



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 4, 2008
Agenda Item No. 7a

January 29, 2008

TO: Local Agency Formation Commission

FROM: 2008-2009 Budget Committee

SUBJECT: Draft Proposed Budget for Fiscal Year 2008-2009 (Action)

The Commission will receive a draft proposed budget from the 2008-2009 Budget Committee. The draft proposed budget projects a total increase in expenses of 6.4% and is being presented for Commission approval.

California Government Code §56381 directs the Commission to annually prepare and adopt a proposed budget by May 1st and a final budget by June 15th. In preparing for its own provisions, it is the policy of Commission to establish a budget committee that includes 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 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.

Background

As provided under the law, 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 the Town of Yountville. The law provides that the County is responsible for 50% of the Commission's operating costs. The remaining 50% of the Commission's operating costs are proportionally shared by the five cities based on a weighted calculation of population and general tax revenues. Each agency is responsible for paying their share of the Commission's adopted budget at the beginning of each fiscal year. As a result of its prescribed funding relationships with local agencies, the Commission only budgets costs.

Discussion

At its December 3, 2007 meeting, the Commission appointed Commissioners Gingles and Kelly to serve on the 2008-2009 Budget Committee, hereafter identified as the "Committee." The Committee met on January 7, 2008 to review the Commission's operating expenses for the upcoming fiscal year. A spending baseline was constructed 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 Committee considered actual expenses from previous fiscal years and whether increases or decreases in spending was appropriate to reflect anticipated changes in demand or need.

Jack Gingles, Commissioner
Mayor, City of Calistoga

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

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

Juliana Inman, Commissioner
Councilmember, City of Napa

Bill Dodd, Commissioner
County of Napa Supervisor, 4th District

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Cindy Coffey, Alternate Commissioner
Councilmember, City of American Canyon

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

The Committee's draft proposed budget for 2008-2009 projects a 6.4% increase (\$29,872) in total expenses over the current fiscal year. The majority of the projected increase is attributed to contractual obligations associated with the Commission's support services agreement with the County of Napa relating to employee salaries and benefits. Markedly, this includes establishing a new expense account to begin funding for other post-employment benefits, such as retiree health care, which accounts for over one-third of the overall projected increase in the budget. This also includes increasing salaries to incorporate an anticipated 3.2% cost-of-living adjustment for all employees. Additionally, underlying all salary and benefit projections is the continued budgeting of two fulltime (Executive Officer and Analyst) and one parttime (Secretary) positions.

With respect to discretionary expenses, the Committee has made two substantive changes in projecting legal service costs that have contributed to a \$4,800, or 24%, increase in the affected expense account in 2008-2009. First, the Committee has revised the methodology used in calculating legal service costs by budgeting for an actual number of billable hours. In 2008-2009, the Committee anticipates the Commission requiring up to 160 hours of legal services, which represents the average number of hours billed to the agency over the last two years by County Counsel for services provided by Counsel Gong. Second, in making its calculation, the Committee has divided the total 160 hours budgeted for legal services between the anticipated hourly rates of County Counsel at \$156 and an outside counsel at \$190, which is the current median amount charged by three private law firms that work for other LAFCOs in California. The Committee has weighted the calculation to anticipate 75% of legal services in 2008-2009 will continued to be provided by County Counsel with the remaining 25% provided by an outside counsel. The rationale in making this second change to the methodology in calculating legal service costs is to afford the Commission the opportunity to use outside counsel at its discretion without adversely impacting the budget.

The Committee also identified and considered the merits of budgeting for two office improvements in 2008-2009. These improvements include implementing an electronic document management system and designing a new website. Based on staff's discussions with potential vendors, reasonable cost estimates for these two improvements is \$10,000 and \$30,000, respectively. Although both improvements are warranted, given the other increases in the draft proposed budget, the Committee decided not to incorporate additional funds for these projects to limit the fiscal impact to the funding agencies.

Finally, the Committee performed a preliminary review to identify whether the Commission's current salary scale for the Executive Officer position is comparable with other LAFCOs. The preliminary review indicated that the current salary scale for the Executive Officer position is moderately below the average of the LAFCOs in the seven counties the County of Napa uses in conducting salary comparisons. In the course of preparing the preliminary review, the Committee became aware that the County is scheduled to conduct a comprehensive salary review for all of its management classifications, which includes the Executive Officer position. The Committee believes it is appropriate for the Commission to review the results of the County's compensation study before taking any further actions regarding the pay scale for the Executive Officer position.

Recommendation

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

- 1) Approve with any desired changes the draft proposed budget from the 2008-2009 Budget Committee;
- 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 7, 2008 meeting.

