



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 4, 2013
Agenda Item No. 7a (Action)

January 29, 2013

TO: Local Agency Formation Commission

FROM: Budget Committee (Chilton, Kelly, and Simonds)

SUBJECT: Approval of Draft Proposed Budget for Fiscal Year 2013-2014

The Commission will review a draft proposed budget for 2013-2014. The draft's operating expenses total \$448,755 and represent a 3.8% increase over the current fiscal year. The draft's operating revenues total \$435,915 with the remaining shortfall – (\$12,841) – 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.

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Chair
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, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
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 2013-2014 Committee (Chilton, Kelly, and Simonds) conducted a noticed public meeting on January 14, 2013 to review and develop draft recommendations on the Commission's operating expenses and revenues for the upcoming fiscal year.¹ Four 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 increases in agency contributions and whether agency reserves should be utilized to lower contribution requirements. Fourth, the Committee compared the preliminary setting of operating expenses and revenues to previous fiscal years and the current consumer price index for the region.

The Committee's review of the four referenced budget factors premises its recommendation for a line-item draft proposed budget totaling \$448,755 in expenses and \$435,915 in revenues. The Committee further recommends the resulting shortfall – (\$12,841) – 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 detailed 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 increases operating expenses from \$432,461 to \$448,755; a difference of \$16,294 or 3.8%. Nearly all of the increases lie within the salaries/benefits unit with the majority tied to non-discretionary items associated with the Commission's staff support services agreement with the County of Napa.² Four-fifths of the total increase in operating expenses is attributed to rises in salary, group insurance, and retirement costs. The first of these three labor costs – salary – represents the largest single item increase and is projected to rise by approximately \$8,800 or 4.3%. The increase in salary incorporates three distinct changes in employee compensation, and includes providing an automobile allowance for the Executive Officer (mistakenly absent from the present fiscal year budget), accommodating a pending job reclassification for the Secretary position, and budgeting a 1.5% cost-of-living adjustment for all employees.³

¹ The Commission appointed Commissioners Chilton and Kelly to the 2013-2014 Budget Committee at its December 3, 2012 meeting.

² The term "non-discretionary" infers the associated cost increases are not directly the purview of the Commission to amend given they are a byproduct of the decision to contract with the County of Napa for staff support services. The Commission retains the right, however, to reconsider its staffing support services agreement with the County at its own discretion.

³ The automobile allowance for the Executive Officer is provided under County of Napa's Management Compensation Plan and totals \$5,280 annually. The pending job reclassification is to promote the agency's current Secretary to Administrative Secretary under the County of Napa's Job Classification System; a reclassification that generates an additional \$1,238 in annual pay. The 1.5% cost-of-living adjustment is drawn from the County of Napa's memorandum of understanding with employees and would generate an additional \$2,318 annually.

Along with the referenced increases tied to the Commission's staff support services agreement with the County, the draft proposed budget incorporates a limited number of changes to discretionary line-item expense accounts. Most of the proposed changes are minor and reflect current fiscal year expense trends with the notable exception of the following two recommendations.

- The Committee proposes increasing the per diem expense account from \$6,100 to \$10,000. The proposed change represents a \$3,900 or 64% increase and would accommodate two anticipated amendments in the manner in which stipends are provided to members for attending meetings on behalf of the agency. The first anticipated change is an increase in the per diem amount from \$100 to \$125; a change – if enacted – that would represent the first increase since 2006. The second anticipated change is to begin providing per diems for Commissioner attendance at outside meetings in which members are representing the agency. A prominent example includes Commissioners attending the annual conferences hosted by the California Association of LAFCOs (“CALAFCO”). Actual implementation of these anticipated changes, and in particular providing per diems for outside meetings, is subject to adopted policy revisions. Accordingly, as part of this item, the Committee recommends the Budget Committee incorporate and offer recommendations on implementing these changes as part of their ongoing work in updating the agency's policies and procedures.
- The Committee proposes decreasing the special expense account from \$3,500 to \$2,500. The proposed change represents a \$1,000 or 29% decrease and reflects the difference in one-time purchases anticipated between the current and pending fiscal years. The Commission will recall this account – which by practice is budgeted at \$1,000 unless additional monies are allocated for specific one-time purposes – was budgeted with an additional \$2,500 in 2012-2013 to purchase software programming and related training from Granicus to begin live-streaming meetings on the internet. The Committee believes \$1,500 should be added to the account in 2013-2014 to fund the services of an outside consultant to facilitate the Commission's scheduled biannual workshop. This amount parallels the charge incurred in utilizing an outside consultant at the last workshop in 2011.

