

**NAPA COUNTY
BUDGET POLICIES
FISCAL YEAR 2023-24**

Napa County has a history of financial stability and fiscal prudence, which results in stability in the services we provide. Strong budget policies, reviewed and updated annually by the Board of Supervisors, are a key factor in this stability. The **Budget Policies** are intended to be used in conjunction with the County's **Strategic Financial Plan** and the annual **5-Year Forecasts** to guide the development of the annual Recommended Budget, as well as any mid-year budget adjustments. The **Budget Policies** are designed to be effective over several years but are reviewed and updated annually to allow the County to respond to changing financial and organizational conditions. Together these documents identify the Board's priorities and assist departments with implementing these priorities through the budget process. The Strategic Financial Plan provides a long-term strategy to provide services through various economic conditions. The 5-Year Forecast evaluates current and potential future fiscal conditions that guide policy and programmatic decisions.

I. Policy Goals:

1. **Pursue Operational Efficiencies**: Combine, reorganize, or eliminate programs/processes to respond to changing needs or priorities. Identify lower priority programs that can be reduced or eliminated to free up resources to fund higher priority programs determined by a four-fifths vote of the Board of Supervisors. Carefully review and justify all expenditure line items to identify possible cost reductions.
2. **Pursue New Revenues**: Pursue new revenues and ensure fees charged for services are covering all costs incurred to provide those services. To the extent possible, any new revenues for programs receiving General Fund support shall be used to offset the cost of existing staff and programs, rather than funding new staff or programs. Requests for new positions will be considered only if the new positions are required as the result of a program mandate, are 100% funded by the new revenue source or are a Board priority. If new revenues are limited in duration and require additional staff, limited term positions should be used.
3. **Maximize the Board's Discretion**: Except where the Board has previously made a decision to earmark revenues for a particular purpose, wherever legally possible, revenues should be treated as discretionary resources rather than as dedicated to a particular program or service. The goal is to give the Board as much flexibility as possible in allocating resources to local priorities.

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II. **General Fund Policies (includes General Fund Departments and General Fund Contributions to non-General Fund Departments)**

1. **Maintain existing service levels and corresponding Net County Cost for General Fund Departments:** Departments receiving General Fund support shall prepare a budget that maintains the existing service level taking into consideration net county cost targets.

2. **Maintain Sustainable Levels of County Contribution to Non-General Fund Departments or Programs:**

- a. HHSa Fund: It is the intent for the General Fund to support the existing service level, while the agency continues to maximize the leveraging of State and Federal Funds.
 1. The calculated baseline contribution in the prior year 2022-23 \$ \$23,101,331 is considered the baseline for calculating the FY 2023-24 contribution.
 2. Increases or decreases to the baseline will be calculated as follows:
 - i. Calculate the percentage change in salaries and benefits for all allocated positions as of the last pay period paid in December.
 - ii. Baseline will be adjusted by ½ the change in salaries and benefits.
 - iii. Baseline budget for Internal Service costs will be adjusted by ½ of the percentage change in salaries and benefits.
 - iv. Baseline will be adjusted by 90% of the change in Indirect Costs.
 3. If, in any given year, the actual costs associated with any of the Internal Service fund allocations are projected to change by more than two times the percentage change of salaries and benefits, CEO and HHSa staff will meet to discuss strategies to address this.
 4. The General Fund contribution shall not exceed 15% of the HHSa net budget (excluding intra-fund transfers), notwithstanding item 1 of this section.
 5. The HHSa Administration Division budget shall not exceed 10% of the HHSa net budget (excluding intra-fund transfers).
- b. IHSS: It is the intent for the General Fund to cover the statutory General Fund obligation to IHSS, with realignment covering the appropriate share.
- c. Roads Fund: The General Fund contribution to the Roads fund will be evaluated to determine need based on new funding sources (Measure T and SB1), matching requirements, and capacity of staff to complete projects. Currently, the County's Maintenance of Effort (MOE) obligation required by the state is \$1,257,107.
 1. The calculated baseline contribution in FY 2022-23 of \$4,123,020 is the recommended baseline for FY 2023-24.

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2. If, in any given year, the actual costs associated with any of the Internal Service fund allocations are projected to change by more than two times the percentage change of salaries and benefits, CEO and Public Works staff will meet to discuss strategies to address this.
 - d. All Other Funds: Transfers to all other Non-General Fund Departments shall remain consistent with the FY 2022-23 transfer amount unless the transfer amount is based on salary and benefits, e.g. transfer to the Library Fund for the cost of the Library Director. If the transfer is based on salary and benefits, the General Fund contribution shall be increased to cover the increased costs of the applicable salary and benefits.
3. **Fund Balance Assignments**: All fund balance assignments shall be reviewed to determine if the need continues to exist or should be cancelled and reallocated to the General Fund's available fund balance or a different assignment.

