

2018-2019

COUNTY BUDGET SUMMARY

Budget Highlights

The Butte County Recommended Budget contains the proposed spending authority for all County departments. Compared to the prior fiscal year, the Recommended Budget reflects a 1.7% increase in total spending authority and contains a prudent and responsible spending plan based on available resources.

The Recommended Budget anticipates ongoing growth in discretionary revenue, but not enough to keep up with ongoing cost increases. The result is reductions in many departments, whether in positions, contracts or services. Some of the highlights of the \$542.6 million Recommended Budget include:

- Maintain the General Fund Reserve at \$8 million consistent with County Policy.
- Target of \$7.2 million General Fund Contingency which is 5% of prior year General Fund operations consistent with County Policy.
- Use some one-time resources to prevent public safety service cuts.
- Reduce the County workforce by a net of 61.5 positions. Over half (35) are in the Department of Employment and Social Services due to decreased State and federal funds. Remaining reductions are spread throughout the County.
- Reduce hours at all branch libraries to a level that is more sustainable in the future.
- Shift one additional month of enhanced Amador station coverage to the State due to the extended fire season.
- Fund the continued Jail expansion and evidence storage/morgue facility projects.
- Complete work on the Chico communication tower.
- Reconfigure office space to house both the Agriculture and Farm, Home, and 4-H Departments.
- Fund several large maintenance projects including the replacement of the chiller, air handlers, and six HVAC's that serve the Jail and Sheriff's Office, as well as the replacement of the Paradise Veterans Memorial Hall roof and HVAC.
- Conduct a study to identify groundwater recharge opportunities and evaluate land subsidence potential.
- Prioritize public safety by funding current levels of Deputy Sheriffs, Deputy District Attorneys and Probation Officers.
- Finish the first phase of improvements to the government campus underground utilities.
- Relocate and reconfigure the Department of Employment and Social Services Office in Chico.
- Continue major road and bridge construction projects including the Midway Bridge and a traffic signal at East Gridley Road and Larkin Road.
- Repair roads that were damaged during the storms of 2017, including Centerville Road and Oroville Quincy Highway.
- Excavate Module 5B so it can be used in the future for landfill space at the Neal Road Recycling and Waste Facility.
- Prepare to acquire land to develop future operations supporting the Neal Road Recycling and Waste Facility.
- Fund continued enforcement of the County's local codes related to marijuana cultivation.

The County continues to live within its means, make responsible financial decisions, and address challenges head on.

Overview

The Recommended Budget for fiscal year 2018-19 for all funds totals \$542.6 million. This is an increase of 1.7% from fiscal year 2017-18. Included in the Recommended Budget is a net decrease of 61.5 positions in order to live within available local, State, and federal resources. The Recommended Budget for the General Fund is \$166.6 million, which is an increase of 1.5% from fiscal year 2017-18. This includes a variety of adjustments to department budgets and the restoration of the target General Fund Appropriation for Contingencies that was reduced in the fiscal year 2017-18 Adopted Budget when the available fund balance came in lower than anticipated. Each year, a target General Fund Appropriation for Contingencies is set as part of the Recommended Budget. This target is adjusted once the final available fund balance is known. If the available fund balance is lower than anticipated the General Fund Contingency is reduced in order to maintain a balanced budget.

