



A Tradition of Stewardship
A Commitment to Service

Napa County 2024 Strategic Financial Plan

Recommended by the
COUNTY EXECUTIVE OFFICE

May 21, 2019

1. Introduction and Background

Napa County has a strong history of fiscal prudence which allows for stability in the services we provide to our residents and visitors. For many years, the primary source of fiscal policy for Napa County was the “Budget Policies,” adopted annually by the Board of Supervisors. These policies provided direction to County staff in preparing the upcoming fiscal year budget and included policies that remained fairly consistent from year to year. In 2008, in response to the economic downturn (the “Great Recession”) the Board approved a “Fiscal Contingency Plan – FY 2008-09 through FY 2012-13” to guide the County’s response to the risk to the County’s financial condition. The Fiscal Contingency Plan articulates a general philosophy and guiding principles and prioritizes steps to be taken to reduce expenditures during times of economic stress. In 2011, the Board approved a Fund Balance policy that, among other things, confirmed provisions in the Fiscal Contingency Plan that set goals for the General Fund Reserve and the Assignment for Fiscal Uncertainty and specified priorities for use of any remaining available fund balance. On April 4, 2006, the Board first approved a five-year Strategic Financial Plan to articulate the overarching fiscal policies of the Board. This plan is regularly updated as part of the budget process.

With the Great Recession behind us, the State of California is in a period of significant revenue growth. The 2019-20 state budget, as proposed by the Governor in January, includes state funding to reduce some of the burden on Counties for various programs. While this is a positive sign, the state has historically used counties as a significant part of budget “solutions” when resources are insufficient to fund state programs, even during times of growth. The Federal budget continues to be volatile.

By the end of FY 2018-19, the current period of economic expansion will have matched the longest expansion since World War II. The unemployment rate in Napa County was 3.5% in March 2019, well below the 4.6% unemployment rate for California. This low rate of unemployment, and the lack of available affordable housing continue to contribute to the Bay Area growing at a slower pace than the national economy. Therefore, the County will likely continue to face future fiscal challenges including:

- Continued and enhanced demand for services and a growing backlog of unmet needs in some areas, particularly infrastructure and capital needs;
- The impact of certain state programs realigned to counties without sufficient dedicated revenue to fully cover the cost of those programs;
- Limited growth in discretionary, semi-discretionary and certain other revenues and the possibility of reduced state revenues for services the County provides on behalf of the state; and
- Increased costs of doing business; including costs associated with disaster response and recovery.

This updated Strategic Financial Plan continues the comprehensive strategic framework to ensure the County’s financial sustainability over the current and four subsequent fiscal years (FY 2019-20 through FY 2023-24). This stability ensures the County can continue essential services, while having the flexibility

necessary to respond to significant changes, such as altering political direction at the state and federal levels, natural disasters, and changes in global economics that may impact our local community.

The Strategic Financial Plan is different from other fiscal policy documents in that it consolidates several other documents, and spans several years; it does not focus on just one year or one aspect of fiscal policy – such as resource reduction strategies or reserve levels – though it does focus on the General Fund and certain related funds. The Plan is strategic, however, in that it does not attempt to lay out a detailed blueprint for everything that will be done. Instead, it provides a policy and priority framework for dealing with the Board’s priorities over a five-year period. The Strategic Financial Plan will continue to be implemented through the annual adoption of Budget Policies, the budget process and other Board actions.

2. General Fund Financial Picture

On August 24, 2014, the County experienced a magnitude 6.0 earthquake that caused widespread damage to County-owned buildings and other infrastructure such as roads and bridges. During the winter of 2017, the County experienced storms causing slides and road damage. On October 8, 2017 the Napa Fire Complex started, resulting in significant response costs, ongoing repair and recovery projects, and a loss in property tax revenue, due to the loss of 639 homes. The adopted state budget for FY 2018-19 included funding to provide state backfill of this lost revenue for FY 2017-18 and 2018-19, and Napa County is included in the proposals to continue that backfill into FY 2019-20, ~~however.~~ However, the legislature is not scheduled to vote on the state budget until after our budget hearings. A portion of the cost of response and recovery is covered by funds provided by the Federal Emergency Management Agency (FEMA) and the California Office of Emergency Services (Cal-OES) and in the case of the earthquake, insurance proceeds. However, receipt of FEMA and Cal-OES funding will come over a period of multiple years.

