committee meetings; (3) Each day of attendance at the annual conference held by the CALAFCO; (4) CALAFCO meetings when a Commissioner is a member of the CALAFCO Board; and (5) up to four days per year for other trainings, classes, or activities that are mandated or related to LAFCO business, with prior authorization from the Commission or Chair.

Operating Revenues

It has been the Commission’s practice in recent years to intentionally budget for operating deficits for the purpose of reducing the impact to funding agencies when reserves exceed the amount required in the *Budget Policy*. The Budget Committee proposes a modest increase in operating revenues from the current fiscal year amount of \$452,947 to \$476,319. This amount would result in an intentional operating deficit of \$214,827, which would be covered by utilizing reserves consistent with prior fiscal years.⁵

The Budget Committee proposes the majority of operating revenues to be collected – \$448,819 – would be drawn from agency contributions and would represent a 5% increase from the current fiscal year. Notably, despite the 5% increase, agency contributions in the proposed budget would remain lower than the amounts collected in fiscal years 2015-2016 and 2016-2017. Service charges (i.e. proposal application fees) and interest earnings on the fund balance invested by the County Treasurer represent the remaining portion of operating revenues in the proposed budget.

The following table summarizes operating revenues in the proposed budget.

Revenue Unit	Adjusted FY17-18	Proposed FY18-19	Change \$	Change %
1) Agency Contributions	\$427,447	\$448,819	\$21,372	5.0%
(a) County of Napa	\$213,724	\$224,410	\$10,686	5.0%
(b) City of Napa	\$143,190	\$149,311	\$6,283	4.4%
(c) City of American Canyon	\$34,218	\$35,380	\$1,000	2.9%
(d) City of St. Helena	\$13,840	\$14,817	\$961	6.9%
(e) City of Calistoga	\$12,299	\$13,578	\$1,229	10.0%
(f) Town of Yountville	\$10,177	\$11,323	\$1,212	12.0%
2) Service Charges	\$20,500	\$20,500	\$0	0.0%
3) Interest Earnings	\$5,000	\$7,000	\$2,000	40.0%
Total	\$452,947	\$476,319	\$23,372	5.2%

* Proposed agency contributions for 2018-2019 reflect general tax revenues for 2015-2016 as provided by the State Controller’s Office’s (SCO) Cities Annual Report as well as population estimates for January 1, 2017 as provided by the State Department of Finance’s (DOF) Population Estimates. Agency contributions will be updated in the final budget to reflect DOF’s 2018 Population Estimates once the report has been published.

ATTACHMENTS

- 1) Draft Resolution of Approval (Proposed Budget Provided as Exhibit “A”)
- 2) Budget Policy

⁵ Reserves are estimated to total \$514,373 at the end of the current fiscal year. The *Budget Policy* directs the Commission to retain sufficient reserves to equal no less than four months of budgeted operating expenses. Pursuant to the *Budget Policy* and based on proposed operating expenses in 2018-2019, the Commission is directed to retain a minimum of \$230,382 in reserves. The proposed budget positions the Commission to finish 2018-2019 with reserves totaling \$299,546 or 43.3% of proposed operating expenses.

RESOLUTION NO. ____

**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
ADOPTING A PROPOSED BUDGET FOR THE 2018-2019 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 an ad hoc subcommittee (“Budget Committee”) to help inform and make decisions regarding the agency’s funding requirements; 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 2, 2018; 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 2, 2018, after a motion by Commissioner _____, seconded by Commissioner _____, by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSENT: Commissioners _____

ABSTAIN: Commissioners _____

Brad Wagenknecht
Commission Chair

ATTEST: _____
Brendon Freeman
Executive Officer

Recorded by: Kathy Mabry
Commission Secretary

DRAFT



Local Agency Formation Commission of Napa County
 Subdivision of the State of California