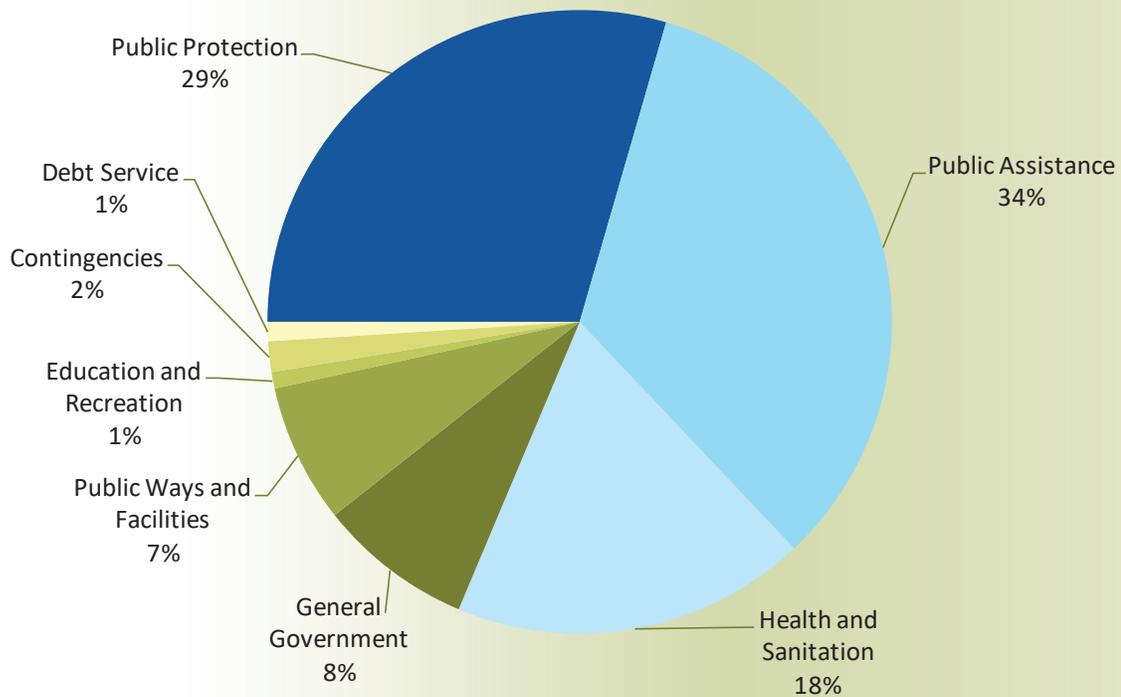
Appropriations

The fiscal year 2018-19 Recommended Budget is comprised of \$517.7 million in governmental funds, \$11.5 million in internal service funds, \$11.9 million in enterprise funds, and \$1.5 million in special district and other agency funds, for a total of \$542.6 million.

Figure 1 illustrates recommended spending in governmental funds among major program areas. As a political subdivision of the State of California, the County expends most of its funds on State and federal programs such as public assistance, mental health, public health, and other social services as mandated by law. The County spends most of its discretionary revenues on public safety, as discussed in detail later in this section and illustrated in Figure 6.

