



Local Agency Formation Commission
Subdivision of the State of California

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December 5, 2011
Agenda Item No. 5a (Consent/Action)

November 28, 2011

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: First Quarter Budget Report for 2011-2012

The Commission will review a first quarter budget report for 2011-2012. The report compares budgeted versus actual revenues and expenses through the first three months of the fiscal year. The report projects the Commission is on pace to slightly improve its budgeted operating funding gap from (\$27,081) to (\$22,000). The report is being presented to the Commission to receive and file.

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") adopted final budget for 2011-2012 through the end of the first quarter totaled \$422,522. This amount represents the total approved operating expenditures for the fiscal year within the Commission's three expense units: salaries/benefits; services/supplies; and contingencies/reserves. Budgeted revenues, comparatively, through the end of the first quarter totaled \$371,020 within three revenue units: agency contributions; service charges; and investments. Markedly, an operating shortfall of (\$27,081) was intentionally budgeted to reduce the funding requirements of the local agencies given the recession and to be covered by drawing down on unreserved funds. The audited unreserved fund balance totaled \$131,692 as of July 1, 2011.

Note: The first quarter report evaluates actual revenues and expenses to budgeted amounts as of September 30, 2011; subsequent amendments to the final budget made after the referenced date are not included.

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville
Joan Bennett, Commissioner
Councilmember, City of American Canyon
Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Bill Dodd, Chair
County of Napa Supervisor, 4th District
Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District
Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public
Gregory Rodeno, Alternate Commissioner
Representative of the General Public
Keene Simonds
Executive Officer

Overall Revenues

Actual revenues collected through the first quarter totaled \$388,915. 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.

Budget Units	Adopted Revenues As of 9/31/11	Actual Revenues Through 1 st Quarter	Difference	% Collected
Agency Contributions	383,101	383,101	0	100
Service Charges	10,000	4,494	(5,506)	45
Investments	2,340	1,320	(1,020)	56
Total	\$395,441	\$388,915	(\$6,526)	98

An expanded discussion on budgeted and actual revenues through the first quarter within the Commission’s three revenue units follows.

Agency Contributions

The Commission budgeted \$383,101 in agency contributions. Half of the total was invoiced to the County of Napa in the amount of \$191,551. The remaining amount was proportionally invoiced based on a weighted calculation of population and general tax revenues to the Cities of American Canyon, Calistoga, Napa, St. Helena, and Yountville in the amounts of \$32,912, \$11,393, \$126,330, \$12,997, and \$7,917, respectively. All agency invoices were paid in full at the end of the first quarter.

Service Charges

The Commission budgeted \$10,000 in service charges. At the end of the first quarter, actual revenues collected within this unit totaled \$4,494 or 55% of the budgeted amount. The collected service charges are entirely attributed to the *Garfield Lane No. 2 Annexation to the Napa Sanitation District* proposal. Staff anticipates at least two additional annexation proposals of similar scope will be filed by the end of the fiscal year and will produce a year-end balance of \$13,482. This would result in the Commission finishing with a unit surplus of \$3,482.

Investments

The Commission budgeted \$2,340 in investment income based on actual revenues received during the prior fiscal year. This fiscal year’s budgeted amount is entirely tied to interest earned on the Commission’s fund balance, which is under investment by the County of Napa Treasurer. The balance within this account at the end of the first quarter totaled \$1,320 or 44% of the budgeted amount. The Commission is on pace to finish the fiscal year, accordingly, with \$5,280 in investment income, and would result in an account surplus of \$2,940.

Overall Expenses

Actual expenses booked through the first quarter, including encumbrances, totaled \$115,482. This amount represents 73% of the adopted budget total with 25% of the fiscal year complete. The following table compares budgeted and actual expenses through the first quarter.

Budget Units	Adopted Expenses As of 9/31/11	Actual Expenses Through 1 st Quarter	Difference	% Remaining
Salaries/Benefits	304,503	64,017	240,485	79
Services/Supplies	118,019	51,466	66,553	56
Contingencies/Reserves	-	-	-	-
Total	422,522	115,482	307,038	73

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 \$293,973 in salaries and benefits. At the end of the first quarter, the Commission’s actual expenses within the 10 affected accounts totaled \$64,017, representing 21% of the budgeted amount. None of the affected accounts finished the first quarter with balances below 75%. Staff does not anticipate a year-end balance at this time.

