Butte County Administration

Shari McCracken
Chief Administrative Officer

25 County Center Drive, Suite 200
Oroville, California 95965

T: 530.552.3300
F: 530.538.7120

buttecounty.net/administration

Date:	February 11, 2020
To:	Butte County Board of Supervisors
From:	Meegan Jessee, Deputy Administrative Officer
Subject:	Financial Report for Second Quarter of Fiscal Year 2019-20

OVERVIEW

The Butte County financial report for the second quarter of fiscal year 2019-20 contains updates on the economy, expenditures, revenues, cash balances, pension and retiree health liabilities and long-term debts for the period ending December 31, 2019[1].

Economy: The U.S. economy continued to experience steady growth through December 2019 and is expected to continue to grow albeit at a somewhat slower pace. Unemployment continues to be at historic lows. Consumers continue to show confidence in the economy.

Expenditures: At the end of the second quarter, the County had expended $230.0 million from a budget totaling $634.6 million, which is about 36% of budget. Overall County expenditures as a percent of budget were similar to prior years.

Revenues: Through the second quarter of the fiscal year, the County received $257.7 million or 43% of budgeted revenues. Through the same quarter of the previous fiscal year the County received 38% of budgeted revenues. The increase is due in part to DWR settlement funds and increased revenue in Neal Road Recycling and Waste Facility.

Budget Outlook: The County continues to face significant financial uncertainty related to the Camp Fire; coupled with cost pressures in a number of areas that are likely to exceed available resources. Departments are currently in the process of developing their fiscal year 2020-21 requested budgets, and County Administration will begin analyzing those requests when they are submitted in March. Budget Hearings are scheduled for June 23rd, 2020.

Cash Balances: The General Fund operating cash balance was approximately $29.9 million at the end of December 2019, compared to $21.9 million the prior year. The $8.0 million variance from prior year

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[1] Note the County financial information reported in the Quarterly report is based on the County's Finance System and can vary from the County's Comprehensive Annual Financial Report (CAFR), which provides summarized information and includes a section that is based on full accrual accounting while the Finance System records modified accrual accounting.

is due the timing of revenues compared to the prior year as well as property tax revenues, property tax backfill revenues and an increase in building permit revenues.

Pension Plan and Retiree Health Plan Funded Status: The funded status of both the County's retiree health plan and two CalPERS pension plans is included in the quarterly report as well as the current balances in the pension trusts.

Debt: During the second quarter of fiscal year 2019-20, principal payments totaling $935,739 and interest payments of $212,589 were made against long-term debt obligations. No additional long-term debt was secured by the County during the second quarter of the current fiscal year.

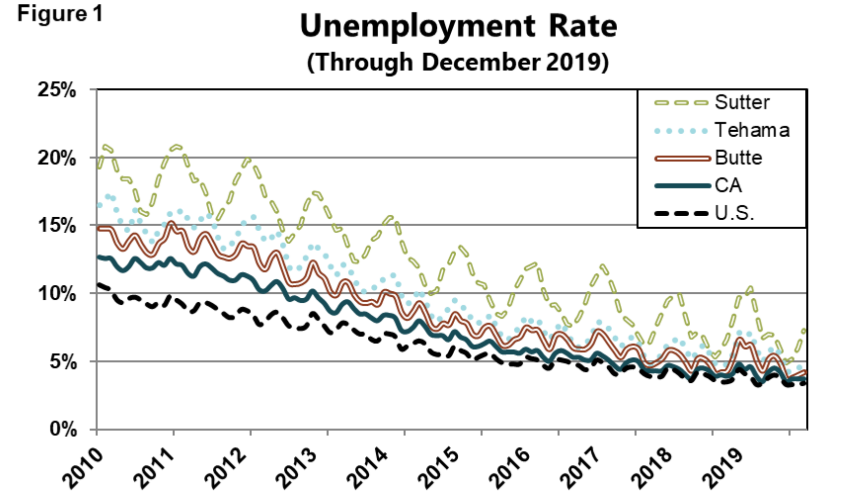
ECONOMIC UPDATE

The January 2020 "California Forecast: Sales Tax Trends and Economic Drivers," (attachment A) provided by HdL Companies provides a State and national economic forecast. This forecast is produced by HdL and Beacon Economics and provided quarterly to the County as part of the County's sales tax auditing contract with HdL. It includes both a consensus forecast on statewide sales tax trends by HdL as well as a forecast on national and statewide economic drivers by Beacon Economics, an independent research and consulting firm.

The "California Forecast: Sales Tax Trends and Economic Drivers," projects U.S. real GDP growth of 2.3% in fiscal year 2019-20 and 2.0% in fiscal year 2020-21, continuing low unemployment and wage growth and solid consumer spending through the current fiscal year. When adjusted for inflation, the median home price in California has effectively been flat the past year. Statewide, total sales tax is projected to increase 2.4% in fiscal year 2019-20 and 1.8% in fiscal year 2020-21, with auto, transportation, and retail receipts slightly lower through 2020-21. There are few signs of an economic slowdown in the State's economy.

In addition to the "California Forecast: Sales Tax Trends and Economic Drivers," local unemployment, building and home sales data is provided below.

Figure 1



Data Sources: U.S. Bureau of Labor Statistics, CA Employment Development Department

Unemployment: Butte County's preliminary unemployment rate in December of the current fiscal year was 4.2%, up from 3.7% at the close of the first quarter of fiscal year 2019-20 and down from 5.3% a year ago. In December, the size of the labor force in Butte County was estimated at 102,700, which was a decrease from 103,400 at the end of the first quarter of the current fiscal year and 104,100 from a year ago. The unemployment rate in Butte County while slightly higher than that of the State and the U.S. as a whole, continues to be lower than that of the neighboring counties of Sutter and Tehama (Figure 1).

Building Activity: The total number of building permits issued for the unincorporated area of Butte County during the second quarter of fiscal year 2019-20 increased by a total of 84.1% over the second quarter of fiscal year 2018-19. An average of 359 building permits of all types were issued per month for the unincorporated area of Butte County in the second quarter of the current fiscal year, which is a slight decrease from the monthly average of 361 in the previous quarter and an 84.1% increase from the monthly average of 195 during the second quarter of fiscal year 2018-19. The 117 residential building permits issued for the unincorporated area of Butte County during the second quarter of the current fiscal year is an increase of 6.4% over the 110 residential building permits issued in the previous quarter and an increase of 350% over the 26 residential permits issued during the second quarter of fiscal year 2018-19. Of the 117 residential building permits issued in the unincorporated area of Butte County during the second quarter of the current fiscal year, 76 or 64.9% were to Camp Fire survivors. Figure 2 below shows the number of all types of building permits issued per month for the last ten years.

