



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 6c (Consent/Information)

TO: Local Agency Formation Commission

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

MEETING DATE: February 5, 2018

SUBJECT: Second Quarter Budget Report for 2017-2018

SUMMARY

This item is being presented to the Commission for information purposes only. The Commission will review a second quarter budget report for 2017-2018. The report compares budgeted versus actual transactions through December 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 \$70,639.

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)

Scott Sedgley, 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 second quarter totaled \$440,812. This amount represents 97.3% of the adopted budget total with 50% of the fiscal year complete. The following table compares budgeted and actual revenues through the second quarter.

Revenue Units	Adjusted Budget	End of 2nd Quarter	Dollar Difference	Percent Collected
Intergovernmental	\$427,448	\$427,448	\$0	100.0%
Service Charges	\$20,500	\$9,721	\$10,779	47.4%
Investments	\$5,000	\$3,643	\$1,357	72.9%
Total	\$452,948	\$440,812	\$12,136	97.3%

Actuals through the second quarter and related analysis suggest the Commission will finish the fiscal year with \$455,037 in total revenues, resulting in a surplus of \$2,089 relative to the budgeted amount. An expanded discussion on budgeted and actual revenues through the second 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 second quarter, actual revenues collected within this unit totaled \$9,721 or 47.4% 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 two new proposals will be filed during the remaining two quarters, which would result in a year-end unit total of \$20,303 and a deficit of \$197 or 1.0%.

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 second quarter totaled \$3,643 or 72.9% of the budgeted amount. It is reasonable to assume the remaining two quarters will generate a similar amount and would result in a year-end unit total of \$7,286 and a surplus of \$2,286 or 45.7%.

Operating Expenses

The Commission's operating expenses for 2017-2018 are budgeted at \$525,523.¹ Actual expenses through the second quarter totaled \$206,039. This amount represents 39.2% of the budgeted total with 50% of the fiscal year complete. The following table compares budgeted and actual expenses through the second quarter.

Expense Units	Adjusted Budget	End of 2nd Quarter	Dollar Difference	Percent Expended
Salaries/Benefits	\$359,700	\$121,589	\$238,111	33.8%
Services/Supplies	\$165,823	\$84,450	\$81,373	50.9%
Contingencies	\$0	\$0	\$0	0.0%
Total	\$525,523	\$206,039	\$319,484	39.2%

Actuals through the second quarter and related analysis suggest the Commission will finish the fiscal year with \$384,398 in total expenses and produce an expense surplus/savings of \$141,125 or 26.9%. An expanded discussion on budgeted and actual expenses through the second 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 second quarter, the Commission's actual expenses within the 12 accounts totaled \$121,589, representing 33.8% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$243,985 and a surplus/savings of \$115,715 or 32.2%. 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 second quarter, the Commission's actual expenses within the 26 accounts totaled \$84,450, which represents 50.9% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$140,413 and a surplus/savings of \$25,410 or 15.3%. Projected savings are primarily associated with anticipated consultant contract costs relative to the originally budgeted amounts.

It is important to note there are three expense accounts that are projected to exceed the budgeted amounts. First, Legal Services (Account No. 52140) are projected to total \$28,942 at the end of the fiscal year. This projected year-end amount would result in a budget deficit totaling \$2,442 within this expense account. The projected deficit is due to the following factors: (1) legal review related to the Policy

¹ 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. This budget adjustment had a net zero effect on the Commission's bottom line given that the re-encumbered amount represents an amount that was expected to be allocated to two consultant contracts in the 2016-2017 fiscal year but was carried over to the current fiscal year.

Committee's comprehensive review of existing policies; (2) legal review related to the Commission's newly established Legislative Committee; and (3) a recent increase in Renne Sloan Holtzman Sakai's billable hourly rate from \$250 to \$260. Staff anticipates returning at a future meeting with a proposed amendment to the Commission's existing legal services contract with Renne Sloan Holtzman Sakai to increase the annual do-not-exceed amount from the current \$26,500 total amount to accommodate the actual needs for legal services.

