



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 1/7/2014
Agenda Placement: 10C

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Leanne Link for Nancy Watt - County Executive Officer
County Executive Office
REPORT BY: Leanne Link, Assistant County Exec Officer - 707-253-4406
SUBJECT: Fiscal Issues: Budget Policies

RECOMMENDATION

County Executive Officer request that the Board consider and approve the proposed FY 2014-15 Budget Policies and Budget Calendar.

EXECUTIVE SUMMARY

Your Board is being asked to consider the proposed FY 2014-15 Budget Policies that provide guidance to staff in preparing the County's FY 2014-15 Recommended Budget and advise future program decisions. As proposed, the Budget Policies incorporate the provisions of the County's Strategic Financial Plan, including proposed revenue revisions and policy decisions. The Budget Policies continue funding for critical unmet needs including roads and infrastructure as well as setting aside funds for fiscal uncertainties to ensure stable services are provided to County residents despite potential fluctuations in funding. Key Budget Policies include:

- For General Fund departments and programs, prepare budgets with a goal of holding Net County Cost to the FY 2013-14 budget level, with exceptions being considered on a case-by-case basis. For non-General Fund departments and programs, there should be no increase in the General Fund Contribution with the following exceptions: (1) a \$560,000 increase in the General Fund Contribution to the Roads Fund (for a new total of \$2,052,000); and (2) a possible increase in General Fund Contribution to the Health and Human Services Fund to cover any OMB A-87 cost increases.
- No new or enhanced programs are to be proposed unless they are funded by dedicated revenue or involve the reallocation of General Fund resources to fund critical accountability and regulatory compliance issues, public health and safety needs, or are related to Public Safety realignment implementation or the Major Capital Improvement Program.
- No backfill of State or Federal funding reductions unless there is a legal mandate or critical public health and/or safety needs.

- Place at least 3% of the General Fund appropriations into a Contingency, sustain General Fund reserves at current levels proportionate to General Fund appropriations, and place any Health and Human Services (HHS) remaining discretionary resources in a designation for fiscal uncertainties until that designation within the Health and Human Services Fund equals 10% of HHS appropriations.
- After covering current year operating and capital costs and ensuring that General Fund Contingency, Reserve, and Fiscal Uncertainty Reserve requirements continue to be met, transfer any remaining unappropriated discretionary resources to the Accumulated Capital Outlay (ACO) budget.
- With limited possible exceptions defer the purchase of new or replacement vehicles to FY 2015-16.

Your Board is also being asked to approve the Proposed Budget Calendar for FY 2014-15. Budget Hearings are scheduled for June 16, 17, and 18, 2014.

PROCEDURAL REQUIREMENTS

1. Staff report.
2. Board questions of staff.
3. Public Comment.
4. Motion, second, discussion and vote.

FISCAL IMPACT

Is there a Fiscal Impact? No

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

With the FY 2014-15 Budget Process beginning, your Board is being asked to review, revise and/or approve the Proposed Budget Policies that will guide staff in preparing and administering the FY2014-15 Budget. The proposed policies are consistent with the provisions of the County's Strategic Financial Plan, including revisions to that Plan made in January 2013 related to the investment of additional General Fund resources in road maintenance. The Proposed Budget Policies also take into account the most recent General Fund Five-Year Forecast, which suggests that the General Fund is likely to be in structural balance over the next five years, but that downside risks are greater than the upside risks. If the County continues to follow these prudent Budget Policies with continued funding of important reserves and capital projects, it will be well positioned to respond to any economic or fiscal difficulties in a deliberative and less reactive way using the Board's Strategic Financial Plan as a guide.

The FY 2014-15 Budget Policies are, for the most part, similar to the adopted FY 2013-14 Budget Policies. Key

provisions of the Proposed Budget Policies include:

- For General Fund departments and programs, prepare budgets with a goal of holding Net County Cost to the current budget level, with exceptions being considered on a case-by-case basis. Exceptions may include increased demand for services, Public Safety Realignment, Affordable Care Act and other mandated programs. For non-General Fund departments and programs, there should be no increase in General Fund Contribution, with two exceptions: (1) a \$560,000 increase in the General Fund Contribution to the Roads Fund for a total of \$2,052,000 in FY 2014-15; and (2) a possible increase in the General Fund Contribution to the Health & Human Services Fund to cover any OMB A-87 cost increases (consistent with the Board's past practice of holding HHS harmless for certain cost increases beyond their control).
- No new or enhanced programs are to be proposed unless they are funded by dedicated revenue or involve the reallocation of General Fund resources to fund critical accountability and regulatory compliance issues, public health and safety needs, or are related to implementing Public Safety Realignment or the Major Capital Improvements Program.
- No backfill of reductions in State or federal funding unless there is a legal mandate or critical public health and/or safety needs.
- Place at least 3% of General Fund appropriations into a Contingency and sustain General Reserves and Reserves for Fiscal Uncertainties each at 10% (for a total of 20%) of General Fund and Health & Human Services Fund appropriations (not including the appropriation for contingency, any transfer to the Accumulated Capital Outlay budget and the General Fund Contribution to the Health & Human Services Fund).
- After covering current year operating and capital costs and meeting General Fund Contingency, and General Reserve and Fiscal Uncertainty Reserve requirements, transfer any remaining unappropriated discretionary resources to the Accumulated Capital Outlay (ACO) Fund to address funding needs for critical capital projects, including a new jail and replacement of other deteriorating and aging facilities.
- Financial conditions permitting, prepay the County's annual Public Employee Retirement System (PERS) costs (this will save the County approximately \$400,000 in FY2014-15).
- With possible limited exceptions, defer the purchase of new or replacement vehicles to FY 2015-16.
- Include meaningful workload, efficiency, effectiveness and/or outcome measures for at least two programs or services in each department in a separate document that will be provided to the Board in January each year.
- Fiscal conditions permitting, transfer General Fund resources to the Special Projects budget in an amount equal to 12.5% of the prior calendar year's Transient Occupancy Tax (TOT) revenue received by the County to support programs or services related to parks and open space, visitor management, and arts and culture.
- For departments or budget units with 20 or more allocated positions, departments should submit a budget that includes a reduction in salary and benefit costs to reflect a vacancy factor based on historic vacancy rates for that program, adjusted to reflect current circumstances. Exceptions to this may include increased demand for services, Public Safety Realignment, Affordable Care Act and other mandated programs.
- To the extent permitted by law, all revenues not previously earmarked for a particular purpose by the Board are to be treated as discretionary revenues rather than tied to a particular program.

Your Board is also being asked to approve the Proposed Budget Calendar for FY 2014-15. Budget Hearings are scheduled for June 16, 17, and 18, 2014.

SUPPORTING DOCUMENTS

- A . FY 2014-15 Budget Policies
- B . FY 2014-15 Budget Calendar

CEO Recommendation: Approve

Reviewed By: Helene Franchi