



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 3, 2012
Agenda Item No. 5a (Consent/Action)

November 26, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: First Quarter Budget Report for 2012-2013

The Commission will review a first quarter budget report for 2012-2013. The report compares budgeted versus actual transactions through one-fourth of the fiscal year. The report projects the Commission is on pace to improve its year-end financial position by eliminating its budgeted funding gap of (\$8,811) and finish with an overall operating surplus of \$2,955. 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") adopted final budget for 2012-2013 totals \$432,461. 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 \$423,650 and divided between intergovernmental fees, service charges, and investments. Markedly, an operating shortfall of (\$8,811) was intentionally 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. The pre-audit unreserved portion of the fund balance totaled \$118,523 as of July 1, 2012.

Budgeted Operating Expenses	Budgeted Operating Revenues	Budgeted Operating Balance
\$432,461	\$423,650	(\$8,811)

Lewis Chilton, Chair
Councilmember, Town of Yountville

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

Brian J. Kelly, Commissioner
Representative of the General Public

Joan Bennett, Commissioner
Councilmember, City of American Canyon

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

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

Operating Revenues

Operating revenues budgeted for 2012-2013 total \$423,650. Actual revenues collected through the first quarter totaled \$410,873. This amount represents 97% 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	Adopted	Actuals Through 1 st Quarter	\$ Difference	% Collected
Intergovernmental	409,574	409,574	0	100.0
Service Charges	10,000	1,299	(8,701)	12.9
Investments	4,076	0	(4,076)	0.0
Total	\$423,650	\$410,873	(\$12,777)	96.9

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$420,599 in total revenues and produce a deficit of (\$3,051) or (0.7%). 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 \$409,574 in intergovernmental fees in 2012-2013. Half of the total was invoiced to the County of Napa in the amount of \$204,787. 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 \$33,321 for American Canyon, \$12,095 for Calistoga, \$136,583 for Napa, \$14,153 for St. Helena, and \$8,635 for Yountville. All agency invoices were paid in full by the end of the first quarter.

Service Charges

The Commission budgeted \$10,000 in service charges in 2012-2013. At the end of the first quarter, actual revenues collected within this unit totaled \$1,299 or 13% of the budgeted amount. The collected service charges are predominately tied to collecting a fee for additional staff hours needed in completing a reorganization proposal involving the Napa Sanitation District and City of Napa.¹ A review of pending proposals suggests there may be upwards of five 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 deficit of (\$1,448) or (14.5%).

¹ The referenced proposal is titled Rosewood Lane No. 1 Reorganization.

Investments

The Commission budgeted \$4,076 in investment income in 2012-2013 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. First quarter earnings have not been issued for the current fiscal year. It is reasonable to assume, however, earnings will fall short and reflect the actual collection from the previous fiscal year, which significantly declined over the last two quarters. Staff anticipates, accordingly, a year-end unit deficit of (\$1,603) or (39.3%).

Operating Expenses

Actual expenses through the first quarter, including encumbrances, totaled \$109,047. This amount represents 25% of the budgeted 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	311,287	51,825	259,462	83.4
Services/Supplies	121,174	57,222	63,952	52.78
Contingencies	-	-	-	-
Total	432,461	109,047	323,414	74.8

Actuals in the first quarter and related analysis suggest the Commission will finish the fiscal year with \$417,644 in total expenses and produce a surplus/savings of \$14,817 or 3.4%. 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 \$311,287 in salaries and benefits for 2012-2013. At the end of the first quarter, the Commission's actual expenses within the 10 affected accounts totaled \$51,825, representing 16.7% of the budgeted amount. None of the affected accounts finished the first quarter with balances exceeding 25% of their budgeted allocation. Staff projects the Commission will finish the fiscal year with a moderate surplus of approximately \$16,180 or 5.2% in the unit with the majority of the savings tied to lower group insurance costs.

