



Agenda Date: 9/11/2007
Agenda Placement: 9D

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: Final Fund Balance and Other Adjustments to the Fiscal Year 2007/08 Final Budget

RECOMMENDATION

County Executive Officer requests:

1. Approval of Budget Transfer No. 6, establishing and appropriating General Fund and certain non-General Fund balances and making certain other adjustments to the Fiscal Year 2007/08 budget (4/5 vote required); and
2. Authorization of a loan from the Equipment Replacement Fund to the Equipment Pool Fund to insure that the latter fund does not end the 2006/07 fiscal year with a cash deficit.

EXECUTIVE SUMMARY

The Fiscal Year 2007/08 Budget was prepared using an estimated FY2006/07 year-end undesignated/unreserved General Fund fund balance of \$15,600,000. The FY2006/07 actual, unaudited, General Fund fund balance has been determined by the Auditor-Controller to be \$17,778,321. Staff now returns to request certain adjustments to the FY2007/08 Final Budget to account for the difference between the estimated and actual fund balance (\$2,178,321). In addition, other adjustments to both General Fund and non-General Fund budget units are requested based on information that has become available since the FY2007/08 budget was originally prepared. Major adjustments include:

- | A \$172,193 increase in the General Fund Capital Improvement Program budget to cover various capital projects, funded with Measure A funds.
- | A \$151,000 increase in the Social Services budget (and Net County Cost) to cover the cost of an IHSS in-home caregivers' salary increase, with funding from the General Fund's actual ending fund balance.
- | A \$120,000 increase in the Conservation, Development & Planning Department's budget (and Net County Cost) to cover enhanced code enforcement activities, with funding coming from the General Fund's actual ending fund balance.
- | Establishment of a \$1,907,321 General Fund designation for Future Road Fund Needs.
- | A \$394,000 increase in the Watershed Information & Conservancy budget to cover costs associated with

- the receipt of a new grant for Napa River watershed monitoring, with funding coming from the grant.
- | A \$139,155 increase in the Central Services budget to cover additional Teeter Plan costs, funded by revenue from the Tax Losses Reserve Fund.
 - | A \$32,151 increase in the Equipment Pool/Equipment Replacement Fund budget to cover increased costs related to the purchase of three pieces of low-emission construction equipment, with funding from the Equipment Replacement Fund's actual fund balance.
 - | A \$1,155,468 increase in the Airport Fund Capital Improvement Program budget to cover the cost of certain capital projects, with funding from the Airport Fund's actual fund balance.
 - | A \$170,432 increase in the Airport/Airport Fund budget to cover the cost of certain flood-related improvements and parking lot and road repairs, with funding from the Airport Fund's actual fund balance.
 - | A \$128,614 increase in the Wildlife Conservation/Fish & Game Fund budget to cover grants and land acquisition costs, with funding from the Fish & Game Fund's actual fund balance.
 - | A \$278,474 increase in the Building Inspection/Building Code Enforcement Fund budget to cover the cost of an additional contract plans examiner and to increase the Fund's contingency by \$228,474, with funding from the Building Code Enforcement Fund's actual fund balance.
 - | A \$36,000 appropriation transfer from the Library Fund's contingency to the Library budget's maintenance line item due to the need to make certain ADA repairs to the Calistoga Library.

Staff is also requesting that the Board authorize a FY2006/07 loan in the amount of \$350,000 from the Equipment Replacement Fund to the Equipment Pool Fund to insure that the latter fund does not begin FY2007/08 with a cash deficit.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Various budgets are affected. The requested adjustments to the FY2007/08 Final Budget are detailed in the Background section of this item.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The justification for the various adjustments are included in the Background section of this agenda item.
Is the general fund affected?	Yes
Future fiscal impact:	The requested adjustments directly affect the FY2007/08 budget. Increased expenditures, not offset by dedicated revenue, will result in less General Fund fund balance being available to fund future year's budgets.
Consequences if not approved:	In some cases, the FY2007/08 budget will not accurately reflect the cost of certain programs or projects. In other cases there will not be sufficient appropriation authority to complete certain projects.

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 June 26, 2007 the Board adopted the Fiscal Year 2007/08 Final Budget. Since the budget was developed prior to fiscal year-end, it was prepared using an estimated undesignated/unreserved General Fund balance of \$15,600,000. The Fiscal Year 2006/07 books have now been closed and the Auditor-Controller has established the actual, unaudited, unreserved/undesignated General Fund beginning balance to be \$17,778,321, a difference of \$2,178,321. As discussed during Final Budget hearings, staff now returns to the Board for approval to revise the budget as detailed below to reflect final fund balances along with other necessary changes which have occurred since the adoption of the Final Budget.

In addition, the Board is being asked to approve a FY2006/07 loan from the Equipment Replacement Fund to the Equipment Pool Fund to cover a FY2006/07 year-end cash deficit.

