

**Butte County Administration**

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Date: December 6, 2016

To: Butte County Board of Supervisors

From: Meegan Jessee, Deputy Administrative Officer

Subject: Financial Report for Fourth Quarter of Fiscal Year 2015-16 & First Quarter of Fiscal Year 2016-17

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**OVERVIEW**

The Butte County financial report for the 4<sup>th</sup> quarter of fiscal year 2015-16 and the 1<sup>st</sup> quarter of fiscal year 2016-17 contains updates on the economy, expenditures, revenues, cash balances and long-term debts for the periods ending June 30, 2015 and September 30, 2016.

The financial report for the 4<sup>th</sup> quarter of fiscal year 2015-16 is combined with the financial report for the 1<sup>st</sup> quarter of fiscal year 2016-17 because significant accounting activity occurred for both periods through September 30, 2016. Many revenues received and expenditures made between June 30, 2016 and September 30, 2016 were recorded in the 4<sup>th</sup> quarter of fiscal year 2015-16 because they were related to revenue earned or services received in the 2015-16 fiscal year.

**Economy:** The economic data over the last two quarters continue to show slow and sometimes uneven improvement. Gross Domestic Product marked its fastest increase in two years. Consumer prices increased very slightly. Consumer confidence rose. Home prices continue to increase and unemployment remained low.

**Expenditures:** Expenditures by County departments occurred much as anticipated for the fiscal year ending June 30, 2016. At the end of the 4<sup>th</sup> quarter, the County had expended \$421.3 million from a budget totaling \$479.2 million, which is about 88%.

Expenditures for the quarter ending September 30, 2016 are on track. Overall, the County expended \$87.9 million, which is 17% of the budget.

**Revenues:** Discretionary revenues received during the fiscal year ending June 30, 2016 were approximately \$6.6 million higher than budgeted, due primarily to the receipt of Teeter funds. Overall, through the end of the fiscal year, the County received 96% of budgeted revenues which is consistent with prior years.

Revenues received during the 1<sup>st</sup> quarter of the current fiscal year are 9% of the budgeted amount. Most county revenues are received later in the fiscal year which results in low first quarter revenue receipts and is consistent with prior years.

**Year End Fund Balances:** The total General Fund fund balance at June 30, 2016 was \$31.2 million. Of this total, \$7.5 million was restricted, committed or assigned. The unassigned (available) fund balance as of June 30, 2016 was \$23.4 million. This is approximately \$600,000 less than last year's available fund balance, but \$1.9 million more than anticipated in the Recommended Budget. As a result, the General Fund Contingency for fiscal year 2016-17 is \$9.7 million.

Other governmental fund balances totaled approximately \$117.7 million. All of the fund balances in the other governmental funds are restricted, committed or assigned. Internal service funds' net assets totaled \$5 million. Enterprise funds' net assets totaled \$30 million.

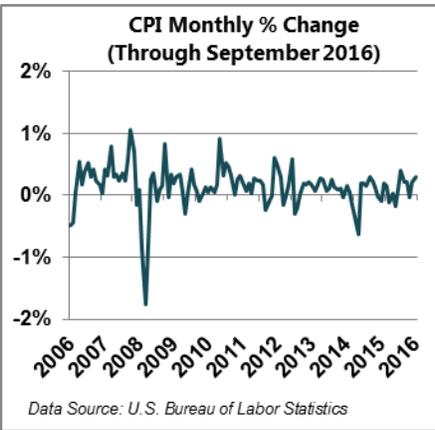
**Cash Balances:** The General Fund operating cash balance was approximately \$31.8 million at the end of June 2016, compared to \$29.8 million the prior year. At the end of September 2016, General Fund operating cash was \$10.5 million. This is about \$5.3 million less than the 1<sup>st</sup> quarter ending balance one year prior, largely due to one additional payroll during the first quarter of the current fiscal year as well as the timing of other payments and transfers.

**Debt:** During the 4<sup>th</sup> quarter of the last fiscal year and the 1<sup>st</sup> quarter of this fiscal year, principal payments totaling \$2 million and interest payments of \$1.1 million were made against long-term debt obligations. Also during this time the County refinanced debt related to the Neal Road Recycling and Waste Facility and paid off a loan related to the Solar panels.

**Update on Pension and Other Post Employment Benefit Liabilities:** Since 2010 the County has successfully implemented strategies to fund the County's pension obligation bond debt, has begun prefunding its retiree health unfunded liability and has reduced the retiree health benefit thereby decreasing future liabilities. The management of these long term liabilities is a key component of the County's finances. Also during this time payments to CalPERS for employee pensions have increased and the CalPERS Board is considering additional increases which could significantly impact the County as early as fiscal year 2018-19.