Despite these disasters, the General Fund remains strong. The Government Finance Officers Association has a “Best Practice” of maintaining at least two months – or 17% of operating revenues or expenditures in fund balance. Napa County’s policy establishes a variety of tools to achieve this. The **General Reserve** policy establishes a General Reserve equivalent to 10% of combined operational appropriations for the General Fund and the Health and Human Services Fund. While the FY 2018-19 budget was adopted with the reserve not fully funded, subsequently, the Board fully funded the reserve during the fiscal year with closing fund balance from FY 2017-18. The **Designation for Fiscal Uncertainty** policy establishes a General Fund Designation for Fiscal Uncertainty at 10% of operational appropriations and a Health and Human Services Designation at 10% of operational appropriations, less the intrafund transfers. Table 1 shows the FY 2018-19 adopted budget and the actual General Reserve and Designation for Fiscal Uncertainty. In addition, the budget includes a 3% contingency fund. The combination of these three tools totaling 23%, are the tools we use to meet this best practice. As shown in Table 1, the General Reserve is fully funded, and the Assignment for Fiscal Uncertainty is almost fully funded, and will be as part of the recommended FY 2019-20 budget.

Table 1: Adopted Budget and Actual General Reserve and Designation for Fiscal Uncertainty

	<u>General Fund</u>	<u>HHSA</u>	<u>Total</u>
Adopted Budget Expenditures	\$198,124,217	\$120,860,117	\$318,984,334
Less:			
HHSA Transfer	(\$15,328,764)	\$0	(\$15,328,764)
Accumulated Capital Outlay Transfer	(\$1,500,000)	\$0	(\$1,500,000)
Roads Transfer	(\$3,732,000)	\$0	(\$3,732,000)
Contingency	(\$5,000,000)	\$0	(\$5,000,000)
Intrafund Transfers (HHSA)		(\$10,373,193)	(\$10,373,193)
Total Defined Expenditures	\$172,563,453	\$110,486,924	\$283,050,377
General Reserve			
Calculated Policy Level	\$29,342,357	\$0	\$29,342,357
Actual General Reserve	\$29,342,357	\$0	\$29,342,357
Difference from Policy Level	\$0	\$0	\$0
Fiscal Uncertainty			
Calculated Policy Level	\$17,256,345	\$11,048,692	\$28,305,038
Actual General Reserve Fiscal Uncertainty	\$16,997,882	\$11,080,000	
Difference from Policy Level	(\$258,463)	\$31,308	(\$227,156)

Financial Projections – General Fund

The General Fund is the operating fund for the County, with most of the revenue coming from property tax, sales tax, and transient occupancy tax. Table 2 below shows the historical ~~revenue~~ revenues and expenditures, while Table 3 shows projections for the next five years. Note that FY 2014-15 and 2015-16 show a substantial use of fund balance, as a result of costs associated with response and recovery from the 2014 Earthquake.

Table 2: Historical Actual General Fund Revenue and Expenses

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Revenues					
Property Taxes	70,153,468	74,402,734	79,054,852	80,319,749	87,972,451
Sales Tax	6,724,739	6,970,464	9,165,380	10,498,339	10,630,819
Transient Occupancy Tax	10,543,464	11,988,512	12,617,489	13,703,499	12,620,682
Property Transfer Tax	1,566,961	1,806,598	2,004,493	2,440,702	1,938,501
Indirect Cost Allocation	6,189,071	6,203,475	6,922,925	3,327,911	5,106,284
Excess ERAF	12,139,610	9,916,395	9,816,259	5,566,528	20,062,259
Other Revenues	66,255,708	81,216,989	78,987,943	81,885,037	93,985,474
Total revenue	173,573,021	192,505,166	198,569,341	197,741,766	232,316,470
Expenditures					
Salaries & Benefits	92,964,612	95,055,792	99,494,193	98,869,227	104,978,590
Services & Supplies	36,472,671	39,114,601	42,101,797	42,596,568	44,732,724
Contributions to non-GF depts	30,894,002	26,373,278	25,325,547	25,405,491	36,327,569
Accumulated Capital Outlay	3,500,000	13,096,895	9,446,755	18,135,747	28,549,259
Other expenses	6,983,902	11,740,006	10,367,108	14,733,770	17,866,094
Total expenditures	170,815,188	185,380,570	186,735,400	199,740,803	232,454,235
increase (decrease) of fund balance	2,757,833	7,124,596	11,833,942	(1,999,037)	(137,766)