Services/Supplies

The Commission budgeted \$121,174 in services and supplies for 2012-2013. At the end of the first quarter, the Commission's actual expenses within the 20 affected accounts totaled \$57,222, which represents 47% of the budgeted amount. Six of the affected accounts – (1) building/land, (2) accounting/auditing, (3) rents/leases: equipment, (4) training/conferences, (5) computer software/license, and (6) memberships/certifications – finished with balances exceeding 25% of their budgeted allocation with expanded explanations provided below. Staff projects the Commission will finish the fiscal year with a slight deficit of approximately (\$1,363) or (1.1%) due to additional costs associated with the recent office relocation.

- Building/Land

This account covers the Commission's lease for office space at 1030 Seminary Street in Napa. The account was budgeted to equal the contracted annual lease amount of \$25,560, which is fixed over the next five fiscal years and results in a monthly payment of \$2,130. The entire annual lease amount was encumbered during the first quarter to expedite monthly payments as well as to reflect the Commission's financial obligation for office space for the fiscal year. An additional charge of \$2,000 was also billed during the first quarter to cover the Commission's security deposit. This additional charge will result in a corresponding deficit of (\$2,000) or (7.8%) in this account at the end of the fiscal year.

- Auditing and Accounting

This account primarily covers the Commission's annual costs for contracted financial support services provided by the County Auditor's Office. This includes processing accounts payable and receivable along with payroll. The account also covers costs to retain an outside consultant to prepare an annual audit for the prior completed fiscal year. The Commission budgeted \$9,126 in this account in 2012-2013. Expenses through the first quarter totaled \$4,725 or 52% of the budgeted amount. This entire expense amount incurred during the initial quarter is tied to encumbering the payment of an outside consultant (Gallina) to prepare an audit report for the prior fiscal year. No charges for financial support services from the Auditor's Office were received through September 30th. Staff projects the Commission will finish with a nominal surplus/deficit in this account at the end of the fiscal year.

- Rents/Leases: Equipment

This account currently covers the Commission's annual costs for leasing a copier/printer work station.² This includes the monthly equipment charge plus actual copy usage. The Commission budgeted \$6,500 in this account in 2012-2013. Expenses through the first quarter totaled \$6,000 or 92% of the budgeted amount. This entire expense amount incurred during the initial quarter is tied to encumbering the amount equal to the average actual lease cost over the last two years. The remaining amount – \$500 – has been set aside and may be needed for additional copy costs for the pending central county study. Staff projects the Commission will finish with a nominal surplus/deficit in this account at the end of the fiscal year.

² The referenced lease is with Xerox and extends between August 2010 and July 2015. The monthly equipment charge is \$362.

- Training/Conferences

This account is used for a variety of instructional activities for commissioners and staff with the majority of actual expenditures associated with the California Association of LAFCOs or CALAFCO. The Commission budgeted \$4,000 in this account in 2012-2013. Expenses through the first quarter totaled \$4,243 and represent 106% of the budgeted amount. All charges incurred during the initial quarter are tied to registering commissioners and staff for the recent CALAFCO Annual Conference.³ Staff projects the Commission will finish with an account deficit of (\$2,000) or (50%) at the end of the fiscal year due to other scheduled training sessions.

- Computer Software/License

This account is used to cover the Commission's annual fees for computer software services. The Commission budgeted \$3,487 in this account in 2012-2013 to cover three license fees that provide website hosting/updates, live video/audio streaming, and digital record archiving. Expenses through the first quarter totaled \$2,480 and represent 71% of the budgeted amount; all of which is tied to encumbering the entire contract amount for digital record archiving services. (Website hosting is billed quarterly and the video/audio streaming services are expected to be implemented in January 2013). Staff projects the Commission will finish with a nominal surplus/deficit in this account at the end of the fiscal year.

- Memberships/Certifications

This account currently covers the Commission's annual membership fee for CALAFCO. The Commission's budgeted membership fee is \$2,248 in 2012-2013 and was paid in full during the first quarter.

Contingencies

The Commission did not budget funds for contingencies in 2012-2013, and instead will rely on its unreserved fund balance to address any unexpected costs.

³ Attendees for the CALAFCO Annual Conference included six commissioners (Bennett, Chilton, Kelly, Inman, Rodeo, and Wagenknecht) and three staff (Simonds, Freeman, and Gong). CALAFCO's Annual Conference was held on October 3-5 at the Hyatt Regency in Monterey, California.