## **ECONOMIC UPDATE**

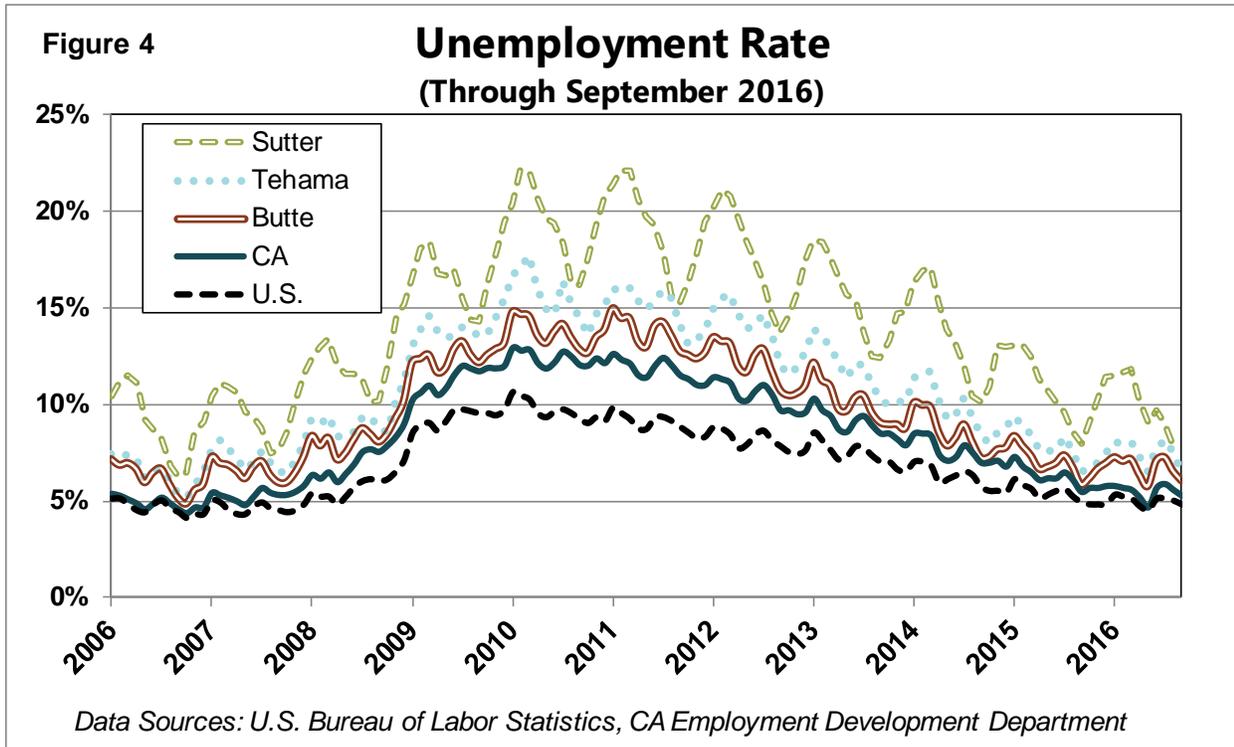
**Gross Domestic Product:** U.S. Gross Domestic Product (GDP) measures the market value of all final goods and services produced within the country. The advance estimate for the 1<sup>st</sup> quarter of fiscal year 2016-17 shows GDP increased at an annual rate of 2.9% during the 1<sup>st</sup> quarter of fiscal year 2016-17, marking its fastest growth in two years after a 1.4% rise during the 4<sup>th</sup> quarter of fiscal year 2015-16. The increase in the 1<sup>st</sup> quarter reflected positive contributions from personal consumption expenditures, exports, private inventory investment, federal government spending, and nonresidential fixed investment that were partly offset by negative contributions from residential fixed investment, state and local government spending and imports. Figure 1 (below) shows annualized GDP growth by quarter for the preceding ten year period.

**Figure 1****Figure 2****Figure 3**

**Consumer Price Index:** Consumer prices in the United States rose slightly during the 4<sup>th</sup> quarter of fiscal year 2015-16 and 1<sup>st</sup> quarter of fiscal year 2016-17. The Consumer Price Index (CPI) rose 0.3% during September after rising 0.2% in August. The largest growth was seen in gasoline and housing (rent). The all items index rose 1.5% during the last year, experiencing its largest year-to-year increase since October 2014. Core inflation, a measure which represents trend in price level and excludes energy and food items because of their volatility, rose by just 0.1%, somewhat less than expected. Figure 2 (above) displays the seasonally adjusted month-to-month change in the CPI from 2006 through the first quarter of fiscal year 2016-17. In prior reports a non-seasonally adjusted CPI was used.

**Consumer Confidence Index:** Consumer confidence, as measured by the Conference Board's Consumer Confidence Index (CCI), rose during the 4<sup>th</sup> quarter of fiscal year 2015-16 to 98 and increased again in the first quarter of fiscal year 2016-17 to end at 104.1. According to the CCI, consumers' confidence increased in September and is now at its highest level since the recession. Consumers are viewing current economic conditions more favorably due to a more positive outlook on the labor market. The CCI is benchmarked so that the index value for 1985 equals 100, a time where consumer confidence was neither at a peak or a trough. Since bottoming out at a value of 25.3 in February of 2009, the CCI has maintained fairly consistent increases overall, though the index still remains below where it stood in the months preceding the 'Great Recession'.

**Unemployment:** The State's seasonally unadjusted unemployment rate stood at 5.7% at the close of the 4<sup>th</sup> quarter of fiscal year 2015-16. This is a very slight increase from the 5.6% seen at the close of the 3<sup>rd</sup> quarter, and lower than the 6.2% from the close of fiscal year 2014-15. The State



unemployment rate declined further through the 1<sup>st</sup> quarter of the fiscal year 2016-17 to 5.3% but remains above that of the U.S. as a whole, which was 4.8% at the end of September 2016.

Butte County's unemployment rate at the close of the 4<sup>th</sup> quarter was 7.1%, slightly down from 7.2% at the close of the 3<sup>rd</sup> quarter, and remains in line with the 7% unemployment rate from the close of fiscal year 2014-15. The unemployment rate for Butte County at the close of the 1<sup>st</sup> quarter of fiscal year 2016-17 was 6.1% compared with 5.9% the prior year. Employers in Butte County added 2,300 nonfarm jobs to the economy since September 2015 with the State government and education providing the most new jobs. In September, the size of the labor force in Butte County was estimated at 103,700, which was an increase of almost 600 from the previous month and up 1,800 from the previous year (September 2015). While the unemployment rate in Butte County remains higher than that of the State and the U.S. as a whole, it remains lower than that of the neighboring counties of Sutter and Tehama (Figure 4).

**Building Activity:** Statewide, the pace of homebuilding appears to be fairly flat overall. The 4<sup>th</sup> quarter of fiscal year 2015-16 saw an average of nearly 9,143 new home starts per month, trending up from the preceding three-month period. The 1<sup>st</sup> quarter of fiscal year 2016-17 saw a monthly average of 7,669 new home starts statewide, a slight decrease from the 7,744 in the same timeframe last year. The total number of building permits issued for the unincorporated area of Butte County dipped slightly over the last year but has increased slowly since March 2016. An average of 238 building permits of various types were issued per month in the 1<sup>st</sup> quarter of fiscal year 2016-17, up from the 235 in the previous quarter, but still down from the 264 during the 1<sup>st</sup> quarter of 2015-16.

