

2019-2020

COUNTY BUDGET SUMMARY

Budget Highlights

The Butte County Recommended Budget contains the proposed spending authority for all County departments. The Recommended Budget for fiscal year 2019-20 is similar to the prior year budget except for changes related to the continuing response to and recovery from the Camp Fire. Overall, the Recommended Budget reflects a 6.1% increase compared to fiscal year 2018-19 due primarily to a significant increase in anticipated expenditures and revenues at the Neal Road Recycling and Waste Facility related to Camp Fire debris removal and increases in the Road Fund related to emergency repairs.

The Recommended Budget uses a number of time-limited adjustments to maintain existing services while the community and organization gain a better understanding of the new post-Camp Fire realities. This includes the temporary suspension of transfers from the General Fund to the Fire and Sheriff equipment replacement funds, and working with CAL FIRE for state support of a portion of the County's CAL FIRE contract. The result is few changes not related to the Camp Fire. Some of the highlights of the \$586.6 million Recommended Budget include:

- Maintain the General Fund Reserve at \$8 million consistent with County Policy.
- Establish \$7.3 million General Fund Contingency as a target, which is 5% of prior year General Fund operations consistent with County Policy.
- Reduce the County workforce by a net of 1 position, including the addition of 3 time-limited positions in the District Attorney's Office dedicated to Camp Fire criminal prosecution, and the elimination of several positions due to the expiration of grant funding and other minor adjustments to meet changing departmental needs.
- Anticipate revenue and expenses to process an estimated 330 building permits for homes burned in the Camp Fire.
- Fund the Primary Election including satellite voting locations for voters displaced by the Camp Fire.
- Reopen the Paradise Branch Library albeit with limited operational hours.
- Transfer of \$1.1 million from the General Fund to the Social Services Fund for the County cost of entitlement programs.
- Fund the ongoing Jail expansion and evidence storage/morgue facility projects.
- Fund several facilities projects including the replacement of the chiller, air handlers and 6 HVAC's that serve the Jail and Sheriff's Office and the remodel of two bathrooms at 25 County Center Drive to make them compliant with the Americans with Disabilities Act.
- Fund initial programming for a replacement facility for the Probation Department.
- Continue major Road and Bridge projects including the Midway Bridge Construction, Las Plumas Safe Routes to School, and repair Centerville Rd. and Oroville Quincy Hwy both of which were damaged by storms.
- Fund \$8.2 million in capital improvements and \$940,000 in equipment at the Neal Road Recycling and Waste Facility to replace landfill capacity used for fire debris.

In the wake of the Camp Fire the County works to advance the recovery and provide stability to the community and organization.

Overview

The Recommended Budget for fiscal year 2019-20 for all funds totals \$586.6 million. This is an increase of \$33.6 million or 6.1% from fiscal year 2018-19 and includes increases in the Neal Road Recycling and Waste Facility Fund, Road Fund, Behavioral Health Fund, Social Services Fund and General Fund. The Recommended Budget includes a net decrease of one position. The Recommended Budget for the General Fund is \$172.6 million, which is an increase of 1.0% from fiscal year 2018-19. The target General Fund Appropriation for Contingencies is \$7.3 million. Each year, a target General Fund Appropriation for Contingencies is set as part of the Recommended Budget. The actual General Fund Contingency depends on the final available fund balance, which is known in the fall. If the available fund balance is lower than anticipated, the General Fund Contingency is reduced in order to maintain a balanced budget.

