



**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 4, 2017

**SUBJECT:** First Quarter Budget Report for 2017-2018

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**SUMMARY**

This item is being presented to the Commission for information purposes only. The Commission will review a first quarter budget report for 2017-2018. The report compares budgeted versus actual transactions through September 30, 2017. The report projects the Commission is on pace to improve its year-end financial position by eliminating its budgeted funding gap of \$72,575 and finish with an overall operating surplus of \$56,690.

**ANALYSIS**

The Commission's adjusted budget for 2017-2018 totals \$525,523. 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 \$452,948 and are divided between intergovernmental fees, service charges, and investments. It is important to note that an operating shortfall of \$72,575 was intentionally budgeted to reduce the funding requirements of the local agencies and to be covered by drawing down on the unrestricted portion of the fund balance ("reserves"). Unrestricted reserves totaled \$387,991 as of July 1, 2017.

Adjusted Budget Operating Expenses	Adjusted Budget Operating Revenues	Adjusted Budget Year-End Operating Balance
\$525,523	\$452,948	(\$72,575)

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Vacant, Commissioner  
Councilmember, City of Napa

Margie Mohler, Commissioner  
Councilmember, Town of Yountville

Kenneth Leary, Alternate Commissioner  
Councilmember, City of American Canyon

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

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

Ryan Gregory, Alternate Commissioner  
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair  
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 2017-2018 are budgeted at \$452,948. Actual revenues collected through the first quarter totaled \$435,206. This amount represents 96.1% 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	\$427,448	\$427,448	\$0	100.0%
Service Charges	\$20,500	\$6,029	\$14,471	29.4%
Investments	\$5,000	\$1,729	\$3,271	34.6%
<b>Total</b>	<b>\$452,948</b>	<b>\$435,206</b>	<b>\$17,742</b>	<b>96.1%</b>

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$452,576 in total revenues, resulting in a deficit of \$372 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 \$427,448 in intergovernmental fees in 2017-2018. Half of the total was invoiced to the County of Napa in the amount of \$213,724. 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 \$34,380 for American Canyon, \$12,349 for Calistoga, \$143,028 for Napa, \$13,856 for St. Helena, and \$10,111 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 2017-2018. At the end of the first quarter, actual revenues collected within this unit totaled \$6,029 or 29.4% 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 \$18,212 and a deficit of \$2,288 or 11.1%.

#### ***Investments***

The Commission budgeted \$5,000 in investment income in 2017-2018. 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 \$1,729 or 34.6% 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 \$6,916 and a surplus of \$1,916 or 38.3%.

### ***Operating Expenses***

The Commission's operating expenses for 2017-2018 are budgeted at \$525,523.<sup>1</sup> Actual expenses, including encumbrances, through the first quarter totaled \$81,277. This amount represents 15.5% 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	\$359,700	\$52,787	\$306,913	14.7%
Services/Supplies	\$165,823	\$28,490	\$137,333	17.2%
Contingencies	\$0	\$0	\$0	0.0%
<b>Total</b>	<b>\$525,523</b>	<b>\$81,277</b>	<b>\$444,246</b>	<b>15.5%</b>

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$398,886 in total expenses and produce an expense surplus/savings of \$126,637 or 24.1%. 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 \$359,700 in salaries and benefits for 2017-2018. At the end of the first quarter, the Commission's actual expenses within the 11 accounts totaled \$52,787, representing 14.7% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$253,833 and a surplus/savings of \$105,867 or 29.4%. Projected savings are entirely associated with the existing vacancy in the Analyst position.

#### ***Services/Supplies***

The Commission budgeted \$165,823 in services and supplies for 2017-2018. At the end of the first quarter, the Commission's actual expenses within the 26 accounts totaled \$28,490, which represents 17.2% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$145,052 and a surplus/savings of \$20,771 or 12.5%. Projected savings are primarily associated with anticipated consultant contract costs relative to the originally budgeted amounts.

#### ***Contingencies***

The Commission did not budget funds for contingencies in 2017-2018, and instead will rely on its unreserved fund balance to address any unexpected costs.

## **ATTACHMENT**

- 1) 2017-2018 First Quarter Budget Sheet through September 30, 2017 with Year-End Projections

<sup>1</sup> On August 7, 2017, the Commission approved a budget adjustment to re-encumber two consultant contracts that resulted in a \$26,811 increase in total operating expenses to be covered by drawing down on reserves.

