



A Tradition of Stewardship
A Commitment to Service

County Executive Office

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Minh C. Tran
County Executive Officer

MEMORANDUM

TO: Board of Supervisors
FROM: Minh C. Tran, County Executive Officer
DATE: March 26, 2019
RE: **MID-YEAR FISCAL REVIEW - FISCAL YEAR 2018-19**

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 2019-20 budget, in part by providing an estimate of the FY 2018-19 General Fund available ending fund balance for use in the FY 2019-20 budget process. As in prior years, the current year ending fund balance becomes the beginning fund balance for the next fiscal year, but should be considered one-time funding and not allocated to on-going obligations.

FY 2017-18 saw revenue impacts as a result of the 2017 Napa Fire Complex, however, sales tax and transient occupancy tax are returning to pre-fire levels. Secured property taxes have been reduced by the value of properties lost in the fire, and will not increase until the properties are re-built. The property tax estimates for FY 2018-19 reflect this lower base, and will continue to reflect this going forward. The property tax backfill received from the State for FY 2017-18 and 2018-19 is accounted for in the Other State Revenue account, so the secured property tax revenue accurately reflects the current assessed value.

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.

In addition to providing the Board with a Mid-Year Fiscal Status Report, this report also provides an update on the Governor's proposed budget for the state for 2019-20, focusing on its potential impact on the County's financial condition.

Attachment A

General Fund Current Year Fiscal Status

Using the most current information available, we believe that the General Fund will likely end FY 2018-19 with an unassigned ending Fund Balance of approximately \$7.3 million. To put this in perspective, the FY 2018-19 adopted budget was a structurally balanced budget, not requiring any fund balance to cover ongoing operations. It should be noted that the County has used approximately \$5 to \$10 million of General Fund available fund balance to balance the General Fund budget in prior years. However, The FY 2018-19 budget appropriated the entire estimated ending fund balance of \$5.7 million to one-time activities, including assignments to the jail project, In Home Supportive Services (IHSS) Maintenance of Effort (MOE), and pension trust. In January, after the final closure of the FY 2017-18 books, the Board allocated the remaining fund balance of \$10.6 million to fully fund reserves, and then allocated additional funding to the jail project and the pension trust.

Napa County must continue its proud tradition of prudent fiscal discipline to ensure sufficient resources are available to address anticipated and unanticipated cost increases.

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 jail project as part of the year-end process. This estimate also assumes that the remaining balance in contingency will be fully utilized.

GENERAL FUND BUDGET

6 MONTH ESTIMATES¹

	FY 2018-19 Adjusted Budget	FY 2018-19 6 month Estimate	Difference
Resources			
Available Fund Balance	5,774,626	16,384,497	10,609,871
Non-Departmental Revenue	126,408,941	132,294,943	5,886,002
Departmental Revenue	81,132,587	84,804,187	3,671,600
Total Revenue	207,541,528	217,099,130	9,557,602
Total Resources	213,316,154	233,483,627	20,167,473
Requirements			
Expenditures	208,577,310	218,814,238	10,236,928
Contingency	4,595,000	2,617,163	(1,977,837)
Total Expenditures	213,172,310	221,431,401	8,259,091
Increase Reserves		3,435,188	3,435,188
Total Requirements	213,172,310	224,866,589	11,694,279
less changes in FB for Tobacco and Special Projects		(1,272,305)	
Projected Ending Fund Balance	143,844	7,344,733	7,200,889

¹ Adjusted budget as of 12/31/2018

General Fund revenues are projected to be approximately \$9.5 million more than the adjusted budget, with the most significant changes being discussed below:

- \$2.1 million in state funds for pre-2004 SB90 mandates. These one-time funds have been transferred to Accumulated Capital Outlay for the Jail Project.
- \$2.7 million in property tax backfill associated with Excess ERAF. These funds will be transferred to the Accumulated Capital Outlay for the Jail Project, consistent with Board policy.
- \$2.3 million in disaster reimbursements, to be transferred to audit reserves, consistent with Board policy.
- \$650,000 in increased rental income associated with South campus, due to incorrect budgeting.