Figure 5

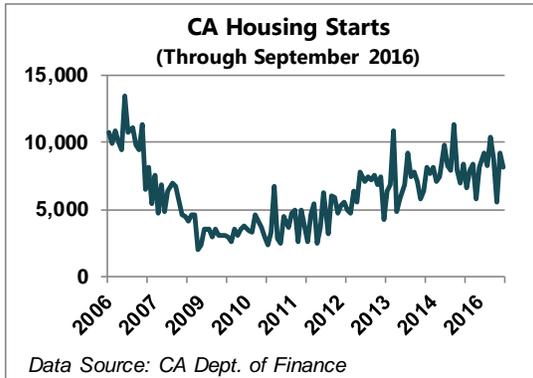
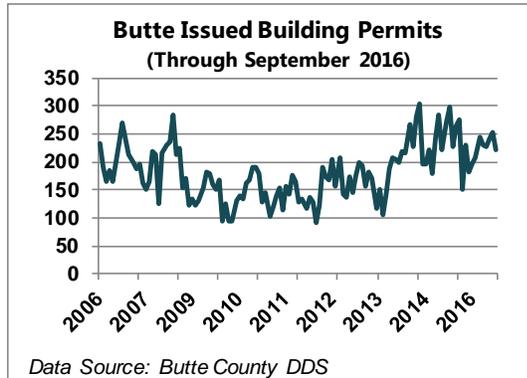


Figure 6



**Home Sales:** The median price of existing, single-family homes sold in California during September 2016 was \$514,320, a decrease of 2.3% from the previous month and a 6.1% increase from a year earlier. The number of existing home sales was 426,680 a 0.4% decrease from January 2016 and a 0.8% increase from a year ago. For Butte County, the median price of existing, single-family homes sold during September 2016 was \$275,000, a 4.1% increase from the previous month and a 10.9% increase from a year earlier.

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## FOURTH QUARTER EXPENDITURE REPORT

At the end of the 4<sup>th</sup> quarter the County had expended \$489.7 million<sup>1</sup> from a budget totaling \$551.9 million. As shown in Figure 7 below, the County spent \$178.4 million on salaries and benefits, \$106.7 million on services and supplies, and \$92.6 million on other charges, such as payments between funds and contributions to other agencies. The remaining \$112 million in expenditures were for other financing uses and miscellaneous 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. Miscellaneous expenses include capital assets. Overall, the County expended 89% of the budget in fiscal year 2015-16 compared to 88% the prior year.

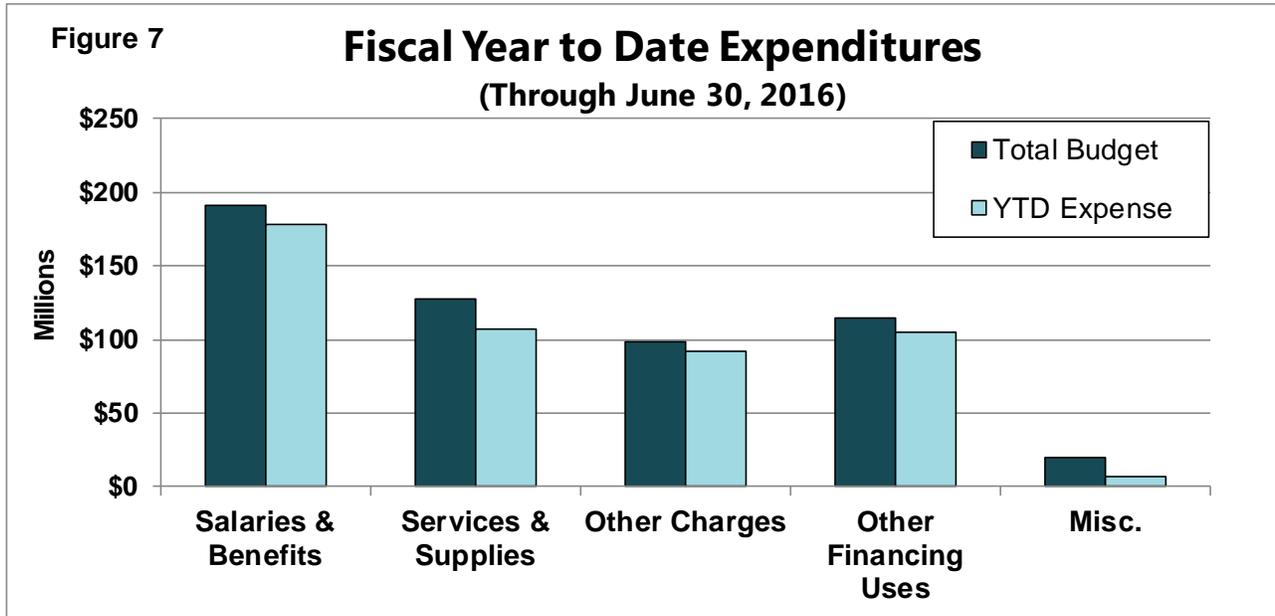


Figure 8 shows the percentage of budget expended by each County department. Most departments had expended between 80% and 100% of their budget. A number of departments had expenditures of less than 80% of budgeted amounts. These are noted as follows: County Administration and County Counsel both had significant salary savings related to vacant positions and lower than anticipated professional services costs. Public Works had projects budgeted, but not completed, by the close of the fiscal year. The Department of Child Support Services had salary and benefit savings due to high turnover primarily in the Child Support Specialist classification. Public Health expenditures were lower than expected due to the County Medical Services Program (CMSP) participation fees being waived by the CMSP Board, a building remodel delay and planned re-budget of a capital asset to fiscal year 2016-17.

The Neal Road Recycling and Waste Facility, which is accounted for in an enterprise fund, included current year capital purchases and improvements of approximately \$4.2 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. Finally, nearly \$1

<sup>1</sup>For the purpose of this report the County budget includes all departmental operating budgets, non-operating budgets, internal service funds (for example Workers' Compensation and General Liability), enterprise funds (Neal Road Waste and Recycling Facility) as well as a number of miscellaneous budget units such as capital projects, CDBG grant programs and Debt Service. County Service Areas and appropriations for contingency are excluded.

million of capital improvements originally planned for fiscal year 2015-16 have been shifted to the current fiscal year, including the Module 5A Liner Installation and Septage Receiving Improvements.

