



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 3, 2014
Agenda Item No. 5a (Consent/Action)

January 27, 2014

TO: Local Agency Formation Commission

FROM: Brendon Freeman, Analyst

SUBJECT: Second Quarter Budget Report for 2013-2014

The Commission will review a second quarter budget report for 2013-2014. The report compares budgeted versus actual transactions through one-half of the fiscal year. The report projects the Commission is on pace to finish with an operating surplus of \$5,338. 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") adjusted final budget for 2013-2014 totals \$462,800. 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 \$435,937 and are divided between intergovernmental fees, service charges, and investments. An operating shortfall of (\$12,862) was originally 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. This budgeted operating shortfall increased to (\$26,863) as a result of an adjustment to budgeted expenses associated with the Acting Executive Officer's consulting services contract. The audited unreserved portion of the fund balance totaled \$140,048 as of July 1, 2013.

Budgeted Operating Expenses	Budgeted Operating Revenues	Budgeted Operating Balance
\$462,800	\$435,937	(\$26,863)

Joan Bennett, Vice Chair
Councilmember, City of American Canyon

Greg Pitts, Commissioner
Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

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County of Napa Supervisor, 1st District

Bill Dodd, Commissioner
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County of Napa Supervisor, 2nd District

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Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Peter Banning
Acting Executive Officer

Operating Revenues

Budgeted operating revenues for 2013-2014 total \$435,937. Actual revenues collected through the second quarter totaled \$429,699. This amount represents nearly 99% 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	Budgeted	Actuals Through 2 nd Quarter	\$ Difference	% Collected
Intergovernmental	422,437	419,350	(3,087)	99.2
Service Charges	10,500	9,574	(926)	91.2
Investments	3,000	775	(2,225)	25.8
Total	\$435,937	\$429,699	(\$6,238)	98.6

Actuals in the second quarter and related analysis suggest the Commission will finish the current fiscal year with \$439,580 in total revenues and produce a surplus of \$3,643 or 0.8%. An expanded discussion on budgeted and actual revenues through the second quarter within the Commission’s three revenue units along with projected year-end totals follows.

Intergovernmental Fees

The Commission budgeted \$422,437 in intergovernmental fees in 2013-2014. Nearly half of the total was invoiced to the County of Napa in the amount of \$209,675. This amount was also proportionally invoiced to the cities based on a weighted calculation of population and general tax revenues. This latter formula resulted in invoice charges totaling \$33,757 for American Canyon, \$12,389 for Calistoga, \$140,020 for Napa, \$13,957 for St. Helena, and \$9,552 for Yountville. All agency invoices were paid in full by the end of the first quarter. Staff projects the Commission will finish with an intentional year-end deficit of (\$3,087) or (0.7%) in this account with the remaining amount to be covered by drawing down on unreserved funds.

Service Charges

The Commission budgeted \$10,500 in service charges in 2013-2014. At the end of the second quarter, actual revenues collected within this unit totaled \$9,574 or 91% of the budgeted amount. The collected service charges are predominately tied to collecting fees to cover staff hours needed in completing an annexation proposal involving the Napa Sanitation District. A review of pending proposals suggests there may be upwards of four new applications filed in the near term. Staff believes it would be reasonable – for budgeting purposes – to assume only two of these proposals will be filed by the end of the fiscal year and would result in a year-end unit surplus of \$8,180 or 78%.

Investments

The Commission budgeted \$3,000 in investment income in 2013-2014 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. At the end of the first quarter, actual revenues collected within this unit totaled \$387 or 13% of the budgeted amount. Actual revenues tied to investments for the second quarter are not yet available. It is reasonable to assume a constant rate of return on investment through the end of the current fiscal year and therefore the Commission is on pace to finish with \$1,550 in investment income, resulting in an account deficit of (\$1,450) or (48%).

