



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

Agenda Item 5d (Consent/Information)

TO: Local Agency Formation Commission

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

MEETING DATE: June 3, 2019

SUBJECT: Third Quarter Budget Report for 2018-2019

SUMMARY

This item is being presented to the Commission for information purposes only. The Commission will receive a third quarter budget report for 2018-2019. The report compares budgeted versus actual transactions through March 31, 2019. 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 \$98,037, representing a savings of \$119,817 relative to the adjusted 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. Notably, 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 four months or 33.3% of annually budgeted operating expenses. The Commission’s reserves totaled \$445,675 as of July 1, 2018, representing 7.7 months or 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)

Kenneth Leary, Vice Chair
 Councilmember, City of American Canyon

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

Gregory Rodeno, Chair
 Representative of the General Public

Margie Mohler, Commissioner
 Councilmember, Town of Yountville

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

Vacant, Alternate Commissioner
 Representative of the General Public

Scott Sedgley, Alternate Commissioner
 Councilmember, City of Napa

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 third quarter totaled \$482,913. This amount represents 101.4% of the budgeted amount with 75% of the fiscal year complete. The following table compares budgeted and actual revenues through the third quarter.

Revenue Units	Adjusted Budget	End of 3rd Quarter	Dollar Difference	Percent Collected
Intergovernmental	\$448,819	\$448,819	\$0	100.0%
Service Charges	\$20,500	\$24,729	\$4,229	120.6%
Investments	\$7,000	\$9,365	\$2,365	133.8%
Total	\$476,319	\$482,913	\$6,594	101.4%

Actuals through the third quarter and related analysis suggest the Commission will finish the fiscal year with \$490,712 in total revenues, resulting in a surplus of \$14,393 or 3.0% relative to the budgeted amount. An expanded discussion on budgeted and actual revenues through the third 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 third quarter, actual revenues collected within this unit totaled \$24,729 or 120.6% of the budgeted amount. Service charges are primarily tied to proposals for annexations, sphere of influence amendments, and outside service agreements. It is reasonable to expect one new proposal will be filed during the remainder of the fiscal year, which would result in a year-end unit total of \$29,282 and a surplus of \$8,782 or 42.8%.

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 third quarter totaled \$9,365 or 133.8% of the budgeted amount. It is reasonable to assume the remaining quarter will generate a proportional amount, which would result in a year-end unit total of \$12,611 and a surplus of \$5,611 or 80.2%.

Operating Expenses

The Commission’s operating expenses for 2018-2019 are budgeted at \$694,173.¹ Actual expenses through the third quarter totaled \$221,349. This amount represents 31.9% of the budgeted total with 75% of the fiscal year complete. The following table compares budgeted and actual expenses through the third quarter.

Expense Units	Adjusted Budget	End of 3rd 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 third 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 third 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 third 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 third 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

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 operating expenses to be covered by drawing down on reserves. This adjustment had a net zero effect on the Commission’s bottom line as 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.

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 Third Quarter Budget Sheet with Year-End Projections



FY18-19 THIRD 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 3rd 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	133,868	55.3%	212,692
51200	-	2,000	1,000	1,000	1,000	1,000	1,000	1,000	100.0%	1,000
51205	840	401	420	404	420	420	420	298	70.8%	420
51210	11,000	9,375	11,000	12,750	11,000	9,875	15,000	9,600	64.0%	12,450
51300	3,251	1,951	3,374	2,334	3,500	2,358	3,709	1,967	53.0%	3,247
51305	500	395	550	490	500	398	500	410	82.1%	547
51400	42,936	25,002	51,754	34,190	51,818	33,663	55,069	29,835	54.2%	46,078
51405	500	461	2,221	2,221	719	719	880	660	75.0%	880
51600	43,791	24,721	43,690	30,437	46,010	29,067	52,259	27,547	52.7%	42,375
51601	-	-	-	-	-	(27)	-	(123)	-	(158)
51602	-	-	-	-	-	1,327	1,225	-	0.0%	-
51605	14,751	14,750	14,987	14,987	14,214	14,216	14,357	10,768	75.0%	14,357
Total	270,151	217,197	323,222	256,739	359,700	256,086	386,569	215,830	55.8%	333,888
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	6,779	84.7%	7,323
52130	24,052	24,052	24,052	24,052	16,859	16,859	17,301	12,490	72.2%	17,301
52132	-	-	-	-	-	6,296	-	-	-	-
52140	28,600	26,093	32,000	25,867	35,000	35,000	35,000	17,891	51.1%	27,891
52310	126,600	59,177	78,840	35,415	52,311	30,268	188,050	59,005	31.4%	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	360	18.0%	1,779
52600	6,500	5,962	7,000	5,240	6,000	4,710	5,500	3,436	62.5%	4,581
52605	25,560	25,560	25,560	25,560	27,828	27,828	27,828	21,497	77.2%	28,663
52700	150	304	1,206	1,206	249	249	70	53	75.7%	70
52800	2,000	3,424	3,000	3,021	3,000	3,041	3,000	2,250	75.0%	3,165
52830	1,500	1,406	2,000	1,588	2,000	1,562	2,000	533	26.7%	686
52835	500	200	500	400	500	150	500	100	20.0%	100
52900	10,000	7,041	10,000	8,050	9,000	7,091	9,000	12,519	139.1%	13,769
52905	2,000	1,110	2,000	830	1,500	1,152	1,000	2,265	226.5%	3,365
52906	-	-	-	38	100	-	50	-	0.0%	-
53100	4,000	2,435	4,000	1,949	3,000	1,806	2,000	1,606	80.3%	1,991
53110	500	200	500	250	300	253	300	100	33.3%	200
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	853	65.6%	1,137
53410	-	-	-	418	500	539	500	281	56.2%	500
53415	500	-	1,000	145	-	-	-	270	-	270
53600	4,000	113	3,500	595	-	-	-	-	-	-
53650	-	-	-	652	350	926	750	348	46.4%	550
54600	3,940	-	-	-	-	-	-	-	-	-
Total	255,533	170,504	211,606	148,529	174,323	150,270	307,604	145,531	47.3%	254,861
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	361,361	52.1%	588,749
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 3rd 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>	148,793	148,793	100.0%	148,793
----	<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>	35,803	35,803	100.0%	35,803
----	<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>	14,897	14,897	100.0%	14,897
----	<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>	13,673	13,673	100.0%	13,673
----	<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>	11,243	11,243	100.0%	11,243
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	24,354	121.8%	28,782
46800	500	250	500	250	500	250	500	375	75.0%	500
Total	30,500	5,293	30,500	5,293	20,500	9,721	20,500	24,729	120.6%	29,282
Investments										
45100	2,000	4,592	2,000	4,592	5,000	6,701	7,000	9,365	133.8%	12,611
Total	2,000	4,592	2,000	4,592	5,000	6,701	7,000	9,365	133.8%	12,611
REVENUE TOTALS	482,444	459,829	482,444	459,829	452,948	443,870	476,319	482,913	101.4%	490,712
OPERATING DIFFERENCE	(43,240)	72,128	(52,384)	54,561	(81,075)	37,513	(217,854)			(98,037)

Negative Balance Indicates Use of Reserves