**Figure 8**

## Department Expenditures

(% of Total Budget-Through June 30, 2016)

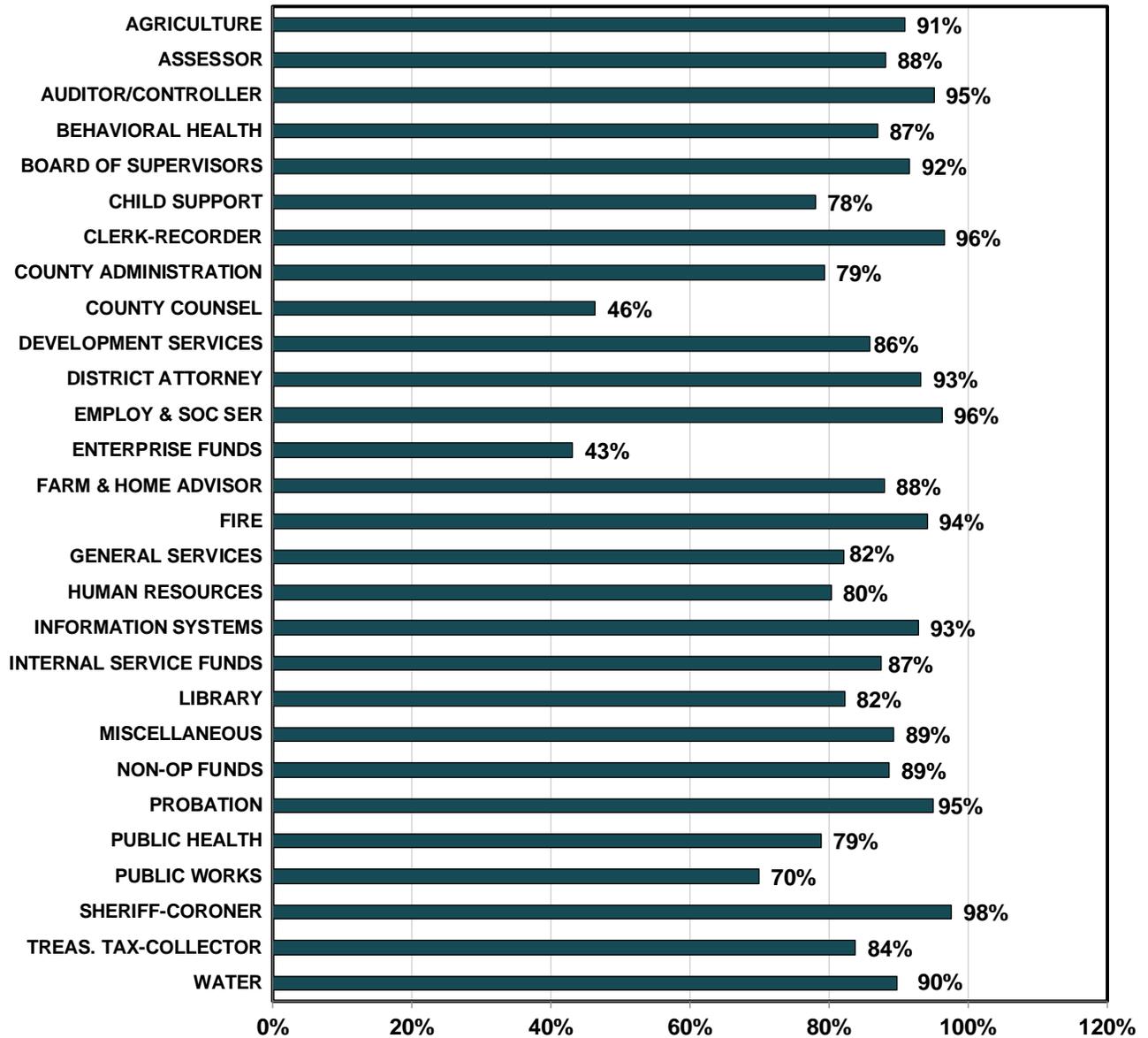
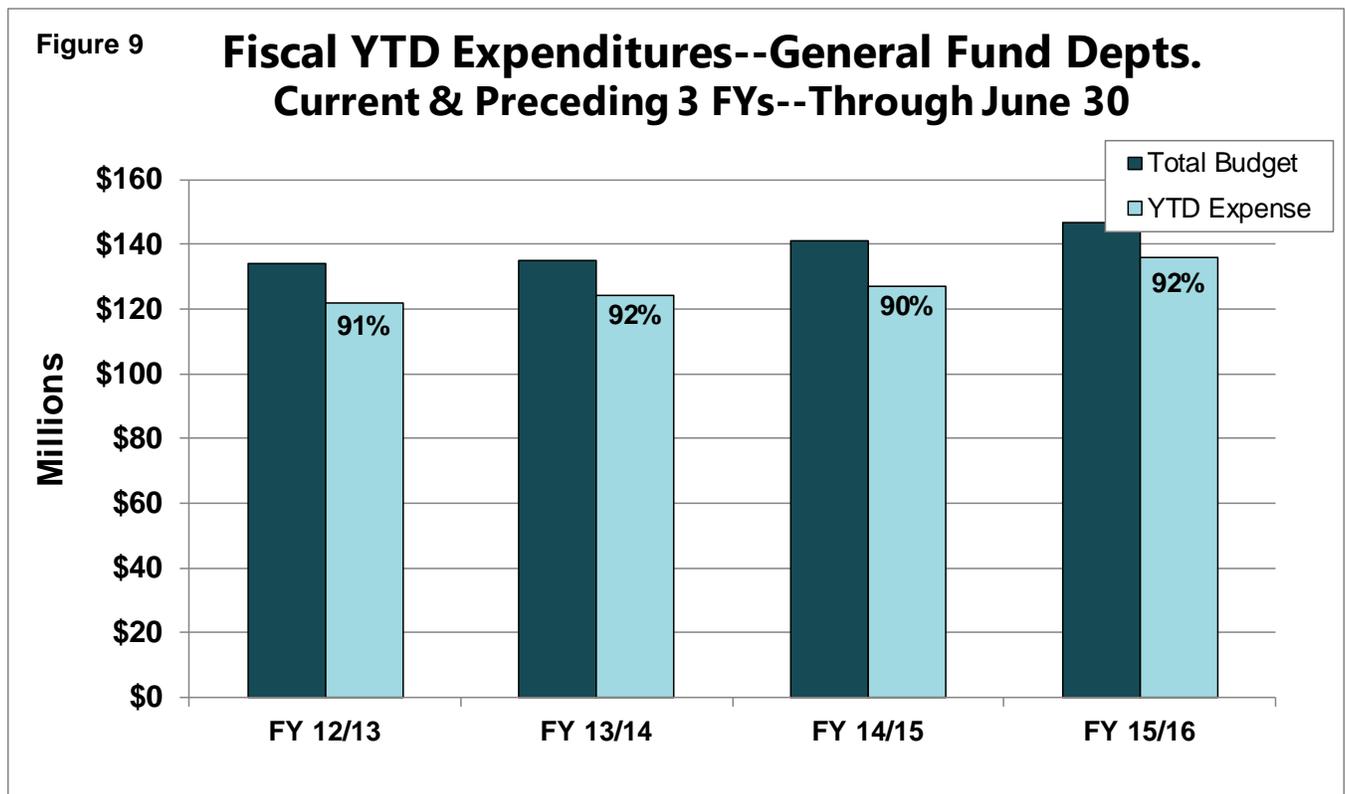
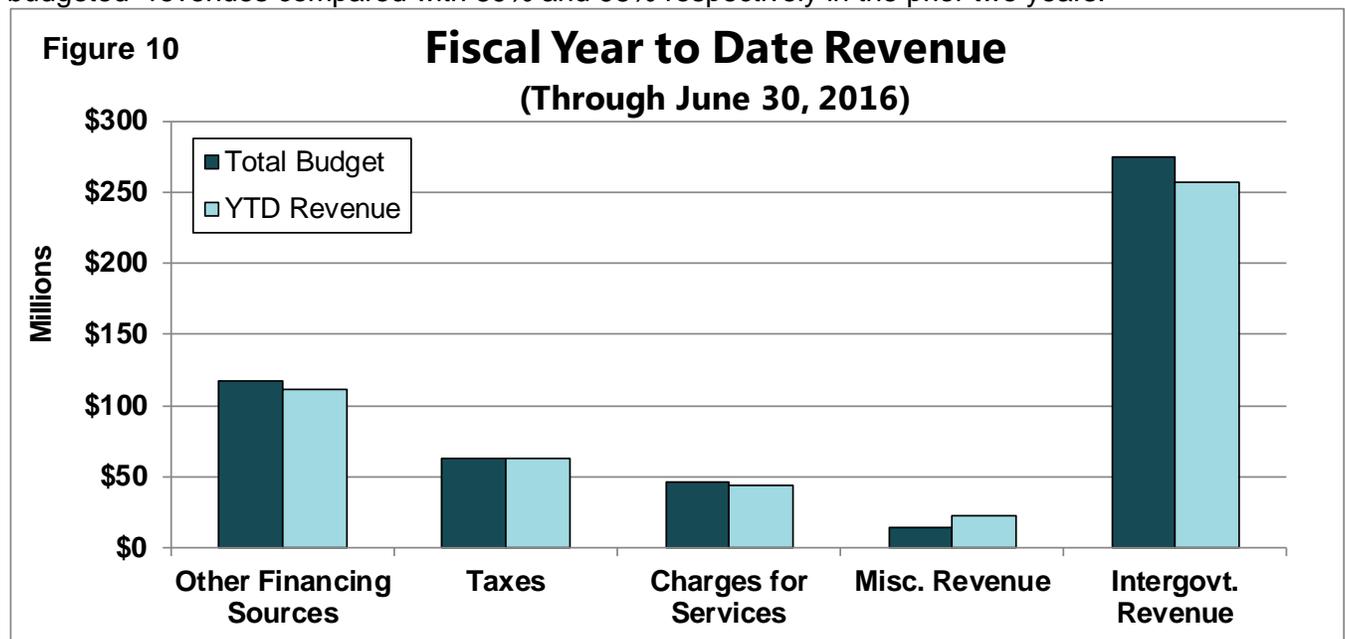