The Board adopts budget policies annually in January, which guides the development of the budget for the upcoming fiscal year, and [reflects](#) the changes in the financial resources, as well as the programming needs. In addition, in January 2019, the Board adopted a 3-year Strategic Plan, and the proposed budget for FY 2019-20 will begin to match the resources with the priorities in that plan.

Table 3: 5-Year Forecast General Fund Revenue and Expenses

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Beginning Fund Balance Estimate	5,774,626	11,874,982	-	-	-	-
Revenues						
Property Taxes	92,371,664	95,893,250	100,018,260	103,881,584	107,781,887	109,926,885
Sales Tax	11,290,517	11,290,517	11,629,233	11,978,109	12,337,453	12,707,576
Transient Occupancy Tax	13,522,806	13,793,460	14,069,329	14,350,716	14,637,730	14,930,485
Property Transfer Tax	1,800,000	1,764,000	1,728,720	1,728,720	1,728,720	1,763,294
Indirect Cost Allocation	2,433,362	5,958,788	6,256,727	6,569,564	6,898,042	7,242,944
Excess ERAF	14,000,000	12,600,000	11,340,000	10,206,000	9,185,400	8,266,860
Other Revenues	67,038,492	77,145,832	78,688,749	80,262,524	81,867,774	83,505,130
Total revenue	202,456,841	218,445,847	223,731,018	228,977,217	234,437,006	238,343,174
Expenditures						
Salaries & Benefits	113,031,161	125,332,727	132,192,709	136,158,490	140,243,245	144,450,542
Services & Supplies	43,831,204	49,003,491	54,854,675	55,288,555	57,552,432	58,023,389
Contributions to non-GF depts	27,741,510	28,746,311	29,118,386	29,524,236	28,108,487	28,494,139
Accumulated Capital Outlay	14,000,000	12,600,000	11,340,000	10,206,000	9,185,400	8,266,860
Operational Contingency	5,000,000	5,391,842	5,611,422	5,743,411	5,933,870	6,074,218
Increase to General Reserve		1,074,422				
Increase to Fiscal Uncertainty		2,143,802				
Total on-going expenditures	203,603,875	224,292,595	233,117,191	236,920,693	241,023,434	245,309,148
increase (decrease) of fund balance*	(1,147,034)	(5,846,748)	(9,386,174)	(7,943,476)	(6,586,429)	(6,965,974)

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Notes to table 3:

- The beginning fund balance estimate is the figure calculated during the 6 month estimate and budget development process.

- [Increase \(decrease\) of fund balance is the difference between revenues and expenses, and does not include the projected beginning fund balance.](#)
- [The General Reserve and Fiscal Uncertainty calculations are only included for the budget year, due to the fact that these projections focus on the General Fund, and the General Reserve calculation also includes the Health and Human Services Fund.](#)

The forecast above is based on the following assumptions:

- [Secured](#) Property tax growth of 4% per year, [years 1-4, 2% in year 5.](#)
- Sales tax growth of 3% per year.
- Transient Occupancy Tax growth of 2% per year.
- Property Transfer Tax growth of [42%](#) per year, [years 1-2, flat in year 3-4, 2% in year 5.](#)
- Indirect Cost Allocation is assumed constant, [based on the actual plan for 2019-20.](#)
- Interest Income projections have been increased, based on [the revised a change in how the Treasurer's Office applies the Board-approved Investment Policy approved by the Board.](#)
- Other Revenues growth of 2% per year. This includes Proposition 172, realignment revenues transferred into the General fund, state and federal program revenue received by departments, and charges for services.
- Salaries and Benefits:
 - Salary assumptions based on approved bargaining unit agreements in FY 2019-20.
 - Health insurance increases of 7.5% for FY 2019-20.
 - Retirement projections based on June 30, 2018 valuation.
 - Other Post-Employment Benefits (OPEB) increases of 3.25% per year based on actuarial assumptions.
 - Salaries and benefits for years 2-5 are 3% overall/year, to cover expected increases in insurance and pension costs, in addition to any salary increases associated with the upcoming negotiations of renewal bargaining unit agreements.
- Service and Supply increases of 1%/year.
- Increased operating costs of \$3.2 million for new jail are assumed beginning in FY 2020-21, [impacting both Salaries and Benefits and Service and Supplies.](#)
- All Excess ERAF being transferred into Accumulated Capital Outlay. It is anticipated that the Excess ERAF received in FY 2019-20 will meet the needs of the adopted Jail Financing Plan. At that time, the funding in Accumulated Capital Outlay can be directed to other Capital Needs such as Road improvements, Facility improvements, or the upgrade to the financial/Human Resources/Budget system. Excess ERAF revenue projections are based on projections from the Auditor's Office, but are subject to legislative and market variables. Because of this, they are considered one-time revenues.
- FEMA Reimbursement/Disaster Response/Recovery is based on actuals received through April 2019.

