



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: June 4, 2018

SUBJECT: Third Quarter Budget Report for 2017-2018

SUMMARY

This item is being presented to the Commission for information purposes only. The Commission will review a third quarter budget report for 2017-2018. The report compares budgeted versus actual transactions through March 31, 2018. The report projects the Commission is on pace to improve its year-end financial position by eliminating its budgeted funding gap of \$81,075 and finish with an overall operating surplus of \$53,664.

ANALYSIS

The Commission's adjusted budget for 2017-2018 totals \$534,023. 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 \$81,075 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"). The Commission's reserves totaled \$405,435 as of July 1, 2017.

Adjusted Budget Operating Expenses	Adjusted Budget Operating Revenues	Adjusted Budget Year-End Operating Balance
\$534,023	\$452,948	(\$81,075)

Margie Mohler, Chair
Councilmember, Town of Yountville

Scott Sedgley, Commissioner
Councilmember, City of Napa

Kenneth Leary, Alternate Commissioner
Councilmember, City of American Canyon

Brad Wagenknecht, Vice 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

Gregory Rodeno, Commissioner
Representative of the General Public

Vacant, 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 third quarter totaled \$442,242. This amount represents 97.6% of the adopted budget total with 75% of the fiscal year complete. The following table compares budgeted and actual revenues through the third quarter.

Revenue Units	Adjusted Budget	End of 3rd 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	\$5,073	\$73	101.5%
Total	\$452,948	\$442,242	(\$10,706)	97.6%

Actuals through the third quarter and related analysis suggest the Commission will finish the fiscal year with \$449,223 in total revenues, resulting in a deficit of \$3,725 or 0.8% relative to the budgeted amount. An expanded discussion on budgeted and actual revenues through the third 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 third 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 one new proposals will be filed during the remaining quarter, which would result in a year-end unit total of \$15,012 and a deficit of \$5,488 or 26.8%.

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 third quarter totaled \$5,073 or 101.5% of the budgeted amount. It is reasonable to assume the remaining quarter will generate a similar proportional amount and would result in a year-end unit total of \$6,763 and a surplus of \$1,763 or 35.2%.

Operating Expenses

The Commission's operating expenses for 2017-2018 are budgeted at \$534,023.¹ Actual expenses through the third quarter totaled \$301,218. This amount represents 56.4% of the budgeted total with 75% of the fiscal year complete. The following table compares budgeted and actual expenses through the third quarter.

Expense Units	Adjusted Budget	End of 3rd Quarter	Dollar Difference	Percent Expended
Salaries/Benefits	\$359,700	\$183,193	(\$176,507)	50.9%
Services/Supplies	\$174,323	\$118,025	(\$56,298)	67.7%
Contingencies	\$0	\$0	\$0	0.0%
Total	\$534,023	\$301,218	\$232,805	56.4%

Actuals through the third quarter and related analysis suggest the Commission will finish the fiscal year with \$395,559 in total expenses and produce an expense surplus/savings of \$138,464 or 25.9% relative to the budgeted amount. 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 \$359,700 in salaries and benefits for 2017-2018. At the end of the third quarter, the Commission's actual expenses within the 12 accounts totaled \$183,193, representing 50.9% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$243,810 and a surplus/savings of \$115,890 or 32.2%. Projected savings are primarily associated with the existing vacancy in the Analyst position.

Services/Supplies

The Commission budgeted \$174,323 in services and supplies for 2017-2018. At the end of the third quarter, the Commission's actual expenses within the 26 accounts totaled \$118,025, which represents 67.7% of the budgeted amount. Staff projects the Commission will finish the fiscal year with a unit total of \$151,749 and a surplus/savings of \$22,574 or 12.9%. Projected savings are primarily associated with anticipated consultant contract costs relative to the originally budgeted amounts.

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. On April 2, 2018, the Commission approved a second budget adjustment to increase the Legal Services expense account (Account No. 52140) by \$8,500 to be covered by drawing down on reserves.

It is important to note there are three expense accounts in the Services/Supplies budget unit that are projected to exceed the budgeted amounts. These accounts are summarized below.

- ITS – Records Management Services (Account No. 52132) is projected to total \$6,296 at the end of the fiscal year. This is a new expense account that was not originally included in the adopted budget. This expense appeared during the first quarter of the current fiscal year. Staff inquired about the new expense category and was informed that this account is tied to Information Technology Services (ITS) expenses provided by the County of Napa for records storage.² The new expense, which was not originally communicated to Commission staff, involves quarterly payments in the amount of \$1,574 during the current fiscal year. County ITS staff agreed to provide more transparent billing for similar projects in the future. This expense account represents a non-recurring cost for a specific project and therefore will not be in future budgets.
- Computer Equipment/Accessories (Account No. 53410) is projected to total \$539 at the end of the fiscal year. The amount budgeted for this account is \$500, resulting in a projected line-item deficit of \$39.
- Business Related Meals/Supplies (Account No. 53650) is projected to total \$571 at the end of the fiscal year. The amount budgeted for this account is \$350, resulting in a projected line-item deficit of \$221. This account in previous years was part of Business Travel/Mileage (Account No. 52905) and was recently reclassified into a standalone account. A more appropriate amount for this line-item is included in the Commission's 2018-2019 budget (see Item 6b on today's agenda).

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 Third Quarter Budget Sheet with Year-End Projections

² The Commission's historical paper records were moved by County Information Technology Services staff in 2016 as part of an electronic document management system back-filing project.



