



Local Agency Formation Commission
Subdivision of the State of California

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June 4, 2012

Agenda Item No. 5a (Consent/Action)

May 29, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Third Quarter Budget Report for 2011-2012

The Commission will review a third quarter budget report for 2011-2012. The report compares budgeted versus actual revenues and expenses through two-thirds of the fiscal year. The report projects the Commission is on pace to measurably improve its budgeted operating funding gap from (\$32,829) to approximately (\$15,759). 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 the 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 2011-2012 totals \$428,270. This amount represents the total approved operating expenditures for the fiscal year within the Commission's three expense units: salaries/benefits; services/supplies; and contingencies/reserves. Budgeted revenues total \$395,441 and include agency contributions, service charges, and investments. Markedly, an operating shortfall of (\$32,829) was intentionally budgeted to reduce the funding requirements of the local agencies and to be covered by drawing down on unreserved funds. The audited unreserved portion of the fund balance totaled \$131,692 as of July 1, 2011.

| Budgeted Operating Revenues | Budgeted Operating Expenses | Budgeted Operating Balance |
|--------------------------------|--------------------------------|-------------------------------|
| \$395,441 | \$428,270 | (\$32,829) |

Lewis Chilton, Chair
Councilmember, Town of Yountville

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

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

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

Mark Luce, 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

Keene Simonds
Executive Officer

Overall Revenues

Actual revenues collected through the third quarter totaled \$393,739. This amount represents 99.6% of the adopted budget total with 75% of the fiscal year complete. The following table compares budgeted and actual revenues through the third quarter.

| Budget Units | Adopted Revenues | Actual Revenues Through 3 rd Quarter | Difference | % Collected |
|----------------------|------------------|---|------------|-------------|
| Agency Contributions | 383,101 | 383,101 | 0 | 100.0 |
| Service Charges | 10,000 | 9,012 | (988) | 90.1 |
| Investments | 2,340 | 1,627 | (713) | 69.5 |
| Total | \$395,441 | \$393,739 | (\$1,702) | 99.6 |

An expanded discussion on budgeted and actual revenues through the third quarter within the Commission's three revenue units follows.

Agency Contributions

The Commission budgeted \$383,101 in agency contributions in 2011-2012. Half of the total was invoiced to the County of Napa in the amount of \$191,551. The remaining amount was proportionally invoiced based on a weighted calculation of population and general tax revenues to the Cities of American Canyon, Calistoga, Napa, St. Helena, and Yountville in the amounts of \$32,912, \$11,393, \$126,330, \$12,997, and \$7,917, respectively. All agency invoices have been paid in full.

Service Charges

The Commission budgeted \$10,000 in service charges in 2011-2012. At the end of the third quarter, actual revenues collected within this unit totaled \$9,012 or 90% of the budgeted amount. The collected service charges are entirely attributed to two annexation proposals tied to the Napa Sanitation District. Staff does not anticipate – for budgeting purposes – another proposal will be filed by the end of the fiscal year, which would result in a year-end unit deficit of (\$988).

Investments

The Commission budgeted \$2,340 in investment income in 2011-2012 based on actual revenues collected during the prior fiscal year. This fiscal year's budgeted amount is entirely tied to interest earned on the Commission's fund balance, which is under pooled investment by the County Treasurer. The balance in this account at the end of the third quarter totaled \$1,627 or 70% of the budgeted amount. This balance, however, reflects only the first two quarters; the third quarter allocation is not expected to be booked until early June. The Commission, accordingly, is on pace to finish the fiscal year with \$2,840 in investment income, and would result in a unit surplus of \$500.

Overall Expenses

Actual expenses through the third quarter, including encumbrances, totaled \$298,098. This amount represents 69% of the budgeted total with 75% of the fiscal year complete. The following table compares budgeted and actual expenses through the third quarter.

| Budget Units | Adopted Expenses | Actual Expenses Through 3 rd Quarter | Difference | % Remaining |
|------------------------|------------------|---|------------|-------------|
| Salaries/Benefits | 307,780 | 212,725 | 95,055 | 30.9 |
| Services/Supplies | 120,489 | 85,373 | 35,116 | 26.8 |
| Contingencies/Reserves | - | - | - | - |
| Total | 428,270 | 298,098 | 130,171 | 30.4 |

An expanded discussion on budgeted and actual expenses through the third quarter within the Commission's three expense units follows.

Salaries/Benefits

The Commission budgeted \$307,780 in salaries and benefits for 2011-2012. At the end of the third quarter, the Commission's actual expenses within the 10 affected accounts totaled \$212,725, representing 69% of the budgeted amount. None of the affected accounts finished the third quarter with balances below 25%. Staff projects the Commission will finish with a moderate surplus of approximately \$12,445 in the unit with the majority of the savings tied to lower group insurance and per diem costs.