Services/Supplies

The Commission budgeted \$115,575 in services and supplies. At the end of the first quarter, the Commission’s actual expenses within the 16 affected accounts totaled \$51,466, which represents 68% of the budgeted amount. Six accounts – information technology services, memberships, general office expenses, property lease, special office expenses, and training - finished the first quarter with balances below 75%. A summary of expenditures in these six accounts follows.

Information Management Services

This account covers the Commission’s annual costs for contract services relating to computers, networks, and related technology. The Commission budgeted \$24,31 in this account with four-fifths dedicated to funding computer and network services provided by the County of Napa. At the end of the first quarter, expenses in this account totaled \$7,571, which represents approximately 30% of the total amount budgeted. The full prepayment of the Commission’s annual support service cost for electronic document management services with Incrementum is the principle factor in pushing the account balance below 75%. An end-of-year account deficit is not expected.

Membership

This account covers the Commission's annual membership fee for the California Association of Local Agency Formation Commissions (CALAFCO). The Commission's budgeted membership fee is \$2,275 and reflects the amount approved by CALAFCO as part of an updated annual fee schedule in September 2008. CALAFCO recently suspended all fee increases due to the economy, which lowers the Commission's annual membership due to \$2,200. This reduced membership fee was collected in full by CALAFCO at the beginning of the fiscal year, leaving a remaining balance of \$75, or 3%.

General Office Expenses

This account covers the Commission's general overhead costs ranging from a copy machine lease with Xerox to biweekly purchases with Office Depot. The Commission's budgeted general office expense is \$12,000. At the end of the first quarter, the Commission spent \$7,452 in this account, which represents approximately 62% of the total amount budgeted. The majority of the actual expenses are attributed to encumbering the Commission's full cost to lease its copy machine with Xerox at the beginning of the fiscal year. Staff will continue to monitor this account to help ensure a year-end deficit does not occur.

Property Lease

This account covers the Commission's annual office space lease at 1700 Second Street in Napa. The Commission's budgeted property lease total is \$29,280 based on the current monthly rental charge of \$2,440.¹ The County Auditor's Office has encumbered the full annual rental amount at the beginning of the fiscal year to expedite monthly payments to the property manager.

Special Departmental Expenses

This account covers the Commission's special overhead and one-time purchases. The Commission's budgeted special department expense total is \$1,000. At the end of the first quarter, the Commission spent \$1,534 in this account, which represents approximately 153% of the total amount budgeted. Nearly two-thirds of the actual expenses are directly tied to the recent CALAFCO Annual Conference held at the Silverado Resort and Spa, including paying for the box lunches provided during the mobile workshops. CALAFCO will be reimbursing the Commission for all Conference related expenses shortly and an end-of-year account deficit is not expected.

¹ The monthly rental fee at 1700 Second Street is fixed at \$2,440 through June 2012.

Training

This account is used for a variety of instructional activities for commissioners and staff. The Commission's budgeted training expense is \$4,000. At the end of the first quarter, expenses in this account totaled \$2,238, which represents approximately 56% of the total amount budgeted. Nearly all actual expenses in this account are attributed to registration costs for the CALAFCO Annual Conference at the Silverado Resort and Spa. Staff will continue to monitor this account to help ensure a year-end deficit does not occur.

Contingencies/Reserves

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

B. Analysis

Activity within the first quarter indicates the Commission is on pace to finish 2011-2012 with a deficit operating balance of (\$22,000); an amount that represents a slight improvement compared to the deficit operating balance of (\$27,081) budgeted at the beginning of the fiscal year. The slight improvement is attributed to anticipated surpluses in budgeted service charges and investments as detailed on page two of this report. If these projections prove accurate, the Commission will finish the fiscal year with an unreserved fund balance of approximately \$110,000; an amount that is likely to meet the Commission's policy objective of maintaining a minimum of three months of operating expenses at the beginning of each new fiscal year.

C. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative One: Receive and file 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.

