



# 5-Year Forecast March 14, 2023

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# 5-Year General Fund Forecast

- A projection using FY2022-23 adopted budget
- Provides for improved decision-making to maintain fiscal discipline and delivering essential services
  - Includes known issues
  - Uses high-level estimates
  - Is not a preliminary budget

Conservative: assumes high expenses and low revenues



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# Economic Context

- Inflation high, but moderating
- Federal Reserve has increased interest rates, negatively impacting financial markets and state revenues
- State revenue below projections
- Napa population declining
- Labor force participation still low
- Median home prices expected to decline



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# Baseline Forecast

- Existing levels of service
- Capacity to address some of the Board's highest priorities
- Assumes most outside resources (state and federal) will increase consistently
- Assumes replacement jail operating costs will begin Q4 FY2023-24
- Assumes General Fund will fund fire prevention costs



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# Revenue Projections

- Property Tax annual growth
  - Secured: 4%
  - Supplemental: 4%
- Sales tax: based on Consultant's forecast
- Transient Occupancy Tax (TOT): 2% growth
- Excess ERAF designated for one-time uses including capital investment

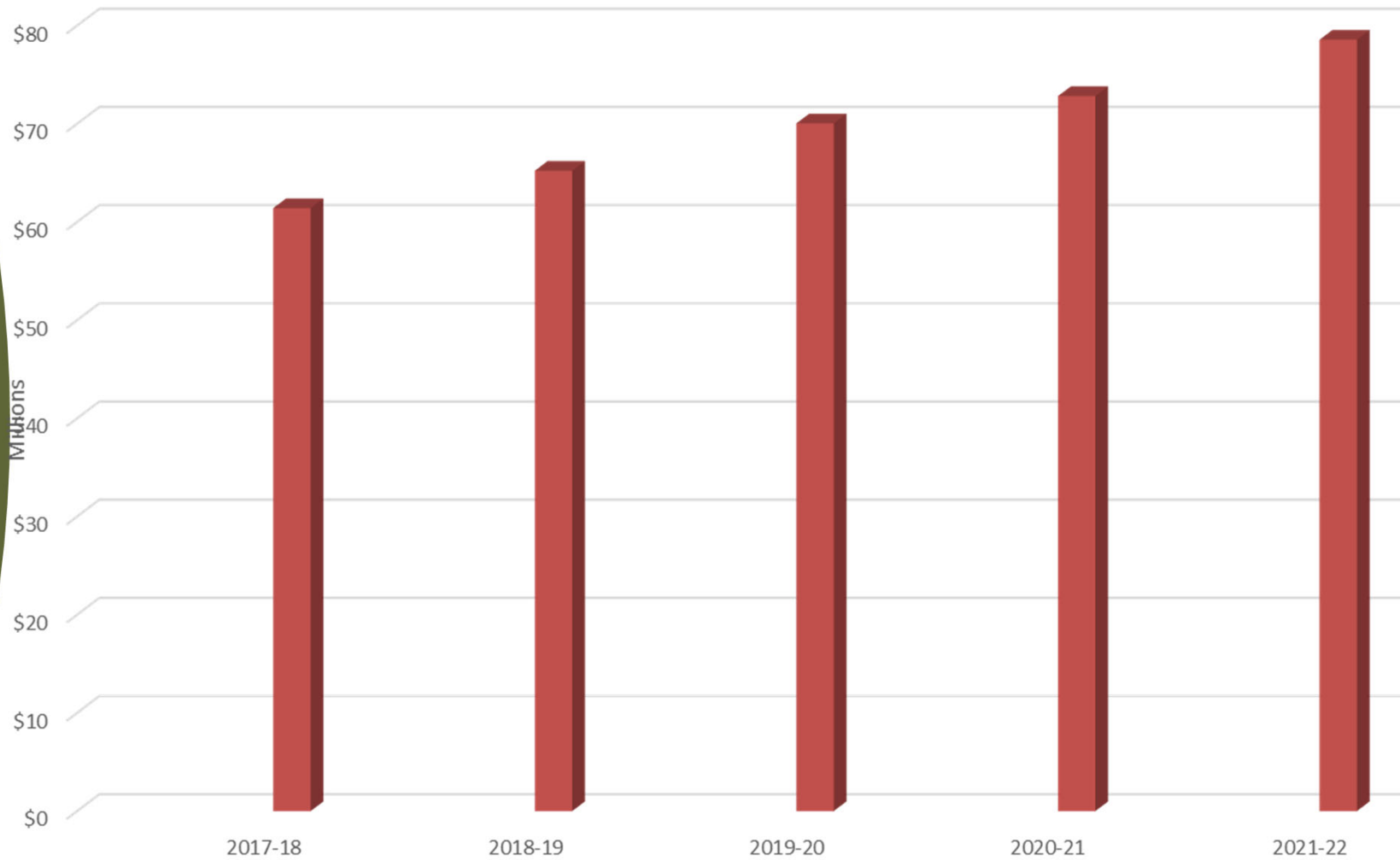


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# Property Tax—Secured Actuals



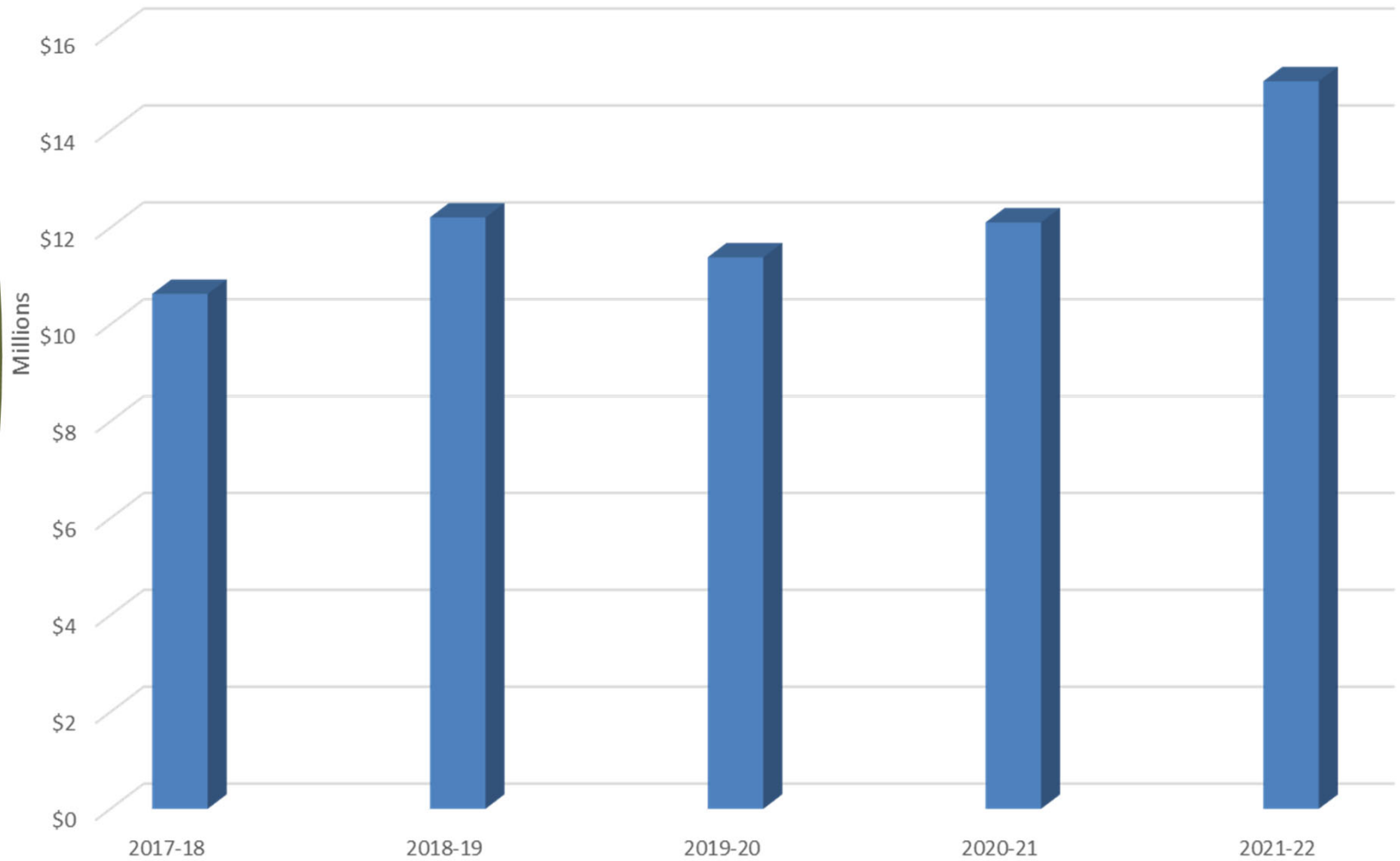
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# Sales Tax Actuals