Services/Supplies

The Commission budgeted \$120,489 in services and supplies for 2011-2012. At the end of the third quarter, the Commission's actual expenses within the 16 affected accounts totaled \$85,373, which represents 73% of the budgeted amount. Five of the affected accounts – audit and accounting, memberships, private vehicle mileage, property lease, and training – finished with balances below 50%. Staff projects the Commission will finish with a modest surplus of \$4,149 in the unit.

The following discussion details expenses within the five affected accounts that finished the third quarter at or below 25% of their budgeted allocation.

Audit and Accounting Services

This account primarily covers the Commission's annual costs for 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 \$8,691 in this account in 2011-2012. At the end of the third quarter, expenses in this account totaled \$6,860, which represents approximately 80% of the total amount budgeted. The largest expense during this period involved payment to an outside consultant (Gallina) to prepare an audit report for the 2010-2011 fiscal year at a cost of \$4,725. The remaining expenses are tied to payment to the Auditor's Office for work

performed in the first quarter. Staff projects the Commission will finish with an account surplus of \$500 at the end of the fiscal year.

Membership

This account covers the Commission's annual membership fee for the California Association of Local Agency Formation Commissions (CALAFCO). The Commission's budgeted membership fee is \$2,275 in 2011-2012 and reflects the amount approved by CALAFCO as part of an updated annual fee schedule in September 2008. CALAFCO recently suspended all fee increases due to the economy, which lowers the Commission's annual membership due to \$2,200. This reduced membership fee was collected in full by CALAFCO at the beginning of the fiscal year, leaving a remaining balance of \$75, or 3%.

Private Vehicle Mileage

This account covers same-day automobile travel costs for staff and commissioners with \$1,000 budgeted in 2011-2012. Through the end of the third quarter, expenses in this account have totaled \$769, which represents approximately 77% of the total amount budgeted. Expenses principally relate to travel within the Sacramento/Bay Area region to attend CALAFCO related meetings and training sessions. Staff projects the Commission will finish with a zero balance at the end of the fiscal year.

Property Lease

This account covers the Commission's annual office space lease at 1700 Second Street in Napa. The Commission's budgeted property lease total is \$29,280 based on the current monthly rental charge of \$2,440.¹ The County Auditor's Office has encumbered the full annual rental amount at the beginning of the fiscal year to expedite monthly payments to the property manager.

Training

This account is used for a variety of instructional activities for commissioners and staff. The Commission's budgeted training expense is \$4,000 in 2011-2012. At the end of the third quarter, expenses in this account totaled \$5,141, which represents approximately 129% of the total amount budgeted. Nearly all of the booked expenses through the third quarter relate to registering staff and commissioners for the recent CALAFCO Conference and contracting with an outside consultant (Alta Mesa) to facilitate our biennial workshop. Staff projects the Commission will finish with an account deficit of (\$1,500) at the end of the fiscal year due to other scheduled training sessions for staff.

Contingencies/Reserves

The Commission did not budget funds for contingencies or reserves in 2011-2012, and instead will rely on its unreserved fund balance to address any unexpected costs.

¹ The monthly rental fee at 1700 Second Street is fixed at \$2,440 through June 2012. The Commission's monthly rental fee for office space will reduce to \$2,130 beginning July 2012 in conjunction with the recent relocation to 1030 Seminary Street.

B. Analysis

Activity through the end of the third quarter indicates the Commission is on pace to finish 2011-2012 with a deficit operating balance of approximately (\$15,759); an amount that represents a sizeable improvement compared to the deficit operating balance of (\$32,829) budgeted at the beginning of the fiscal year. The referenced improvement is attributed to anticipated savings in budgeted costs involving group insurance, per diems, legal, and out-of-region travel. Further, if these projections prove accurate, the Commission will finish the fiscal year with an unreserved fund balance of approximately \$115,933; an amount that is likely to meet the Commission's policy objective of maintaining a minimum of three months of operating expenses at the beginning of each new fiscal year.

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 agendaized 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) Adopted 2011-2012 Operating Budget: General Ledger through March 31, 2012



Report ID: GLC8020w

Fund: 2910 NAPA CO LOCAL AGENCY FORMATION

Dept: 02910 NAPA LAFCO

County of Napa
General Ledger Organization Budget Status
For Periods: 1 To: 9 FY: 2012

5/25/2012

Table with columns: Account, Account Description, Final Budget, Adjustments, Encumbrances, Expenditures, Remaining Balance, Percent Available. Rows include categories like Salaries & Employee Benefits, Services & Supplies, and Other Charges.

ATTACHMENT ONE