

Napa County  
**FISCAL CONTINGENCY PLAN**  
**Fiscal Years 2008-09 through 2012-13**  
Approved by the Board of Supervisors: August 12, 2008  
Revised: January 11, 2011

**Background**

The most recent five-year General Fund Forecast, which covers the period from FY2008-09 through FY2012-13, suggests that the General Fund is entering a period of structural imbalance – that is, where operating expenditures exceed revenues. This condition is due primarily to deteriorating national economic conditions. The Forecast’s Baseline projection is that, over the five-year period from FY2008-09 through FY2012-13, Net County Cost will exceed discretionary revenues by an annual average of approximately \$4.5 million, or 4.5% of annual Net County Cost. Based on this projection, by FY2012-13 the General Fund’s ending fund balance will decrease to approximately \$18 million from the estimated FY2007-08 ending balance of \$49 million.

While this projection is cause for concern, it does not constitute a crisis, for two main reasons:

- First, because the General Fund’s current fund balance is robust, there is time to address the problem in a careful and thoughtful way. For example, even if nothing were done to try and mitigate the problem in FY2008-09, the projection shows the General Fund ending that fiscal year with a healthy fund balance in the \$35 million to \$40 million range.
- Second, because the projections contained in the Forecast are so sensitive to the assumptions used in making them, it is likely that the General Fund’s actual fiscal condition in any future year will be different than the Baseline projection scenario. This point is illustrated by the Forecast’s Revenue Reduction/Expenditure Increase and Revenue Increase/Expenditure Decrease Scenarios, which project FY2012-13 ending fund balances of \$8 million and \$28 million respectively. In fact, historically the actual General Fund fiscal condition has been more positive than the Five Year Forecasts have suggested.

Notwithstanding these qualifications, two things seem clear: (1) the County is entering a period of fiscal constraint and, absent some corrective action, will likely see some level of General Fund structural imbalance; and (2) it is prudent to develop and implement a carefully calibrated plan and process to maintain structural balance during this five-year period.

The County is in the process of developing a Strategic Financial Plan that will address this situation over the long-run. Until that Plan is developed and approved by the Board, this shorter-term Fiscal Contingency Plan is designed to provide appropriate guidance as to how the County will address a General Fund structural imbalance.

## **General Philosophy and Guiding Principles**

In the event reductions in resources in any fiscal year require actions to balance the Budget, the County will be guided by the following:

1. A minimum of 10% of General Fund appropriations (not including the Operating Contingency and any transfer to the Accumulated Capital Outlay Fund) should be maintained in General Reserves at all times to provide for adequate cash flow and avoid the need for short-term borrowing, and to provide a hedge against an unanticipated fiscal crisis,. Based on the FY2010-11 Adopted Budget, that would equate to approximately \$21 million. In addition, fiscal conditions permitting, the County should set aside between 5% and 10% of General Fund appropriations (not including the Operating Contingency and any transfer to the Accumulated Capital Outlay Fund) in a Designation for Fiscal Uncertainties. Based on the FY2010-11 Adopted Budget, that would equate to approximately \$10.5 to \$21 million. These funds can be used to help balance the General Fund budget as part of a plan to achieve long-term structural balance. The FY2010-11 General Fund budget includes \$29 million in General Reserves and the Designation for Fiscal Uncertainties. This means that, if resources are available, at least \$2.5 million should be added to the Designation for Fiscal Uncertainties. Or, alternatively, that approximately \$8 million is available to help balance General Fund budgets over the next five years. This would be in addition to any General Fund designations that may need to be cancelled to help fund the General Fund's annual Operating Contingency (since, typically, the Operating Contingency, or an equivalent amount, is not spent in any given year).
2. In periods of fiscal stress, the County's emphasis will be on conserving General Fund discretionary resources to finance core County programs, that is, those traditional County programs or services that State law has made the responsibilities of the counties. Preference will be given to those programs that have historically been funded by local taxpayers, and services that are available on a County-wide basis as opposed to those programs or services that focus on distinct geographic areas.
3. When faced with a potential reduction in resources, the County's goal is to continue to provide high priority services in a professional, effective and efficient manner. Consequently, to the extent possible, across-the-board reductions in expenditures will be avoided. Reductions will be made on a case-by-case basis, focusing on each individual program or service.
4. In making expenditure reductions, the goal will be to reduce or eliminate funding for lower priority programs or services before considering funding reductions for higher priority programs. Wherever possible, it will also be the County's goal to

reduce the quantity of a service being provided, rather than the quality (e.g., limit the number of recipients of a service, rather than the quality of services provided to the remaining recipients).