These tables DO NOT reflect needs that have been identified by Department Heads as having potential impacts in the next one-five years, including:

- One-time funding needs
 - Emergency Alert System updates
 - Improvements (upgrades or replacement) of County financial and human resources system
 - Need for new residential stabilization facility or reconstruction at current location
 - Circulation Element update
 - Housing Element update
- On-going funding needs
 - Escalating pension costs
 - Homeless services
 - Affordable housing, including family farmworker housing
 - Americans with Disabilities Act Transition Plan implementation
 - Emergency preparedness and response
 - Increasing number of felony cases, impacting both District Attorney and Public Defender
 - Changing laws and Increasing use of Body-worn cameras, increasing demands on law enforcement and justice partners
 - Sustainable Groundwater Management Plan impacts, if state does not accept proposed plan
 - Deferred maintenance of county facilities
 - Capital Improvement Plan implementation
 - Culvert and bridge maintenance
 - Succession planning for county leadership positions
 - Watershed protection and monitoring
 - Roads funding
 - Code enforcement/compliance

Changes to revenue/expense scenarios

The County has been able to respond to natural disasters immediately and to legislative changes in a thoughtful and measured manner, because the Board has maintained appropriate funding levels for the General Reserve and Fiscal Uncertainty components of fund balance. This fiscal prudence has also allowed the Board to direct staff towards constructing a new jail in one phase, instead of two, in order to achieve significant operational cost savings and avoid escalation of construction costs in the future.

Using the actual revenues and expenditures from above as a starting point and applying the assumptions mentioned above, as well as normal growth in revenues and expenditures, it is possible to project scenarios that may affect the County’s financial health. Each of the scenarios below represents a feasible condition that may have to be addressed. Potential solutions consistent with the Strategic Financial Plan are suggested, but would only need to be considered if the scenario (or a similar fiscal condition) materialized.

Based on the FY 2018-19 estimated year-end actuals, a 1% change in revenue is \$1.88 million and a 1% change in expenditures is \$1.90 million.

The Board has significantly more control over expenditures than revenues, and will continue to make expenditure decisions based on available revenue.

3. Philosophy, Guiding Principles and Key Policies

As the only general purpose local government covering a geographic area that includes cities and special districts – and with responsibility for both countywide and municipal services and for administering various programs on behalf of the state – counties are under pressure to be the funder or service provider of last resort when it comes to local interest and needs. At the same time, counties’ ability to raise revenue is limited and more constrained than many other local governments by state mandates and requirements. Given this, a key premise of this Strategic Financial Plan is that:

The County cannot be all things to all people nor can it be the “government of last resort.” We recognize the County’s role as a provider of services in keeping with the traditional county model. Although the County is a significant thread in a tapestry of federal, state and local government services, it must rely on other government organizations as well as not-for-profit agencies, faith-based and family institutions to provide the spectrum our community requires.

Consequently, a major focus of this Plan is setting priorities for use of limited discretionary resources.

The following outlines the Guiding Principles and key Multi-Year Fiscal Policies that will guide the County in its efforts to ensure fiscal sustainability over the five-year period covered in the Plan.

