



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>

June 1, 2009
Agenda Item No. 6b (Public Hearing)

May 19, 2009

TO: Local Agency Formation Commission
FROM: Budget Committee (Kelly and Simonds)
SUBJECT: Final Budget for 2009-2010

The Commission will receive a final budget from the Budget Committee for 2009-2010. The final budget estimates the Commission's operating costs will total \$496,961, which represents a 10% decrease over the current fiscal year. The final budget is being presented to the Commission for adoption.

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 consisting of 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 is 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.

A. Background

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 Yountville. The law states the County is responsible for one-half of the Commission's operating costs while the remaining amount is apportioned among the five cities based on a weighted calculation of population and general tax revenues. It is the Commission's practice to only budget operating costs given its prescribed funding sources. As part of this practice, the Commission returns all of its unspent revenues (contributions, application fees, etc.) to the funding agencies in the form of credits towards their calculated share of the subsequent fiscal year budget. Accordingly, for budgeting purposes, the Commission has two annual funding sources: (a) agency credits and (b) agency contributions. The Commission's adopted operating costs and its matching revenue sources for the last three fiscal years are presented below.

	FY06-07	FY07-08	FY08-09
Adopted Budget (Costs)	<u>456,758</u>	<u>466,672</u>	<u>552,168</u>
Agency Credits (Revenue)	145,317	183,338	199,402
Agency Contributions (Revenue)	311,441	283,333	352,765
	<u>\$456,758</u>	<u>\$466,672</u>	<u>\$552,168</u>

Juliana Inman, Vice Chair
Councilmember, City of Napa

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Commissioner
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, Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

At its December meeting, the Commission appointed Commissioners Gingles and Kelly to the Budget Committee (“Committee”).¹ The Committee met on January 14th to review the Commission’s operating costs for the upcoming fiscal year. The Committee created a spending baseline to estimate how much it would cost to maintain current service levels and activities at next fiscal year’s price for personnel and supplies. In reviewing these estimates, the Committee prioritized minimizing costs whenever warranted to help limit the financial impact on the funding agencies given the downturn in the economy. Based on its initial review, the Committee presented a draft proposed budget for 2009-2010 projecting an overall decrease in operating costs of 8.4% (\$46,608) to the Commission at its February meeting. The Commission approved the draft proposed budget as submitted and directed staff to seek comments from the funding agencies. No comments were received.

At its April meeting, the Committee returned to the Commission with a proposed budget for adoption. The proposed budget included a small number of revisions from the earlier draft further reducing the projected operating costs over the current fiscal year to 9.9% (\$55,133). Most notably, this included eliminating the previously planned 3.0% cost-of-living adjustment for employees. The Commission adopted the proposed budget as submitted and directed staff to seek comments from the funding agencies in anticipation of adopting a final budget at its June meeting. No comments were received.

B. Discussion

The Committee has prepared a final budget for 2009-2010 for Commission consideration that includes one minor change from the proposed budget adopted at the April meeting. This change involves reducing by \$77 the amount apportioned to fund the annual maintenance of the Commission’s new electronic document management system based on the consultant proposal selected at the May meeting. This change results in a final budget estimating the Commission’s operating costs in 2009-2010 will total \$496,961, which represents a 10% (\$55,207) decrease over the current fiscal year.

The majority of the overall savings in estimated operating costs in 2009-2010 is attributed to the decision not to fund any substantive special departmental expenses. This contrasts with the current fiscal year in which \$55,000 was budgeted to develop a new website and implement an electronic document management system. Other key factors contributing to the estimated cost-savings includes reductions in legal service and retirement expense accounts. Increases are limited and include the referenced establishment of new expense accounts to support and maintain the electronic document management system and website as well as an anticipated rise in office space rent at 8.4% or \$2,280. The anticipated rent increase has been negotiated and would remain fixed over the next three years. The Committee has reviewed alternative accommodations and believes the rent increase is reasonable given it remains relatively low compared to other office spaces in the downtown area as measured by its monthly \$2.03 square-foot cost.² A summary of the final budget’s estimated operating costs in 2009-2010 by category is presented below.