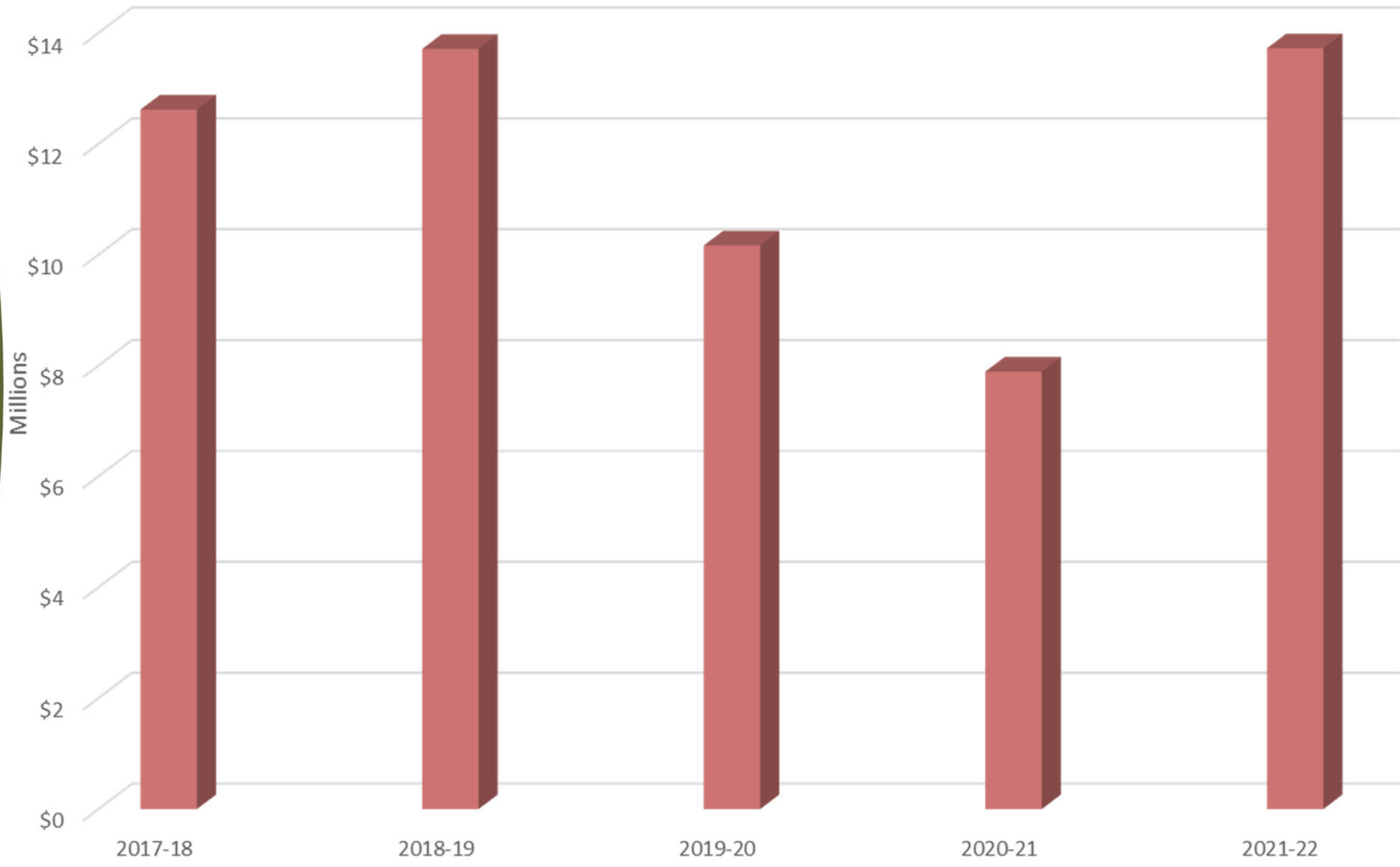
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# Transient Occupancy Tax Actuals



