



A Tradition of Stewardship
A Commitment to Service

Board of Supervisors

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Alfredo Pedroza
Chairman

June 8, 2016

The Honorable Mark S. Boessenecker
Presiding Judge
Superior Court of California, County of Napa
825 Brown Street
Napa, CA 94559

FILED

JUN - 8 2016

Clerk of the Napa Superior Court
By: C. Brennan
Deputy

Dear Judge Boessenecker:

As required by Penal Code Section 933(c), enclosed are responses to the Grand Jury's 2015-2016 Final Reports on "Napa County Juvenile Hall", "Is Napa County Financially Healthy?", "Napa County Performance Measurements" and "Napa County's Website Needs Improvement".

Grand Jury activity takes place over the course of a number of months. The Board acknowledges the members of the 2015-2016 Grand Jury for the time they have devoted in preparing the reports.

Sincerely,

A handwritten signature in black ink, appearing to be "AP", written over a large, stylized "O" or "P" shape.

Alfredo Pedroza, Chairman
Napa County Board of Supervisors

Enclosures

Cc: Foreman, 2015-2016 Grand Jury

Brad Wagenknecht
District 1

Mark Luce
District 2

Diane Dillon
District 3

Alfredo Pedroza
District 4

Keith Caldwell
District 5

NAPA COUNTY
RESPONSE TO THE GRAND JURY FINAL REPORT
IS NAPA COUNTY FINANCIALLY HEALTHY?

MAY 24, 2016

The Grand Jury requested responses from the Board of Supervisors, County Executive Officer and Auditor Controller are included below.

Finding 1. The County of Napa has been very diligent in maintaining Fiscal Policies that achieved the highest possible Bond Rating from S&P.

County Executive Officer's Response: The County Executive Officer agrees with this finding and appreciates the acknowledgement by the Grand Jury.

Finding 2. The BOS has established a series of Budget Policies that call for holding the line on spending and using a Fiscal Contingency Plan to prepare for the future. The BOS has consistently maintained the County of Napa budgeting and spending within the limits that were established in 2011.

Board of Supervisors' Response: The Board of Supervisors agrees with this finding. However, it is important to note that these procedures date back much further than 2011.

Finding 3. The Grand Jury finds that the financial documentation in the CAFR for "Aid from other governments" on the Budgetary Comparison Schedule is confusing. The schedule overstates "Inflow" and Capital Works Project anticipated expenditures.

Auditor Controller's Response: Auditor-Controller disagrees with this finding. The categorization of "Aid from other governments" is simply a compilation of any revenues from State, Federal and other Local Governments for any one particular purpose. The breakdown of this compilation is found in the detail accounting of each project. Regarding the overstatement of budget, when Capital Projects are approved, the County has committed the total project expenditures as well as current and future revenue sources to fund the expenditures regardless of how long it takes the project to be completed. This ensures that the County does not over commit revenues or underestimate expenses for a multi-year project that has been approved at one point in time.

Board of Supervisors' Response: The Board of Supervisors agrees with the Auditor-Controller.

Finding 4. The BOS has maintained an impressive position in Contingencies and Reserves that provides the County of Napa with a healthy financial future.

Board of Supervisors' Response: The Board of Supervisors agrees with this finding. The value of this practice was affirmed during the Great Recession and the 2014 South Napa Earthquake.

Finding 5. Napa County uses divisional "Goals" to support the request for funding on an annual basis. However, they do not require reporting divisions to provide progress or completion of "Accomplishments" as follow-up the next year.

County Executive Officer's Response: The County Executive Officer disagrees with this finding. While Goals reflect some of the planned activities for the year, they are not intended to be a comprehensive inventory of the duties and services performed by each department. Goals and priorities may change during the year based on community interest and/or Board direction and are not used to determine funding on an annual basis.

Finding 6. The County Executive Office did not prepare on an annual basis a Five-Year Financial Forecast from 2012 to 2015.