FY2017-2018 THIRD QUARTER BUDGET REPORT

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 YTD 3rd Quarter	%	Projected Year End
Salaries and Benefits										
<u>Account</u>	<u>Description</u>									
51100	147,625	150,093	152,582	138,142	194,226	157,926	230,519	112,978	49.0%	150,637
51200	1,000	300	-	2,000	1,000	1,000	1,000	1,000	100.0%	1,000
51205	840	682	840	401	420	404	420	297	70.7%	420
51210	10,000	11,125	11,000	9,375	11,000	12,750	11,000	7,500	68.2%	9,875
51300	3,012	2,410	3,251	1,951	3,374	2,334	3,500	1,641	46.9%	2,187
51305	-	496	500	395	550	490	500	289	57.8%	385
51400	44,796	27,679	42,936	25,002	51,754	34,190	51,818	26,198	50.6%	34,922
51405	428	428	500	461	2,221	2,221	719	539	75.0%	719
51600	39,853	27,040	43,791	24,721	43,690	30,437	46,010	21,188	46.1%	28,250
51601	-	-	-	-	-	-	-	(18)	New	(24)
51602	-	-	-	-	-	-	-	919	New	1,225
51605	12,321	12,321	14,751	14,750	14,987	14,987	14,214	10,662	75.0%	14,214
Total	259,875	232,575	270,151	217,197	323,222	256,739	359,700	183,193	50.9%	243,810
Services and Supplies										
<u>Account</u>	<u>Description</u>									
52105	-	75	150	-	300	-	100	-	0.0%	-
52125	10,000	8,128	10,000	7,496	9,500	7,655	9,500	6,335	66.7%	7,235
52130	24,000	23,663	24,052	24,052	24,052	24,052	16,859	12,644	75.0%	16,859
52132	-	-	-	-	-	-	-	4,722	New	6,296
52140	32,000	27,670	28,600	26,093	32,000	25,867	35,000	23,656	67.6%	31,500
52310	107,350	78,097	126,600	59,177	78,840	35,415	52,311	28,542	54.6%	34,892
52345	-	-	-	420	500	150	200	75	37.5%	150
52515	-	1,127	1,500	1,869	2,000	1,779	2,000	360	18.0%	1,779
52600	6,000	5,594	6,500	5,962	7,000	5,240	6,000	3,299	55.0%	5,060
52605	25,560	25,560	25,560	25,560	25,560	25,560	27,828	20,871	75.0%	27,828
52700	100	98	150	304	1,206	1,206	249	187	75.1%	249
52800	2,950	1,232	2,000	3,424	3,021	3,021	3,000	2,053	68.4%	2,813
52830	2,000	728	1,500	1,406	2,000	1,588	2,000	1,140	57.0%	1,458
52835	-	-	500	200	500	400	500	150	30.0%	150
52900	8,995	5,426	10,000	7,041	10,000	8,050	9,000	7,024	78.0%	7,120
52905	2,000	1,866	2,000	1,110	2,000	830	1,500	1,106	73.7%	1,833
52906	-	-	-	-	-	38	100	-	0.0%	-
53100	4,000	3,410	4,000	2,435	4,000	1,949	3,000	1,291	43.0%	1,441
53110	800	250	500	200	500	250	300	147	49.0%	200
53120	2,335	2,335	2,381	2,381	2,548	2,548	2,726	2,726	100.0%	2,726
53205	1,500	1,107	1,100	1,261	1,600	1,121	1,300	750	57.7%	1,050
53410	-	4,993	-	-	-	418	500	539	107.8%	539
53415	2,500	6,150	500	-	1,000	145	-	-	-	-
53600	15,150	129	4,000	113	3,500	595	-	-	-	-
53650	-	-	-	-	-	652	350	408	116.6%	571
54600	3,940	-	3,940	-	-	-	-	-	-	-
Total	251,180	197,638	255,533	170,504	211,606	148,529	174,323	118,025	67.7%	151,749
Contingencies										
<u>Account</u>	<u>Description</u>									
58100	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
EXPENSE TOTALS	511,055	430,212	525,684	387,701	534,828	405,268	534,023	301,218	56.4%	395,559

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 YTD 3rd Quarter	%	Projected Year End
Intergovernmental										
<u>Account</u>	<u>Description</u>									
43910	215,853	215,853	224,972	224,972	224,972	224,972	213,724	213,724	100.0%	213,724
43950	215,853	215,853	224,972	224,972	224,972	224,972	213,724	213,724	100.0%	213,724
----	144,529	144,529	149,571	149,571	149,066	149,066	143,028	143,028	100.0%	143,028
----	34,422	34,422	35,997	35,997	35,330	35,330	34,380	34,380	100.0%	34,380
----	14,145	14,145	14,582	14,582	15,908	15,908	13,856	13,856	100.0%	13,856
----	12,907	12,907	13,467	13,467	13,209	13,209	12,349	12,349	100.0%	12,349
----	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	10,000	48,462	30,000	26,322	30,000	5,043	20,000	9,471	47.4%	14,637
46800	500	1,375	500	625	500	250	500	250	50.0%	375
Total	10,500	31,863	30,500	26,947	30,500	5,293	20,500	9,721	47.4%	15,012
Investments										
45100	2,000	2,202	2,000	2,246	2,000	4,592	5,000	5,073	101.5%	6,763
Total	2,000	2,202	2,000	2,246	2,000	4,592	5,000	5,073	101.5%	6,763
REVENUE TOTALS	444,205	465,770	482,444	479,137	482,444	459,829	452,948	442,242	97.6%	449,223
OPERATING DIFFERENCE	(66,850)	35,557	(43,240)	91,436	(52,384)	54,561	(81,075)			53,664

Negative Balance Indicates Use of Reserves