



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 10/24/2017

Agenda Placement: 10B

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Bret Prebula for Minh Tran - Interim County Executive Officer  
County Executive Office  
**REPORT BY:** Bret Prebula, Senior Management Analyst - 707-253-4826  
**SUBJECT:** Financial Status for Fiscal Year Ending June 30, 2017

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### **RECOMMENDATION**

County Executive Officer requests the following actions related to the year end General Fund fund balance in excess of the amount required to balance the Fiscal Year 2017-2018 Adopted Budget:

1. Approval of a decrease of \$1,441,391 in the Assignment for Fiscal Uncertainty; and
2. Approval of an increase of \$10,269,009 in the General Reserve.

(4/5 vote required)

### **EXECUTIVE SUMMARY**

The Auditor-Controller has closed the books for the Fiscal Year ended June 30, 2017 and has calculated the ending available fund balance for the General Fund. The ending available fund balance for Fiscal Year 2016-2017 is \$19,913,188, a \$9,211,286 increase from the beginning fund balance included in the Fiscal Year 2017-2018 Adopted Budget. After subtracting \$383,668 needed to fund the net requirement of rollover budgets previously approved, the increased available fund balance is \$8,827,618. Due to recent nationwide disasters and communications received by the County, it has become apparent that Federal Emergency Management Agency (FEMA) reimbursement for the 2017 Storm Events should not be expected in the near future if at all. Therefore, staff is recommending using the unbudgeted available fund balance to begin replenishing the General Reserve to policy level.

In addition, staff has recalculated the General Fund's Assignment for Fiscal Uncertainty limit in accordance with Board policy and determined the assignment is overfunded by \$1,441,391. Staff recommends transferring this overage to the General Reserve to help further close the gap between the funded and policy levels. The total of these two transfers increases the General Reserve within the General Fund by \$10,269,009.

The recommended actions will assist the County in moving closer to meeting the Board's requirement for the General Reserve which was reduced to help fund the cost of response and recovery from the 2017 Storm Events.

While the Auditor-Controller deems the fund balance calculation final, the amount is still subject to external audit. While staff does not expect any audit adjustments, should a material adjustment arise, staff will return to the Board with additional information.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	This action will transfer funds designated for fiscal uncertainty in excess of policy level to the General Reserve. In addition, this action will restrict fund balance in excess of the amount included in the Fiscal Year 2017-18 budget to fund the unfunded General Reserve requirement.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Funding both the General Fund's General Reserve and Assignment for Fiscal Uncertainty allows for sufficient reserves to protect against significant, unforeseen fiscal issues while also providing sufficient cash flow to fund operations. Following two significant disasters, the General Reserve has been used to cover disaster costs bringing the reserve below policy level. This action will reset the Assignment for Fiscal Uncertainty at policy level while reducing the unfunded General Reserve requirement.
Is the general fund affected?	Yes
Future fiscal impact:	The County will continue to work toward fully funding the General Fund's General Reserve to policy level in the coming years. Should this item be approved, the General Reserve's funding gap would be reduced from \$14.3 million to \$4.0 million reducing the impact on future fiscal years.
Consequences if not approved:	The General Fund's General Reserve will remain significantly underfunded.
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**

The Auditor-Controller has closed the books for the Fiscal Year ended June 30, 2017 and has calculated the ending available fund balance for the General Fund. The ending available fund balance for Fiscal Year 2016-2017 is \$19,913,188, a \$9,211,286 increase from the beginning fund balance included in the Fiscal Year 2017-2018

Adopted Budget. The increase in available fund balance is partially due to lower expenditures than anticipated in the six month projections and the recognition of insurance proceeds related to 2014 South Napa Earthquake repairs.

After subtracting \$383,668 needed to fund the net requirement of rollover budgets previously approved, the increased available fund balance is \$8,827,618. Due to recent nationwide disasters and communications received by the County, it has become apparent that FEMA reimbursement for 2017 Storm Events should not be expected in the near future if at all. Therefore, staff is recommending using the unbudgeted available fund balance to begin replenishing the General Reserve to policy level.

In addition, staff has recalculated the General Fund's Assignment for Fiscal Uncertainty limit in accordance with Board policy and determined the designation is overfunded by \$1,441,391. Staff recommends transferring this overage to the General Reserve to help further close the gap between the funded and policy levels.

The recommended actions will maintain the Assignment for Fiscal Uncertainty in accordance with Board policy and help offset the previous General Reserve reduction to help fund the cost of response and repairs from the 2017 Storm Events. The table below details the impacts of the recommended action and illustrates the remaining unfunded General Reserve requirement.

	General Reserve	Assignment for Fiscal Uncertainty
Current Balance	\$ 13,955,740	\$ 18,439,273
Recommendation 1	-	(1,441,391)
Recommendation 2	1,441,391	-
Recommendation 3	<u>8,827,618</u>	<u>-</u>
Total	<b>\$ 24,224,749</b>	<b>\$ 16,997,882</b>
Remaining Unfunded Requirement	<u>3,990,616</u>	<u>-</u>
Policy Requirement (10% of defined budgeted expenditures)	<u>\$ 28,215,365</u>	<u>\$ 16,997,882</u>

While the Auditor-Controller deems the fund balance calculation final, the amount is still subject to external audit. While staff does not expect any audit adjustments, should a material adjustment arise, staff will return to the Board with additional information.

### **SUPPORTING DOCUMENTS**

None

CEO Recommendation: Approve

Reviewed By: Helene Franchi