The Committee notes two other discretionary expense increases appear merited, but have not been included in the draft to control overall costs and more specifically agency contributions in 2013-2014. Most notably, and in terms of future prioritizing, this includes allocating approximately \$6,500 to purchase a wide-format printer for producing full size and appropriately scaled maps of all agency boundaries and spheres of influence in Napa County.⁴ The Committee believes it would be appropriate for the Commission to revisit this expense during the course of the fiscal year to consider whether any accumulated savings achieved in other operating accounts can be applied for a mid-year

⁴ As needed, staff currently utilizes the County of Napa Planning Department's wide-format printer for producing large scale maps. This arrangement is problematic, however, given the constraints of the optic data line connecting the two agencies network drives results in long print times and prone to printing errors.

purchase.⁵ The Committee also believes there would be merit to revisit the purchase of electronic tablets for members and staff to replace paper agenda packets as part of an effort to reduce the agency’s resource consumption. The estimated cost to purchase tablets and related software for all members and staff totals \$7,000 to \$8,000; an amount that may significantly decrease if the appointing authorities provide and allow members to use their agency-issued tablets as Commissioners.⁶

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

Expense Unit	Adopted FY12-13	Draft FY13-14	Change %
1) Salaries/Benefits	311,287	329,235	5.8
2) Services/Supplies	121,174	119,520	-1.4
3) Contingencies	0	0	0.0
	\$432,461	\$448,755	3.8

Operating Revenues

The draft proposed budget increases operating revenues from \$423,650 to \$435,915; a difference of \$12,265 or 2.9%. The Committee proposes nearly this entire amount of new revenues to be collected – \$422,415 – would be drawn from agency contributions and would exceed the current fiscal year total by \$12,840 or 3.1%. The rationale for the increase in agency contributions is directly tied to the projected rise in operating costs. The amount of projected agency contributions, however, has been reduced by the Committee by raising the budgeted use of reserves as offsetting revenues in 2013-2014. Specifically, and as the result of current cost-savings, the Committee is recommending the Commission increase its budgeted use of reserves from \$8,811 this fiscal year to \$12,840 in the next fiscal year; the latter amount representing exactly one-half of the increase to the funding agencies if no reserves were used with the resulting charges purposefully aligning with the consumer price index for the region.⁷

Budgeted service charges and interest earnings on the fund balance invested by the County Treasurer represent the remaining portion of revenues in the draft. A moderate 5% increase in service charges is budgeted to reflect the collection of mapping service fees consistent with the recent amendments to the adopted study schedule. A 26% decrease in interest earning is budgeted based on current fiscal year collection amounts.

⁵ The Executive Officer must receive Commission approval for any purchases exceeding \$3,000.

⁶ Other discretionary expenses considered by the Committee included purchasing a software program to improve the preparation of meeting minutes and establishing a website application to allow users to file proposals electronically. The Committee believes the estimated costs of these two purchases based on vendor responses, however, substantially exceed the anticipated benefit to the Commission at this time.

⁷ The recommendation to budget \$12,840 in reserves as offsetting revenue would mark the first related increase since the Commission began budgeting revenues in 2010-2011 (\$42,460 in 10-11; \$32,829 in 11-12; and \$8,811 in 12-13). Importantly, the small increase in reserve use recommended in 2013-2014 suggests the Commission has – as intended – achieved an appropriate balance going forward with respect to matching operating costs with agency contributions after an extended vacancy in the analyst position in the late 00s created an artificial reduction in contribution requirements.

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

Revenue Unit	Adopted FY12-13	Draft FY13-14	Change %
1) Agency Contributions	409,574	422,415	3.1
(a) County of Napa	204,787	211,207	3.1
(b) City of Napa	136,583	141,044	3.3
(c) City of American Canyon	33,321	34,004	2.1
(d) City of St. Helena	14,153	14,059	(0.7)
(e) City of Calistoga	12,095	12,479	3.2
(f) Town of Yountville	8,635	9,622	11.4
2) Service Charges	10,000	10,500	5.0
3) Interest Earnings	4,076	3,000	(26.4)
Total	\$423,650	435,915	2.9

C. Analysis

The draft proposed budget for 2013-2014 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 additional 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.

Three other pertinent and related takeaways underlie the draft proposed budget before the Commission. First, the projected increase in the funding agencies' combined contribution – 3.1% – has been purposefully managed by applying new reserves accumulating this fiscal year as a result of cost-savings to stay below the region's consumer price index, which is currently at 3.2% over the last 12 months. Second, while this would mark the fourth year in which the contribution totals for the funding agencies have increased, the percentage changes have continued to decrease. This dynamic suggests the Commission is closer to achieving an appropriate balance going forward in matching operating costs with agency contributions after an extended vacancy in the analyst position had previously and artificially lowered allocation requirements. Third, and despite allocating almost \$13,000 as offsetting revenues, the draft provides the Commission would finish the fiscal year with an available fund balance of \$117,845; an amount more than sufficient to meet the Commission's policy to retain reserves equal to no less than three months of operating expenses.

