

Looking Ahead: Areas of Concern

Staff and the Board of Supervisors are paying close attention to specific areas of fiscal concern, most notably the State's budget issues and the national and local economies.

State Budget Impacts and ARRA

Because of timing issues, this Recommended Budget generally assumes revenue based on the State's 17-month budget package approved by the Legislature in February 2009. Now it is clear that the February budget package will not accomplish its intended goal – balanced State budgets in FY2008/09 and FY2009/10 – due to lower-than-expected revenues, and the failure of the budget-related ballot measures in the May 19 special election. As of late May, the State is facing a deficit of at least **\$21 billion**.

To close that gap, the State will make significant expenditure reductions, which will likely hit counties particularly hard. In addition, State officials are talking about the possible invocation of the emergency provisions of Proposition 1A, which would allow the State to divert about \$2 billion in property taxes currently allocated to counties, cities and special districts.

The Recommended Budget also includes some of the funding the County will likely receive under the federal American Recovery and Reinvestment Act (ARRA) of 2009 (the economic stimulus package approved by Congress). Some potential ARRA funding was not included, however, because when the

prepared, it was not yet clear how certain monies would be allocated to counties and/or what Napa County's share would be.

The Economy

FY2009/2010 discretionary revenue is projected to remain essentially flat, though some discretionary revenue sources—such as sales and hotel taxes—are projected to decrease from the previous year's level.

The County Assessor also projects flat or declining real estate values and property tax revenue through at least 2011

To review and comment on the Recommended Budget

Each May or June, County staff recommends a budget to the Board of Supervisors. The Board conducts a public hearing on the budget and is obligated by law to adopt a final budget before the beginning of the fiscal year. In 2008, the public hearing will open on **Monday, June 15**; the Board is expected to adopt the final budget, pending public comment, on June 17.

- Hard copies are available for public review at the County Executive's Office at 1195 Third Street in Napa; and at the City-County Library in Napa, and the County libraries in American Canyon, Yountville and Calistoga.

- View the recommended budget online at www.co.napa.ca.us; there is a link on the Home page.

Information on the hearings and how to comment are available on the County's Web site at www.co.napa.ca.us or by calling the County Executive Office at (707) 253-4421.



A Tradition of Stewardship
A Commitment to Service

Overview: Napa County FY 2009/2010 Recommended Budget

The Napa County FY 2009/2010 Recommended Budget represents the County Executive Officer's recommendation to the Board of Supervisors for revenues and expenditures for the fiscal year of July 1, 2009, through June 30, 2010. The recommended budget and five-year General Fund balance forecast reflect the estimated impacts of the national recession, local economic difficulties and the State's continuing fiscal problems as of May 1, but NOT the outcomes of the May 19 election and subsequent State fiscal actions or the total possible effect of federal stimulus funding. By law, the County must prepare a balanced budget, where expenditures equal resources. See back page for information on how to review and comment on the recommended budget.

FY 2009/2010 All Funds — Recommended budget: **\$296,497,538**

With the exception of internal service and enterprise funds, this number includes the County's various funds, including the reserves and accounts set aside for Capital Improvements, Fire Protection, Roads, Library and more. It also includes the General Fund (see below). The Recommended Budget is a 4.3% **increase** from the FY 2008/2009 final budget. However, it also includes more than \$34,000,000 in Non-Operating funds that were previously un-budgeted trust funds. If these funds are factored out, the Recommended All Funds Budget totals \$262,382,963, a 7.7% **decrease** from the 2008/2009 Final Budget.

... Apparent increase ...

- This year, 52 Non-Operating special revenue funds were included that previously were un-budgeted trust funds. These were included in the 2009/2010 Recommended Budget to comply with Governmental Accounting Standards Board rules. These special revenue funds will continue to appear in future budgets, so this is a one-time increase.

