



Butte County Administration

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Date: November 12, 2019
To: Butte County Board of Supervisors
From: Meegan Jessee, Deputy Administrative Officer
Subject: Financial Report for Fourth Quarter of Fiscal Year 2018-19 & First Quarter of 2019-20

OVERVIEW

The Butte County financial report for the fourth quarter of fiscal year 2018-19 and the first quarter of fiscal year 2019-20 contains updates on the economy, expenditures, revenues, cash balances and long-term debts for the periods ending June 30, 2019 and September 30, 2019.

The financial report for the fourth quarter of fiscal year 2018-19 is combined with the financial report for the first quarter of fiscal year 2019-20 because significant accounting activity occurred for both periods through September 30, 2019. Many revenues received and expenditures made between June 30, 2019 and September 30, 2019 were recorded in the fourth quarter of fiscal year 2018-19 because they were related to revenue earned or services provided in the 2018-19 fiscal year.

Economy: The U.S. economy continued to grow through September 30, 2019 and is expected to continue to grow through fiscal year 2020-21 albeit at a somewhat slower pace. Unemployment continues to be at historic lows.

Expenditures: County expenditures continue to be impacted directly and indirectly by the Camp Fire. At the end of the fourth quarter, the County had expended \$515.1 million from a budget totaling \$591.9 million, which is about 87% of budget. Overall County expenditures as a percent of budget were similar to prior years, but there was variation within that, much of which was related to the Camp Fire and is detailed in the body of the report.

Thru the first quarter, the County expended \$107.9 million, which is 17% of the budget.

Revenues: Discretionary revenues received during fiscal year ending June 30, 2019 were approximately \$4.2 million or 4% higher than budgeted due to a number of revenues exceeding initial budget projections, including property tax related revenues, sales tax revenues and proceeds from the sale of Rule 20a credits.

Overall, through the end of the fiscal year, the County received 96% of budgeted revenues, which includes both discretionary and non-discretionary funds. Revenues received during the first quarter of

the current fiscal year are 13% of the budgeted amount. Most County revenues are received later in the fiscal year, which results in low first quarter revenue receipts.

Year End Fund Balances: The total General Fund balance at June 30, 2019 was \$23.2 million. Of this total, \$9.2 million was restricted, committed or assigned. The unassigned (available) fund balance as of June 30, 2019 was \$14 million. This is approximately \$2.2 million more than anticipated in the Recommended Budget. As a result, the General Fund Appropriation for Contingency for fiscal year 2019-20 has been increased from \$7.3 million to \$9.5 million, though since that time \$2.9 million has been used bringing General Fund Appropriation for Contingency to \$6.6 million as of November 5th.

Other governmental fund balances totaled approximately \$106.3 million. All of the fund balances in the other governmental funds are restricted, committed or assigned. Internal service funds' restricted net assets totaled \$5.3 million. Enterprise funds' restricted net assets totaled \$42.5 million.

Cash Balances: The General Fund operating cash balance was approximately \$28.4 million at the end of June 2019, compared to \$20.3 million the prior year. The \$8.1 million variance from prior year is due to timing of the 4th Quarter CALFIRE payment (\$4.7 million) and the posting of payroll (\$3.4 million). At the end of September 2019 these timing variances appear to have evened out and General Fund operating cash was \$4.2 million, compared to \$5.4 million the prior year. The \$1.2 million decrease is primarily due to a \$1.1 million transfer to the Department of Employment and Social Services.

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, and has been updated with new reports. The funded status of the retiree health plan is updated periodically years with annual supplements, and the CalPERS pension plan funded status is updated annually. Details on these plans are provided later in the report.

Debt: During the fourth quarter of fiscal year 2018-19 and the first quarter of fiscal year 2019-20, principal payments totaling \$1.4 million and interest payments of \$1.3 million were made against long-term debt obligations. No additional long-term debt was secured by the County during the same period.

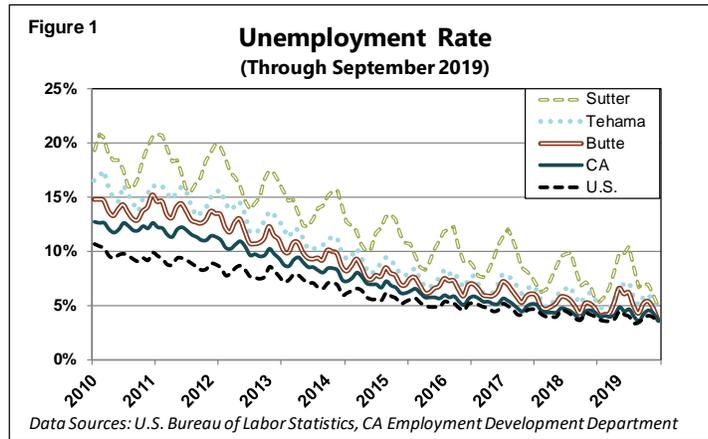
ECONOMIC UPDATE

The October 2019 "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 GDP growth of 2.3% in fiscal year 2019-20, slowing to 2.0% in fiscal year 2020-21, continuing low unemployment and wage growth and solid consumer spending at least through 2019. Home prices are mixed having increased across most, but not all, of the state. Home sales improved slightly during the fourth quarter of fiscal year 2018-19 and are expected to increase further during the first and second quarters of the current fiscal year. Statewide, sales tax is projected to increase 1.6% in fiscal year 2019-20 and 1.9% in fiscal year 2020-21 with the areas of strongest growth continuing to be related to online sales.

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

Unemployment: Butte County’s preliminary unemployment rate in September of the current fiscal year was 3.7%, down from 5.2% at the close of the fourth quarter of fiscal year 2018-19 and 4.1% a year ago. In September, the size of the labor force in Butte County was estimated at 103,900, which was an increase from 101,500 at the end of the fourth quarter of fiscal year 2018-19 and 103,500 a year ago. The unemployment rate in Butte County is slightly higher than that of the State and the U.S. as a whole, and continues to be lower than that of the neighboring counties of Sutter and Tehama (Figure 1).



Building Activity: The combined total number of building permits issued for the unincorporated area of Butte County during the fourth quarter of fiscal year 2018-19 and the first quarter of fiscal year 2019-20 increased by a total of 24% over the same period one year ago. In the first quarter of fiscal year 2019-20 an average of 361 building permits of all types were issued per month for the unincorporated area, which is a slight increase from the monthly average of 320 in the previous quarter and a 29% increase from the monthly average of 279 during the first quarter of fiscal year 2018-19. The number of residential building permits issued for the unincorporated area of Butte County increased by 197% from a total of 37 in the first quarter of fiscal year 2018-19 to 110 residential permits during the first quarter of the current fiscal year. Of the 110 residential permits issued during the first quarter of the current fiscal year, 50 or 45.5% 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

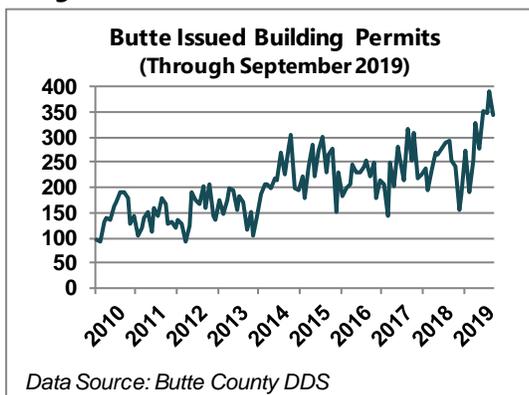
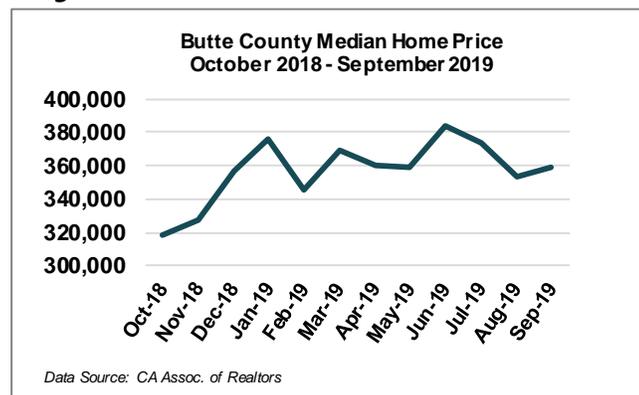


Figure 3



Median Home Price and Home Sales: The median sales price of existing single-family homes in Butte County during September 2019 was \$358,750 up slightly from \$353,150 in the previous month and a 12.1% increase from the median price of \$320,000 in September 2018. Figure 3 shows the changes in the monthly median home price in Butte County during the twelve month period immediately preceding and following the Camp Fire. Home sales in Butte County during September 2019 were down by 19.1% from the previous month and up by 8.0% from September 2018.

FOURTH QUARTER EXPENDITURE REPORT

At the end of the fourth quarter fiscal year 2018-19, the County had expended \$515.1 million from a budget totaling \$591.9 million. As shown in Figure 4 below, the County spent \$204.3 million on salaries and benefits, \$136.2 million on services and supplies, \$100.7 million on other charges, such as payments between funds for services provided between County departments and contributions to other agencies, and \$7.1 million on capital assets. The remaining \$66.5 million in expenditures were for other financing uses and special items expenditures, which consist primarily of operating transfers and other charges between budget units. The majority of these are transfers between departments and non-operating funds. Overall, the County expended 87% of the budget in fiscal year 2018-19 compared to 86% the prior year.

Figure 4 below shows graphically in an OpenGov report, which can be found [here](#), the County's actual expenditures by type through the fourth 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