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# Expenditure Projections

- Salary and Benefits: 3.25% COLA in FY2023-24, then 3% after
- Services and Supplies: 5% growth in FY2023-24 then declining after
- Fire Protection: based on CWPP roughly \$9 million annually
- Replacement Jail additional operating cost:
  - FY2023-24: \$855K
  - FY2024-25: \$3.4 million



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# Major Issues

- Vehicle License Fee (VLF) two-year non-receipt, approximately \$25 million in FY2024-25 and \$25 million in FY2025-26
- Latest data shows NVUSD may not become basic aid for a few more years
- Fire prevention costs, assuming no new revenue
- Replacement Jail operating cost
- Maintain or replace county facilities



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# Board Priorities and Unmet Needs

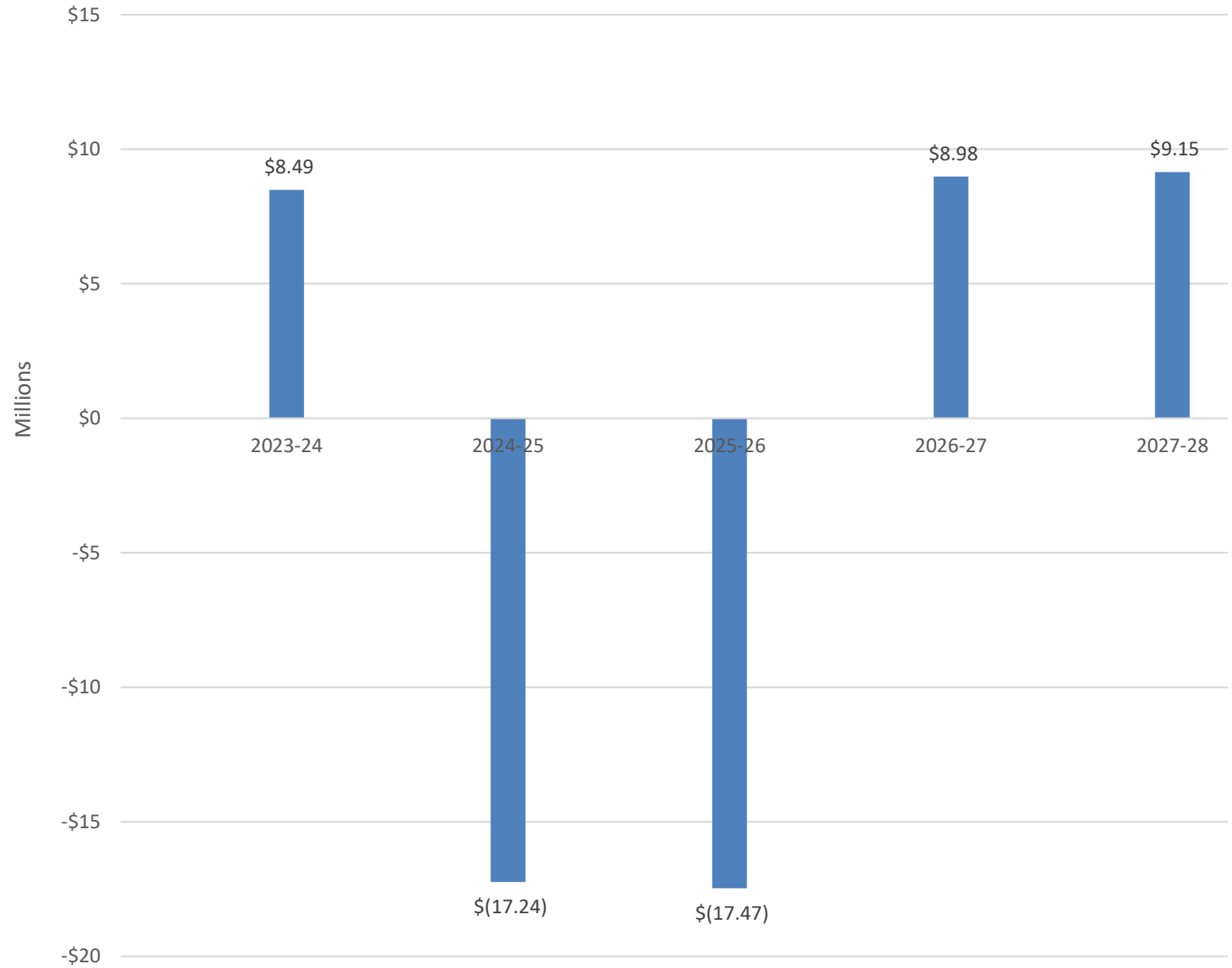
- Fire protection/prevention
- Affordable Housing and Homelessness
- Climate Action
- Water
- CARE Court
- General Plan update
- County Infrastructure needs: Accumulated Capital Outlay
  - Roads and Bridges
  - Cybersecurity
  - County facilities system repair and maintenance
  - New County Administration Building



