



Agenda Date: 1/29/2008  
Agenda Placement: 9C

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Britt Ferguson for Nancy Watt - County Executive Officer  
County Executive Office  
**REPORT BY:** Britt Ferguson, Assistant County Executive Officer - 253-4406  
**SUBJECT:** Approval of Selective Hiring Freeze Policy

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### **RECOMMENDATION**

County Executive Officer requests that the Board approve a Selective Hiring Freeze Policy, effective through December 31, 2008.

### **EXECUTIVE SUMMARY**

Over the last few years, the County has prudently controlled spending and set aside significant reserves and designations to help ensure that funding for County programs can be sustained at an appropriate level and that the County can respond to any fiscal downturns in a thoughtful and careful manner. The County is currently facing a number of fiscal uncertainties, including:

- | The impact on the County of the State's budget problems.
- | The impact on the County's property tax revenues of the bursting of the housing "bubble" and the constriction in the credit markets.
- | The impact on the County's sales and transient occupancy tax revenues of the general economic downturn at the State and national levels.

Given this, and despite the County's overall generally positive fiscal situation, staff believes it would be prudent to control spending as much as possible, particularly spending that entails future funding commitments, like personnel costs. This will help build the General Fund's fund balance to fund critical programs in future years, make it easier to eliminate positions in the future if that becomes necessary and provide vacant positions that persons in filled positions that may need to be eliminated can be moved into.

The proposed policy provides that, with certain exceptions (such as positions related to public safety and 24 hour facilities, positions that generate revenue in excess of direct cost, positions in classes fully funded by non-General Fund resources), the County will not recruit for or fill vacant positions. County Executive Office approval will be required to fill any positions.

**PROCEDURAL REQUIREMENTS**

1. Chair announces the agenda item.
2. Staff reports on the item.
3. Questions by the Board.
4. Chair invites public comments.
5. Member makes a motion.
6. Different member seconds the motion.
7. Board discussion and debate on the motion.
8. Chair calls for the vote.
9. If roll call vote requested by member, Clerk calls the roll.
10. Chair announces the result of the vote.

**FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	This action will reduce expenditures, primarily in the General Fund.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Staff believes it is prudent to try and keep as many positions vacant as possible given the various fiscal uncertainties the County is facing.
Is the general fund affected?	Yes
Future fiscal impact:	Any General Fund savings incurred in this fiscal year will be available to help fund programs in future years.
Consequences if not approved:	The County will continue to fill positions as they become vacant, reducing the amount of salary savings that will accrue to the General Fund and be available to help fund programs in future years. In addition, if personnel-related expenditure reductions are needed in future years, there would be greater chance that layoffs would be required.
Additional Information:	

**ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

**BACKGROUND AND DISCUSSION**

As the Board is aware, over the last few years the County has controlled spending and prudently set aside significant reserves and designations to help ensure that funding for County programs can be sustained at an appropriate level and that the County can respond to any fiscal downturns in a thoughtful and careful manner. Notwithstanding this, the County is currently facing a number of fiscal uncertainties, including:

- | The impact on the County of the State's budget situation. According to the most recent numbers from the Governor's Office, the State is facing a cumulative FY2007-08 and 2008-09 deficit of approximately \$14.5 billion. To address this problem, the Governor's budget includes a 10% across the board cut in most State programs and the Governor has proposed delaying certain payments to the counties until September of 2008 and reducing funding for a number of county-operated programs, primarily in the health and human services area. Staff is still analyzing the impact of these proposals on Napa County, but the preliminary estimate is that County revenues may be reduced by as much as \$1.5 million, primarily in various health and human services programs, and approximately \$4 million in payments to the County will be delayed until September, primarily in the health and human services area and Road Fund. At this point, it is unclear how much of the Governor's proposed budget - some of the components of which are highly controversial - will survive the State's budget process. The Governor has also declared a "fiscal emergency," as authorized by Proposition 58, which means that the Legislature must act within 45 days to "address" the current year budget problem. Some analysts are suggesting that how the Legislature deals with its fiscal emergency obligations will be the key to the outcome of the FY2008-09 budget process. In any case, without a significant increase in State revenues, it is possible that the budget process could result in a more negative impact on counties than is reflected in the Governor's Proposed Budget.
- | The impact on the County's property tax revenue due to the bursting of the so-called "housing bubble," and the related constriction in the credit markets. Over the last 10 years, property tax revenue, which accounts for approximately 70% of the County's discretionary revenues, has increased by an average of about 10% a year. For FY2007-08 it appears that property tax collections will probably meet budget projections. However, for future years the County Assessor is advising that the rate of Countywide assessed value growth will likely decrease - to around 4% in 2008 - and may decline even further in the following years, as occurred from 1994 through 1997.
- | The impact on the County of the general downturn in national and State economic conditions. The consensus among economists now appears to be that a recession is more likely than not and, at the least, there will be a substantial slowing of economic growth. In particular, recent data suggests that retail sales are softening both nationally and Statewide. At this point it appears that the Bay Area is faring better than some other parts of the State and the County's sales and transient occupancy tax (TOT) revenues remain relatively robust. Nevertheless, a general economic decline could negatively impact County sales and TOT revenues which, together, account for almost 20% of the County's discretionary revenues. A decline in retail sales could also negatively impact Proposition 172 and Realignment revenues, which help fund the County's public safety and health and human services programs, respectively.
- | The status of the General Fund's ending fund balance at the end of the current fiscal year and the General Fund's longer-term fiscal status. Staff is currently conducting the FY2007-08 mid-year fiscal review and is scheduled to provide that report to the Board by mid-March. Based in part on that review, staff will be updating the General Fund Five Year Forecast and presenting that to the Board.

The Five Year General Fund Forecast provided to the Board last April indicated that the General Fund was in structural balance, but it was a somewhat precarious balance. In light of that, and given the above uncertainties, staff believes that, until some of these uncertainties are resolved, it would be prudent to make every effort now to control spending and, in particular, spending that involves an ongoing commitment of funds, like personnel costs. For that reason, staff is proposing that the Board approve the attached Selective Hiring Freeze Policy. As proposed, this Policy would be in place through December 31, 2008 and would include the following key provisions:

- | The County will not recruit or fill vacant positions unless those positions are deemed "critical" and the

County Executive Officer authorizes recruitment.

- | Positions exempt from the hiring freeze would include: positions in a class that is 100% funded by dedicated revenue; public protection personnel and related support staff necessary for the operation of 25 hour facilities (like the Jail, Juvenile Hall); Health & Human Services Emergency Response personnel; Adult and Child Protective Services and Family Preservation personnel; Health & Human Services positions that cover more than their direct cost; other positions the County Executive Officer determines to be essential to the effective functioning of an agency or program.
- | Prior to the filling of any new or vacant position, the affected department would need the approval of the County Executive Office.

This policy recognizes that it would not make sense to freeze hiring for all positions, since, in some cases, there could be health or safety implications for other County employees or the public if a position is not filled. Also, in the case of some programs, leaving a critical position vacant could mean that program would not function effectively or significant revenue could be lost. However, in general, it makes sense to leave as many positions vacant as possible, both to build the General Fund's ending fund balance so that it is available to help fund critical programs in FY2008-09, to avoid filling positions so that they can be more easily deleted in FY2008-09 if that proves necessary and to provide vacant positions that staff in other positions that might have to be deleted can be moved into if personnel-related expenditure reductions become necessary.

It is proposed that this Policy be in effect through December 31, 2008 because staff believes that is a reasonable time in which many of the uncertainties described above are likely to be resolved.

### **SUPPORTING DOCUMENTS**

A . Proposed Selective Hiring Freeze Policy

CEO Recommendation: Approve

Reviewed By: Maiko Klieman