D. Alternatives for Action

The following alternative actions are available to the Commission.

Alternative Action One (Recommended):

(a) Approve the draft proposed budget for 2013-2014 as provided in Attachment One with any desired changes. (b) Direct the Executive Officer to circulate the approved draft proposed budget to funding agencies for review and schedule a public hearing on April 1, 2013 for consideration of adoption. (c) Direct the Policy Committee to incorporate the recommendations of the Budget Committee in preparing policy revisions to address the proposed changes in per diem payments.

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 all three 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,

Keene Simonds
Executive Officer

Attachment:
1) Draft Proposed Budget for 2013-2014



Local Agency Formation Commission of Napa County

Subdivision of the State of California

FY2013-2014 OPERATING BUDGET / DRAFT PROPOSED

Prepared on January 22, 2013

Expenses	FY2010-11		FY2011-12		FY2012-13		FY2013-14	<i>Difference</i>	
	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Actual FY11-12	Adopted FY12-13	Estimate FY12-13	Draft FY13-14		
Salaries and Benefits									
<u>Account</u>	<u>Description</u>								
51100	198,346.60	198,280.48	202,387.60	203,108.73	203,183.19	204,682.82	212,019.15	8,835.96	4.3%
51400	37,953.96	33,872.67	45,648.12	37,643.35	47,646.00	38,269.32	51,202.80	3,556.80	7.5%
51600	34,991.95	34,924.41	36,701.99	36,871.55	37,736.30	37,003.66	39,595.42	1,859.12	4.9%
51605	9,138.00	9,138.00	9,341.00	9,341.00	12,139.00	12,139.00	12,166.00	27.00	0.2%
51210	9,600.00	4,900.00	9,600.00	5,700.00	6,400.00	6,100.00	10,000.00	3,600.00	56.3%
51300	2,876.49	2,738.20	2,934.62	2,790.20	2,946.16	2,792.07	3,012.22	66.06	2.2%
51205	840.00	843.50	840.00	843.50	840.00	840.00	840.00	-	0.0%
51405	226.00	226.00	327.00	327.00	396.00	396.00	400.00	4.00	1.0%
51110	-	-	-	-	-	-	-	-	-
51115	-	-	-	-	-	-	-	-	-
	293,973.00	284,923.26	307,780.33	296,625.33	311,286.65	302,222.87	329,235.60	17,948.95	5.8%
Services and Supplies									
<u>Account</u>	<u>Description</u>								
52605	29,280.00	29,280.00	29,280.00	29,280.00	25,560.00	27,560.00	25,560.00	-	0.0%
52140	26,010.00	17,659.74	22,540.00	17,593.30	22,540.00	11,095.90	22,540.00	-	0.0%
52130	18,438.91	17,625.42	24,630.83	23,385.87	22,009.00	22,008.96	22,374.00	365.00	1.7%
52125	8,277.15	7,301.48	8,691.01	7,340.78	9,125.56	10,087.10	9,125.56	-	0.0%
52600	-	-	-	-	6,500.00	5,732.14	6,000.00	(500.00)	-7.7%
53100	15,000.00	9,628.08	12,000.00	14,508.46	5,500.00	4,500.00	5,000.00	(500.00)	-9.1%
52905	4,500.00	6,469.45	5,000.00	2,253.35	5,000.00	4,797.39	5,000.00	-	0.0%
52900	4,500.00	4,140.97	4,000.00	5,141.00	4,000.00	7,850.77	4,000.00	-	0.0%
53600	1,000.00	2,482.00	1,000.00	426.64	3,500.00	3,500.00	2,500.00	(1,000.00)	-28.6%
53415	-	-	-	-	3,487.13	3,487.13	3,487.73	0.59	0.0%
52800	3,500.00	1,640.02	4,470.00	2,329.81	2,970.00	2,493.24	2,950.00	(20.00)	-0.7%
53120	2,275.00	2,200.00	2,275.00	2,200.00	2,248.40	2,248.00	2,248.40	-	0.0%
53205	-	-	-	-	1,500.00	1,225.53	1,500.00	-	0.0%
52830	1,500.00	1,433.43	1,500.00	2,255.64	1,500.00	1,500.00	1,500.00	-	0.0%
52830	850.00	450.00	850.00	237.50	850.00	550.00	850.00	-	0.0%
53110	-	-	-	-	800.00	610.00	800.00	-	0.0%
52700	444.00	444.00	321.00	321.00	153.00	148.00	153.00	-	0.0%
52105	-	-	-	-	-	75.00	-	-	-
53105	-	-	-	-	-	500.00	-	-	-
54600	3,931.40	3,931.40	3,931.40	3,931.40	3,931.40	3,931.40	3,931.00	(0.40)	0.0%
	119,506.46	104,685.99	120,489.23	111,204.75	121,174.49	113,900.56	119,519.69	(1,654.80)	-1.4%
Contingencies and Reserves									
<u>Account</u>	<u>Description</u>								
58100	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
EXPENSE TOTALS	413,479.46	389,609.25	428,269.56	407,830.08	432,461.14	416,123.43	448,755.28	16,294.14	3.8%

