## What's in store?

# Looking at Fiscal Year 2010/2011 and beyond

#### **Fund Balance**

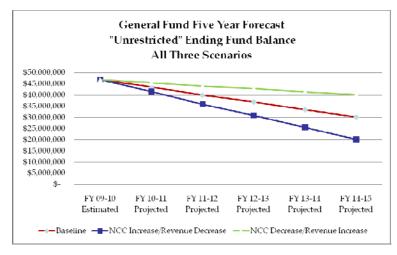
The Recommended Budget **estimates** a beginning fund balance on July 1, 2010, of approximately \$55.5 million, an increase of \$4.6 million (9%) from the actual beginning balance a year earlier, due to EEE (see page 2). The actual number won't be available until the first quarter of FY2010/11.

The \$55.5 million includes:

- \$9.6 million in General Reserves. Except in an emergency, General Reserves cannot be spent during the fiscal year, but are held for future needs or emergencies.
- \$300,000 in reserve for encumbered expenses from 2009/10.
- \$22.9 million in designations for various purposes, including \$18.7 million in a designation for fiscal uncertainties.
- An undesignated/unreserved balance of approximately \$22.8 million, which is available to fund County programs.

#### **Five-Year Forecast**

The most recent Five-Year Forecast was prepared in April 2010 and projects the General Fund ending balance through FY2014/15 under three different scenarios – a Baseline Scenario, a Revenue Decrease/Expenditure Increase Scenario and a Revenue Increase/Expenditure Decrease Scenario. The results of that forecast are shown in table below.



#### Projected fund balance in FY2014/15: between \$20 and \$40 million.

- Assuming no major changes, the General Fund will likely not be in structural balance over the next five years, due primarily to the effect of the national, state and local economic downturns.
- The structural imbalance is not huge in the Baseline Scenario, but there are significant uncertainties (especially Excess Excess ERAF) and the imbalance could be greater.
- Given the relatively robust nature of the General Fund's fund balance, the County is not currently facing a crisis situation we have time to calibrate our response to our projected fiscal situation and to implement the Board-approved Fiscal Contingency Plan. In the past two fiscal years, the Board has already implemented elements of the Plan, resulting in a \$4 million annual reduction in Net County Cost.

Because Excess Excess ERAF is an unstable and uncertain revenue source, the Board has directed staff to plan on no more than \$5 million a year for the next five years and that any additional funding should be transferred to the Accumulated Capital Outlay Fund to help finance major capital investments or one-time investments that the Board deems appropriate.

## **Participate**

- Budget Hearings will begin on Monday, June 21, at 9 a.m.
- Staff will provide a presentation on the Recommended Budget and the Board will accept general public testimony.
- Next, the Board will conduct hearings on individual department budgets, with a focus on performance measures, again with time for public testimony.
- After staff
   presentations and
   public testimony are
   concluded, the Board
   will make decisions
   on appropriations,
   revenue and
   financing levels;
   approve or deny fixed
   assets and new positions; and adopt
   any policy and other
   budget control
   language.
- The Final Budget will go to the Board for adoption on Tuesday June 29.

Agendas are available at www.countyofnapa.org, generally on the Thursday prior to a Tuesday meeting.

Questions? Call the Public Information Officer at (707) 253-4111 or the CEO/Clerk of the Board at (707) 253-4421.

## County Executive Office



A Tradition of Stewardship A Commitment to Service Napa County, California

# Napa County Explains the Budget

Recommended Budget 2010-2011

## **About this report**

In June, Napa County's Executive Officer presents to the Board of Supervisors a recommended budget for the upcoming fiscal year (July 1 to June 30). The Recommended Budget consists of three volumes: Recommended Budget, Detail Budget and a Performance Measurement Report.

This information is intended to provide highlights and help residents navigate the budget. It also includes a timeline of the budget adoption process (page 4), to encourage residents to participate in the discussions and decisions that affect how their tax dollars are spent.

## **Budget at a glance**

The recommended budget includes a letter from CEO Nancy Watt to the Board of Supervisors that acts as an Executive Summary of the entire budget (page 1 of the recommended budget). In highlight, the budget:

- reflects the continuing impact of the national, state and local economic downturns on the County's revenues and programs;
- holds Net County Cost (funded by local discretionary dollars) close to last year's level;
- generally maintains General Fund programs at their current or reduced staffing;
- includes NO cost of living adjustment for any employees;
- reflects a \$7.26 million (5.2%) **increase** in discretionary and semi-discretionary (Realignment and Proposition 172) revenue compared to the FY2009/10 Final Budget, due **almost entirely** to approximately \$10 million in property taxes from Excess Excess ERAF, an uncertain revenue source (see page 2);
- reflects the receipt of more than \$4 million in American Recovery and Reinvestment Act (ARRA) funds for various projects and programs; and
- was prepared before the Governor issued his May Revision to his FY2010/11 proposed State Budget and before the Legislature took any significant actions to address the State's deficit.