B. Analysis

Activity through the end of the first quarter indicates the Commission is on pace to finish 2012-2013 with an operating surplus of \$2,955; an amount that would represent a significant improvement compared to the (\$8,811) deficit budgeted at the beginning of the fiscal year. This projected improvement in the Commission's year-end financial standing is attributed – among other factors – to anticipated savings in budgeted employee health insurance as the premium rates are measurably lower than originally expected. Further, if these projections prove accurate, the Commission will be positioned to increase its unreserved fund balance from \$118,523 to \$121,477; a change that would mark the first year-end increase in reserves since 2007-2008.

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 Action One (Recommended):

Accept the staff report as presented.

Alternative Action 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,

Keene Simonds
Executive Officer

Attachment:

- 1) 2012-2013 General Ledger through September 30, 2012



Local Agency Formation Commission of Napa County

Subdivision of the State of California

FY2012-2013 Operating Budget: First Quarter Report

Amended as of October 1, 2012

Expenses

		FY2009-10		FY2010-11		FY2011-12		FY2012-13		
		Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Actual FY11-12	Adopted FY12-13	Actual 1st Quarter	Projected Year End
Salaries and Benefits										
<u>Account</u>	<u>Description</u>									
51100	Salaries and Wages	195,580.00	193,055.65	198,346.60	198,280.48	202,387.60	203,108.73	203,183.19	35,758.81	199,886.61
51400	Employee Insurance: Premiums	36,471.00	29,210.94	37,953.96	33,872.67	45,648.12	37,643.35	47,646.00	7,954.63	38,231.72
51600	Retirement	34,064.00	33,015.37	34,991.95	34,924.41	36,701.99	36,871.55	37,736.30	6,495.70	35,550.90
51605	Other Post Employment Benefits	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	9,341.00	12,139.00	-	12,139.00
51210	Commissioner/Director Pay	9,600.00	5,100.00	9,600.00	4,900.00	9,600.00	5,700.00	6,400.00	1,000.00	5,300.00
51300	Medicare	2,836.00	2,657.51	2,876.49	2,738.20	2,934.62	2,790.20	2,946.16	493.28	2,762.28
51205	Cell Phone Allowance	840.00	843.50	840.00	843.50	840.00	843.50	840.00	123.00	840.00
51405	Workers Compensation	168.00	168.00	226.00	226.00	327.00	327.00	396.00	-	396.00
51110	Extra Help	-	-	-	-	-	-	-	-	-
51115	Overtime	-	-	-	-	-	-	-	-	-
		288,265.00	272,756.97	293,973.00	284,923.26	307,780.33	296,625.33	311,286.64	51,825.42	295,106.51
Services and Supplies										
<u>Account</u>	<u>Description</u>									
52605	Rents and Leases: Building/Land	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	25,560.00	27,560.00	27,560.00
52140	Legal Services	24,990.00	17,938.31	26,010.00	17,659.74	22,540.00	17,593.30	22,540.00	2,219.18	18,863.03
52130	Information Technology Services	22,438.00	19,182.50	18,438.91	17,625.42	24,630.83	23,385.87	22,009.00	5,502.24	22,008.96
52125	Accounting/Auditing Services	7,883.00	7,819.33	8,277.15	7,301.48	8,691.01	7,340.78	9,125.56	4,725.00	9,125.56
52600	Rents and Leases: Equipment	-	-	-	-	-	-	6,500.00	6,000.00	6,500.00
53100	Office Supplies	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	14,508.46	5,500.00	246.9	5,246.90
52905	Business Travel/Mileage	4,500.00	5,044.48	4,500.00	6,469.45	5,000.00	2,253.35	5,000.00	1,029.03	4,839.03
52900	Training/Conference	4,500.00	6,063.92	4,500.00	4,140.97	4,000.00	5,141.00	4,000.00	4,243.00	6,243.00
53600	Special Departmental Purchases	1,000.00	1,095.25	1,000.00	2,482.00	1,000.00	426.64	3,500.00	-	3,500.00
53415	Computer Software/License	-	-	-	-	-	-	3,487.13	2,479.58	4,127.58
52800	Communications/Telephone	3,500.00	1,205.16	3,500.00	1,640.02	4,470.00	2,329.81	2,970.00	58.51	2,872.12
53120	Memberships/Certifications	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,248.40	2,248.40	2,248.40
53205	Utilities: Electric	-	-	-	-	-	-	1,500.00	363.42	1,363.42
52830	Publications and Notices	1,500.00	1,112.17	1,500.00	1,433.43	1,500.00	2,255.64	1,500.00	343.83	1,375.32
52835	Filing Fees	850.00	250.00	850.00	450.00	850.00	237.50	850.00	50.00	850.00
53110	Postage/Freight	-	-	-	-	-	-	800.00	77.42	654.84
52700	Insurance: Liability	347.00	347.00	444.00	444.00	321.00	321.00	153.00	-	153.00
52105	Election Services	-	-	-	-	-	-	-	75.00	75.00
53105	Office Supplies: Furniture/Fixtures	-	-	-	-	-	-	-	-	1,000.00
54600	Capital Replacement/Depreciation*	-	3,931.50	3,931.40	3,931.40	3,931.40	3,931.40	3,931.40	-	3,931.40
		118,063.00	105,166.62	119,506.46	104,685.99	120,489.23	111,204.75	121,174.49	57,221.51	122,537.56
Contingencies										
<u>Account</u>	<u>Description</u>									
58100	Appropriation for Contingencies	90,632.80	-	-	-	-	-	-	-	-
		90,632.80	-	-	-	-	-	-	-	-
EXPENSE TOTALS		496,960.80	377,923.59	413,479.46	389,609.25	428,269.56	407,830.08	432,461.13	109,046.93	417,644.07