Guiding Principles

1. The County will maintain sufficient General Fund reserves and fund balance to provide for adequate cash flow and avoid the need for short-term borrowing and to provide a hedge against an unanticipated fiscal crisis.
2. The County’s emphasis will be on using General Fund discretionary resources to finance “core” County programs. These include traditional County programs or services that state law has made the responsibility of counties and that have historically been funded by local taxpayers.
3. In those cases where a significant need exists and Napa County has determined that it will not assume responsibility for funding or service delivery, the County may opt to provide advocacy, coordination, technical assistance and start-up financial assistance to aid others in the provision of those necessary services.
4. Except when necessary to respond to emergent or urgent situations, the County will not use one-time or limited duration revenue to fund ongoing operating costs. Instead, one-time or limited duration revenue will be used to meet non-recurring needs, like capital projects or paying down unfunded liabilities.

5. Over the five-year planning period, except in times of fiscal distress, the County's goal is that, on average, actual annual General Fund operating expenditures will not exceed operating revenue.
6. In periods of fiscal distress it is appropriate to temporarily use fund balance and/or reserves to help balance the General Fund budget, but only if that is part of a plan to achieve long-term structural balance, with the goal of achieving structural balance within 24 months.
7. Generally speaking, it is better to do a few things well than a lot of things poorly. The County's goal is to provide high priority services in a professional, effective and efficient manner, even if it means limiting the number or type of lower priority services provided.
8. The County administers a number of costly state programs that are primarily funded by state and federal dollars. Recognizing the limitations on the County's ability to increase discretionary revenues, in the event of a reduction in resources for these programs, the County's goal, to the extent legally possible, is to avoid backfilling reductions in state and federal dollars with discretionary dollars.
9. To maintain as much flexibility as possible to address priority needs and deal with exigent circumstances, wherever legally possible, revenues are to be treated as discretionary resources, rather than dedicated to a particular program.
10. When charging for services or claiming federal or state revenues, the County's goal is to recover the full cost of services provided, including departmental and county overhead.
11. Generally, it is appropriate to use discretionary resources to fund programs or services that provide a broad public benefit. To the extent legally possible, programs or services that primarily benefit a smaller sub-group should be paid for with user fees or assessments.
12. The County provides countywide services to people who live in all areas of the County and municipal services to residents of the unincorporated area. Because city residents already pay taxes or fees to their cities for municipal services, it is important to ensure that city residents do not subsidize the cost of providing services to residents of the unincorporated area.
13. The County has a fiduciary responsibility to the taxpayers to ensure that public funds are spent only to achieve an appropriate public purpose and that any expenditure of public funds incorporates appropriate control and accountability measures to ensure that the public purpose is being achieved. In addition, the County will use appropriate performance measures to help evaluate the effectiveness and efficiency of County programs and services.

Key Multi-Year Fiscal Policies – FY 2019-20 through FY 2023-24

1. Maintain a General Reserve balance equal to 10% of General Fund and Health and Human Services Fund appropriations (not including the General Fund Appropriation for Contingencies and Disaster Response and Recovery, any transfer to the Accumulated Capital Outlay Fund, and the General Fund contribution to the Health and Human Services Fund). The General Reserve is to be maintained at this level at all times, except in the case of a dire fiscal emergency or declared natural disaster.
2. Strive to maintain an Assignment for Fiscal Uncertainty balance in the General Fund of 10% of General Fund appropriations, not including the General Fund appropriation for Contingency, any budgeted transfer to the Accumulated Capital Outlay Fund and the General Fund contribution to the Health and Human Services Fund. In times of fiscal distress, these funds can be used to help balance the General Fund budget as part of a plan to achieve long-term structural balance. Any plan to achieve long-term structural balance should include a provision to replenish the Assignment for Fiscal Uncertainty balance to the 10% level.

Strive to maintain an Assignment for Fiscal Uncertainty in the Health and Human Services Fund of 10% of the Health and Human Services Fund appropriations. In times of fiscal distress, including the loss of state and/or federal revenues for priority programs, these funds can be used to help balance the Health and Human Services Fund budget as part of a plan to achieve long-term structural balance in that fund. Any plan to achieve long-term structural balance should include a provision to replenish the Assignment for Fiscal Uncertainty (HHS Fund) balance to the 10% level.