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 meet budget. However, it should be noted that the timing of the receipt of these revenues means that these estimates are very preliminary. These projections will be updated in April, and these updated estimates will become the basis for future year growth projections.

	FY 2018-19 Adjusted Budget	FY 2018-19 6 month Estimate	Difference	Percent Difference
Property Tax	90,741,446	91,150,136	408,690	0.45%
Transient Occupancy Tax	14,253,480	13,523,000	(730,480)	-5.12%
Sales and Use Tax	10,918,000	11,290,517	372,517	3.41%

General Fund Expenditures are projected to be \$10.2 million more than the adjusted budget, based on a combination of factors.

- \$7.1 million in appropriations to transfer unanticipated revenues described above to Accumulated Capital Outlay and audit reserve, pursuant to policy.
- A decrease of \$913,000 in appropriations due to the Re-entry facility opening later than was planned at the time of budget development.
- An increase of \$2 million for the Sheriff to cover overtime costs consistent with prior year actual expenditures.
- Increased appropriations of \$7 million associated with closing the FY 2017-18 books, and appropriating excess fund balance to Accumulated Capital Outlay and Pension trust.
- These increases are offset by net projected savings spread throughout the general fund departments.

Appropriation for Contingency

Napa County started FY 2018-19 with a contingency fund of \$5 million. Previous Board actions have reduced the contingency to \$3.93 million. The adjustments recommended for approval today reduce the contingency balance by an additional \$1.3 million to \$2.6 million, which is a combinations of the items below:

- \$55,000 for salary increases for Board of Supervisors, based on increases in judicial salaries as approved by the State of California.

- \$52,000 for salary costs associated with a Staff Services Analyst position in Public Works, previously approved by the Board.
- \$1,952,700 to cover increased overtime costs in the Sheriff's Office, consistent with prior-year actual utilization of overtime.
- \$142,000 for guardrail repairs in Public Works, approved by the Board in July 2018.
- Contingency is increased by \$913,860 to reflect reduced appropriations due to the later-than-budgeted opening of the Re-entry facility.

Health & Human Services Agency

The Health and Human Services Agency (HHS) has an adjusted budget of approximately \$121.2 million with a General Fund contribution of \$14.5 million. Overall, HHS is projecting that revenues will be \$863 K lower and expenditures will be approximately \$1.3 million lower than the adjusted budget, resulting in a year-end increase in fund balance of \$468 K.

Budget Adjustments

Exhibits A-C provide a description of all the recommended budget adjustments that staff is requesting the Board to approve today. 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.

State Budget

On January 10, 2019, the Governor released his proposed FY 2019-20 State Budget. Governor Newsom's proposed budget reflects his commitment to services, while continuing to plan for a future economic slowdown. Most significant for counties, is the commitment of funding for the IHSS MOE. The packet of proposals, if approved, will provide additional state funding for the IHSS MOE, which will have a positive impact on the County General Fund as well as some of the Realignment funds for Health and Human Services.

The Governor has made the development of affordable housing a priority, and while the FY 2019-20 budget makes funding available, it also suggests penalties for jurisdictions who do not continue to develop affordable housing, including withholding transportation funding. Staff will carefully monitor these developments.

The budget also includes funding for grants to counties to improve our preparedness for disasters, increased funding for homeless services, and the restoration of funding for law enforcement training in the Peace Officers Standards and Training (POST) trust fund.

As with all fiscal years, we will continue to monitor the State's budget for both FY 2018-19 and FY 2019-20, including the May Revise to ensure your Board can make proactive decisions to improve the County's overall resources and service delivery.

Exhibits

- A: General Fund Budget Adjustments
- B: Other Fund Budget Adjustments
- C: HHS Budget Adjustments

