



Local Agency Formation Commission of Napa County
 Subdivision of the State of California

1030 Seminary Street, Suite B
 Napa, California 94559
 Phone: (707) 259-8645
 Fax: (707) 251-1053
 www.napa.lafco.ca.gov

We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

Agenda Item 5c (Consent/Information)

TO: Local Agency Formation Commission

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

MEETING DATE: February 4, 2019

SUBJECT: Second Quarter Budget Report for 2018-2019

SUMMARY

This item is being presented to the Commission for information purposes only. The Commission will receive a second quarter budget report for 2018-2019. The report compares budgeted versus actual transactions through December 31, 2018. The report projects the Commission is on pace to outperform its intentionally-budgeted funding gap of \$217,854 and finish with an overall operating shortfall of \$108,568, representing a savings of \$109,286 relative to the budget.

ANALYSIS

The Commission’s adjusted budget for 2018-2019 totals \$694,173. 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 \$476,319 and are divided between intergovernmental fees, service charges, and investments.

It is important to note an operating shortfall of \$217,854 was intentionally budgeted to reduce the funding requirements of the local agencies by drawing down on the unrestricted portion of the fund balance (“reserves”). Local policy directs the Commission to maintain reserves equal to a minimum of 33.3% of annually budgeted operating expenses. The Commission’s reserves totaled \$445,675 as of July 1, 2018, representing 64.2% of budgeted expenditures in the current fiscal year. Therefore, the Commission’s reserves currently exceed the target prescribed under local policy.

| Adjusted Budget Operating Expenses | Adjusted Budget Operating Revenues | Adjusted Budget Year-End Operating Balance |
|------------------------------------|------------------------------------|--|
| \$694,173 | \$476,319 | (\$217,854) |

Margie Mohler, Chair
 Councilmember, Town of Yountville

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

Gregory Rodeno, Commissioner
 Representative of the General Public

Scott Sedgley, Commissioner
 Councilmember, City of Napa

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

Erik Lawrence, Alternate Commissioner
 Representative of the General Public

Kenneth Leary, Alternate Commissioner
 Councilmember, City of American Canyon

Ryan Gregory, Alternate Commissioner
 County of Napa Supervisor, 2nd District

Brendon Freeman
 Executive Officer

Operating Revenues

The Commission's operating revenues for 2018-2019 are budgeted at \$476,319. Actual revenues collected through the second quarter totaled \$474,490. This amount represents 99.6% of the budgeted amount 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 | \$448,819 | \$448,819 | \$0 | 100.0% |
| Service Charges | \$20,500 | \$20,301 | \$199 | 99.0% |
| Investments | \$7,000 | \$5,370 | \$1,630 | 76.7% |
| Total | \$476,319 | \$474,490 | \$1,829 | 99.6% |

Actuals through the second quarter and related analysis suggest the Commission will finish the fiscal year with \$493,519 in total revenues, resulting in a surplus of \$17,200 or 3.6% 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 \$448,819 in intergovernmental fees in 2018-2019. Half of the total was invoiced to the County of Napa in the amount of \$224,410. 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 \$35,803 for American Canyon, \$13,673 for Calistoga, \$148,793 for Napa, \$14,897 for St. Helena, and \$11,243 for Yountville. All agency invoices have been paid in full leaving a zero balance.

Service Charges

The Commission budgeted \$20,500 in service charges in 2018-2019. At the end of the second quarter, actual revenues collected within this unit totaled \$20,301 or 99.0% 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 three new proposals will be filed during the remainder of the fiscal year, which would result in a year-end unit total of \$33,960 and a surplus of \$13,460 or 65.7%.

Investments

The Commission budgeted \$7,000 in investment income in 2018-2019. 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 \$5,370 or 76.7% of the budgeted amount. It is reasonable to assume the remaining two quarters will generate a similar amount, which would result in a year-end unit total of \$10,740 and a surplus of \$3,740 or 53.4%.

