



Agenda Date: 6/12/2007
Agenda Placement: 9B

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 Fiscal Review

RECOMMENDATION

County Executive Officer requests review and acceptance of the Fiscal Year 2006-07 Third Quarter Fiscal Review and approval of Budget Transfer No. 73, 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 13, staff provided the Board with a mid-year fiscal review of the County's budget status, focusing particularly on the General Fund. That review utilized six 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 nine months worth of actual financial data.

The Third Quarter Review estimates that the General Fund's FY2006-07 unreserved/undesignated ending fund balance will be approximately \$15.9 million, a \$6.3 million decrease compared to the budgeted beginning balance. A budget transfer is proposed to increase appropriations for 13 departments that are projected to spend more than, or be close to, their Adjusted Budget level. The net appropriation increase requested is \$821,000. This will be funded with \$434,000 in new revenue and a General Fund Contingency transfer of \$387,000.

A brief overview of the Governor's May Revision to his Proposed State Budget is also provided. Generally, with a couple of key exceptions, the Revision is as positive for counties as his original budget proposal.

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 departments by a net of \$821,000. Of that amount, \$434,000 will be covered by additional revenues and \$387,000 will require a General Fund Contingency transfer.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Based on a review of nine months worth of revenue and expenditure data, departments projected expenditures and revenues through the end of the fiscal year. This 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. Approximately half of the expenditure increase will be covered by additional, unanticipated, revenue.
Is the general fund affected?	Yes
Future fiscal impact:	In general, additional expenditures made in the current fiscal year reduce the amount of fund balance available to finance future year 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:	

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 13, 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 ten 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 an undesignated/unreserved fund balance in the area of \$13 million. Staff has now completed a 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 FY2006-07 ending balance, identify departments needing budget adjustments and provide a brief overview of the Governor's May Revision to the State's FY2007-08 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 \$15.9 million. This is an increase of approximately \$2.9 million compared to the Mid-Year Review and a \$6.3 million reduction from the FY2006-07 budgeted beginning balance. This projection is generally consistent with the General Fund Five Year Forecast presented to your Board on April 10.

This agenda item recommends budget increases for 13 budget units. Reasons for the higher than budgeted expenditures vary and in some cases the increased expenditures are offset by unanticipated revenues. In other

cases, an appropriation transfer from the General Fund Contingency is required. Generally, where a budget unit is projected to over-spend its appropriation, the actual proposed adjustment is \$10,000 higher than the Third Quarter estimate in order to provide a reasonable "hedge" factor. In addition, where a budget is projected be within \$10,000 of over-spending its appropriation, a \$10,000 appropriation adjustment is proposed to provide that hedge factor. The following table summarizes the proposed budget adjustments:

BUDGET UNIT	APPROPRIATION ADJUSTMENT	REVENUE CHANGE	CONTINGENCY
Board of Supervisors	\$14,000	0	\$14,000
Communications	45,000	0	45,000
Insurance	12,000	1,000	11,000
County Contributions	58,000	58,000	0
Employee/Retiree Benefits	269,000	0	269,000
Road Department	10,000	0	10,000
Child Support Svs.	159,000	159,000	0
Juvenile Hall	52,000	34,000	18,000
Care of Court Wards	10,000	0	10,000
Sheriff	10,000	0	10,000
Corrections	141,000	141,000	0
Public Administrator/Guardian	13,000	13,000	0
Workforce Investment Board	28,000	28,000	0
TOTAL	\$821,000	\$434,000	\$387,000

With these budget adjustments the remaining General Fund Contingency would be \$4,260,213.

In General, the Governor's May Revision, like his original January Budget, is relatively positive for counties. Most significantly, the now-agreed-upon adult corrections reform plan does not include the Governor's original proposal to have offenders sentenced to three years or less of incarceration serve that time in county jails. Areas of concern remain, however, including the Governor's proposal to end state Williamson Act payments to counties.

SUPPORTING DOCUMENTS

A . Third Quarter Fiscal Review - FY2006-07 Memorandum

B . Third Quarter Fiscal Review Tables

CEO Recommendation: Approve

Reviewed By: Molly Rattigan