¹ Commissioner Gingles was rotated off of the Commission by the City Selection Committee on May 4, 2009.

² The current and proposed monthly rent at 1700 Second Street includes all utilities and three reserved parking spaces.

Expense Type	Adopted Final FY08-09	Final* FY09-10	Change
Salaries/Benefits	294,325	288,265	(6,060)
Services/Supplies	167,192	118,063	(49,129)
Contingencies/Reserves	90,652	90,633	(19)
	<u>\$552,168</u>	<u>\$496,961</u>	<u>\$(55,207)</u>

* The complete final budget for 2009-2010 is provided as “Exhibit One” to the attached draft resolution.

A key aspect underlying the Commission’s consideration of the final budget is its anticipated impact on the six funding agencies in terms of their expected contributions in 2009-2010. Most importantly, this includes considering the amount of unspent revenues expected to be available and returned to the funding agencies in the form of credits at the end of this fiscal year. It is currently expected the Commission will finish this fiscal year with approximately \$169,315 in unspent revenues, which is primarily attributed to the delay in hiring a fulltime analyst and retention of all budgeted reserves and contingencies. The combination of the projected decrease in operating costs and anticipated year-end credits produces an overall savings to the funding agencies as measured by their expected contributions in 2009-2010 of 6.2% (\$25,119) as summarized below.

	Adopted Final FY08-09	Final FY09-10	Change
Adopted Budget (Costs)	<u>552,168</u>	<u>496,961</u>	<u>(55,206)</u>
Agency Credits (Revenue)	199,402	169,315	(30,087)
Agency Contributions (Revenue)	352,765	327,646	(25,119)
	<u>\$552,168</u>	<u>\$496,961</u>	<u>\$(55,206)</u>

C. Analysis

The final budget for 2009-2010 accomplishes the Committee’s principal objectives to (a) provide sufficient resources to maintain current service levels while (b) avoiding cost increases to the funding agencies. The latter accomplishment is dependent on the Commission finishing this fiscal year with no less than \$144,269 in unspent revenues, which can be carried-forward and reduce the funding agencies’ contributions in 2009-2010. This minimum level of unspent revenues is expected to be available to the Commission at the end of the fiscal year based on the agency’s current spending projection. If the Commission does finish the fiscal year with less than the stated minimum level of unspent revenues, the Committee believes it would be appropriate to cover the difference by drawing down on its undesignated reserves. Accordingly, if necessary, staff will return to the Commission at its next regular meeting requesting authorization to use undesignated reserves to ensure no new cost increases to the funding agencies in 2009-2010.

* A draft allocation of the 2009-2010 final budget identifying the invoice amounts for all six funding agencies is provided as Attachment Two.

D. Alternatives for Commission Action

The following alternative actions are available to the Commission at the close of the public hearing:

Alternative One: Adopt the attached draft resolution approving the final budget for 2009-2010 with any desired changes along with authorizing the Chair to sign the attached draft amendment to LAFCO Agreement No. 03-01 to extend the office lease at 1700 Second Street through June 2012.

Alternative Two: Schedule a special meeting by June 15th for purposes of continuing the consideration of this item.

E. Recommendation

It is recommended the Commission approve Alternative One. This involves (a) adopting the attached draft resolution approving the final budget for 2009-2010 with any desired changes and (b) authorizing the Chair to sign the attached draft amendment to LAFCO Agreement No. 03-01 to extend the office lease at 1700 Second Street through June 2012.