FY2018-2019 PROPOSED BUDGET

Presented on April 2, 2018

Expenses

		FY2015-16		FY2016-17		FY2017-18		FY2018-19	Difference	
		Adjusted FY15-16	Actual FY15-16	Adjusted FY16-17	Actual FY16-17	Adjusted FY17-18	Estimated FY17-18	Proposed Budget FY18-19		
Salaries and Benefits										
<u>Account</u>	<u>Description</u>									
51100 *	Salaries and Wages	152,582	138,142	192,301	157,926	230,519	150,490	242,150	11,631	5.0%
51200 *	401A Employer Contribution	-	2,000	1,000	1,000	1,000	1,000	1,000	-	0.0%
51205 *	Cell Phone Allowance	840	401	420	404	420	420	420	-	0.0%
51210	Commissioner Per Diems	11,000	9,375	12,875	12,750	11,000	10,750	15,000	4,000	36.4%
51300 *	Medicare	3,251	1,951	3,424	2,334	3,500	2,164	3,709	209	6.0%
51305	FICA	500	395	550	490	500	372	500	-	0.0%
51400 *	Employee Insurance: Premiums	42,936	25,499	51,754	34,190	51,818	34,358	55,069	3,251	6.3%
51405 *	Workers Compensation	500	461	2,221	2,221	719	719	880	161	22.4%
51600 *	Retirement	43,791	25,502	43,690	30,437	46,010	28,250	52,259	6,249	13.6%
51601 *	Retirement Cost Sharing	-	-	-	-	-	24	24	24	NEW
51602 *	Retirement EPMC	-	-	-	-	-	1,224	1,224	1,224	NEW
51605 *	Other Post Employment Benefits	14,751	14,750	14,987	14,987	14,214	14,214	14,357	143	1.0%
		270,151	218,476	323,222	256,739	359,701	243,985	386,592	26,892	7.5%

* These accounts have been combined and reclassified under Services and Supplies as Administration Services (Account No. 52100). For transparency purposes, this budget sheet displays the old individual accounts.

EXHIBIT A

Attachment One

Expenses

		FY2015-16		FY2016-17		FY2017-18		FY2018-19		
		Adjusted FY15-16	Actual FY15-16	Adjusted FY16-17	Actual FY16-17	Adjusted FY17-18	Estimated FY17-18	Proposed Budget FY18-19	<u>Difference</u>	
Services and Supplies										
<u>Account</u>	<u>Description</u>									
52100 *	Administration Services	258,651	208,706	309,797	243,499	348,201	231,615	369,844	21,644	6.2%
52105	Election Services	150	-	300	-	100	-	500	400	0.0%
52125	Accounting/Auditing Services	10,000	7,496	9,500	7,655	9,500	7,648	8,000	(1,500)	-15.8%
52130	Information Technology Services	24,052	24,052	24,052	24,052	16,859	16,859	17,301	442	2.6%
52132	ITS - Records Mgmt. Services	-	-	-	-	-	6,296	-	-	NEW
52140	Legal Services	28,600	26,093	32,000	25,867	26,500	28,942	35,000	8,500	32.1%
52310	Consulting Services	126,600	59,177	78,840	35,415	52,311	27,040	185,000	132,689	253.7%
52345	Janitorial Services	-	420	500	150	200	150	150	(50)	-25.0%
52515	Maintenance-Software	1,500	1,869	2,000	1,779	2,000	1,779	2,000	-	0.0%
52600	Rents and Leases: Equipment	6,500	5,962	7,000	5,240	6,000	5,060	5,500	(500)	-8.3%
52605	Rents and Leases: Building/Land	25,560	25,560	25,560	25,560	27,828	27,828	27,828	-	0.0%
52700	Insurance: Liability	150	304	1,206	1,206	249	249	70	(179)	-71.9%
52800	Communications/Telephone	2,000	3,424	3,000	3,021	3,000	2,960	3,000	-	0.0%
52830	Publications and Notices	1,500	1,406	2,000	1,588	2,000	1,600	2,000	-	0.0%
52835	Filing Fees	500	200	500	400	500	200	500	-	0.0%
52900	Training/Conference	10,000	7,041	10,000	8,050	9,000	7,500	9,000	-	0.0%
52905	Business Travel/Mileage	2,000	1,110	2,000	830	1,500	920	1,000	(500)	-33.3%
52906	Fleet Charges	-	-	-	38	100	-	50	(50)	-50.0%
53100	Office Supplies	4,000	2,435	4,000	1,949	3,000	1,070	2,000	(1,000)	-33.3%
53110	Freight/Postage	500	200	500	250	300	100	300	-	0.0%
53120	Memberships/Certifications	2,381	2,381	2,548	2,548	2,726	2,726	2,805	79	2.9%
53205	Utilities: Electric	1,100	1,261	1,600	1,121	1,300	1,050	1,300	-	0.0%
53410	Computer Equipment/Accessories	-	-	-	418	500	539	500	-	0.0%
53415	Computer Software/License	500	-	1,000	145	-	-	-	-	-
53600	Special Departmental Expense	4,000	113	3,500	595	-	-	-	-	-
56350	Business Related Meal/Supplies	-	-	-	652	350	436	750	400	114.3%
54600	Capital Replacement/Depreciation	3,940	-	-	-	-	-	-	-	-
		255,533	170,504	211,606	148,529	165,823	140,952	304,554	138,731	83.7%
Contingencies and Reserves										
<u>Account</u>	<u>Description</u>									
58100	Appropriation for Contingencies	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
	EXPENSE TOTALS	525,684	388,980	534,828	405,268	525,524	384,937	691,146	165,623	31.5%

* This account reflects the Salaries and Benefits (S&B) accounts that have been combined and reclassified under Services and Supplies as Administration Services and were already added to total expenses under S&B.