Operating Expenses

The Commission’s operating expenses for 2018-2019 are budgeted at \$694,173.¹ Actual expenses through the second quarter totaled \$221,349. This amount represents 31.9% 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 | \$386,569 | \$137,743 | \$248,826 | 35.6% |
| Services/Supplies | \$307,604 | \$83,606 | \$223,998 | 27.2% |
| Contingencies | \$0 | \$0 | \$0 | 0.0% |
| Total | \$694,173 | \$221,349 | \$472,824 | 31.9% |

Actuals through the second quarter and related analysis suggest the Commission will finish the fiscal year with \$602,087 in total expenses and produce an expense surplus/savings of \$92,086 or 13.3% 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 \$386,569 in salaries and benefits for 2018-2019. At the end of the second quarter, the Commission’s actual expenses totaled \$137,743, representing 35.6% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$347,634 and a surplus/savings of \$38,935 or 10.1%. Projected savings are primarily associated with the prolonged vacancy in the Analyst position.

Services/Supplies

The Commission budgeted \$307,604 in services and supplies for 2018-2019. At the end of the second quarter, the Commission’s actual expenses totaled \$83,606, which represents 27.2% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$254,453 and a surplus/savings of \$53,151 or 17.3%. Projected savings are primarily associated with the Commission’s Countywide Water and Wastewater Municipal Service Review, which is being prepared by a private consultant.²

Contingencies

The Commission did not budget funds for contingencies in 2018-2019, and instead will rely on its reserves to address any unexpected costs.

ATTACHMENT

- 1) Fiscal Year 2018-2019 Second Quarter Budget Sheet with Year-End Projections

¹ On August 6, 2018, the Commission approved a budget adjustment to re-encumber a consultant contract that resulted in a \$3,050 increase in total operating expenses to be covered by drawing down on reserves. This budget adjustment had a net zero effect on the Commission’s bottom line given that the re-encumbered amount was budgeted in the 2017-2018 fiscal year but was unspent by June 30, 2018, and therefore the \$3,050 unspent amount was carried over to the current fiscal year.

² The consultant contract for the Municipal Service Review totals \$169,875. This amount was fully budgeted and encumbered during the current fiscal year. However, it is expected \$41,325 or 24.3% of the total contract amount will be incurred during the 2019-2020 fiscal year consistent with the timing of actual work performed by the consultant. Therefore, the Commission is expected to finish the current fiscal year with a surplus/savings in the consulting services expense account, which will be re-encumbered in 2019-2020.