Second, ITS – Records Management Services (Account No. 52132) are projected to total \$6,296 at the end of the fiscal year. This account represents the County Information Technology Services (ITS) expenses relating to the Commission's stored historical records. These records were moved as part of the Commission's electronic document management system back-filing project. Staff was not made aware of the charge until after the project was completed. County ITS has agreed to provide more transparent billing for similar projects in the future.

Third, Business Related Meals/Supplies (Account No. 53650) are projected to total \$436 at the end of the fiscal year. This account was previously included as part of Business Travel/Mileage (Account No. 52905) and was recently reclassified into a standalone account. The projected line-item deficit of \$86 is considered insignificant. However, staff will endeavor to ensure an appropriate amount is included for this line-item in the Commission's 2018-2019 budget.

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 Second Quarter Budget Sheet through December 31, 2017 with Year-End Projections



FY2017-2018 SECOND QUARTER BUDGET REPORT

Prepared on January 24, 2018

Expenses		FY2014-15		FY2015-16		FY2016-17		FY2017-18			
		Adjusted FY14-15	Actual FY14-15	Adjusted FY15-16	Actual FY15-16	Adjusted FY16-17	Actual FY16-17	Adjusted FY17-18	Actual 2nd Quarter	%	Projected Year End
Salaries and Benefits											
<u>Account</u>	<u>Description</u>										
51100	Salaries and Wages	147,625	150,093	152,582	138,142	194,226	157,926	230,519	75,245	32.6%	150,490
51200	401A Employer Contribution	1,000	300	-	2,000	1,000	1,000	1,000	-	0.0%	1,000
51205	Cell Phone Allowance	840	682	840	401	420	404	420	210	50.0%	420
51210	Commissioner Per Diems	10,000	11,125	11,000	9,375	11,000	12,750	11,000	5,500	50.0%	10,750
51300	Medicare	3,012	2,410	3,251	1,951	3,374	2,334	3,500	1,082	30.9%	2,164
51305	FICA	-	496	500	395	550	490	500	156	31.2%	372
51400	Employee Insurance: Premiums	44,796	27,679	42,936	25,002	51,754	34,190	51,818	17,179	33.2%	34,358
51405	Workers Compensation	428	428	500	461	2,221	2,221	719	360	50.1%	719
51600	Retirement	39,853	27,040	43,791	24,721	43,690	30,437	46,010	14,125	30.7%	28,250
51601	Retirement Cost Sharing	-	-	-	-	-	-	-	12	New	24
51602	Retirement EPMC	-	-	-	-	-	-	-	612	New	1,224
51605	Other Post Employment Benefits	12,321	12,321	14,751	14,750	14,987	14,987	14,214	7,108	50.0%	14,214
	Total	259,875	232,575	270,151	217,197	323,222	256,739	359,700	121,589	33.8%	243,985
Services and Supplies											
<u>Account</u>	<u>Description</u>										
52105	Election Services	-	75	150	-	300	-	100	-	0.0%	-
52125	Accounting/ Auditing Services	10,000	8,128	10,000	7,496	9,500	7,655	9,500	5,748	60.5%	7,648
52130	Information Technology Services	24,000	23,663	24,052	24,052	24,052	24,052	16,859	8,430	50.0%	16,859
52132	ITS - Records Mgmt. Services	-	-	-	-	-	-	-	3,148	New	6,296
52140	Legal Services	32,000	27,670	28,600	26,093	32,000	25,867	26,500	16,538	62.4%	28,942
52310	Consulting Services	107,350	78,097	126,600	59,177	78,840	35,415	52,311	23,956	45.8%	27,040
52345	Janitorial Services	-	-	-	420	500	150	200	75	37.5%	150
52515	Maintenance-Software	-	1,127	1,500	1,869	2,000	1,779	2,000	240	12.0%	1,779
52600	Rents and Leases: Equipment	6,000	5,594	6,500	5,962	7,000	5,240	6,000	2,530	42.2%	5,060
