



Agenda Date: 3/14/2006  
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Set Time: 10:15 AM  
Estimated Report Time: 30 Minutes

## 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 2005-2006 Mid-Year Fiscal Review and approve the following budget transfers and other fiscal actions (4/5 vote required):

1. Budget Transfer No. 56, appropriating \$153,000 in the Conflict Public Defender budget and reducing the General Fund Contingency by an equivalent amount, to cover attorney fees and other costs related to a number of murder cases.
2. Budget Transfer No. 57:
  - a. Appropriating an additional \$2,511,455 in the County Contributions budget, canceling a \$1 million General Fund designation for the Parking Garage and reducing the General Fund Contingency by \$1,511,455, to allow for a transfer of funds to the County Center Improvement Fund to cover the County's Parking Garage construction obligations under the Parking Garage Cooperative Agreement with the City of Napa and to pay certain other relocation costs related to facilities on the site currently designated for the downtown Napa Parking Garage.
  - b. Appropriating an additional \$6,471,087 in the Parking Structure budget in the County Center Improvement Fund, with offsetting revenues from the General Fund -County Contributions budget (\$2,225,087) and the City of Napa (\$4,246,000), to fund design and construction costs related to the downtown Napa Parking Garage project.
  - c. Appropriating \$329,696 in the new Homeless Shelter budget in the County Center Improvement Fund, with offsetting revenue from the General Fund-County Contributions budget (\$66,568) and the Napa Vintner's Association and other sources (\$263,128), to fund costs related to the relocation of the Homeless Shelter from the site currently designated for the downtown Napa Parking Garage project.
  - d. Appropriating \$197,000 in the new Bella Drive budget in the County Center Improvement Fund, with offsetting revenues from the General Fund -County Contributions budget (\$177,800) and the City of Napa Housing Authority (\$19,200), to fund costs related to the relocation of the Progress Foundation facilities from the site currently designated for the downtown Napa Parking Garage project.
  - e. Appropriating \$42,000 in the new Other Relocations budget in the County Center Improvement Fund, with offsetting revenues from the General Fund- County Contributions budget to pay costs

associated with relocating the County's Property Management and Communications facilities from the site currently designated for the downtown Napa Parking Garage project.

3. Authorization to transfer \$171,590 from the SB 163 Trust Account to the Social Services Division budget, to cover additional costs related to providing services for high risk children and their families.

### **EXECUTIVE SUMMARY**

The FY2005-06 Mid-Year Fiscal Review suggests that the General Fund will likely end the fiscal year with at least a \$19 million fund balance, an amount that is just slightly higher than the FY2005-06 budgeted beginning balance and slightly lower than the actual audited FY2005-06 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 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. Where budget adjustments cannot wait until the Third Quarter review they are recommended as outlined above and described in more detail below and in the attached memorandum.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Overall, this agenda item would result in increased General Fund expenditure appropriations of \$2,664,455, funded by the cancellation of a \$1 million General Fund designation and a \$1,664,455 reduction in the General Fund Contingency. With this reduction, the remaining General Fund Contingency will be \$2,919,367. In addition, appropriations for the County Center Improvement Fund will increase by \$7,073,215, with \$2,511,455 of that amount funded by a transfer from the County General Fund through the County Contributions budget and the remaining amount coming from the City of Napa and other outside revenue sources, including the Vintner's Association.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	<p>The budget adjustments related to the downtown Napa Parking Garage project are required to carry out the terms of the Parking Garage Cooperative Agreement between County and the City of Napa.</p> <p>The requested increase in the Conflict Public Defender's budget is required to cover costs that will be incurred as a result of two murder trials. The County has little control over these costs.</p> <p>The transfer of \$171,590 from the SB 163 Trust will allow additional services to be provided to a high risk children and their families and money is available in the Trust for this purpose.</p>

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Is the general fund affected?	Yes
Future fiscal impact:	For the most part, approval of the proposed budget adjustments will mean that there will be less money available in the General Fund balance to help fund FY2006-07 budget obligations.
Consequences if not approved:	The Parking Garage and Conflict Public Defender adjustments are generally required to meet the County's obligations under existing agreements or expenditure commitments.
Additional Information:	None

### **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 FY2006-07 Budget, in part by providing an estimate of the FY2005-06 General Fund ending balance, which becomes the beginning fund balance for FY2006-07.

