



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 12/15/2015

Agenda Placement: 6W

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**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:** Financial Status for FY 2014-2015 and Adjustments to FY 2015-2016 Budget

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### **RECOMMENDATION**

County Executive Officer requests that the Board:

1. Approve an increase of \$1,791,957 to the Designation for Fiscal Uncertainties in the General Fund;
2. Approve an increase of \$4,453,205 to the General Reserve in the General Fund;
3. Approve Budget Transfer No. CEO004, making certain adjustments to the FY 2015-2016 budget, including adjustments related to the FY 2014-2015 ending fund balances, including use of \$45,649 in available fund balance in the General Fund; and
4. Approve the restriction of \$110,500 in fund balance within the Roads Fund (Fund 2040) for the Greenwood Incidental Take Permit as a security required by the California Department of Fish and Wildlife.

(4/5 vote required)

### **EXECUTIVE SUMMARY**

Staff has worked with the Auditor-Controller to determine the year-end financial status for FY 2014-2015. The Auditor-Controller has determined that the General Fund's FY 2014-2015 ending unassigned fund balance is \$15,748,720, a \$6,290,811 increase from the beginning fund balance included in the FY 2015-2016 Adopted Budget. The increase in fund balance will assist the County in achieving the Board's fiscal policies by fully funding the reserve for Fiscal Uncertainties and beginning to rebuild the General Reserve, which was reduced to support the cost of response and recovery from the August 24, 2014 earthquake in Napa County. The FY 2015-2016 Adopted Budget assumed that \$9,457,909 in unassigned ending fund balance would be available to fund FY 2015-2016 appropriations. Staff recommends that the remaining available fund balance in the amount of \$6,290,811 be used as follows:

- a. Increase the Designation for Fiscal Uncertainties by \$1,791,957 to complete the fiscal policy requirement;
- b. Increase the General Reserve by \$4,453,205 to bring the reserve to 67% of the fiscal policy requirement; and
- c. Use \$45,649 in available fund balance to support increases in General Fund capital projects carried over from FY 2014-2015.

In addition, staff recommends that the Board approve certain budget adjustments needed to support the cost of various capital projects and other adjustments that reflect information that has become available since the FY 2015-2016 budget was originally prepared. These adjustments total \$6,597,670 in increased appropriations, offset by \$2,204,919 in revenue and interfund transfers and use of \$45,649 in available fund balance in the General Fund and \$4,347,102 in fund balance in other funds. The requested appropriations are detailed in the background section.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	This action will make adjustments to multiple budget units and funds as described more fully in the Background section of this agenda item.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The rationale for these actions is described in the Background section of this report.
Is the general fund affected?	Yes
Future fiscal impact:	This is described more fully in the Background section of this Agenda Item.
Consequences if not approved:	This is described in the Background section of this Agenda Item.
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**

Staff has worked with the Auditor-Controller to determine the year end financial status for FY 2014-2015. The Auditor-Controller has determined that the General Fund's FY 2014-2015 ending fund balance is \$15,748,720, a \$6,290,811 increase from the beginning fund balance included in the FY 2015-2016 Adopted Budget. The increase in fund balance will assist the County in achieving the Board's fiscal policies and providing needed funding to address critical needs identified during preparation of this year's budget including roads, capital projects and funding liabilities associated with County employee retirement and post retirement benefit costs.

Staff recommends that the remaining available fund balance of \$6,290,811 be used as follows:

- a. Increase the Designation for Fiscal Uncertainties by \$1,791,957, completing the fiscal policy requirement;
- b. Increase the General Reserve by \$4,453,205 to begin to rebuild the reserve subsequent to the August 2014 earthquake; and
- c. Use \$45,649 in available fund balance to support the cost of capital projects in the General Fund budget that were not completed in FY 2014-2015.

The increase in the Designation for Fiscal Uncertainties brings the total in that designation to \$26,453,557, which meets the County's fiscal policy requirements. The increase of \$4,453,205 to the General Reserve begins the process of rebuilding the General Reserve to its policy level subsequent to the cost of response and recovery from the August 2014 earthquake. In FY 2014-15, the Board of Supervisors authorized the use of up to \$13.9 million in the General Reserve to fund response and recovery efforts while awaiting reimbursement from insurance, federal and state sources. Of the \$13.9 million, \$8,048,449 remains unspent and is separately accounted for as committed fund balance. With the recommended increase, the total in General Reserve balance is \$17,711,006, or approximately 67.0% of the policy level. When coupled with the unspent earthquake commitment, the total is \$25,759,455, or approximately 97.4% of the policy level. The County will continue to receive reimbursements for the response costs in the current fiscal year, which will further restore the General Reserve. However, since recovery costs, such as the cost of road and bridge repairs occurs largely on a reimbursement basis, the designated funds for earthquake recovery may be needed to support expenditures while the County awaits reimbursement for a number of years. In accordance with policy, restoration of the General Reserve takes a high priority for available funds.

In addition, staff recommends that the Board approve certain budget adjustments needed to support the cost of various capital projects and other adjustments that reflect information that has become available since the FY 2015-2016 budget was originally prepared. Requested adjustments are outlined below.

General Fund Public Works Projects (Fund 1000, Budget Unit 12205): \$195,649

Public Works Projects budgets were developed prior to the end of FY 2014-2015 based on estimates of how much would be spent on certain projects during FY 2014-2015. In some cases, actual expenditures came in higher or lower than projected, requiring adjustments to the FY 2015-2016 carryover cost for those projects. Further, one new project has been identified. On November 23, 2015, the Board approved an agreement with Silverado Resort and the Kaanapali Drive Homeowners Association for a project at Milliken Creek. The following adjustments to the Public Works Projects budgets are proposed. Increases are offset by new revenue and available fund balance in the General Fund.