Exhibit A
2018/19 Midyear Budget Adjustments
General Fund

Dept.	Description	Subdivision	Account	Expenditure	Revenue	Net Cost
Board of Supervisors						\$ 55,000.00
	Increase salaries to cover salary increases based on state judicial salary increases using contingency.	1010000	51100	\$ 55,000.00		\$ 55,000.00
Non-Departmental						\$ (362,907.00)
	Recognize Excess ERAF portion of State Property Tax backfill for FY 2017/18 and 2018/19 and appropriate expenditures to transfer to Accumulated Capital Outlay for Jail Project.	1050000	43790		\$ 2,728,621.00	\$ (2,728,621.00)
		1050000	56110	\$ 2,728,621.00		\$ 2,728,621.00
	Transfer excess revenue, from mid-year adjustments, to Accumulated Capital Outlay for Jail Project.	1050000	56110	\$ 770,383.00		\$ 770,383.00
	Move appropriations for South Campus leased facilities to Public Works budget.	1050000	45300		\$ (133,000.00)	\$ 133,000.00
		1050000	52510	\$ (1,266,290.00)		\$ (1,266,290.00)
Public Works						\$ 545,907.00
	Move appropriations for South Campus leased facilities from non-departmental budget and increase revenue appropriation to align with approved leases.	1220000	45300		\$ 757,383.00	\$ (757,383.00)
		1220000	52510	\$ 1,266,290.00		\$ 1,266,290.00
	Increase salaries/benefits to cover a portion of costs for Staff Services Analyst position using contingencies (approved by BOS on 12/4/18).	1220000	51100	\$ 52,000.00		\$ 52,000.00
		1220000	48200		\$ 15,000.00	\$ (15,000.00)
	Increase revenue from Traffic Mitigation Fund to cover staff costs associated with the 5 year update report.					
Elections						\$ (131,000.00)
	Increase revenue to align with actual State revenue received, based on increased costs.	1141000	46120		\$ 171,000.00	\$ (171,000.00)
		1141000	43790		\$ 34,000.00	\$ (34,000.00)
		1141000	51110	\$ (29,000.00)		\$ (29,000.00)
	Increase software maintenance and postage costs related to November 2018 election due to increased voter turnout, offset by decreased personnel costs and increased revenue.	1141000	52515	\$ 51,000.00		\$ 51,000.00
		1141000	53110	\$ 52,000.00		\$ 52,000.00
County Counsel						\$ -
	Increased need for outside legal services related to engaging with the Public Utilities Commission, offset by salary savings and increased revenue.	1200000	46125		\$ 50,000.00	\$ (50,000.00)
		1200000	51100	\$ (95,000.00)		\$ (95,000.00)
		1200000	52140	\$ 145,000.00		\$ 145,000.00

Exhibit A
2018/19 Midyear Budget Adjustments
General Fund

Dept.	Description	Subdivision	Account	Expenditure	Revenue	Net Cost
Sheriff						\$ 1,952,700.00
	Increase appropriations in Sheriff salary/benefits due to increased costs of leave payouts (previously paid in non-departmental), costs for overtime associated with Work Comp leaves, and costs for overtime associated with large incidents, including mutual aide.	1360000	51115	\$ 1,888,587.00		\$ 1,888,587.00
	Move appropriations for purchase of Drone and Noptic Thermal Camera from Fixed Asset to Supplies, based on actual cost being below the capital asset threshold.	1360000	53620	\$ 25,000.00		\$ 25,000.00
		1360000	55400	\$ (25,000.00)		\$ (25,000.00)
	Increase appropriations Animal Control in salary/benefits due to increased costs due to providing support for Mendocino Complex and Camp Fires .	1362000	51115	\$ 64,113.00		\$ 64,113.00
Probation						\$ -
	Recognize increased revenue from Juvenile Justice Realignment fund to for increased services in the Juvenile Program.	1420000	48241		\$ 50,190.00	\$ (50,190.00)
	Decrease revenue from Special Revenue fund due to later-than planned opening at the Re-entry facility.	1420000	48241		\$ (75,340.00)	\$ 75,340.00
	Decrease Professional Services to reflect actual utilization.	1420000	52490	\$ (25,150.00)		\$ (25,150.00)
Corrections-Re-entry						\$ (913,860.00)
	Reduce expenditures for personnel costs for re-entry facility, due to hiring later than planned, offset with an increase to contingency.	1404000	51100	\$ (35,860.00)		\$ (35,860.00)
		1404001	51110	\$ (878,000.00)		\$ (878,000.00)
Ag Commissioner						\$ -
	Recognize State revenue from Excess Gas tax to align with actuals.	1600000	43300		\$ 34,000.00	\$ (34,000.00)
	Increase Salary/Benefits for pay-out for pending retirement, and increase computer equipment to align with actuals, offset by decreases in Other professional services and increased revenue.	1600000	51130	\$ 45,000.00		\$ 45,000.00
		1600000	53410	\$ 4,000.00		\$ 4,000.00
		1600000	52490		\$ 15,000.00	\$ (15,000.00)
Contingency						\$ (142,000.00)
	Decrease contingency for Budget Adjustment approved in July for Guardrail repairs, without offset.	1059000	58100	\$ (142,000.00)		\$ (142,000.00)
Net reduction to contingency impact to Contingency						\$ 1,287,840.00
Use of (addition to) fund balance						\$ -