Figure 1 Governmental Funds Appropriations

\$517,669,836



Revenues

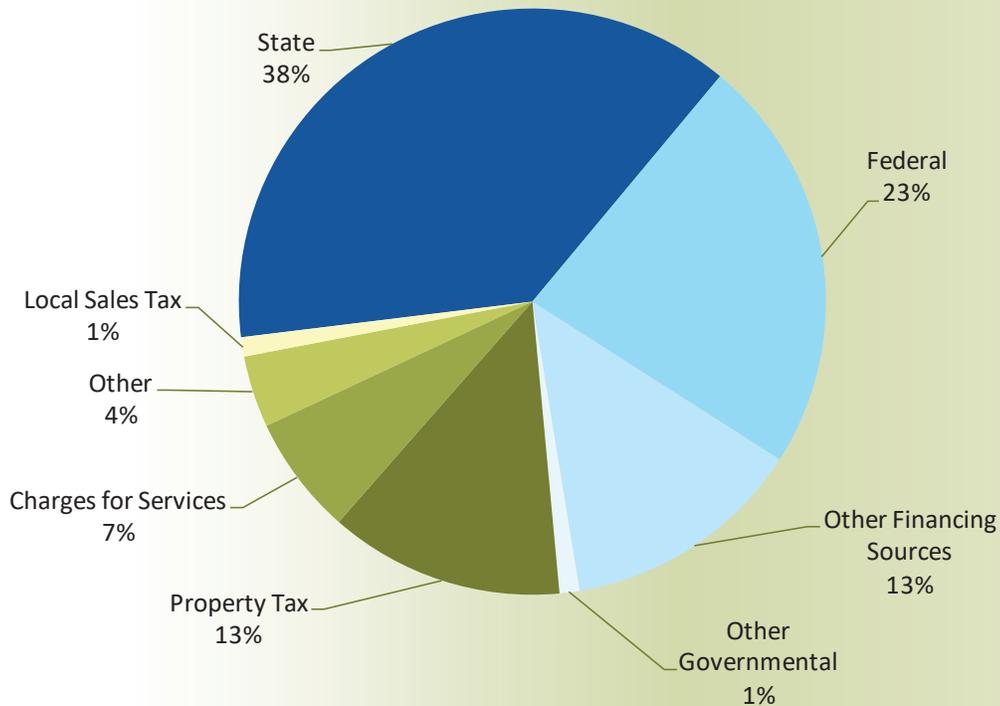
Revenues in all governmental funds for fiscal year 2018-19 are estimated at \$469.4 million. These revenues are deposited into either the General Fund or into other governmental funds including special revenue funds, the Debt Service Fund, or the Capital Project Fund. The \$469.4 million in revenue is comprised of \$430.1 million in outside revenues and \$66.3 million in other financing sources, which includes operating transfers between funds and anticipated loan proceeds for capital projects. The recommended spending plan is balanced by the use of anticipated revenues, an estimated \$12.0 million of available fund balance carryover from the General Fund, and \$9.3 million fund balance carryover from other funds.

Revenues in the General Fund support a wide variety of services and programs for Butte County residents, including law enforcement, fire protection, jail and juvenile hall operations, criminal prosecution, libraries, tax collection, building inspection, property assessment, agricultural regulation, and other essential services. Revenues deposited into special revenue, capital project, and debt service funds are limited to specific purposes, such as the provision of health and human services, public works and transit, child support services, and capital projects.

Operating transfers between governmental funds partially support the funding requirements. For example, transfers to the Capital Project Fund help to fund planned capital projects. Operating transfers from the General Fund to the Public Health and Behavioral Health Funds are necessary to meet maintenance of effort (MOE) requirements. The General Fund receives operating transfers from non-operating funds that hold restricted, program-specific revenues such as 2011 public safety realignment (also referred to as prison realignment or AB 109). Additional transfers between departments, included in Charges for Services, are made to account for the exchange of services between County departments in providing a cooperative service delivery system.

Figure 2 Governmental Funds Revenues

\$496,351,115



General Purpose Revenue

General purpose revenue is used to fund discretionary County services and programs, such as public safety and library services. It is also used to fulfill state mandated MOE, matching funds, and unfunded mandates. Once mandates are met, the Board of Supervisors can use discretion to determine which programs receive the remaining general purpose revenue.

Figure 3 illustrates that County general purpose revenue is a relatively small portion of total revenues. The County is a political subdivision of the State and receives most of its funding from State and federal governments to run mandated programs.

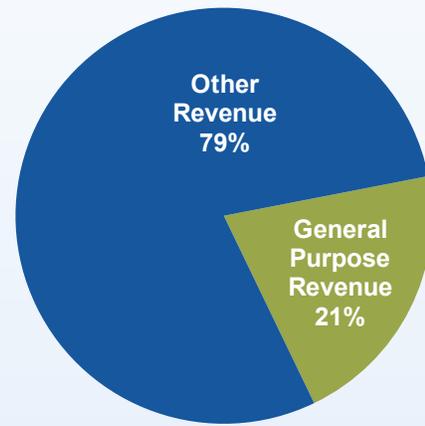


Figure 3 Governmental Funds Revenues
GENERAL PURPOSE REVENUE VS. NON GENERAL PURPOSE
\$496,351,115

Table 1 County General Purpose Revenue (GPR)

County General Purpose Revenue (GPR)