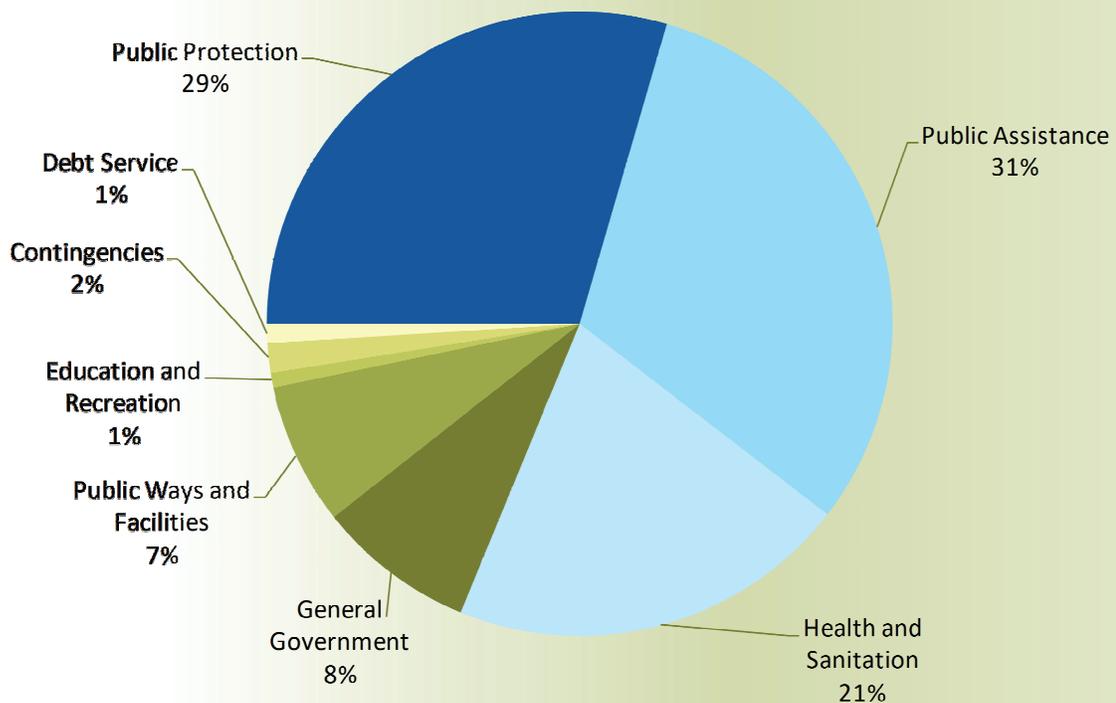
Appropriations

The fiscal year 2019-20 Recommended Budget is comprised of \$542.7 million in governmental funds, \$12.6 million in internal service funds, \$29.9 million in enterprise funds, and \$1.3 million in special district and other agency funds, for a total of \$586.6 million.

Figure 1 illustrates recommended spending authority 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

\$542,736,849



Revenues

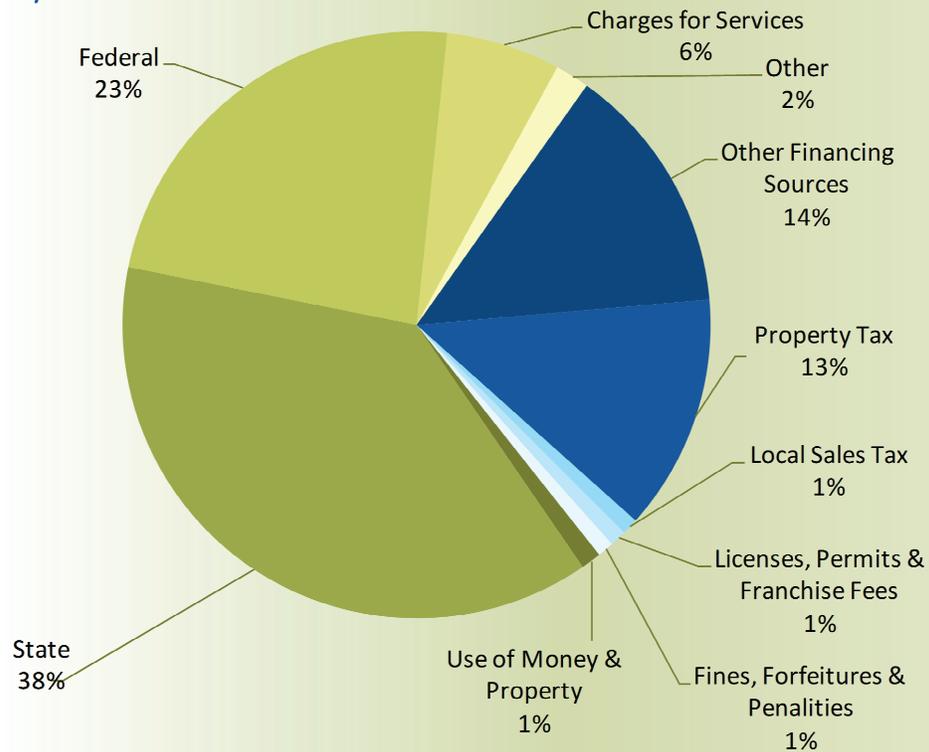
Revenues in all governmental funds for fiscal year 2019-20 are estimated at \$526.4 million. These revenues are deposited into either the General Fund or other governmental funds including special revenue funds, the Debt Service Funds, or the Capital Project Funds. The \$526.4 million in revenue is comprised of \$453.8 million in outside revenues and \$72.6 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 \$11.0 million of available fund balance carryover from the General Fund, and \$9.9 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, the County’s share of mandated health and social services 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. Operating transfers from the General Fund to the Social Services fund meet the County’s share of entitlement programs. 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

\$526,417,622



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 has discretion over the use of the remaining general purpose revenue to best meet local needs.

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.