Figure 2

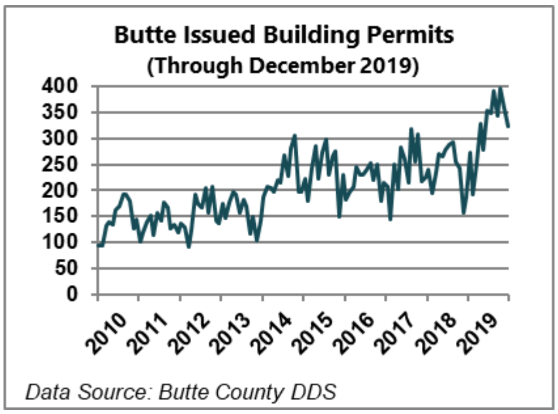
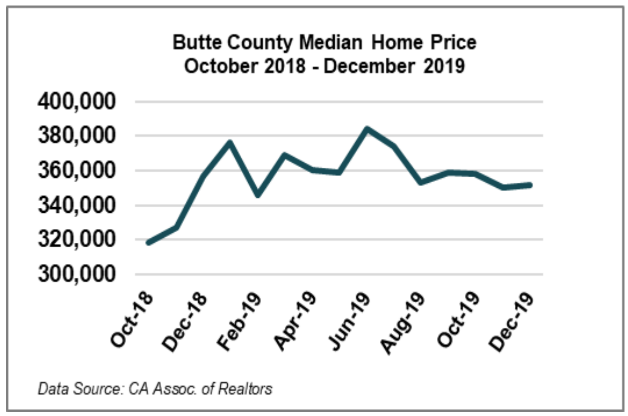


Figure 3



Median Home Price and Home Sales: The median sales price of existing single-family homes in Butte County during December 2019 was $351,720 up slightly from $350,000 in the previous month and a 1.4% decrease from the median price of $356,560 in December 2018. Figure 3 shows the changes in the monthly median home price in Butte County during the period October 2018, which immediately preceded the Camp Fire, through December of the current fiscal year. Home sales in Butte County during December 2019 were down by 13.6% from the previous month and up by 54.8% from December 2018.

EXPENDITURE REPORT

At the end of the second quarter of fiscal year 2019-20, the County had expended $230.0 million from a budget totaling $634.6 million. As shown in the graph below (Figure 4), the County spent $98.0 million on salaries and benefits, $57.5 million on services and supplies, $43.1 million on other charges, such as payments between funds and contributions to other agencies, $26.2 million on other financing uses and $5.0 million on capital assets. Overall, the County expended 36% of the budget through the second quarter, which was the same as the prior year. Although 50% of the fiscal year elapsed between July 1st and December 31st, typically expenditures are less than 50% at the end of the second quarter. Figure 4 below shows graphically in an OpenGov report, which can be found here, the County's actual expenditures by type through the second quarter. OpenGov reports are from the County's Financial Transparency Portal, which provides interactive County financial data at www.buttecounty.net/administration/Finance.

Figure 4

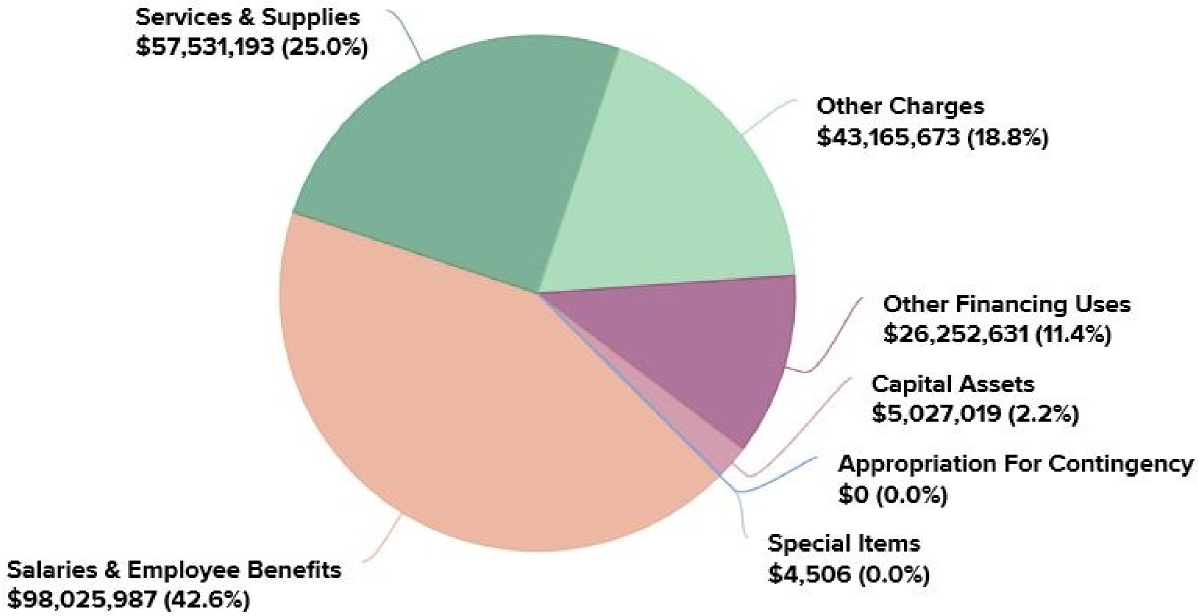


Figure 5 on page 6 shows the percentage of budget expended by each County department. Most Departments have expended between 35% and 50% of their budget through the second quarter, which is similar to prior years. A number of Departments had expenditures outside of the normal range, and each are addressed below.

- Capital Projects includes large multi-year projects (Jail Expansion and Evidence Storage/Morgue) that have been not yet been expended.
- County Service Areas (CSAs) budgets often include maintenance/repair costs and second quarter charges are not yet complete.
- Debt Service expenditures are low due to timing – Pension Obligation Bond half-yearly payments are due in January.
- Enterprise Funds operating plans (budget), which record the operations of the Neal Road Recycling and Waste Facility, includes capital projects which have not yet been completed and which are ultimately recorded as depreciation (meaning the cost of the expense is spread over a number of years) due to the accounting requirements for enterprise funds. Additionally the plan includes debt payments that will not be recorded as current year expenditures due to the accounting requirements for enterprise funds. Additionally the plan includes $4 million for two large projects, Construction and Demolition Waste Processing and Trucking and Food and Green Waste Processing and Trucking. It is now anticipated that these two projects will not begin until next fiscal year.
- The Fire Department is provided through a contract with CalFIRE with payment typically at least one quarter in arrears. As of the close of quarter two no payment had been made.
- Fish and Game includes many grant projects that are paid at the end of the year, when the grantees submit claims.
- General Services expenses continue to trend higher than normal due to Camp Fire response expenditures – most purchases for the Emergency Operations and Recovery are made in the General Services budget.
- Information Systems Department expenses are low due to timing – transfers for equipment replacement will occur in January. Additionally, many software licenses are due in the second half of the year.

- Internal Service Funds account for the operations of the County's insurance programs. The annual excess insurance premiums are paid in the first half of the fiscal year.
- Miscellaneous Community Development includes the Community Development Block Grant (CDBG) and HOME programs. The unit is at less than 35% of budgeted expenditures due to the number of projects completed and the timing of billings from outside consultants.
- The Miscellaneous unit is made up of a single fund which houses a number of Camp Fire related grants. The grants include support for permit fees for Camp Fire rebuilds, support for the Sheriff's Office, funds that can be used to directly support Camp Fire survivors through the Department of Employment and Social Services as well as funds for the Paradise facility which now houses a number of County and other services. As new grants come online it can take some time to stand up the program including hiring staff which results in lower expenditures during that start up period.
- The non-operating funds account for restricted revenues that can be used to reimburse operating funds for specific projects or purchases. Some projects and associated transfers have been completed, other projects are compete but transfers are still being processed and other projects or purchases are not yet done.
- Public Works budget includes the Midway Bridge project, which is not yet underway. Additionally a number of Public Works projects are reliant on weather and are typically scheduled to being in the spring.
- Water has a number of expenses budgeted for projects that have not yet been expended, but are still anticipated before the end of the year.

