



**Local Agency Formation Commission of Napa County**  
 Subdivision of the State of California

1030 Seminary Street, Suite B  
 Napa, California 94559  
 Phone: (707) 259-8645  
 Fax: (707) 251-1053  
 www.napa.lafco.ca.gov

*We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture*

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

**TO:** Local Agency Formation Commission

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

**MEETING DATE:** December 3, 2018

**SUBJECT:** First Quarter Budget Report for 2018-2019

**SUMMARY**

This item is being presented to the Commission for information purposes only. The Commission will receive a first quarter budget report for 2018-2019. The report compares budgeted versus actual transactions through September 30, 2018. 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 \$139,632, representing a savings of \$78,222 relative to the 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.

It is important to note an operating shortfall of \$217,854 was budgeted intentionally 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”). The Commission’s reserves totaled \$445,675 as of July 1, 2018, representing 64.2% of budgeted expenditures in the current fiscal year. Local policy directs the Commission to maintain reserves equal to a minimum of 33.3% of annually budgeted operating expenses.

Adjusted Budget Operating Expenses	Adjusted Budget Operating Revenues	Adjusted Budget Year-End Operating Balance
\$694,173	\$476,319	(\$217,854)

Margie Mohler, Chair  
 Councilmember, Town of Yountville

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

Gregory Rodeno, Commissioner  
 Representative of the General Public

Scott Sedgley, Commissioner  
 Councilmember, City of Napa

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

Erik Lawrence, Alternate Commissioner  
 Representative of the General Public

Kenneth Leary, Alternate Commissioner  
 Councilmember, City of American Canyon

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 first quarter totaled \$273,285. This amount represents 57.4% 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	\$448,819	\$250,549	\$198,270	55.8%
Service Charges	\$20,500	\$20,051	\$449	97.8%
Investments	\$7,000	\$2,685	\$4,315	38.4%
<b>Total</b>	<b>\$476,319</b>	<b>\$273,285</b>	<b>\$203,034</b>	<b>57.4%</b>

Actuals through the first quarter and related analysis suggest the Commission will finish the fiscal year with \$487,365 in total revenues, resulting in a surplus of \$11,046 or 2.3% 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 \$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. The invoices for the County, St. Helena, and Yountville were paid in full. Outstanding invoices that have not been paid include American Canyon, Calistoga, and Napa. These outstanding invoices total \$198,270 and are expected to be paid by the end of the 2018 calendar year.

#### ***Service Charges***

The Commission budgeted \$20,500 in service charges in 2018-2019. At the end of the first quarter, actual revenues collected within this unit totaled \$20,051 or 97.8% 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 one new annexation proposal and one new outside service request will be filed during the remainder of the fiscal year, which would result in a year-end unit total of \$27,806 and a surplus of \$7,306 or 35.6%.

#### ***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 first quarter totaled \$2,685 or 38.4% of the budgeted amount. It is reasonable to assume the remaining three quarters will generate a similar proportional amount and would result in a year-end unit total of \$10,740 and a surplus of \$3,740 or 53.4%.

### ***Operating Expenses***

The Commission's operating expenses for 2018-2019 are budgeted at \$694,173.<sup>1</sup> Actual expenses through the first quarter totaled \$92,671. This amount represents 13.3% of the budgeted total with 25% of the fiscal year complete. The following table compares budgeted and actual expenses through the first quarter.

<b>Expense Units</b>	<b>Adjusted Budget</b>	<b>End of 1<sup>st</sup> Quarter</b>	<b>Dollar Difference</b>	<b>Percent Expended</b>
Salaries/Benefits	\$386,569	\$63,509	\$323,060	16.4%
Services/Supplies	\$307,604	\$29,163	\$278,441	9.5%
Contingencies	\$0	\$0	\$0	0.0%
<b>Total</b>	<b>\$694,173</b>	<b>\$92,671</b>	<b>\$601,502</b>	<b>13.3%</b>

Actuals through the first quarter and related analysis suggest the Commission will finish the fiscal year with \$626,997 in total expenses and produce an expense surplus/savings of \$67,176 or 9.7% relative to the budgeted amount. 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 \$386,569 in salaries and benefits for 2018-2019. At the end of the first quarter, the Commission's actual expenses within the 12 accounts totaled \$63,509, representing 16.4% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$323,323 and a surplus/savings of \$63,246 or 16.4%. Projected savings are primarily associated with the prolonged vacancy in the Analyst position, which is expected to be filled in January 2019.

