



Agenda Date: 3/11/2008  
Agenda Placement: 10C

## 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:** Mid-Year Budget Review

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### **RECOMMENDATION**

County Executive Officer requests that the Board review and accept the Fiscal Year 2007-08 Mid-Year Fiscal Review.

### **EXECUTIVE SUMMARY**

The FY2007-08 Mid-Year Fiscal Review suggests that the General Fund will end the fiscal year with at least a \$12.6 million undesignated/unreserved fund balance, an amount that is approximately half of the actual FY2007-08 undesignated/unreserved revised beginning balance. 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 worth of actual revenues and expenditures.

Though it seems clear that the General Fund will end the fiscal year without exceeding the total appropriation level and with a net positive fund balance, some departments and budget units are projected to exceed their adopted appropriation level and/or budgeted Net County Cost. For those budget units, staff is not recommending that any action be taken at this time. Instead, it is recommended that those budget units be monitored and any needed budget adjustments be made at Third Quarter.

### **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?                      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**

Each year at this time, staff provides your Board with a Mid-Year review of the County's fiscal status, focusing particularly on the General Fund. Using six months worth of actual revenues and expenditures County Executive Office staff work 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 FY2008-09 Budget, in part by providing an estimate of the FY2007-08 General Fund ending balance, which becomes the beginning balance for FY2008-09.

Attached are a memorandum and spreadsheet that project 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 approximately \$12.6 million, which is approximately half the level of the FY2007-08 adjusted beginning balance of approximately \$24.4 million. Given the historically conservative nature of these Mid-Year projections, staff believes that it is likely that the fund could end the year with balance that is higher than the projected \$12.6 million.

The projected \$12.6 million undesignated/unreserved General Fund ending balance is the net result of an estimated \$5.2 million reduction in revenues compared to the budgeted level and an estimated \$10.8 million reduction in departmental expenditures. More detailed information on the reasons for the revenue and expenditure decreases is contained in the attached memorandum.

Although it seems clear that the General Fund as a whole will end the fiscal year within existing appropriations and with a net positive fund balance, certain departments or budget units are projected to exceed their adopted appropriation level and/or Net County Cost. The reasons for projected expenditure or Net County Cost increases that exceed \$50,000 are outlined in the attached memorandum. At this point, 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 FY2008-09 Proposed Budget.

The attached memorandum also provides a summary of some of the key provisions in the Governor's Proposed FY2008-09 State Budget, focusing on its potential impact on the County's financial condition.

With regard to the County's FY2008-09 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 new Five Year General Fund Revenue/Expenditure forecast. The forecast of any critical budget issues will be brought to your Board at your budget study session, currently scheduled for April 8th.

**SUPPORTING DOCUMENTS**

- A . Mid-Year Fiscal Review FY2007-08 Memorandum
- B . Attachment A

CEO Recommendation: Approve

Reviewed By: Maiko Klieman