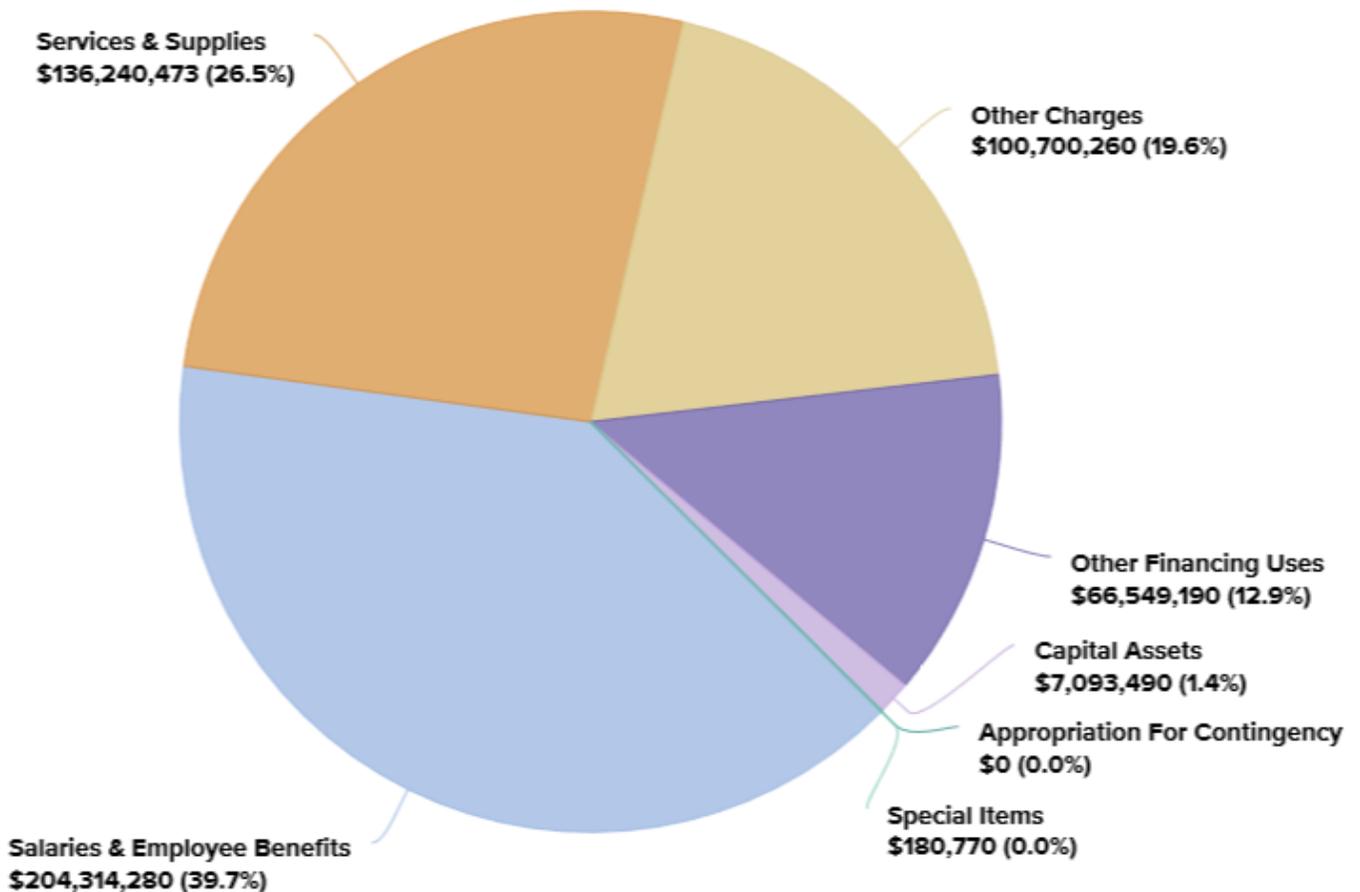
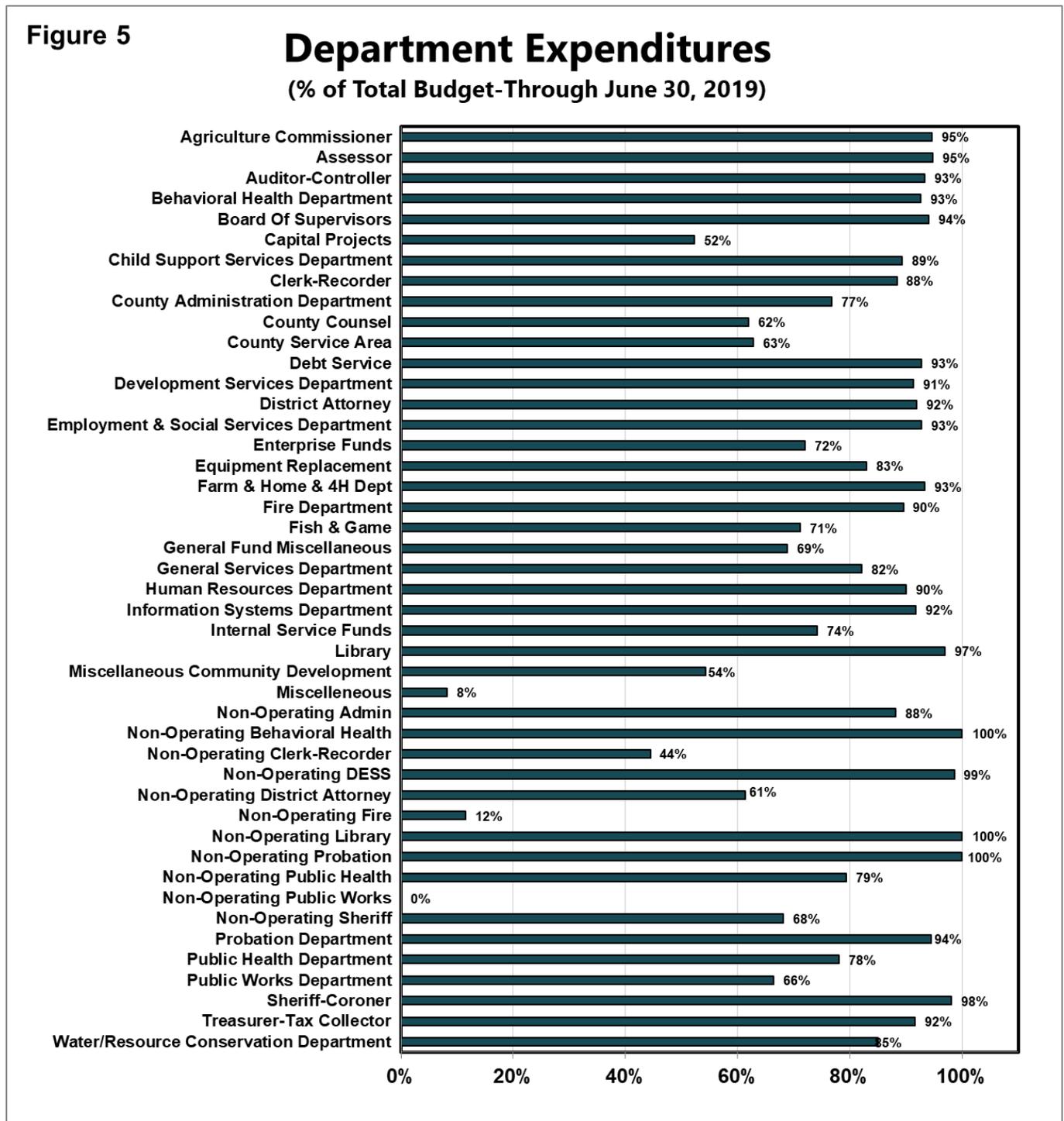


Figure 5 below shows the percentage of budget expended by each County department as well as various non-departmental groups. Note the additional of the Miscellaneous group which accounts for grants related to the Camp Fire.



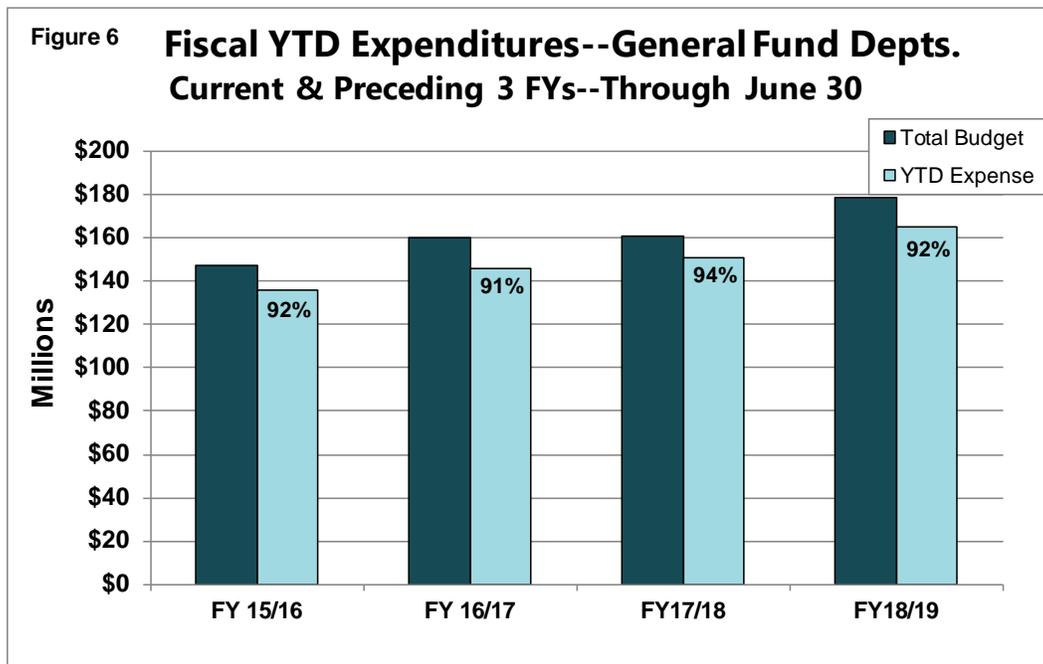
Most departments had expended between 80% and 100% of their budget. A number of departments or non-departmental groupings had expenditures of less than 80% of budgeted amounts with a number of these related to the Camp Fire. The variances are noted as follows:

- Capital Projects included a number of large multi-year projects that did not move forward as much as anticipated in fiscal year 2018-19 including the Jail Expansion, Evidence Storage and Morgue and Chico Communications Tower all of which have been rebudgeted in the current fiscal year.
- County Administration and County Counsel both had lower than anticipated professional services costs.
- County Service Areas (CSAs) budgets often include maintenance/repair funds that are only expended as needed. Additionally some planned road maintenance was not performed as a result of Camp Fire.
- The Neal Road Recycling and Waste Facility, which is accounted for in an enterprise fund, included current year capital purchases and improvements of approximately \$5.7 million. Due to accounting requirements for enterprise funds, annual depreciation is recorded as an expense for capital assets rather than the total cost of current year capital purchases. Additionally, the budget includes over \$1 million in principal debt payments that are not recorded as current year expenditures. The result of these accounting requirements is that some budgeted expenditures are unused. However aside from this variation related to how the facility is accounted for expenses were higher than anticipated due to the Camp Fire and debris removal operations.
- Fish & Game, which accounts for grants awarded by the Fish and Game Commission, had several projects that were delayed by the Camp Fire and not completed by the end of the fiscal year.
- General Fund Miscellaneous grouping includes \$2.8 million in unspent General Fund Contingencies, which resulted in expenditures of less than 70% of budget.
- Internal Service Funds had lower than anticipated Workers' Compensation medical costs as well as lower than budgeted settlement costs. Additionally some reimbursements from the County's insurance pool are recorded as negative expenditures rather than revenues further decreasing total expenditures.
- Miscellaneous Community Development includes the Community Development Block Grant (CDBG) and HOME programs. The unit is at near 50% of budgeted expenditures due to the number of projects completed and the timing of billings from outside consultants.
- The Miscellaneous group reflects is a new fund used to record grants related to the Camp Fire. At the end of the fiscal year the fund recorded three separate grants, detailed below:
 - One \$500,000 grant awarded by the North Valley Community Foundation (NVCF) to provide partial reimbursement for permit fees paid by eligible Camp Fire survivors. \$100,000 of this grant was appropriated in fiscal year 2018-19. There have been 52 applicants served by this grant to date, and approximately \$21,000 was expended by the end of the fiscal year.
 - One \$250,000 grant awarded by the Golden State Financing Authority to fully reimburse the amount of permit fees paid for by Camp Fire survivors with eligible Veteran status choosing to rebuild their home within the community. There have been 17 applicants to date, although the grant were not expended by the end of the fiscal year.
 - One grant awarded by NVCF to help meet the needs of displaced Camp Fire survivors. The current grant award is \$500,000. Approximately \$199,000 was expended during the fiscal year.
- Many of the non-operating funds are at less than 80% of budgeted expenditures. Non-operating funds are reimbursements to operating funds for expenditures made and are not transferred until the related expenditure is completed. Expenditures in a number of these funds were lower than anticipated due to vacant positions and planned projects or purchases not completed by

the end of the fiscal year. In some cases the delay in projects or purchases was related to staff working on Camp Fire related activities.