Figure 9 displays budgeted and actual expenditures at the close of the 4<sup>th</sup> quarter among General Fund departments. As shown in the graph, total expenditures among General Fund departments are consistently between 90% and 92% of the budgeted amount through the end of the 4<sup>th</sup> quarter.



**FOURTH QUARTER REVENUE REPORT**

Through the 4<sup>th</sup> quarter of the fiscal year, as reflected in Figure 10, the County received 96% of budgeted<sup>2</sup> revenues compared with 89% and 98% respectively in the prior two years.



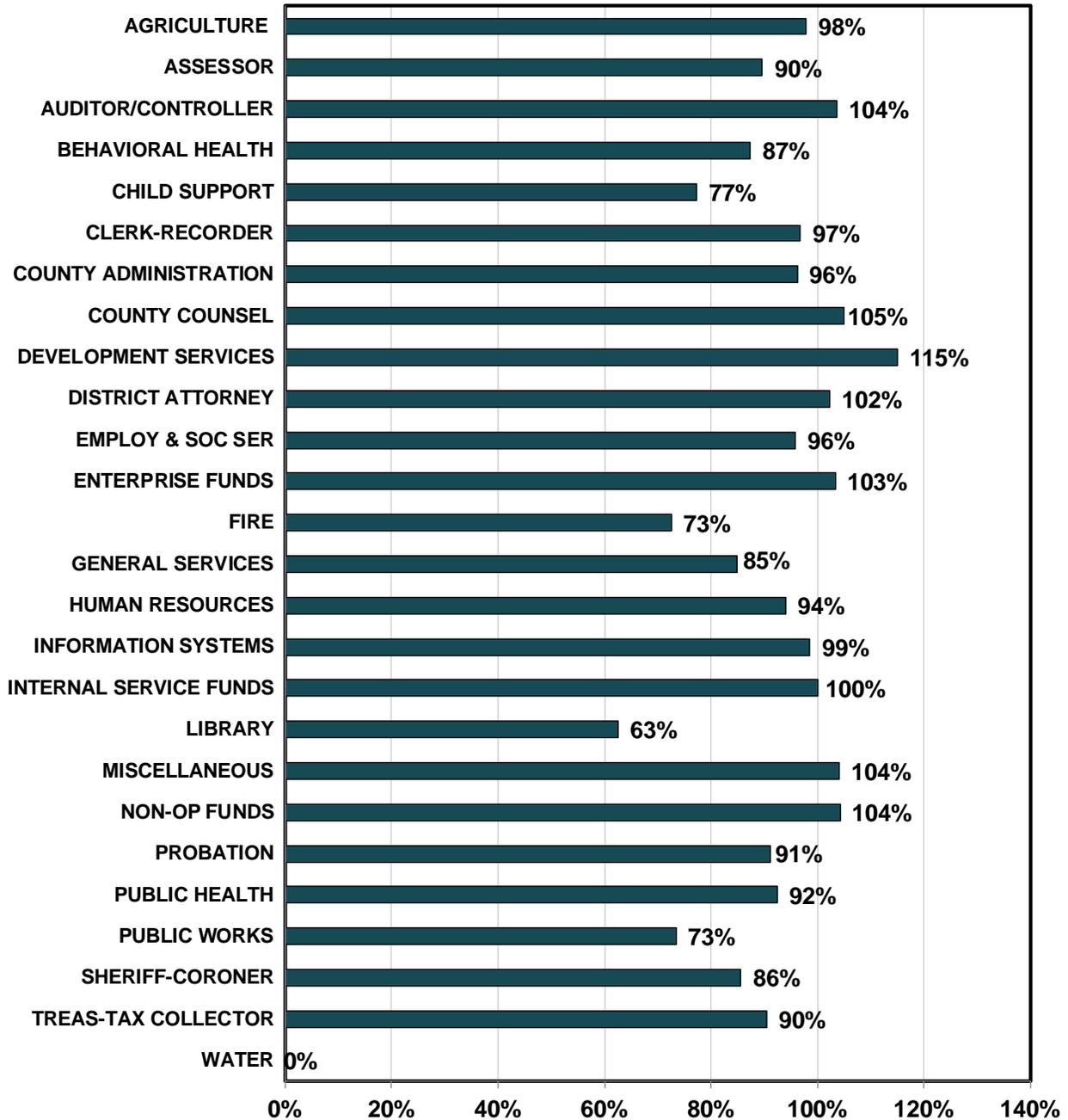
<sup>2</sup> For the purpose of this report the County's budgeted revenues include all departmental operating budgets, non-operating budgets, internal service funds (for example Workers' Compensation and General Liability), enterprise funds (Neal Road Waste and Recycling Facility), well as

Figure 11 shows revenues received by each County department through the end of the 4<sup>th</sup> quarter. Most departments received revenues between 80% and 110% of their budgeted amounts through the fiscal year. Three departments had revenue receipts less than 80% of budget. Child Support Services receives State and Federal revenues based on actual expenditures, due to staffing turnover expenditures and revenue are less than 80%. Fire budgeted grant monies to purchase equipment, but the grant was not awarded, therefore the equipment was not purchased. The Library had lower than anticipated revenues due to projects planned at the Chico and Paradise branch libraries that are

**Figure 11**

## Department Revenues

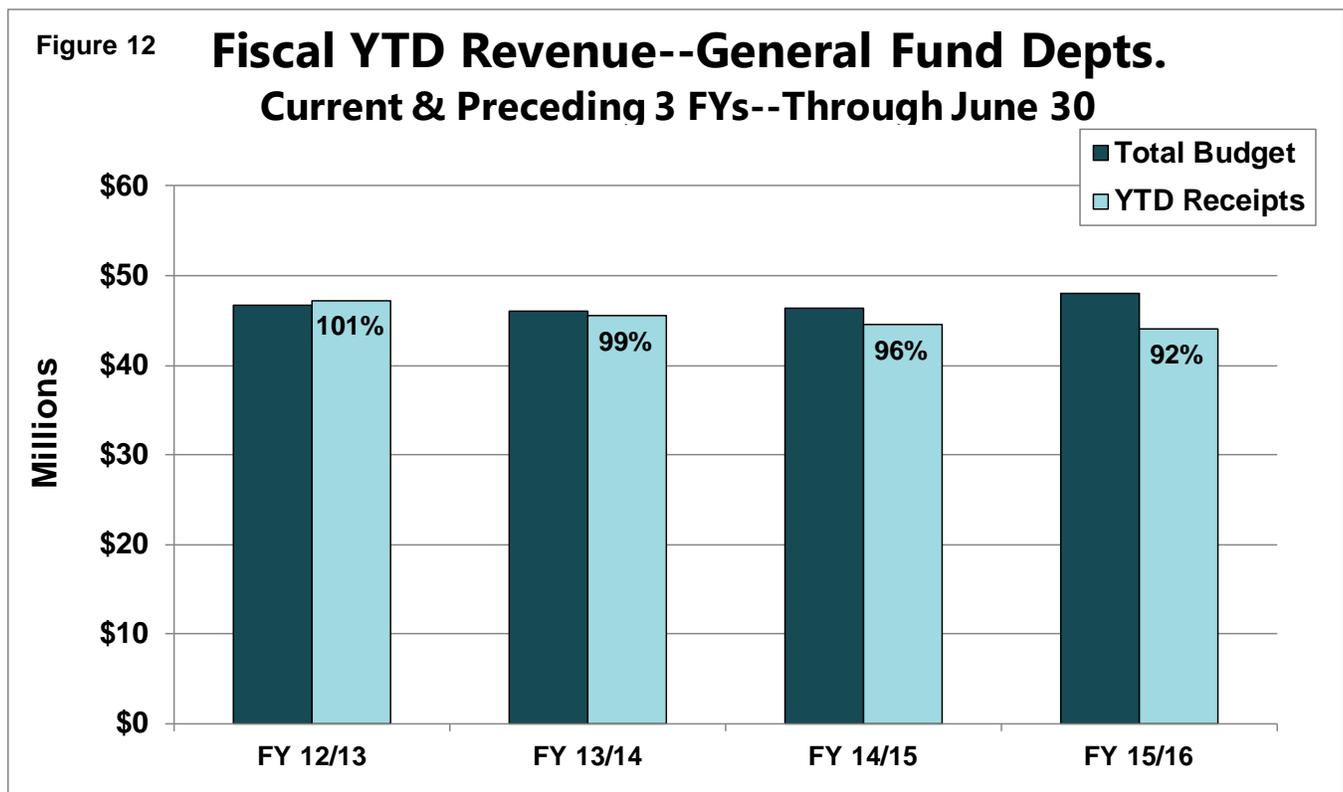
(% of Total Budget-Through June 30, 2016)



