



Local Agency Formation Commission
LAFCO of Napa County

1700 Second Street, Suite 268
Napa, California 94559
Telephone: (707) 259-8645
Facsimile: (707) 251-1053
<http://napa.lafco.ca.gov>

February 7, 2011
Agenda Item No. 7b (Action)

January 31, 2011

TO: Local Agency Formation Commission

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

SUBJECT: Draft Proposed Budget for Fiscal Year 2011-2012

The Commission will review a draft proposed budget for 2011-2012. The draft proposes budgeting operating expenses at \$422,522; an amount representing a 2.2% increase over the current fiscal year. The draft proposes budgeting operating revenues at \$395,441 with the remaining shortfall (\$27,081) to be covered by drawing down on agency reserves. The draft is being presented to the Commission for approval and circulation to local funding agencies for their review and comment.

The Local Agency Formation Commission of Napa County (“Commission”) is responsible for annually adopting a proposed budget by May 1st and a final budget by June 15th. In preparing for its own provisions, the Commission has established a Budget Committee (“Committee”) consisting of two appointed Commissioners and the Executive Officer. The 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 has been the practice of the Commission to receive proposed and final budgets from the Committee for adoption at its April and June meetings, respectively.

A. Background

The Commission’s annual operating expenses are 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 apportioned among the five cities. The current formula for allocating the cities’ share 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.

In 2010, the Commission made several substantive amendments to its budget process to improve the fiscal management of the agency. Most notably, this included eliminating annual appropriations for both an operating reserve and consultant contingency in favor of establishing a fund balance policy to maintain three months of operating expenses for unexpected costs. A key motivation underlying this amendment was to reduce the amount

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Juliana Inman, Commissioner
Councilmember, City of Napa

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Chair
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, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

of unexpended monies accruing at the end of the fiscal years, which were being returned to the funding agencies in the form of credits against their subsequent year budget contribution. Importantly, by eliminating this practice, the Commission clarifies its financial position at the end of each fiscal year by reducing the amount of agency credits remaining in the fund balance. The funding agencies also benefit from eliminating the practice by enjoying more cost-certainty by receiving a more accurate appropriation charge at the beginning of each fiscal year.

The Commission's unreserved/undesignated fund balance totaled \$168,819 as of July 1, 2010 and is projected to decrease by 4.2% to \$161,684 by June 30, 2011.

B. Discussion

The Committee met on January 12, 2011 to review the Commission's operating expenses for the upcoming fiscal year. The Committee created a spending baseline to identify agency costs to maintain the current level of services at next fiscal year's projected price for labor and supplies. In reviewing the spending baseline, the Committee considered actual expenses from previous fiscal years and whether adjustments in spending are appropriate to reflect anticipated changes in demand or need. Two specific and interrelated policy objectives guided the Committee's review: (a) allocating sufficient resources to maintain current service levels while (b) limiting cost increases to the funding agencies. A summary of the Committee's proposed expenses and revenues for 2011-2012 follows.

Expenses

The Committee proposes \$422,522 in budgeted operating expenses. This amount represents an increase of \$9,043 or 2.2% over the current fiscal year. The majority of the increase is attributed to two pass-through costs tied to the Commission's staff support service agreement with the County involving group insurance and information technology. The former is projected to rise by \$7,694 or 20% and is primarily tied to escalating premium costs with Kaiser, including a dependent addition to the Executive Officer's coverage. The latter is expected to rise by \$6,191 or 34% as a result of recalculating the Commission's proportional share of the County's Information Technology Service (ITS) Department's budget – which is increasing by 4% – based on the number of employees and personal computers. Due to a reporting error, the Commission's ITS share for the current fiscal year was under-billed as a result of calculating only three of four personal computers. This error has been addressed in recalculating next fiscal year's Commission share and is primarily responsible for the approximate one-third increase in costs. Other budgeted expense increases include salaries at \$1,300 or 0.7% tied to a scheduled step increase for the analyst position and retirement benefits at \$1,212 or 3.5% due in part to the Commission assuming a larger portion of the California Public Employment Retirement System's (CalPERS) rate.