Operating expenses for 2015-2016 reflect a one-time \$25,000 cost associated with EDMS back-filing project. Agency reserves were utilized to cover this cost.

Operating expenses for 2016-2017 reflect a one-time \$28,640 increase associated with re-encumbering existing consultant contracts that were not fully utilized in 2015-2016.

Operating expenses for 2017-2018 reflect a one-time \$26,811 increase associated with re-encumbering existing consultant contracts that were not fully utilized in 2016-2017.

EXHIBIT A

Attachment One

Revenues

		FY2015-16		FY2016-17		FY2017-18		FY2018-19			
		Adjusted FY15-16	Actual FY15-16	Adjusted FY16-17	Actual FY16-17	Adjusted FY17-18	Estimated FY17-18	Proposed Budget FY18-19	<i>Difference</i>		
Intergovernmental											
<u>Account</u>	<u>Description</u>										
43910	County of Napa	224,972	224,972	224,972	224,972	213,724	213,724	224,410	10,686	5.0%	
43950	Other Governmental Agencies	224,972	224,972	224,972	224,972	213,724	213,724	224,410	10,686	5.0%	
----	<i>City of Napa</i>	149,571	149,571	149,066	149,066	143,028	143,028	149,311	6,283	4.4%	
----	<i>City of American Canyon</i>	35,997	35,997	35,330	35,330	34,380	34,380	35,380	1,000	2.9%	
----	<i>City of St. Helena</i>	14,582	14,582	15,908	15,908	13,856	13,856	14,817	961	6.9%	
----	<i>City of Calistoga</i>	13,467	13,467	13,208	13,208	12,349	12,349	13,578	1,229	10.0%	
----	<i>Town of Yountville</i>	11,355	11,355	11,458	11,458	10,111	10,111	11,323	1,212	12.0%	
		449,944	449,944	449,944	449,944	427,447	427,448	448,819	21,372	5.0%	
Service Charges											
42690	Application/Permit Fees	30,000	26,322	30,000	5,043	20,000	19,803	20,000	-	0.0%	
46800	Charges for Services	500	625	500	250	500	500	500	-	0.0%	
47900	Miscellaneous	-	-	-	-	-	-	-	-	0.0%	
		30,500	26,947	30,500	5,293	20,500	20,303	20,500	-	0.0%	
Investments											
45100	Interest	2,000	2,246	2,000	4,592	5,000	7,286	7,000	2,000	40.0%	
		2,000	2,246	2,000	4,592	5,000	7,286	7,000	2,000	40.0%	
	REVENUE TOTALS	482,444	479,137	482,444	459,829	452,947	455,037	476,319	23,372	5.2%	
OPERATING DIFFERENCE		(43,240)	90,157	(52,384)	54,561	(72,577)	70,100	(214,827)			

Negative Balance Indicates Use of Unrestricted Fund Balance Reserves

	2015-2016 Actual	2016-2017 Actual	2017-2018 Estimated	2018-2019 Proposed Budget
RESTRICTED FUND BALANCE (EQUIPMENT REPLACEMENT RESERVE)				
Beginning:	19,657	19,657	19,657	19,657
Ending:	19,657	19,657	19,657	19,657
UNRESERVED/UNRESTRICTED FUND BALANCE				
Beginning:	279,898	370,055	424,616	494,716
Ending:	370,055	424,616	494,716	279,889
TOTAL FUND BALANCE				
Beginning:	299,555	389,712	444,273	514,373
Ending:	389,712	444,273	514,373	299,546
MINIMUM FOUR MONTH RESERVE GOAL				
	173,915	178,276	175,175	230,382



LOCAL AGENCY FORMATION COMMISSION OF NAPA

Budget Policy

(Adopted: August 9, 2001; Last Amended: June 6, 2016)

- 1) An annual budget shall be prepared, adopted and administered in accordance with Government Code Section 56381.
- 2) The Commission should annually consider the Fee Schedule and Work Program 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-third 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.