



Agenda Date: 5/24/2005
Agenda Placement: 9E

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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: Third Quarter Budget Review

RECOMMENDATION

County Executive Officer recommends review and acceptance of the Fiscal Year 2004-2005 Third Quarter Fiscal Review and approval of Budget Transfer No. 86, making budget adjustments in a number of departments to provide sufficient appropriation authority for projected year-end expenditures (4/5 vote required).

EXECUTIVE SUMMARY

On March 1st staff provided the Board with a mid-year review of the County's budget, focusing particularly on the General Fund. That review utilized 6 months worth of actual revenue and expenditure data to forecast expenditures and revenues through the end of the fiscal year. This third quarter review updates the Mid-Year forecast using 9 months worth of actual financial data.

The Third Quarter Review estimates that the General Fund's FY2004/05 ending fund balance will be approximately \$15.7 million, a \$6.4 million decrease from the Final Budget's beginning balance level. A Budget Transfer is proposed to increase the appropriation level for 17 departments that are projected to spend more than their Adjusted Budget level. The net appropriation increase for operating departments requested is \$2,066,500. This will be funded with \$1,718,900 in new revenues and a General Fund Contingency transfer of \$347,600.

A brief overview of the Governor's May Revision to the Proposed State Budget is also provided. That Revision includes additional funding for County programs compared to the original Proposed Budget, but continues to include provisions of concern to counties.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No

What is the revenue source?	This agenda item proposes adjustments that will increase appropriations for operating departments by a net \$2,066,500. Of that amount, \$1,718,900 will be covered by additional revenues and the remaining \$347,600 will require a General Fund Contingency transfer.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Based on a review of nine months worth of actual revenue and expenditure data, departments projected expenditures and revenues through the end of the fiscal year. This agenda item proposes appropriation increases for those budget units that are projecting expenditure levels that will exceed the Adjusted Budget. The reason for the projected increase in expenditures varies from department to department, but a major factor is the increase in salaries and benefits for existing staff resulting from the new contracts with employee unions approved during the current fiscal year. The Adopted FY2004/05 Budget did not include appropriations for these costs and when the new labor contracts were approved departments were directed to try and absorb the costs to the extent possible, with the understanding that budget adjustments could be made near the end of the fiscal year if necessary. The bulk of the expenditure increases will be covered by additional, unanticipated, revenue.
Is the general fund affected?	Yes
Future fiscal impact:	In general, additional expenditures made in the current year, reduce the amount of fund balance available to finance future years operations.
Consequences if not approved:	If the proposed budget adjustments are not approved, departments would need to make offsetting expenditure reductions. Given the amounts involved and the short time frame before the end of the fiscal year, these expenditure reductions would be severe.
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

On March 1st staff provided your Board with a mid-year review of the County's budget status, focusing particularly on the General Fund. That review, which was based on six months worth of actual revenue and expenditure data, identified 15 budget units that were projected to over-spend their appropriations by the end of the fiscal year and estimated that the General Fund would end the fiscal year with a fund balance in the area of \$14 million. Staff has now a completed third quarter fiscal review using nine months worth of actual expenditure and revenue data. Attached are a memorandum and table that provide an update on the General Fund's projected FY2004/05 ending balance, identify departments needing budget adjustments and provide a brief overview of the Governor's May Revision to the State's FY2005/06 Proposed Budget.

As you can see, based on the most recent information available, it appears that the General Fund will end the year with an undesignated/unreserved fund balance of approximately \$15.7 million. This is an increase of approximately \$1.3 million compared to the Mid-Year review and a \$6.4 million reduction from the FY2004/05 beginning fund balance level. This fund balance reduction is consistent with the General Fund Five Year Fiscal Forecast presented to your Board on May March 22nd. As you know, that Forecast projected a continuing decline in the General Fund balance for the foreseeable future.

This agenda item recommends budget increases for 17 budget units. Reasons for the higher than budgeted expenditures vary, but in many cases the cause is increased salary and benefit costs for existing employees. In some cases increased expenditures are offset by unanticipated revenues. In other cases an appropriation transfer from the General Fund Contingency is required. In one case - Care of Court Wards - an appropriation transfer from another budget unit in the same department - Probation - is proposed. The following table summarizes the proposed budget adjustments:

<u>Budget Unit</u>	<u>Appropriation Adjustment</u>	<u>Revenue Change</u>	<u>Contingency Reduction</u>
Board of Supervisors	\$10,000	\$ 10,000	\$0
Auditor-Controller	59,000	59,000	0
Primary-General Elections	46,000	97,000	49,000
Communications	44,000	12,000	32,000
Records Management - Courier	20,000	0	20,000
Building Inspection	18,000	18,000	0
Library	189,000	189,000	0
District Attorney	176,000	114,000	62,000
Public Defender	58,000	58,000	0
Conflict Public Defender	123,000	0	123,000
Probation	(96,000)	(96,000)	0
Care of Court Wards	96,000	96,000	0
Sheriff	883,000	883,000	0
Special Investigations Unit	13,500	3,900	9,600
Corrections	68,000	68,000	0
Animal Control	52,000	0	52,000
Health Department	198,000	198,000	0
Workforce Investment	9,000	9,000	0
TOTAL:	\$2,066,500	\$1,718,900	\$347,600

With these budget adjustments, the remaining General Fund Contingency would be \$4,277,394.

In addition, the transfer of \$32,645 from Property Tax Administration Trust Fund to the Assessor's budget is proposed. The Assessor's budget does not need an appropriation increase, but this additional revenue can be used to cover the cost of certain departmental expenditures.

In general, the Governor's May Budget Revision represents an improvement for counties compared to his original Proposed Budget. In the May Revision the Governor is proposing to fund the Proposition 42 transfer of transportation funds to state, county and city transportation programs and to prepay one-half of the vehicle license fee (VLF) "gap loan" which is due in full to local governments in FY2006-06. Areas of concern remain, however, including the State's funding level for IHSS provider wages and AB3632 services to mentally ill students.

SUPPORTING DOCUMENTS

A . Third Quarter Fiscal Review - FY2004-05 Memorandum

B . Attachment A to Third Quarter Review Memorandum

CEO Recommendation: Approve

Reviewed By: Britt Ferguson