- | Milliken Creek Flood Reduction and Fish Passage Barrier Removal (new project): \$150,000
- | Sheriff's Office Conference Room Soundproofing: \$10,000
- | Jail Supply and Exhaust: \$29,908
- | Jail Smoke Detector Replacement: \$5,741

Affordable Housing Fund (Fund 2080, Budget Unit 20800-00): \$165,386

Increases in Consulting Services and Other Professional Services are requested to support the cost of contracts for oversight and provision of fair housing services, the Home Sharing Program, and capital mapping and asset management in part to enhance efforts to decrease homelessness in Napa County. The increase in appropriations is offset by a reduction in available fund balance in the Affordable Housing Fund.

Building Fund (Fund 2140, Budget Unit 21400-00): \$100,000

An increase of \$100,000 is requested in the building fund to support the cost of additional outside plans examiner services. The Building Division has set a standard of a 28-day turnaround time for plan review. Using an outside

plan review consultant will help to expedite plan review and maintain target timelines for the public. The increase in appropriations is offset by a reduction in available fund balance in the Building Fund.

Capital Improvement Fund Projects (Fund 3000, Budget Unit 30005)

Capital Improvement Project (CIP) budgets were developed prior to the end of FY 2014-2015 based on estimates of how much money would be spent on certain projects during FY 2014-2015 and, in some cases, actual expenditures came in higher or lower than projected, requiring adjustments to the FY 2015-2016 carryover cost for these projects. The projects are carryover expenditures using available fund balance.

The following adjustments to existing CIP budgets are proposed:

- | Sheriff Building Repairs: <\$50,201>
- | HHSA Campus Redevelopment: <\$671,539>
- | Administration Building Chillers-Cooling: \$80,363
- | County Emergency Operations Center: \$9,493
- | Jail Basement Corridor: \$2,174,479

Jail Replacement Capital Project (Fund 3000, Budget Units 30000 and 30005): \$193,214

An increase in the Jail Replacement project of \$100,000 is necessary for additional planning and cost estimating verification for the construction of a 366-bed new jail, the demolition of the current downtown facility, the construction of a new communications facility to accommodate the loss of storage space in the current Hall of Justice, and the construction of a Court Holding facility. Project expenditures in FY 2014-2015 were \$93,214 greater than estimated when the budget was developed. Therefore, an increase in appropriations of \$193,214 supported by the Accumulated Capital Outlay (Budget Unit 30000) is necessary to support the increased jail facility planning activities as well as the costs from FY 2014-15.

Staff Secure Reentry Facility Capital Project (Fund 3000, Budget Unit 30005): \$1,943,121

An increase in the budget for the Staff Secure Reentry Facility is necessary to fully fund the estimated project costs of \$16,243,121, based on design development, as well as to fund costs that were incurred prior to project establishment with the state through the SB 1022 process. The original budget for this project is \$14.3 million, so the increase of \$1,943,121 will bring the project budget in alignment with the estimated cost, as required by the SB 1022 grant. To fund the increased cost, \$1,900,000 was approved to be allocated to the project by the Community Corrections Partnership. An increase in appropriations of \$1,900,000 from the Local Community Corrections account (Fund 2500, Budget Unit 10200-81) is, therefore, requested. An increase in appropriations supported by the Accumulated Capital Outlay fund balance of \$109,711 reflects the remainder of the increased estimated cost (\$42,121) plus \$66,590 in costs in FY 2014-2015 that exceeded estimates when the budget was adopted.

Roads Fund Projects (Fund 2040, Budget Units 20400 and 20405)

Budgets for planned Roads Fund projects are developed in the spring each year based on estimates of work that will need to be completed in the following fiscal year. Thus, adjustments are necessary to allow for sufficient appropriation authority. A number of the adjustments are in the Roads Fund and rely on existing cash balance in that fund to continue and/or complete the projects. As discussed previously with the Board, the cost of planned projects exceeds available resources in the Roads Fund, and the Board previously approved a loan of \$3.5 million from Accumulated Capital Outlay. Public Works has developed a plan to complete projects while maintaining a positive cash balance, repaying the \$3.5 million loan, and restoring the stability of the fund over the next several years. The adjustments below are consistent with the Roads Fund plan and reflect estimated costs for FY 2015-2016.

- | Greenwood Culvert: \$325,000

- | Spanish Flat Maintenance Yard Site Restoration: \$170,000
- | Traffic Safety Trail Yountville-Napa: \$6,000
- | Silverado-Howell-Zinfandel: \$20,000
- | Oakville Bridge: <\$452,228>
- | Highway Bridge Program: < \$43,480>
- | Chiles Creek Bridge: <\$3,298>

Finally, as a part of the Board action, staff recommends that the Board restrict \$110,500 of fund balance in the Roads Fund for the Greenwood Incidental Take Permit compliance. The culvert located at Greenwood Avenue and Kimball Creek (headwater to the Napa River) failed during the storms of December 2014, closing the road that provided the only means of access to and from nine homes. Public Works commenced a project to replace the failed culvert, reduce sediment erosion and deposition and improve fish passage while not adversely impacting habitat for aquatic species. A survey for California Fresh Water Shrimp confirmed the presence of this endangered species in the project area and required processing an Incidental Take permit with the California Department of Fish and Wildlife. To comply with the terms of the permit, the County is required to restrict \$110,500 in the Roads Fund related to construction and 10-year monitoring of habitat structures.

#### **SUPPORTING DOCUMENTS**

None

CEO Recommendation: Approve

Reviewed By: Molly Rattigan