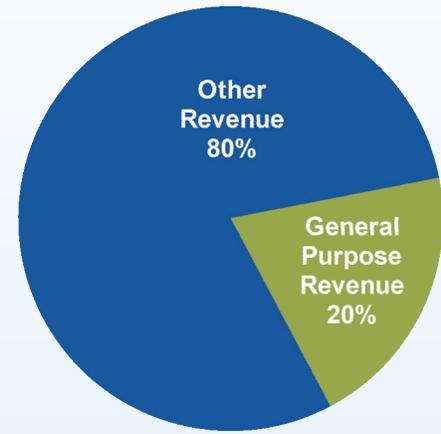


Figure 3 Governmental Funds Revenues

GENERAL PURPOSE REVENUE VS. NON GENERAL PURPOSE

\$526,417,622

Table 1 County General Purpose Revenue (GPR)

County General Purpose Revenue (GPR)

	Recommended Fiscal Year 2019-20
Property Tax	\$68,480,000
Proposition 172 Sales Tax for Public Safety	\$18,000,000
Local Sales Tax	\$4,700,000
Royalties (Table A Water Lease)	\$3,800,000
Fines, Forfeitures, Penalties	\$2,215,000
Tobacco Settlement Funds	\$2,000,000
Property Tax Administration Fees	\$1,893,500
Property Transfer Tax	\$1,400,000
PG&E Franchise	\$900,000
State Stabilization Funds	\$631,000
Interest	\$600,000
Federal Revenues	\$435,000
Cable TV Franchise	\$415,000
Homeowners Property Tax Exemption	\$400,000
Other Taxes	\$325,000
Other Miscellaneous Revenue	\$298,000
Open Space Act (Williamson Act)	\$276,000
Motor Vehicle Revenue	\$84,000
Other Intergovernmental Revenues	\$40,000
Other Use of Money & Property	\$5,000
Business License	\$1,700
Total	\$106,899,200

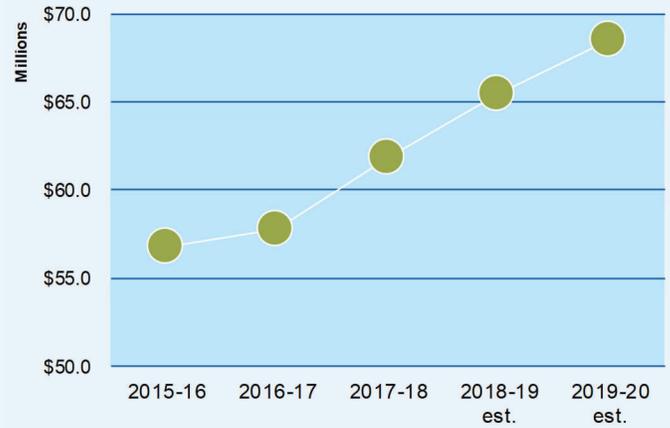
As shown in Table 1, the largest source of general purpose revenue is property tax, which is 64% of total general purpose revenue. Public safety sales tax (from Proposition 172) is the second largest revenue source and accounts for 17% of total general purpose revenues. The public safety sales tax can 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 \$62.7 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 16% 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.

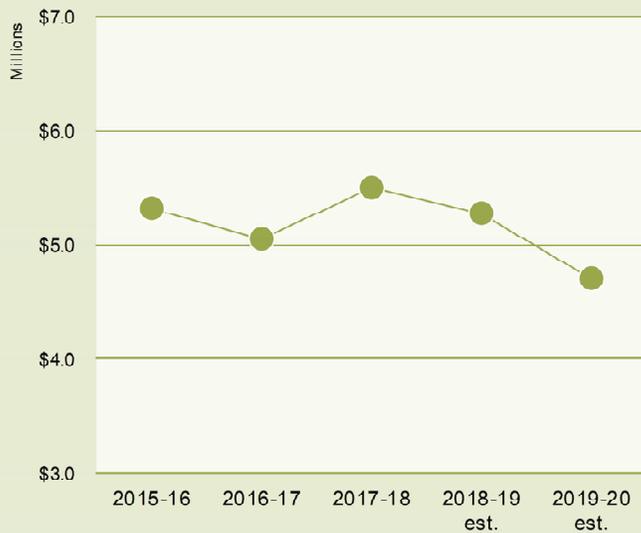
These tax receipts are used to support a wide variety of County programs. Figure 4 shows property tax revenues over a five-year period. The estimates for fiscal years 2018-19 and 2019-20 assume the state backfill of property tax revenues lost due to damage from the Camp Fire. The state backfill of property tax revenues is approved through fiscal year 2020-21. Aside from the losses related to the Camp Fire, property taxes are anticipated to continue to increase in fiscal years 2018-19 and 2019-20 due to gains in property values and the continued wind down of redevelopment agencies. Property tax revenues are expected to grow approximately 7% in fiscal year 2018-19 and 5% in fiscal year 2019-20.

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. Revenues in fiscal year 2017-18 include revenues related to large one-time purchases that are not anticipated in future years. Additionally, some decline in sales tax revenues is anticipated due to business interruptions in the unincorporated area as a result of the Camp Fire.