Respectfully submitted on behalf of the Committee,

Keene Simonds
Executive Officer

Attachment:

- 1) Draft Resolution Adopting a Final Budget in 2009-2010
- 2) Draft Agency Allocation for Final Budget in 2009-2010
- ~~3) Draft Second Amendment to LAFCO Agreement No. 03-01~~
- ~~4) LAFCO Agreement No. 03-01~~
- ~~5) Amendment No. 1 to LAFCO Agreement No. 03-01~~

RESOLUTION NO. ____

**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
ADOPTING A FINAL BUDGET FOR THE 2009-2010 FISCAL YEAR**

WHEREAS, the Local Agency Formation Commission of Napa County (hereinafter referred to as “the Commission”) is required by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 to adopt a final budget for the next fiscal year no later than June 15th; and

WHEREAS, the Commission reviewed and adopted a proposed budget at its April 6, 2009 meeting; and

WHEREAS, at the direction of the Commission, the Executive Officer circulated for review and comment the adopted proposed budget to the administrative and financial officers of each of the six local agencies that contribute to the Commission budget; and

WHEREAS, the Commission reviewed all substantive written and verbal comments concerning the proposed budget; and

WHEREAS, the Executive Officer prepared a report concerning the final budget, including his recommendations thereon; and

WHEREAS, the Executive Officer’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 final budget held on June 1, 2009; and

WHEREAS, the Commission determined the final budget projects the staffing and program costs of the agency as accurately and appropriately as is possible;

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The final budget as outlined in Exhibit One is approved.
2. The reduction in overall operating costs will nevertheless continue to allow the Commission to fulfill its regulatory and planning responsibilities as required under Government Code Section 56381(a).

The foregoing resolution was duly and regularly adopted by the Commission at a regular meeting held on June 1, 2009 by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSTAIN: Commissioners _____

ABSENT: Commissioners _____

ATTEST: Keene Simonds
Executive Officer

RECORDED: Kathy Mabry
Commission Secretary



Local Agency Formation Commission
LAFCO of Napa County

2009-2010 Final Budget: Operating Costs

		Adopted Final FY06-07	Adopted Final FY07-08	Adopted Final FY08-09	Final FY09-10		Difference Dollars
Salaries/Benefits							
<u>Account</u>	<u>Description</u>						
51100000	Regular Salaries	190,231	185,527	168,905	195,580	¹	26,674
51300500	Group Insurance	36,030	43,168	40,148	36,471		(3,677)
51300100	Retirement: Pension	32,953	31,583	34,551	34,064		(487)
51200500	Commissioner Per Diems	3,600	9,600	9,600	9,600		-
51300120	Retirement: Non-Pension	-	-	11,295	8,706	²	(2,589)
51300300	Medicare	2,849	2,650	2,826	2,836		10
51301800	Cell Phone Allowance	840	840	840	840		-
51301200	Workers Compensation	685	185	149	168		19
51200100	Extra Help	-	-	26,010	-		(26,010)
51200200	Overtime	-	-	-	-		-
51301700	401A Employer Contributions	1,500	-	-	-		-
	SUB TOTALS	268,689	273,553	294,325	288,265		(6,060)

Services/Supplies

<u>Account</u>	<u>Description</u>						
52240500	Property Lease	26,307	27,000	27,000	29,280	³	2,280
52180500	Legal Services	18,750	21,500	26,320	24,990	⁴	(1,330)
52180200	Information Technology Services	17,800	16,387	17,768	18,705	⁵	937
52170000	Office Expenses	15,000	15,000	15,000	15,000		-
52185000	Auditing Services	6,500	7,150	7,508	7,883	⁶	375
52250000	Transportation and Travel	4,000	4,000	4,000	4,000		-
52250800	Training	3,000	4,000	4,000	4,000		-
52070000	Communications	3,500	3,500	3,500	3,500		-
TBD	Electronic Document Management	-	-	-	2,233	⁷	2,233
52150000	Memberships	2,200	2,000	2,200	2,275	⁸	75
TBD	Website Hosting/Maintenance	-	-	-	1,500	⁹	1,500
52190000	Publications and Notices	1,000	1,500	1,500	1,500		-
52235000	Special Departmental Purchases	1,000	1,000	56,000	1,000	¹⁰	(55,000)
52251200	Private Mileage	1,500	1,000	1,000	1,000		-
52243900	Filing Fees	-	850	850	850		-
52100300	Insurance: Liability	534	352	546	347		(199)
	SUB TOTALS	101,091	105,239	167,192	118,063		(49,129)

