



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. 5a (Consent/Action)

January 29, 2013

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Second Quarter Budget Report for 2012-2013

The Commission will review a second quarter budget report for 2012-2013. The report compares budgeted versus actual transactions through one-half of the fiscal year. The report projects the Commission is on pace to improve its year-end financial position by eliminating its budgeted funding gap of (\$8,811) and finish with an overall operating surplus of \$12,163. The report is being presented to the Commission to formally accept.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 mandates operating costs for Local Agency Formation Commissions (LAFCOs) shall be annually funded by the affected counties, cities, and, if applicable, special districts. In most instances, the county is responsible for one-half of LAFCO's annual budget with the remaining amount proportionally shared by the cities based on a weighted calculation of population and tax revenues. LAFCOs are also authorized to establish and collect fees for purposes of offsetting agency contributions.

A. Discussion

LAFCO of Napa County's ("Commission") adopted final budget for 2012-2013 totals \$432,461. This amount represents the total approved operating expenditures for the fiscal year divided between salaries and benefits, services and supplies, and contingencies. Budgeted revenues total \$423,650 and are divided between intergovernmental fees, service charges, and investments. Markedly, an operating shortfall of (\$8,811) was intentionally budgeted at the beginning of the fiscal year to reduce the funding requirements of the local agencies and to be covered by drawing down on unreserved funds. The unreserved portion of the fund balance totaled \$118,523 as of July 1, 2012.

Budgeted Operating Expenses	Budgeted Operating Revenues	Budgeted Operating Balance
\$432,461	\$423,650	(\$8,811)

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

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

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

Joan Bennett, Commissioner
Councilmember, City of American Canyon

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

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

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

Keene Simonds
Executive Officer

Operating Revenues

The Commission's operating revenues budgeted for 2012-2013 total \$423,650. Actual revenues collected through the second quarter totaled \$410,873. This amount represents 97% of the adopted budget total with 50% of the fiscal year complete. The following table compares budgeted and actual revenues through the second quarter.

Revenue Units	Adopted	Through 2 nd Quarter	Dollar Difference	Percent Collected
Intergovernmental	409,574	409,574	0	100.0
Service Charges	10,000	1,593	(8,407)	15.9
Investments	4,076	677	(4,076)	16.6
Total	\$423,650	\$410,873	(12,777)	97.2

Actuals in the second quarter and related analysis suggest the Commission will finish the fiscal year with \$428,287 in total revenues and produce a surplus of \$4,637 or 1.0%. An expanded discussion on budgeted and actual revenues through the second quarter in the Commission's three revenue units along with projected year-end totals follows.

Intergovernmental Fees

The Commission budgeted \$409,574 in intergovernmental fees in 2012-2013. Half of the total was invoiced to the County of Napa in the amount of \$204,787. The remaining amount was proportionally invoiced to the cities based on a weighted calculation of population and general tax revenues. This latter formula resulted in invoice charges totaling \$33,321 for American Canyon, \$12,095 for Calistoga, \$136,583 for Napa, \$14,153 for St. Helena, and \$8,635 for Yountville. All agency invoices have been paid in full leaving a zero balance.

Service Charges

The Commission budgeted \$10,000 in service charges in 2012-2013. At the end of the second quarter, actual revenues collected within this unit totaled \$1,593 or 16% of the budgeted amount. The collected service charges are predominately tied to collecting a fee for additional staff hours needed in completing a reorganization proposal involving the Napa Sanitation District and City of Napa.¹ A review of pending proposals suggests there may be upwards of five applications filed in the near term. Staff believes it would be reasonable – for budgeting purposes – to assume three of these proposals will be filed by the end of the fiscal year and would result in a year-end unit surplus of \$6,003 or 60%.

¹ The referenced proposal is titled Rosewood Lane No. 1 Reorganization.