a number of miscellaneous budget units such as general purpose revenues, capital projects, CDBG grant programs and Debt Service. County Service Areas are excluded.

planned to happen in the current fiscal year. Public Works revenues were lower than expected due to projects budgeted, but not completed, by the close of the fiscal year. Water Department revenues were 0% because of grant monies that were budgeted but not received during the fiscal year. Those grant revenues are now anticipated for fiscal year 2016-17. Development Services' revenues were higher than anticipated primarily due to permit revenue from new construction projects and fines from citations related to medical marijuana cultivation restrictions.

Figure 12 displays budgeted and actual revenues at the close of the 4<sup>th</sup> quarter among General Fund departments. In fiscal year 2015-16 departments received 92% of budgeted revenues, a reduction from prior years due to an accounting change which better reflects funds that have been both received and used by departments. In prior years revenues received, but restricted for a specific purpose where included here. Now those restricted revenues are accounted for in separate non-operating funds and transferred to the General Fund as they are used.



**General Purpose Revenue:** General purpose revenues (included in Figure 13 below as part of the miscellaneous budget unit) ended the year higher than budgeted. In total, the County received 108% of budgeted revenue, approximately \$6.6 million more than budgeted. This is primarily due to proceeds from the County’s operation of the Alternative Method of Tax Apportionment, commonly referred to as the “Teeter Plan” after the Contra Costa Auditor who developed it in 1949. Teeter Plan proceeds were

<b>Figure 13      General Purpose Revenue Receipts</b>			
<b>(Through 4th Quarter)</b>			
<b>Account Title</b>	<b>Budget</b>	<b>YTD Receipts</b>	<b>YTD %</b>
Property Taxes	56,354,105	56,737,334	101%
Prop 172 Sales Tax	15,566,000	15,490,130	100%
Local Sales Tax	4,999,000	5,315,257	106%
Property Tax Transfers	820,000	961,687	117%
Other Taxes	415,000	448,520	108%
License & Permits	1,221,000	1,477,044	121%
Interest-County Treasury	220,000	1,344,068	611%
Lease Table A	3,360,000	3,385,876	101%
Fines, Forfeitures, & Penalties	1,256,000	5,145,979	410%
Tobacco Settlement Funds	1,900,000	1,896,220	100%
Other Misc. Revenues	1,429,000	1,985,090	139%
<b>Total General Purpose Revenue</b>	<b>\$87,540,105</b>	<b>\$94,187,205</b>	<b>108%</b>

originally budgeted at \$2 million, but closed the year \$3.5 million higher than budgeted. Other increases are due to receiving \$0.9 million more property tax than budgeted mostly related to former redevelopment agencies, one time SB 90 interest of \$0.8 million as well as other smaller increases including sales tax, property transfer tax and the receipt of federal in-lieu of tax payments. All but \$1.3 million, primarily the Teeter revenues, was anticipated in the estimated available fund balance and included in the 2016-17 recommended budget.

**YEAR END FUND BALANCE REPORT**

The Auditor’s Office spent the months of July, August, and September finalizing the accounting for the 2015-16 fiscal year. As the process wraps up and the Auditor’s Office prepares the Comprehensive Annual Financial Report (CAFR), the June 30, 2015 unaudited ending fund balances in each of the County’s governmental funds became known. In the coming months the 2015-16 financial results will be audited and published in the CAFR.

The total General Fund balance is approximately \$31.2 million. Of this total, \$7.5 million, the General Fund Reserve, is restricted, committed or assigned. The unassigned, or available, General Fund balance as of June 30, 2016 is a \$23.4 million, approximately \$600,000 less than last year’s available balance. The available balance is comprised of the unspent appropriation for contingencies of approximately \$6.7 million, the receipt of \$6.6 million more general purpose revenues than originally budgeted and other departmental savings totaling approximately \$10 million. Included in the departmental savings is almost \$1 million in formerly restricted funds released into the General Fund as part of an analysis of restricted funds which concluded that the funds should no longer be considered restricted.

**Figure 14**

## 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	31,162,758	7,757,273	23,405,485
0020	Social Services Fund	2,852,329	2,852,329	-
0021	Public Health Fund	12,576,878	12,576,878	-
0022	Behavioral Health Fund	7,933,637	7,933,637	-
0025	Child Support Services Fund	1,990	1,990	-
0030	Road Operations Fund	6,655,208	6,655,208	-
0038	POB Debt Service Fund	10,248,854	10,248,854	-
0039	Debt Service Fund	842,106	842,106	-
0041	Capital Project Fund	3,362,633	3,362,633	-
0101	Sheriff - Equip. Replacement	1,467,277	1,467,277	-
0102	District Attorney - Equip. Replacement	61,347	61,347	-
0103	Fire - Equip. Replacement	1,999,386	1,999,386	-
0104	Probation - Equip. Replacement	172,840	172,840	-
0105	Assessor - Equip. Replacement	15,281	15,281	-
0106	General Services - Equip. Replacement	38,223	38,223	-
0107	Information Systems - Equip. Replacement	999,058	999,058	-
0108	Internal Service Fund - Equip. Replacement	25,794	25,794	-
0131	Transit - Local Tranp	7,296	7,296	-
0144	HOME Program Income Fund	64,735	64,735	-
0142	CDBG Program Grants	(13,759)	(13,759)	-
0143	CDBG - Program Income Fund	4,144,981	4,144,981	-
0150	Fish & Game Fund	112,935	112,935	-
Included in Attachment A - Non-Operating Funds		43,175,837	43,175,837	-
<b>Total Governmental Funds</b>		<b>127,907,624</b>	<b>\$ 104,502,139</b>	<b>\$ 23,405,485</b>

The fund balances for the remaining operating governmental funds are shown in Figure 14 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 \$12.6 million is primarily Public Health Realignment funds that can only be used for Public Health, and the Road Operations fund balance of almost \$6.7 million is limited to road projects. The remainder of the governmental funds are non-operating funds which hold 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 A starting on page 22.