Revenues

		FY2010-11		FY2011-12		FY2012-13		FY2013-14			
		Adopted	Actual	Adopted	Actual	Adopted	Estimate	Draft			
		FY10-11	FY10-11	FY11-12	FY11-12	FY12-13	FY12-13	FY13-14			
<u>Account</u>	<u>Description</u>									<u>Difference</u>	
Intergovernmental											
43910	County of Napa	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	211,207.41	6,420.24	3.1%	
43950	Other Governmental Agencies	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	211,207.41	6,420.24	3.1%	
----	<i>City of Napa</i>	119,646.81	119,647.00	126,330.38	126,330.38	136,583.40	136,583.40	141,043.83	4,460.43	3.3%	
----	<i>City of American Canyon</i>	27,468.37	27,468.00	32,912.04	32,912.04	33,320.64	33,320.64	34,003.91	683.27	2.1%	
----	<i>City of St. Helena</i>	12,656.54	12,657.00	12,997.37	12,997.37	14,152.67	14,152.67	14,058.84	(93.83)	-0.7%	
----	<i>City of Calistoga</i>	10,642.45	10,642.00	11,393.34	11,393.34	12,095.39	12,095.39	12,479.30	383.91	3.2%	
----	<i>Town of Yountville</i>	7,595.60	7,596.00	7,917.37	7,917.37	8,635.00	8,635.00	9,621.53	986.53	11.4%	
		<u>356,019.55</u>	<u>356,020.00</u>	<u>383,101.00</u>	<u>383,101.00</u>	<u>409,574.34</u>	<u>409,574.34</u>	<u>422,414.81</u>	<u>12,840.47</u>	<u>3.1%</u>	
Service Charges											
42690	Application/Permit Fees	10,000.00	24,293.00	10,000.00	8,562.00	10,000.00	15,290.00	10,000.00	-		
46800	Charges for Services	-	3,187.00	-	475.00	-	625.00	500.00	500.00		
47900	Miscellaneous	-	-	-	50.00	-	88.00	-	-		
		<u>10,000.00</u>	<u>27,480.00</u>	<u>10,000.00</u>	<u>9,087.00</u>	<u>10,000.00</u>	<u>16,003.00</u>	<u>10,500.00</u>	<u>500.00</u>	<u>5.0%</u>	
Investments											
45100	Interest	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	2,709.52	3,000.00	(1,076.00)	-26.4%	
		<u>5,000.00</u>	<u>2,570.00</u>	<u>2,340.00</u>	<u>2,472.66</u>	<u>4,076.00</u>	<u>2,709.52</u>	<u>3,000.00</u>	<u>(1,076.00)</u>	<u>-26.4%</u>	
	REVENUE TOTALS	<u>371,019.55</u>	<u>386,070.00</u>	<u>395,441.00</u>	<u>394,660.66</u>	<u>423,650.34</u>	<u>428,286.86</u>	<u>435,914.81</u>	<u>12,264.47</u>	<u>2.9%</u>	
OPERATING DIFFERENCE		(42,459.91)	(3,539)	(32,828.56)	(13,169.42)	(8,810.80)	12,163.43	(12,840.47)			
Negative Balance Indicates Use of Reserves											

	2012-2013	2012-2013	2012-2013	2013-2014
	Actual	Actual	Actual	Draft Budget
PERCENTAGE OF OPERATING EXPENSES				
Salaries/Benefits	73.1%	72.7%	72.6%	73.4%
Services/Supplies	26.9%	27.3%	27.4%	26.6%

UNRESERVED/UNRESTRICTED FUND BALANCE				
Beginning:	134,344.00	131,692.00	118,522.58	130,686.01
Ending:	131,692.00	118,522.58	130,686.01	117,845.54

MINIMUM THREE MONTH RESERVE GOAL	102,387.02	106,084.54	107,132.44	111,206.07
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