52605	Rents and Leases: Building/Land	25,560	25,560	25,560	25,560	25,560	25,560	27,828	13,914	50.0%	27,828
52700	Insurance: Liability	100	98	150	304	1,206	1,206	249	125	50.2%	249
52800	Communications/Telephone	2,950	1,232	2,000	3,424	3,021	3,021	3,000	1,480	49.3%	2,960
52830	Publications and Notices	2,000	728	1,500	1,406	2,000	1,588	2,000	731	36.6%	1,600
52835	Filing Fees	-	-	500	200	500	400	500	100	20.0%	200
52900	Training/Conference	8,995	5,426	10,000	7,041	10,000	8,050	9,000	5,768	64.1%	7,500
52905	Business Travel/Mileage	2,000	1,866	2,000	1,110	2,000	830	1,500	289	19.3%	920
52906	Fleet Charges	-	-	-	-	-	38	100	-	New	-
53100	Office Supplies	4,000	3,410	4,000	2,435	4,000	1,949	3,000	535	17.8%	1,070
53110	Freight/Postage	800	250	500	200	500	250	300	50	16.7%	100
53120	Memberships/Certifications	2,335	2,335	2,381	2,381	2,548	2,548	2,726	-	0.0%	2,726
53205	Utilities: Electric	1,500	1,107	1,100	1,261	1,600	1,121	1,300	575	44.2%	1,050
53410	Computer Equipment/Accessories	-	4,993	-	-	-	418	500	-	0.0%	-
53415	Computer Software/License	2,500	6,150	500	-	1,000	145	-	-	-	-
53600	Special Departmental Expense	15,150	129	4,000	113	3,500	595	-	-	-	-
53650	Business Related Meal/Supplies	-	-	-	-	-	652	350	218	New	436
54600	Capital Replacement/Depreciation	3,940	-	3,940	-	-	-	-	-	-	-
	Total	251,180	197,638	255,533	170,504	211,606	148,529	165,823	84,450	50.9%	140,413
Contingencies											
<u>Account</u>	<u>Description</u>										
58100	Appropriation for Contingencies	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-
EXPENSE TOTALS		511,055	430,212	525,684	387,701	534,828	405,268	525,523	206,039	39.2%	384,398
Revenues											
		FY2014-15		FY2015-16		FY2016-17		FY2017-18			
		Adjusted FY14-15	Actual FY14-15	Adjusted FY15-16	Actual FY15-16	Adjusted FY16-17	Actual FY16-17	Adjusted FY17-18	Actual 2nd Quarter	%	Projected Year End
Intergovernmental											
<u>Account</u>	<u>Description</u>										
43910	County of Napa	215,853	215,853	224,972	224,972	224,972	224,972	213,724	213,724	100.0%	213,724
43950	Other Governmental Agencies	215,853	215,853	224,972	224,972	224,972	224,972	213,724	213,724	100.0%	213,724
----	City of Napa	144,529	144,529	149,571	149,571	149,066	149,066	143,028	143,028	100.0%	143,028
----	City of American Canyon	34,422	34,422	35,997	35,997	35,330	35,330	34,380	34,380	100.0%	34,380
----	City of St. Helena	14,145	14,145	14,582	14,582	15,908	15,908	13,856	13,856	100.0%	13,856
----	City of Calistoga	12,907	12,907	13,467	13,467	13,209	13,209	12,349	12,349	100.0%	12,349
----	Town of Yountville	9,850	9,850	11,355	11,355	11,459	11,459	10,111	10,111	100.0%	10,111
	Total	431,705	431,705	449,944	449,944	449,944	449,944	427,448	427,448	100.0%	427,448
Service Charges											
42690	Application/Permit Fees	10,000	48,462	30,000	26,322	30,000	5,043	20,000	9,471	47.4%	19,803
46800	Charges for Services	500	1,375	500	625	500	250	500	250	50.0%	500
	Total	10,500	31,863	30,500	26,947	30,500	5,293	20,500	9,721	47.4%	20,303
Investments											
45100	Interest	2,000	2,202	2,000	2,246	2,000	4,592	5,000	3,643	72.9%	7,286
	Total	2,000	2,202	2,000	2,246	2,000	4,592	5,000	3,643	72.9%	7,286
REVENUE TOTALS		444,205	465,770	482,444	479,137	482,444	459,829	452,948	440,812	97.3%	455,037
OPERATING DIFFERENCE		(66,850)	35,557	(43,240)	91,436	(52,384)	54,561	(72,575)			70,639

Negative Balance Indicates Use of Reserves