- Public Health expenditures were lower than expected due to the County Medical Services Program (CMSP) participation fees being waived by the CMSP Board and delayed capital asset purchases.
- Public Works had planned road construction projects that were delayed due to ongoing response and recovery efforts related to the Camp Fire. Additionally the ongoing Midway Bridge project has been delayed to fiscal year 2020-21 due to limited Caltrans funding capacity.

Figure 6 displays budgeted and actual expenditures at the close of the fourth quarter among General Fund departments. As shown in the graph, total percent of budget expended among General Fund departments decreased from 94% in fiscal year 2017-18 to 92% in fiscal year 2018-19. This is due primarily to significant variation in the General Services budget from the Camp Fire. During Fiscal Year 2018-19 \$13.25 million was added to the General Services budget for Camp Fire related expenditures \$1.4 of which was not expended. The Emergency Operations Center (EOC) Logistics Unit purchases from the General Services Budget.



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FOURTH QUARTER REVENUE REPORT

Through the fourth quarter of fiscal year fiscal year 2018-19, as reflected in Figure 7, the County received \$528.3 million in revenue. This amounts to 96% of budgeted revenues compared to 93% in the prior year. The increase is due primarily to revenues related to Camp Fire debris at the Neal Road Recycling and Waste Facility. Figure 7 below shows graphically in an OpenGov report, which can be found [here](#), the County's actual revenues by type through the fourth quarter. OpenGov reports are from the County's Financial Transparency Portal, which provides interactive County financial data at www.buttecounty.net/administration/Finance.

Figure 7

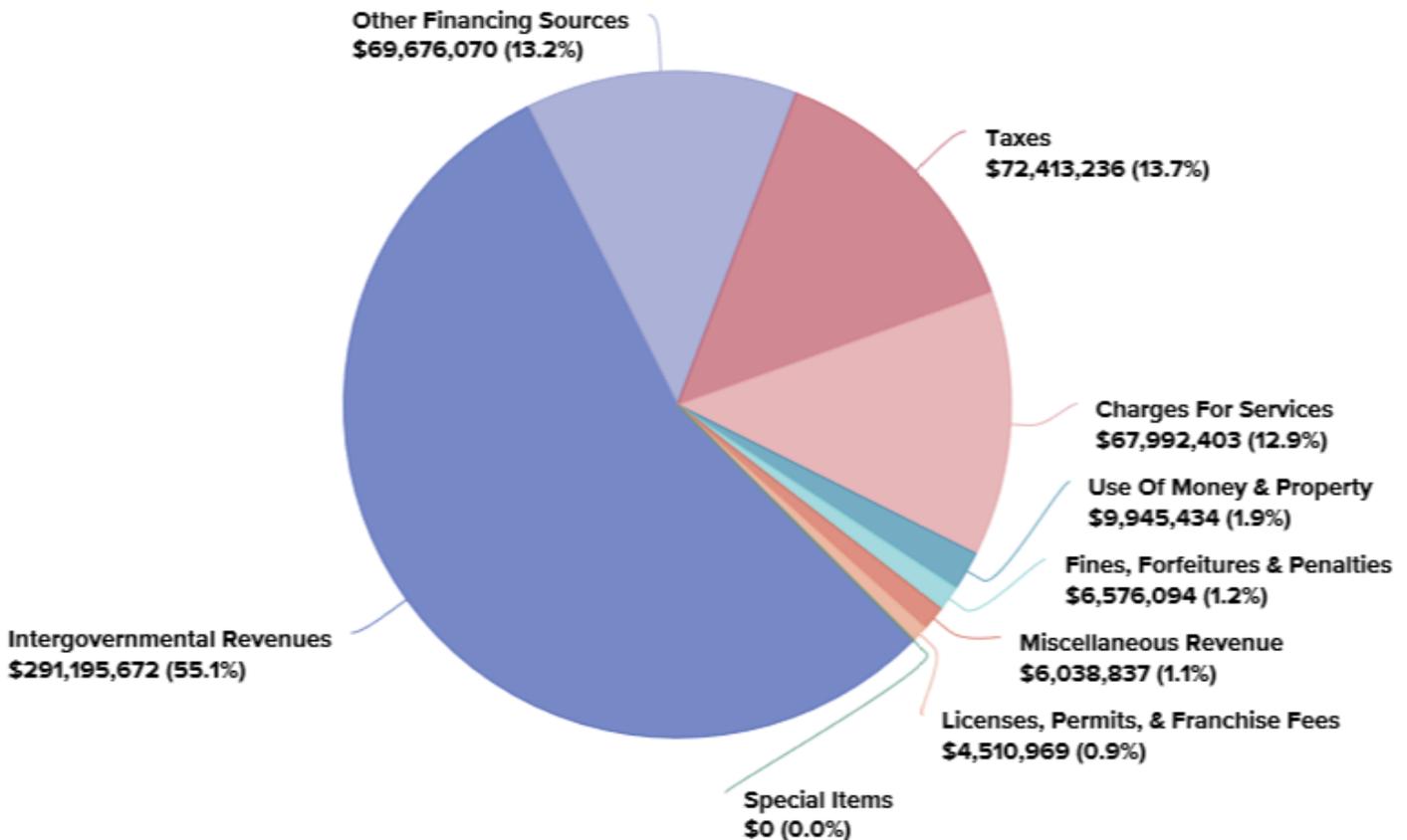


Figure 8 on page 10 shows revenues received by each County department or non-departmental grouping through the end of the fourth quarter. Many departments received revenues between 80% and 110% of their budgeted amounts through the fiscal year. A number of departments had revenue receipts less than 80% of budget. These are noted as follows:

- Board of Supervisor revenues are comprised of rent payments from Paradise Recreation & Parks District. These rent payments have been received but inadvertently deposited to the General Purpose Revenue Budget Unit instead of the Board of Supervisors Budget Unit.
- Capital Projects group has revenue related to projects that were delayed and have been rebudgeted to fiscal year 2019-20.
- County Administration revenues were lower than anticipated due to the timing of grant reimbursements.

- District Attorney revenues were lower than anticipated due to a case management system project that did not finish during the fiscal year, therefore full transfers from non-operating funds were not completed.
- Fire Department revenues were lower than anticipated due to the planned purchase of fire equipment that was not completed by the end of the fiscal year, therefore the transfer from the non-operating fund did not occur.
- General Services had lower than anticipated revenue due to \$2.8 million in disaster related revenues that were budgeted but not received during the fiscal year. Additional funds will be received as claims are completed.
- Miscellaneous Community Development includes the CDBG and HOME programs. Revenue is lower than budgeted due to timing of projects.
- The Miscellaneous group reflects a new fund used to record grants related to the Camp Fire; through the end of the fiscal year 45% of budgeted revenues were received. Additional funds will be received as expenditures are made.
- Public Works receives reimbursement for projects, therefore delays in projects reduce associated revenue. A number of projects were postponed due to department vacancies as well as the Camp Fire. Additionally, budgeted gas tax revenues were lower than anticipated.
- Water/Resource Conservation revenues were lower than anticipated due to the timing of state grant reimbursements.

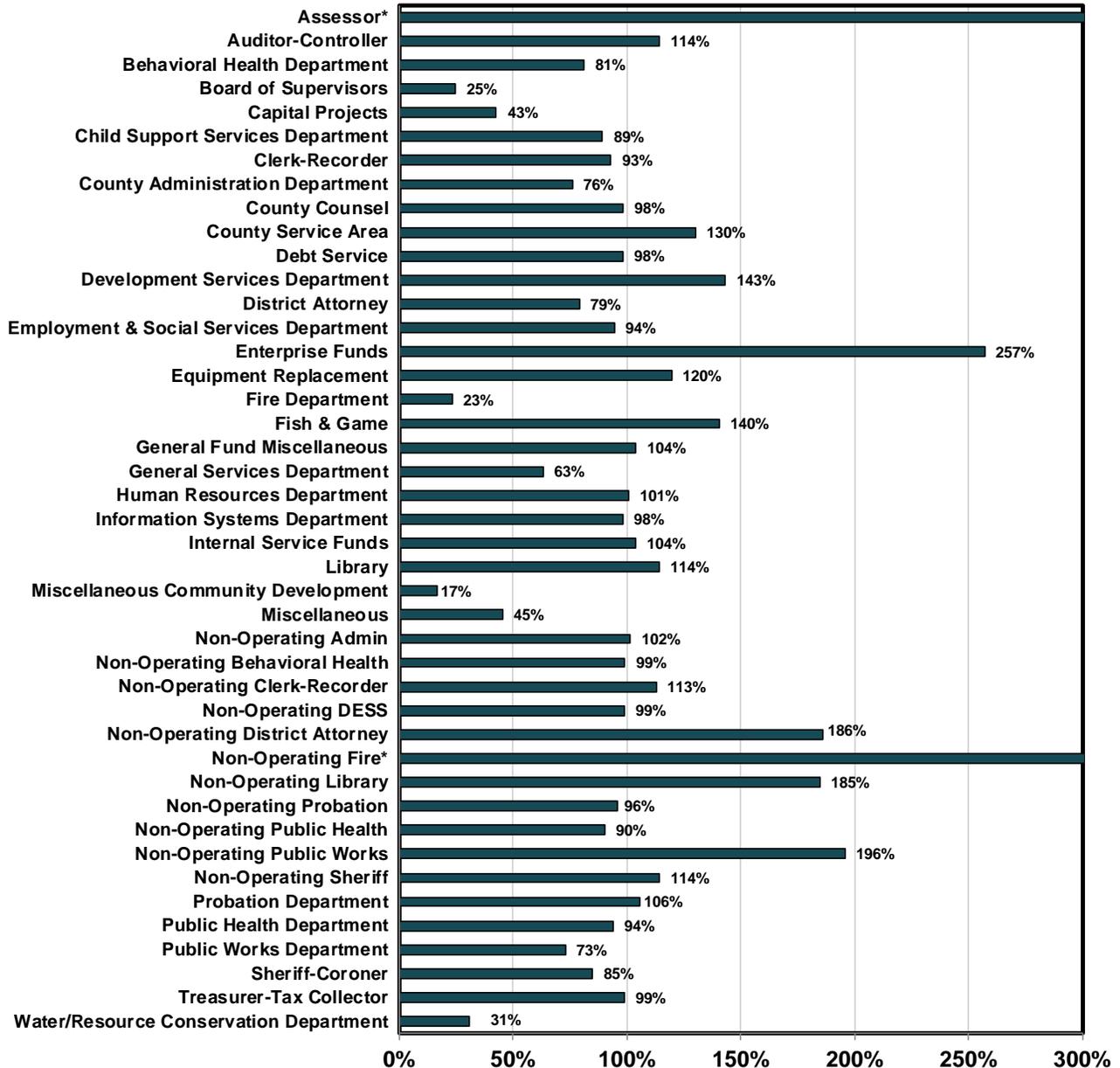
There are also departments with revenues that exceed 110% of budgeted revenues, noted as follows:

- The Assessor's Office received \$150,000 in unbudgeted State grant funding for a GIS project, increasing the Department's revenues.
- Auditor-Controller revenues were higher than budgeted due to receipt of escheated unclaimed funds that revert to the General Fund if unclaimed after a lengthy process.
- County Service Area (CSA) revenues were higher than budgeted due to the receipt of unbudgeted property tax revenue related to former redevelopment agencies.
- Development Services Department revenues were higher than budgeted due to increased residential permit activity in the Building Division. Code Enforcement Division revenues were higher than budgeted as well due to greater than anticipated settlements and paid special liens from marijuana enforcement.
- Enterprise Funds, which account for the operation of the Neal Road Recycling and Waste Facility were up significantly due to the Camp Fire and the acceptance of Camp Fire debris. Landfill services fee revenue exceed budget by \$15.6 million.
- Equipment Replacement revenues were higher than budgeted due to a donation for the purchase of six Sheriff vehicles and insurance reimbursements.
- Fish & Game revenues were higher than budgeted due to increased efforts by State Fish & Game Wardens to combat poaching which in turn increased revenue from fines.
- Library revenues were higher than budgeted due to increase in donations as a result of the Camp Fire.
- Non-Operating Clerk-Recorder revenues increased due to Camp Fire rebuilding activity.
- Non-Operating District Attorney revenues fluctuate based on the number of violations and fines issued. Drug seizure revenues, fines, forfeitures and penalties were higher than anticipated.
- Non-Operating Fire is at 1,055% of budgeted revenues because of settlement revenues from a past fire and revenues from the use of County equipment during the Camp Fire.
- Non-Operating Library revenues were higher than budgeted due to receipt of additional donations related to the Camp Fire.