3. Place a minimum of 3% of General Fund appropriations in an Appropriation for Contingencies (not including the Declared Emergency Division or any transfers or contributions to other funds), to be used during the fiscal year to address unanticipated expenditure increases or revenue decreases.
4. Once the General Reserve and the General Fund Assignment for Fiscal Uncertainty requirements are met, and after evaluating all existing and new Assignments, evaluate any remaining General Fund sources to reduce long-term liabilities, as identified in the annual budget policies.
5. After addressing long-term liabilities, transfer any remaining unappropriated General Fund discretionary resources to the Accumulated Capital Outlay (ACO) Fund to be retained to address unmet capital needs. Transfer monies from the ACO Fund as needed to cover the cost of major capital investment as approved by the Board of Supervisors.
6. To the extent that the General Fund Five-Year Forecast provides clear evidence that there is a significant structural surplus (that is, that discretionary revenues exceed the projected operating Net County Cost, General Reserve, Assignment and Contingency requirements) during the five-

year projection period, any available resources may be invested in program enhancements as set forth in the Resource Allocation Strategy.

7. To the extent that the annual General Fund Five-Year Forecast shows that there is a structural deficit (that is, that discretionary revenues are less than projected operating Net County Cost, General Reserve, Assignment and Contingency requirements) during the five-year projection period, expenditure reductions or other actions may be taken, if needed, to address a significant reduction in resources, as set forth in the Resource Reduction Strategy.
8. Generally, one-time or limited-duration resources (including fund balance) will be spent on one-time or non-recurring obligations.
 - a. One-time or non-recurring obligations include:
 - adding to Reserves and Assignments;
 - infrastructure, capital and technology improvements;
 - reduction of unfunded liabilities, including Retirement and Retiree Health obligations;
 - cost-avoidance projects;
 - other non-recurring needs, in accordance with Board Budget Policies.

4. Resource Allocation Strategy

This Resource Allocation strategy essentially describes the method used to determine how the various types of County services are to be prioritized over the Plan period and, subsequently, how they are to be funded. The Strategy first makes a distinction between those services that are to be funded primarily by the General Fund (and discretionary resources) and those services that are to be funded primarily by special revenue funds or other funding mechanism. The following lists identify the services that fall into these two categories:

(A) Services Appropriately Funded by the General Fund (Discretionary Resources)	(B) Services Appropriately Funded by Dedicated Resources
<p><u>Law, Justice and Public Safety</u></p> <ul style="list-style-type: none"> • Criminal Prosecution (District Attorney) • Public Defender • Corrections • Probation • Coroner (Sheriff) • Patrol and Investigations in Unincorporated Area (Sheriff) • Animal Control Services (Unincorporated Area) • Emergency Preparedness and Response <p><u>Health & Human Services</u></p> <ul style="list-style-type: none"> • HHS – Public Health (communicable & sexually transmitted disease control, epidemiology) • HHS: Indigent Healthcare for Non-Medi-Cal eligible population • HHS: General Assistance • HHS: Homeless Assistance <p><u>Community Resources/Infrastructure</u></p> <ul style="list-style-type: none"> • County Surveyor (Public Works) • Agricultural Commissioner (Pesticide Use Enforcement; Plant Protection/Commodity Regulation except for contracted services; Weights and Measures except for device regulation and Price Verification programs; Wildlife Services) • Environmental Management (Green Business Program; Abandoned Vehicle Program) • Watershed Information Center and Conservancy (Conservation, Development & Planning) • Conservation, Development & Planning (long-range) • Planning; code enforcement • Roads Fund (Public Works) <p><u>General Government – Civic Services</u></p> <ul style="list-style-type: none"> • Treasurer-Tax Collector • Assessor (Assessor-Recorder-County Clerk) • Elections (Assessor-Recorder) <p><u>General Government – Overhead</u></p> <ul style="list-style-type: none"> • Board of Supervisors • County Executive Officer • Auditor-Controller • County Counsel (except services to outside agencies) • Purchasing (Public Works) • Property Management (Public Works) 	<p><u>Law Justice and Public Safety</u></p> <ul style="list-style-type: none"> • District Attorney – Grant Programs and Consumer Fraud • Special Investigations Unit (Sheriff) • Child Support Services • Patrol and Investigations in cities (Sheriff) • Animal Control Services in cities (Sheriff) <p><u>Health & Human Services</u></p> <ul style="list-style-type: none"> • HHS: Mental Health • HHS: Substance Abuse Services • HHS: Public Guardian-Administrator • HHS Social Services (including CalWORKS, Child Welfare Services, Adult Protective Services, IHSS, Workforce Investment Act, etc.) • HHS: Public Health (WIC, Maternal & Child Health programs, CHDC, other state/federal programs) <p><u>Community Resources/Infrastructure</u></p> <ul style="list-style-type: none"> • Airport (Public Works) • Public Works (Contract Services for other agencies) • Public Works (Permitting services) • Public Works (Animal Shelter) • Planning, Building & Environ. Services (development review; Building Inspection; Environ. Health; Local Enforcement Agency) • Agricultural Commissioner/Sealer (Glassy Winged Sharpshooter and Vine Mealybug programs; contract plant protection and commodity regulation programs; Wine Grape Inspection program; Device Regulation and Price Verification Programs) • Library • Water Programs and climate change activities <p><u>General Government – Civic Services</u></p> <ul style="list-style-type: none"> • Recorder-County Clerk (Assessor-Recorder-County Clerk) <p><u>General Government – Overhead</u></p> <ul style="list-style-type: none"> • Fleet Management (Public Works) • Information Technology Services (CEO) • Affordable Housing (CEO) • Risk Management (CEO)