It's important to note that without the Excess Excess ERAF funding, total discretionary revenue would have DECREASED from last year.

**Recommended All Funds Budget: \$322,730,618** (\$19,384,663 [6.3%] increase over FY2009/10) Major changes:

- Transfer of \$13.1 million from the General Fund to the ACO Fund, for future capital needs (ACO balance \$32 million, with approximately \$200 million in need over the next 15 years)
- More than \$4 million in American Recovery and Reinvestment Act (ARRA) funds to finance road projects, and Health & Human Services and other programs
- Step increases and benefit cost increases for existing employees
- Expenditure of \$2.4 million to replace the Jail's detention electronic systems

Recommended General Fund Budget: \$224,954,853 (\$16,453,913 [7.9%] increase over FY2009/10) Major changes:

- Transfer of \$13.1 million to the Accumulated Capital Outlay Fund
- Expenditure of \$2.4 million to replace the Jail's detention electronic system
- Step increases and benefit cost increases
- \$340,000 increase in IT charges to the General Fund

#### Board of Supervisors' Budget Policies (selected)

- No increase to Net County Cost
- No new programs unless fully funded by grant or dedicated revenue source
- Delete vacant positions; no new positions unless funded by non-General Fund sources
- Pursue new service revenues, where possible
- Unless previously earmarked, all revenues are discretionary, rather than dedicated to a program or purpose
- Place a minimum of 3% of General Fund into Contingency, with a goal of Reserves equaling 5% of General Fund
- Pursue operational efficiencies whenever possible

Complete Budget Policies are on page 24 of the Recommended Budget.

# Board's Three-Year Goals April 2010

- Increase organizational effectiveness and efficiency
- Implement an evidencebased/research-tested criminal justice system

Maintain long-term financial

- stabilityImprove environmental,
- economic and social sustainability
- Improve the countywide availability of housing for the local workforce

#### **REVENUE**

Napa County gets revenue from several sources, some of which are discretionary, meaning the Board can decide where the revenue goes, and some are not.

Total amount of FY2010/11 revenue for all funds: \$306,910,106

**Discretionary** revenue: \$91,781,882 (30% of total revenue; primarily from property tax and local sales and hotel taxes)

The remaining nearly 70% of total revenue includes more than \$80 million in State and federal funding, as well as local funding that is not discretionary (e.g., about \$28 million in charges for services, local permits fees, etc.), and about \$37 million in interest, franchise fees, etc.

#### **Major discretionary revenue sources:**

#### **Property taxes**

If you are a property owner in Napa County, you pay property taxes each year. Although you pay your taxes to the Treasurer-Tax Collector, a County employee, your tax dollars are distributed among several agencies in Napa County.



22% goes to the County, including Library and Fire

11% goes to the Cities/Town

Of the amount the County receives, a portion of that is discretionary. This year, that is about \$74 million. In addition, just under \$6 million goes to the Library Fund and just over \$7 million goes to the Fire fund.

**Transient Occupancy Tax (Hotel tax):** We'll receive about \$6.7 million this year. **Sales taxes:** We'll receive about \$4.9 million this year.

#### Key issues with FY2010/11 Revenue

#### Discretionary/semi-discretionary funding

Starting in FY2007/08, we experienced a softening in certain revenue sources and in FY2008/09, all of our discretionary and semi-discretionary revenue sources declined except for property taxes, which increased, in part because of changes the State made that resulted in Napa County receiving additional property tax revenue called Excess Excess ERAF (EEE). Without that EEE, FY2008/09 discretionary/ semi-discretionary revenue decreased by about \$2.3 million from the previous year. A similar scenario is true in FY2009/2010, with a slight overall decrease in discretionary/semidiscretionary revenue, even with the EEE.

For FY2010/11, we project that discretionary and semi-discretionary revenue, including about \$10 million in EEE, will decrease by approximately \$700,000 from the estimated actual (as opposed to budgeted) FY2009/10 level, again because our other sources of revenue are declining.