RECOMMENDED ADJUSTMENTS TO THE FISCAL YEAR 2007/2008 GENERAL FUND BUDGET:

Net Increase to Undesignated/Unreserved Fund Balance: \$2,178,321

Capital Improvement Program: \$172,193

Capital Improvement Project (CIP) budgets were developed prior to the end of FY2006/07 based on estimates of how much money would be spent on certain projects during FY2006/07 and, thus, how much would need to be spent in FY2007/08. Based on this, the following adjustments are proposed:

- | MST Water Study: \$44,163
- | Angwin Water Study: (\$585)
- | Oakville/Knoll Sedimentation Plan: \$15,827
- | Rutherford Dust Restoration Project: \$58,798
- | Countywide Flood Study: \$53,990

Funding for the above projects (\$172,193) will come from Measure A funds. There will be no impact on Net County Cost.

Social Services: \$151,000

As the Board is aware, the County pays a share of the cost of the salary for in-home caregivers for whom the In Home Supportive Services (IHSS) Public Authority acts as the employer of record (the State and Federal governments also pay a share of the costs). Under the terms of Memorandum of Understanding (MOU) between the IHSS Public Authority and the union representing the in-home caregivers, the caregivers' current salary of \$10.50 an hour automatically increases to \$11.50 an hour if the State agrees to pay its share of the increased cost. As a result of the approval of the State's FY2007/08 budget, the State has now agreed to share in that increased cost, thus Napa County's in-home caregiver salaries will increase by \$1 an hour in FY2007/08. It is estimated that the County's share of this cost increase is approximately \$151,000. This is entirely a General Fund cost. This action will increase the Social Services Division's budget and Net County Cost by \$151,000.

Conservation, Development & Planning: \$120,000

The Conservation, Development & Planning Department has identified a need for an enhanced level of code enforcement activities in two areas:

- | Erosion control enforcement focusing on vineyards with greater than a 5% grade; and

- I Enforcement activities in the agricultural areas, including farmworker housing compliance.

This would be a one-time allocation designed to expedite ongoing enforcement activities and achieve code compliance more quickly. In FY2006/07 the County's General Fund received a \$350,000 settlement as the result of a code enforcement action, which contributed to the increased General Fund ending balance. Since that settlement represented a one-time payment to the County, staff believes that it is reasonable to use a portion of the fund balance for one-time investments in the code enforcement area.

This action will increase the Conservation, Development & Planning Department's budget and Net County Cost by \$120,000.

Establishment of Future Road Fund Needs Designation: \$1,907,321

At the Board's FY2007/08 Budget Hearings, staff indicated that the Road Fund was facing a long-term structural deficit. The Board directed staff to return to the Board, following the closure of the County's books for FY2006/07, with a proposal to set aside any new unfunded/unreserved General Fund fund balance for use on Road Fund programs or projects. As indicated above, the General Fund's FY2006/07 unfunded/unreserved ending balance has been determined to be \$2,178,321 higher than the FY2007/08 budgeted beginning balance. Staff is proposing to utilize \$271,000 of that amount to fund IHSS caregivers' salary increases and enhanced code enforcement activities. Staff is proposing that the Board establish a Future Road Fund Needs Designation in the General Fund for the remaining \$1,907,321.

As the Board is aware, the Public Works Department is in the process of hiring a Transportation Engineer who will be tasked with leading an effort to develop a comprehensive road improvement plan. In addition, the Public Works Department and the County Executive Office are collaborating on an organizational analysis to help identify the most cost-effective way to provide services. Once this work is complete, the money in this designation will be available to invest in Road Fund programs or projects as may be needed. Setting the money aside in a General Fund designation will allow the Board the most flexibility to target specific Road Fund needs that may be identified (including addressing the long-term structural deficit), take into consideration the potential impact of enhanced General Fund contributions to the Road Fund on future maintenance of effort (MOE) obligations and allow the Board to weigh other competing needs for funds that may arise.

Watershed Information Center & Conservancy: \$394,000

On August 7, 2007 the Department of Conservation, Development & Planning was notified that it will be receiving grant revenue in the amount of \$394,000 from the State Department of Water Resources. The grant money will be used to develop a long-term Countywide watershed monitoring program, in support of the development and analysis of watershed monitoring indicators for the Napa River watershed in conjunction with a large regional effort in the North Bay/Delta area. All funding will come from the grant and there is no impact on Net County Cost.

Central Services: \$139,155

On August 28, 2007 the Auditor-Controller submitted, and the Board approved, a resolution implementing the Teeter Plan for Napa County for FY2007/08 (the Teeter Plan addressed how the County deals with delinquent property taxes). The County's Central Services budget has an annual appropriation to cover interest on the outstanding Teeter Plan notes and a reserve amount for the new note issued to fund the payment of the prior year's delinquent taxes. The FY2007/08 Central Services Final Budget includes \$153,793 for interest on the outstanding notes and \$119,171 as a reserve amount for the new note, with offsetting revenue of \$272,964 from the Tax Losses Reserve Fund. Based on the Auditor-Controller's report, it is necessary to appropriate a total of \$160,188 for the reserve amount and \$251,931 for the interest. This increases total appropriations by \$139,155 (\$98,138 for interest and \$41,017 for the reserve amount), which is offset by \$139,155 in additional revenue from the Tax Losses Reserve Fund. There is no impact on Net County Cost.