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# Conclusion

Modest Growth Projection



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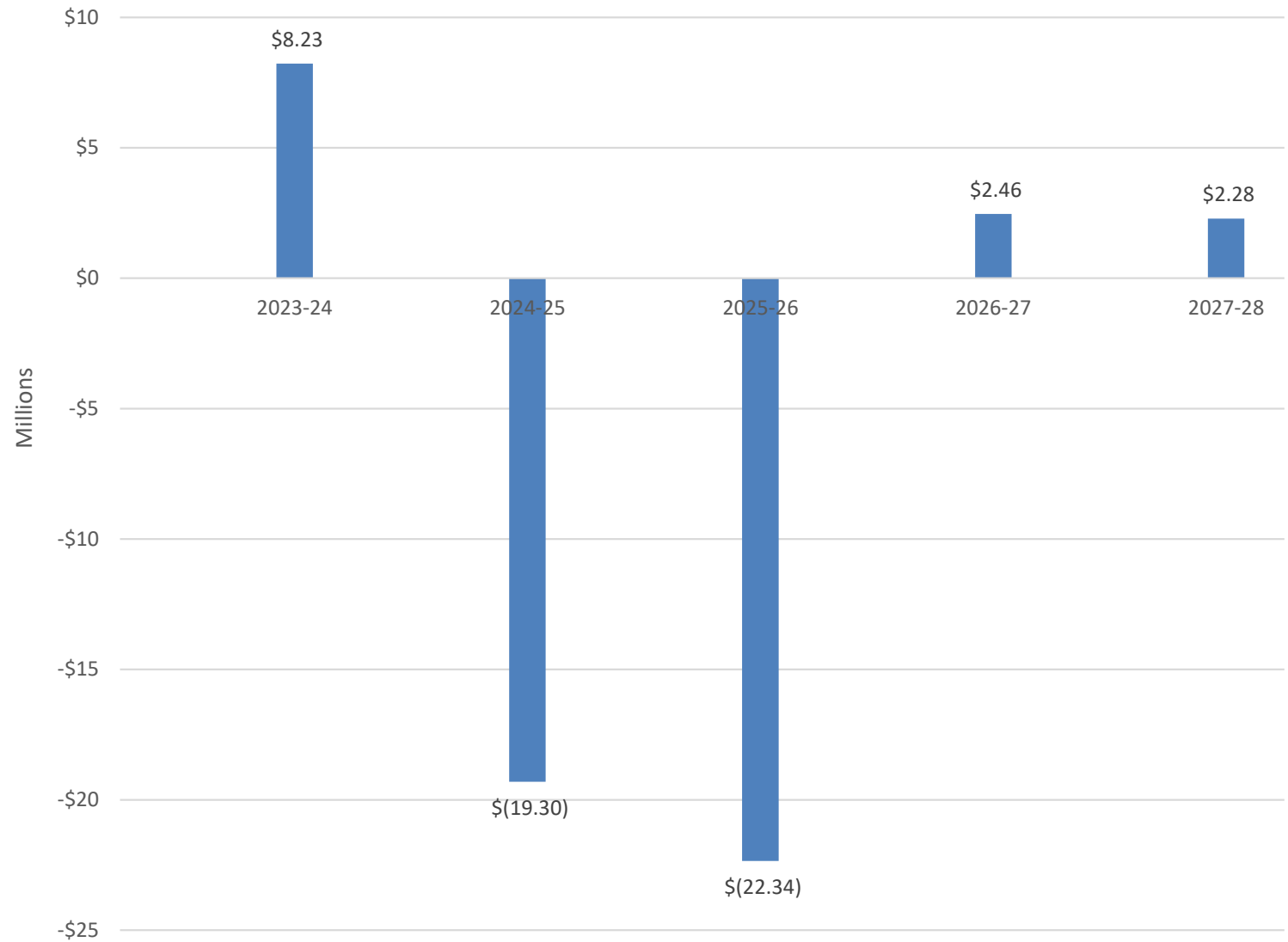