Investments

The Commission budgeted \$4,076 in investment income in 2012-2013 based on actual revenues collected during the first two quarters of the prior fiscal year. All income generated in this unit is tied to interest earned on the Commission’s fund balance, which is under pooled investment by the County Treasurer. Only earnings from the first quarter have been posted and total \$677. It is reasonable to assume the three remaining quarters will generate similar amounts and would result in a year-end unit deficit projection of (\$1,366) or (34%).

Operating Expenses

The Commission’s operating expenses budgeted for 2012-2013 total \$432,461. Actual expenses through the second quarter totaled \$191,515. This amount represents 44% of the budgeted total with 50% of the fiscal year complete. The following table compares budgeted and actual expenses through the first quarter.

Expense Units	Adopted	Actuals Through 2 nd Quarter	Dollar Balance	Percent Expended
Salaries/Benefits	311,287	135,086	176,201	43.4
Services/Supplies	121,174	56,429	64,745	46.6
Contingencies	-	-	-	-
Total	\$432,461	\$191,515	\$240,946	44.3

Actuals in the second quarter and related analysis suggest the Commission will finish the fiscal year with \$416,123 in total expenses and produce a surplus/savings of \$16,338 or 3.8%. An expanded discussion on budgeted and actual expenses through the second quarter within the Commission’s three expense units follows.

Salaries/Benefits

The Commission budgeted \$311,287 in salaries and benefits for 2012-2013. At the end of the second quarter, the Commission’s actual expenses within the 10 affected accounts totaled \$135,086, representing 43% of the budgeted amount. None of the affected accounts finished the second quarter with balances exceeding 50% of their budgeted allocation. Staff projects the Commission will finish the fiscal year with a moderate surplus of approximately \$9,058 or 3% in the unit with the majority of the savings tied to lower group insurance costs.

Services/Supplies

The Commission budgeted \$121,174 in services and supplies for 2012-2013. At the end of the second quarter, the Commission’s actual expenses within the 20 affected accounts totaled \$56,429, which represents 47% of the budgeted amount. Seven of the affected accounts – building/land, accounting/auditing, business travel, training/conferences, computer software/license, memberships/certifications, and special department expenses – finished with balances exceeding 50% of their budgeted allocation with expanded explanations provided below. Staff projects the Commission will finish the fiscal year with a surplus of approximately \$7,274 or 6% in the unit and primarily tied to a sizable decrease in legal costs.

- Building/Land

This account covers the Commission's lease for office space at 1030 Seminary Street in Napa. The account was budgeted to equal the contracted annual lease amount of \$25,560, which is fixed over the next five fiscal years and results in a monthly payment of \$2,130. Expenses through the second quarter total \$14,780 or 58% of the budgeted amount and cover rent through the first six months plus a \$2,000 security deposit collected in July 2012. The security charge, notably, will result in a corresponding deficit of (\$2,000) or (8%) in this account at the end of the fiscal year.

- Auditing and Accounting

This account primarily covers the Commission's annual costs for contracted financial support services provided by the County Auditor's Office. This includes processing accounts payable and receivable along with payroll. The account also covers costs to retain an outside consultant to prepare an annual audit for the prior completed fiscal year. The Commission budgeted \$9,126 in this account in 2012-2013. Expenses through the second quarter totaled \$5,797 or 63% of the budgeted amount. Over four-fifths of expenses through the second quarter are tied to the payment of an outside consultant (Gallina) to prepare an audit report for the prior fiscal year. Staff projects the Commission will ultimately finish with a moderate deficit of (\$961.54) or (11%) in this account at the end of the fiscal year.

- Business Travel

This account covers the Commission's costs to reimburse members and staff for all travel related expenditures incurred in the course of performing agency business and includes airline tickets and automobile mileage.² The Commission budgeted \$5,000 in this account in 2012-2013. Expenses through the second quarter totaled \$3,297 or 66% of the budgeted amount. The majority of the expenses through the second quarter are tied to reimbursing members and staff for their vehicle mileage to attend the CALAFCO Annual Conference in Monterey in October 2012. Staff projects the Commission will finish ultimately with a nominal surplus of \$300 or 6% in this account at the end of the fiscal year.