Contingencies/Reserves

<u>Account</u>	<u>Description</u>						
54000900	Operating Reserve	36,978	37,879	40,652	40,633		(19)
54001000	Consultant Contingency	50,000	50,000	50,000	50,000		-
	SUB TOTALS	86,978	87,879	90,652	90,633		(19)

GRAND TOTALS \$ 456,758 \$ 466,672 \$ 552,168 \$ 496,961 \$ (55,207)

Notes

- 1) This account budgets two fulltime (Executive Officer and Analyst I) and one partime (Secretary) employee. The budgeted amount anticipates scheduled step increases for the Executive Officer and Analyst I.
- 2) This account funds the Commission's apportionment for post employment benefits, such as retiree health care insurance. These costs are calculated by the County and will decrease in 2009-2010 because the Board recently approved transitioning from a 14 to 20 year amortization schedule.
- 3) The Commission's lease for 1,200 square feet of office space at 1700 Second Street in Napa is scheduled to expire on June 30, 2009. The landlord has proposed extending the lease for an additional three years at a fixed annual amount of \$29,280 and includes all utilities.
- 4) It is expected the Commission will require 170 total hours of legal services in 2009-2010, which reflects the average number of hours required over the last three fiscal years. The budgeted amount has been calculated by multiplying Commission Counsel's expected hourly rate of \$147 in 2009-2010 by 170. A small savings is projected given the Commission is not budgeting additional funds for outside counsel.
- 5) This account is for administration costs associated with the County of Napa's Information Technology Information Department (ITS) and includes network maintenance for payroll, purchasing, accounting, and geographic information services. ITS costs are calculated by the County and apportioned based on the number of computers and employees in each department or contracting agency.
- 6) The budgeted amount anticipates a 5.0% across-the-board increase in hourly rates for the County of Napa Auditor's Office in 2009-2010.
- 7) This account will cover licensing and support costs relating to the Commission's electronic document management system. It is expected the contracted vendor (Incrementum) will install an electronic document management system by the end of 2008-2009. Actual costs will be negotiated with the selected vendor.
- 8) The Commission is a member of the California Association of Local Agency Formation Commissions (CALAFCO). In 2007-2008, CALAFCO adopted a new rate schedule with annual increases tied to the consumer price index.
- 9) This account will cover hosting and support costs relating to the Commission's new website, which is scheduled to go live by the end of 2008-2009. Estimated costs are based on the contracted vendor's (Planeteria) current rate schedule and would provide annual hosting and 10 hours of support services.
- 10) The Commission budgeted two special office improvements in 2008-2009 to (a) develop a new website and (b) implement an electronic document management system. No substantive office improvements are scheduled for 2009-2010.

FY2009-2010 Allocation for Annual LAFCO Costs to County and Cities (5-12-2009)
(Alternative Allocation Formula Approved by Cities)