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

The Commission budgeted \$307,604 in services and supplies for 2018-2019. At the end of the first quarter, the Commission's actual expenses within the 26 accounts totaled \$29,163, which represents 9.5% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$303,674 and a surplus/savings of \$3,930 or 1.3%. 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 2018-2019, and instead will rely on its reserves to address any unexpected costs.

### **ATTACHMENT**

- 1) 2018-2019 First Quarter Budget Sheet with Year-End Projections

<sup>1</sup> On August 6, 2018, the Commission approved a budget adjustment to re-encumber a consultant contract that resulted in a \$3,050 increase in total operating expenses to be covered by drawing down on reserves. This budget adjustment had a net zero effect on the Commission's bottom line given that 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.



**FY18-19 FIRST QUARTER BUDGET REPORT**

Expenses	FY15-16		FY16-17		FY17-18		FY18-19			
	Adjusted FY15-16	Actual FY15-16	Adjusted FY16-17	Actual FY16-17	Adjusted FY17-18	Actual FY17-18	Adjusted FY18-19	Actual YTD 1st Quarter	% of Budget	Projected Year End
<b>Salaries and Benefits</b>										
<u>Account</u>	<u>Description</u>									
51100	152,582	138,142	194,226	157,926	230,519	163,069	242,150	39,188	16.2%	199,451
51200	-	2,000	1,000	1,000	1,000	1,000	1,000	-	0.0%	1,000
51205	840	401	420	404	420	420	420	105	25.0%	420
51210	11,000	9,375	11,000	12,750	11,000	9,875	15,000	1,200	8.0%	12,000
51300	3,251	1,951	3,374	2,334	3,500	2,358	3,709	564	15.2%	2,983
51305	500	395	550	490	500	398	500	112	22.4%	448
51400	42,936	25,002	51,754	34,190	51,818	33,663	55,069	10,525	19.1%	48,585
51405	500	461	2,221	2,221	719	719	880	220	25.0%	880
51600	43,791	24,721	43,690	30,437	46,010	29,067	52,259	7,986	15.3%	42,102
51601	-	-	-	-	-	(27)	-	(32)	-	(128)
51602	-	-	-	-	-	1,327	1,225	51	4.2%	1,225
51605	14,751	14,750	14,987	14,987	14,214	14,216	14,357	3,589	25.0%	14,357
<b>Total</b>	<b>270,151</b>	<b>217,197</b>	<b>323,222</b>	<b>256,739</b>	<b>359,700</b>	<b>256,086</b>	<b>386,569</b>	<b>63,509</b>	<b>16.4%</b>	<b>323,323</b>
<b>Services and Supplies</b>										
<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	573	7.2%	7,000
52130	24,052	24,052	24,052	24,052	16,859	16,859	17,301	4,163	24.1%	17,301
52132	-	-	-	-	-	6,296	-	-	-	-
52140	28,600	26,093	32,000	25,867	35,000	35,000	35,000	5,880	16.8%	32,000
52310	126,600	59,177	78,840	35,415	52,311	30,268	188,050	816	0.4%	185,000
52345	-	420	500	150	200	75	150	-	0.0%	150
52515	1,500	1,869	2,000	1,779	2,000	1,779	2,000	120	6.0%	1,779
52600	6,500	5,962	7,000	5,240	6,000	4,710	5,500	783	14.2%	5,500
52605	25,560	25,560	25,560	25,560	27,828	27,828	27,828	7,166	25.8%	28,663
52700	150	304	1,206	1,206	249	249	70	18	25.0%	70
52800	2,000	3,424	3,000	3,021	3,000	3,041	3,000	464	15.5%	2,456
52830	1,500	1,406	2,000	1,588	2,000	1,562	2,000	-	0.0%	2,000
