



Local Agency Formation Commission
LAFCO of Napa County

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February 7, 2011
Agenda Item No. 5a (Consent: Action)

January 31, 2011

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Second Quarter Budget Report for 2010-2011

The Commission will receive and file a second quarter budget report for 2010-2011. The report compares budgeted versus actual revenues and expenses through the first six months. The report projects the Commission will experience a reduction in its budgeted operating deficit from (\$42,460) to (\$7,136) due to savings in several service and supply accounts.

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 2010-2011 totals \$413,480. This amount represents the total approved operating expenditures for the fiscal year within the Commission's three expense units: salaries/benefits; services/supplies; and capital replacement. Budgeted revenues total \$371,020 within three revenue units: agency contributions; service charges; and investments. Markedly, the Commission budgeted an operating shortfall of (\$42,460), which is to be covered by drawing down on unreserved/undesignated funds, to help reduce the funding requirements on the local agencies given the economic recession. The unreserved/undesignated fund balance totaled \$168,819 as of July 1, 2010.

Overall Revenues

Actual revenues collected through the second quarter totaled \$358,096. This amount represents 97% 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	Difference
Agency Contributions	356,020	345,377	(10,643)
Service Charges	10,000	11,939	1,939
Investments	5,000	780	(4,220)
Total	\$371,020	\$358,096	(\$12,924)

Lewis Chilton, Vice Chair
Councilmember, Town of Yountville

Juliana Inman, Commissioner
Councilmember, City of Napa

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

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

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 \$356,020 in agency contributions in 2010-2011. Half of the total was invoiced to the County of Napa (\$178,009) with the remaining amount proportionally invoiced based on population and general tax revenues to the Cities of American Canyon (\$27,468), Calistoga (\$10,642), Napa (\$119,647), St. Helena (\$12,657), and Yountville (\$7,596). All invoices were paid through the end of the second quarter with the exception of Calistoga.¹

Service Charges

The Commission budgeted \$10,000 in service charges in 2010-2011. At the end of the second quarter, actual revenues collected within this unit totaled \$11,939. The majority of this amount is tied to the application fees associated with the City of American Canyon's Eucalyptus Grove/American Canyon High School proposal. Staff anticipates finishing the fiscal year with actual revenues exceeding \$20,000 based on outstanding fees tied to American Canyon's Town Center proposal. This projection would result in an account surplus of \$10,000.

Investments

The Commission budgeted \$5,000 in investment income in 2010-2011. This 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 second quarter totaled \$780 and represents only the first quarter payment. The Commission is on pace to finish the fiscal year with only \$3,120 in investment income, resulting in an account deficit of (\$1,880).

Overall Expenses

Actual expenses through the second quarter, including encumbrances, totaled \$192,106. This amount represents 54% of the adopted budget 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	Difference
Salaries/Benefits	293,973	127,719	240,822
Services/Supplies	115,575	64,388	70,868
Capital Replacement	3,932	0	3,931
Total	\$413,480	\$192,106	\$315,621

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

¹ Calistoga's payment for 2010-2011 was received and booked on January 7, 2011.

Salaries/Benefits

The Commission has budgeted \$293,973 in salaries and benefits in 2010-2011. At the end of the second quarter, the Commission's actual expenses within the eight affected accounts totaled \$127,719, representing 43% of the budgeted amount. None of the affected accounts finished the second quarter with balances below 50%.

Services/Supplies

The Commission has budgeted \$115,575 in services and supplies in 2010-2011. At the end of the second quarter, the Commission's actual expenses within the 15 affected accounts totaled \$64,388. These total expenditures represent 56% of the budgeted amount. Seven accounts - audit and accounting, management information services, memberships, private vehicle mileage, property lease, training, and transportation and travel - finished the second quarter with balances below 50%. A summary of expenditures in these five accounts follows.

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 on the Commission's financial statements for the prior completed fiscal year. The Commission budgeted \$8,277 in this account in 2010-2011. At the end of the second quarter, expenses in this account totaled \$6,384, which represents approximately 77% of the total amount budgeted. Staff anticipates a year-end account deficit of approximately (\$600) based on projected expenses from the Auditor's Office through June.

Management Information Services

This account covers the Commission's annual costs for contract services relating to computers, networks, and related technology. The Commission budgeted \$18,439 in this account in 2010-2011 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 \$10,153, which represents approximately 55% of the total amount budgeted. The full prepayment of the Commission's annual support service cost for electronic document management services with Incrementum is attributed with pushing the account balance below 50%. 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 in 2010-2011 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%.