<p><u>Capital Improvement Program (CIP)</u></p> <ul style="list-style-type: none"> • General Fund building projects 	<p><u>Capital Improvement Program (CIP)</u></p> <ul style="list-style-type: none"> • Non-General Fund building projects <p><u>County Service Districts and Other Districts Governed by the Board of Supervisors</u></p> <ul style="list-style-type: none"> • Lake Berryessa Resort Improvement District • Napa Berryessa Resort Improvement District • Napa County Flood Protection and Watershed Improvement Authority • County Service Area #3 • County Service Area #4 • Silverado Community Services District • Monticello Cemetery District • IHSS Public Authority • Napa County Housing Authority • Napa Valley Tourism Improvement District • Milliken-Sarco-Tulocay Recycled Water Project • Devlin Road Construction
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The Strategy identifies those General Fund-supported services (category A) that will be considered to receive additional General Fund (discretionary) support in future years, and this list should be used in conjunction with the unmet needs identified earlier in this document:

The Strategy then makes a distinction between those General Fund-supported services (category A) that, to the extent additional resources are available, are slated for growth in General Fund (discretionary) support. Priority will be given to:

1. Funding Law, Justice and Public Safety programs and corrections-related HHSA programs, focusing particularly funding, above and beyond the Realignment revenue provided by the state, that may be needed to continue the 2011 Public Safety Realignment approved by the State Legislature in 2011. This funding will focus on research-tested, evidence-based, practices to control and sanction offenders and reduce recidivism in the most cost-effective way possible.
2. Funding Capital Improvement Program and/or General Government – Construction of a new jail, accessibility improvements associated with the ADA transition plan, and deferred maintenance on county facilities.
3. Emergency preparedness and response.

5. Fiscal Contingency Strategy

The potential components of any fiscal contingency strategy are essentially the same for all local governments: incremental expenditure cuts; major program cuts; identification and implementation of new revenue sources; distinguishing between high priority and lower priority programs; across-the-board funding cuts; etc. The differences come in how these components are structured in any particular jurisdiction (i.e., what happens first, what programs, if any, are exempt from reductions, etc.).

The County's approach to structuring the components of a fiscal contingency strategy is set forth below.

General Philosophy

To the extent possible, across-the-board reductions in expenditures will be avoided. Reductions will be made on a case-by-case basis, focusing particularly (though not exclusively) on discrete programs or services. Maintaining a highly professional service delivery system is of foremost importance to the County. Thus, if it becomes necessary to make significant service level reductions, the goal will be to reduce the quantity of a service provided rather than the quality of service.

Also, it does not necessarily make sense to fund current operations at the expense of long-term capital or planning programs. Consequently, every effort will be made to continue capital and planning programs geared to meeting the County's long-term needs.