Respectfully submitted on behalf of the Budget Committee,

Keene Simonds
Executive Officer

Attachment:

1. 2008-2009 Draft Proposed Budget (Line-Item Format)



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

2008-2009 Draft Proposed Budget: Operating Costs

	Final FY05-06	Final FY06-07	Final FY07-08	Draft Proposed FY08-09	Difference (Dollars)	Difference (Percentage)
Salaries and Benefits						
<u>Account No. Account Name</u>						
51100000	\$ 187,206.00	\$ 190,230.92	\$ 185,526.79	\$ 194,915.43 ^{1,2}	\$ 9,388.64	5.06%
51200100	\$ 2,206.26	\$ -	\$ -	\$ -		
51200200	\$ -	\$ -	\$ -	\$ -		
51200500	\$ 4,050.00	\$ 3,600.00	\$ 9,600.00	\$ 9,600.00		
51300100	\$ 32,235.20	\$ 32,953.28	\$ 31,583.44	\$ 34,550.93	\$ 2,967.49	9.40%
TBD	-	-	-	\$ 11,295.00 ³	\$ 11,295.00	100%
51300300	\$ 2,674.13	\$ 2,849.46	\$ 2,649.92	\$ 2,826.27	\$ 176.35	6.66%
51300500	\$ 26,875.92	\$ 36,030.00	\$ 43,168.32	\$ 40,148.04	\$ (3,020.28)	-7.00%
51301200	\$ 749.00	\$ 685.00	\$ 185.00	\$ 149.00	\$ (36.00)	-19.46%
51301700	\$ 1,500.00	\$ 1,500.00	\$ -	\$ -		
51301800	\$ 840.00	\$ 840.00	\$ 840.00	\$ 840.00		
	\$ 258,336.51	\$ 268,688.66	\$ 273,553.47	\$ 294,324.68	\$ 20,771.21	7.59%
Services and Supplies						
<u>Account No. Account Name</u>						
52243900	-	-	\$ 850.00	\$ 850.00		
52070000	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00		
52100300	\$ 335.00	\$ 534.00	\$ 352.00	\$ 546.00	\$ 194.00	55.11%
52150000	\$ 1,400.00	\$ 2,200.00	\$ 2,000.00	\$ 2,200.00 ⁴	\$ 200.00	10.00%
52170000	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00		
52180200	\$ 13,378.27	\$ 17,799.91	\$ 16,387.00	\$ 17,201.00 ⁵	\$ 814.00	4.97%
52180500	\$ 18,750.00	\$ 18,750.00	\$ 21,500.00	\$ 26,320.00 ⁶	\$ 4,820.00	22.42%
52190000	\$ 1,000.00	\$ 1,000.00	\$ 1,500.00	\$ 1,500.00		
52185000	\$ 5,000.00	\$ 6,500.00	\$ 7,150.00	\$ 7,507.50 ⁷	\$ 357.50	5.00%
52235000	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00		
52240500	\$ 25,540.80	\$ 26,307.02	\$ 27,000.00	\$ 27,000.00		
52250000	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00		
52250800	\$ 3,000.00	\$ 3,000.00	\$ 4,000.00	\$ 4,000.00		
52251200	\$ 1,500.00	\$ 1,500.00	\$ 1,000.00	\$ 1,000.00		
	\$ 93,404.07	\$ 101,090.93	\$ 105,239.00	\$ 111,624.50	\$ 6,385.50	6.07%
Sub Total Expenses	\$ 351,740.58	\$ 369,779.59	\$ 378,792.47	\$ 405,949.18		
Contingencies and Reserves						
<u>Account No. Account</u>						
54000900	\$ 35,174.06	\$ 36,977.96	\$ 37,879.25	\$ 40,594.92		
54001000	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00		
	\$ 85,174.06	\$ 86,977.96	\$ 87,879.25	\$ 90,594.92	\$ 2,715.67	3.09%
TOTAL	\$ 436,914.64	\$ 456,757.55	\$ 466,671.72	\$ 496,544.10	\$ 29,872.38	6.40%

Notes

- 1) This account budgets two fulltime (Executive Officer and Analyst II) and one partime (Secretary) employee and anticipates scheduled salary step increases.
- 2) Assumes approval of a 3.2% cost-of-living adjustment for all employees. The County MOU with represented employees requires a cost-of-living adjustment to be determined by an agreed formula. The adjustment could be as low as 2.5% and as high as 5.0%. County CAO advises using a 3.2% factor at this time.
- 3) At its April 10, 2007 meeting, the County Board of Supervisors approved a payment plan to begin prefunding its current unfunded liability involving Other Post Employment Benefits (OPEB) over the next 14 years. OPEB involves non-pension benefits, such as retiree health care coverage. It has been the practice of the County to fund these benefits at the time they are due (pay-as-you-go). In 2008-2009, the County's OPEB payment is \$6.0 million. LAFCO's portion of the 2008-2009 payment is based on its total number of budgeted fulltime employees. The County's 2009-2010 payment is tentatively scheduled at \$6.2 million.
- 4) Current membership dues are limited to CALAFCO. CALAFCO has scheduled an approximate 10% increase in all member dues for 2008-2009.
- 5) This account is for administration costs associated with the County's Information Technology Information Department (ITS) and includes network maintenance for payroll, purchasing, accounting, and geographic information services. ITS costs, which are calculated by the County, are apportioned to all of its "customers" by a series of formulae that consider the number of computers and the number of employees in a each department and agency.
- 6) This account budgets a total of 160 hours for legal services. It is expected that 120 hours will be provided by County Counsel at the hourly rate of \$156, with the remaining 40 hours provided by an outside counsel at the hourly rate of \$190.
- 7) Anticipates a 5.0% across-the-board increase in hourly rates for the County Auditor's Office in 2008-2009.