



Agenda Date: 6/6/2006
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 recommends review and acceptance of the Fiscal Year 2005-2006 Third Quarter Fiscal Review and approval of Budget Transfer No. 72, 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 14, staff provided the Board with a mid-year fiscal review of the County's budget, 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 FY2005/06 unreserved/undesignated ending fund balance will be approximately \$19.3 million, a \$132,000 decrease compared to the budgeted beginning balance. 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 requested is \$1,634,600. This will be funded with \$697,600 in new revenues, a General Fund Contingency transfer of \$927,000 and a Library Fund Contingency transfer of \$10,000.

A brief overview of the Governor's May Revision to the Proposed State Budget is also provided. Generally, that Revision represents a slight improvement for counties compared to the Governor's original Proposed Budget, but there are still areas of concern.

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 \$1,634,600. Of that amount, \$697,600 will be covered by additional revenues, \$927,000 will require a General Fund Contingency transfer and \$10,000 will require a Library 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. Approximately one third 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 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 14, 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 10 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 \$19.2 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 FY2005/06 ending balance, identify departments needing budget adjustments and provide a brief overview of the Governor's May Revision to the State's FY2006/07 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 \$19.3 million. This is an increase of approximately \$112,000 compared to the Mid-Year review and a \$132,000 reduction from the FY2005/06 budgeted beginning balance. This projection is generally consistent with the General Fund Five Year Forecast presented to your Board on April 4.

This agenda item recommends budget increases for 17 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. Wherever 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 to 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:

<u>Budget Unit</u>	<u>Appropriation Adjustment</u>	<u>Revenue Change</u>	<u>Contignecy Reduction</u>
Board of Supervisors	\$10,000	0	\$10,000
Treasurer-Tax Collector	\$10,000	0	\$10,000
Human Resources	\$10,000	0	\$10,000
Primary-General Elections	\$462,000	\$24,000	\$438,000
Communications	\$23,000	\$2,000	\$21,000
Records Mgt./Courier	\$10,000	0	\$10,000
Community Partnership	\$12,600	\$12,600	0
Property Management	\$150,000	0	\$150,000
Public Defender Services	\$181,000	\$53,000	\$128,000
Conflict Public Defender	\$10,000	0	\$10,000
Juvenile Hall	\$99,000	\$99,000	0
Sheriff	\$567,000	\$471,000	\$96,000
Detention Medical Services	\$33,000	\$16,000	\$17,000
Animal Control	\$27,000	0	\$27,000
Capital Improvement - Library	\$10,000	0	\$10,000
Capital Improvement - 2003 COP	\$10,000	\$10,000	0
Insurance - Workers Comp	\$10,000	\$10,000	0
TOTAL	\$1,634,600	\$697,600	\$937,000

With these budget adjustments the remaining General Fund Contingency would be \$1,765,121 and the remaining Library Fund Contingency would be \$134,000.

In general, the Governor's May Budget Revision represents an improvement for counties compared to his original Proposed Budget which, itself, was one of the more positive Proposed Budgets for counties in the last few years. Areas of concern remain, however, including the payment of costs for the November 2005 special election and the way AB 2632 services for mentally ill students are proposed to be funded.

SUPPORTING DOCUMENTS

- A . Third Quarter Fiscal Review - FY2005-06 Memorandum
- B . Attachment A to Third Quarter Fiscal Review Memorandum

CEO Recommendation: Approve

Reviewed By: Britt Ferguson