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Figure 5

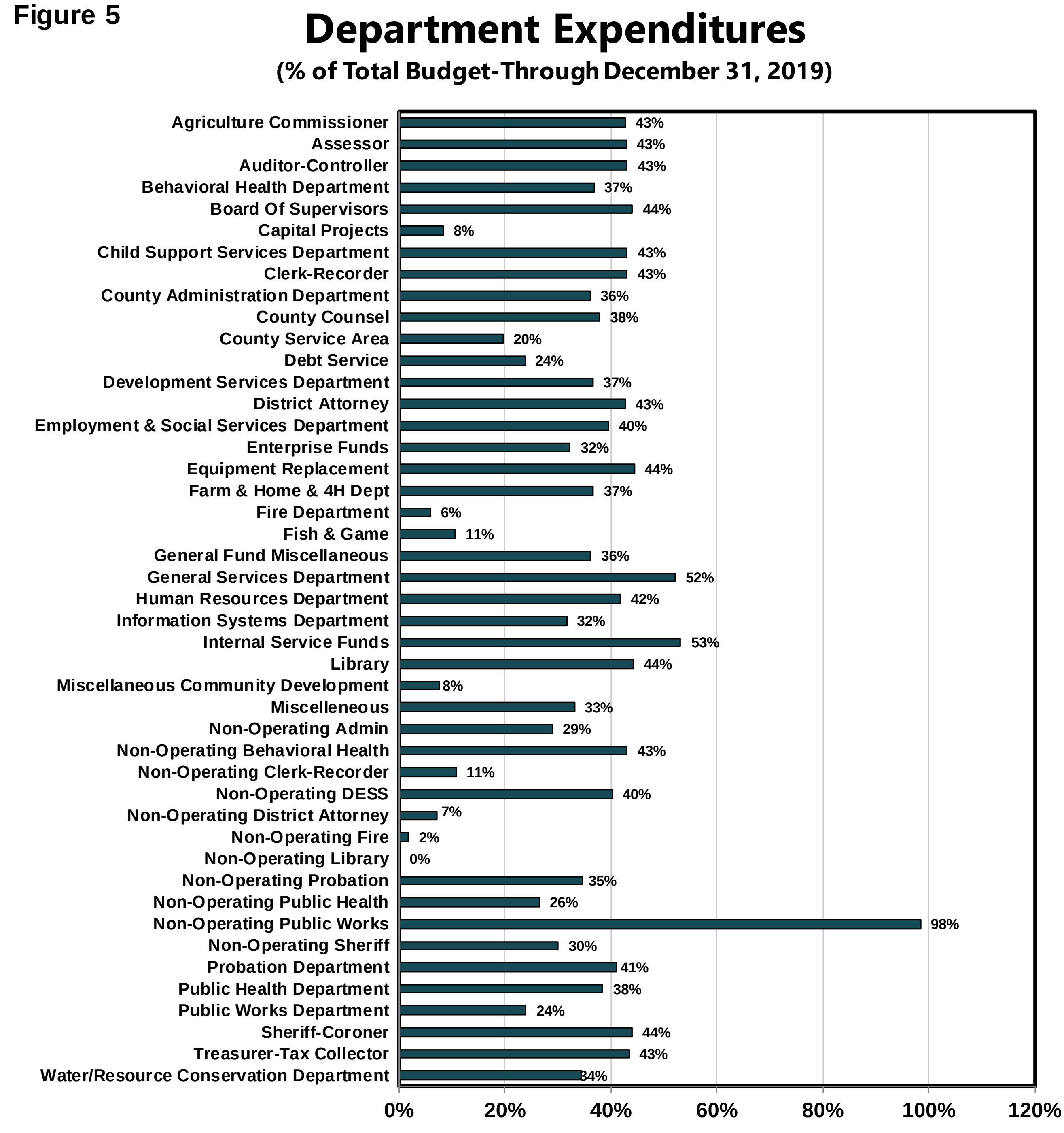
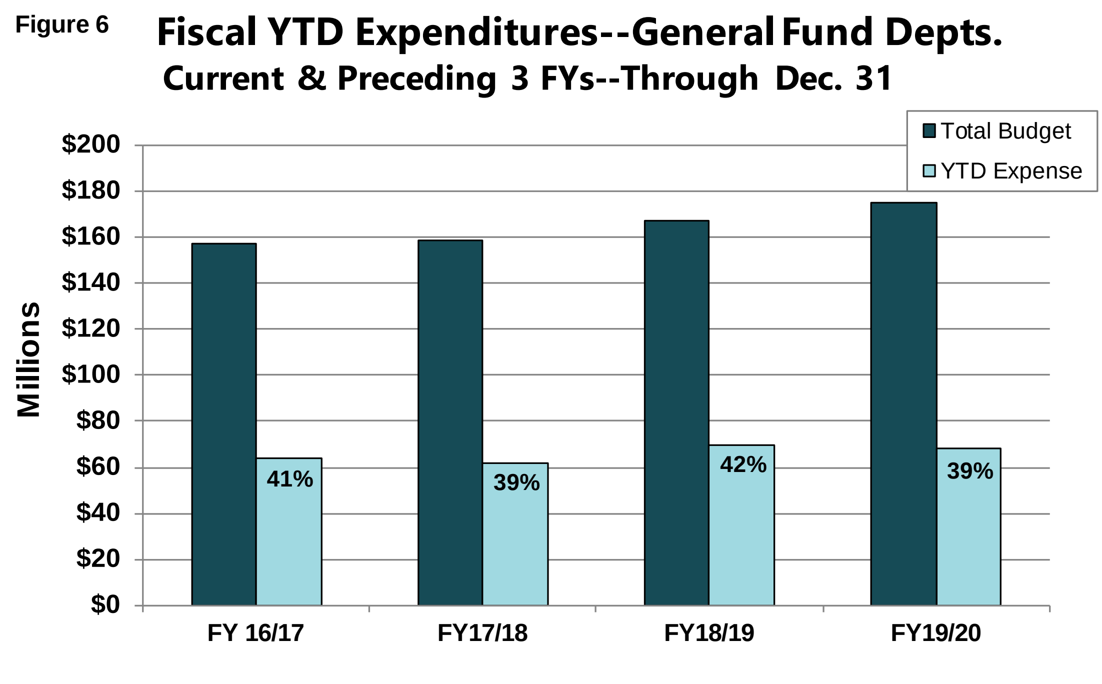

Department Expenditures
(% of Total Budget-Through December 31, 2019)
Agriculture Commissioner 43%
Assessor 43%
Auditor-Controller 43%
Behavioral Health Department 37%
Board Of Supervisors 44%
Capital Projects 8%
Child Support Services Department 43%
Clerk-Recorder 43%
County Administration Department 36%
County Counsel 38%
County Service Area 20%
Debt Service 24%
Development Services Department 37%
District Attorney 43%
Employment & Social Services Department 40%
Enterprise Funds 32%
Equipment Replacement 44%
Farm & Home & 4H Dept 37%
Fire Department 6%
Fish & Game 11%
General Fund Miscellaneous 36%
General Services Department 52%
Human Resources Department 42%
Information Systems Department 32%
Internal Service Funds 53%
Library 44%
Miscellaneous Community Development 8%
Miscelleneous 33%
Non-Operating Admin 29%
Non-Operating Behavioral Health 43%
Non-Operating Clerk-Recorder 11%
Non-Operating DESS 40%
Non-Operating District Attorney 7%
Non-Operating Fire 2%
Non-Operating Library 0%
Non-Operating Probation 35%
Non-Operating Public Health 26%
Non-Operating Public Works 98%
Non-Operating Sheriff 30%
Probation Department 41%
Public Health Department 38%
Public Works Department 24%
Sheriff-Coroner 44%
Treasurer-Tax Collector 43%
Water/Resource Conservation Department 34%
0%
20%
40%
60%
80%
100%
120%

Figure 6 below displays fiscal year budget amount and year to date expenditures at the close of the second quarter among General Fund Departments for the current and preceding three fiscal years. As shown in the graph, total expenditures among General Fund Departments are currently 39%, somewhat lower than previous year, but the same as fiscal year 2017-18. The variation between years is primarily due to the timing of the quarterly $3.4 million CalFIRE payment. In fiscal years 2016-17 and 2018-19 the first quarterly payment was made in the second quarter, but it fiscal years 2017-18 and the current year the first payment was not made until the third quarter.

