



**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*

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**June 3, 2013**

**Agenda Item No. 5a (Consent/Action)**

May 28, 2013

**TO:** Local Agency Formation Commission

**FROM:** Keene Simonds, Executive Officer

**SUBJECT: Third Quarter Budget Report for 2012-2013**

The Commission will review a third quarter budget report for 2012-2013. The report compares budgeted versus actual transactions through the first three quarters. 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 \$13,652. The report is being presented to the Commission to formally accept 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 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 are 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 unreserved portion of the fund balance totaled \$118,523 as of July 1, 2012.

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

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Joan Bennett, Commissioner  
Councilmember, City of American Canyon

Gregory 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

Keene Simonds  
Executive Officer

### ***Operating Revenues***

The Commission's operating revenues budgeted for 2012-2013 total \$423,650. Actual revenues collected through the third quarter totaled \$435,103. This amount represents 103% 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	Adopted	Through 3 <sup>rd</sup> Quarter	Dollar Difference	Percent Collected
Intergovernmental	409,574	409,574	0	100.0
Service Charges	10,000	23,759	13,759	237.6
Investments	4,076	1,770	(2,306)	43.4
Total	\$423,650	\$435,103	11,453	102.7

Actuals through the third quarter and related analysis suggest the Commission will finish the fiscal year with \$435,656 in total revenues and produce a surplus of \$12,006 or 2.8%. An expanded discussion on budgeted and actual revenues through the third quarter in 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 have been paid in full leaving a zero balance.

#### ***Service Charges***

The Commission budgeted \$10,000 in service charges in 2012-2013. At the end of the third quarter, actual revenues collected within this unit totaled \$23,759 or 238% of the budgeted amount. The collected service charges are predominately tied to the submittal of five proposals received since July 2012 involving four city annexations and one special district outside service request. No additional service charges are expected through the end of the fiscal year with the exception of one outstanding invoice for \$125 to update the Commission's digital mapping system. This projection would result in a year-end unit surplus of \$13,884 or 138.8%.

#### ***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. Earnings through the third quarter total \$1,770 or 43%. It is reasonable to assume the fourth quarter will generate a similar amount income amount and would result in a year-end unit deficit projection of (\$1,878) or (46.1%).

**Operating Expenses**

The Commission’s operating expenses budgeted for 2012-2013 total \$432,461. Actual expenses – including encumbrances – through the third quarter totaled \$311,415. This amount represents 72% 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	Adopted	Through 3 <sup>rd</sup> Quarter	Dollar Balance	Percent Expended
Salaries/Benefits	311,287	223,952	87,335	71.9
Services/Supplies	121,174	87,463	33,711	72.2
Contingencies	-	-	-	-
Total	\$432,461	\$311,415	\$121,046	72.0

Actuals through the third quarter and related analysis suggest the Commission will finish the fiscal year with \$422,004 in total expenses and produce a surplus/savings of \$13,652 or 3.2%. 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 \$311,287 in salaries and benefits for 2012-2013. At the end of the third quarter, the Commission’s actual expenses within the 10 affected accounts totaled \$223,952, representing 72% of the budgeted amount. None of the affected accounts finished the third quarter with balances exceeding 75% of their budgeted allocation. Staff projects the Commission will finish the fiscal year with a minimal deficit of approximately \$310 or 0.1% due to the mistaken omission of an automobile allowance for the Executive Officer in the adopted budget.<sup>1</sup>

**Services/Supplies**

The Commission budgeted \$121,174 in services and supplies for 2012-2013. At the end of the third quarter, the Commission’s actual expenses – including contractual encumbrances – in the 20 affected accounts totaled \$87,463 and represents 72% of the budgeted amount. Eight of the affected accounts – rents for building/land, accounting/auditing, business travel, rents for equipment, training/conferences, computer software/license, memberships/certifications, and special department expenses – finished with balances exceeding 75% of their budgeted allocation with expanded explanations provided below. Staff projects the Commission will finish the fiscal year with an overall surplus of approximately \$10,768 or 8.9% in the unit and primarily tied to sizable decreases in anticipated legal and office supply costs.

<sup>1</sup> The Commission provides a \$5,280 annual automobile allowance to the Executive Officer; an amount that was mistakenly omitted from the adopted budget for 2013-2014. Cost-savings in other salaries/benefits accounts – most notably in group insurance – is expected to absorb the majority of the referenced omission.