Recommended Fiscal Year 2018-19

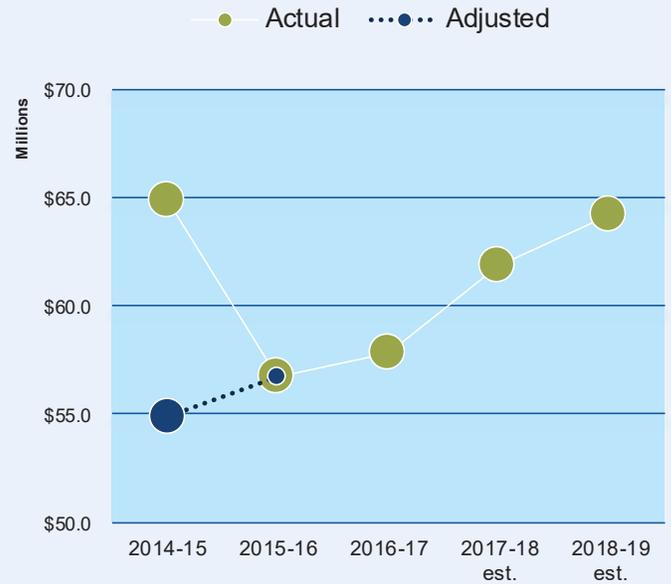
Property Tax	\$64,210,000
Proposition 172 Sales Tax for Public Safety	\$17,235,000
Local Sales Tax	\$5,270,000
Royalties (Table A Water Lease)	\$3,700,000
Fines, Forfeitures, Penalties	\$2,997,000
Tobacco Settlement Funds	\$1,950,000
Property Tax Administration Fees	\$1,660,000
Property Transfer Tax	\$1,290,000
PG&E Franchise	\$1,000,000
State Stabilization Funds	\$631,000
Interest	\$388,000
Cable TV Franchise	\$490,000
Homeowners Property Tax Exemption	\$400,000
Other Taxes	\$308,000
Federal Revenues	\$272,000
Other Miscellaneous Revenue	\$266,000
Open Space Act (Williamson Act)	\$260,000
Motor Vehicle Revenue	\$84,000
Other Intergovernmental Revenues	\$40,000
Other Use of Money & Property	\$5,000
Business License	\$1,700
Total	\$102,457,700

As shown in Table 1, the largest source of general purpose revenue is property tax, which is 63% of total general purpose revenue. Public safety sales tax (from Proposition 172) is the second largest revenue source and accounts for 17% of total general purpose revenues. The public safety sales tax can only be received if the County funds public safety programs at the required MOE level. The Recommended Budget not only meets the MOE level but exceeds it by \$61.7 million. The local share of sales tax; royalties that are primarily composed of Table A water lease revenue; fines, forfeitures and penalties including penalties on late property taxes and some court fines; tobacco lawsuit settlement funds; property tax administration fees; property transfer tax; and PG&E Franchise funds together account for another 17% of general purpose revenue. The remaining 3% of general purpose revenue is made up of various franchise fees, taxes, unrestricted State and federal revenues, interest earnings and miscellaneous revenues.

Property Tax

Property tax revenue is the largest single component of general purpose revenue. Butte County retains approximately 20% of all property tax revenues collected in the County, with the remainder going to support local schools, cities, and special districts. These tax receipts are used to support a wide variety of County programs. Figure 4 shows property tax revenues over a five-year period reflected as both actual receipts and adjusted to remove one-time changes in fiscal year 2014-15 so the year over year trend is visible. In fiscal year 2014-15, the County recognized approximately \$10 million in one-time property tax revenue. Overall, property taxes are anticipated to continue to increase in fiscal years 2017-18 and 2018-19 due to continued gains in property values. Property tax revenues are expected to grow approximately 5% in fiscal years 2017-18 and 2018-19.

Figure 4 Butte County Property Tax Revenue



*Property tax totals for all years reflect changes to which funds are included in the property tax category, effective 2015-16 based on state guidelines.