FY18-19 SECOND QUARTER BUDGET REPORT

| Expenses | FY 2015-16 | | FY 2016-17 | | FY 2017-18 | | FY 2018-19 | | | |
|------------------------------|--------------------------------|----------------|------------------|----------------|------------------|----------------|------------------|------------------------|---------------|--------------------|
| | Adjusted FY15-16 | Actual FY15-16 | Adjusted FY16-17 | Actual FY16-17 | Adjusted FY17-18 | Actual FY17-18 | Adjusted FY18-19 | Actual YTD 2nd Quarter | % of Budget | Projected Year End |
| Salaries and Benefits | | | | | | | | | | |
| <u>Account</u> | <u>Description</u> | | | | | | | | | |
| 51100 | 152,582 | 138,142 | 194,226 | 157,926 | 230,519 | 163,069 | 242,150 | 87,694 | 36.2% | 225,388 |
| 51200 | - | 2,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | - | 0.0% | 1,000 |
| 51205 | 840 | 401 | 420 | 404 | 420 | 420 | 420 | 210 | 50.0% | 420 |
| 51210 | 11,000 | 9,375 | 11,000 | 12,750 | 11,000 | 9,875 | 15,000 | 6,150 | 41.0% | 12,300 |
| 51300 | 3,251 | 1,951 | 3,374 | 2,334 | 3,500 | 2,358 | 3,709 | 1,299 | 35.0% | 3,247 |
| 51305 | 500 | 395 | 550 | 490 | 500 | 398 | 500 | 261 | 52.2% | 522 |
| 51400 | 42,936 | 25,002 | 51,754 | 34,190 | 51,818 | 33,663 | 55,069 | 18,031 | 32.7% | 46,078 |
| 51405 | 500 | 461 | 2,221 | 2,221 | 719 | 719 | 880 | 440 | 50.0% | 880 |
| 51600 | 43,791 | 24,721 | 43,690 | 30,437 | 46,010 | 29,067 | 52,259 | 16,558 | 31.7% | 42,375 |
| 51601 | - | - | - | - | - | (27) | - | (79) | - | (158) |
| 51602 | - | - | - | - | - | 1,327 | 1,225 | - | 0.0% | 1,225 |
| 51605 | 14,751 | 14,750 | 14,987 | 14,987 | 14,214 | 14,216 | 14,357 | 7,179 | 50.0% | 14,357 |
| Total | 270,151 | 217,197 | 323,222 | 256,739 | 359,700 | 256,086 | 386,569 | 137,743 | 35.6% | 347,634 |
| Services and Supplies | | | | | | | | | | |
| <u>Account</u> | <u>Description</u> | | | | | | | | | |
| 52105 | 150 | - | 300 | - | 100 | - | 500 | - | 0.0% | - |
| 52125 | 10,000 | 7,496 | 9,500 | 7,655 | 9,500 | 6,902 | 8,000 | 6,235 | 77.9% | 7,102 |
| 52130 | 24,052 | 24,052 | 24,052 | 24,052 | 16,859 | 16,859 | 17,301 | 8,327 | 48.1% | 17,301 |
| 52132 | - | - | - | - | - | 6,296 | - | - | - | - |
| 52140 | 28,600 | 26,093 | 32,000 | 25,867 | 35,000 | 35,000 | 35,000 | 12,153 | 34.7% | 28,000 |
| 52310 | 126,600 | 59,177 | 78,840 | 35,415 | 52,311 | 30,268 | 188,050 | 21,141 | 11.2% | 138,550 |
| 52345 | - | 420 | 500 | 150 | 200 | 75 | 150 | 90 | 60.0% | 165 |
| 52515 | 1,500 | 1,869 | 2,000 | 1,779 | 2,000 | 1,779 | 2,000 | 200 | 10.0% | 1,779 |
| 52600 | 6,500 | 5,962 | 7,000 | 5,240 | 6,000 | 4,710 | 5,500 | 2,288 | 41.6% | 5,400 |
| 52605 | 25,560 | 25,560 | 25,560 | 25,560 | 27,828 | 27,828 | 27,828 | 14,331 | 51.5% | 28,663 |
| 52700 | 150 | 304 | 1,206 | 1,206 | 249 | 249 | 70 | 35 | 50.0% | 70 |
| 52800 | 2,000 | 3,424 | 3,000 | 3,021 | 3,000 | 3,041 | 3,000 | 1,374 | 45.8% | 2,948 |
| 52830 | 1,500 | 1,406 | 2,000 | 1,588 | 2,000 | 1,562 | 2,000 | 374 | 18.7% | 1,800 |
| 52835 | 500 | 200 | 500 | 400 | 500 | 150 | 500 | 100 | 20.0% | 250 |
| 52900 | 10,000 | 7,041 | 10,000 | 8,050 | 9,000 | 7,091 | 9,000 | 11,629 | 129.2% | 13,000 |
| 52905 | 2,000 | 1,110 | 2,000 | 830 | 1,500 | 1,152 | 1,000 | 1,063 | 106.3% | 2,100 |
| 52906 | - | - | - | 38 | 100 | - | 50 | - | 0.0% | - |
| 53100 | 4,000 | 2,435 | 4,000 | 1,949 | 3,000 | 1,806 | 2,000 | 674 | 33.7% | 1,800 |
