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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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: Mid-Year Budget Review

RECOMMENDATION

County Executive Officer recommends that your Board review and accept the Fiscal Year 2004-05 Mid-Year Fiscal Review and approve the following budget transfers (4/5 vote required):

1. Budget Transfer No. 62, appropriating \$177,504 in the Health Department Budget, with offsetting revenues from the State Bioterrorism Grant, to fund Bioterrorism Grant-related activities; and
2. Budget Transfer No. 66 in the amount of \$97,937 from General Fund Designations, increasing appropriations in the Health Department budget to fund Bioterrorism Grant-related activities and facility improvements at the Family Health Clinic.

EXECUTIVE SUMMARY

The FY2004-05 Mid-Year fiscal review suggests that the General Fund will likely end the fiscal year with at least a \$14.4 million fund balance and that the fund balance could be as high as the FY2004-05 beginning balance of \$22 million. However, since these estimates are based on only six months of actual revenue/expenditure data, more accurate estimates will be available in three months, when the Third Quarter review is completed using nine months of actual revenues and expenditures.

Though it seems clear that the General Fund will end the year with a net balance of revenues over expenditures, some departments and budget units are projected to exceed their adopted appropriation level and/or budgeted Net County Cost. In most such cases, staff is not recommending that any action be taken at this time. Instead, it is recommended that those budgets be monitored and any needed budget adjustments be made at Third Quarter.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The requested appropriation adjustments will: (1) Cancel \$97,937 in General Fund designations and increase the Health Department budget by that amount; and (2) Appropriate an additional \$177,504 in the Health Department budget, funded with additional Bioterrorism grant revenues.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The County has received a grant from the State to carry out certain activities related to bioterrorism. The bioterrorism-related budget adjustments will provide funding for those activities. The cancellation of the Dahl Trust designation will utilize funds donated to the Health & Human Services Agency to make physical improvements to the Family Planning Clinic, including converting an office to an examination room. Those improvements would improve operations at the Clinic.
Is the general fund affected?	Yes
Future fiscal impact:	There is no direct impact on future years of these actions, though the Bioterrorism revenues will fund on-going costs, such as staff. Future years funding for these on-going costs will come from future Bioterrorism grant revenues.
Consequences if not approved:	If the Bioterrorism-related budget adjustments are not approved, the County will not be able to meet our obligations under the Bioterrorism grant. If the Dahl Trust budget adjustment is not approved, office space in the Family Planning Clinic will not be converted to examination room space and services will not be able to be provided as effectively.
Additional Information:	None

ENVIRONMENTAL IMPACT

There is no Environmental Impact for this item.

BACKGROUND AND DISCUSSION

Each year at this time, staff provides your Board with a mid-year review of the County's budget status, focusing particularly on the General Fund. Using six months worth of actual revenues and expenditures, County Executive Office staff worked with departments and the Auditor's Office to forecast revenues, expenditures and Net County Cost, or County Contribution, through the end of the fiscal year. This review enables us to identify and address any current-year budget problems in a timely manner. It also assists us in preparing the FY2005-06 Budget, in part by

providing an estimate of the FY2004-05 General Fund ending balance, which becomes the beginning fund balance for FY2005-06.

Attached are a memorandum and spreadsheet that projects the County's fiscal condition through the end of the fiscal year. As you can see, based on the information we now have available, it appears that the General Fund will end the year with an undesignated/unreserved fund balance of at least \$14 million. Further, given the historically conservative nature of these Mid-Year projections, staff believes it is possible the fund balance could be at or near the FY2004-05 beginning balance level of \$22 million.

The projected \$14 General Fund ending balance is the net result of the anticipated receipt of approximately \$3.6 million in revenues above the budgeted level, an approximately \$6.6 million reduction in departmental expenditures and the assumption that it will not be necessary to spend the current \$4.6 million General Fund Contingency. More detailed information on the reasons for expenditure decreases and revenue increases is contained in the attached memorandum.

Although it seems clear that the General Fund as a whole will end the fiscal year with a net balance of revenues over expenditures, certain departments or budget units are projected to exceed their adopted appropriation level and/or budgeted Net County Cost. The reasons for the projected expenditure or Net County Cost increases are outlined in the attached memorandum.

At this point, with a few exceptions, staff is not recommending that any budget adjustments be made to address projected increases in expenditures or Net County Cost. Instead, it is recommended that the departments' budgets be reviewed at Third Quarter, using nine months worth of actual revenue and expenditure data, and any necessary budget adjustments be made at that time. In addition, at Third Quarter we should have a better estimate of the General Fund's ending fund balance which can be used in preparing the FY2005-06 Proposed budget. Staff is recommending three adjustments to the Health Department (Budget Unit 40000) budget:

- | An appropriation adjustment cancelling a \$16,560 designation for the Dahl Family Trust and appropriating the funds in the Health Department budget, which will allow this money, donated to the County, to be spent to make physical improvements to the Family Planning Clinic, including converting office space into an examination room.
- | An appropriation adjustment cancelling an \$81,376 designation for Bioterrorism Grant funds and appropriating the money in the Health Department budget to pay for salaries, medical supplies and training contracts.
- | An appropriation adjustment increasing expenditures and revenues to the Health Department budget by \$117,504 related to the Bioterrorism grant from the State. This money will also be used for salaries, supplies and contracts.

The attached memorandum also provides a summary of some of the key provisions in the Governor's Proposed FY2005-06 State Budget, focusing on its potential impact on the County's financial condition.

With regard to the County's FY2005-06 Budget, departments have submitted their budget requests to the County Executive Office and we are in the process of reviewing those requests. We are also in the process of preparing a Five Year General Fund Revenue/Expenditure forecast. The forecast and any critical budget issues will be brought to your Board at your budget study session currently scheduled for March 22nd.

SUPPORTING DOCUMENTS

A . Mid-Year Fiscal Review - FY2004-05 Memorandum

B . Attachment A to Mid-Year Fiscal Review Memorandum

CEO Recommendation: Approve

Reviewed By: Britt Ferguson