ATTACHMENT TWO

Step 1	LAFCO Budget	Adopted Final FY08-09	Final FY09-10	Difference Dollar	Difference Percentage			
	Total	\$ 552,167.80	\$ 496,961.00	\$ (55,206.80)	-10.0%			
Step 2	Annual Allocation							
	50% to County	\$ 276,083.90	\$ 248,480.50	\$ (27,603.40)	-10.0%			
	50% to Cities	\$ 276,083.90	\$ 248,480.50	\$ (27,603.40)	-10.0%			
Step 3a	Cities' Share Based on Total General Tax Revenues*							
	<u>General Tax Revenues</u>	<u>American Canyon</u>	<u>Calistoga</u>	<u>Napa</u>	<u>St. Helena</u>	<u>Yountville</u>	<u>All Cities</u>	
	Secured & Unsecured Property Tax	\$ 6,265,858	\$ 953,770	\$ 13,751,776	\$ 2,267,306	\$ 425,896	\$ 23,664,606	
	Voter Approved Indebtedness Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Other Property Tax	\$ 1,203,862	\$ 375,059	\$ 5,623,677	\$ 394,550	\$ 273,316	\$ 7,870,464	
	Sales and Use Taxes	\$ 1,230,269	\$ 556,366	\$ 9,452,398	\$ 1,895,072	\$ 474,868	\$ 13,608,973	
	Transportation Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Transient Lodging Tax	\$ 230,321	\$ 2,521,951	\$ 7,779,417	\$ 1,492,781	\$ 3,231,799	\$ 15,256,269	
	Franchises	\$ 368,922	\$ 163,947	\$ 1,376,621	\$ 152,442	\$ 68,212	\$ 2,130,144	
	Business License Taxes	\$ 176,800	\$ 139,846	\$ 3,037,618	\$ 155,162	\$ 6,320	\$ 3,515,746	
	Real Property Transfer Taxes	\$ 132,635	\$ 34,265	\$ 455,298	\$ 85,761	\$ 24,770	\$ 732,729	
	Utility Users Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Other Non-Property Taxes	\$ 517,555	\$ 182,231	\$ 3,490,163	\$ 593,776	\$ 94,471	\$ 4,878,196	
	Total	\$ 10,126,222	\$ 4,927,435	\$ 44,966,968	\$ 7,036,850	\$ 4,599,652	\$ 71,657,127	
	Percentage of Total Taxes to all Cities	14.1%	6.9%	62.8%	9.8%	6.4%	100%	
Step 3b	Cities' Share Based on Total Population**	<u>American Canyon</u>	<u>Calistoga</u>	<u>Napa</u>	<u>St. Helena</u>	<u>Yountville</u>	<u>All Cities</u>	
	Population	16,503	5,331	77,831	5,960	3,263	108,888	
	Population Percentage	15.16%	4.90%	71.48%	5.47%	3.00%	100%	
Step 4	Cities Allocation Formula	<u>American Canyon</u>	<u>Calistoga</u>	<u>Napa</u>	<u>St. Helena</u>	<u>Yountville</u>	<u>All Cities</u>	
	Cities' Share Based on Total General Taxes	14.1%	6.9%	62.8%	9.8%	6.4%	100%	
	Portion of LAFCO Budget	\$ 14,045.60	\$ 6,834.61	\$ 62,371.55	\$ 9,760.48	\$ 6,379.96	\$ 148,467.10	
	Cities' Share Based on Total Population	15.16%	4.90%	71.48%	5.47%	3.00%	100%	
	Portion of LAFCO Budget	\$ 22,595.73	\$ 7,299.15	\$ 106,565.38	\$ 8,160.37	\$ 4,467.67	\$ 249,088.10	
	Total Agency Allocation	\$ 36,641.34	\$ 14,133.76	\$ 168,936.93	\$ 17,920.85	\$ 10,847.62	\$ 248,480.50	
	Allocation Share	14.7462%	5.6881%	67.9880%	7.2122%	4.3656%	100%	
Step 5	FY09-10 Invoices	<u>County</u>	<u>American Canyon</u>	<u>Calistoga</u>	<u>Napa</u>	<u>St. Helena</u>	<u>Yountville</u>	<u>All Agencies</u>
	FY09-10 Agency Share	\$ 248,480.50	\$ 36,641.34	\$ 14,133.76	\$ 168,936.93	\$ 17,920.85	\$ 10,847.62	\$ 496,961.00
	Less Agency Credits***	\$ 84,657.50	\$ 13,104.90	\$ 4,828.78	\$ 56,884.68	\$ 6,077.82	\$ 3,761.33	\$ 169,315.00
	Net Invoice	\$ 163,823.00	\$ 23,536.44	\$ 9,304.98	\$ 112,052.25	\$ 11,843.03	\$ 7,086.29	\$ 327,646.00

Notes:

* Revenue amounts are drawn from the 2006-2007 State Controller's Cities Annual Report.

** Population estimates calculated by the California Department of Finance, January 2009.

*** The Commission is on pace to finish 2008-2009 with a total of \$169,315 in unexpended funds. This estimate includes unspent agency contributions (\$143,663), application fees (\$16,275), and earned interest (\$9,377). It is the practice of the Commission to return all unexpended funds to the agencies in the forms of credits against their subsequent fiscal year contributions.

DRAFT