| 53110 | 500 | 200 | 500 | 250 | 300 | 253 | 300 | 100 | 33.3% | 300 |
| 53120 | 2,381 | 2,381 | 2,548 | 2,548 | 2,726 | 2,726 | 2,805 | 2,805 | 100.0% | 2,805 |
| 53205 | 1,100 | 1,261 | 1,600 | 1,121 | 1,300 | 1,057 | 1,300 | 519 | 39.9% | 1,150 |
| 53410 | - | - | - | 418 | 500 | 539 | 500 | - | 0.0% | 500 |
| 53415 | 500 | - | 1,000 | 145 | - | - | - | - | - | 270 |
| 53600 | 4,000 | 113 | 3,500 | 595 | - | - | - | - | - | - |
| 53650 | - | - | - | 652 | 350 | 926 | 750 | 169 | 22.5% | 500 |
| 54600 | 3,940 | - | - | - | - | - | - | - | - | - |
| Total | 255,533 | 170,504 | 211,606 | 148,529 | 174,323 | 150,270 | 307,604 | 83,606 | 27.2% | 254,453 |
| Contingencies | | | | | | | | | | |
| <u>Account</u> | <u>Description</u> | | | | | | | | | |
| 58100 | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - |
| EXPENSE TOTALS | 525,684 | 387,701 | 534,828 | 405,268 | 534,023 | 406,357 | 694,173 | 221,349 | 31.9% | 602,087 |
| Revenues | | | | | | | | | | |
| | FY 2015-16 | | FY 2016-17 | | FY 2017-18 | | FY 2018-19 | | | |
| | Adjusted FY15-16 | Actual FY15-16 | Adjusted FY16-17 | Actual FY16-17 | Adjusted FY17-18 | Actual FY17-18 | Adjusted FY18-19 | Actual YTD 2nd Quarter | % of Budget | Projected Year End |
| Intergovernmental | | | | | | | | | | |
| <u>Account</u> | <u>Description</u> | | | | | | | | | |
| 43910 | 224,972 | 224,972 | 224,972 | 224,972 | 213,724 | 213,724 | 224,410 | 224,410 | 100.0% | 224,410 |
| 43950 | 224,972 | 224,972 | 224,972 | 224,972 | 213,724 | 213,724 | 224,410 | 224,410 | 100.0% | 224,410 |
| ---- | <i>City of Napa</i> | <i>149,066</i> | <i>149,066</i> | <i>149,066</i> | <i>143,028</i> | <i>143,028</i> | <i>148,793</i> | <i>148,793</i> | <i>100.0%</i> | <i>148,793</i> |
| ---- | <i>City of American Canyon</i> | <i>35,330</i> | <i>35,330</i> | <i>35,330</i> | <i>34,380</i> | <i>34,380</i> | <i>35,803</i> | <i>35,803</i> | <i>100.0%</i> | <i>35,803</i> |
| ---- | <i>City of St. Helena</i> | <i>15,908</i> | <i>15,908</i> | <i>15,908</i> | <i>13,856</i> | <i>13,856</i> | <i>14,897</i> | <i>14,897</i> | <i>100.0%</i> | <i>14,897</i> |
| ---- | <i>City of Calistoga</i> | <i>13,209</i> | <i>13,209</i> | <i>13,209</i> | <i>12,349</i> | <i>12,349</i> | <i>13,673</i> | <i>13,673</i> | <i>100.0%</i> | <i>13,673</i> |
| ---- | <i>Town of Yountville</i> | <i>11,459</i> | <i>11,459</i> | <i>11,459</i> | <i>10,111</i> | <i>10,111</i> | <i>11,243</i> | <i>11,243</i> | <i>100.0%</i> | <i>11,243</i> |
| Total | 449,944 | 449,944 | 449,944 | 449,944 | 427,448 | 427,448 | 448,819 | 448,819 | 100.0% | 448,819 |
| Service Charges | | | | | | | | | | |
| 42690 | 30,000 | 5,043 | 30,000 | 5,043 | 20,000 | 9,471 | 20,000 | 19,926 | 99.6% | 33,210 |
| 46800 | 500 | 250 | 500 | 250 | 500 | 250 | 500 | 375 | 75.0% | 750 |
| Total | 30,500 | 5,293 | 30,500 | 5,293 | 20,500 | 9,721 | 20,500 | 20,301 | 99.0% | 33,960 |
| Investments | | | | | | | | | | |
| 45100 | 2,000 | 4,592 | 2,000 | 4,592 | 5,000 | 6,701 | 7,000 | 5,370 | 76.7% | 10,740 |
| Total | 2,000 | 4,592 | 2,000 | 4,592 | 5,000 | 6,701 | 7,000 | 5,370 | 76.7% | 10,740 |
| REVENUE TOTALS | 482,444 | 459,829 | 482,444 | 459,829 | 452,948 | 443,870 | 476,319 | 474,490 | 99.6% | 493,519 |
| OPERATING DIFFERENCE | (43,240) | 72,128 | (52,384) | 54,561 | (81,075) | 37,513 | (217,854) | | | (108,568) |

Negative Balance Indicates Use of Reserves