RECOMMENDED ADJUSTMENTS TO THE FISCAL YEAR 2007/08 NON-GENERAL FUND BUDGETS**Equipment Pool/Equipment Replacement Fund: \$32,151**

This adjustment will provide a \$32,151 increase in appropriations to purchase three pieces of low-emission construction equipment. The Final Budget included \$487,849 for these purchases but actual bids have come in at \$520,000.

Funding will come from the actual unaudited undesignated/unreserved Equipment Replacement Fund fund balance. The Auditor-Controller has determined that the FY2006/07 actual ending fund balance is higher than the FY2007/08 budgeted beginning balance.

Capital Improvement Program/County Airport Fund: \$1,155,468

The Final Budget included capital expenditures for FY2007/08 based on estimates of how much money would be spent on certain projects in FY2006/07, and thus how much funding would need to be carried over into the next fiscal year. Actual FY2006/07 capital project expenditures are now known, and so adjustments to the FY2007/08 budget are required in the amount of \$805,468 to fund various Airport capital projects. In addition, a new project is being proposed, the Angwin Airport Study, at a cost of \$350,000. Funding for all projects will come from the Federal Aviation Administration, the State and the Airport Fund Balance (\$129,725). The Auditor-Controller has determined that the FY2006/07 actual ending fund balance is higher than the FY2007/08 beginning balance.

Public Works - Airport/County Airport Fund: \$170,432

The Final Budget included expenditures for flood-related improvement projects based on estimates of how much money would be spent on those projects in FY2006/07. Actual FY2006/07 flood improvement expenditures are now known, and so adjustments to the FY2007/08 budget are required in the amount of \$90,432. Funding will come from the Federal Emergency Management Agency (FEMA) and the State. In addition, an \$80,000 appropriation adjustment is requested to fund repairs to the the Airport terminal parking lot and a portion of Airport Road. These repairs are needed due to deterioration caused by truck traffic. Funding will come from the County Airport Fund's fund balance. As indicated above, the Auditor-Controller has determined that the FY2006/07 actual ending fund balance is higher than the FY2007/08 beginning balance.

Wildlife Conservation/Fish & Game Fund: \$128,614

When the County's books were closed for FY2006/07, the unaudited actual ending fund balance for the Fish & Game Fund was determined by the Auditor-Controller to be \$128,614 higher than the budgeted FY2007/08 beginning balance. This was due in large part to the receipt of funds related to a code enforcement settlement. This action would increase appropriations by that amount to fund grants and land acquisition.

Building Inspection/Building Code Enforcement Fund: \$278,474

When the County's books were closed for FY2006/07, the unaudited actual ending balance for the Building Code Enforcement Fund was determined by the Auditor-Controller to be \$278,474 higher than the budgeted FY2007/08 beginning balance. This action will appropriate \$50,000 of that amount to fund a contract plans examiner and increase the Fund's operating contingency by the remaining \$228,474. The plans examiner workload fluctuates from year-to-year and currently is experiencing a significant increase. The contract plans examiner will be used to help deal with the increased workload so that recently established plan turn-around standards can be met.

Library/County Library Fund: \$36,000 Contingency Transfer

This action is necessary to provide funding for ongoing library maintenance. Regular maintenance funds were used to make necessary, but unbudgeted, improvements to the the public restroom at the Calistoga Library to comply with Americans with Disabilities Act (ADA) requirements and this action will backfill those funds. This action will reduce the Library Fund's Contingency by \$36,000 and increase the Maintenance: Buildings and Improvements line item. This will reduce the Library's Contingency from \$200,000 to \$164,000.

FISCAL YEAR 2006/07 INTERFUND LOAN**Equipment Replacement Fund Loan to Equipment Pool Fund: \$350,000**

This action will allow for a loan of \$350,000 from the Equipment Replacement Fund to the Equipment Pool Fund (which includes funding for vehicle and equipment maintenance and repair). As mentioned during budget hearings, expenditures exceeded revenues for FY2006/07 and the Equipment Pool Fund is projected to end FY2006/07 with a negative cash balance, which is not permitted by law. In addition, the Equipment Pool Fund is facing a longer-term structural deficit, in part because, until this fiscal year, the fees charged to operating departments had not been increased for a number of years. This loan will allow the Equipment Pool Fund to begin the year with a positive cash balance in FY2007/08 and, when coupled with additional revenue derived from the FY2007/08 fee increase, should allow the Fund to end the 2007/08 fiscal year with a positive cash balance as well. Additional fee increases in future years should bring the fund back into structural balance and allow a repayment of the loan over a five year period starting in FY2008/09.

The Equipment Replacement Fund has a substantial fund balance and the loan can be covered out of the actual undesignated/unreserved FY2006/07 ending fund balance, as determined by the Auditor-Controller at the end of the fiscal year.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Karen Gratton