5. The County administers a number of costly State programs that are primarily funded by State and Federal dollars. Compared to the State and Federal governments, the County has only limited ability to raise revenues. Recognizing that, in the event of a substantial reduction in resources for these programs the County's goal, to the extent legally possible, is to avoid back-filling reductions in State and Federal dollars with County discretionary dollars.
6. Recognizing that it does not make sense to fund current operations at the expense of long-term planning and investment in capital, technology and system development needs, every effort will be made to continue capital and planning programs geared to meeting those needs.

### **Resource Reduction Priorities**

#### **Short-term Actions**

The following actions will be considered when dealing with the immediate impact of a significant reduction in resources. The purpose of these actions is to achieve immediate savings and/or better position the organization to deal with the impact of longer-term actions once they are implemented. The actions are listed in priority order:

1. A selective hiring freeze will be implemented.
2. Implementation of new programs not fully operational, that are not fully revenue offset, will be halted.
3. Major General Fund-supported office space remodels will be halted, unless they are required to address critical health or safety needs.
4. Approval of contracts for services, not fully revenue offset, will be selectively deferred. Funding sources and impact on service delivery will be considered in implementing the deferral.
5. Purchase of equipment will be selectively deferred. Funding source and impact on service delivery will be considered in implementing the deferral.

#### **Longer-Term Actions**

The following actions will be considered when dealing with the longer-term impact of a significant reduction in resources. The actions are listed in priority order and lower

priority actions will be implemented only if higher priority actions are insufficient to deal with the fiscal shortfall:

1. Revise the amortization schedule for the County's Other Post Employment Benefits (OPEB) unfunded liability from the current 14 years to 20, 25 or 30 years as appropriate.
2. A moratorium will be placed on implementing new programs or expanding existing programs if the cost of those programs or expansions is not fully revenue offset and a secure long-term funding source is not identified (an exception will be programs associated with implementing the Adult Correctional System Master Plan and the General Plan update).
3. Cancel General Fund designations in an amount not to exceed the General Fund Operating Contingency and up to an additional \$2 million a year.
4. Reallocate Proposition 172 money currently being allocated to the Fire Fund to General Fund public safety departments.
5. Place a hard freeze on backfilling reductions in Federal or State funding or in using General Fund money to cover cost of doing business increases for programs primarily funded by State or Federal resources.
6. Discontinue the County's contract for economic development services.
7. Moderate reductions in discretionary support will be made on a case-by-case basis. These reductions will focus first on programs appropriately funded by dedicated resources (such as fee-supported programs where fees are not yet at full cost recovery or State or Federal programs where the County provides an over-match). Reductions made at this point will generally have only a limited impact on service levels and may, in some cases, be offset by increases in fees.
8. Discretionary funding for programs appropriately funded by dedicated resources will be significantly reduced or eliminated. This may involve reducing the County match to the minimal mandated level. In the case of programs that are primarily the State's responsibility, the County will consider returning responsibility to the State for operating those programs, to the extent permitted by law. In the case of fee-supported programs where the fee structure does not fully cover program costs, fees will be increased to fully cover those costs.
9. Do not make the annual transfer of General Fund revenue to the Special Projects Fund as called for in current Board policy. Do not enter into any new contracts or renew any contracts for use of Special Projects Fund money.
10. Discretionary resources that have been earmarked by the Board for certain purposes will be proposed for re-allocation to fund core County programs.