County Executive Officer's Response: The County Executive Officer disagrees with this finding. In January 2012, a five year revenue projection was presented as part of the Fiscal Study Session. A forecast including four years of revenue projections was presented to the Board in 2013. And, as part of the annual budget session, five-year revenue forecasts were presented to the Board of Supervisors in 2014 and 2015. In each year, budgeted expenditures were consistent with the revenue forecast.

Finding 7. The County of Napa has maintained exceptional Financial Reporting (CAFR) as recognized by GFOA.

Auditor Controller's Response: The Auditor-Controller agrees with this finding and appreciates the acknowledgement by the Grand Jury.

Finding 8. The County of Napa has maintained the appropriate payments to CalPERS for the Pension Plan and OPEB, but has not taken advantage of using Fund Balances to pay down Unfunded Pension and OPEB obligations.

County Executive Officer's Response: The County Executive Officer disagrees in part with this finding. The County has not used Fund Balances to pay down Unfunded Pension or OPEB obligations because the County has taken other measures to make those pay downs with the exception of the County's Safety Plan. At the Board's direction in 2011, the County prepaid the Safety side fund from Fund Balance. The County's calculated pension rate includes payment toward unfunded pension liability. Additionally, any change in the pension rate is shared equally between the County and its employees. Unfunded OPEB cost is amortized over a 20-year period with 14 years remaining to reach funded status.

Recommendation No. 1: As a result of F3, the Grand Jury recommends that Napa County institute a schedule in the Management's Discussion and Analysis Section of the CAFR that explains the negative variance from "Actual Amount (Budgetary Basis)" and "Variance with Final Budget" in "Aid from other governments." The Grand Jury believes that including the information outlined below will clarify the actual situation for the average citizen.

Explanation of Aid from other governments

County Capital Project No.	County Project Description	Date Project Initiated	Total Amount Budgeted	Actual Amount Realized in Previous Years	Actual Amount Realized This Year	Amount Carried Forward
The amount carried forward for the total of all projects will be the same as the Negative Variance in Aid from other governments						

County Executive Officer's Response: Because preparation of the CAFR is the responsibility of the Auditor-Controller, the Auditor-Controller will respond to the recommendation related to the CAFR.

Auditor Controller's Response: The Auditor-Controller agrees with this recommendation and can appreciate providing the public with additional information to make the CAFR more useful. Due to restrictive requirements by Governmental Accounting Standards Board in respect to the

content of the CAFR, staff will work with the County's external auditors to determine the best placement and display of the information.

Recommendation 2: As the result of F8, the Grand Jury recommends that the BOS consider using some positive Fund Balances each year to begin to pay down the Unfunded Pension and OPEB by establishing an 115 Irrevocable Trust.

Board of Supervisors' Response: This recommendation will not be implemented. The existing fund balance that the Board would have access to as a means to fund increased Pension payments, is made up primarily of the Fiscal Uncertainty and General Reserve. At the close of each year, any excess of revenue over expenditures becomes available fund balance. The policy adopted by the Board of Supervisors is to use the available fund balance first to fund reserves and then to transfer any remaining available fund balance to Accumulated Capital Outlay to be used for capital projects. Until the capital needs are met, there is no additional fund balance available unless the Board changes its long standing policy. In FY 2008-09, the Board studied the feasibility of using an irrevocable trust instrument to set aside funds to pay down pension liability and determined that it was not cost effective, although the instrument suggested by the Grand Jury may provide a future opportunity. The County continues, through its annual pension rate, to pay toward the unfunded liability. Once capital needs are met, the Board may consider accelerated funding of its PERS liability. However, because of the cost sharing formula agreed upon with its employees, any acceleration would be negotiated.

The unfunded OPEB liability is managed through a trust within PERS and is amortized on a 20-year schedule. To date, six years' payments have been made, leaving 14 years remaining to funded status.

Recommendation 3. As a result of F5, the Grand Jury recommends that the BOS and the CEO must require every division to report current status of every Goal that was prepared to support the previous years Recommended Budget.

County Executive Officer's Response: This recommendation was implemented for the FY 2016-17 Recommended Budget.

Board of Supervisors' Response: The Board of Supervisors agrees with the response of the County Executive Officer.