- Non-Operating Public Works impact fee revenues were higher than budgeted due to increased building activity, primarily in the Chico area.
- Non-Operating Sheriff revenues were higher than budgeted due to a significant increase in revenue from commission on inmate phone calls, as a result of a change in vendor.

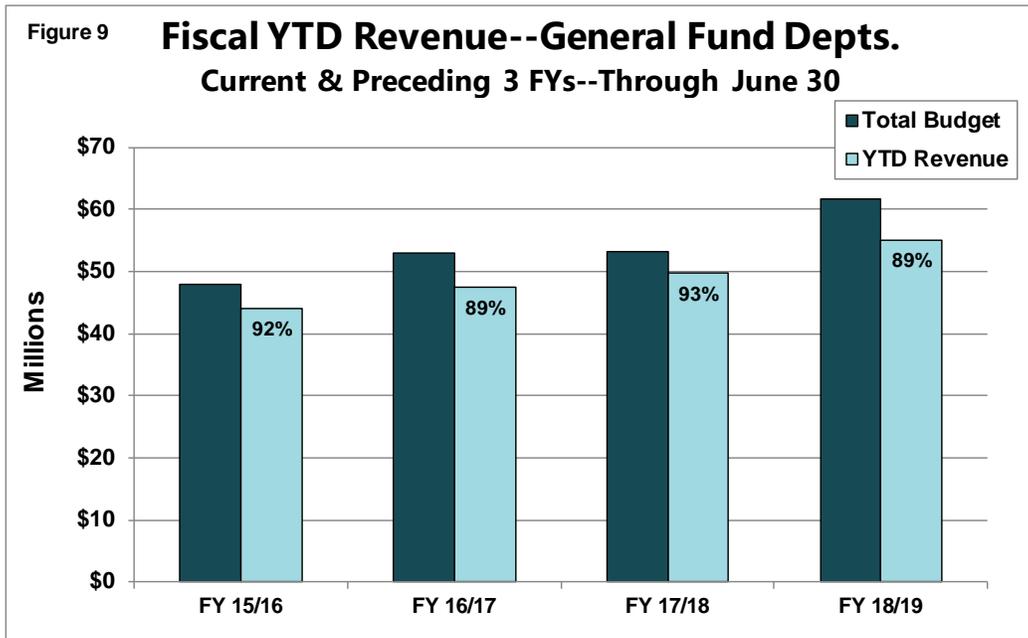
Figure 8

Department Revenues (% of Total Budget-Through June 30, 2019)



*Note: 2 units received more than 300% which is the maximum shown on the graph. The Assessor received 635% of budgeted revenue and the Non-Operating Fire received 1055% of budgeted revenues. Explanations for each are included above.

Figure 9 below displays budgeted and actual revenues at the close of the fourth quarter fiscal year 2018-19 among General Fund departments. County departments received 89% of budgeted revenues, a decrease from fiscal years 2015-16 through 2017-18 due primary to State and federal disaster reimbursement revenues that were budgeted in General Services but not received.



General Purpose Revenue: General Purpose Revenues (included in Figure 10 below) ended the year higher than budgeted. In total, the County received 104% of budgeted general purpose revenue. This was approximately \$4.2 million more than budgeted primarily due to a number of accounts with revenues that came in higher than budgeted which more than offset shortfalls in other accounts.

Figure 10

General Purpose Revenue Receipts (Through 4th Quarter)			
Account Title	Budget	YTD Receipts	YTD %
Property Taxes*	64,210,000	65,312,367	102%
Sales and Use Taxes	5,270,000	5,593,752	106%
Other Taxes	1,858,000	2,133,426	115%
State Revenue	18,467,629	19,040,251	103%
Federal Revenue	501,000	560,043	112%
Other-In-Lieu Revenue	21,000	21,748	104%
Use Of Money & Property	4,093,000	5,199,895	127%
Fines, Forfeitures & Penalties	2,997,000	2,389,783	80%
Tobacco Settlement	1,950,000	2,256,905	116%
Other Sales	58,000	524,709	905%
Charges For Services	1,868,000	1,978,501	106%
Licenses, Permits, & Franchise Fees	1,491,700	1,340,780	90%
Other Financing Sources	6,748,839	7,376,395	109%
Total General Purpose Revenue	\$109,534,168	\$113,728,554	104%

*Property Tax includes the state Property Tax backfill which is technically classified as State Revenue

The primary accounts that came in over budget are detailed as follows:

- Use of Money and Property ended the year \$1.1 million higher than anticipated due to more than anticipated interest revenue related to the Teeter Plan and a net positive unrealized gain/loss calculation.

The Teeter Plan or Alternative Method of Tax Apportionment, which is commonly referred to as the Teeter Plan after the Contra Costa Auditor who developed it in 1949 is part of the County's tax apportionment process. The Auditor's Office has been refining the accounting for Teeter Plan related revenues and so revenue that in the past was shown at Property Tax Revenues or Fine Revenues now show up as Interest under Use of Money and Property. The Teeter Plan revenues overall were actually down over \$400,000 from the prior year likely due to the Camp Fire.

Also part of Use of Money and Property is the annual unrealized gain/loss adjustment. This is a year-end process by which the County records the June 30, 2019 value of holdings in the County Treasury should they be liquidated as of June 30th. This year-end adjustment is then reversed effective July 1st in the new fiscal year and so each year has two unrealized gain/loss adjustments one at the end of the year and one at the beginning. In many years, this results in one negative entry and one positive entry that mostly offset each other, but this year it resulted in two positive entries and the recording of over \$300,000 in unanticipated revenue.

- Property Tax Revenue, including state backfill of property taxes related to the Camp Fire, came in \$1.1 million higher than anticipated mostly due to RDA residual property tax revenues that were higher than budgeted. This is due both to increasing former RDA agency property tax revenues and decreasing RDA expenses.

Property Tax Revenues make up over half the County Discretionary Revenues and as such are a key revenue for the County. The Camp Fire damaged more the 19,000 structures which resulted in a decrease in the County's Assessed Value and a decrease in Property Tax revenues. The state has agreed to backfill lost property tax revenues through Fiscal Year 2020-21.

- State Revenues came in approximately \$570,000 more than budgeted due primarily to Prop 172 statewide sales tax revenue which is based off of statewide sales tax figures.
- The General Fund began receiving advances for Camp Fire related disaster reimbursement. The total receipt, in the General fund, of disaster related funds was \$7.3 million, only \$6.7million of this was budgeted.
- Local sales tax was approximately \$300,000 higher than anticipated, likely due to the response and rebuild efforts brought on by the Camp Fire.
- The County received, on what is expected to be a one-time basis, \$300,000 in additional tobacco settlement funds.
- The County received \$500,000 in unbudgeted one-time revenue related to the sale of Rule 20A credits.

YEAR END FUND BALANCES

The Auditor-Controller's Office spent the months of July, August, and September finalizing the accounting for fiscal year 2018-19. As the process wraps up and the Auditor-Controller's Office prepares the Comprehensive Annual Financial Report (CAFR), the June 30, 2019 unaudited ending fund balances in each of the County's Governmental Funds became known. In the coming months the 2018-19 financial results will be audited and published in the CAFR.

The total General Fund fund balance at June 30, 2019 was \$23.2 million. Of this total, \$9.2 million was restricted, committed or assigned. The unassigned (available) fund balance as of June 30, 2019 was \$14 million. This is approximately \$1.4 million more than available fund balance from fiscal year 2017-18 and \$2.2 million more than anticipated in the fiscal year 2019-20 Recommended Budget. As a result, the General Fund Contingency target of \$7.3 million was increased by \$2.2 million so that the budget remains in balance. This resulted in a beginning total General Fund Contingency for fiscal year 2019-20 of \$9.5 million. However, \$2.9 of that balance has been used through November 5th, leaving a balance \$6.6 million.

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Figure 11

Unaudited Fund Balances-Governmental Funds (Through 4th Quarter)

Fund No.	Fund Name	Total Fund Balance	Restricted / Committed / Assigned Fund Balance	Available / Unassigned Fund Balance
0010	General Fund	23,198,391	9,186,304	14,012,087
0020	Social Services Fund	6,180,534	6,180,534	-
0021	Public Health Fund	12,408,669	12,408,669	-
0022	Behavioral Health Fund	4,073,997	4,073,997	-
0025	Child Support Services Fund	584,259	584,259	-
0030	Road Operations Fund	4,871,553	4,871,553	-
0031	Disaster Recovery Fund	634,699	634,699	-
0038	POB Debt Service Fund	12,951,079	12,951,079	-
0039	Debt Service Fund	829	829	-
0041	Capital Project Fund	1,644,819	1,644,819	-
0101	Sheriff - Equip. Replacement	2,073,040	2,073,040	-
0102	District Attorney - Equip. Replacement	63,679	63,679	-
0103	Fire - Equip. Replacement	1,846,005	1,846,005	-
0104	Probation - Equip. Replacement	88,790	88,790	-
0105	Assessor - Equip. Replacement	44,851	44,851	-
0106	General Services - Equip. Replacement	156,259	156,259	-
0107	Information Systems - Equip. Replacement	2,718,777	2,718,777	-
0109	Agriculture - Equip. Replacement	17,935	17,935	-
0111	Development Services - Equip. Replacement	2,709	2,709	-
0131	Transit - Local Trans	377,875	377,875	-
0142	CDBG Program Grants	148,416	148,416	-
0143	CDBG - Program Income Fund	2,393,125	2,393,125	-
0144	HOME Program Income Fund	420,376	420,376	-
0150	Fish & Game Fund	77,674	77,674	-
Included in Attachment A - Non-Operating Funds		52,523,342	52,523,342	-
Total Governmental Funds		129,501,682	\$ 115,489,595	\$ 14,012,087

The fund balance estimate completed during the preparation of the fiscal year 2019-20 Recommended Budget assumed that there would be less General Purpose revenue and more savings from department budgets. A number of higher than estimated spring and summer revenues, including revenues related to the Teeter Plan, the unrealized gain loss revenues, federal and State disaster reimbursements, sales tax and a one-time increase in Tobacco Settlement funds resulted in higher than projected General Purpose Revenues. This was somewhat offset by lower than anticipated savings from County departments.

