



Local Agency Formation Commission
Subdivision of the State of California

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June 6, 2011

Agenda Item No. 5a (Consent/Action)

May 30, 2011

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Third Quarter Budget Report for 2010-2011

The Commission will review a third quarter budget report for 2010-2011. The report compares budgeted versus actual revenues and expenses through the first nine months of the fiscal year. The report projects the Commission will close its budgeted operating shortfall from (\$42,460) to (\$4,900). The report is being presented for filing.

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 2010-2011 totals \$413,480. This amount represents the total approved operating expenditures for the fiscal year within the Commission's three expense units: salaries/benefits; services/supplies; and capital replacement. Budgeted revenues total \$371,020 within three revenue units: agency contributions; service charges; and investments. Markedly, an operating shortfall of (\$42,460) was intentionally budgeted to reduce the funding requirements of the local agencies given the recession and to be covered by drawing down on unreserved funds. The unreserved fund balance totaled \$168,819 as of July 1, 2010.

Overall Revenues

Actual revenues collected through the third quarter totaled \$379,781. This amount represents 102% 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		Difference	% Collected
		Through 3 rd Quarter			
Agency Contributions	356,020	356,020	0	100.0	
Service Charges	10,000	21,642	11,642	215.7	
Investments	5,000	2,120	(2,880)	42.4	
Total	\$371,020	\$379,781	\$8,761	102.4%	

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
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County of Napa Supervisor, 4th District

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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

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 \$356,020 in agency contributions in 2010-2011. Half of the total was invoiced to the County of Napa in the amount of \$178,009. 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 \$27,468, \$10,642, \$119,647, \$12,657, and \$7,596, respectively. All agency invoices were paid in full through the end of the third quarter.

Service Charges

The Commission budgeted \$10,000 in service charges in 2010-2011. At the end of the third quarter, actual revenues collected within this unit totaled \$21,642. The majority of this amount collected is tied to three reorganization applications received from American Canyon since July 1, 2010 (Town Center, Eucalyptus Grove/High School, and Clarke Ranch West/Middle School). Staff anticipates finishing the fiscal year with actual revenues exceeding \$25,000. This projection would result in an account surplus of \$17,000.

Investments

The Commission budgeted \$5,000 in investment income in 2010-2011. This budgeted amount is entirely tied to interest earned on the Commission's fund balance, which is under investment by the County of Napa Treasurer. The balance within this account at the end of the third quarter totaled \$2,120. The Commission is on pace to finish the fiscal year with only \$2,827 in investment income, resulting in an account deficit of (\$2,173).

Overall Expenses

Actual expenses through the third quarter, including encumbrances, totaled \$273,444. This amount represents 66% of the adopted budget 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	293,973	194,726	99,247	33.7
Services/Supplies	115,575	78,719	36,857	31.9
Capital Replacement	3,932	0	3,931	100.0
Total	\$413,480	\$273,444	\$140,035	33.9%

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

Salaries/Benefits

The Commission has budgeted \$293,973 in salaries and benefits in 2010-2011. At the end of the third quarter, the Commission's actual expenses within the eight affected accounts totaled \$194,726, representing 66% of the budgeted amount. None of the affected accounts finished the third quarter with balances below 25%. Staff anticipates the year-end balance will total close to \$12,000.

Services/Supplies

The Commission has budgeted \$115,575 in services and supplies in 2010-2011. At the end of the third quarter, the Commission's actual expenses within the 15 affected accounts totaled \$78,719, which represents 68% of the budgeted amount. Six accounts - audit and accounting, memberships, private vehicle mileage, property lease, training, and transportation and travel - finished the third quarter with balances below 25%. A summary of expenditures in these six accounts follows.

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 on the Commission's financial statements for the prior completed fiscal year. The Commission budgeted \$8,277 in this account in 2010-2011. At the end of the third quarter, expenses in this account totaled \$6,770, which represents approximately 82% of the total amount budgeted. Staff anticipates a year-end account deficit of approximately (\$500) based on projected expenses from the Auditor's Office through June.