Private Vehicle Mileage

This account covers annual automobile travel costs for staff and commissioners with \$1,000 budgeted in 2010-2011. Through the end of the second quarter, expenses in this account have totaled \$885, which represents approximately 89% of the total amount budgeted. Expenses to date principally relate to staff traveling to the Lake Berryessa region as part of the current municipal service review process as well as to Sacramento for CALAFCO Legislative Committee meetings. Staff anticipates a year-end account deficit of approximately (\$200).

Property Lease

This account covers the Commission's annual office space lease at 1700 Second Street in Napa. The Commission budgeted \$29,280 in this account in 2010-2011, reflecting its current monthly rental charge of \$2,440.² 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 budgeted \$4,000 for training expenses in 2010-2011. At the end of the second quarter, expenses in this account totaled \$3,244, which represents approximately 81% of the total amount budgeted. The majority of expenses in this account to date are attributed to registration costs for the 2010 CALAFCO Annual Conference in Palm Springs. The remaining costs to date are tied to training classes for the analyst position. Staff anticipates a year-end account deficit of (\$1,500) with staff expected to attend the CALAFCO Workshop calendared for April 2011 in Ventura. The Commission has also authorized the Executive Officer to allocate \$995 as part of his pending application to Napa Valley Leadership.

Transportation and Travel

This account covers annual non-automobile travel costs for staff and commissioners with \$3,500 budgeted in 2010-2011. Through the end of the second quarter, expenses in this account have totaled \$2,772, which represents approximately 79% of the total amount budgeted. Nearly all of the expenses to date are associated with commissioners and staff attending the 2010 Annual CALAFCO Conference in Palm Springs. Staff anticipates a year-end account deficit of approximately (\$1,000) based on projected expenses associated with staff attending the CALAFCO Workshop scheduled for April 2011 in Ventura.

² The monthly rental fee at 1700 Second Street is fixed at \$2,440 through June 2011.

Capital Replacement

The Commission has budgeted \$3,391 for capital depreciation in 2010-2011. This budgeted amount reflects the Commission's five-year funding replacement program for the agency's electronic document management system. The budgeted expense will be booked at the end of the fiscal year.

B. Analysis

Staff projects the Commission will decrease its budgeted operating deficit in 2010-2011 from (\$42,460) to (\$7,136). The associated savings is attributed to sizeable cost-decreases involving legal, office supply, and communication services. If these projections prove correct, the Commission will finish the fiscal year with a relatively small reduction in its unreserved/undesignated fund balance from \$168,819 to \$161,684.

C. Recommendation

It is recommended the Commission take the following action:

- 1) Receive and file the "Second Quarter Budget Report for 2010-2011."

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

- 1) General Ledger, July 1, 2010 to December 31, 2010



Report ID: GLC8030w

Fund: 2910 NAPA CO LOCAL AGENCY FORMATION

Dept: 02910 NAPA LAFCO

County of Napa
General Ledger Organization Revenue Status
For Periods: 1 To: 6 FY: 2011

1/27/2011

<u>Account</u>	<u>Account Description</u>	<u>Final Budget</u>	<u>Adjustments</u>	<u>Collected Revenue</u>	<u>Uncollected Revenue</u>	<u>Percent Collected</u>
44000300	INTEREST:INVESTD FNDS	5,000.00	0.00	1,558.47	3,441.53	31.17
	Total Revenue from Use of Money/Property	5,000.00	0.00	1,558.47	3,441.53	31.17
45080600	O/GA:COUNTY OF NAPA	185,560.00	-7,550.00	178,009.77	0.23	100.00
45082100	O/GA:CITY OF CALISTOGA	11,094.00	-452.00	0.00	10,642.00	0.00
45082200	O/GA:NAPA CITY	124,722.00	-5,075.00	119,646.81	0.19	100.00
45082300	O/GA:CITY OF ST HELENA	13,193.00	-536.00	12,656.54	0.46	100.00
45082400	O/GA:CITY OF AMER CYN	28,633.00	-1,165.00	27,468.37	-0.37	100.00
45082500	O/GA:TOWN OF YOUNTVILLE	7,918.00	-322.00	7,595.60	0.40	99.99
	Total Intergovernmental Revenues	371,120.00	-15,100.00	345,377.09	10,642.91	97.01
46003300	SPECIAL APPLICATION PROC FEES	0.00	0.00	2,936.50	-2,936.50	0.00
46003400	APPLICATION PROCESSING FEES	10,000.00	0.00	9,002.30	997.70	90.02
	Total Charges for Services	10,000.00	0.00	11,938.80	-1,938.80	119.39
02910	NAPA LAFCO	386,120.00	-15,100.00	358,874.36	12,145.64	96.73
2910	NAPA CO LOCAL AGENCY FORMATION	386,120.00	-15,100.00	358,874.36	12,145.64	96.73