Revenues

		FY2009-10		FY2010-11		FY2011-12		FY2012-13		
		Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Actual FY11-12	Adopted FY12-13	Actual 1st Quarter	Projected Year End
Intergovernmental										
Account	Description									
43910	County of Napa	-	153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	204,787.17
43950	Other Governmental Agencies		153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	204,787.17	204,787.17	204,787.17
----	<i>City of Napa</i>	-	105,428.75	119,646.81	119,647.00	126,330.38	126,330.38	136,583.40	136,583.40	136,583.40
----	<i>City of American Canyon</i>	-	22,010.54	27,468.37	27,468.00	32,912.04	32,912.04	33,320.64	33,320.64	33,320.64
----	<i>City of St. Helena</i>	-	11,135.35	12,656.54	12,657.00	12,997.37	12,997.37	14,152.67	14,152.67	14,152.67
----	<i>City of Calistoga</i>	-	8,742.73	10,642.45	10,642.00	11,393.34	11,393.34	12,095.39	12,095.39	12,095.39
----	<i>Town of Yountville</i>	-	6,648.33	7,595.60	7,596.00	7,917.37	7,917.37	8,635.07	8,635.07	8,635.07
			307,931.40	356,019.55	356,020.00	383,101.00	383,101.00	409,574.34	409,574.34	409,574.34
Service Charges										
42690	Application/Permit Fees	-	18,437.00	10,000.00	24,293.00	10,000.00	8,562.00	10,000.00	1,130.00	8,258.00
46800	Charges for Services	-	625.00	-	3,187.00	-	475.00	-	125.00	250.00
47900	Miscellaneous	-	156.30	-	-	-	50.00	-	44.00	44.00
			19,218.30	10,000.00	27,480.00	10,000.00	9,087.00	10,000.00	1,299.00	8,552.00
Investments										
45100	Interest	-	3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	-	2,472.66
			3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	-	2,472.66
	REVENUE TOTALS	-	330,941.18	371,019.55	386,070.00	395,441.00	394,660.66	423,650.34	410,873.34	420,599.00
OPERATING DIFFERENCE		-	(43,051)	(42,459.91)	(3,539)	(32,828.56)	(13,169.42)	(8,810.79)		2,954.93

UNRESERVED/UNRESTRICTED FUND BALANCE

Beginning:	186,574.00	134,344.00	131,692.00	118,522.58
Ending:	134,344.00	131,692.00	118,522.58	121,477.51