Examples include Tobacco Master Settlement Agreement (MSA) revenue and unallocated monies in the Tobacco MSA trust fund and General Fund resources allocated to the Napa County Housing Authority.

11. Major program reductions will be proposed in programs appropriately funded with discretionary resources, starting with the lowest priority service areas and moving on to higher priority service areas as needed. Reductions will be made in the following priority order, focusing on maintaining adequate service levels in core programs:

- Municipal Services: Community Resources/Infrastructure
  - Countywide Services: General Government (excluding services related to property tax assessment and collection)
  - Countywide Services: Law, Justice and Public Safety
  - Countywide Services: Community Resources/Infrastructure
  - Countywide Services: Human Services
- Overhead (General Government) will be sized to the needs and size of the rest of the organization.

12. Place a moratorium on all General Fund supported facilities capital improvement projects, other than those needed to address critical health and safety needs. Transfer any unobligated funds in the Accumulated Capital Outlay Fund to the General Fund.

13. A reduced work week or period of unpaid leave will be proposed to achieve salary savings.

**ATTACHMENT A**  
County Services  
Discretionary vs Dedicated Funding

**SERVICES APPROPRIATELY FUNDED BY DISCRETIONARY RESOURCES**

**Countywide Services**

Law, Justice & Public Safety

District Attorney (criminal prosecution)  
Public Defender  
Corrections  
Probation  
Sheriff (Coroner)

Human Services

HHS: Public Health (communicable & sexually transmitted disease control, epidemiology, environmental health)  
HHS: Indigent Healthcare for Non-MediCal eligible population.  
HHS: General Assistance

Community Resources/Infrastructure

Public Works (County Surveyor)  
Agricultural Commissioner/Sealer (Pesticide Use Enforcement; Plan Protection/Commodity Regulation except for contracted services; Weights & Measures except for Device Regulation and Price Verification programs; Wildlife services)  
Environmental Management (Green Business Program; Abandoned Vehicle Program)  
UC Cooperative Extension  
Conservation, Development & Planning (Watershed Information Center and Conservancy)

General Government (Civic Services)

Treasurer-Tax Collector  
Assessor-Recorder-County Clerk

**Municipal Services**

Law, Justice and Public Safety

Sheriff (patrol and investigations for unincorporated County, Animal Services in unincorporated County)

Community Resources/Infrastructure

Conservation, Development & Planning (planning and zoning, code enforcement)

**Overhead Services**

General Government

Board of Supervisors

County Executive Officer

Auditor-Controller

County Counsel

Community Resources/Infrastructure

Public Works (purchasing, property management)

**SERVICES THAT ARE APPROPRIATELY FUNDED BY DEDICATED RESOURCES**

**Countywide Services**

Law, Justice and Public Safety

District Attorney (Grant Programs and Consumer Fraud)

Sheriff (Special Investigations Unit)

Child Support Services

Human Services

HHS: Mental Health

HHS: Substance Abuse Services

HHS: Public Administrator-Guardian

HHS: Social Services (including CalWORKS, Child Welfare Services, Adult Protective Services, IHSS, Workforce Investment Act, etc.)

HHS: Public Health (WIC, Maternal and Child Health programs, CHDC, other state/federal funded programs)

Community Resources/Infrastructure

Public Works (Airport; Contract services for other agencies/districts)

Agricultural Commissioner/Sealer (Glassy Winged Sharpshooter and Vine Mealybug programs; contract plant protection and commodity regulation programs; Wine Grape Inspection Program; Device Regulation and Price Verification programs)

Environmental Management (All other programs)

General Government

CEO (Affordable Housing, Local Enforcement Agency)

**Municipal Services**

Law, Justice and Public Safety

Sheriff (contract law enforcement and animal control services for cities)  
Fire Protection

Community Resources/Infrastructure

Public Works (Road Fund)

Conservation, Development & Planning (development review, Building Inspection)

Environmental Management (Animal Shelter)

Library

**Overhead Services**

Public Works (Equipment Pool)

CEO: Information Technology Services

CEO Insurance Budget Units