Figure 6



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REVENUE REPORT

Through the second quarter of fiscal year 2019-20, as reflected below in Figure 7, the County received $257.7 million or 43% of budgeted revenues, somewhat higher than the prior year's 39%. Figure 7 below shows graphically in an OpenGov report, which can be found here, the County's actual revenues by type through the second quarter. The increased revenue is primarily the result of a combination of DWR settlement revenues and increased Neal Road Recycling and Waste Facility revenues related to debris removal tipping fees. OpenGov reports are from the County's Financial Transparency Portal, which provides interactive County financial data at www.buttecounty.net/administration/Finance.

Figure 7

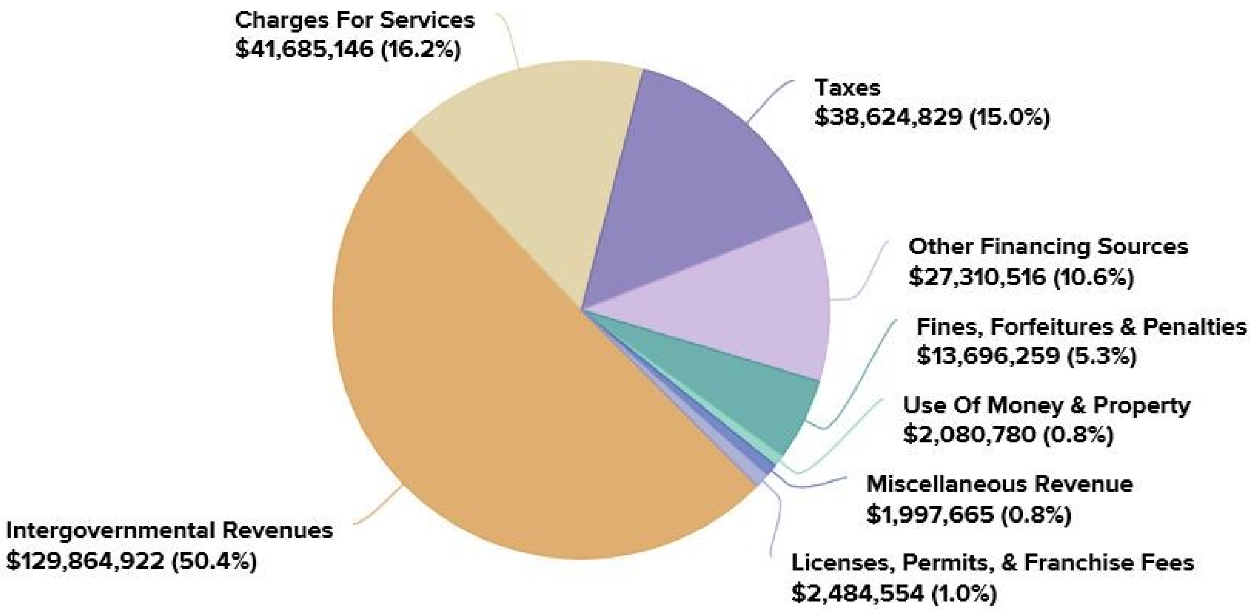

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Figure 8 on page 10 shows revenues received by each County department through the end of the second quarter. Many Departments received revenues between 30% and 55% of their budgeted amounts through the fiscal year. A number of Departments had revenue receipts less than 30% of budget. These are noted as follows:

- Agriculture Commissioner revenues are low due to the timing of grant funds and reimbursements that were not received by the end of the second quarter.
- Capital Projects receives reimbursement for projects. Many large multi-year capital projects (Jail Program, Evidence Storage/Morgue, and Communications Tower-Chico) have limited expenditures to date, reducing associated revenues.
- District Attorney revenues are low due to the timing of processing non-operating transfers.
- Equipment Replacement funds receive revenue as transfers that are typically done in April, after property tax revenue is received. This results in lower revenue in the half part of the fiscal year.
- Fire Department revenues are low due to the timing of reimbursements which cannot be processed until the associated purchases have been made.
- Miscellaneous Community Development includes the Community Development Block Grant (CDBG) and HOME programs. The unit has low revenue due to the number of projects completed and the timing of billings from outside consultants.
- Non-Operating Library revenues vary based on the donations received by the Library.
- Water/Resource Conservation Department revenues are based on reimbursement from the Proposition 1 grant. Projected revenue is expected to be received in current fiscal year.

There are also Departments with revenues that exceed 55% of budgeted revenues. Specifically:

- Assessor revenues are somewhat higher than anticipated related to user fee revenue.
- Board of Supervisors revenues are higher than budgeted due to the receipt of Camp Fire insurance proceeds related to the rent of Supervisor Teeter's Office temporary office while repairs are made to the office damaged by the Camp Fire.
- Development Services revenues are higher than anticipated related to permit revenues for the Camp Fire rebuild as well as a larger number of permits filed in December 2019 ahead of the building code changes that went into place in January 2020. Additionally fine revenue related to violations to the County's marijuana cultivation is typically received in the second quarter further boosting revenues.
- Enterprise Funds, which record the operations of the Neal Road Recycling and Waste Facility, continue to be high related to disposal fees charged for Camp Fire debris.
- Library received an insurance payout for damages from the Camp Fire that was not included in the budget and has resulted in higher than anticipated revenues. Additionally the Library has seen an increase in fine revenue related in part to the ability for patrons to pay fines online.
- The Miscellaneous unit is made up of a single fund, which houses a number of Camp Fire related grants which receive revenue in advance of expenditures.
- Non-Operating Public Works received higher than anticipated impact fee revenues through the end of the second quarter.

