**MEMORANDUM**

TO: Board of Supervisors

FROM: Minh C. Tran, County Executive Officer

DATE: March 23, 2021

RE: **MID-YEAR FISCAL REVIEW - FISCAL YEAR 2020-21**

**Introduction**

A mid-year review of the County’s fiscal status, focusing particularly on the General Fund, is part of the County’s on-going fiscal monitoring process. Using actual revenue and expenditures from the first six months of the fiscal year, the County Executive Office (CEO) staff works with the Auditor-Controller’s office and department staff to forecast revenues and expenditures through the end of the fiscal year. This review enables the County to address any current-year budget concerns in a timely manner. This process also assists in the preparation of the FY 2021-22 budget, in part by providing an estimate of the FY 2020-21 General Fund available ending fund balance for use in the FY 2021-22 budget process. As in prior years, the current year ending fund balance becomes the beginning fund balance for the next fiscal year.

The property tax estimates for FY 2020-21 have been updated to reflect the final assessed roll that was submitted by the Assessor. Actual property tax receipts are estimated to exceed budget by $5.3 million. The available fund balance in the General Fund is sufficient to sustain the projected level of expenditures for the current fiscal year. As always, we continually monitor revenue trends and evaluate the impact that existing or proposed expenditure increases will have on the fund balance now and into the future.

**General Fund Current Year Fiscal Status**

Using the most current information available, we believe that the General Fund will likely end FY 2020-21 with an unassigned ending Fund Balance of approximately $13.9 million. Consistent with the methodology used as part of the 5-year forecasts, staff is projecting that $9.3 million will be utilized to balance the FY 2021-22 recommended budget.

Consistent with Board Policy, the budget and estimates shown in the table do not reflect any revenue for Excess ERAF, which will be appropriated to the Accumulated Capital Outlay as part of the year-end process. This estimate also assumes that the remaining balance in contingency will be fully utilized.

GENERAL FUND BUDGET

|  |  |  |  |
| --- | --- | --- | --- |
|  | **FY 2020-21** **Adjusted Budget** | **FY 2020-21** **Six Month Estimate** | **Difference** |
| **Resources** |  |  |  |
| Available Fund Balance | $ 40,912,214 | $ 40,912,214 | $ - |
|  |  |  |  |
| Non-Departmental Revenue | 126,888,945 | 136,643,242 | 9,754,297 |
| Departmental Revenue | 119,241,053 | 120,433,675 | 1,192,622 |
| **Total Revenue** | **246,129,998** | **257,076,917** | **10,946,919** |
|  |  |  |  |
| Release assignment for emergencies | - | 20,592,000 | 20,592,000 |
| **Total Resources** | **287,042,212** | **318,581,131** | **31,538,919** |
|  |  |  |  |
| **Requirements** |  |  |  |
| Expenditures | 301,029,562 | 294,392,447 | 6,637,115 |
| Contingency | 1,502,000 | 1,445,380 | 56,620 |
| **Total Expenditures** | **302,531,562** | **295,837,827** | **6,693,735** |
|  |  |  |  |
| Assignments and Designations | - | 8,837,983 | (8,837,983) |
| **Total Requirements** | **302,531,562** | **304,675,810** | **(2,144,248)** |
| **Projected Ending Fund Balance** | **$ (15,489,350)** | **$ 13,905,321** | **$ 29,394,671** |

General Fund revenues are projected to be approximately $10.9 million more than the adjusted budget, with $9.8 million in non-departmental revenues and $1.2 million in departmental revenue increases.

The primary sources of General Fund Revenue are Property Tax, Transient Occupancy Tax, and Sales and Use Tax. The table below summarizes the budget vs. estimate for these key revenue sources. Both Property Tax and Sales and Use Tax are projected to exceed budget, while Transient Occupancy tax is not expected to change. However, it should be noted that the timing of the receipt of these revenues means that these estimates are very preliminary. These revenue estimates are in line with figures in the five year forecast presented to your board in February as well as the most recent Economic Impact report presented in January.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **FY 2020-21** | **FY 2020-21** |  | **Percent** |
|  | **Adjusted Budget** | **6 month Estimate** | **Difference** | **Difference** |
| **Property Tax** | $100,453,835 | $105,798,978 | $5,345,143 | 5.32% |
| **Transient Occupancy Tax** | $5,168,723 | $5,168,723 | $0 | 0.00% |
| **Sales and Use Tax** | $5,518,150 | $10,100,000 | $4,581,850 | 83.00% |

General Fund Expenditures are projected to be $6.7 million less than the adjusted budget, primarily due to increased salary savings against budget as a result of the selective hiring freeze. The January Economic Impact report presented in January had an estimated $9.8 million in savings from the selective hiring freeze. This difference is primarily due to increased hiring activities throughout the County.

Appropriation for Contingency

Napa County started FY 2020-21 with a contingency fund of $1.8 million. Previous Board actions have reduced the contingency to $1.5 million. The adjustments recommended for approval today reduce the contingency balance by an additional $56,620 to $1.45 million, which is a combination of the items below:

* $7,920 for an increases to the contribution to the Napa Berryessa Resort Improvement District
* $48,700 for one-time contract and e-filing costs in Elections that will likely be reimbursed in Fiscal Year 2021-22.

**Health & Human Services Agency**

The Health and Human Services Agency (HHSA) has an adjusted budget of approximately $128.5 million with a General Fund contribution of $17.93 million.  Overall, HHSA is projecting that revenues will be $2.8 million higher and expenses will be $200 thousand higher than the adjusted budget. The revenue excess is found entirely in the Public Health division where expenditures have grown a commensurate $3.1 million. This growth in Public Health expenditures is completely offset by increased salary savings across the rest of the agency. It is estimated that HHSA will end Fiscal Year 2020-21 with an unassigned available fund balance of $10.4 million, which is essential for cash flow purposes and offsetting potential liabilities from state and federal audits.

**Budget Adjustments**

Exhibit A provides a description of all the recommended budget adjustments that staff is requesting the Board to approve today as well as a brief General Fund summary. The most significant of these transfers are discussed above, while others are procedural relating to increasing transfers out from non-operating Special Revenue Funds to operating budgets or adjustments from savings in one Division offsetting increases in another Division within the same fund.

Exhibits

A: Fiscal Year 2020-21 Mid-year Budget Adjustments