² The Executive Officer does not receive mileage reimbursement for any vehicle mileage incurred within Napa County.

- Training/Conferences
This account is used for a variety of instructional activities for commissioners and staff with the majority of actual expenditures associated with the California Association of LAFCOs or CALAFCO. The Commission budgeted \$4,000 in this account in 2012-2013. Expenses through the second quarter totaled \$6,351 and represent 159% of the budgeted amount. The majority of charges incurred through the second quarter are tied to registering members and staff for the recent CALAFCO Annual Conference.³ Staff projects the Commission will finish with an account deficit of (\$3,850) or (96%) at the end of the fiscal year due to other scheduled training sessions.
- Computer Software/License
This account is used to cover the Commission's annual fees for computer software services. The Commission budgeted \$3,487 in this account in 2012-2013 to cover support and license fees that provide website hosting/updates, live video/audio streaming, and digital record archiving. Expenses through the second quarter totaled \$2,480 and represent 71% of the budgeted amount; the majority of which is tied to paying the entire contract amount for digital record archiving services. (Website hosting/updating is billed quarterly and the video/audio streaming services are expected to be implemented in January 2013). Staff projects the Commission will finish with a nominal surplus/deficit in this account at the end of the fiscal year.
- Memberships/Certifications
This account currently covers the Commission's annual membership fee for CALAFCO. The Commission's budgeted membership fee is \$2,248 in 2012-2013 and has been paid in full.
- Special Department Expenses
This account covers the Commission's special or one-time expenses and typically tied to equipment or software purchases that are expected to be in use for an extended period. The Commission budgeted \$3,500 in this account in 2012-2013 with over two-thirds dedicated to the purchase of software and related training with Granicus to begin live-streaming meetings on the internet. Expenses through the second quarter total \$3,112 or 89% of the budgeted amount and cover the referenced Granicus software and training expenditure along with the purchase of two new desktop monitors. Staff projects the Commission will finish with a nominal surplus/deficit in this account at the end of the fiscal year.

Contingencies

The Commission did not budget funds for contingencies in 2012-2013, and instead will rely on its unreserved fund balance to address any unexpected costs.

³ Attendees for the CALAFCO Annual Conference included six commissioners (Bennett, Chilton, Kelly, Inman, Rodeo, and Wagenknecht) and three staff (Simonds, Freeman, and Gong). CALAFCO's Annual Conference was held on October 3-5 at the Hyatt Regency in Monterey, California.

B. Analysis

Activity through the end of the second quarter indicates the Commission is advantageously on pace to finish 2012-2013 with an operating surplus of \$12,163; an amount that would represent a significant improvement compared to the (\$8,811) deficit budgeted at the beginning of the fiscal year. This projected improvement in the Commission's year-end financial standing is primarily attributed to savings in two specific areas: employee insurance premiums and legal services. Further, if these projections prove accurate through the final two quarters, the Commission will be positioned to increase its unreserved fund balance from \$118,523 to \$130,686; a change that would mark the first year-end increase in reserves since 2007-2008.

C. Recommendation

It is recommended the Commission formally accept the report as presented.

D. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative Action One (Recommended):

Accept the staff report as presented.

Alternative Action Two:

Continue consideration of the staff report to a future meeting and provide direction for more information as needed.

E. Procedures for Consideration

This item has been agendized as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

