



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 4/5/2016

Agenda Placement: 6S

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: Bret Prebula, Senior Management Analyst - 707-253-4826

SUBJECT: Approval of Budget Adjustments related to various Capital Improvement Projects and Non-General Fund Operating Budgets

RECOMMENDATION

County Executive Officer requests the following actions:

1. Approve Budget Transfer No. CEO009, making adjustments to revenues and expenditures in a variety of the FY 2015-16 Public Works Capital Project, Airport and Roads Operating Budgets; and
2. Establish a capital asset in the amount of \$150,000 in the Fleet Vehicle Budget for the Accessories for ten (10) Interceptor SUV Sheriff's Patrol Cars. (4/5 vote required)

EXECUTIVE SUMMARY

Today's action would make the necessary adjustments to the Airport and Roads operating and Capital Projects budgets, aligning the FY 2015-16 budgets to anticipated changes in expenditures and revenues. In addition, there is a request to establish a capital asset in the Fleet - Vehicle Replacement budget for accessories necessary to equip ten (10) Interceptor SUV Sheriff's patrol cars, approved as part of the FY 2015-16 budget, increasing the capitalization of these fixed assets by the amount of additional equipment required for these patrol vehicles. Appropriations in the amount of \$150,000 were approved as part of the Board's mid-year review agenda item on March 22, 2016, but a capital asset was not requested at that time.

In FY 2015-16, the procedure for budgeting for capital improvement projects was adjusted to more accurately reflect the total outlay of resources required for all capital improvement projects. This change improved the ability to estimate the ending (and beginning) fiscal year fund balances. In addition, this change will create more transparency in the Capital Project budgets.

The key aspect of the change is that capital improvement projects must now budget the entire cost of the project

(design, construction or both, depending on the funding criteria), even if the project spans over multiple fiscal years. This ensures that the project budget does not increase as it moves through the various stages of design and construction. If the overall project budget changes, the Board must approve any adjustment. If alternative funding sources are being used (State, Federal or Grant funding), but a local match is required, the local match is to be fully committed to the project, thus the funds cannot be spent for any other reason unless this commitment (thus the project) is canceled. This differs from previous fiscal years where budgets were created on year to year basis based on the annual estimate of expenses related to that given fiscal year.

Once the accounting books are closed each fiscal year, any remaining balance of the budgets will be rolled over as "re-encumbrance" and will appear as "Adjusted Budget" which will be brought to the Board by the Auditor-Controller shortly after the start of the new fiscal year.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The impacted budget areas are: <ul style="list-style-type: none"> Capital Projects (General Fund and Non-General Fund) Roads Operating Budget Airport Operating Budget
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Capital projects require adjustments to their appropriation limits to ensure the projects will continue without delays. If the budget adjustments are not approved many of the County's capital projects will not have appropriations sufficient to complete all phases of the work, thus significant project delays could occur.
Is the general fund affected?	Yes
Future fiscal impact:	If a Capital Improvement Project is not completed in FY 2015-16, the unused funds will be re-encumbered in FY 2016-17 until the project is completed.
Consequences if not approved:	If not approved, capital projects in a variety of funds will not have sufficient appropriation authority to be completed. Additionally, adjustments based on FY 2014-15 expenses ("true up") will not occur, thus there is a possibility fund balances could be stated incorrectly.
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

As outlined in the Board's mid-year budget review on March 22, 2016, staff is returning to the Board to request approval of adjustments related to the Public Works, Library, Airport and Fire capital projects budgets and Roads and Airport operating budgets. Today's action makes the necessary adjustments to the FY 2015-16 budget to align it with anticipated changes in expenditures and revenues. In addition, there is a request to establish a capital asset in the Fleet Vehicle Budget for the accessories necessary to equip ten (10) Interceptor SUV Sheriff's patrol cars, approved as part of the FY 2015-16 budget, increasing the capitalization of these fixed assets by the amount of additional equipment required for these patrol vehicles. An increase in appropriations in the amount of \$150,000 was already approved as part of the mid-year agenda item on March 22, 2016.

As part of the Mid-Year Budget review process for FY 2015-16, the procedure for budgeting for capital improvement projects was adjusted to more accurately reflect the outlay of resources required for all (General Fund and non-General Fund) capital improvement projects, thus improving the ability of the County Executive Office and Auditor-Controller's Office to estimate the ending (and beginning) fiscal year fund balances. In addition, there will be more transparency within the Capital Project budgets.