Importantly, to reduce the impact of the two pass-through cost increases outlined above, the Committee has identified approximately \$8,000 in discretionary savings. These savings will help absorb close to one-half of all projected increases in 2011-2012 and involve reducing

allocations for legal services, office supplies, and communications; all in amounts the Committee believes can be reasonably absorbed without adversely affecting service levels. The following table summarizes proposed operating expenses in 2011-2012:

Expense Unit	Adopted Final FY10-11	Proposed Draft FY11-12	Change %
1) Salaries/Benefits	293,973	304,503	3.4
2) Services/Supplies	115,575	114,088	(1.3)
3) Capital Replacement	3,931	3,931	0.0
	\$413,479	\$422,522	2.2

Revenues

The Committee proposes \$395,441 in budgeted operating revenues. Nearly this entire amount – \$383,101 – is proposed to be drawn from agency contributions, which would mark an increase of \$27,082 or 7.6% increase over the current fiscal year. The rationale for the increase in agency contributions is two-fold. First, as detailed in the preceding section, the Committee is recommending the Commission’s operating expenses increase by \$9,043. Second, the amount of reserves to be drawn down for operating revenues is \$15,379 less than the amount budgeted for the current fiscal year. Markedly, the reserve amount proposed for use for the upcoming fiscal year was calculated by splitting the total difference in agency contributions between the two fiscal years if no reserves were utilized.¹

Budgeted application fees and interest earned on the fund balance invested by the County Treasurer represent the remaining portion of budgeted revenues. No changes in application fees have been made relative to the current fiscal year. A small reduction, however, has been made to earned interest to reflect the current return rate on the Commission’s fund balance generated through the current fiscal year. The following table summarizes proposed operating revenues in 2011-2012

Revenue Unit	Adopted Final FY10-11	Proposed Draft FY11-12	Change %
1) Agency Contributions	356,019	383,101	7.6
<i>County of Napa</i>	178,009	191,550	7.6
<i>City of Napa</i>	119,647	128,748	7.6
<i>City of American Canyon</i>	27,468	29,558	7.6
<i>City of St. Helena</i>	12,657	13,619	7.6
<i>City of Calistoga</i>	10,642	11,452	7.6
<i>Town of Yountville</i>	7,596	8,173	7.6
2) Application Fees	10,000	10,000	0.0
3) Interest	5,000	2,340	(53.0)
Total	\$371,019	\$395,441	6.6

¹ In other words, in the absence of using reserves, the funding agencies collective contribution to the Commission in 2011-2012 as proposed would increase from \$383,101 to \$410,182, a difference of \$27,081.

C. Analysis

The draft proposed budget for 2011-2012 accomplishes the Committee's core policy goals to (a) provide sufficient resources to maintain current service levels while (b) minimizing impacts on the funding agencies by limiting overall cost-increases. The former accomplishment allows the Commission to preserve present staffing levels that the Committee believes are merited given the agency's workload ranging from processing proposals to preparing state-mandated studies, all of which are performed in-house. Notably, in 2011-2012, this will include preparing a municipal service review and related sphere of influence updates for the four agencies operating within the central county region.² Staff has also assumed additional duties ranging from implementing an electronic document management system to expanding roles within the statewide association. Any reduction in staffing levels would create a corresponding decrease in fulfilling current duties.

The Committee also believes the recommendation to reduce agency contributions by drawing down on reserves in the amount of \$27,081 serves two key objectives. First, the reduction memorializes the Commission's commitment to proactively assist the funding agencies by cutting their potential contribution by exactly one-half given the current economic downturn underlying municipal operations. Second, the Commission will be similarly positioned for the following fiscal year to once again drawn down on its reserves, without exceeding the agency's three-month operating fund balance limit if the economic downturn persists.

D. Recommendation

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

- 1) Approve with any desired changes the draft proposed budget for 2011-2012;
- 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 4, 2011 meeting.

Respectfully submitted on behalf of the Committee,

Keene Simonds
Executive Officer

Attachment:

- 1) Draft Proposed Budget for FY11-12

² The Central Napa County Study will include reviews of the City of Napa, Napa Sanitation District, Congress Valley Water District, and the Los Carneros Water District.



