



Agenda Date: 3/13/2007  
Agenda Placement: 9C

## 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 2006-07 Mid-Year Fiscal Review and authorize a transfer of up to \$140,000 from the General Fund (through the County Contributions budget) to the Homeless Shelter budget in the County Center Improvement Fund.

### **EXECUTIVE SUMMARY**

The FY2006-07 Mid-Year Fiscal Review suggests that the General Fund will likely end the fiscal year with at least a \$13 million undesignated/unreserved fund balance, an amount that is approximately half of the actual FY2006-07 undesignated/unreserved 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 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. For those budget units, 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. To deal with an increase in the cost of leasing the South Napa Homeless Shelter from the Gasser Foundation (due to delays in closing on the Shelter's purchase), staff is recommending that the Board authorize the transfer of up to an additional \$140,000 from the General Fund (through the County Contributions budget) to the Homeless Shelter Budget in the County Center Improvement Fund. At this point, staff does not believe a budget adjustment will be necessary to accomplish this transfer.

### **FISCAL IMPACT**

Is there a Fiscal Impact?                      Yes

Is it currently budgeted?	No
What is the revenue source?	\$140,000 in General Fund discretionary resources would be transferred from the General Fund to the Homeless Shelter budget in the County Center Improvement Fund. The County Contributions budget may contain sufficient appropriation authority for this transfer, but, if not, a transfer from General Fund Contingency will be required.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	For a variety of reasons, there has been a delay in closing on the purchase of the South Napa Homeless Shelter from the Gasser Foundation. This five month delay has resulted in the County being obligated to pay an additional five months worth of rent to the Gasser Foundation.
Is the general fund affected?	Yes
Future fiscal impact:	There will be approximately \$140,000 less General Fund resources available for expenditures in other areas.
Consequences if not approved:	The Gasser Foundation could have legal recourse against the County for failure to pay rent as required by the lease agreement.
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**

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 FY2007-08 Budget, in part by providing an estimate of the FY2006-07 General Fund ending balance, which becomes the beginning fund balance for FY2007-08.

Attached are 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 approximately \$13 million, which is approximately half the level of the FY2005-06 ending balance of approximately \$24 million. Given the historically nature of these Mid-year projections, staff believes that it is likely that the fund could end the year with a balance that is higher than the projected \$13 million.

The projected \$13 million undesignated/unreserved General Fund ending balance is the net result of an estimated \$2.2 million reduction in revenues compared to the budgeted level and a estimated \$10 million reduction in departmental expenditures. More detailed information on the reasons for the 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 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 FY2007-08 Proposed Budget. Staff is, however, recommending that the Board authorize the transfer of up to an additional \$140,000 from the General Fund (through the County Contributions budget) to the Homeless Shelter budget in the County Center Improvement Fund. This money may be needed to cover the cost of an additional five months worth of lease payments to the Gasser Foundation for the South Napa Homeless Shelter building. When the FY2006-07 budget was originally prepared, it was anticipated that the County would only need to pay lease payments for 4 months and then would purchase the Shelter. Although the Board has authorized purchasing the building, closing on the purchase has been delayed for various reasons, and an additional 5 months worth of lease payments will be required. Since the purchase of the Shelter was approved, the County has received a \$200,000 contribution from Auction Napa Valley and that money could possibly be used to cover these lease payments if no additional County costs related to the Shelter purchase are required, but there are some potential additional costs so staff is asking for the authority to transfer the General Fund money if necessary. No budget adjustment is being requested at this time because the Homeless Shelter budget has sufficient appropriation authority to cover the lease payments and, at this point, it is not clear that the County Contribution budget will need additional appropriation authority to cover this expenditure.

The attached memorandum also provides a summary of some of the key provisions in the Governor's Proposed FY2007-08 State Budget, focusing on its potential impact on the County's financial condition.

With regard to the County's FY2007-08 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 and any critical budget issues will be brought to your Board at your budget study session, currently scheduled for April 10th.

### **SUPPORTING DOCUMENTS**

- A . Mid-Year Fiscal Review FY2006-07 Memorandum
- B . Attachment A

CEO Recommendation: Approve

Reviewed By: Maiko Klieman