D. Recommendation

It is recommended the Commission proceed with Alternative One as outlined in the preceding section.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

1) Adopted 2011-2012 Operating Budget: General Ledger through September 30, 2011



Local Agency Formation Commission of Napa County

Subdivision of the State of California

2011-2012 Operating Budget: First Quarter Report

Expenses

		FY2008-09		FY2009-10		FY2010-11		FY2011-12		
		Adopted FY08-09	Actual FY08-09	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Final FY11-12	Through 9/31 FY11-12	% Available FY11-12
Salaries and Benefits										
<u>Account</u>	<u>Description</u>									
51100000	Regular Salaries	168,905.43	152,952.55	195,580.00	193,055.65	198,346.60	198,280.48	199,647.00	43,018.72	78.5%
51300500	Group Health Insurance	40,148.04	21,405.57	36,471.00	29,210.94	37,953.96	33,872.67	45,648.12	9,267.30	79.7%
51300100	Retirement: Pension (CalPers)	34,550.93	26,282.61	34,064.00	33,015.37	34,991.95	34,924.41	36,205.00	7,854.00	78.3%
51200500	Commissioner Per Diems	9,600.00	4,400.00	9,600.00	5,100.00	9,600.00	4,900.00	9,600.00	700.00	92.7%
51300120	Retirement: Non-Pension	11,295.00	11,296.00	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	2,335.25	75.0%
51300300	Medicare	2,826.27	2,440.46	2,836.00	2,657.51	2,876.49	2,738.20	2,895.00	598.55	79.3%
51301800	Cell Phone Allowance	840.00	845.14	840.00	843.50	840.00	843.50	840.00	161.00	80.8%
51301200	Workers Compensation	149.00	149.00	168.00	168.00	226.00	226.00	327.00	81.75	75.0%
51200100	Extra Help	26,010.00	26,283.11	-	-	-	-	-	-	-
51200200	Overtime	-	-	-	-	-	-	-	-	-
		<u>294,324.67</u>	<u>246,054.44</u>	<u>288,265.00</u>	<u>272,756.97</u>	<u>293,973.00</u>	<u>284,923.26</u>	<u>304,503.12</u>	<u>64,016.57</u>	<u>79.0%</u>
Services and Supplies										
<u>Account</u>	<u>Description</u>									
52240500	Property Lease	27,000.00	27,000.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	0.0%
52180500	Legal Services	26,320.00	19,129.61	24,990.00	17,938.31	26,010.00	17,659.74	22,540.00	-	100.0%
52180200	Information Technology Services	17,768.00	17,768.04	22,438.00	19,182.50	18,438.91	17,625.42	24,630.83	7,570.64	69.3%
52170000	Office Expenses	15,000.00	10,916.66	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	7,451.69	37.9%
52180510	Audit and Accounting Services	7,507.00	6,182.37	7,883.00	7,819.33	8,277.15	7,301.48	8,691.01	899.31	89.7%
52250800	Training	4,000.00	2,530.53	4,000.00	5,475.00	4,000.00	3,969.00	4,000.00	2,238.00	44.1%
52250000	Transportation and Travel	4,000.00	1,716.91	3,500.00	4,510.88	3,500.00	5,171.79	3,500.00	73.64	97.9%
52070000	Communications	3,500.00	1,720.96	3,500.00	1,205.16	3,500.00	1,640.02	2,000.00	54.92	97.3%
52150000	Memberships	2,200.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	3.3%
52190000	Publications and Notices	1,500.00	2,490.22	1,500.00	1,112.17	1,500.00	1,433.43	1,500.00	-	100.0%
52235000	Special Departmental Purchases	56,000.00	50,081.73	1,000.00	1,095.25	1,000.00	2,482.00	1,000.00	1,534.22	-53.4%
52251200	Private Mileage	1,000.00	1,051.07	1,000.00	533.60	1,000.00	1,297.66	1,000.00	32.91	96.7%
52243900	Filing Fees	850.00	300.00	850.00	250.00	850.00	450.00	850.00	50.00	94.1%
52250700	Meals Reimbursement - Taxable	-	-	500.00	588.92	500.00	171.97	500.00	-	100.0%
52100300	Insurance: Liability	546.00	545.00	347.00	347.00	444.00	444.00	321.00	80.25	75.0%
53980200	Capital Replacement*	-	-	-	3,931.30	3,931.40	3,931.40	3,931.40	-	100.0%
		<u>167,191.00</u>	<u>143,633.10</u>	<u>118,063.00</u>	<u>105,166.62</u>	<u>119,506.46</u>	<u>104,685.99</u>	<u>118,019.23</u>	<u>51,465.58</u>	<u>56.4%</u>
Contingencies and Reserves										
<u>Account</u>	<u>Description</u>									
54000900	Operating Reserve	40,651.57	-	40,632.80	-	-	-	-	-	-
54001000	Consultant Contingency	50,000.00	-	50,000.00	-	-	-	-	-	-
		<u>90,651.57</u>	<u>-</u>	<u>90,632.80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSE TOTALS		<u><u>552,167.24</u></u>	<u><u>389,687.54</u></u>	<u><u>496,960.80</u></u>	<u><u>377,923.59</u></u>	<u><u>413,479.46</u></u>	<u><u>389,609.25</u></u>	<u><u>422,522.35</u></u>	<u><u>115,482.15</u></u>	<u><u>72.7%</u></u>