Local Agency Formation Commission
LAFCO of Napa County

FY2011-12 DRAFT PROPOSED BUDGET

Expenses

		FY2008-09		FY2009-10		FY2010-11		FY2011-12	
		Adopted FY08-09	Actual FY08-09	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Estimate FY10-11	Draft Proposed FY11-12	Difference
Salaries and Benefits									
<u>Account</u>	<u>Description</u>								
51100000	Regular Salaries	168,905.43	152,952.55	195,580.00	193,055.65	198,346.60	195,007.40	199,647.20	1,300.60
51300500	Group Health Insurance	40,148.04	21,405.57	36,471.00	29,210.94	37,953.96	35,035.60	45,648.12	7,694.16
51300100	Retirement: Pension	34,550.93	26,282.61	34,064.00	33,015.37	34,991.95	33,434.17	36,204.85	1,212.89
51200500	Commissioner Per Diems	9,600.00	4,400.00	9,600.00	5,100.00	9,600.00	5,200.00	9,600.00	-
51300120	Retirement: Non-Pension	11,295.00	11,296.00	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	203.00
51300300	Medicare	2,826.27	2,440.46	2,836.00	2,657.51	2,876.49	2,687.70	2,894.88	18.40
51301800	Cell Phone Allowance	840.00	845.14	840.00	843.50	840.00	840.00	840.00	-
51301200	Workers Compensation	149.00	149.00	168.00	168.00	226.00	226.00	327.00	101.00
51200100	Extra Help	26,010.00	26,283.11	-	-	-	-	-	-
51200200	Overtime	-	-	-	-	-	-	-	-
		294,324.67	246,054.44	288,265.00	272,756.97	293,973.00	281,568.87	304,503.05	10,530.05 3.6%
Services and Supplies									
<u>Account</u>	<u>Description</u>								
52240500	Property Lease	27,000.00	27,000.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	-
52180500	Legal Services	26,320.00	19,129.61	24,990.00	17,938.31	26,010.00	16,000.00	22,540.00	(3,470.00)
52180200	Information Technology Services	17,768.00	17,768.04	22,438.00	19,182.50	18,438.91	17,138.90	24,630.83	6,191.91
52170000	Office Expenses	15,900.00	10,916.66	15,000.00	9,697.20	15,000.00	11,000.00	12,000.00	(3,000.00)
52180510	Audit and Accounting Services	7,507.00	6,182.37	7,883.00	7,819.33	8,277.15	9,000.00	8,691.01	413.86
52250800	Training	4,000.00	2,530.53	4,000.00	5,475.00	4,000.00	5,500.00	4,000.00	-
52250000	Transportation and Travel	4,000.00	1,716.91	3,500.00	4,510.88	3,500.00	4,500.00	3,500.00	-
52070000	Communications	3,500.00	1,720.96	3,500.00	1,205.16	3,500.00	1,500.00	2,000.00	(1,500.00)
52150000	Memberships	2,200.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	-
52190000	Publications and Notices	1,500.00	2,490.22	1,500.00	1,112.17	1,500.00	850.00	1,500.00	-
52235000	Special Departmental Purchases	56,000.00	50,081.73	1,000.00	1,095.25	1,000.00	482.50	1,000.00	-
52251200	Private Mileage	1,000.00	1,051.07	1,000.00	533.60	1,000.00	1,200.00	1,000.00	-
52243900	Filing Fees	850.00	300.00	850.00	250.00	850.00	500.00	850.00	-
52250700	Meals Reimbursement - Taxable	-	-	500.00	588.92	500.00	400.00	500.00	-
52100300	Insurance: Liability	546.00	545.00	347.00	347.00	444.00	444.00	321.00	(123.00)
53980200	Capital Replacement*	-	-	-	3,931.30	3,931.40	3,931.40	3,931.40	-
		167,191.00	143,633.10	118,063.00	105,166.62	119,506.46	103,926.80	118,019.23	(1,487.23) -1.2%
Contingencies and Reserves									
<u>Account</u>	<u>Description</u>								
54000900	Operating Reserve	40,651.57	-	40,632.80	-	-	-	-	-
54001000	Consultant Contingency	50,000.00	-	50,000.00	-	-	-	-	-
		90,651.57	-	90,632.80	-	-	-	-	-
EXPENSE TOTALS		552,167.24	389,687.54	496,960.80	377,923.59	413,479.46	385,495.67	422,522.28	9,042.82 2.2%

