



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

Agenda Item 7c (Consent/Information)

TO: Local Agency Formation Commission

PREPARED BY: Brendon Freeman, Executive Officer
Kathy Mabry, Secretary

MEETING DATE: February 6, 2017

SUBJECT: Second Quarter Budget Report for 2016-2017

SUMMARY

This item is being presented to the Commission for information purposes only. The Commission will review a second quarter budget report for 2016-2017. The report compares budgeted versus actual transactions through December 31, 2016. The report projects the Commission is on pace to improve its year-end financial position by eliminating its budgeted funding gap of (\$51,884) and finish with an overall operating surplus of \$60,133.

ANALYSIS

The Commission's adjusted final budget for 2016-2017 totals \$534,328. 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 \$482,444 and are divided between intergovernmental fees, service charges, and investments. It is important to note that an operating shortfall of (\$51,884) has been intentionally budgeted to reduce the funding requirements of the local agencies and to be covered by drawing down on the unassigned portion of the fund balance ("reserves"). Reserves totaled \$333,268 as of July 1, 2016.

Adjusted Final Budget Operating Expenses	Adjusted Final Budget Operating Revenues	Adjusted Final Budget Year-End Operating Balance
\$534,328	\$482,444	(\$51,884)

Juliana Inman, Vice Chair
Councilmember, City of Napa

Paul Dohring, Commissioner
Councilmember, City of St. Helena

Kenneth Leary, Alternate Commissioner
Councilmember, City of American Canyon

Diane Dillon, Chair
County of Napa Supervisor, 3rd District

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County of Napa Supervisor, 1st District

Ryan Gregory, 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

Brendon Freeman
Executive Officer

Operating Revenues

The Commission's operating revenues for 2016-2017 were budgeted at \$482,444. Actual revenues collected through the second quarter totaled \$458,533. This amount represents 95% 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	Adjusted Budget	End of 2nd Quarter	Dollar Difference	Percent Collected
Intergovernmental	\$449,944	\$449,944	\$0	100.0
Service Charges	\$30,500	\$5,293	(\$25,207)	17.4
Investments	\$2,000	\$3,296	\$1,296	164.8
Total	\$482,444	\$458,533	(\$23,911)	95.0

Actuals in the second quarter and related analysis suggest the Commission will finish the fiscal year with \$466,382 in total revenues, resulting in a deficit of (\$16,062) relative to the budgeted amount. An expanded discussion on budgeted and actual revenues through the second quarter within the Commission's three revenue units follows.

Intergovernmental

The Commission budgeted \$449,944 in intergovernmental fees in 2016-2017. Half of the total was invoiced to the County of Napa in the amount of \$224,972. 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 \$35,330 for American Canyon, \$13,209 for Calistoga, \$149,066 for Napa, \$15,908 for St. Helena, and \$11,459 for Yountville. All agency invoices have been paid in full leaving a zero balance.

Service Charges

The Commission budgeted \$30,500 in service charges in 2016-2017. At the end of the second quarter, actual revenues collected within this unit totaled \$5,293 or 17% of the budgeted amount. The collected service charges are predominantly tied to the submittal of proposals associated with annexations, sphere of influence amendment requests, and outside service agreements. It is reasonable to expect one new proposal will be filed during the fiscal year, which would result in a year-end unit total of \$9,846 and a deficit of (\$20,654).

Investments

The Commission budgeted \$2,000 in investment income in 2016-2017. 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. Actual interest earnings generated through the second quarter totaled \$3,296 or 165% of the budgeted amount. It is reasonable to assume the remaining two quarters will generate a similar amount and would result in a year-end unit total of \$6,592 and a surplus of \$4,592.

Operating Expenses

The Commission’s operating expenses for 2016-2017 were budgeted at \$534,328.¹ Actual expenses through the second quarter totaled \$205,431. This amount represents 38% of the budgeted total with 50% of the fiscal year complete. The following table compares budgeted and actual expenses through the second quarter.

Expense Units	Adjusted Budget	End of 2 nd Quarter	Dollar Difference	Percent Expended
Salaries/Benefits	\$347,922	\$122,907	\$225,015	35.3
Services/Supplies	\$186,406	\$82,524	\$103,882	44.3
Contingencies	\$0	\$0	\$0	0.0
Total	\$534,328	\$205,431	\$328,897	38.4

Actuals in the second quarter and related analysis suggest the Commission will finish the fiscal year with \$406,249 in total expenses and produce an expense surplus/savings of \$128,079 relative to the budgeted amount. 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 \$347,922 in salaries and benefits for 2016-2017. At the end of the second quarter, the Commission’s actual expenses within the 10 accounts totaled \$122,907, representing 35% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$246,566 and a surplus/savings of \$101,356. Projected savings are entirely associated with the existing vacancy in the Analyst position.

Services/Supplies

The Commission budgeted \$186,406 in services and supplies for 2016-2017. At the end of the second quarter, the Commission’s actual expenses within the 24 accounts totaled \$82,524, which represents 44% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$159,683 and a surplus/savings of \$26,723. Projected savings are primarily associated with lower than expected costs for consulting services, training/conferences, business travel/mileage, office supplies, and special departmental expenses relative to the originally budgeted amounts.

Contingencies

The Commission did not budget funds for contingencies in 2016-2017, and instead will rely on its unreserved fund balance to address any unexpected costs.

ATTACHMENT

- 1) 2016-2017 Second Quarter Budget Sheet through December 31, 2016 with Year-End Projections

¹ On August 1, 2016, the Commission approved a budget adjustment to re-encumber two consultant contracts that resulted in a \$28,640 increase in total operating expenses.

