



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

December 2, 2013
Agenda Item No. 5a (Consent/Action)

November 25, 2013

TO: Local Agency Formation Commission

FROM: Brendon Freeman, Analyst

SUBJECT: First Quarter Budget Report for 2013-2014

The Commission will review a first quarter budget report for 2013-2014. The report compares budgeted versus actual transactions through one-fourth of the fiscal year. The report projects the Commission is on pace to finish with an overall operating shortfall of (\$41,468). The report is being presented to the Commission to formally accept.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 mandates operating costs for Local Agency Formation Commissions (LAFCOs) shall be annually funded by the affected counties, cities, and, if applicable, special districts. In most instances, the county is responsible for one-half of the LAFCO’s annual budget with the remaining amount proportionally shared by the cities based on a weighted calculation of population and tax revenues. LAFCOs are also authorized to establish and collect fees for purposes of offsetting agency contributions.

A. Discussion

LAFCO of Napa County’s (“Commission”) adjusted final budget for 2013-2014 totals \$462,799. 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 \$435,937 and are divided between intergovernmental fees, service charges, and investments. An operating shortfall of (\$12,862) was originally budgeted at the beginning of the fiscal year to reduce the funding requirements of the local agencies and to be covered by drawing down on unreserved funds. This operating shortfall is expected to increase to (\$26,862) as a result of an adjustment to budgeted expenses associated with the Acting Executive Officer’s consulting services contract. The audited unreserved portion of the fund balance totaled \$140,048 as of July 1, 2013.

Budgeted Operating Expenses	Budgeted Operating Revenues	Budgeted Operating Balance
\$462,799	\$435,937	(\$26,862)

Joan Bennett, Commissioner
 Councilmember, City of American Canyon

Greg Pitts, Commissioner
 Councilmember, City of St. Helena

Juliana Inman, Alternate Commissioner
 Councilmember, City of Napa

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

Bill Dodd, Commissioner
 County of Napa Supervisor, 4th District

Mark Luce, 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

Peter Banning
 Acting Executive Officer

Operating Revenues

Operating revenues budgeted for 2013-2014 total \$435,937. Actual revenues collected through the first quarter totaled \$426,359. This amount represents 98% of the adopted budget total with 25% of the fiscal year complete. The following table compares budgeted and actual revenues through the first quarter.

Revenue Units	Budgeted	Actuals Through 1 st Quarter	\$ Difference	% Collected
Intergovernmental	422,437	419,350	(3,087)	99.2
Service Charges	10,500	6,622	(3,878)	63.1
Investments	3,000	387	(2,613)	12.9
Total	\$435,937	\$426,359	(\$9,578)	97.8

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$441,016 in total revenues and produce a surplus of \$5,079 or 1.2%. An expanded discussion on budgeted and actual revenues through the first quarter within the Commission’s three revenue units along with projected year-end totals follows.

Intergovernmental Fees

The Commission budgeted \$422,437 in intergovernmental fees in 2013-2014. Nearly half of the total was invoiced to the County of Napa in the amount of \$209,675. 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 \$33,757 for American Canyon, \$12,389 for Calistoga, \$140,020 for Napa, \$13,957 for St. Helena, and \$9,552 for Yountville. All agency invoices were paid in full by the end of the first quarter. Staff projects the Commission will finish with a year-end deficit of (\$3,087) or (0.7%) in this account with the amount to be covered by drawing down on unreserved funds.

Service Charges

The Commission budgeted \$10,500 in service charges in 2013-2014. At the end of the first quarter, actual revenues collected within this unit totaled \$6,622 or 63% of the budgeted amount. The collected service charges are predominately tied to collecting a fee for additional staff hours needed in completing an annexation proposal involving the City of Napa.¹ A review of pending proposals suggests there may be upwards of four new applications filed in the near term. Staff believes it would be reasonable – for budgeting purposes – to assume only two of these proposals will be filed by the end of the fiscal year and would result in a year-end unit surplus of \$9,616 or 92%.

Investments

The Commission budgeted \$3,000 in investment income in 2013-2014 based on actual revenues collected during the first two quarters of the prior fiscal year. 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. At the end of the first quarter, actual revenues collected within this unit totaled \$387 or 13% of the budgeted amount. The Commission is on pace to finish the fiscal year with \$1,550 in investment income, resulting in an account deficit of (\$1,450) or (48%).

¹ The referenced proposal is titled Levitin Way No. 1 Annexation.