52835	500	200	500	400	500	150	500	-	0.0%	400
52900	10,000	7,041	10,000	8,050	9,000	7,091	9,000	4,755	52.8%	12,000
52905	2,000	1,110	2,000	830	1,500	1,152	1,000	1,063	106.3%	2,000
52906	-	-	-	38	100	-	50	-	0.0%	50
53100	4,000	2,435	4,000	1,949	3,000	1,806	2,000	273	13.7%	2,000
53110	500	200	500	250	300	253	300	-	0.0%	300
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	181	13.9%	1,200
53410	-	-	-	418	500	539	500	-	0.0%	500
53415	500	-	1,000	145	-	-	-	-	-	-
53600	4,000	113	3,500	595	-	-	-	-	-	-
53650	-	-	-	652	350	926	750	103	13.7%	500
54600	3,940	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>255,533</b>	<b>170,504</b>	<b>211,606</b>	<b>148,529</b>	<b>174,323</b>	<b>150,270</b>	<b>307,604</b>	<b>29,163</b>	<b>9.5%</b>	<b>303,674</b>
<b>Contingencies</b>										
<u>Account</u>	<u>Description</u>									
58100	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENSE TOTALS</b>	<b>525,684</b>	<b>387,701</b>	<b>534,828</b>	<b>405,268</b>	<b>534,023</b>	<b>406,357</b>	<b>694,173</b>	<b>92,671</b>	<b>13.3%</b>	<b>626,997</b>
<b>Revenues</b>										
	FY15-16		FY16-17		FY17-18		FY18-19			
	Adjusted FY15-16	Actual FY15-16	Adjusted FY16-17	Actual FY16-17	Adjusted FY17-18	Actual FY17-18	Adjusted FY18-19	Actual YTD 1st Quarter	% of Budget	Projected Year End
<b>Intergovernmental</b>										
<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	26,139	11.6%	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>	<i>148,793</i>	-	0.0%	<i>148,793</i>
----	<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>	<i>35,803</i>	-	0.0%	<i>35,803</i>
----	<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>	<i>14,897</i>	<i>14,897</i>	100.0%	<i>14,897</i>
----	<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>	<i>13,673</i>	-	0.0%	<i>13,673</i>
----	<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>	<i>11,243</i>	<i>11,243</i>	100.0%	<i>11,243</i>
<b>Total</b>	<b>449,944</b>	<b>449,944</b>	<b>449,944</b>	<b>449,944</b>	<b>427,448</b>	<b>427,448</b>	<b>448,819</b>	<b>250,549</b>	<b>55.8%</b>	<b>448,819</b>
<b>Service Charges</b>										
42690	30,000	5,043	30,000	5,043	20,000	9,471	20,000	19,926	99.6%	27,306
46800	500	250	500	250	500	250	500	125	25.0%	500
<b>Total</b>	<b>30,500</b>	<b>5,293</b>	<b>30,500</b>	<b>5,293</b>	<b>20,500</b>	<b>9,721</b>	<b>20,500</b>	<b>20,051</b>	<b>97.8%</b>	<b>27,806</b>
<b>Investments</b>										
45100	2,000	4,592	2,000	4,592	5,000	6,701	7,000	2,685	38.4%	10,740
<b>Total</b>	<b>2,000</b>	<b>4,592</b>	<b>2,000</b>	<b>4,592</b>	<b>5,000</b>	<b>6,701</b>	<b>7,000</b>	<b>2,685</b>	<b>38.4%</b>	<b>10,740</b>
<b>REVENUE TOTALS</b>	<b>482,444</b>	<b>459,829</b>	<b>482,444</b>	<b>459,829</b>	<b>452,948</b>	<b>443,870</b>	<b>476,319</b>	<b>273,285</b>	<b>57.4%</b>	<b>487,365</b>
<b>OPERATING DIFFERENCE</b>	<b>(43,240)</b>	<b>72,128</b>	<b>(52,384)</b>	<b>54,561</b>	<b>(81,075)</b>	<b>37,513</b>	<b>(217,854)</b>			<b>(139,632)</b>

Negative Balance Indicates Use of Reserves