- 1) 2012-2013 General Ledger through December 31, 2012



Local Agency Formation Commission of Napa County

Subdivision of the State of California

ATTACHMENT ONE

FY2012-2013 Adopted Operating Budget: Second Quarter Report

Expenses

		FY2009-10		FY2010-11		FY2011-12		FY2012-13			
		Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Actual FY11-12	Adopted FY12-13	Actual 2nd Quarter	Projected Year End	
Salaries and Benefits											
<u>Account</u>	<u>Description</u>										
51100	Salaries and Wages	195,580.00	193,055.65	198,346.60	198,280.48	202,387.60	203,108.73	203,183.19	92,066.82	45.3%	204,682.82
51400	Employee Insurance: Premiums	36,471.00	29,210.94	37,953.96	33,872.67	45,648.12	37,643.35	47,646.00	19,093.60	40.1%	38,269.32
51600	Retirement	34,064.00	33,015.37	34,991.95	34,924.41	36,701.99	36,871.55	37,736.30	16,665.02	44.2%	37,003.66
51605	Other Post Employment Benefits	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	9,341.00	12,139.00	3,034.75	25.0%	12,139.00
51210	Commissioner/Director Pay	9,600.00	5,100.00	9,600.00	4,900.00	9,600.00	5,700.00	6,400.00	2,500.00	39.1%	6,100.00
51300	Medicare	2,836.00	2,657.51	2,876.49	2,738.20	2,934.62	2,790.20	2,946.16	1,259.45	42.7%	2,792.07
51205	Cell Phone Allowance	840.00	843.50	840.00	843.50	840.00	843.50	840.00	367.50	43.8%	840.00
51405	Workers Compensation	168.00	168.00	226.00	226.00	327.00	327.00	396.00	99.00	25.0%	396.00
51110	Extra Help	-	-	-	-	-	-	-	-	-	-
51115	Overtime	-	-	-	-	-	-	-	-	-	-
		<u>288,265.00</u>	<u>272,756.97</u>	<u>293,973.00</u>	<u>284,923.26</u>	<u>307,780.33</u>	<u>296,625.33</u>	<u>311,286.64</u>	<u>135,086.14</u>	<u>43.4%</u>	<u>302,222.87</u>
Services and Supplies											
<u>Account</u>	<u>Description</u>										
52605	Rents and Leases: Building/Land	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	25,560.00	14,780.00	57.8%	27,560.00
52140	Legal Services	24,990.00	17,938.31	26,010.00	17,659.74	22,540.00	17,593.30	22,540.00	2,219.18	9.8%	11,095.90
52130	Information Technology Services	22,438.00	19,182.50	18,438.91	17,625.42	24,630.83	23,385.87	22,009.00	11,004.48	50.0%	22,008.96
52125	Accounting/Auditing Services	7,883.00	7,819.33	8,277.15	7,301.48	8,691.01	7,340.78	9,125.56	5,797.42	63.5%	10,087.10
52600	Rents and Leases: Equipment	-	-	-	-	-	-	6,500.00	2,232.14	34.3%	5,732.14
53100	Office Supplies	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	14,508.46	5,500.00	622.87	11.3%	4,500.00
52905	Business Travel/Mileage	4,500.00	5,044.48	4,500.00	6,469.45	5,000.00	2,253.35	5,000.00	3,297.39	65.9%	4,797.39
52900	Training/Conference	4,500.00	6,063.92	4,500.00	4,140.97	4,000.00	5,141.00	4,000.00	6,350.77	158.8%	7,850.77
53600	Special Departmental Purchases	1,000.00	1,095.25	1,000.00	2,482.00	1,000.00	426.64	3,500.00	3,112.40	88.9%	3,500.00
53415	Computer Software/License	-	-	-	-	-	-	3,487.13	2,479.58	71.1%	3,487.13
52800	Communications/Telephone	3,500.00	1,205.16	3,500.00	1,640.02	4,470.00	2,329.81	2,970.00	529.24	17.8%	2,493.24
53120	Memberships/Certifications	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,248.40	2,248.00	100.0%	2,248.00
53205	Utilities: Electric	-	-	-	-	-	-	1,500.00	525.53	35.0%	1,225.53
52830	Publications and Notices	1,500.00	1,112.17	1,500.00	1,433.43	1,500.00	2,255.64	1,500.00	480.87	32.1%	1,500.00
52835	Filing Fees	850.00	250.00	850.00	450.00	850.00	237.50	850.00	150.00	17.6%	550.00
53110	Postage/Freight	-	-	-	-	-	-	800.00	127.42	15.9%	610.00
52700	Insurance: Liability	347.00	347.00	444.00	444.00	321.00	321.00	153.00	74.00	48.4%	148.00
52105	Election Services	-	-	-	-	-	-	-	75.00	-	75.00
53105	Office Supplies: Furniture/Fixtures	-	-	-	-	-	-	-	322.38	-	500.00
54600	Capital Replacement/Depreciation*	-	3,931.30	3,931.40	3,931.40	3,931.40	3,931.40	3,931.40	-	-	3,931.40
		<u>118,063.00</u>	<u>105,166.62</u>	<u>119,506.46</u>	<u>104,685.99</u>	<u>120,489.23</u>	<u>111,204.75</u>	<u>121,174.49</u>	<u>56,428.67</u>	<u>46.6%</u>	<u>113,900.56</u>
Contingencies											
<u>Account</u>	<u>Description</u>										
58100	Appropriation for Contingencies	90,632.80	-	-	-	-	-	-	-	-	-
		<u>90,632.80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	EXPENSE TOTALS	<u>496,960.80</u>	<u>377,923.59</u>	<u>413,479.46</u>	<u>389,609.25</u>	<u>428,269.56</u>	<u>407,830.08</u>	<u>432,461.13</u>	<u>191,514.81</u>	<u>44.3%</u>	<u>416,123.43</u>