... Actual decrease

- A \$7 million reduction in appropriations to the County Center Improvement Fund, because the Fifth Street Parking Garage was completed in 2008/2009.
- A \$6.5 million reduction in appropriations because the Airport Enterprise Fund's capital projects funds will now be accounted for in a proprietary fund, rather than the All Funds budget.
- A \$2.6 million decrease in the Roads Fund financing requirements, because many flood-related repairs were made in 2008/2009
- A \$2.2 million reduction in the amount added to reserves. Rather, it will be necessary in 2009/2010 to cancel reserves to balance the budget.
- A \$1.8 million decrease in the Affordable Housing Fund budget, due to a decrease in mitigation fee revenue.
- The elimination of 25 positions, three of them currently filled, partially offset by the addition of five new positions, three of which are funded by dedicated revenue and two (1 FTE) that are funded by one of the eliminated positions.

Board of Supervisors' key budget policies (excerpts)

- With only a few exceptions, no new General Fund-funded positions.
- Departments prepare two budgets: one showing no increase in net County cost and one showing a 5% decrease.
- No new programs unless they have a dedicated revenue source .
- Delete all vacant, unfunded positions and all positions that have been vacant for more than six months, unless approved by the CEO.
- No backfilling of reduced State or federal funding.
- Pursue new revenues and operational efficiencies.

FY 2009/2010 General Fund — Recommended budget: \$207,189,457

This is the primary operating fund of the County. The recommendation is a 1.3% decrease from the FY 2008/2009 final budget.

General Fund Expenditure Decreases:

- A \$1.9 million reduction in the General Fund (GF) contribution to the Roads Fund from the previous year, a return to the historical standard contribution.
- The net elimination of 17 positions in eight GF departments.
- A reduction of more than \$1 million in OPEB costs, due to a move to a 20-year amortization schedule.
- An \$868,000 reduction in appropriations in the GF Park budget. The 2008/2009 budget included Prop. 40 funds that were used to make acquisitions.

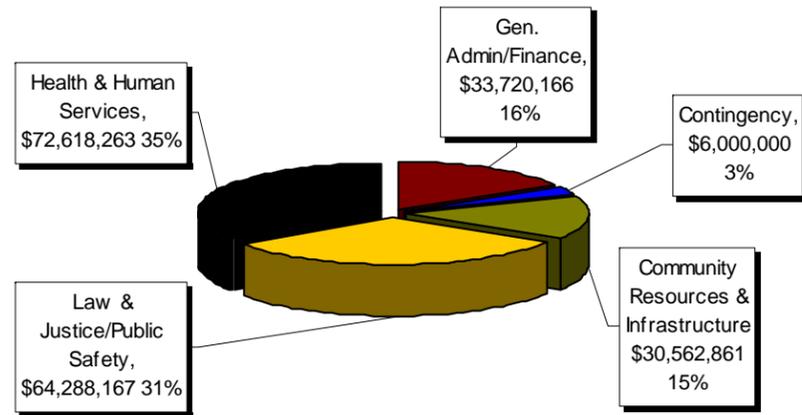
General Fund Expenditure Increases:

- \$1.2 million increase for the new Community Corrections Service Center.
- Equity increases granted to certain employees in 2008/2009.
- A COLA for members of the Deputy Sheriff's Association, but no COLA for most County employees and managers.
- Step increases for roughly one-third of County employees.

General Fund Revenue Increases:

- Increases in dedicated federal, state and fee revenue.
- Total discretionary revenue flat, with decreases in sales and hotel taxes, Realignment revenue (HHSAs programs). and Prop. 172 revenue for public safety programs.

