



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 3/17/2015

Agenda Placement: 10D

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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: FY 2014-15 Mid-Year Fiscal Review

RECOMMENDATION

County Executive Officer requests that the Board:

1. Review and accept the Fiscal Year 2014-15 Mid-Year Fiscal Review; and
2. Approve Budget Transfer No. CEO005, making adjustments to revenues, expenditures, and Appropriation for Contingency in the FY 2014-15 budget. (4/5 vote required)
3. Approve Budget Transfer No. CEO006, increasing appropriations and use of General Reserve of \$10 million for an accumulated estimated use of General Reserve of \$13.9 million for the Declared Emergency budget (Div. 10580) for earthquake response and recovery efforts. (4/5 vote required)
4. Authorize the Auditor-Controller to post budget and accounting adjustments to record labor costs associated with the earthquake in affected departments.

EXECUTIVE SUMMARY

The FY 2014-15 Mid-Year Fiscal Review indicates that the General Fund will end the fiscal year with an unassigned ending fund balance of approximately \$9.5 million, which includes use of up to \$13.9 million in General Reserve fund balance to support costs for earthquake response and recovery. Estimates are based on six months of actual revenue/expenditure data. More accurate estimates will be available when the Third Quarter Fiscal Review is completed using nine months of actual revenues and expenditures.

At this point in the year, budget adjustments are necessary due to earthquake response and recovery expenditures. Much of the response and recovery costs will be offset by insurance proceeds and federal and state revenue. However, this revenue is not anticipated to be fully received during the current year. A report on the earthquake cost, budget implications, and estimated Net County Cost is included as part of the Mid-Year Review.

The County Executive Office staff, in collaboration with respective department staff, will continue to monitor all of the General Fund departments and any additional FY 2014-15 budget adjustments will be requested at the Third Quarter Fiscal Review.

PROCEDURAL REQUIREMENTS

1. Staff Reports
2. Public Comment
3. Motion, Second, Discussion and Vote

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	See detail attached.
Is it Mandatory or Discretionary?	Mandatory
Is the general fund affected?	Yes
Future fiscal impact:	See detail attached.
Consequences if not approved:	See detail attached.
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

A mid-year review of the County's fiscal status, focusing particularly on the General Fund, is an important part of the ongoing fiscal monitoring process. Using six months' worth of actual revenue and expenditures, staff work with departments and the Auditor-Controller's Office to forecast revenues, expenditures and Net County Cost, or General Fund Contribution, through the end of the fiscal year. This review enables staff to address any current-year budget problems in a timely manner. It also assists staff in preparing the FY 2015-16 Budget, in part by providing an estimate of the FY 2014-15 General Fund ending fund balance. The current year ending fund balance becomes the beginning fund balance, and thus a major financial resource for the next fiscal year.

Attached is a memorandum that projects the County's fiscal condition through the end of the fiscal year. Using the most current information available, we believe that the General Fund will likely complete FY 2014-15 with an unassigned ending balance of approximately \$9.5 million. This balance assumes that, as recommended in this report, the Board authorizes use of \$13.9 million in General Reserve to fully mitigate expected earthquake response and recovery costs that will likely be reimbursed in future years. Absent General Reserve use, available fund balance would fall below zero and immediate reductions in services would be necessary. Use of General Reserve for a declared disaster is consistent with the law.

Provided that the General Reserve supports the cost of the earthquake, the General Fund will have the necessary resources to make it through the rest of this fiscal year without the need to make expenditure reductions. It is important to note, however, that a portion of this balance will need to be re-budgeted for capital projects; and, each year between \$8-15 million is needed to balance the budget. The budget continues to be finely balanced. While revenues are increasing, normal operating expenditures are increasing as well and the County continues to have significant capital needs, including funding for a new jail.

The attached memorandum also provides a summary of the State's current fiscal condition and the FY 2015-16 Governor's Proposed Budget, focusing on a few areas that have a potential impact on the County's financial condition. Staff is continuing to evaluate the Governor's Proposed Budget to determine its impact on Napa County and to track its progress through the Legislature. The ultimate impact of the State budget on the County is often not known until after the County's budget is adopted in June.

Requested Budget Adjustments

At this time there are a few departments that require budget adjustments for FY 2014-15. The CEO's staff will continue to monitor General Fund Departments to determine if any further budget adjustments will be necessary to close out the current fiscal year. We will have nine months of actual revenue and expenditures data available later in this fiscal year. Therefore, a more accurate estimate of the General Fund ending balance for FY 2014-15 should be available at that time. A detailed breakdown of the requested budget adjustments follows:

- | UC Cooperative Extension - An increase of \$12,690 in salaries and benefits to offset higher costs due to the negotiated wage increase. This amount is offset by a decrease in the Appropriation for Contingency.
- | Community Correction Performance Incentive (SB678) non-operating special revenue fund - An increase of \$298,032 in Transfers Out to transfer increased revenue into the Probation operating budget. This increased revenue in SB678 funding will result in a decrease of revenue transferred to Probation from the 2011 Realignment non-operating special revenue fund. Total revenue to the Probation Department will not increase.
- | Health and Human Services Fund - Increases totaling \$1,953,300 across multiple budgets to reflect higher wage and other operating costs, offset by \$834,464 in new revenue and \$1,118,836 in reductions in other HHS budgets.
- | Building Fund - An increase of \$100,000 in Other Professional Services to support increased contracted plans examiner services, offset with a reduction in fund balance.
- | County Service Area #4 - A \$120,000 increase in Transfers Out to transfer \$40,000 each to the three Farmworker Centers to replace revenue that has not yet been identified for farmworker housing. The increase will be offset by fund balance in the CSA-4 Fund.
- | Accumulated Capital Outlay - An increase of \$103,000 in Transfers Out to transfer funding to HHSA for one 1.0 FTE position to coordinate activities related to South County campus redevelopment. This appropriation was inadvertently omitted from the requested FY 2014-15 budget.
- | Equipment Replacement (Roads) - An increase of \$40,000 in Depreciation Expense, offset by increased revenue.
- | Animal Shelter - An increase of \$29,000 in Salaries and Wages and Veterinary Supplies with offsetting increase in revenue.
- | Special Projects - An increase of \$73,000 to fund FY 2014-15 Arts and Culture grants and Visitor Management grants previously awarded. Funding is part of prior year carry-over that was not included in the FY 2014-15 Adopted Budget.

SUPPORTING DOCUMENTS

A . FY 2014-15 Mid-Year Review Memorandum

CEO Recommendation: Approve

Reviewed By: Helene Franchi