Figure 5 Butte County Local Sales Tax Revenue



Sales Tax

State law levies taxes on the purchase of most tangible goods in the State. The State collects the sales tax and distributes the local portion to the jurisdiction where the purchase was made. Therefore, if the sale occurred within a city, that municipality would receive the local portion of the sales tax. If the sale occurred within the unincorporated area of the County, then the County receives the local portion of the tax. It should be noted that this arrangement is sometimes modified by tax sharing agreements between jurisdictions. For example, the County receives 5% of the local sales tax collected in the City of Chico. Figure 5 shows total sales tax revenues for a five-year period. The relatively sharp increase in local sales tax revenue in fiscal year 2015-16 was due to a statewide accounting issue dating back several years and not indicative of a change in taxable sales. Similarly, estimated revenues in fiscal year 2017-18 include revenues related to large one-time purchases that are not anticipated in fiscal year 2018-19. Adjusted for those one-time changes, revenues are expected to increase gradually.

Available Fund Balance

Like most public agencies, Butte County relies on an available fund balance carryover in the General Fund to balance the budget. Available fund balance carryover occurs when the prior year Appropriation for Contingencies goes unspent, prior year revenues come in higher than budgeted, and/or prior year expenditures are lower than budgeted.

**Available fund balance
for 2018-19**

**\$12.0
million**

Available fund balance carryover can fluctuate significantly from year-to-year. Over the past ten years, available fund balance carryover in the General Fund has ranged from \$9.1 million in fiscal year 2008-09 to \$24.0 million in fiscal year 2014-15. The estimated available fund balance carryover from fiscal year 2017-18 in the General Fund is \$12.0 million. The estimate assumes that there will be approximately \$3.8 million in unspent Appropriation for Contingencies at year end, County departments will accrue approximately \$8.6 million in General Fund savings, and total general purpose revenues will be \$400,000 less than the amount budgeted. The actual beginning available fund balance carryover in the General Fund will not be known until sometime in September 2018 when the fiscal year 2017-18 accounting is finalized and the books are closed.

General Purpose Revenue

General purpose revenue makes up the majority of the total discretionary resources available to fund County programs in any given year.

**Total general purpose
revenue for 2018-19**

**\$102.5
million**

As shown on Table 1, total anticipated general purpose revenue is \$102.5 million. This is an increase of \$3 million or 3% from the fiscal year 2017-18 Adopted Budget due primarily to continued growth of property tax and sales tax revenues.

