



**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*

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**Agenda Item 5c (Consent/Information)**

**TO:** Local Agency Formation Commission

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

**MEETING DATE:** December 5, 2016

**SUBJECT:** First Quarter Budget Report for 2016-2017

**SUMMARY**

This item is being presented to the Commission for information purposes only. The Commission will review a first quarter budget report for 2016-2017. The report compares budgeted versus actual transactions through September 30, 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 \$62,219.

**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)

Greg Pitts, Vice Chair  
 Councilmember, City of St. Helena

Juliana Inman, Commissioner  
 Councilmember, City of Napa

Joan Bennett, Alternate Commissioner  
 Councilmember, City of American Canyon

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

Brad Wagenknecht, Commissioner  
 County of Napa Supervisor, 1st District

Keith Caldwell, Alternate Commissioner  
 County of Napa Supervisor, 5th 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 first quarter totaled \$456,270. This amount represents 95% of the adopted budget total with 25% of the fiscal year complete. The following table compares budgeted and actual revenues through the first quarter.

<b>Revenue Units</b>	<b>Adjusted Budget</b>	<b>End of 1<sup>st</sup> Quarter</b>	<b>Dollar Difference</b>	<b>Percent Collected</b>
Intergovernmental	\$449,944	\$449,944	\$0	100.0
Service Charges	\$30,500	\$4,678	\$25,822	15.3
Investments	\$2,000	\$1,648	\$352	82.4
<b>Total</b>	<b>\$482,444</b>	<b>\$456,270</b>	<b>\$26,174</b>	<b>94.6%</b>

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$477,701 in total revenues, resulting in a deficit of \$4,743 relative to the budgeted amount. An expanded discussion on budgeted and actual revenues through the first 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 first quarter, actual revenues collected within this unit totaled \$4,678 or 15% 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 to five new proposals will be filed during the fiscal year, which would result in a year-end unit total of \$21,164 and a deficit of \$9,336 or 31%.

#### ***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 first quarter totaled \$1,648 or 82% of the budgeted amount. It is reasonable to assume the remaining three quarters will generate a similar amount and would result in a year-end unit total of \$6,593 and a surplus of \$4,593 or 230%.

### ***Operating Expenses***

The Commission's operating expenses for 2016-2017 were budgeted at \$534,328.<sup>1</sup> Actual expenses, including encumbrances, through the first quarter totaled \$181,240. This amount represents 34% of the budgeted total with 25% of the fiscal year complete. The following table compares budgeted and actual expenses through the first quarter.

Expense Units	Adjusted Budget	End of 1 <sup>st</sup> Quarter	Dollar Difference	Percent Expended
Salaries/Benefits	\$347,922	\$60,463	\$287,459	17.4
Services/Supplies	\$186,406	\$120,776	\$65,630	64.8
Contingencies	\$0	\$0	\$0	0.0
<b>Total</b>	<b>\$534,328</b>	<b>\$181,240</b>	<b>\$353,088</b>	<b>33.9%</b>

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$415,482 in total expenses and produce an expense surplus/savings of \$118,846 or 22%. An expanded discussion on budgeted and actual expenses through the first 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 first quarter, the Commission's actual expenses within the 10 accounts totaled \$60,463, representing 17% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$244,416 and a surplus/savings of \$103,506 or 30%. 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 first quarter, the Commission's actual expenses within the 23 accounts – including encumbrances – totaled \$120,776, which represents 65% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$171,066 and a surplus/savings of \$15,340 or 8%. Projected savings are primarily associated with lower accounting/auditing service costs, cost reductions associated with the use of consultants, conservative office supply purchases, a new and more cost-efficient Xerox copy machine, and lower than expected 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 First Quarter Budget Sheet through September 30, 2016 with Year-End Projections

<sup>1</sup> 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.