The key aspect of the change is that capital improvement project budgets must now budget the entire cost of the project even if the project spans over multiple fiscal years, ensuring the project budget remains the same as a project moves through the various stages of design and construction. If the overall project budget changes, staff is required to get Board approval for any adjustment. If alternative funding sources are being used (State, Federal or Grant funding), but a local match is required, the local match is to be fully committed to the project, thus the funds cannot be spent for any other reason unless this commitment (the project) is canceled. This differs from previous fiscal years where budgets were created on year to year basis based on the annual estimate of expenses related to that given fiscal year.

Once the accounting books are closed, any remaining balance of the capital project budgets will be rolled over as "re-encumbrance" and will appear as "Adjusted Budget". That request will be coming to the Board from the Auditor-Controller around August of each fiscal year.

Requested Budget Adjustments

Listed below are a number of budget adjustments necessary to align with the revised capital projects budgeting process.

Public Works Projects (12205): A significant number of budget adjustments reconcile to the FY 2014-15 actuals for Measure A funded projects. Additionally, two non-Measure A projects (Jail Fire Dampers/Program 12016 and Jail-Propane Piping to Emerg G/Program 14004) will be closed due to project completion. The total requested appropriation increase for all programs within this budget is \$1,807,593, offset by an increase in revenue of \$2,250,457. The current list of Measure A funded (fully and partially) projects is outlined below.

- | MST Reclaim Water Project
- | Angwin Water Study
- | Oakville-Know Sed Plan
- | Rutherford Dust Project
- | Zinfandel Lane Fish Pass
- | Measure A- Lake Berryessa
- | Measure A-Sulphur Creek
- | Rutherford Reach 8 Project
- | Rutherford Reach 5-6-7-9

- | Miliken Creek Flood Damage Restoration
- | Ground Water-Surface Water Study
- | Water Conservation Program

Accumulated Capital Outlay (3000): Three new projects, outlined below, require an additional \$972,000 in appropriations from the Accumulated Capital Outlay (ACO) Fund, partially offset by an increase in revenue due to the partial repayment (\$1 million) of the loan to the Roads Fund with remaining resources coming from fund balance.

- | **Fire Smoke Sealing:** Establish a new program budget, increase revenue and appropriations by \$150,000.
- | **Hall of Justice 2nd Floor:** Establish new program budget, increase revenue and appropriations by \$387,000.
- | **Carither's Building Painting and Roof:** Establish a new program budget, increase revenue and appropriations by \$435,000

General Fund Capital Improvement Projects (30005): Increase appropriations by \$849,932 offset by the increased transfer from the ACO fund. The primary reason for the increase in appropriations is the establishment of three new capital projects (outlined in the Accumulated Capital Outlay section described above). There is a decrease in revenue of \$8,418,634 mainly due to the decrease in revenue for the HHSA South Campus Improvement Budget (\$9,397,060 decrease in project revenue). The reduction to the HHSA Project revenue is fixing a clerical error by staff as the anticipated revenue for FY 2015-16 included \$9,397,060 from Certificate of Participation funds that were collected and included in the project fund balance at the end of FY2013-14, thus these funds should not have been included in the FY 2015-16 budget.

Library-Capital Improvement Projects (20205): Revision required based on the FY 2014-15 actuals. Decrease revenue and appropriations by \$79,247.

Airport-Capital Improvement Projects (50105): Adjustments are required in various capital projects with the net result to the Fund of a decrease in appropriations of \$978,775 and a decrease in revenue of \$929,647.

Airport-Operations Budget (50100): An increase in appropriations of \$29,075 is for the transfer out to the Airport Capital Project budget for the initial capital improvement project start up costs. This increase is offset by other operational expense reductions.

Fire-Capital Improvement Projects (50405): Adjustments are required to a variety of capital improvement project budgets with a net result to the Fire Fund of a decrease in appropriations of \$251,286 and a decrease in revenue of \$40,000.

Roads-Capital Improvement Projects (20405): The Roads capital project require a number of budget adjustments to reflect the increase and decrease in federal funding and required local match funds partially offset by the canceling of specific Roads projects that have not yet had construction funding identified. The net result to the Roads Capital budget is an increase in appropriations and revenue of \$524,022.

Roads-Operations Budget (20400): An increase in appropriations of \$962,478, partially offset by an increase in revenue of \$136,662. The increase in appropriations is primarily due to the repayment of a portion of the loan from the Accumulated Capital Outlay (ACO) Fund (\$1 million) slightly offset by decreases in other expense categories.

Mitigation American Canyon (12200-51): A budget adjustment is required to transfer the cash balance in the American Canyon Traffic Mitigation Fund to the Devlin Road project for which the funds were collected. Increase

appropriations by \$833,098 and revenue by \$735,010.

SUPPORTING DOCUMENTS

A . Capital Projects and Roads Fund

CEO Recommendation: Approve

Reviewed By: Molly Rattigan