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 \$19 million, which is roughly the same level as the FY2004-05 audited ending balance. Further, given the historically conservative nature of these Mid-Year projections, staff believes it is possible the fund balance could be higher than this.

The projected \$19 million General Fund ending balance is the net result of a final audited beginning fund balance that is approximately \$2.3 million higher than the budgeted beginning balance, the anticipated receipt of approximately \$7 million in revenues above the budgeted level, and an approximately \$5.2 million reduction in departmental expenditures. 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 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, however, recommending the following budget adjustments or fiscal actions at this time:

- | An appropriation adjustment increasing appropriations in the Conflict Public Defender budget (Budget Unit 22700) by \$153,000 and reducing the General Fund Contingency by an equivalent amount, to cover attorney fees and other costs related to a number of murder cases.
- | An appropriation adjustment increasing appropriations in the County Contributions budget (Budget Unit 18600) by \$2,511,455, to allow the required transfer of County funds to a number of budget units in the County Center Improvement Fund to cover obligations related to the downtown Napa Parking Garage project, including providing the remaining County share for the construction of the Parking Garage and providing money to pay certain moving costs related to the Homeless Shelter, the Progress Foundation facilities and the County Communications and Property Management programs. Funding will come from the cancellation of a \$1 million General Fund designation for the Parking Garage Project and a \$1,511,455 reduction in the General Fund Contingency.
- | An appropriation adjustment increasing appropriations and revenues in the Parking Structure budget (Budget Unit 11400) in the County Center Improvement Fund (Fund 1140) by a total of \$6,471,087 to reflect the remaining obligation of the County and the City of Napa to deposit certain monies in this account by March 31, 2006, as required by the Parking Garage Cooperative Agreement between the two agencies. These are the funds required to design and construct the new Parking Garage. The County has already contributed \$4,318,913 of its total \$6,544,000 obligation and, thus, this action will reflect the additional \$2,225,087. Funding will come from the County Contributions budget. The City of Napa has already provided \$500,000 of its \$4,746,000 obligation. Thus, this action will reflect the receipt of an additional \$4,246,000 from the City.
- | An appropriation adjustment appropriating \$329,696 in the new Homeless Shelter budget (Budget Unit 11500) in the County Center Improvement Fund. \$66,568 of the appropriations would provide money to make lease payments for the first two months of occupancy of the new Homeless Shelter building as required by the lease-purchase agreement with the Gasser Foundation as well as certain other relocation costs. Funding would will come from the County Contributions budget. The additional \$263,128 in appropriations is money that will be used to purchase the new Homeless Shelter building if the Board decides to exercise the lease-purchase option and will come from a number of sources, primarily a \$250,000 contribution from the Napa Vintner's Association.
- | An appropriation adjustment increasing appropriations and revenues by \$197,000 in the new Bella Drive budget (Budget Unit 11800) in the County Center Improvement Fund. This will provide money to cover costs associated with moving the Progress Foundation facilities currently located on the site designated for the downtown Napa Parking garage to a building on Bella Drive. \$177,800 of the funding will come from County Contributions and the remaining \$19,200 will come from a grant from the City of Napa Housing Authority.
- | An appropriation adjustment increasing appropriations and revenues by \$42,000 in the new Other Relocations (Budget Unit 11900) budget in the County Center Improvement Fund. This will provide money to cover the cost of relocating the County Communications and Property Management facilities currently located on the site designated for the new downtown Napa Parking Garage. Funding will come from County Contributions.
- | Authorization to transfer \$171,590 from the SB 163 Trust Account to the Social Services Division budget (Budget Unit 50100), to cover additional costs related to providing services for high risk children and their families. Since the Social Services budget has sufficient appropriations to cover the cost of these services, no increase in appropriations in that budget unit is requested.

The attached memorandum also provides a summary of some of the key provisions in the Governor's Proposed FY2006-07 State Budget, focusing on its potential impact on the County's financial condition.

With regard to the County's FY2006-07 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 4th.

**SUPPORTING DOCUMENTS**

A . Mid-Year Fiscal Review FY 2005-2006 Memorandum

B . Attachment A

CEO Recommendation: Approve

Reviewed By: Maiko Klieman