The fund balances for the remaining operating Governmental Funds are shown on Figure 11, and in all cases are restricted, committed or assigned to the purpose of the fund or a specific project or program within the fund. For example, the Public Health fund balance of approximately \$12.4 million is primarily Public Health Realignment funds that can only be used for public health efforts, and the Road Operations fund balance of \$4.9 million is limited to road projects. The remainder of the governmental funds are non-operating funds, which are used to account for restricted revenue not spent in the year it

is received. The balance of each of the County's non-operating funds is shown in Attachment B. Compared to prior year, overall governmental fund balances decreased by 3%. The largest year over year reduction to fund balance was the Behavioral Health fund which decreased from \$11 million to \$4 million due in part to \$4.6 million in Medi-Cal revenues that were received after the fiscal year was closed as well as some loss of revenue related to the Camp Fire.

In addition to the governmental funds displayed in the chart above, the County has internal service funds and enterprise funds, both of which are accounted for somewhat differently than the governmental funds. Instead of a year-end fund balance for the internal service and enterprise funds, net position is reported at year-end. Generally accepted accounting principles require that governmental funds are accounted for using modified accrual accounting, while internal service and enterprise funds are required to be accounted for with accrual accounting. The most significant difference between total fund balance in the governmental funds and net position in the internal service and enterprise funds is that net position includes buildings and other assets owned by the fund, but not fully depreciated. Governmental fund balances do not include capital assets.

The internal service funds are used to account for insurance and utility costs borne by the organization and then charged to benefiting departments. The positive net position in the internal service funds will continue to make it possible to collect lower premiums from departmental budgets than their incurred costs (Figure 12).

Figure 12
Unaudited Fund Balances-Internal Service Funds
(Through 4th Quarter)

Fund No.	Fund Name	Net Position
7100	Self Insurance Fund	1,054,759
7110	Workers Compensation Fund	2,845,948
7120	Unemployment Insurance	212,388
7140	Medical Liability Insurance	12,589
7160	Miscellaneous Insurance	981,776
7210	Utilities Clearing	162,707
Total Internal Service Funds		\$ 5,270,167

The enterprise funds are used to account for the operations of the Neal Road Recycling and Waste Facility. The Closure-Corrective Action Fund will ensure that adequate funds are available for the ultimate closure of the facility while the Neal Road Recycling and Waste Management Fund reflects the

Figure 13
Unaudited Fund Balances-Enterprise Funds
(Through 4th Quarter)

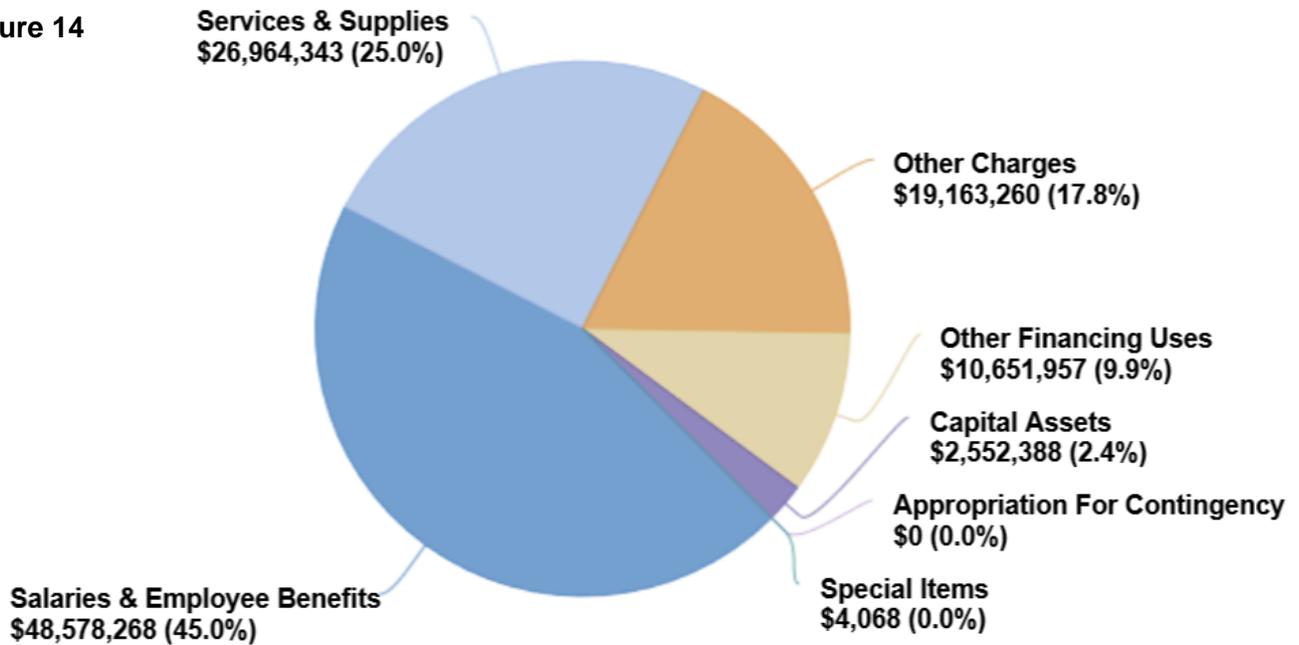
Fund No.	Fund Name	Net Position
7560	Neal Rd Clsr-Cor Actn Fund	(1,896,912)
7570	Neal Rd Recycling & Waste Mgt Fund	44,412,838
Total Enterprise Funds		\$42,515,926

financial operations of the facility. CalRecycle provides guidance regarding the post closure liability and the required funding level. Annually, the County makes a transfer to meet the required funding level. The fund had a total of \$5.7 million in cash at the end of the year to be used Post Closure. The Enterprise Fund is in compliance with requirements set in statute and administered by CalRecycle for current Closure and Corrective Action Fund obligations as well as a State approved instrument to satisfy 30-year Post Closure Maintenance Obligations (Figure 13).

FIRST QUARTER EXPENDITURE REPORT

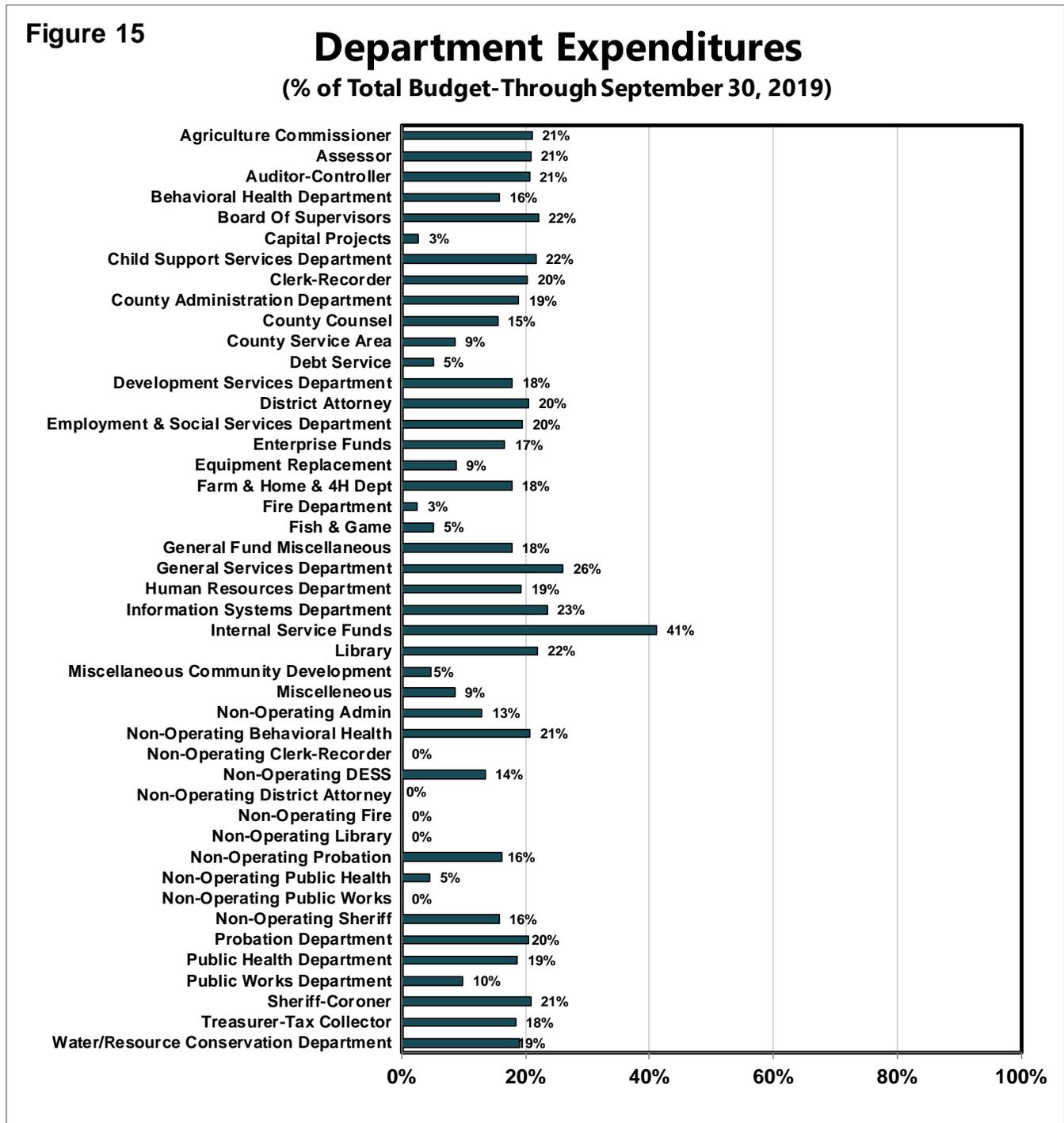
At the end of the first quarter of fiscal year 2019-20, the County had expended \$107.9 million from a budget totaling \$628.7 million. As shown in the graph below (Figure 14), the County spent \$48.6 million on salaries and benefits, \$27.0 million on services and supplies, \$19.2 million on other charges, such as payments between funds and contributions to other agencies, \$10.6 million on other financing uses and \$2.5 million on capital assets. Overall, the County expended 17% of the budget through the first quarter, which was the same as the prior year. Although 25% of the fiscal year elapsed between July 1st and September 30th, typically expenditures are less than 25% at the end of the first quarter. Figure 14 below shows graphically in an OpenGov report, which can be found [here](#), the County's actual expenditures by type through the first quarter. OpenGov reports are from the County's Financial Transparency Portal, which provides interactive County financial data at www.buttecounty.net/administration/Finance.

Figure 14



The graph below (Figure 15) shows the percent of budget expended by each County department. The majority of departments or non-departmental groupings expended 10% to 25% of their budget through September, which is typical for this early in the fiscal year. Through the first quarter, Internal Service Funds and General Services were the only units that expended more than 25% of planned expenditures. Internal Service Funds include General Liability, Workers' Compensation and other risk management funds, and the Utilities Fund. Most of the County's insurance premiums are paid in the first quarter of the fiscal year which accounts for the higher percent of budget expended then other areas of the County. General Services is continuing to pay claims related to Camp Fire response and

recovery and had expended \$1.2 million through the first quarter. It is likely the budget for these response and recovery costs will need to be increased during the course of the fiscal year.