Exhibit B
2018/19 Midyear Budget Adjustments
Other Funds

Dept.	Description	Subdivision	Account	Expenditure	Revenue	Use of Fund Balance
Roads-2040 and 2440						\$ 631,000.00
	Establish appropriations for Silverado K project from SB1 funds, reimbursing roads fund for previous work. Increase	2040000	49900		\$ 303,720.00	\$ (303,720.00)
	appropriations to complete additional Pavement Management Plan work, offset by SB1 and Fund balance. Appropriate funds to cover interest for General Fund Loan, offset by fund balance.	2040500	48200		\$ 303,720.00	\$ (303,720.00)
		1220052	56100	\$ 303,720.00		\$ 303,720.00
		2040500	57900	\$ 303,720.00		\$ 303,720.00
		2040000	52310	\$ 180,000.00		\$ 180,000.00
		2040000	52360	\$ 91,000.00		\$ 91,000.00
		2040000	52600	\$ 15,000.00		\$ 15,000.00
		2040000	53345	\$ 200,000.00		\$ 200,000.00
		2040000	53360	\$ 100,000.00		\$ 100,000.00
		2040000	54315	\$ 45,000.00		\$ 45,000.00
Traffic Mitigation-Fund 2440						\$ 15,000.00
	Appropriate Funds to transfer to Public Works to cover costs of 5 year update report.	1220050	56100	\$ 15,000.00		\$ 15,000.00
SRF-AB1913-2500						\$ 50,190.00
	Increase appropriation to transfer from Juvenile Justice Realignment Fund to Probation for increased services in the Juvenile Program.	1020087	56100	\$ 50,190.00		\$ 50,190.00
AB109-2500						\$ (75,340.00)
	Decrease appropriation from Special Revenue fund due to later-than planned opening at the Re-entry facility.	1020081	56100	\$ (75,340.00)		\$ (75,340.00)
Capital Projects-3000						\$ (2,369,830.00)
	Increase appropriations for Historic Courthouse Project, offset by increased insurance reimbursement and fund balance.	3000550	47400		\$ 516,891.00	\$ (516,891.00)
	Appropriate Excess ERAF portion of State Property Tax backfill for FY 2017/18 and 2018/19 to transfer to Accumulated Capital Outlay for Jail Project.	3000550	52360	\$ 875,682.00		\$ 875,682.00
	Transfer excess revenue, from mid-year adjustments, to Accumulated Capital Outlay for Jail Project.	3000000	48210		\$ 2,728,621.00	\$ (2,728,621.00)
		3000000	48210		\$ 770,383.00	\$ (770,383.00)
Property Management-4300						\$ 93,622.00
	Increase appropriations for higher utility costs, offset by salary savings, fund balance, and contingency	4300000	53200	\$ 25,000.00		\$ 25,000.00
		4300000	53205	\$ 200,000.00		\$ 200,000.00
		4300000	53350	\$ 17,000.00		\$ 17,000.00
		4300000	58100	\$ (121,378.00)		\$ (121,378.00)
		4300000	51100	\$ (27,000.00)		\$ (27,000.00)