Operating Expenses

Budgeted operating expenses for 2013-2014 total \$462,800. Actual expenses collected through the second quarter, including encumbrances, totaled \$243,507. This amount represents 53% of the adopted budget total with 50% of the fiscal year complete. The following table compares budgeted and actual expenses through the second quarter.

Expense Units	Budgeted	Through 2 nd Quarter	Actuals	\$ Difference	% Remaining
Salaries/Benefits	281,236		108,599	172,637	61.4
Services/Supplies	181,564		134,908	46,656	25.7
Contingencies	-		-	-	-
Total	462,800		243,507	219,293	47.4

Actuals in the second quarter and related analysis suggest the Commission will finish the fiscal year with \$434,242 in total expenses and produce a surplus of \$28,558 or 6.2%. 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 \$281,236 in salaries and benefits for 2013-2014. At the end of the second quarter, the Commission’s actual expenses within the nine line-item accounts totaled \$108,599, representing 39% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a surplus of \$25,905 or 9.2% in the unit with the majority of the savings tied to lower than anticipated retirement costs given that the Acting Executive Officer’s contract does not include benefits.

Services/Supplies

The Commission budgeted \$181,564 in services and supplies for 2013-2014. At the end of the second quarter, the Commission’s actual expenses within the 22 line-item accounts totaled \$134,908, which represents 74% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a surplus of \$2,653 or 1.5% in the unit with the majority of the savings tied to special departmental expenses.

Contingencies

The Commission did not budget funds for contingencies in 2013-2014, and instead will rely on its unreserved fund balance to address any unexpected costs.

B. Analysis

Activity through the end of the second quarter indicates the Commission is on pace to finish 2013-2014 with an operating surplus of \$5,338. This projected surplus in the Commission’s year-end financial standing is attributed – among other factors – to hiring the Acting Executive Officer under a contract that does not provide for employee health benefits. If these projections prove accurate, the Commission’s fund balance will be increased from \$140,048 to \$145,386.

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 One (Recommended):

Accept the staff report as presented.

Alternative 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,

Brendon Freeman
Analyst

Attachment:

- 1) 2013-2014 General Ledger through December 31, 2013



Statement of Revenues and Expenses Budget vs. Actual by Fund

8400 - Local Agency Formation Comm
Periods 1 through 12 of Fiscal Year: 2014

		Budget					Percent of		
		Adopted Budget	Adjustments	Adjusted Budget	Encumbrances	Actual YTD	YTD Total	Budget vs Actual	Budget
Revenues									
42690	Permits/Application Fees	10,000.00	-	10,000.00	-	9,324.00	9,324.00	(676.00)	93.24%
43910	County of Napa	211,218.55	-	211,218.55	-	209,675.02	209,675.02	(1,543.53)	99.27%
43950	Other-Governmental Agencies	211,218.55	-	211,218.55	-	209,675.01	209,675.01	(1,543.54)	99.27%
45100	Interest	3,000.00	-	3,000.00	-	387.40	387.40	(2,612.60)	12.91%
46800	Charges for Services	500.00	-	500.00	-	250.00	250.00	(250.00)	50.00%
47900	Miscellaneous	-	-	-	-	-	-	-	0.00%
Total Revenues		435,937.10	-	435,937.10	-	429,311.43	429,311.43	(6,625.67)	98.48%
Expenses									
51100	Salaries and Wages	212,019.15	(48,000.00)	164,019.15	-	68,435.63	68,435.63	95,583.52	41.72%
51205	Cell Phone Allowance	840.00	-	840.00	-	140.00	140.00	700.00	16.67%
51210	Director/Commissioner Pay	10,000.00	-	10,000.00	-	6,875.00	6,875.00	3,125.00	68.75%
51300	Medicare	3,012.22	-	3,012.22	-	1,332.61	1,332.61	1,679.61	44.24%
51400	Employee Insurance-Premiums	51,202.80	-	51,202.80	-	18,044.94	18,044.94	33,157.86	35.24%
51405	Workers Compensation	400.00	-	400.00	-	320.25	320.25	79.75	80.06%
51600	Retirement	39,595.42	-	39,595.42	-	12,551.77	12,551.77	27,043.65	31.70%
51605	Other Post Employment Benefits	12,166.00	-	12,166.00	-	6,083.08	6,083.08	6,082.92	50.00%
Total for: Salaries and Benefits		329,235.59	(48,000.00)	281,235.59	-	113,783.28	113,783.28	167,452.31	40.46%
52125	Accounting/Auditing Services	9,125.56	-	9,125.56	-	6,826.16	6,826.16	2,299.40	74.80%
52130	Information Technology Service	22,374.00	-	22,374.00	-	16,780.50	16,780.50	5,593.50	75.00%
52140	Legal Services	22,540.00	-	22,540.00	-	14,278.20	14,278.20	8,261.80	63.35%
52310	Consulting Services	-	48,000.00	48,000.00	12,332.38	35,667.62	48,000.00	-	100.00%
52515	Maintenance-Software	-	-	-	-	3,912.75	3,912.75	(3,912.75)	0.00%
52600	Rents and Leases - Equipment	6,000.00	-	6,000.00	3,167.23	2,987.97	6,155.20	(155.20)	102.59%
52605	Rents and Leases - Bldg/Land	25,560.00	-	25,560.00	10,650.00	14,910.00	25,560.00	-	100.00%
52700	Insurance - Liability	34.63	-	34.63	-	26.25	26.25	8.38	75.80%
52705	Insurance - Premiums	118.00	-	118.00	-	-	-	118.00	0.00%
52800	Communications/Telephone	2,950.00	-	2,950.00	-	1,240.20	1,240.20	1,709.80	42.04%
52830	Publications & Legal Notices	1,500.00	-	1,500.00	-	576.55	576.55	923.45	38.44%
52835	Filing Fees	850.00	-	850.00	-	-	-	850.00	0.00%
52900	Training/Conference Expenses	4,000.00	-	4,000.00	-	5,909.21	5,909.21	(1,909.21)	147.73%



A Tradition of Stewardship
A Commitment to Service

Statement of Revenues and Expenses Budget vs. Actual by Fund

8400 - Local Agency Formation Comm
Periods 1 through 12 of Fiscal Year: 2014

	Budget		Adjusted Budget	Encumbrances	Actual YTD	YTD Total	Budget vs Actual	Percent of Budget
	Adopted Budget	Adjustments						
52905 Business Travel/Mileage	5,000.00	-	5,000.00	-	2,039.08	2,039.08	2,960.92	40.78%
53100 Office Supplies	5,000.00	-	5,000.00	-	1,557.80	1,557.80	3,442.20	31.16%
53105 Office Supplies-Furn & Fixture	3,931.00	-	3,931.00	-	-	-	3,931.00	0.00%
53110 Freight/Postage	800.00	-	800.00	-	100.00	100.00	700.00	12.50%
53120 Memberships/Certifications	2,292.96	-	2,292.96	-	2,300.00	2,300.00	(7.04)	100.31%
53205 Utilities - Electric	1,500.00	-	1,500.00	-	563.93	563.93	936.07	37.60%
53415 Computer Software/Licensing Fe	3,487.73	-	3,487.73	-	-	-	3,487.73	0.00%
53600 Special Departmental Expense	2,500.00	14,000.00	16,500.00	-	-	-	16,500.00	0.00%
Total for: Services and Supplies	119,563.88	62,000.00	181,563.88	26,149.61	109,676.22	135,825.83	45,738.05	74.81%
Total for: Other Expenses	-	-	-	-	-	-	-	0.00%
Total Expenditures	448,799.47	14,000.00	462,799.47	26,149.61	223,459.50	249,609.11	213,190.36	53.93%
Net Surplus (Deficit)	(12,862.37)	(14,000.00)	(26,862.37)	(26,149.61)	205,851.93	179,702.32		