Additionally a number departments expended less than 10% of their budget for the year as detailed below.

- Capital Projects includes a number of building projects that are still in the design phase and the timing of Debt Service payments dictates when that budget is expended.
- County Service Area budgets include charges from Public Works that will not be posted until the second quarter.
- Debt Service expenditures relate to the timing of debt service payments.

- Equipment Replacement funds are primarily the purchase of vehicles which have been initiated but not completed at this point in the fiscal year.
- The Fire budget, for example, includes the State CAL FIRE agreement and the first quarter invoice is not anticipated until later in the year.
- Fish & Game, which accounts for grants awarded by the Fish and Game Commission, is dependent upon the timing of grant projects.
- Miscellaneous Community Development expenditures are dependent upon the timing of community development grant expenditures.
- The Miscellaneous grouping, which has only expended 9% of budgeted expenditures through the first quarter, is used to record grants related to the Camp Fire. These grants include support for building permits, a position in the Sheriff's Office, funding to assist survivors with unmet needs, funding for a Health and Humans Services Facility in Paradise and funding for a Housing Manager position. It is expected these grants will be fully expended before the end of the grant.
- Many of the non-operating funds are less than 10% because transfers related to the first quarter have not been completed.

FIRST QUARTER REVENUE REPORT

Through the first quarter of the year the County received \$84.7 million or 14% of budgeted revenues, somewhat higher than the prior year's 11%. Figure 16 below shows graphically in an OpenGov report, which can be found [here](#), the County's actual revenues by type through the first quarter. The increased revenue is primarily a reflection of fees at the Neal Road Recycling and Waste Facility as well as the timing of the receipt of some intergovernmental revenues. OpenGov reports are from the County's Financial Transparency Portal, which provides interactive County financial data at www.buttecounty.net/administration/Finance.

Figure 16

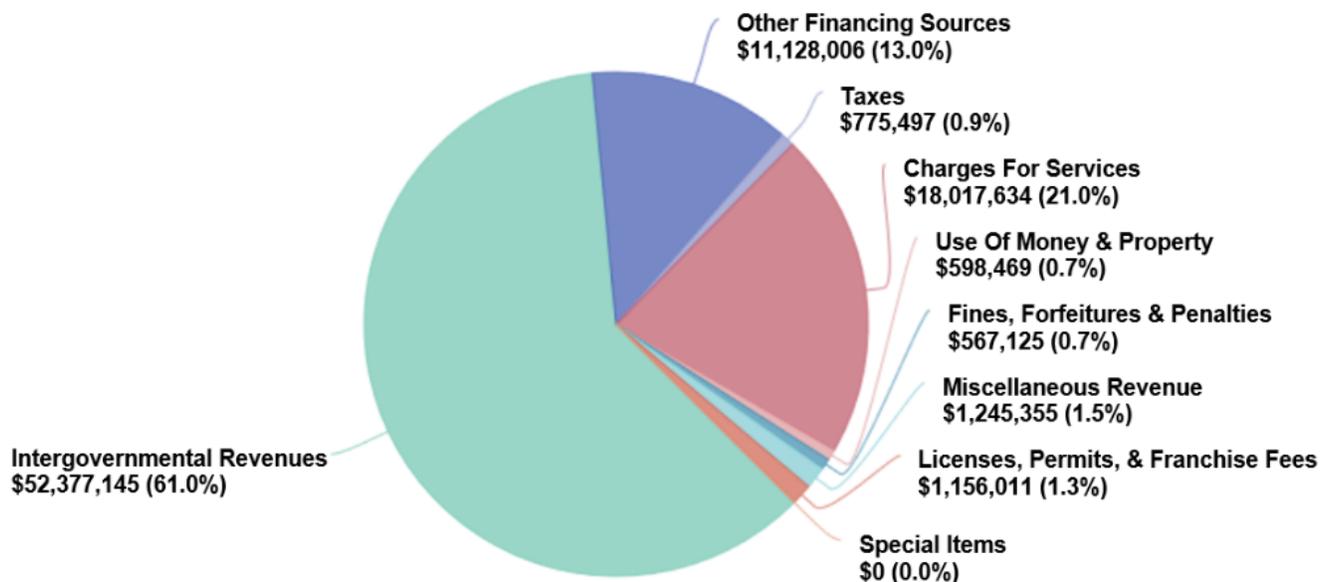


Figure 17 on the following page shows revenues by each County department to date as a percentage of budget. At this point in the fiscal year, it is typical for departments to have wide variations in the percentage of budgeted revenue collected. A number of funds are currently showing negative revenue

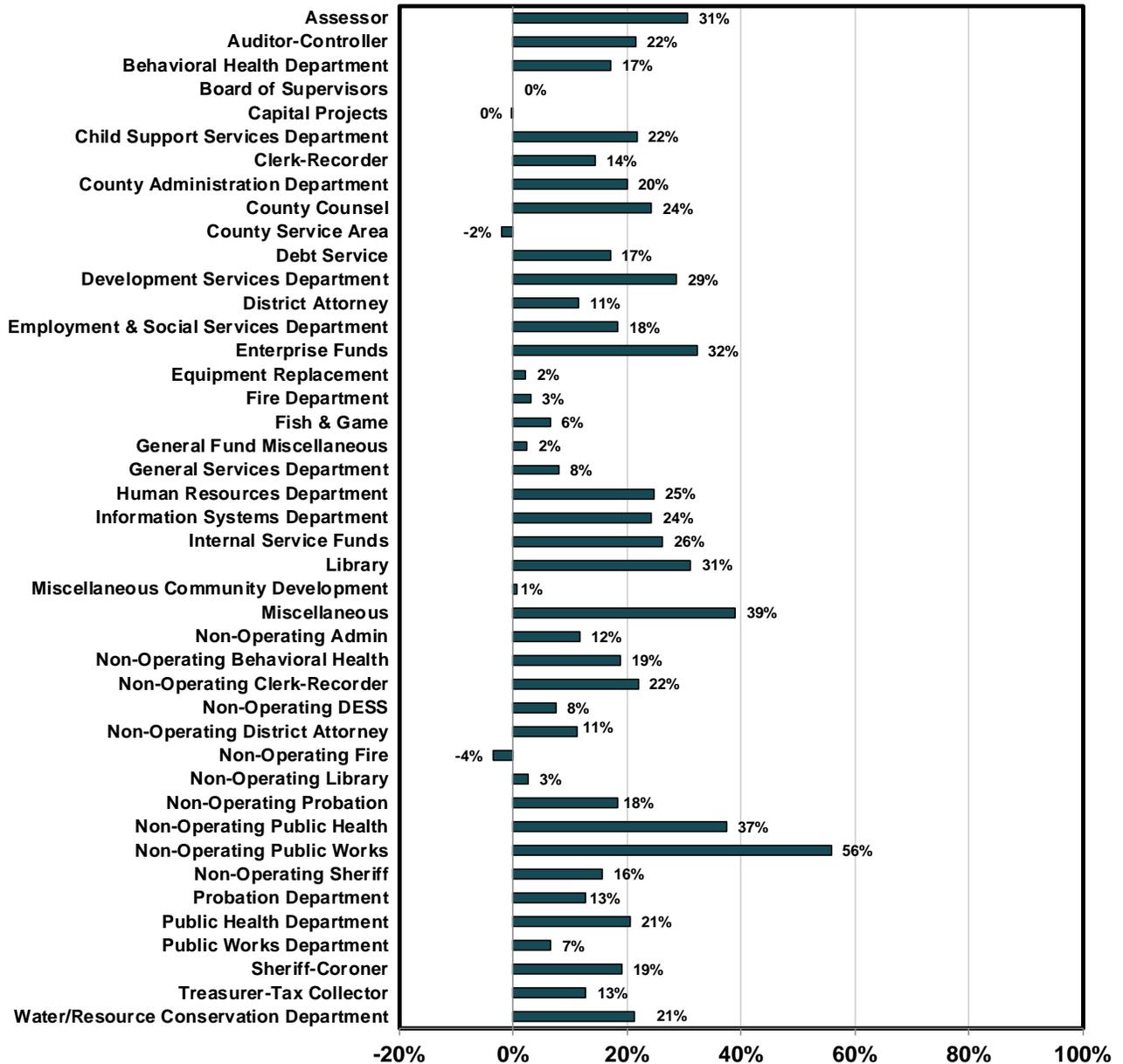
due a the posting of the annual unrealized gain/loss adjustment. This is a year-end process by which the County records the June 30, 2019 value of holdings in the County Treasury should they be liquidated as of June 30th. This year-end adjustment is then reversed effective July 1st in the new fiscal year. The July 1st reversal resulted in a negative revenue being recorded in every fund.

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Figure 17

Department Revenues

(% of Total Budget-Through September 30, 2019)



General Purpose Revenues: Similar to overall County revenues in the first quarter of the fiscal year, general purpose revenue receipts are low. Through the first quarter, the County only received 2% of budgeted general purpose revenues. The single largest component of general purpose revenue is property tax, and the first installment will not be received until the second quarter. The table below shows receipts of general purpose revenue through September 2019. The Auditor’s Office is currently in the process of calculating the Camp Fire related Property Tax backfill and anticipated Property Tax revenues, which will be helpful in forecasting Property Tax revenues and better understanding the impact from the Camp Fire.

Figure 18

General Purpose Revenue Receipts			
(Through 1st Quarter)			
Account Title	Budget	YTD Receipts	YTD %
Property Taxes	68,480,000	-	0%
Sales and Use Taxes	4,700,000	433,297	9%
Other Taxes	2,001,000	342,200	17%
State Revenue	19,155,000	1,451,337	8%
Federal Revenue	414,000	-	0%
Other-In-Lieu Revenue	21,000	-	0%
Use Of Money & Property	4,405,000	(107,837)	-2%
Fines, Forfeitures & Penalties	2,215,000	127,771	6%
Tobacco Settlement	2,000,000	-	0%
Other Sales	58,000	1,253	2%
Charges For Services	2,132,491	29,461	1%
Licenses, Permits, & Franchise Fees	1,316,700	100,736	8%
Other Financing Sources	50,000	3,864	8%
Total General Purpose Revenue	\$106,948,191	\$2,382,082	2%

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 business and related revenues at the Neal Road Recycling and Waste Facility to increased building costs. 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 significant unknowns regarding total costs, cost reimbursement and revenue impacts.

Direct Costs for Response and Recovery: The County is continuing to respond to the Camp Fire and through the first quarter was still sheltering fire survivors, facilitating debris removal, and was active in recovery initiatives. At this point, the County expects 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 September the County had expended approximately \$29 million on Camp Fire response and recovery efforts. That includes approximately \$4 million in non-reimbursable staff time, \$2.5 million in staff time that should mostly be reimbursable, \$14.5 million in services and supplies that should be mostly reimbursable, and \$8 million in Public Works related costs most of which should be mostly reimbursable. The County continues to work with CalOES and FEMA to prepare the documentation to receive reimbursement for eligible expenses. This is a tedious and time-consuming process. These totals do not include payment of most of the approximately \$5 million in mutual aid costs that we anticipate. Staff are working to review the mutual aid claims with CalOES and our mutual aid partners to put the required documentation in place to facilitate reimbursement.