Revenues

		FY2008-09		FY2009-10		FY2010-11		FY2011-12	
		Adopted FY08-09	Actual FY08-09	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Estimate FY10-11	Draft Proposed FY11-12	
Intergovernmental Contributions									
<u>Account</u>	<u>Description</u>								
45080600	County of Napa	-	176,382.73	-	153,965.70	178,009.77	178,010.00	191,550.46	¹⁰ 13,540.68
45082200	City of Napa	-	119,820.40	-	105,428.75	119,646.81	119,647.00	128,747.99	¹¹ 9,101.18
45082400	City of American Canyon	-	27,179.61	-	22,010.54	27,468.37	27,468.00	29,557.81	¹² 2,089.44
45082300	City of St. Helena	-	12,134.39	-	11,135.35	12,656.54	12,657.00	13,619.29	¹³ 962.75
45082100	City of Calistoga	-	9,714.01	-	8,742.73	10,642.45	10,642.00	11,451.99	¹⁴ 809.54
45082500	Town of Yountville	-	7,534.31	-	6,648.33	7,595.60	7,596.00	8,173.38	¹⁵ 577.78
		-	352,765.45	-	307,931.40	356,019.55	356,020.00	383,100.91	27,081.37 7.6%
Service Charges									
<u>Account</u>	<u>Description</u>								
46003400	Standard Applications Fees	-	16,155.00	-	18,437.00	10,000.00	20,000.00	10,000.00	-
46003300	Special Application Fees	-	120.00	-	625.00	-	-	-	-
48040000	Miscellaneous	-	-	-	156.30	-	-	-	-
		-	16,275.00	-	19,218.30	10,000.00	20,000.00	10,000.00	- 0.0%
Investments									
<u>Account</u>	<u>Description</u>								
44000300	Interest	-	10,458.70	-	3,791.48	5,000.00	2,340.00	2,340.00	(2,660.00)
		-	10,458.70	-	3,791.48	5,000.00	2,340.00	2,340.00	(2,660.00) -53.2%
	REVENUE TOTALS	-	379,499.15	-	330,941.18	371,019.55	378,360.00	395,440.91	24,421.37 6.6%

DIFFERENCE	-	(10,188.39)	-	(43,051)	-	(7,136)	(27,081.37)
-------------------	---	-------------	---	----------	---	---------	-------------

FUND BALANCE

Beginning:	222,059.00	211,870.61	168,819.50	161,683.83
Ending:	211,870.61	168,819.50	161,683.83	134,602.46
<i>Minimum Three Month Operating Balance:</i>	<i>138,041.81</i>	<i>124,240.20</i>	<i>103,369.87</i>	<i>105,630.57</i>

NOTES

- This account budgets one-part time (Secretary) and two fulltime (Executive Officer and Analyst) employees. The budgeted increase reflects a scheduled merit raise for Analyst Freeman. No cost-of-living adjustments are budgeted in 2011-2012 consistent with the County of Napa's current contract with its bargaining units.
- This account funds the Commission's monthly contribution for employee healthcare and dental insurance costs provided by Kaiser and Delta Dental, respectively. The budgeted increase reflects higher provider premiums with the largest percentage raise tied to an addition to the Executive Officer's health coverage plan.
- This account funds the Commission's monthly contribution for employee retirement benefits managed by CalPers. The budgeted increase is tied to the scheduled merit increase for Analyst Freeman.
- This account funds the Commission's apportionment for post employment benefits, such as retiree health care insurance. These costs are calculated by the County of Napa.
- It is expected the Commission's need for County Counsel in 2011-12 will decrease from 170 to 140 total hours based on recent usage. An approximate 5.0% raise in the hourly rate from \$153 to \$161 is budgeted.
- This account primarily funds network services provided by the County of Napa's Information Technology Services (ITS) Department. This portion of the account is budgeted to increase by 35% as part of countywide increases in ITS expenses tied to software updates. A prior year reporting error also has been identified with respect to increasing the number of LAFCO computers from three to four. Other funds tied to this account remain stagnant and support website hosting and electronic document management costs with contacted vendors.
- This account funds the Commission's regular office supply purchases. A decrease from \$15,000 to \$12,000 is budgeted based on actual recent expenses in this account.
- The budgeted amount anticipates a 5.0% across-the-board increase in hourly rates for the County of Napa Auditor's Office in 2011-12.
- This account funds the Commission's office telephone expenses. A decrease from \$3,500 to \$2,000 is budgeted to reflect actual recent expenses in this account.