Report ID: GLC8020w

Fund: 2910 NAPA CO LOCAL AGENCY FORMATION

Dept: 02910 NAPA LAFCO

**County of Napa
General Ledger Organization Budget Status
For Periods: 1 To: 6 FY: 2011**

1/27/2011

<u>Account</u>	<u>Account Description</u>	<u>Final Budget</u>	<u>Adjustments</u>	<u>Encumbrances</u>	<u>Expenditures</u>	<u>Remaining Balance</u>	<u>Percent Available</u>
51100000	S/W:REGULAR SALARIES	198,347	0.00	0.00	88,505.60	109,841.40	55.38
51200500	S/W:PER DIEM	9,600	0.00	0.00	2,400.00	7,200.00	75.00
51300100	E/B:RETIREMENT	34,992	0.00	0.00	15,195.53	19,796.47	56.57
51300120	OTHER POST EMPLOYMENT BENEFITS	9,138	0.00	0.00	4,569.00	4,569.00	50.00
51300300	E/B:MEDICARE	2,876	0.00	0.00	1,224.42	1,651.58	57.43
51300500	E/B:GROUP INSURANCE	37,954	0.00	0.00	15,336.60	22,617.40	59.59
51301200	E/B:INS:WORKERS COMP	226	0.00	0.00	113.00	113.00	50.00
51301800	E/B:CELL PHONE ALLOWANCE	840	0.00	0.00	374.50	465.50	55.42
	Total Salaries & Employee Benefits	293,973	0.00	0.00	127,718.65	166,254.35	56.55
52070000	COMMUNICATIONS	3,500	0.00	0.00	657.66	2,842.34	81.21
52100300	INSURANCE:LIABILITY	444	0.00	0.00	222.00	222.00	50.00
52150000	MEMBERSHIPS	2,275	0.00	0.00	2,200.00	75.00	3.30
52170000	OFFICE EXPENSE	15,000	0.00	3,088.87	4,049.38	7,861.75	52.41
52180200	PSS:MGMT INFO SVCS	18,439	0.00	0.00	10,152.90	8,286.10	44.94
52180500	PSS:LEGAL EXPENSE	26,010	0.00	0.00	0.00	26,010.00	100.00
52180510	PSS:AUDIT AND ACCOUNTING SERV	0	8,277.00	0.00	6,384.26	1,892.74	22.87
52185000	PSS:OTHER	8,277	-8,277.00	0.00	0.00	0.00	0.00
52190000	PSS:PUBLICATNS/LGL NOTICE	1,500	0.00	0.00	568.76	931.24	62.08
52235000	SDE:OTHER	1,000	0.00	0.00	482.05	517.95	51.80
52240500	SDE:PROPERTY LEASE	29,280	0.00	12,200.00	17,080.00	0.00	0.00
52243900	SDE:FILING FEE	850	0.00	0.00	300.00	550.00	64.71
52250000	TRANSPORTATION & TRAV	3,500	0.00	0.00	2,772.02	727.98	20.80
52250700	MEALS-REIMBURSABLE/TAXABLE	500	0.00	0.00	101.26	398.74	79.75
52250800	T/T:TRAINING	4,000	0.00	0.00	3,244.00	756.00	18.90
52251200	T/T:PRIVATE VEH MILE	1,000	0.00	0.00	884.65	115.35	11.54
	Total Services & Supplies	115,575	0.00	15,288.87	49,098.94	51,187.19	44.29
53980200	DEPR-EQUIPMENT	3,931	0.00	0.00	0.00	3,931.00	100.00
	Total Other Charges	3,931	0.00	0.00	0.00	3,931.00	100.00
02910	NAPA LAFCO	413,479	0.00	15,288.87	176,817.59	221,372.54	53.54
2910	NAPA CO LOCAL AGENCY FORMATION	413,479	0.00	15,288.87	176,817.59	221,372.54	53.54