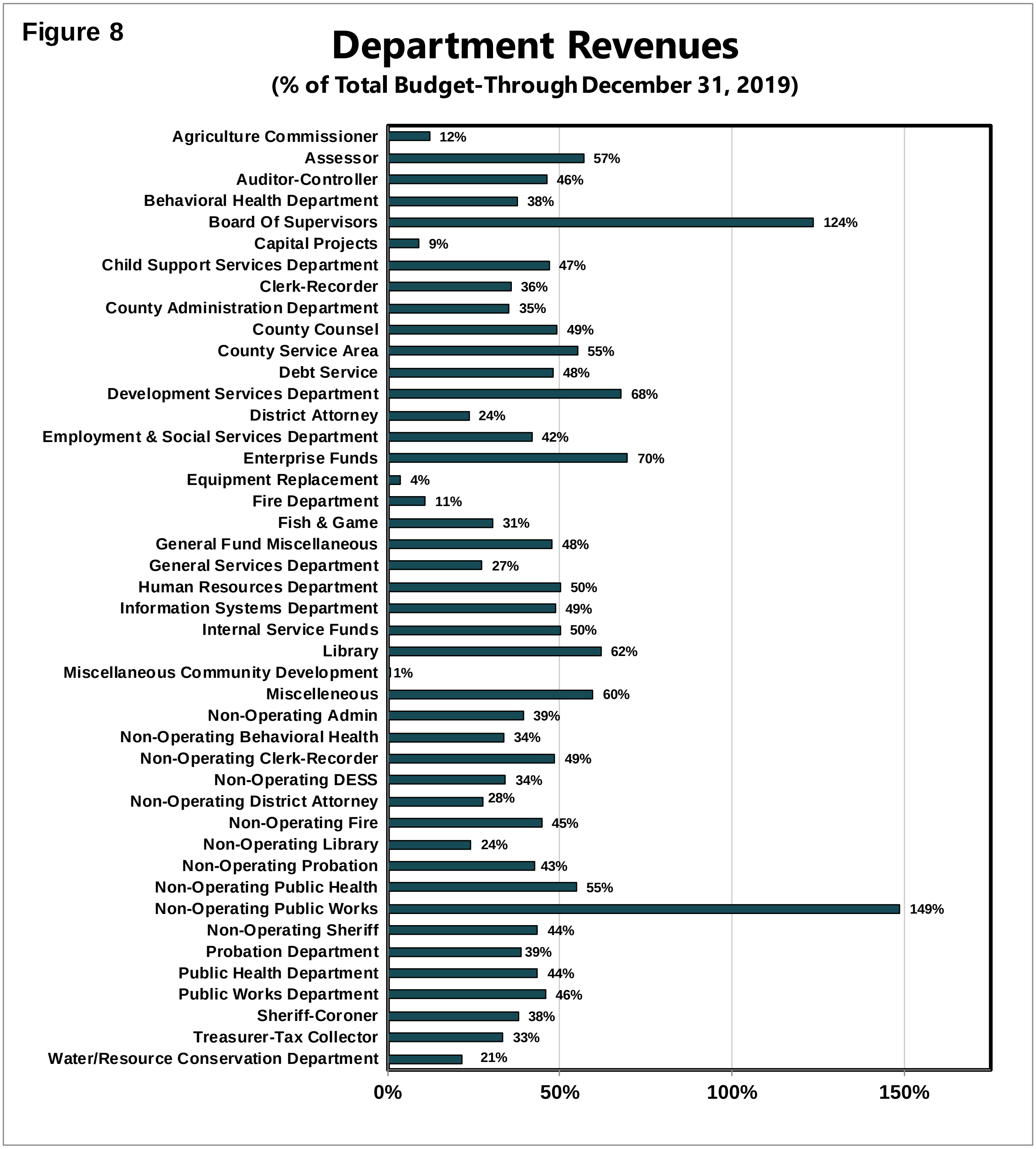
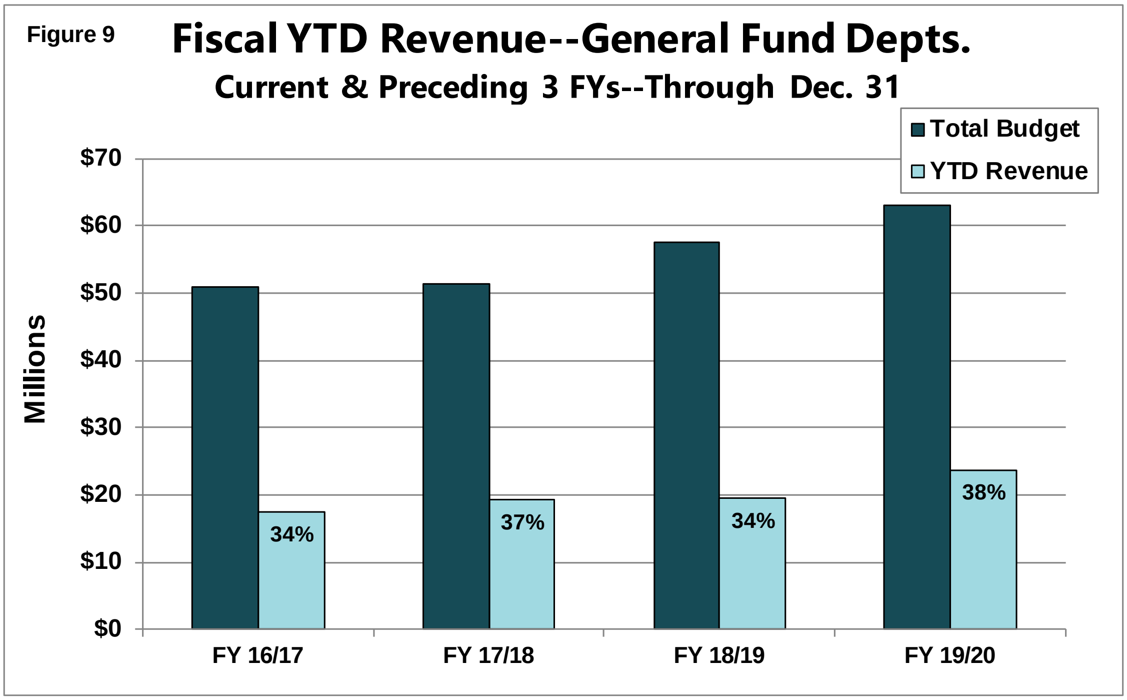


Figure 9 displays fiscal year budget amount and year to date revenues at the close of the second quarter fiscal year 2019-20 among General Fund Departments. General Fund Departments received 38% of budgeted revenues, an increase from fiscal year 2018-19, but similar two fiscal year 2017-18. Last year revenues were low due to delays in non-operating fund transfers after the Camp Fire.



General Purpose Revenues: Through the close of December, 47% of budgeted General Purpose Revenues have been received. Through the end of the fiscal year it is current anticipated that total General Purpose Revenue will come in higher than the budgeted amount by approximately $1.8 million. The anticipated increase over budget is due to a number of factors including continued strong local sales tax revenues in the wake of the Camp Fire, PSPS revenues of $408,000, DWR settlement reimbursement revenues of $365,000 in the General Fund and higher than budgeted Public Safety Sales tax revenues. Staff will continue to monitor General Purpose Revenues throughout the course of the year and provide updated projections along with the third quarter report.

Figure 10

General Purpose Revenue Receipts

(Through 2nd Quarter)

Account Title	Budget	YTD Receipts	YTD %
Property Taxes	68,480,000	36,619,695	53%
Sales and Use Taxes	4,700,000	2,087,677	44%
Other Taxes	2,001,000	1,089,624	54%
State Revenue	19,155,000	7,271,373	38%
Federal Revenue	414,000	-	0%
Other-In-Lieu Revenue	21,000	-	0%
Use Of Money & Property	4,405,000	1,377,520	31%
Fines, Forfeitures & Penalties	2,215,000	826,375	37%
Tobacco Settlement	2,000,000	-	0%
Other Sales	58,000	2,854	5%
Charges For Services	2,132,491	964,361	45%
Licenses, Permits, & Franchise Fees	1,316,700	200,817	15%
Other Financing Sources	50,000	5,891	12%
Total General Purpose Revenue	**$106,948,191**	**50,446,186**	**47%**

CAMP FIRE FINANCIAL IMPACTS

The Camp Fire continues to have a substantial impact on the County's finances ranging from direct costs for response and recovery to increased revenues at the Neal Road Recycling and Waste Facility. The County continues to incur costs related to the Camp Fire and see impacts to revenues related to the Camp Fire and there are still unknowns regarding total costs, cost reimbursement and revenue impacts.