Total Discretionary Resources

**Total discretionary
resources for 2018-19**

**\$114.5
million**

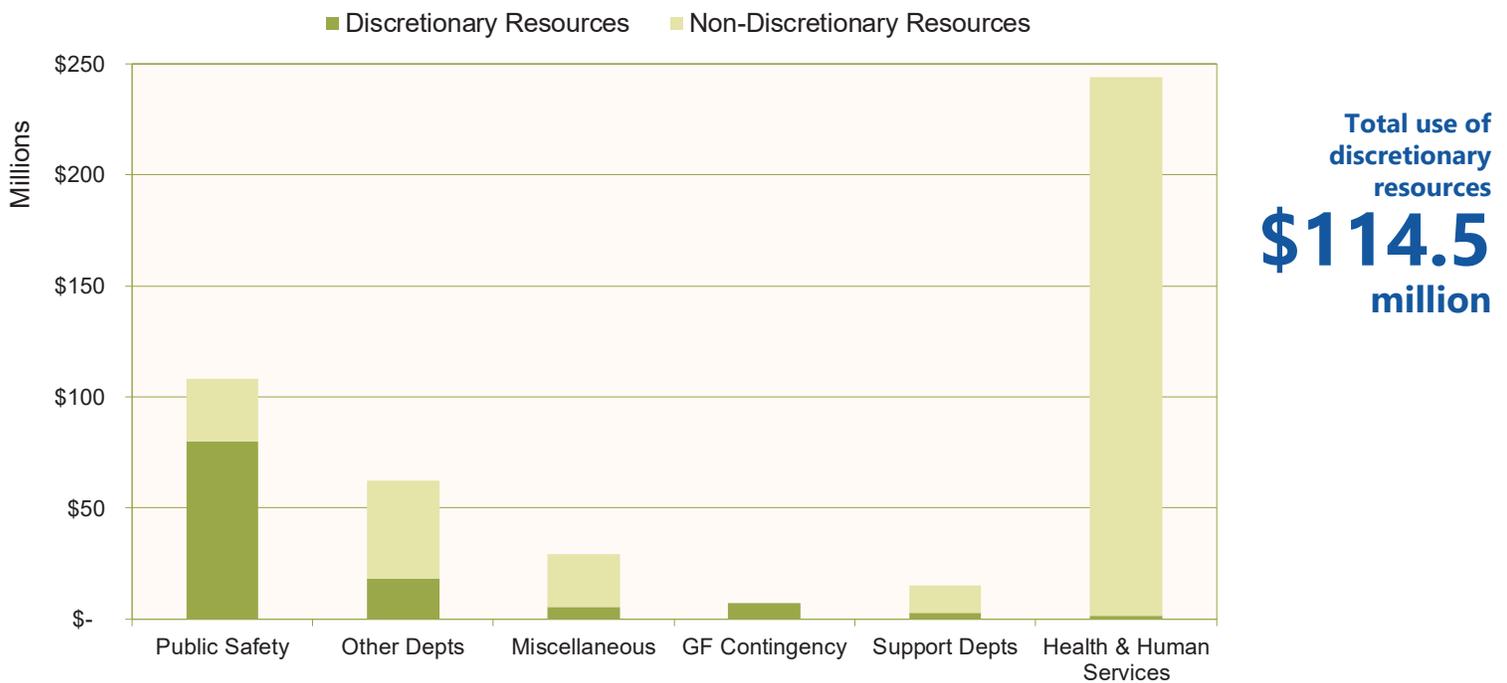
The total discretionary resources available for the fiscal year 2018-19 Recommended Budget are \$114.5 million, comprised of an estimated \$12.0 million in available fund balance carryover in the General Fund and \$102.5 million in general purpose revenue. Overall discretionary resources available for the fiscal year 2018-19 Recommended Budget remain essentially flat compared to the fiscal year 2017-18 Adopted Budget total of \$114.3 million.

Use of Discretionary Resources

The County has limited discretionary resources to fund local priorities. When State and federal mandates are imposed upon the County and not accompanied by adequate revenues, the County must utilize local general purpose revenue to meet the mandates. This limits local control over discretionary resources and decreases the amount available to fund local priorities. After funding the mandates, the County has discretion on how to use remaining general purpose revenue to best meet local needs.

Figure 6 shows the recommended allocation of discretionary resources compared to total budget by department group for fiscal year 2018-19. As in previous years, the vast majority of discretionary resources (\$80.0 million) are used to fund public safety. The remaining discretionary resources are dedicated to other departments (\$18.0 million), which includes Development Services, Assessor, Agriculture, and Library, among others; miscellaneous (\$5.4 million), which includes Capital Projects, Public Defender, and Grand Jury; General Fund Contingency (\$7.2 million); support departments (\$2.6 million) such as General Services, Information Systems, and Auditor-Controller; and Health and Human Services (\$1.2 million), which includes Employment and Social Services, Public Health, and Behavioral Health.

Figure 6 Use of Discretionary Resources



Indirect uses of discretionary resources by support service departments are not included in Figure 6 since they are already included in the costs for operating departments they support. If these costs were included in Figure 6, the use of discretionary resources related to support service departments would be double-counted. Most support service department costs are allocated to other departments based on the State Controller approved Countywide Cost Allocation Plan. Historically, approximately 40-45% of support service department costs are allocated to general purpose revenue supported functions and the remainder to federal, State, and fee-supported functions.