Revenues

		FY2008-09		FY2009-10		FY2010-11		FY2011-12		
		Adopted FY08-09	Actual FY08-09	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Final FY11-12	Through 9/31 FY11-12	% Collected FY11-12
Intergovernmental Contributions										
<u>Account</u>	<u>Description</u>									
45080600	County of Napa	-	176,382.73	-	153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	100%
45082200	City of Napa	-	119,820.40	-	105,428.75	119,646.81	119,647.00	126,330.38	126,330.35	100%
45082400	City of American Canyon	-	27,179.61	-	22,010.54	27,468.37	27,468.00	32,912.04	32,912.04	100%
45082300	City of St. Helena	-	12,134.39	-	11,135.35	12,656.54	12,657.00	12,997.37	12,997.37	100%
45082100	City of Calistoga	-	9,714.01	-	8,742.73	10,642.45	10,642.00	11,393.34	11,393.00	100%
45082500	Town of Yountville	-	7,534.31	-	6,648.33	7,595.60	7,596.00	7,917.37	7,917.37	100%
		-	<u>352,765.45</u>	-	<u>307,931.40</u>	<u>356,019.55</u>	<u>356,020.00</u>	<u>383,101.00</u>	<u>383,100.63</u>	<u>100%</u>
Service Charges										
<u>Account</u>	<u>Description</u>									
46003400	Standard Applications Fees	-	16,155.00	-	18,437.00	10,000.00	24,293.00	10,000.00	4,494.00	45%
46003300	Special Application Fees	-	120.00	-	625.00	-	3,187.00	-	-	-
48040000	Miscellaneous	-	-	-	156.30	-	-	-	-	-
		-	<u>16,275.00</u>	-	<u>19,218.30</u>	<u>10,000.00</u>	<u>27,480.00</u>	<u>10,000.00</u>	<u>4,494.00</u>	<u>45%</u>
Investments										
<u>Account</u>	<u>Description</u>									
44000300	Interest	-	10,458.70	-	3,791.48	5,000.00	2,570.00	2,340.00	1,320.45	56%
		-	<u>10,458.70</u>	-	<u>3,791.48</u>	<u>5,000.00</u>	<u>2,570.00</u>	<u>2,340.00</u>	<u>1,320.45</u>	<u>56%</u>
	REVENUE TOTALS	-	<u>379,499.15</u>	-	<u>330,941.18</u>	<u>371,019.55</u>	<u>386,070.00</u>	<u>395,441.00</u>	<u>388,915.08</u>	<u>98.3%</u>

OPERATING DIFFERENCE	-	(10,188.39)	-	(43,051)		(3,539)		(27,081.35)		
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FUND BALANCE

Beginning:		204,686		206,231		150,070		143,487		
<i>Reserved</i>		-		<i>19,657</i>		<i>15,726</i>		<i>131,692</i>		
<i>Unreserved</i>		204,686		<i>186,574</i>		<i>134,344</i>		<i>11,795</i>		
Ending:		206,231		150,070		143,487				
<i>Reserved</i>		<i>19,657</i>		<i>15,726</i>		<i>131,692</i>				
<i>Unreserved</i>		<i>186,574</i>		<i>134,344</i>		<i>11,795</i>				

Minimum Three Month Operating Balance:	138,042	124,240.20	103,369.87	105,630.59
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