FEMA, CALOES and Insurance Revenues: To date the County has received \$7.7 million in advanced FEMA and CalOES funds and \$4.3 million in advanced insurance reimbursements for building repairs, equipment replacements, and other Camp Fire related losses.

Discretionary 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. The Assessor's Office has completed the County's Assessed Value, which is a 3% reduction from the prior year as shown in Figure 19. Prior to the Camp Fire staff was anticipating approximately a 5% increase in Assessed Value. The County received a three-year property tax backfill from the state. The three-year backfill started in fiscal year 2018-19 with the receipt of a \$1.5 million backfill. The backfill amount for fiscal year 2019-20 is anticipated to be larger, but as of the completion of this report the amount was not available. The rebuild will not be complete by the time the backfill ends and so out year property tax impacts are anticipated.

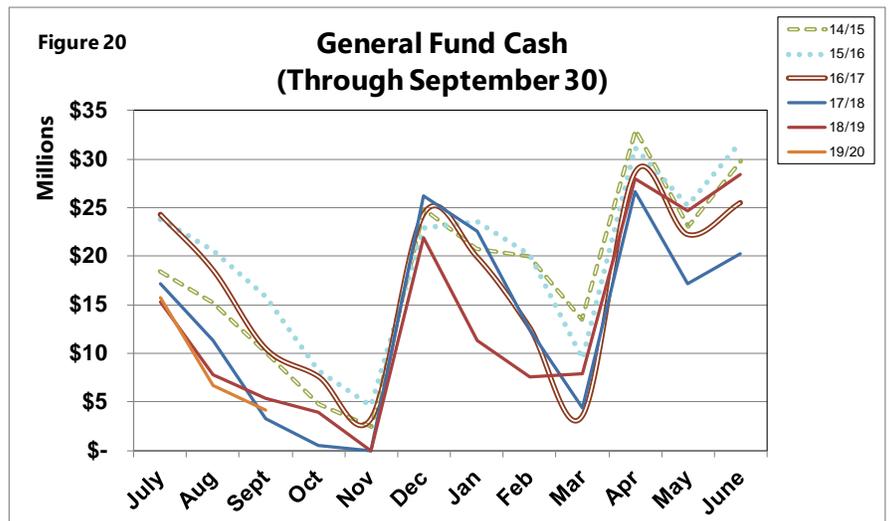
Figure 19

COUNTY OF BUTTE, CALIFORNIA		
ASSESSED VALUE OF TAXABLE PROPERTY		
LAST TEN FISCAL YEARS		
Fiscal Year	Assessed Value	% Change
2011	18,966,273,259	98%
2012	18,744,113,317	99%
2013	18,527,488,185	99%
2014	18,790,698,162	101%
2015	19,433,979,543	103%
2016	20,378,712,486	105%
2017	21,178,410,550	104%
2018	22,349,533,559	106%
2019	23,551,726,257	105%
2020	22,836,879,641	97%

Other discretionary revenues, not backfilled by the State, will also be impacted including reductions in PG&E and Comcast franchise fees (approximately \$130,000-\$150,000 annually) and impacts to the County's Teeter Plan (approximately \$400,000 in fiscal year 2018-19). The Teeter Plan is related to the administration of property tax revenues and provides a mechanism for the County to advance delinquent property tax payments to the all the taxing entities in the County. In return, the County retains the fees and penalties related to delinquent tax payments. Annually the County expects about \$2 million in revenue from the operation of the Teeter Plan. If large numbers of residents in the impacted area default on their property taxes that revenue is reduced. Some of the ongoing revenue losses may be offset by temporary increases to sales tax revenues and property transfer tax revenues.

CASH BALANCES

The General Fund cash balance at the end of the fourth quarter of fiscal year 2018-19 was \$28.4 million, compared to \$20.3 million the prior year. The \$8.1 million increase is due largely to a number of timing variances including the timing of the fiscal year 2017-18 fourth quarter \$4.7 million payment to CAL FIRE which was not cashed until the first quarter of fiscal year 2019-20 and the number of payrolls that hit cash. In fiscal year 2017-18 twenty-six payrolls hit cash, compared to fiscal year 2018-19 with only has twenty-five payrolls hit cash creating a \$3.4 million timing variance.



By the end of the first quarter of fiscal year 2019-20 these timing variances seemed to have largely evened out and General Fund operating cash declined to \$4.2 million, compared to \$5.4 million at the end of the first quarter of fiscal year 2018-19. Additionally in the first quarter of the current fiscal year \$1.2 million was expended by General Services for costs related to the Camp Fire and the General Fund transferred \$1.1 million to the Department of Employment and Social Services to support mandated programs and payments.

At the end of the first quarter there were no cash advances from the General Fund. However, in August the Social Services Fund required a \$509,000 cash advance from the Public Health fund that was repaid in September.

PENSION PLAN FUNDED STATUS

Figure 21 below, presents the most recent funded status of the County’s pension plans. 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. The safety plan’s funded ratio declined by 1.8% and the miscellaneous plan’s funded ratio declined by 2.4% due primarily to the reduction in the assumed investment earnings or discount rate. As such, the total unfunded accrued liability increased as did the required pension payments to CalPERS for the 2019-20 fiscal year.

Figure 21 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%

RETIREE HEALTH PLAN FUNDED STATUS

Figure 22 below presents the most recent funded status of the County’s retiree health plan as of June 30, 2019. The retiree health actuarial is updated periodically, with a supplement issued annually. The information below is from the supplement issued for June 30, 2019. 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.

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 September 30, 2019 the County had accumulated \$6.4 million. The improvement to the

Figure 22 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%

funded ratio is due to the accumulation of funds to pay future benefits.

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LONG-TERM DEBT

The Long-Term Debt schedule, Figure 23, presents balances as of September 30, 2019.

The County secured no new debt during the fourth quarter of fiscal year 2018-19 or the first quarter of the current fiscal year.

Figure 23 LONG-TERM DEBT (THROUGH SEPTEMBER 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	5,790,687		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	2,443,021		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	\$ 8,752,067		\$ 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	497,436		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	\$ 2,407,539		\$ 1,452,949	
TOTAL LONG-TERM DEBT	\$ 76,430,878	\$ 65,088,893		\$ 7,692,150	

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

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During the fourth quarter of fiscal year 2018-19 and the first quarter of the current fiscal year, the County made a total of \$2,606,508 in debt payments, \$1,354,508 of which resulted in principal reductions as detailed in Figure 24 below.

Debt Description	Principal Paid	Interest Paid
Pension Obligation Bonds Series - A	\$470,000	\$815,816
Pension Obligation Bonds Series - B	\$575,000	\$275,601
2014 Hall of Records Certificates of Participation	\$109,000	\$127,714
2010 Bangor Fire Station Certificates of Participation	\$16,000	\$18,727
2017 Government Campus Infrastructure Financing	\$73,020	\$37,615
Chico Memorial Hall -192 Rio Lindo	\$53,019	\$8,137
Chico Memorial Hall - 554 Rio Lindo	\$56,270	\$6,004
TOTAL DEBT PAYMENTS	\$1,352,309	\$1,289,614

Figure 25 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.

Fiscal Year	Governmental Activities (A)				Neal Road Recycling and Waste Facility - Business Type Activities (B)			Total Outstanding Debt (A+B)	Debt Ratios	
	Bonds	Loans/Notes	Certificates of Participation	Capital Leases	Loans	Certificates of Participation	Lease Financings		Primary Government	Debt as a % of Assessed Property Values
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	\$ 8,752			\$ 2,408	\$65,089	0.2975%	\$ 287

CALIFORNIA FORECAST SALES TAX TRENDS AND ECONOMIC DRIVERS

OCTOBER 2019



Sonoma County, CA

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.

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HDL CONSENSUS FORECAST - OCTOBER 2019

STATEWIDE SALES TAX TRENDS

 **2019/20 | 2020/21**
TOTAL 1.6% | 1.9%



Autos/Transportation

2019/20 | 2020/21
-0.3% | 0.3%

New car pricing is at record levels, up four percent over the prior year, as buyers opt for more expensive SUVs, features and safety equipment. The higher pricing has helped offset the impact of declining new car sales volume and incentivized increases in used car sales. Overall allocations are expected to remain relatively stable with these trends in play, though the risk of a self-made recession resulting from simmering trade tensions remains a wildcard. The next two quarters will also be difficult in comparison to last year when an emerging vehicle manufacturer fulfilled a large backlog of orders for a newly released model.



Fuel/Service Stations -1.0% | 1.0%

Recent conflicts in the Middle East have disrupted what was a quiet period relative to global crude oil. While it appears to only be temporary, should conflicts persist the expectation is that global crude oil prices would rise, and local gas prices could follow. Barring future impacts, prices may begin to decrease as refineries switch over to the California seasonal winter blend, possibly helping consumer spending in other categories.



Building/Construction

2.6% | 3.0%

While there are still many development and infrastructure projects in the pipeline, residential permits have been down in three of the last four quarters. This is in response to slumping home sales where recent activity is tied to those moving up in home size while first-time buyers are waiting as they save for cash for down-payments. Despite low interest rates, buyers are losing ground as rising prices eat up mortgage savings. Single family and multi-family permit totals are well below 2018 levels but commercial construction and home improvement work will help counter the eventual drop in housing starts that come in four to eighteen months.



General Consumer Goods -0.6% | -0.3%

Brick and mortar trends will remain unstable throughout the balance of the calendar year and beyond. Just as the evolution of retail is promoted by shifting consumer expectations, perception drives customer spending. As we approach the end of 2019, shoppers may begin to feel the effects of increased prices related to tariffs on Chinese consumer goods, a tightening labor market and increased uncertainty surrounding an election year. Ease of choice through technology is expected to further strain declining in-store activity. How these headwinds frame buyer perceptions and behavior are key factors shaping this sector's performance over the next few months.



Business/Industry

2.3% | 2.0%

Overall moderate growth is expected to continue although various surveys suggest that trade tensions, shortages of key labor skills and tariff uncertainty will slow capital investment and expansion plans for some industries over the next few quarters. Spending on information technology, artificial intelligence and labor-saving innovations is unlikely to be deferred. Purchases of equipment and supplies to support logistic services and power utility infrastructures are also expected to remain strong.



Restaurants/Hotels 2.3% | 2.0%

Fast-casual chain restaurants and deliveries are fueling growth, however, rising food, rent and labor prices coupled with a decline in foot traffic continue to plague the restaurant industry and put a damper on overall gains. Guests are eating out less and opting for cheaper selections when they do partake in dining experiences away from their homes. Hotel development is projected to be the slowest in a decade (only 1%), with the lower-priced extended stay market the current trend.



Food/Drugs

1.5% | 1.5%

Consistent with other groups, technology investment is contributing to new ways of getting a customer's attention. Grocers are piloting in-store digital media networks designed to influence shoppers spending behaviors. Floor space is being repurposed into bars and cooking studios while shelves are stocked with ever increasing demands for produce, dairy and other products created locally. Retail pharmacies have also revamped footprints to offer primary medical services and lab testing areas. While these changes are favorable to consumers who demand great experiences, repurposed stores may only generate modest tax improvement.