Exhibit B
2018/19 Midyear Budget Adjustments
Other Funds

Dept.	Description	Subdivision	Account	Expenditure	Revenue	Use of Fund Balance
Insurance-4500						\$ 22,000.00
	Reclassify appropriations to cover unanticipated liability insurance claims.	4500000	52710	\$ 140,000.00		\$ 140,000.00
		4500000	56100	\$ (140,000.00)		\$ (140,000.00)
	Increase admin services to reflect actual time spent from fund balance.	4500000	52100	\$ 22,000.00		\$ 22,000.00
Animal Shelter-5040						\$ 21,089.00
	Increase Veterinary expenses and Debt	5040000	52230	\$ 71,000.00		\$ 71,000.00
	Service transfer, offset by salary savings and fund balance.	5040000	53605	\$ 10,000.00		\$ 10,000.00
		5040000	53610	\$ 9,495.00		\$ 9,495.00
		5040000	56190	\$ 13,595.00		\$ 13,595.00
		5040000	51100	\$ (73,000.00)		\$ (73,000.00)
		5040000	51400	\$ (13,001.00)		\$ (13,001.00)
		5040000	51600	\$ (5,000.00)		\$ (5,000.00)
		5040001	52230	\$ 8,000.00		\$ 8,000.00
				\$ 2,240,683.00	\$ 4,623,335.00	\$ (2,382,652.00)

Exhibit C
2018/19 Midyear Budget Adjustments
Health and Human Services Fund

Division	Description	Subdivision	Account	Expenditure	Revenue	Use of Fund balance
Public Health-20001						
	Increase revenue from Emergency Preparedness Special Revenue Fund to cover increased costs.	2000100	48200		\$ 68,800.00	\$ (68,800.00)
		2000155	56100	\$ 68,800.00		\$ 68,800.00
Mental Health-20002						
	Increase for residential treatment services, offset by Public Health Salary savings.	2000200	52475	\$ 80,000.00		\$ 80,000.00
		2000100	51100	\$ (80,000.00)		\$ (80,000.00)
	Increase revenue from Mental Health Realignment to cover increased expenditures.	2000281	43118		\$ 57,240.00	\$ (57,240.00)
		2000281	56100	\$ 57,240.00		\$ 57,240.00
		2000200	48241	\$ 57,240.00		\$ 57,240.00
Child Welfare Services-20004						
		2000400	53500	\$ 650,000.00		\$ 650,000.00
	Increase Support and Care of persons due to increased program services for Continuum of Care reform, offset by decreases in self-sufficiency from declining caseload, and decrease in Administration personnel.	2000600	52490	\$ (450,000.00)		\$ (450,000.00)
		2000600	53500	\$ (175,000.00)		\$ (175,000.00)
		2001000	51100	\$ (25,000.00)		\$ (25,000.00)
		2000400	48200		\$ 927.00	\$ (927.00)
	Increase in contract increase offset by transfer in from Children's Trust Fund.	2000450	56100	\$ 927.00		\$ 927.00
Comprehensive Services for Older Adults-20005						
	Increase personnel offset by salary savings in Administration.	2000500	51100	\$ 110,000.00		\$ 110,000.00
		2001000	51100	\$ (110,000.00)		\$ (110,000.00)
Self-Sufficiency-20006						
		2000600	48200		\$ 507,977.00	\$ (507,977.00)
	Increase Revenue from Family Support Subaccount due to anticipated increase required for CalWORKS Single Allocation.	2000651	56100	\$ 507,977.00		\$ 507,977.00
	Increase revenue from Domestic Violence Special Revenue Fund	2000600	48200		\$ 1,560.00	\$ (1,560.00)
		2000650	56100	\$ 1,560.00		\$ 1,560.00
Summary by division						
Public Health-20001				\$ (11,200.00)	\$ 68,800.00	\$ (80,000.00)
Mental Health-20002				\$ 194,480.00	\$ 57,240.00	\$ 137,240.00
Child Welfare Services-20004				\$ 650,927.00	\$ 927.00	\$ 650,000.00
Comprehensive Services for Older Adults-20005				\$ 110,000.00	\$ -	\$ 110,000.00
Self-Sufficiency-20006				\$ (115,463.00)	\$ 509,537.00	\$ (625,000.00)
Administration-20010				\$ (135,000.00)	\$ -	\$ (135,000.00)
				\$ 693,744.00	\$ 636,504.00	\$ 57,240.00