Revenues

		FY2009-10		FY2010-11		FY2011-12		FY2012-13			
		Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Actual FY11-12	Adopted FY12-13	Actual 2nd Quarter		Projected Year End
Intergovernmental											
Account	Description										
43910	County of Napa	-	153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	100.0%	204,787.17
43950	Other Governmental Agencies		153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	100.0%	204,787.17
----	<i>City of Napa</i>	-	105,428.75	119,646.81	119,647.00	126,330.38	126,330.38	136,583.40	136,583.40	100.0%	136,583.40
----	<i>City of American Canyon</i>	-	22,010.54	27,468.37	27,468.00	32,912.04	32,912.04	33,320.64	33,320.64	100.0%	33,320.64
----	<i>City of St. Helena</i>	-	11,135.35	12,656.54	12,657.00	12,997.37	12,997.37	14,152.67	14,152.67	100.0%	14,152.67
----	<i>City of Calistoga</i>	-	8,742.73	10,642.45	10,642.00	11,393.34	11,393.34	12,095.39	12,095.39	100.0%	12,095.39
----	<i>Town of Yountville</i>	-	6,648.33	7,595.60	7,596.00	7,917.37	7,917.37	8,635.07	8,635.07	100.0%	8,635.07
			307,931.40	356,019.55	356,020.00	383,101.00	383,101.00	409,574.34	409,574.34	100.0%	409,574.34
Service Charges											
42690	Application/Permit Fees	-	18,437.00	10,000.00	24,293.00	10,000.00	8,562.00	10,000.00	1,130.00	11.3%	15,290.00
46800	Charges for Services	-	625.00	-	3,187.00	-	475.00	-	375.00		625.00
47900	Miscellaneous	-	156.30	-	-	-	50.00	-	88.00		88.00
			19,218.30	10,000.00	27,480.00	10,000.00	9,087.00	10,000.00	1,593.00	15.9%	16,003.00
Investments											
45100	Interest	-	3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	677.38	16.6%	2,709.52
			3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	677.38		2,709.52
	REVENUE TOTALS	-	330,941.18	371,019.55	386,070.00	395,441.00	394,660.66	423,650.34	411,844.72	97.2%	428,286.86
OPERATING DIFFERENCE		-	(43,051)	(42,459.91)	(3,539)	(32,828.56)	(13,169.42)	(8,810.79)			12,163.43

UNRESERVED/UNRESTRICTED FUND BALANCE

Beginning:	186,574.00	134,344.00	131,692.00	118,522.58
Ending:	134,344.00	131,692.00	118,522.58	130,686.01