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 2019-20**

**\$11.0
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 2018-19 in the General Fund is \$11.0 million. The estimate assumes that there will be approximately \$2.6 million in unspent Appropriation for Contingencies at year end, County departments will accrue approximately \$7.0 million in General Fund savings, and total general purpose revenues will be \$1.4 million more than the amount budgeted. The actual beginning available fund balance carryover in the General Fund will not be known until sometime in September 2019 when the fiscal year 2018-19 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 2019-20**

**\$106.9
million**

As shown on Table 1, total anticipated general purpose revenue is \$106.9 million. This is an increase of \$4.4 million or 4% from the fiscal year 2018-19 Adopted Budget primarily due to property tax growth.

Total Discretionary Resources

**Total discretionary
resources for 2019-20**

**\$117.9
million**

The total discretionary resources available for the fiscal year 2019-20 Recommended Budget are \$117.9 million, comprised of an estimated \$11.0 million in available fund balance carryover in the General Fund and \$106.9 million in general purpose revenue. Overall discretionary resources available for the fiscal year 2019-20 Recommended Budget are up slightly compared to the fiscal year 2018-19 Adopted Budget total of \$115.1 million.

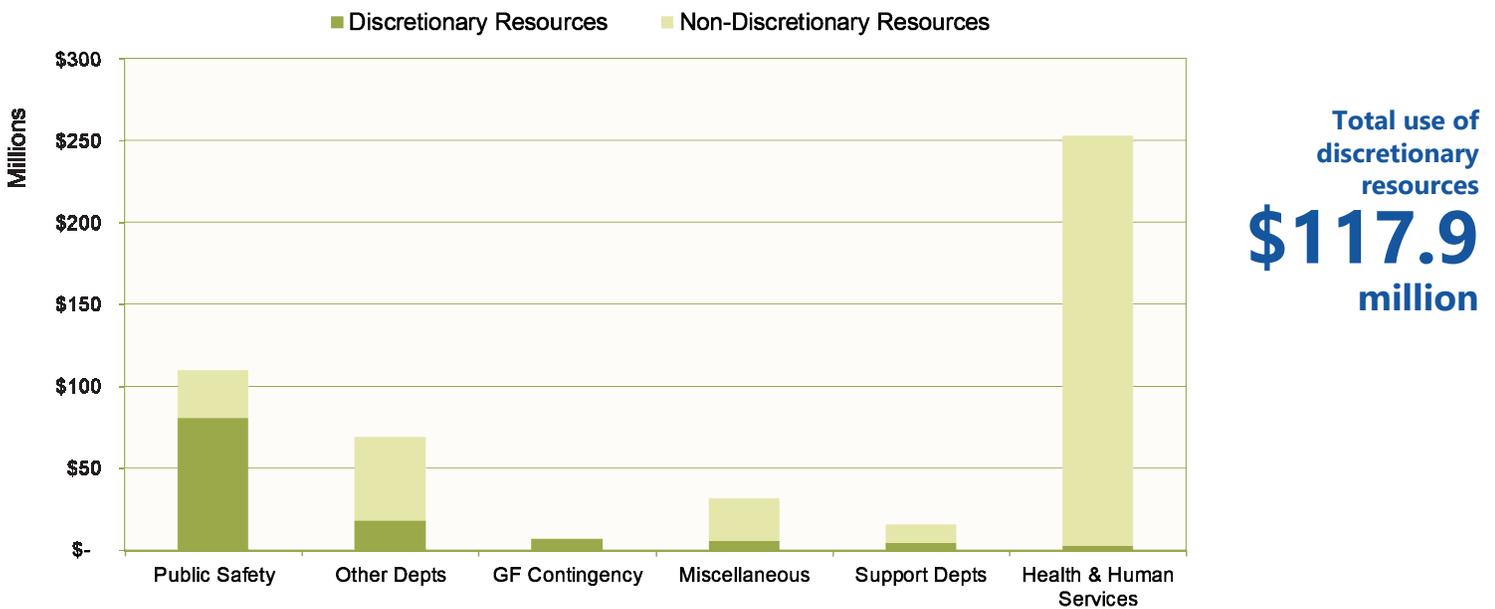


Use of Discretionary Resources

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 2019-20. As in previous years, the vast majority of discretionary resources (\$80.7 million) are used to fund public safety. The remaining discretionary resources are dedicated to other departments (\$18.2 million), which includes Development Services, Assessor, Agriculture, and Library, among others; General Fund Contingency (\$7.3 million); miscellaneous (\$5.5 million), which includes Capital Projects, Public Defender, and Grand Jury; support departments (\$4.0 million) such as General Services, Information Systems, and Auditor-Controller; and Health and Human Services (\$2.1 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.