Operating Expenses

Operating expenses budgeted for 2013-2014 total \$462,799. Actual expenses collected through the first quarter, including encumbrances, totaled \$200,573. This amount represents 43% of the adopted budget total with 25% of the fiscal year complete. The following table compares budgeted and actual expenses through the first quarter.

Expense Units	Adopted	Actuals Through 1 st Quarter	\$ Difference	% Remaining
Salaries/Benefits	281,236	79,059	202,176	71.9
Services/Supplies	181,564	121,514	60,050	33.1
Contingencies	-	-	-	-
Total	462,799	200,573	262,226	56.7

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$482,484 in total expenses and produce a deficit of (\$19,685) or (4.3%). 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 \$281,236 in salaries and benefits for 2013-2014. At the end of the first quarter, the Commission’s actual expenses within the eight affected accounts totaled \$79,059, representing 28.1% of the budgeted amount. Five of the affected accounts – salaries/wages, commissioner pay, Medicare, employee insurance premiums, and workers compensation – finished with balances exceeding 25% of their budgeted allocation. Staff projects the Commission will finish the fiscal year with a slight deficit of approximately (\$370) or (0.1%) in the unit with the majority of the amount tied to higher than expected Medicare costs.

Services/Supplies

The Commission budgeted \$181,564 in services and supplies for 2013-2014. At the end of the first quarter, the Commission’s actual expenses within the 21 affected accounts totaled \$121,514, which represents 66.9% of the budgeted amount. 11 of the affected accounts – accounting/auditing, information technology service, legal services, consulting services, rents/leases: equipment, building/land, insurance – liability, training/conferences, business travel/mileage, memberships/certifications, and utilities (electric) finished with balances exceeding 25% of their budgeted allocation. Staff projects the Commission will finish the fiscal year with a moderate deficit of approximately (\$19,315) or (10.6%) and primarily tied to an elevated need for legal services in the absence of a full-time Executive Officer paired with a higher number of staff and Commissioners than originally expected attending the California Association of LAFCOs Annual Conference in August.

Contingencies

The Commission did not budget funds for contingencies in 2013-2014, and instead will rely on its unreserved fund balance to address any unexpected costs.

B. Analysis

Activity through the end of the first quarter indicates the Commission is on pace to finish 2013-2014 with an operating deficit of (\$41,468). This projected deficit in the Commission's year-end financial standing is attributed – among other factors – to hiring the Acting Executive Officer paired with recruitment costs to hire a full-time Executive Officer. If these projections prove accurate, the Commission's fund balance will be reduced from \$140,048 to \$98,580.

C. Recommendation

It is recommended the Commission formally accept the report as presented.

D. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative One (Recommended):

Accept the staff report as presented.

Alternative Two:

Continue consideration of the staff report to a future meeting and provide direction for more information as needed.

E. Procedures for Consideration

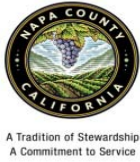
This item has been agendized as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully submitted,

Brendon Freeman
Analyst

Attachment:

- 1) 2013-2014 General Ledger through September 30, 2013



Statement of Revenues and Expenses Budget vs. Actual by Fund

8400 - Local Agency Formation Comm
Periods 1 through 12 of Fiscal Year: 2014

		Budget					Percent of		
		Adopted Budget	Adjustments	Adjusted Budget	Encumbrances	Actual YTD	YTD Total	Budget vs Actual	Budget
Revenues									
42690	Permits/Application Fees	10,000.00	-	10,000.00	-	6,372.00	6,372.00	(3,628.00)	63.72%
43910	County of Napa	211,218.55	-	211,218.55	-	209,675.02	209,675.02	(1,543.53)	99.27%
43950	Other-Governmental Agencies	211,218.55	-	211,218.55	-	209,675.01	209,675.01	(1,543.54)	99.27%
45100	Interest	3,000.00	-	3,000.00	-	387.40	387.40	(2,612.60)	12.91%
46800	Charges for Services	500.00	-	500.00	-	250.00	250.00	(250.00)	50.00%
47900	Miscellaneous	-	-	-	-	-	-	-	0.00%
Total Revenues		435,937.10	-	435,937.10	-	426,359.43	426,359.43	(9,577.67)	97.80%
Expenses									
51100	Salaries and Wages	212,019.15	(48,000.00)	164,019.15	-	47,159.63	47,159.63	116,859.52	28.75%
51205	Cell Phone Allowance	840.00	-	840.00	-	140.00	140.00	700.00	16.67%
51210	Director/Commissioner Pay	10,000.00	-	10,000.00	-	6,000.00	6,000.00	4,000.00	60.00%
51300	Medicare	3,012.22	-	3,012.22	-	1,067.32	1,067.32	1,944.90	35.43%
51400	Employee Insurance-Premiums	51,202.80	-	51,202.80	-	12,880.31	12,880.31	38,322.49	25.16%
51405	Workers Compensation	400.00	-	400.00	-	213.50	213.50	186.50	53.38%
51600	Retirement	39,595.42	-	39,595.42	-	8,556.97	8,556.97	31,038.45	21.61%
51605	Other Post Employment Benefits	12,166.00	-	12,166.00	-	3,041.54	3,041.54	9,124.46	25.00%
Total for: Salaries and Benefits		329,235.59	(48,000.00)	281,235.59	-	79,059.27	79,059.27	202,176.32	28.11%
52125	Accounting/Auditing Services	9,125.56	-	9,125.56	-	6,139.47	6,139.47	2,986.09	67.28%
52130	Information Technology Service	22,374.00	-	22,374.00	-	11,187.00	11,187.00	11,187.00	50.00%
52140	Legal Services	22,540.00	-	22,540.00	-	8,268.00	8,268.00	14,272.00	36.68%
52310	Consulting Services	-	48,000.00	48,000.00	45,257.62	2,742.38	48,000.00	-	100.00%
52515	Maintenance-Software	-	-	-	-	3,792.90	3,792.90	(3,792.90)	0.00%
52600	Rents and Leases - Equipment	6,000.00	-	6,000.00	4,745.35	1,332.25	6,077.60	(77.60)	101.29%
52605	Rents and Leases - Bldg/Land	25,560.00	-	25,560.00	14,910.00	10,650.00	25,560.00	-	100.00%
52700	Insurance - Liability	34.63	-	34.63	-	17.50	17.50	17.13	50.53%
52705	Insurance - Premiums	118.00	-	118.00	-	-	-	118.00	0.00%
52800	Communications/Telephone	2,950.00	-	2,950.00	-	227.40	227.40	2,722.60	7.71%
52830	Publications & Legal Notices	1,500.00	-	1,500.00	-	295.67	295.67	1,204.33	19.71%
52835	Filing Fees	850.00	-	850.00	-	-	-	850.00	0.00%
52900	Training/Conference Expenses	4,000.00	-	4,000.00	-	5,909.21	5,909.21	(1,909.21)	147.73%



Statement of Revenues and Expenses Budget vs. Actual by Fund

8400 - Local Agency Formation Comm
Periods 1 through 12 of Fiscal Year: 2014

		Budget						Percent of	
		Adopted Budget	Adjustments	Adjusted Budget	Encumbrances	Actual YTD	YTD Total	Budget vs Actual	Budget
52905	Business Travel/Mileage	5,000.00	-	5,000.00	-	2,039.08	2,039.08	2,960.92	40.78%
53100	Office Supplies	5,000.00	-	5,000.00	-	1,195.01	1,195.01	3,804.99	23.90%
53105	Office Supplies-Furn & Fixture	3,931.00	-	3,931.00	-	-	-	3,931.00	0.00%
53110	Freight/Postage	800.00	-	800.00	-	100.00	100.00	700.00	12.50%
53120	Memberships/Certifications	2,292.96	-	2,292.96	-	2,300.00	2,300.00	(7.04)	100.31%
53205	Utilities - Electric	1,500.00	-	1,500.00	-	405.00	405.00	1,095.00	27.00%
53415	Computer Software/Licensing Fe	3,487.73	-	3,487.73	-	-	-	3,487.73	0.00%
53600	Special Departmental Expense	2,500.00	14,000.00	16,500.00	-	-	-	16,500.00	0.00%
Total for: Services and Supplies		119,563.88	62,000.00	181,563.88	64,912.97	56,600.87	121,513.84	60,050.04	66.93%
Total for: Other Expenses		-	-	-	-	-	-	-	0.00%
Total Expenditures		448,799.47	14,000.00	462,799.47	64,912.97	135,660.14	200,573.11	262,226.36	43.34%
Net Surplus (Deficit)		(12,862.37)	(14,000.00)	(26,862.37)	(64,912.97)	290,699.29	225,786.32		