Resource Reduction Priorities

Short-term Actions

The following actions will be considered when dealing with the immediate impact of a significant reduction in resources. The purpose of these actions is to achieve immediate savings and/or better position the organization to deal with the impact of longer-term actions once they are implemented. The actions are listed in priority order:

1. Major General Fund-supported office space remodels will be halted, unless they are required to address critical health or safety needs.
2. Purchase of equipment and capital assets will be selectively deferred. Funding source and impact on service delivery will be considered in implementing the deferral.
3. Implementation of new programs not fully operational and/or not fully revenue offset, will be halted.
4. Approval of contracts for services, not fully revenue offset, will be selectively deferred. Funding sources and impact on service delivery will be considered in implementing the deferral.
5. A selective hiring freeze will be implemented.

Longer-Term Actions

The following actions will be considered when dealing with the longer-term impact of a significant reduction in resources. The actions are listed in priority order and lower priority actions will be implemented only if higher priority actions are insufficient to deal with the fiscal shortfall. Once the County's fiscal situation improves, staff will seek direction from the Board on whether to restore funding or otherwise return to the pre-reduction levels.

1. A moratorium will be placed on implementing new programs or expanding existing programs if the cost of those programs or expansions is not fully revenue offset and a secure, long-term funding source is not identified (an exception will be programs associated with Public Safety Realignment).
2. Cancel General Fund designations in an amount not to exceed the General Fund Contingency policy level and up to an additional \$2 million a year.
3. To the extent legally possible, or where it does not impact the public's health and safety, place a hard freeze on backfilling reductions in federal or state funding, or in using General Fund money to cover cost of doing business increases for programs primarily funded by state or federal resources.
4. Moderate reductions in discretionary support will be made on a case-by-case basis. These reductions will focus first on programs appropriately funded by dedicated resources (such as fee-supported programs where fees are not yet at full cost recovery or state or federal programs where the County provides an over-match). Reductions made at this point will generally have only a limited impact on service levels and may, in some cases, be offset by increases in fees.
5. Discretionary funding for programs appropriately funded by dedicated resources will be significantly reduced or eliminated. This may involve reducing the County match to the minimal mandated level. In the case of programs that are primarily the state's responsibility, the County will consider returning responsibility to the state for operating those programs, to the extent permitted by law. In the case of fee-supported programs where the fee structure does not fully cover program costs, fees will be increased to fully cover those costs.
6. Do not make the annual transfer of General Fund revenue to the Special Projects Fund as called for in current Board policy. Do not enter into any new contracts or renew any contracts for use of Special Projects Fund money.
7. Discretionary resources that have been earmarked by the Board for certain purposes will be reviewed and proposed for re-allocation to fund core County programs.
8. Major program reductions will be proposed in programs appropriately funded with discretionary resources, starting with the lowest priority service areas and moving on to higher priority service

areas as needed. Reductions will be made in the following priority order, focusing on maintaining adequate service levels in core programs:

- Community Resources/Infrastructure
 - General Government – Civic Services (excluding services related to property tax assessment, collection, and apportionment)
 - Law, Justice and Public Safety (excluding costs related to dealing with Public Safety Realignment)
 - Health and Human Services
9. Place a moratorium on all General Fund supported facilities capital improvement projects, other than those needed to address critical health and safety needs. Transfer any unobligated funds in the Accumulated Capital Outlay Fund to the General Fund.
10. A reduced work week or period of unpaid leave may be proposed to achieve salary savings.

6. Revenue Enhancement Strategy

This Revenue Enhancement Strategy describes whether, and how, the County will seek additional revenue to fund needed services. The Strategy is divided into two parts: (1) Funding Operating Costs; and (2) Funding Capital Projects.

NEW REVENUE FOR OPERATING COSTS

During the period covered by this Plan, the County will not seek increases in major discretionary revenue sources or new discretionary revenue sources, such as a local option sales tax or an increase in the Transient Occupancy Tax (TOT). The County may seek additional funding through:

- Pursuit of grants, though grants will only be pursued for operational funding if the funding is for programs or services the County would otherwise have provided and the grant provides on-going funding or will be used to supplant General Fund resources.
- Increases in fees for fee-supported programs, where the current fees do not fully cover the cost of the program or to keep pace with increases in the cost of doing business.

FUNDING CAPITAL PROJECTS

The County will commit one-time revenues, such as Excess ERAF to the Accumulated Capital Outlay in order to address capital projects.