Direct Costs for Response and Recovery: The County continues to respond to the Camp Fire. Sheltering of survivors has ended and the debris removal has been completed, however the tree debris removal processing has just begun. The County will to receive 75%-90% of reimbursable costs from FEMA and of the remaining 10%-25% it is anticipated that 75% of those costs will be reimbursed by the State. That leaves a local share of 2.5%-6.25% for costs deemed reimbursable by FEMA and CalOES. Not all costs will be reimbursable.

Through December the County had expended over $30 million on Camp Fire response and recovery efforts. Staff are working to finalize CalOES and FEMA claims for response activities including payment of approximately $5 million in mutual aid costs that we anticipate once claims from mutual aid agencies are finalized. Staff hope to be able to finalize these initial claims this spring and summer.

The claiming process will continue for five to ten years as various components of the response, recovery and infrastructure work is completed. For example, a significant responsibility of the County is the federal requirement for the County to seek available insurance reimbursement for the state debris and tree debris removal efforts. This effort cannot begin for debris until the state finishes its accounting which is not anticipated until next winter, about a year after the operation ended. If a similar pattern is true for tree debris removal than it will be at least a couple years until the County could begin insurance collections related to tree debris. Similarly the tree and debris removal operations damage County roadways, but the County cannot complete claims for those damages until the operations have ended. Staff will make every effort to wrap up claims and get reimbursement as soon as possible, however it is important to understand that this will be a long-term effort for some items.

FEMA, CALOES and Insurance Revenues: To date the County has received $7.8 million in advanced FEMA and CalOES funds and $4.3 million in insurance reimbursements for building repairs, equipment replacements, and other Camp Fire related losses. Staff continue to work to complete claims for federal and State reimbursement and anticipate receiving funds in the coming months – either later in this fiscal year or early in the next fiscal year. As building repairs move forward the County will receive additional insurance reimbursement.

Property Tax Revenue Impacts: County discretionary revenues have been impacted by the Camp Fire and will continue to be. The most significant of these is property tax, which is backfilled by the state through fiscal year 2020-21. The County's current year backfill is $4.3 million, which includes a $1.7 million backfill of our combined secured and unsecured roll as well as $2.6 million in property tax in lieu of VLF backfill. If the backfill is not extended it is anticipated that in fiscal year 2021-22 the County will have close to a $4 million shortfall in property tax revenues in the General Fund depending on the number of properties that have been rebuilt. Given the long term nature of the Camp Fire recovery the rebuild will not be complete by the time the backfill ends.

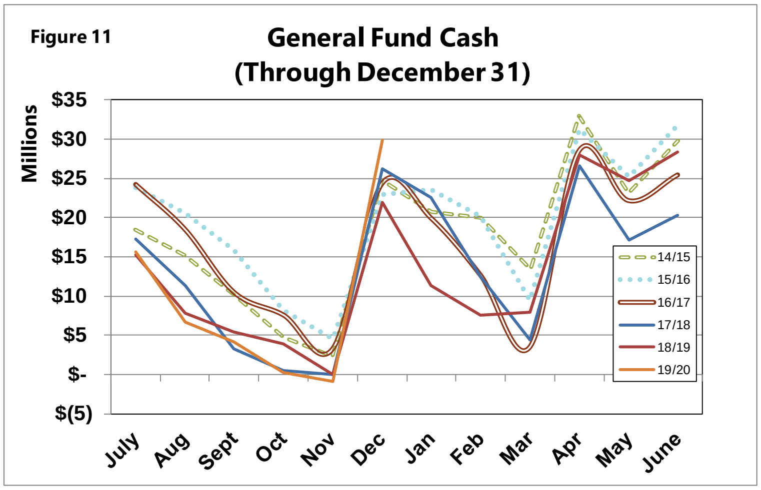
BUDGET OUTLOOK

The outlook for the fiscal year 2020-21 budget continues to have financial uncertainly due to the impacts of the Camp Fire and related recovery. On January 22nd the County kicked off the fiscal year 2020-21 budget process. As in prior years, the Departments have been asked to prepare a number of budget scenarios. The base scenario assumes the receipt of reimbursement from CalOES and FEMA related to the Camp Fire and assumes Departments will have similar discretionary resources as in the current year and does not assume the receipt of PG&E settlement funds. In addition to the base scenario Departments will submit reduction and expansion scenarios. It's important to note that even the "base" scenario that includes essentially flat discretionary resources for Departments may require reductions in some Departments due to cost pressures ranging pension cost increases to new demands related to the Camp Fire Recovery. The reduction, base and expansion scenarios submitted by Departments will be carefully analyzed as part of the development of a Recommended Budget and discretionary revenue and fund balance estimates will continue to be updated throughout the process. The Recommended Budget will be presented to the Board of Supervisors in early June with budget hearings scheduled for June 23rd, 2020.

CASH BALANCES

The General Fund cash balance at the end of the second quarter of fiscal year 2019-20 was $29.9 million, compared to $21.9 million the prior year. The $8.0 million increase is due to a combination items including property tax receipts from the first installment of property tax payments, state property tax backfill revenues, $408,000 in revenue for PSPS related costs, charges for services related to building permit revenues and more timely transfers into the General Fund. Note that in fiscal year 2018-19 the first installment of property taxes and the timing of non-operating transfers and other revenues was negatively impacted by the Camp Fire.

Figure 11



While the quarter ended in a strong cash position, the month of November ended with a shortfall of over $900,000. November is typically the lowest cash point of the year in the General Fund and the County experienced cash deficits in November in the General Fund in the two prior years as well, however in the prior two years the cash shortfall was "covered" with a temporary loan from other County funds. The November cash shortfall that was covered in fiscal year 2018-19 was $1.8 million and in fiscal year 2017-18 was $805,000. The Auditor-Controller and Treasurer Tax Collector are currently reviewing month end closing cash management procedures to determine how cash deficits such as this will be addressed in the future.

At the end of the second quarter of fiscal year 2019-20 there was an outstanding cash advance of $148,726 from the General Fund to the CDBG Fund due the timing of reimbursements.

PENSION PLAN FUNDED STATUS

Figure 12 below, presents the most recent funded status of the County's pension plans. This is the same information that was provided in the last quarterly report.

The County contracts with CalPERS to provide pension benefits. The County has two pension plans for County employees. The first is for safety employees and includes deputy sheriffs, correctional deputies, probation officers, and district attorney investigators. The second is for miscellaneous employees and includes all non-safety County employees.

The funded status is determined by CalPERS actuaries and is provided annually to the County. The complete reports can be found on the Butte County website at: http://www.buttecounty.net/administration/ActuarialReports.aspx. The funded status refers to the funds accumulated to pay for benefits earned in the past based on actuarial assumptions compared to the total liability for those benefits.

Figure 12 PENSION PLAN FUNDED STATUS

Butte County Pension Plans	As of June 30, 2017	As of June 30, 2018
Safety Plan		
Unfunded Accrued Liability	$58,842,000	$67,380,447
Funded Ratio	71.1%	69.3%
Miscellaneous Plan		
Unfunded Accrued Liability	$183,705,214	$219,356,618
Funded Ratio	73.8%	71.4%

On January 29, 2019 the Board of Supervisors adopted the Butte County Pension Strategy which includes the County's participation in Internal Revenue Code Section 115 irrevocable pension trusts for the miscellaneous and safety employee pension plans to help to stabilize future contributions rates. Those trusts are now open. The miscellaneous trust has a balance of $838,000 and the safety trust has a balance of $1.6 million.

