



Local Agency Formation Commission
Subdivision of the State of California

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February 6, 2012
Agenda Item No. 5a (Consent/Action)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Second Quarter Budget Report for 2011-2012

The Commission will review a second quarter budget report for 2011-2012. The report compares budgeted versus actual revenues and expenses through the first half of the fiscal year. The report projects the Commission is on pace to measurably improve its budgeted operating funding gap from (\$32,829) to approximately (\$13,900). 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 totals \$428,270. 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 total \$395,441 and include agency contributions, service charges, and investments. Markedly, an operating shortfall of (\$32,829) was intentionally budgeted to reduce the funding requirements of the local agencies and to be covered by drawing down on unreserved funds. Towards this end, the unreserved portion of the fund balance totaled \$131,692 as of July 1, 2011.

Budgeted Operating Revenues	Budgeted Operating Expenses	Budgeted Operating Balance
\$395,441	\$428,270	(\$32,829)

Lewis Chilton, Chair
Councilmember, Town of Yountville

Joan Bennett, Commissioner
Councilmember, City of American Canyon

Juliana Inman, Alternate Commissioner
Councilmember, City of Napa

Brad Wagenknecht, Vice 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, 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 second quarter totaled \$392,857. This amount represents 99% of the adopted budget total with 50% of the fiscal year complete. The following table compares budgeted and actual revenues through the second quarter.

Budget Units	Adopted Revenues	Actual Revenues Through 2 nd Quarter	Difference	% Collected
Agency Contributions	383,101	383,101	0	100
Service Charges	10,000	8,737	(1,263)	87
Investments	2,340	1,020	(1,320)	44
Total	\$395,441	\$392,857	(\$2,583)	99

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

Agency Contributions

The Commission budgeted \$383,101 in agency contributions in 2011-2012. 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 have been paid in full.

Service Charges

The Commission budgeted \$10,000 in service charges in 2011-2012. At the end of the second quarter, actual revenues collected within this unit totaled \$8,737 or 87% of the budgeted amount. The collected service charges are entirely attributed to two annexation proposals tied to the Napa Sanitation District. Staff does not anticipate – for budgeting purposes – another proposal will be filed by the end of the fiscal year, which would result in a year-end unit deficit of (\$1,263).

Investments

The Commission budgeted \$2,340 in investment income in 2011-2012 based on actual revenues collected 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 Treasurer. The balance in this account at the end of the second quarter totaled \$1,020 or 44% of the budgeted amount. This balance, however, reflects only the first quarter allocation; the second quarter allocation is not expected to be booked until early February. Accordingly, the Commission is on pace to finish the fiscal year with \$4,080 in investment income, and would result in a unit surplus of \$1,740.

Overall Expenses

Actual expenses through the second quarter, including encumbrances, totaled \$189,482. This amount represents 56% of the budgeted total with 50% of the fiscal year complete. The following table compares budgeted and actual expenses through the second quarter.

Budget Units	Adopted Expenses	Actual Expenses Through 2 nd Quarter	Difference	% Remaining
Salaries/Benefits	307,780	120,907	186,873	61
Services/Supplies	120,489	68,576	51,913	43
Contingencies/Reserves	-	-	-	-
Total	428,270	189,482	238,786	56

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 \$307,780 in salaries and benefits for 2011-2012. At the end of the second quarter, the Commission's actual expenses within the 10 affected accounts totaled \$120,907, representing 39% of the budgeted amount. None of the affected accounts finished the second quarter with balances below 50%. Staff projects the Commission will finish with a surplus of approximately \$12,790 in the unit with the majority of the savings tied to lower-than budgeted group insurance and per diem costs.

Services/Supplies

The Commission budgeted \$120,489 in services and supplies for 2011-2012. At the end of the second quarter, the Commission's actual expenses within the 16 affected accounts totaled \$68,576, which represents 57% of the budgeted amount. Seven of the affected accounts – audit and accounting, general office expenses, information technology services, memberships, private vehicle mileage, property lease, and training – finished with balances below 50%. Staff projects the Commission will finish with a surplus of approximately \$6,240 in the unit with the majority of the savings tied to lower-than-budgeted legal and travel costs.

The following discussion details expenses within the seven affected accounts that finished the second quarter at or below 50% of their budgeted allocation.

Audit and Accounting Services

This account primarily covers the Commission's annual costs for 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 \$8,691 in this account in 2011-2012. At the end of the second quarter, expenses in this account totaled \$5,624, which represents approximately 65% of the total amount budgeted. The largest expense during this period involved payment to an outside consultant (Gallina) to prepare an audit report for the 2010-2011 fiscal year at a cost of \$4,725. The remaining expenses are tied to payment to the Auditor's Office for work performed in the first quarter. Staff projects the Commission will finish with an account surplus of \$370 at the end of the fiscal year.

General Office Expenses

This account covers the Commission's general overhead costs ranging from a copy machine lease with Xerox to purchases with Office Depot. The Commission's budgeted general office expense is \$12,000 in 2011-2012. At the end of the second quarter, the Commission spent \$7,928 in this account, which represents approximately 66% of the total amount budgeted. The majority of the actual expenses are tied to encumbering the Commission's full cost to lease its copy machine at the beginning of the fiscal year. Staff projects the Commission will finish with an account surplus of \$1,000 at the end of the fiscal year.

Information Management Services

This account covers the Commission's annual costs for contract services relating to computers, networks, and related technology. The Commission budgeted \$24,631 in this account in 2011-2012 with four-fifths dedicated to funding computer and network services provided by the County of Napa. At the end of the second quarter, expenses in this account totaled \$12,713, which represents approximately 52% of the total amount budgeted. The full prepayment of the Commission's annual support service cost for electronic document management services with an outside vendor (Incrementum) is the principle factor in pushing the account balance below 50%. Staff projects the Commission will finish with an account surplus of \$500 at the end of the fiscal year.