We think it is unlikely that the County will continue to receive the current level of Excess Excess ERAF funding over the long term.

#### ARRA funding

The Recommended Budget includes more than \$4 million in American Recovery and Reinvestment Act (ARRA) funding, partly for new, one-time, capital projects. About \$1 million in ARRA funding will be used to essentially backfill reductions in funding for Health & Human Services programs. All ARRA funding must be spent by 2012.

#### **EXPENDITURES**

So what do Napa County residents get for their money? It's helpful to group expenditures by function. Here are our basic functions, with the allotments for FY2010/2011, and some examples of the services and programs that budget will provide for county residents this year.

#### Law and Justice (10%)

District Attorney, Public Defender, Child Support Services and Probation

## Total Appropriations: \$33,085,606 Positions: 223.5

- 82% conviction rate for misdemeanors, 84% conviction rate for felonies in FY2007/08
- Collect and distribute close to \$10 million in child support payments for 5,500 families
- Handle 4,000 public defender cases
- Supervise more than 2,400 adult and juvenile probationers

Complete Law and Justice information starts on page 257 of the Recommended Budget.

## **General Administration/Finance (22%)**

Board of Supervisors, County Executive Office, Human Resources, IT, County Counsel, Auditor-Controller, Treasurer-Tax Collector and Recorder-Assessor-County Clerk, including Elections

## Total Appropriations: \$71,034,009 Positions: 192.3

- Prepare 1,600 agenda items
- Issue 58,000 payments and 43,000 paychecks
- Collect and disburse more than 63,000 property tax payments
- Assess more than 50,000 properties
- Perform more than 450 weddings in FY2008/09
- Manage all elections
- Reviewed 25 CEQA\* documents in FY2008/09
- Appropriations include \$13 million to Capital Outlay Fund

Complete General Administration/Finance information starts on page 71 of the Recommended Budget

\* California Environmental Quality Act

## **Contingencies and Reserves**

Positions: 0

- General Fund contingencies: \$6,000,000 (Board policy is to appropriate at least 3% of the General Fund for contingencies)
- Reserves: Adding over \$825,000 to reserves, bringing total to more than \$10. million (Board policy is 5% of General Fund in reserves)
- Includes \$18.7 million designation for fiscal uncertainties

## Non-Operating Funds (3%)

Funds held for specific purposes that are used to reimburse departments for expenditures for relevant uses

Total appropriations: \$9,955,299 Positions: 0

• Example: Tobacco Settlement Fund

Complete Non-Operating Funds information begins on page 391 of the Recommended Budget

## Public Safety (16%)

Fire, Corrections and Sheriff, including Coroner and Animal Services

## Total Appropriations: \$50,434,836 Positions: 217.38 (Fire are State employees)

- Process more than 1,300 arrest warrants
- Investigate about 700 criminal cases
- 89 deputies and sergeants policing American Canyon, Yountville and unincorporated county
- 63 correctional officers (Jail)
- House about 245 inmates a day at County Jail
- 58 paid fire staff, 12 seasonal firefighters and 215 volunteers at five paid and nine volunteer stations.

Complete Public Safety information starts on page 301 of the Recommended Budget

#### Health and Human Services (24%)

Includes Public Health, Mental Health, Child Welfare Services, Comprehensive Services for Older Adults, Self-Sufficiency Services, and Alcohol and Drug Services

## Total Appropriations: \$76,298,395 Positions: 381.95

- Vaccinated more than 7,500 people against H1N1 last year
- Provided mental health services for 1,750 residents last year
- Provides Friday Night Live drug and alcohol prevention program to young adults
- Receives and monitors revenue from 133 State and Federal funding streams
- Investigated more than 400 child abuse or neglect referrals last year
- Investigated more than 300 allegations of elderly or dependent adult abuse last year

Complete Health and Human Services information begins on page 335 of the Recommended Budget

#### **Community Resources & Infrastructure (24%)**

Conservation, Development and Planning; Environmental Management, including the Animal Shelter; Library; Public Works; Agricultural Commissioner/Sealer of Weights and Measures; and UC Cooperative Extension.

## Total Appropriations: \$75,922,478 Positions: 289.1

- Maintain 446 miles of roads and 79 bridges
- Inspect and seal more than 11,400 weighing and measuring devices
- Issue between 1,000 and 1,400 building permits
- Abated 259 health-related complaints in FY2008/09.
- Adopted out 764 animals last year
- Loaned 912,992 library items last year

Complete Community Resources and Infrastructure information starts on page 153 of the Recommended Budget