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 in 2010-2011 is \$2,275 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 2010-2011. Through the end of the third quarter, expenses in this account have totaled \$1,552, which represents approximately 155% of the total amount budgeted. Expenses principally relate to staff traveling to Sacramento and Oakland for CALAFCO Legislative Committee meetings. Staff does not anticipate the current account deficit amount of (\$552) to measurably increase by 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 budgeted \$29,280 in this account in 2010-2011, reflecting its 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 budgeted \$4,000 for training expenses in 2010-2011. At the end of the third quarter, expenses in this account totaled \$3,969, which represents approximately 99% of the total amount budgeted. The majority of expenses in this account to date are attributed to registration costs for the 2010 CALAFCO Annual Conference in Palm Springs and 2011 CALAFCO Workshop in Ventura. The remaining costs to date are tied to training classes for the analyst position. Additional training expenses are expected to result in a year-end account deficit totaling (\$1,000), nearly all of which will be tied to the Executive Officer participating in the Napa Valley Leadership program as previously authorized by the Commission.

Transportation and Travel

This account covers overnight non-automobile travel costs for staff and commissioners with \$3,500 budgeted in 2010-2011. Through the end of the third quarter, expenses in this account have totaled \$3,460, which represents approximately 99% of the total amount budgeted. Nearly all of the expenses to date are associated with commissioners and staff attending the 2010 Annual CALAFCO Conference in Palm Springs. Staff anticipates a year-end account deficit of approximately (\$2,000) based on projected expenses associated with staff having recently attended the CALAFCO Workshop in Ventura.

Capital Replacement

The Commission has budgeted \$3,391 for capital depreciation in 2010-2011. This budgeted amount reflects the Commission's five-year funding replacement program for the agency's electronic document management system. The budgeted expense will be booked at the end of the fiscal year.

B. Analysis

Staff projects the Commission will significantly close the funding gap budgeted at the beginning of the fiscal year from (\$42,460) to (\$4,900). The underlying savings is attributed to sizeable cost-decreases involving legal, office supply, and communication services coupled with additional application fees. If these projections prove accurate, the Commission will finish the fiscal year with a relatively small reduction in its unreserved fund balance from \$168,819 to \$163,919.

¹ The monthly rental fee at 1700 Second Street is fixed at \$2,440 through June 2011.

C. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative One: Receive and file 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.

D. Recommendation

It is recommended the Commission proceed with Alternative One as outlined in the preceding section.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

- 1) General Ledger, July 1, 2010 to March 31, 2011



Report ID: GLC8030w

Fund: 2910 NAPA CO LOCAL AGENCY FORMATION
Dept: 02910 NAPA LAFCO

County of Napa
General Ledger Organization Revenue Status
For Periods: 1 To: 9 FY: 2011

5/12/2011

<u>Account</u>	<u>Account Description</u>	<u>Final Budget</u>	<u>Adjustments</u>	<u>Collected Revenue</u>	<u>Uncollected Revenue</u>	<u>Percent Collected</u>
44000300	INTEREST:INVESTD FNDS	5,000.00	0.00	2,119.70	2,880.30	42.39
	Total Revenue from Use of Money/Property	5,000.00	0.00	2,119.70	2,880.30	42.39
45080600	O/GA:COUNTY OF NAPA	185,560.00	-7,550.00	178,009.77	0.23	100.00
45082100	O/GA:CITY OF CALISTOGA	11,094.00	-452.00	10,642.45	-0.45	100.00
45082200	O/GA:NAPA CITY	124,722.00	-5,075.00	119,646.81	0.19	100.00
45082300	O/GA:CITY OF ST HELENA	13,193.00	-536.00	12,656.54	0.46	100.00
45082400	O/GA:CITY OF AMER CYN	28,633.00	-1,165.00	27,468.37	-0.37	100.00
45082500	O/GA:TOWN OF YOUNTVILLE	7,918.00	-322.00	7,595.60	0.40	99.99
	Total Intergovernmental Revenues	371,120.00	-15,100.00	356,019.54	0.46	100.00
46003300	SPECIAL APPLICATION PROC FEES	0.00	0.00	2,936.50	-2,936.50	0.00
46003400	APPLICATION PROCESSING FEES	10,000.00	0.00	18,632.30	-8,632.30	186.32
	Total Charges for Services	10,000.00	0.00	21,568.80	-11,568.80	215.69
48040000	O/R:MISCELLANEOUS	0.00	0.00	72.93	-72.93	0.00
	Total Miscellaneous Revenues	0.00	0.00	72.93	-72.93	0.00
02910	NAPA LAFCO	386,120.00	-15,100.00	379,780.97	-8,760.97	102.36
2910	NAPA CO LOCAL AGENCY FORMATION	386,120.00	-15,100.00	379,780.97	-8,760.97	102.36



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: 2011

5/12/2011

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.