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 in 2011-2012 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%.

Private Vehicle Mileage

This account covers same-day automobile travel costs for staff and commissioners with \$1,000 budgeted in 2011-2012. Through the end of the second quarter, expenses in this account have totaled \$606, which represents approximately 60% of the total amount budgeted. Expenses principally relate to travel within the Sacramento/Bay Area region to attend CALAFCO related meetings and training sessions. Staff projects the Commission will finish with a zero balance at the end of the fiscal year.

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.

Training

This account is used for a variety of instructional activities for commissioners and staff. The Commission's budgeted training expense is \$4,000 in 2011-2012. At the end of the second quarter, expenses in this account totaled \$4,891, which represents approximately 122% of the total amount budgeted. Nearly all of the booked expenses through the second quarter relate to registering staff and commissioners for the recent CALAFCO Conference and contracting with an outside consultant (Alta Mesa) to facilitate our biennial workshop. Staff projects the Commission will finish with an account deficit of (\$1,500) at the end of the fiscal year due to other scheduled training sessions for staff, including attending the CALAFCO Workshop in Murphys in late April.

Contingencies/Reserves

The Commission did not budget funds for contingencies or reserves in 2011-2012, and instead will rely on its unreserved fund balance to address any unexpected costs.

B. Analysis

Activity through the end of the second quarter indicates the Commission is on pace to finish 2011-2012 with a deficit operating balance of approximately (\$13,900); an amount that represents a sizeable improvement compared to the deficit operating balance of (\$32,829) budgeted at the beginning of the fiscal year. The referenced improvement is attributed to anticipated savings in budgeted costs involving group insurance, per diems, legal, and travel. Further, if these projections prove accurate, the Commission will finish the fiscal year with an unreserved fund balance of approximately \$117,700; 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.

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

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.

E. Procedures for Consideration

This item has been agendaized 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) Adopted 2011-2012 Operating Budget: General Ledger through December 31, 2011



Local Agency Formation Commission of Napa County
 Subdivision of the State of California

2011-2012 Operating Budget: Second 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 12/31 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	202,387.40	82,118.72	59.4%
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	16,982.27	62.8%
51300100	Retirement: Pension (CalPers)	34,550.93	26,282.61	34,064.00	33,015.37	34,991.95	34,924.41	36,702.14	14,934.45	59.3%
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	2,900.00	69.8%
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	2,934.74	1,136.46	61.3%
51301800	Cell Phone Allowance	840.00	845.14	840.00	843.50	840.00	843.50	840.00	336.00	60.0%
51301200	Workers Compensation	149.00	149.00	168.00	168.00	226.00	226.00	327.00	163.50	50.0%
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>307,780.40</u>	<u>120,906.65</u>	<u>60.7%</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	3,177.41	85.9%
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	12,713.00	48.4%
52170000	Office Expenses	15,000.00	10,916.66	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	7,927.69	33.9%
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	5,624.31	35.3%
52250800	Training	4,000.00	2,530.53	4,000.00	5,475.00	4,000.00	3,969.00	4,000.00	4,891.00	-22.3%
52250000	Transportation and Travel	4,000.00	1,716.91	3,500.00	4,510.88	3,500.00	5,171.79	4,000.00	665.54	83.4%
52070000	Communications	3,500.00	1,720.96	3,500.00	1,205.16	3,500.00	1,640.02	4,470.00	619.31	86.1%
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	168.91	88.7%
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	392.63	60.7%
52251200	Private Mileage	1,000.00	1,051.07	1,000.00	533.60	1,000.00	1,297.66	1,000.00	605.51	39.4%
52243900	Filing Fees	850.00	300.00	850.00	250.00	850.00	450.00	850.00	150.00	82.4%
52250700	Meals Reimbursement - Taxable	-	-	500.00	588.92	500.00	171.97	-	-	-
52100300	Insurance: Liability	546.00	545.00	347.00	347.00	444.00	444.00	321.00	160.50	50.0%
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>120,489.23</u>	<u>68,575.81</u>	<u>43.1%</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>552,167.24</u>	<u>389,687.54</u>	<u>496,960.80</u>	<u>377,923.59</u>	<u>413,479.46</u>	<u>389,609.25</u>	<u>428,269.63</u>	<u>189,482.46</u>	<u>55.8%</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 12/31 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%
		-	352,765.45	-	307,931.40	356,019.55	356,020.00	383,101.00	383,100.63	100%
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	8,562.00	86%
46003300	Special Application Fees	-	120.00	-	625.00	-	3,187.00	-	175.00	-
48040000	Miscellaneous	-	-	-	156.30	-	-	-	-	-
		-	16,275.00	-	19,218.30	10,000.00	27,480.00	10,000.00	8,737.00	87%
Investments										
<u>Account</u>	<u>Description</u>									
44000300	Interest	-	10,458.70	-	3,791.48	5,000.00	2,570.00	2,340.00	1,019.55	44%
		-	10,458.70	-	3,791.48	5,000.00	2,570.00	2,340.00	1,019.55	44%
	REVENUE TOTALS	-	379,499.15	-	330,941.18	371,019.55	386,070.00	395,441.00	392,857.18	99.3%

OPERATING DIFFERENCE	-	(10,188.39)	-	(43,051)	(3,539)	(32,828.63)
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FUND BALANCE

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

Minimum Three Month Operating Balance:	138,042	124,240.20	103,369.87	107,067.41
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