- Rents for 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 through 2016-2017 and results in a monthly payment of \$2,130. Expenses through the third quarter total \$27,560 or 108% of the budgeted amount and covers actual and remaining rent through the end of the fiscal year plus a \$2,000 security deposit collected in July 2012 at the time the lease became effective. The security charge, notably, will result in a corresponding deficit of (\$2,000) or (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 third quarter totaled \$7,458 or 82% of the budgeted amount. Over two-thirds of expenses through the third quarter are tied to the payment of an outside consultant (Gallina) to prepare an audit report for the prior fiscal year that was presented to the Commission in December 2012. Staff projects the Commission will ultimately finish with a modest surplus of \$768 or 8.4% in this account at the end of the fiscal year.
  
- Business Travel  
This account covers the Commission's costs to reimburse members and staff for all travel related expenditures incurred in the course of performing agency business and includes airline tickets and automobile mileage.<sup>2</sup> The Commission budgeted \$5,000 in this account in 2012-2013. Expenses through the third quarter totaled \$4,631 or 92% of the budgeted amount. The majority of the expenses through the third quarter are tied to reimbursing members and staff for their vehicle mileage to attend the CALAFCO Annual Conference in Monterey in October 2012. Staff projects the Commission will ultimately finish with a moderate deficit of (\$631) or (13%) in this account at the end of the fiscal year.

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<sup>2</sup> The Executive Officer does not receive mileage reimbursement for any vehicle travel incurred within Napa County.

- Rents for Equipment

This account covers the Commission's lease with Xerox for a multifunction office machine. This includes covering the machine rental fee along with user charges associated with producing prints and copies. The Commission budgeted \$6,500 in this account in 2012-2013. Expenses through the third quarter totaled \$6,155 or 95% of the budgeted amount and includes encumbering the full rental fee along with prints and copies through the first three-quarters. Staff anticipates a zero balance at the end of the fiscal year.
- 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 third quarter totaled \$6,801 and represent 170% of the budgeted amount. The majority of charges incurred through the third quarter are tied to registering members and staff for the recent CALAFCO Annual Conference.<sup>3</sup> Staff projects the Commission will finish with an account deficit of (\$3,051) or (76%) at the end of the fiscal year due to other scheduled training involving a CALAFCO regional training session for staff in June.
- 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 support and license fees that provide website hosting/updates, live video/audio streaming, and digital record archiving. Expenses through the third quarter totaled \$2,744 and represent 79% of the budgeted amount; the majority of which is tied to paying the entire contract amount for digital record archiving services at the beginning of the fiscal year. Staff projects the Commission will finish with a nominal deficit of (\$24) or (0.6%) 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 has been paid in full.

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<sup>3</sup> 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.

- Special Department Expenses

This account covers the Commission's unique or one-time expenses and typically tied to equipment or software purchases that are expected to be in use for an extended period. The Commission budgeted \$3,500 in this account in 2012-2013 with over two-thirds dedicated to the purchase of software and related training with Granicus to begin live-streaming meetings on the internet. Expenses through the third quarter total \$3,112 or 89% of the budgeted amount and cover the referenced Granicus software and training expenditure along with the purchase of two new desktop monitors. Staff projects the Commission will finish with a nominal surplus of \$38 or 1.1% in this account at the end of the fiscal year.

Contingencies

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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.

**B. Analysis**

Activity through the end of the third quarter indicates the Commission is advantageously on pace to finish 2012-2013 with an operating surplus of \$13,652; 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 primarily attributed to savings in two specific areas: employee insurance premiums and legal services. Further, if these projections prove accurate through the final quarter, the Commission will be positioned to increase its unreserved fund balance from \$118,523 to \$132,175; 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,

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Keene Simonds  
Executive Officer

Attachment:

- 1) 2012-2013 General Ledger through March 31, 2013



# Local Agency Formation Commission of Napa County

Subdivision of the State of California

## FY2012-2013 Adopted Operating Budget: Third Quarter Report

### 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 3rd Quarter	Projected Year End	
<b>Salaries and Benefits</b>											
<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	151,402.63	210,958.63	74.5%
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	29,364.37	41,383.44	61.6%
51600	Retirement	34,064.00	33,015.37	34,991.95	34,924.41	36,701.99	36,871.55	37,736.30	26,834.34	37,003.66	71.1%
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	9,104.25	12,139.00	75.0%
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	4,300.00	6,000.00	67.2%
51300	Medicare	2,836.00	2,657.51	2,876.49	2,738.20	2,934.62	2,790.20	2,946.16	2,071.69	2,876.69	70.3%
51205	Cell Phone Allowance	840.00	843.50	840.00	843.50	840.00	843.50	840.00	577.50	840.00	68.8%
51405	Workers Compensation	168.00	168.00	226.00	226.00	327.00	327.00	396.00	297.00	396.00	75.0%
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	223,951.78	311,597.42	71.9%
<b>Services and Supplies</b>											
<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	107.8%
52140	Legal Services	24,990.00	17,938.31	26,010.00	17,659.74	22,540.00	17,593.30	22,540.00	4,688.01	11,188.01	20.8%
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	16,506.72	22,008.96	75.0%
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	7,457.58	8,357.58	81.7%
52600	Rents and Leases: Equipment	-	-	-	-	-	-	6,500.00	6,155.00	6,500.00	94.7%
53100	Office Supplies	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	14,508.46	5,500.00	1,911.46	2,661.46	34.8%
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	4,631.39	5,631.39	92.6%
52900	Training/Conference	4,500.00	6,063.92	4,500.00	4,140.97	4,000.00	5,141.00	4,000.00	6,800.77	7,050.77	170.0%
53600	Special Departmental Purchases	1,000.00	1,095.25	1,000.00	2,482.00	1,000.00	426.64	3,500.00	3,112.40	3,442.40	88.9%
53415	Computer Software/License	-	-	-	-	-	-	3,487.13	2,744.03	3,511.88	78.7%
52800	Communications/Telephone	3,500.00	1,205.16	3,500.00	1,640.02	4,470.00	2,329.81	2,970.00	1,343.38	2,423.38	45.2%
53120	Memberships/Certifications	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,248.40	2,248.00	2,248.00	100.0%
53205	Utilities: Electric	-	-	-	-	-	-	1,500.00	763.00	958.00	50.9%
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	480.87	1,280.87	32.1%
52835	Filing Fees	850.00	250.00	850.00	450.00	850.00	237.50	850.00	200.00	550.00	23.5%
53110	Postage/Freight	-	-	-	-	-	-	800.00	277.00	477.00	34.6%
52700	Insurance: Liability	347.00	347.00	444.00	444.00	321.00	321.00	153.00	111.00	153.00	72.5%
52105	Election Services	-	-	-	-	-	-	-	150.00	150.00	-
53105	Office Supplies: Furniture/Fixtures	-	-	-	-	-	-	-	322.38	322.38	-
54600	Capital Replacement/Depreciation*	-	3,931.30	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	87,462.99	110,406.48	72.2%
<b>Contingencies</b>											
<u>Account</u>	<u>Description</u>										
58100	Appropriation for Contingencies	90,632.80	-	-	-	-	-	-	-	-	-
		90,632.80	-	-	-	-	-	-	-	-	-
	<b>EXPENSE TOTALS</b>	<b>496,960.80</b>	<b>377,923.59</b>	<b>413,479.46</b>	<b>389,609.25</b>	<b>428,269.56</b>	<b>407,830.08</b>	<b>432,461.13</b>	<b>311,414.77</b>	<b>422,003.90</b>	<b>72.0%</b>



**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 3rd Quarter	Projected Year End	
<b>Intergovernmental</b>											
<b>Account</b>	<b>Description</b>										
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	100.0%	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	100.0%	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	100.0%	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	100.0%	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	100.0%	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	100.0%	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	100.0%	8,635.07
			307,931.40	356,019.55	356,020.00	383,101.00	383,101.00	409,574.34	409,574.34	100.0%	409,574.34
<b>Service Charges</b>											
42690	Application/Permit Fees	-	18,437.00	10,000.00	24,293.00	10,000.00	8,562.00	10,000.00	23,078.00	230.8%	23,078.00
46800	Charges for Services	-	625.00	-	3,187.00	-	475.00	-	500.00		625.00
47900	Miscellaneous	-	156.30	-	-	-	50.00	-	180.70		180.70
			19,218.30	10,000.00	27,480.00	10,000.00	9,087.00	10,000.00	23,758.70	237.6%	23,883.70
<b>Investments</b>											
45100	Interest	-	3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	1,769.74	43.4%	2,198.00
			3,791.48	5,000.00	2,570.00	2,340.00	2,472.66	4,076.00	1,769.74		2,198.00
	REVENUE TOTALS	-	330,941.18	371,019.55	386,070.00	395,441.00	394,660.66	423,650.34	435,102.78	102.7%	435,656.04
<b>OPERATING DIFFERENCE</b>		-	(43,051)	(42,459.91)	(3,539)	(32,828.56)	(13,169.42)	(8,810.79)			13,652.14

**UNRESERVED/UNRESTRICTED FUND BALANCE**

<b>Beginning:</b>	186,574.00	134,344.00	131,692.00	118,522.58
<b>Ending:</b>	134,344.00	131,692.00	118,522.58	132,174.72