NAPA COUNTY FY 2009/2010
General Fund Use of Resources by Functional Area
TOTAL \$207,189,457



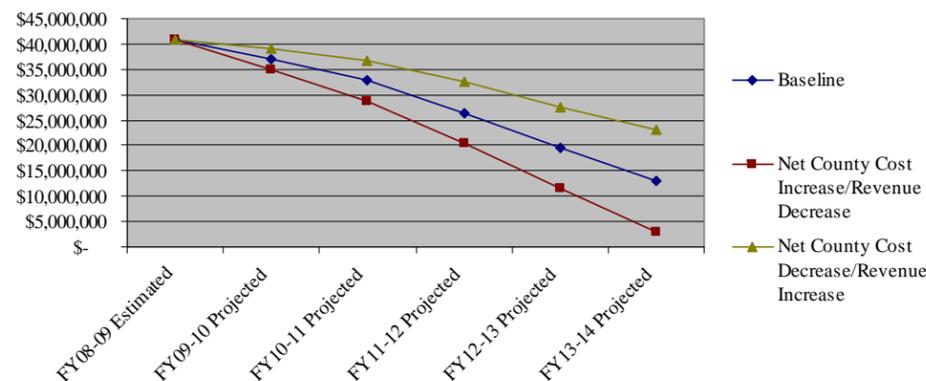
General Fund Five-Year Forecast

The April 2009 five-year forecast projects the General Fund ending balance through FY2013/14 under three different scenarios – a Baseline Scenario, a Revenue Decrease/Expenditure Increase Scenario and Revenue Increase/Expenditure Decrease Scenario.

A discussion of the projected outcomes can be found in the recommended budget, but two main things can be concluded:

- 1) Assuming no major changes in programs, staffing levels, revenue sources or general economic conditions other than those currently known or reasonably anticipated, the General Fund will likely not be in structural balance over the next five years, due primarily to the effect of the national recession and the decline in real estate values in the Bay Area; and
- 2) given the robust nature of the General Fund's fund balance, the County is not 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 a thoughtful and careful way (see next page).

General Fund Ending Balance: All Scenarios



Board's Budget Policies

Continued from page 1

- Unless previously committed, revenues are discretionary rather than dedicated to a particular program or purpose.
- Put a minimum of 3% of General Fund into contingency, and work toward a goal of a reserve of 5% of General Fund appropriations.
- Units with more than 20 positions should reduce budgets to reflect historic salary savings.
- Continue to fully fund the County's Other Post-Employment Benefits (OPEB) unfunded liability on a 20-year amortization schedule (2009 is Year 3).
- Set aside an amount equal to 12.5% of the previous year's TOT revenue for parks and open space, visitor management, and arts and culture programs.
- After meeting current obligations, including General Fund contingency and reserves, remaining discretionary funds go to a General Fund designation for Fiscal Uncertainties.
- Use the Board's approved Fiscal Contingency Plan (see right) to structure additional recommendations.
- Include quantitative performance measures in the Recommended Budget, including, where possible, benchmark data from other jurisdictions.

Napa County Fiscal Contingency Plan

In August 2008, the Board approved an innovative Fiscal Contingency Plan, which outlines deliberate, phased options for dealing with reductions in County resources. The Plan includes both short-term and long-term actions, and is based on key principles:

- In periods of fiscal distress, the County's emphasis will be on conserving General Fund discretionary resources to finance core County programs.
- To the extent possible, across-the-board reductions in services will be avoided. Reductions will be made on a case-by-case basis.
- 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.
- In the event of a substantial reduction in funding for what are primarily state- and federally funded programs administered by the County, the County's goal, to the extent legally possible, is to avoid back-filling reductions in state and federal dollars with County dollars.

The Recommended Budget reflects the implementation of the first six Longer-term Fiscal Contingency Plan Actions and partial implementation of the seventh Longer-term Action, including:

- Revise the amortization schedule for the County's OPEB unfunded liability from 14 years to 20 years (FY2009/2010 is year 3).
- Place a moratorium 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.
- Cancel General Fund designations in an amount not to exceed the General Fund's Operating Contingency and up to an additional \$2 million.
- Reallocate Proposition 172 money currently being allocated to the Fire Fund to General Fund public safety departments.
- Place a 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.
- Discontinue the County's contract for economic development services.
- On a case-by-case basis, make moderate reductions in discretionary support for County programs, focusing first on those programs appropriately funded by dedicated resources (such as fee-supported programs or state or federal programs).