RETIREE HEALTH PLAN FUNDED STATUS

Figure 13 below presents the most recent funded status of the County's retiree health plan as of June 30, 2019. This is the same information that was provided in the last quarterly report. The retiree health actuarial is updated periodically, with a supplement issued annually.. The County provides limited retiree health benefits to retired employees based on the bargaining unit that the employee worked in and when the employee started with the County. For most retirees, benefits range from eligibility to continue to purchase group health insurance through the County to County paid health insurance premiums for a period of time.

Figure 13 RETIREE HEALTH FUNDED STATUS

Retiree Health Insurance Plan	As of June 30, 2018	As of June 30, 2019
Unfunded Accrued Liability (GASB 75)	$65,320,371	$58,221,996
Funded Ratio	6.4%	9.2%

Prior to fiscal year 2014-15 the County funded the retiree health plan on a pay as you go basis. Beginning in fiscal year 2014-15 the County initiated a plan to begin pre-funding the retiree health plan and as of December 31, 2019 the County had accumulated $7.0 million.

LONG-TERM DEBT

The Long-Term Debt schedule, Figure 14, presents balances as of December 31, 2019.
During the second quarter of the current fiscal year, the County made a total of $1,148,328 in debt payments, $935,739 of which resulted in principal reductions as detailed in Figure 15 below.

Figure 14 **LONG-TERM DEBT (THROUGH DECEMBER 2019)**

Type of Debt	Original Loan Amount	Current Balance	Avg. Annual Payment*	Maturity Date
Bonds Payable				
Pension Obligation Bonds				
-Series A	28,020,000	26,520,000	2,761,441	6/1/2034
-Series B	21,875,000	19,300,000	1,857,191	6/1/2034
Total Bonds Payable	***$ 49,895,000***	***$ 45,820,000***	***$ 4,618,632***	
Certificates of Participation				
2014 Hall of Records	8,000,000	7,188,954	357,114	7/1/2054
2010 Bangor Fire Station #55 Renovation Project	1,100,000	920,333	53,252	8/1/2050
Total Certificates of Participation	***$ 9,100,000***	***$ 8,109,287***	***$ 410,366***	
Capital Leases				
Motorola Solutions Inc.	7,166,380	5,092,299	757,453	12/15/2026
Chico Memorial Hall - 492 Rio Lindo	583,400	56,943	61,156	4/10/2020
Chico Memorial Hall - 554 Rio Lindo	670,900	59,196	62,275	4/10/2020
2017 Government Campus Infrastructure Financing	2,658,000	2,368,910	221,269	10/1/2032
2018 Grader and Tractor Truck Lease	495,702	402,220	108,050	4/13/2023
Total Capital Leases	***$ 11,574,382***	***$ 7,979,568***	***$ 1,210,203***	
Neal Road Recycling and Waste Facility				
2006 Certificates of Participation Refunding	4,220,000	1,085,000	1,102,396	7/1/2020
2017 Equipment Lease-Purchase	816,393	334,197	171,039	11/15/2021
2019 Equipment Lease-Purchase	825,103	825,103	179,514	3/18/2025
Total Neal Road Recycling and Waste Facility	***$ 5,861,496***	***$ 2,244,300***	***$ 1,452,949***	
TOTAL LONG-TERM DEBT	**$ 76,430,878**	**$ 64,153,155**	**$ 7,692,150**	

*From FYE 6/30/18 to maturity per amortization schedules

Figure 15 **LONG-TERM DEBT PAYMENTS**

Debt Description	Principal Paid	Interest Paid
Pension Obligation Bonds Series - B		$109,201
2006 Certificates of Participation Refunding	$163,239	$7,800
Motorola Solutions, Inc.	$698,388	$59,065
2017 Government Campus Infrastructure Financing	$74,112	$36,523
TOTAL DEBT PAYMENTS	**$935,739**	**$212,589**

Figure 16 displays the County's long-term debt over a period of ten years as a percentage of the total assessed value of County property and debt per County resident.

Figure 16

Outstanding Debt and Ratios (Through December 2019)

(In Thousands, Except Debt Ratios)

	Governmental Activities (A)				**Neal Road Recycling and Waste Facility - Business Type Activities (B)**			**Total Outstanding Debt (A+B)**	**Debt Ratios**	
Fiscal Year	Bonds	Loans/ Notes	Certificates of Participation	Capital Leases	Loans	Certificates of Participation	Lease Financings	Primary Government	Debt as a % of Assessed Property Values	Debt per County Resident
2011	$ 49,895	$ 2,053	$ 2,680	$ 832	$ 250	$ 10,550	$ -	$66,260	0.3634%	$ 299
2012	$ 49,895	$ 1,819	$ 2,237	$ 792	$ 200	$ 9,770	$ -	$64,713	0.3452%	$ 292
2013	$ 49,895	$1,575	$ 1,835	$ 699	$ 150	$ 8,960	$ 559	$63,673	0.3437%	$ 288
2014	$ 49,545	$1,322	$ 1,422	$ 611	$ 100	$ 8,115	$ 951	$62,066	0.3303%	$ 280
2015	$ 49,075	$1,059	$ 7,696	$ 1,283	$ 50	$ 6,320	$ 745	$66,228	0.3326%	$ 288
2016	$ 48,480	$654	$ 8,583	$ 450	$ -	$ 6,320	$ 534	$65,021	0.3082%	$ 294
2017	$ 47,745	$400	$ 8,471	$ 7,512	$ -	$ -	$ 5,357	$69,485	0.3281%	$ 309
2018	$ 46,865	$136	$ 8,354	$ 9,801	$ -	$ -	$ 3,956	$69,112	0.3092%	$ 305
2019	$ 45,820		$ 8,234	$ 8,752	$ -	$ -	$ 3,473	$66,279	0.2814%	$ 292
2020	$ 45,820		$ 8,109	$ 7,980			$ 2,244	$64,153	0.2809%	$ 283

Attachment A

HdL Companies

CALIFORNIA FORECAST
SALES TAX TRENDS AND ECONOMIC DRIVERS

JANUARY 2020

Half Dome, Yosemite National Park

HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's Revenue Enhancement and Economic Development Services help clients to maximize revenues.

HdL serves over 500 cities, counties and special districts in California and across the nation.

Delivering Revenue, Insight and Efficiency to Local Government Since 1983

HDL CONSENSUS FORECAST – JANUARY 2020
STATEWIDE SALES TAX TRENDS

HdL Companies

2019/20 | 2020/21
TOTAL 2.4% | 1.8%

2019/20 | 2020/21

Autos/Transportation -1.5% | 0.3%

Auto and transportation receipts fell this quarter for the first time since the end of the Great Recession, but this deterioration was largely the result of an aberration rather than a symptom of economic decline. The anomaly was caused by the fulfillment of a large backlog of orders for a recently released model by an emerging vehicle manufacturer, which spiked results in the third and fourth quarters of last year. Results are otherwise expected to be flat to slightly down over the next year. Sales activity will be negatively impacted by the high price of today's vehicles but sustained by record manufacturer incentives.

Building/Construction 1.6% | 2.1%

As the quantity of permits issued for residential and commercial developments continues to decline, the value of permitted projects is beginning to drop as well. Meanwhile, prices for materials are rising but the lack of demand for lumber is a drag against the volume of total sales. The good news is that there are plenty of permitted projects left to be built since construction timelines have been extended from the lack of available workforce. Infrastructure projects are expected to keep construction crews busy for some time. Overall, this sector will reflect reasonable activity, however, tax gains will be sluggish through the 2020-21 fiscal year.