# Conclusion



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Mild Recession Projection



# Conclusion

General Fund budget structurally sound

Projection assumes:

- Weak growth (or a mild recession)
- General Fund covering full cost of County Wildfire Protection Plan
- Non-receipt/delay of VLF revenue

The General Fund has the means to sustain a modest recession without significant disruption of core services



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# Request



1. Receive and discuss presentation on the Five-Year Forecast.

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# Section 115 Trust Report

The County established a Public Agency Retirement Services (PARS) Trust to fund its retiree healthcare liability in fiscal year 2008 and has made periodic contributions.

## Unfunded Actuarial Accrued Liability at 6/30/21

\$3,812,000

Account Balance at 7/1/2021	\$109,040,496
Contributions	\$ 4,292,657
Expenses/Distributions	\$ 286,339
Earnings/(Losses)	<u>\$(14,890,549)</u>
Account Balance 6/30/2022	\$ 98,156,265

Account Balance at 12/31/2022 \$100,722,058



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# American Rescue Plan Act

Public Health	\$ 5.2 million
Negative Economic Impacts	\$ 6.1 million
Public Sector Capacity	\$11.2 million
Infrastructure	\$ 4.2 million
Administration	<u>\$ 0.1 million</u>
Total	\$26.8 million



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**Public Health** - EOC operations, vaccinations, isolation and quarantine shelter, and other eligible expenses

**Negative Economic Impacts** - affordable housing investment, community grants, and childcare infrastructure loan program

**Public Sector Capacity** - COVID supplemental sick leave incurred by the organization and the standard allowance. County programmed investment into MSA grant program, fire prevention services, and road improvements

**Infrastructure category** - water, sewer, and broadband projects





# Mid-Year Fiscal Review, 2022-23

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# Mid-Year Review

## Process Overview

- Department estimates of revenues and expenses through the end of Fiscal Year 2022-23
- First step to develop the Fiscal Year 2023-24 Recommended Budget



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# Mid-Year Review

## Assumptions

- Focus on General Fund
- Excess ERAF and ARPA one-time revenue sources are excluded
- Appropriation for Contingency Usage
- The Estimated Ending Fund Balance will be available for the FY2023-24 beginning budget balance



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# Mid-Year Review

Resources	FY2022-23 Adjusted Budget	FY2022-23 Six Month Estimate	Difference
Available Fund Balance	76,469,000	76,469,000	-
Discretionary Taxes	143,018,000	145,845,000	2,827,000
Departmental	103,370,000	102,983,000	(387,000)
<b>Total Revenue</b>	<b>246,388,000</b>	<b>248,828,000</b>	<b>2,440,000</b>
<b>Total Resources</b>	<b>246,388,000</b>	<b>248,828,000</b>	<b>2,440,000</b>
Requirements			
Expenditures	312,554,000	297,619,000	(14,935,000)
Contingency	4,827,000	63,000	(4,764,000)
Total Expenditures	317,381,000	297,682,000	(19,699,000)
Use of Fund Balance	-	4,208,000	4,208,000
Total Requirements	317,381,000	301,890,000	(15,491,000)
<b>Projected Ending Fund Balance</b>	<b>5,476,000</b>	<b>23,407,000</b>	<b>17,931,000</b>



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# Mid-Year Review

- Tax receipts estimated to exceed budget by \$2.8 million
- Contingency \$5 million balance, project \$63,000 remaining
  - Excess COLA, New Positions, and Equity Pay's Salary and Benefits, Overtime
  - Outside Counsel
  - ITS inflationary increases
  - Estimated Ending Fund Balance: \$23 million



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# Request

Interim County Executive Officer requests the Board:

1. Review and accept the Fiscal Year 2022-23 Mid-Year Fiscal Review;
2. Approve Budget Adjustments outlined in the attachment to provide sufficient appropriation authority for operations through fiscal year end (4/5 vote required); and
3. Authorize the creation of a new non-operating special revenue fund for CARE Court.



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