III. Personnel Policies:

1. **Position Changes**: New Positions will not be considered in the FY2023-24 budget unless the positions are funded by secure, on-going, non-General Fund sources. Exceptions may be recommended to the Board of Supervisors by the County Executive Officer based on County's priorities, needs or mandates. As program needs change, Departments can review their current vacant positions to request position changes through the Add/Delete process.
2. **Conversion of Limited Term positions**: All Limited Term (LT) positions that are set to expire during the budget year shall be evaluated for deletion, extension of LT, or conversion to permanent positions. Stability of funding source and on-going service level needs shall be considered in this evaluation.
3. **Vacancy Factor**: A vacancy factor calculated using historic vacancy rates is required to be calculated for departments with twenty full-time equivalent positions or greater.

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IV. Infrastructure and Capital Investments:

1. **Capital Reserves:** Once General Reserves and Assignment for Fiscal Uncertainties are funded consistent with the Strategic Financial Plan, and consideration is given to reducing long-term liabilities shown below, transfer any remaining discretionary resources to the Accumulated Capital Outlay (ACO) Fund to be retained to assist in addressing future capital needs. Transfer monies from the ACO Fund as needed to cover the cost of Major Capital Improvement projects as approved by the Board of Supervisors.
2. **Capital Assets (Including Vehicles):** Requests for capital assets may be considered if they can be funded in a manner that does not create an increased Net County Cost; if the Board has previously approved the project or expenditure; if the capital asset is a replacement being made in accordance with an approved replacement schedule; or, if there is a health and/or safety need. Requests for new vehicles are strongly discouraged and should be discussed with Fleet Management prior to submission to the CEO's office.

V. Outside funding sources:

1. **New or Enhanced Discretionary Programs:** Departments shall not propose new or enhanced programs unless those programs are fully funded (including overhead costs) or if the program is required to fulfill a legal mandate. Departments shall not propose new or enhanced programs using one time revenue that may create an ongoing net county cost. Requests must support the Board priorities will be evaluated by the County Executive Office to determine if the increase is financially viable and sustainable.

Funding can be accomplished by 1) a grant or other dedicated revenue source in FY 2023-24 and future years, 2) being included in the planning and implementation of a major capital project, or 3) reallocating resources from a lower priority program to a higher priority program in accordance with the following criteria:

- The investment targets: (a) accountability and regulatory compliance issues; or (b) critical public health and safety needs;
- The request is justified in terms of workload, service demand (include an analysis of the service level impact), and the efficient use of other resources in the relevant department;
- The investment is needed to address a significant County liability; or
- The need shall be sufficiently critical to justify the request.

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2. State and Federal Funding Impacts:

- a. For programs where State or Federal funding has been reduced or eliminated, the County shall not backfill this loss from General Fund sources unless mandated, or the Board of Supervisors has determined the program is a local priority as determined by a four-fifths vote.
- b. In the event that Napa County receives additional State and Federal funding, in support of Napa County's response to emergencies, the funding shall be allocated to the following categories, in no particular order:
 - replenish strategic reserves to policy levels
 - emergency response, recovery, and planning
 - maintain service levels
 - restore the Accumulated Capital Outlay per policy
 - reinstate any payments addressing long-term liabilities that were diverted due to emergencies

3. **New Grants:** As required by Board Policy Part I, Section 8A, grant requests shall be approved by the County Executive Office before submitting the grant to the granting entity. Budget requests based on new grant funding shall not be included in the Recommended Budget unless the County has received official notification of Grant Award.

In addition to Board Policy Part I, Section 8A, departments must document how funding will be provided for the duration of the program. To the extent legally possible, all grant applications shall be based on full costing, including overhead and indirect costs. Where matching funds are required for grant purposes, departments shall provide as much "in-kind" contribution as allowed, instead of hard-dollar matches. Unless long-term funding is secure, departments should avoid adding staff to support new grant-supported programs. If it is necessary to add staff, limited term positions shall be used.

VI. Long-term liability reduction policies:

1. **Other Post-Employment Benefits (OPEB):** Continue to fully fund the County's OPEB liability on a 20-year amortization schedule by transferring funds to an irrevocable trust. Allocate OPEB costs to the relevant County departments based on a State-approved allocation formula.
2. **115 Trust for Pension Benefits:** Consider available General Fund resources to fund the 115 Trust for Pension. The Internal Revenue Code (IRC) 115 Trust, which is administered by the Public Agency Retirement Services (PARS), can only be used to fund future OPEB and pension obligations. The funding goal is a General Fund contribution equivalent to cost sharing contributions made by employees.
3. **Pre-Payment of PERS Costs:** Pre-pay the County's annual Public Employee Retirement System (PERS) Miscellaneous employees and safety employees' pension costs, thereby avoiding the costs of interest accrued through the year, as appropriate and to the extent possible.

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VII. Other Policies:

1. **Reserve and Contingency Policies**: Implement the General Reserve, Assignment for Fiscal Uncertainty, and Contingency Fund policies as outlined in the Strategic Financial Plan.
2. **Special Projects Fund**: In accordance with the Board's Special Projects Fund policies, fiscal conditions permitting, transfer General Fund resources to the Special Projects Fund in an amount equal to 12.5% of the prior calendar year's actual General Fund Transient Occupancy Tax (TOT) revenue. In accordance with the Board's Special Projects Fund policies, the primary focus of Special Projects Fund expenditures will be on programs or services of regional significance related to housing that is affordable, parks and open space, and arts and culture.