State and County Pools 7.5% | 6.0%

Implementation of AB147 began April 1, 2019. This is California's enabling legislation tied to the SCOTUS Wayfair decision which established economic nexus as the basis for collection of use taxes by out of state retailers. Marketplace facilitator's obligations for third party sellers begins October 1st. Pools growth over the coming quarters reflects new revenues from merchants who have not remitted taxes previously. Deployment of digital development strategies ranging from augmented reality to voice-activated procurement are appealing both consumers and businesses. Online sales continue to remain a bright spot for the foreseeable future.

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 1.95% for Fiscal Year 2019/2020 and a gain of 1.86% in 2020/2021.



U.S. Real GDP Growth

2019/20 | 2020/21
2.3% | 2.0%

There has been a lot of alarming media coverage about the potential impact of the trade war but, currently at least, the hype is greater than the reality. The tariffs have indeed been a challenge for groups and businesses directly impacted by them, but it is easy to underestimate the human ability to mitigate when faced with a crisis. The ability to resource, renegotiate, and simply pass through the costs of the recent tariffs has limited the damage they have done to economic activity. Although exports fell in the second quarter, imports have been rising on the strength of the U.S. economy. So far, the disruptions have not slowed trade—only diverted it. Moreover, Beacon Economics doesn't see the trade turbulence at this level to be a threat to the broader economic expansion. This could change, of course, if the disputes spiral, and we are concerned about the potential long run consequences of conflating trade policy and foreign policy.



U.S. Unemployment Rate 3.9% | 4.0%

With the U.S. unemployment rate (3.7%) at a 50-year low, and wage growth accelerating, expect solid consumer spending numbers for the balance of calendar year 2019 despite the modest slowing of job and GDP growth. This will help to offset other issues that continue to confront the economy. Because the consumer sector comprises the lion's share of spending in the economy, growth will be sustained in the coming quarters despite concerns about trade, a global slowdown and even the inverted yield curve. Consumer spending is on sound footing right now, supported by job growth, income gains and increases in wealth. Consumers have also exercised prudence in their use of credit with household debt service as a share of income holding steady at 10% for over five years.



CA Total Nonfarm Employment Growth 1.6% | 1.4%

Having barely savored the fact that the U.S. economy is the midst of a record-breaking expansion, attention has suddenly shifted to the question of when the next recession will begin. Admittedly, there are areas of concerns including U.S. trade conflicts, weaker global economic conditions, Brexit and the inverted yield curve. However, despite the uncertainty that continues to fuel these concerns, and despite chronic homegrown problems with respect to the labor force and housing, the California economy has performed solidly through the first half of the year and will stay on track into 2020. As of July, jobs grew statewide at a year-over-year rate of 1.8%, comfortably above the long run rate of 1.2% (since 1991) and a just behind last year's 1.9% growth rate. Additionally, with a tight labor market and steady job growth, wages continue to climb.



CA Unemployment Rate 4.1% | 4.1%

Looking beyond the rhetoric and headline-catching hyperbole, the data clearly show a California economy that is humming along. Having hit a record low of 4.1% in July 2018, the state's unemployment rate has been at or slightly above that rate in the months since. To be sure, California is not without problems. While some are national or even international as described above, others are homegrown, most notably the housing shortfall and its consequent impact on both home prices and rents. Yet, California's labor market and its industries have shown remarkable resilience.



CA Median Existing Home Price \$496,950 | \$509,500

Median home prices are a mixed bag. Prices are up across most areas of the state but flat or decreasing in some places. Home sales declined steadily last year in response to rising mortgage rates. With those rates turning down since late 2018, sales improved modestly in the first half of 2019. Moreover, sales in the second half of this year should improve over the first half. Meanwhile, rents have continued to rise over the year against a backdrop of stable or declining vacancy rates, while statewide residential construction has declined compared to last year's levels, making an already chronic housing shortfall even worse.



CA Residential Building Permits 118,630 | 120,280

Many local leaders want their cities to grow, but the structure of state and local taxation discourages residential development as it adds little to local government coffers and imposes public service costs. In California, there are often greater fiscal benefits from other land uses that directly or indirectly generate taxable sales and other revenue streams for a city's general fund. And, at present, building industry constraints pose yet another complication, notably construction labor, which is expensive and limited in availability with California's economy at full employment. There is no doubt that California needs more housing housing of all types: multi-family as well as single-family, affordable as well as market-rate units. The urgency to deal with this problem has never been greater.

HdL Companies

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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

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Los Angeles, CA 90045

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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.



HdL Companies

714.879.5000 | hdlcompanies.com

Unaudited Fund Balances Non-Operating Funds (Through 4th Quarter)

Fund No.	Fund Name	Total Fund Balance	Restricted / Committed / Assigned Fund Balance	Available / Unassigned Fund Balance
5000	Electronic Recording Fund	17,523	17,523	
5001	SSN Truncation Fund	84,013	84,013	
5002	Recording Systems Fund	1,742,388	1,742,388	
5003	Micrographics Fund	322,532	322,532	
5004	Vital Health Fund	17,052	17,052	
5005	DA - Federal Forfeiture Fund	146,645	146,645	
5006	DA - Treasury Federal Seizure	271,843	271,843	
5007	DA Criminalist Lab Fund	19,184	19,184	
5008	Criminal Justice Facilities Construction Special Revenue Fund	2,562,206	2,562,206	
5009	Probation - Ward Welfare Fund	124,261	124,261	
5010	Probation - CPIA/SB678 Fund	944,289	944,289	
5011	Inmate Welfare Fund	830,349	830,349	
5012	DNA ID Local Share Fund	106,284	106,284	
5013	Civil Equipment Fund	319,967	319,967	
5014	Vehicle Maintenance/Replacement Fund	311,874	311,874	
5015	Crime Prevention Fund	6,475	6,475	
5016	Drug and Gang Activity Fund	21,171	21,171	
5017	Fire - Enhanced Fire Prevention Fund	1,011,349	1,011,349	
5018	Sheriff - Federal Revenue Sharing Fund	21,166	21,166	
5019	Sheriff - Treasury Federal Seizure Fund	42,215	42,215	
5020	Survey Monument Fund	359,124	359,124	
5021	Community Cost Share Fund	1,849,326	1,849,326	
5022	Water Tender Earnings Fund	1,206,097	1,206,097	
5023	Library Donations	205,691	205,691	
5024	Probation - Title IV-E Fund	512,093	512,093	
5025	DA - State/Local Forfeiture Fund	106,852	106,852	
5026	DA - Environmental and Consumer Protection Fund	163,642	163,642	
5027	DA - Real Estate Fraud Prosecution Trust Fund	328,631	328,631	
5028	PROB - MCRP Participant Fund	-	-	
5030	DA - Craig Thompson Environmental Protection Fund	251,333	251,333	
5050	POB Debt Service Fund	-	-	
5052	Bangor Reserve Fund	50,057	50,057	
5054	Hall of Records Reserve Fund	152,105	152,105	
5055	Jail Project Reserve	2,782,718	2,782,718	
5101	Domestic Violence Fund	84,726	84,726	
5102	Child Abuse Prevention Fund	22,791	22,791	
5120	Public Health - Rural Health Education Tobacco Fund	306,560	306,560	
5121	Public Health - Emergency Medical Services Fund	121,641	121,641	
5122	Public Health - Vital/Health Statistics Fund	379,826	379,826	
5123	Public Health - Emergency Preparedness Fund	117,261	117,261	
5124	Public Health - Hospital Preparedness Program Fund	50,085	50,085	
5125	Public Health - Prop 56 Tobacco Use Program Fund	153,403	153,403	
5130	Prop 63 MHSA Fund	7,431,140	7,431,140	
5131	Alcohol Education Fines Fund	450,577	450,577	
5132	Drug Education Fund	139,036	139,036	
5200	Road Improvements Contribution Fund	592,586	592,586	
5201	Countywide General Government Facilities	1,114,010	1,114,010	
5202	Jail Facilities	904	904	
5203	Sherriff Facilities Pre-2007	-	-	
5204	Chico Street Improvement Fund	452,191	452,191	

Unaudited Fund Balances Non-Operating Funds (Through 4th Quarter)

Fund No.	Fund Name	Total Fund Balance	Restricted / Committed / Assigned Fund Balance	Available / Unassigned Fund Balance
5205	Criminal Justice Facilities	179,978	179,978	
5206	Unincorporated General Government Facilities	323,369	323,369	
5207	Health & Social Services Facilities	5,057	5,057	
5208	Countywide Thermalito Traffic Fund	166,211	166,211	
5209	Thermalito Drainage Fund	213,350	213,350	
5210	Drainage Deposits Fund	153,142	153,142	
5211	Subdivision Drainage Fund	1,185,829	1,185,829	
5212	Library Facilities	432,632	432,632	
5213	Community Development Fund	-	-	
5215	Transportation Facilities Fund	1,670,055	1,670,055	
5216	Fire Hydrants Durham Irrigation	2,450	2,450	
5217	Fire Hydrants Yuba Co	4,346	4,346	
5218	Fire Hydrants Cal Water	8,639	8,639	
5219	Fire Hydrants Del Oro	1,041	1,041	
5220	Fire Hydrants OWID	22,827	22,827	
5221	Fire Hydrant TID	130	130	
5222	Sheriff Facilities	573,345	573,345	
5223	Fire Facilities	1,290,192	1,290,192	
5224	Battalion #1 Water Tender Impact Fee	-	-	
5225	Battalion #6 Water Tender Impact Fee	-	-	
5226	Battalion #7 Water Tender Impact Fee	-	-	
5227	North Chico Specific Plan Trails Fund	39,150	39,150	
5228	North Chico Specific Plan Roads and Bridges Fund	167,004	167,004	
5229	North Chico Specific Plan Storm Drainage Fund	245,159	245,159	
5230	North Chico Specific Plan Fire Station Fund	96,596	96,596	
5231	North Chico Specific Plan Parks Fund	167,366	167,366	
5232	Drainage Area 770 - Butte Creek Fund	724	724	
5233	Drainage Area 771 - Comanche Creek Fund	6,101	6,101	
5234	Drainage Area 772 - Little Chico Creek Fund	22,031	22,031	
5235	Drainage Area 773 - Big Chico Creek Fund	19,763	19,763	
5236	Drainage Area 774 - Lindo Channel Fund	30,396	30,396	
5237	Drainage Area 775 - Sudad Ditch Fund	36,355	36,355	
5238	Drainage Area 776 - Mud Creek/Sycamore Creek Fund	160,484	160,484	
5239	Drainage Area 777 - PV Ditch Fund	251	251	
5311	Disaster - EOC Fund	11,755	11,755	
5501	Community Corrections Partnership Fund	9,879,563	9,879,563	
5502	2011 Youthful Offender Block Grant Fund	617,258	617,258	
5503	2011 COPS - Juvenile Justice Fund	796,157	796,157	
5504	2011 Local Innovation Subaccount Fund	141,099	141,099	
5505	COPS - Jail Fund	107,229	107,229	
5506	2011 Rural County Assistance Fund	3,009,492	3,009,492	
5507	2011 CALOES Fund	538,048	538,048	
5508	COPS - DA Fund	271,045	271,045	
5509	DA Revocation Fund	178,348	178,348	
5510	Protective Services Fund	1,360,248	1,360,248	
5511	COPS - Front Line Law Enforcement Fund	81,935	81,935	
Total Governmental Funds		52,523,342	\$ 52,523,342	\$ -