Business/Industry 2.4% | 1.8%

Labor shortages and ongoing uncertainty over trade and tariff policies appear to be slowing capital investment decisions and new orders. California's high-tech service economy is expected to do better than the country as a whole with most analysts predicting more modest growth in procurement of equipment and supplies to support healthcare, food processing, logistics/warehouse operations and information/data technology. Much of the group's projected gain is related to the acceleration of online shopping which shifts consumer retail tax revenue from brick and mortar stores to industrial zoned logistics centers. Minimal growth and some declines are expected across other categories.

Food/Drugs 1.9% | 1.5%

Customers routinely express the desire to shop locally. Grocery chains are meeting this demand by establishing same day deliveries for online alcohol purchases and partnering with companies to establish micro-fulfillment centers. Pharmacies, also sensitive to purchaser preferences, are embracing technology in various ways. Artificial intelligence is being used more to create drugs while specialty medication and 3-D printed prescriptions become more common. Recent healthcare megamergers will impact this industry in 2020 and beyond. Taxes from this group will also grow as more cannabis businesses are licensed and become operational at the local level.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. HdL forecasts a statewide increase of 3.51% for Fiscal Year 2019/2020 and a gain of 1.44% in 2020/2021.

Fuel/Service Stations 1.0% | 1.0%

Higher gas prices in California due to refinery issues ahead of the holiday shopping period may push consumers to reprioritize spending. Should supply remain tight into the spring of 2020, future summer fuel pricing could reach levels not seen since 2014 when crude was over $100/ barrel. Currently, global crude oil appears stable, however, tension in the Middle East remains and OPEC appears ready to reduce production output levels, both of which will increase future cost per barrel.

General Consumer Goods -0.1% | -0.4%

As retailers invest in customer engagement through social media platforms and omnichannel capabilities, they are leveraging mobile technology to drive buyers into physical stores. Greater use of smartphones will improve buy-online-pickup-in-store (BOPIS) services which can influence additional in-store purchases. Changes in consumer attitudes by younger shoppers are fueling the rise of recommence. Off-price or discount shopping is still a major trend, but the resale market is expected to double its size in the next five years. Low unemployment and solid wage growth are good indicators although in-store sales should stay flat or dip moving into 2020.

Restaurants/Hotels 2.5% | 2.1%

Restaurant traffic has remained sluggish as low unemployment is making hiring and retention extremely difficult while food service options intensify competition within categories. Restaurant operators increase menu prices as labor costs and lease rates continue to rise. In the short term, the rising menu prices offset the slowing traffic stabilizing restaurant sales tax revenue.

State and County Pools 12.4% | 6.5%

Business to business plus consumer spending on out-of-state merchandise will surge as companies expand digital investments while managing shipping wars, data privacy and logistic challenges. This segment is expected to stay strong and outpace all other traditional sales tax groups without letting up. Early results from the Wayfair decision implementation, which launched in the second quarter of 2019 under AB147, added new revenues at the State and local level. The marketplace facilitator phase started October 1st; current and next year forecasting comprises Wayfair's total impact on anticipated use taxes distributed through the countywide pools.

NATIONAL AND STATEWIDE
ECONOMIC DRIVERS

U.S. Real GDP Growth

2019/20 | 2020/21

2.3% | 2.0%

What is most notable about current GDP data is just how steady growth has been despite all the frantic headlines. U.S. GDP growth was 2.8% in 2017, 2.5% in 2018, and has averaged 2.4% for the first three quarters of 2019. Throughout this entire period consumer spending has been the primary driver of growth and that spending is now growing at roughly the same pace as U.S. GDP. Much of the overall confidence surrounding the ongoing health of the U.S. economy sits with the consumer. The one weak spot in the nation's GDP data in 2019 was in business investment, although spending is down in that area for a number of specific reasons, but not too many general ones. Weak export data has played a role in slowing investment but the overall impact of the trade war with China has been highly overstated. The biggest issue for U.S. exports isn't China, but rather a U.S. dollar that hasn't been this expensive in global currency markets since 2002. Alongside a weak global economy, the dollar's value actually illustrates the resilience of the U.S. economy overall.

U.S. Unemployment Rate

3.7% | 3.8%

What will not make negative headlines is the actual health of the United States economy. Pessimistic press coverage and punditry aside, the sum total of indicators for the year show that the U.S. economy is continuing to grow at the same steady rate that has now become the hallmark of the longest expansion on record. The health of the consumer and, therefore, the growth of the economy is being supported by record tight labor markets. The U.S. unemployment rate fell to 3.6% in the latest quarterly read, and has trended below the national jobs opening rate for two years. Competition for scarce labor resources has led many workers to receive a significant increase in earnings, and a growing share of national income. In 2014, compensation for employees was 60% of national income compared to 63% in 2019.

CA Total Nonfarm Employment Growth

1.7% | 1.4%

Since October 2018, California's economy has added 308,000 jobs, which is equivalent to a 1.8% year-over-year increase, exceeding the nation's growth rate of 1.4% over the same period. This rate of growth is well above the state's long-term employment growth rate, which has averaged 1.2% per year since 1991. Within the state, we see considerable variation in job growth rates by region. Perhaps the most impressive performance within the state occurred in the San Francisco Bay Area. Together, San Francisco, San Jose, and Oakland added jobs at a rate of 3.0% and accounted for one-third of California's job growth over the past year. Fully 40% of the state's job growth over the past year was concentrated in just two sectors: Health Care and Social Assistance and Leisure and Hospitality. Secular trends, such as a growing elderly population, account for growth in Health Care and Social Assistance employment, while growth in Leisure and Hospitality employment reflects underlying strength in the health of the consumer. The more confident consumers feel, the more likely they are to travel or dine at a restaurant.

CA Unemployment Rate

4.2% | 4.1%

Despite a nagging perception that there are murky clouds on the horizon, California's economy reached a number of significant milestones in the most recent quarter. The state's unemployment rate dipped to 3.9%, which represents a new record low – all while employment and wages reach all-time highs. The longer the current expansion persists, the closer we are to the next recession, but business cycles do not die of old age, and at present, there are few signs of a slowdown in the state's economy.

CA Median Existing Home Price

$488,900 | $509,500

Home price growth has shown some signs of exhaustion over the past year. The median price for a single-family home in California grew 2.2% over this period, which when adjusted for inflation, means that price growth has effectively been flat. Following the run up in prices in recent years, such a slowdown is not surprising; after all, when the median home price in a place like San Francisco stands at $1.4 million, the room for sustained price inflation is limited, no matter the strength of the local economy. To be sure, lower interest rates should spur home price growth in the state, but it's unrealistic to expect the rate of growth we've seen in recent years to continue.

CA Residential Building Permits

111,310 | 124,150

The issue of home building permits is a cause for concern. The supply of building permits peaked in the first quarter of 2018, and permit growth turned negative in the third quarter of that year. This growth has remained negative throughout 2019. Constrained housing supply will continue to place upward pressure on home prices and could also limit growth of the state's labor force. At least at the national level, the third quarter saw residential investments contribute to overall growth. Hopefully this continues and materializes within California sooner rather than later.

HdL Companies

120 S. State College Blvd., Suite 200
Brea, CA 92821
Telephone: 714.879.5000 • 888.861.0220
Fax: 909.861.7726

California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

Beacon Economics

Southern California Office
5777 West Century Boulevard, Suite 895
Los Angeles, CA 90045
Telephone: 310.571.3399
Fax: 424.646.4660

Beacon Economics has proven to be one of the most thorough and accurate economic research/analytical forecasting firms in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.

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714.879.5000 | hdlcompanies.com