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 15).

**Figure 15**  
**Unaudited Fund Balances-Internal Service Funds**  
 (Through 4th Quarter)

Fund No.	Fund Name	Net Position
7100	Self Insurance Fund	1,613,466
7110	Workers Compensation Fund	2,780,325
7120	Unemployment Insurance	283,372
7140	Medical Liability Insurance	13,175
7160	Miscellaneous Insurance	30,463
7210	Utilities Clearing	315,630
<b>Total Internal Service Funds</b>		<b>\$ 5,036,431</b>

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

**Figure 16**  
**Unaudited Fund Balances-Enterprise Funds**  
 (Through 4th Quarter)

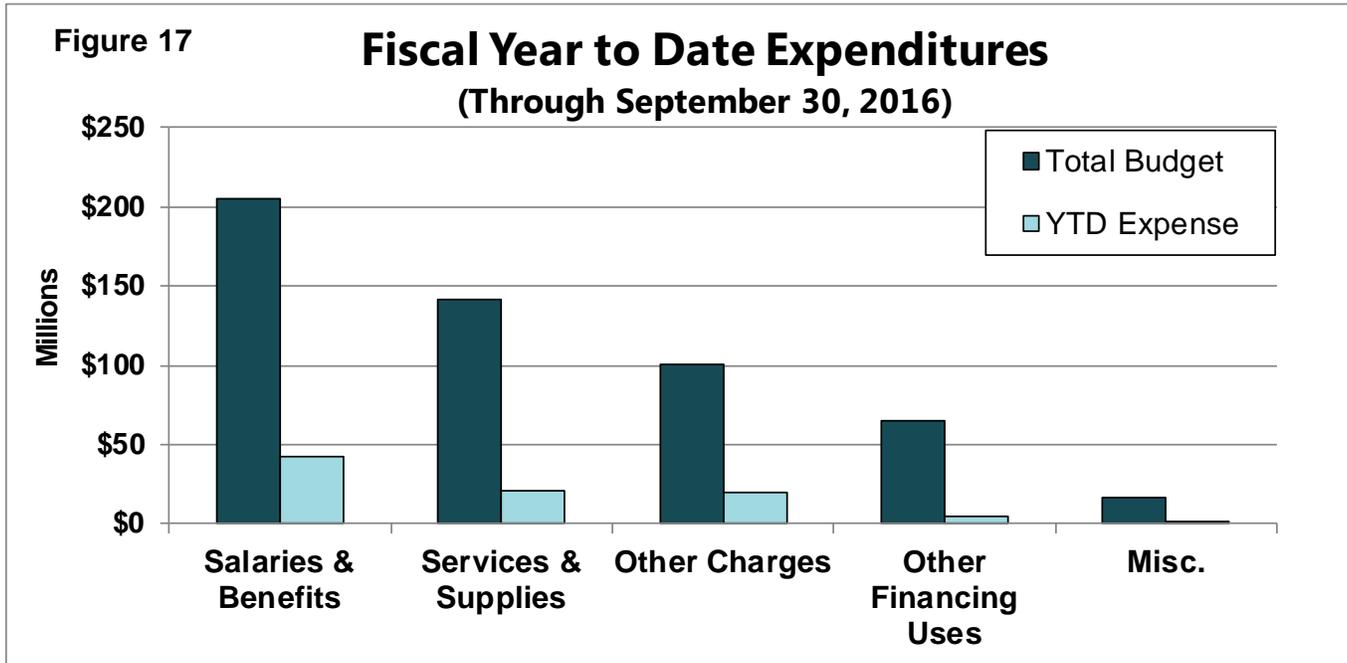
Fund No.	Fund Name	Net Position
7560	Neal Rd Clsr-Cor Actn Fund	(194,303)
7570	Neal Rd Landfill Mgt	30,270,278
<b>Total Enterprise Funds</b>		<b>\$ 30,075,975</b>

The negative fund balance in the Neal Road Closure - Corrective action fund is a matter of timing. CalRecylce provided guidance recently that the required minimum cash balance is \$5.2 million, \$194,303 more than the cash on hand. A transfer of \$195,000 has been made in the current fiscal year to address the shortfall. (Figure 16).

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**FIRST QUARTER EXPENDITURE REPORT**

At the end of the 1<sup>st</sup> quarter, the County had expended \$87.9 million<sup>3</sup> from a budget totaling \$529.9 million. As shown in the graph below, the County spent \$42 million on salaries and benefits, \$20.5 million on services and supplies, \$20.2 million on other charges, such as payments between funds and contributions to other agencies and \$4.3 million on other financing uses. The remaining \$859,000 in expenditures were miscellaneous expenditures such as capital assets. Overall, the County expended 17% of the budget through the 1<sup>st</sup> quarter. Although 25% of the fiscal year elapsed between July 1st and September 30th, typically expenditures are less than 25% at the end of the 1<sup>st</sup> quarter.



The graph on the following page (figure 18) shows the percent of budget expended by each County department. The majority of departments expended 10% to 25% of their budget through September, which is typical for this early in the fiscal year. Through the 1<sup>st</sup> quarter the internal services funds category was the only unit that expended more than 25% of planned expenditures. The 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 1<sup>st</sup> quarter of the fiscal year which accounts for the higher percent of budget expended then other areas of the County.

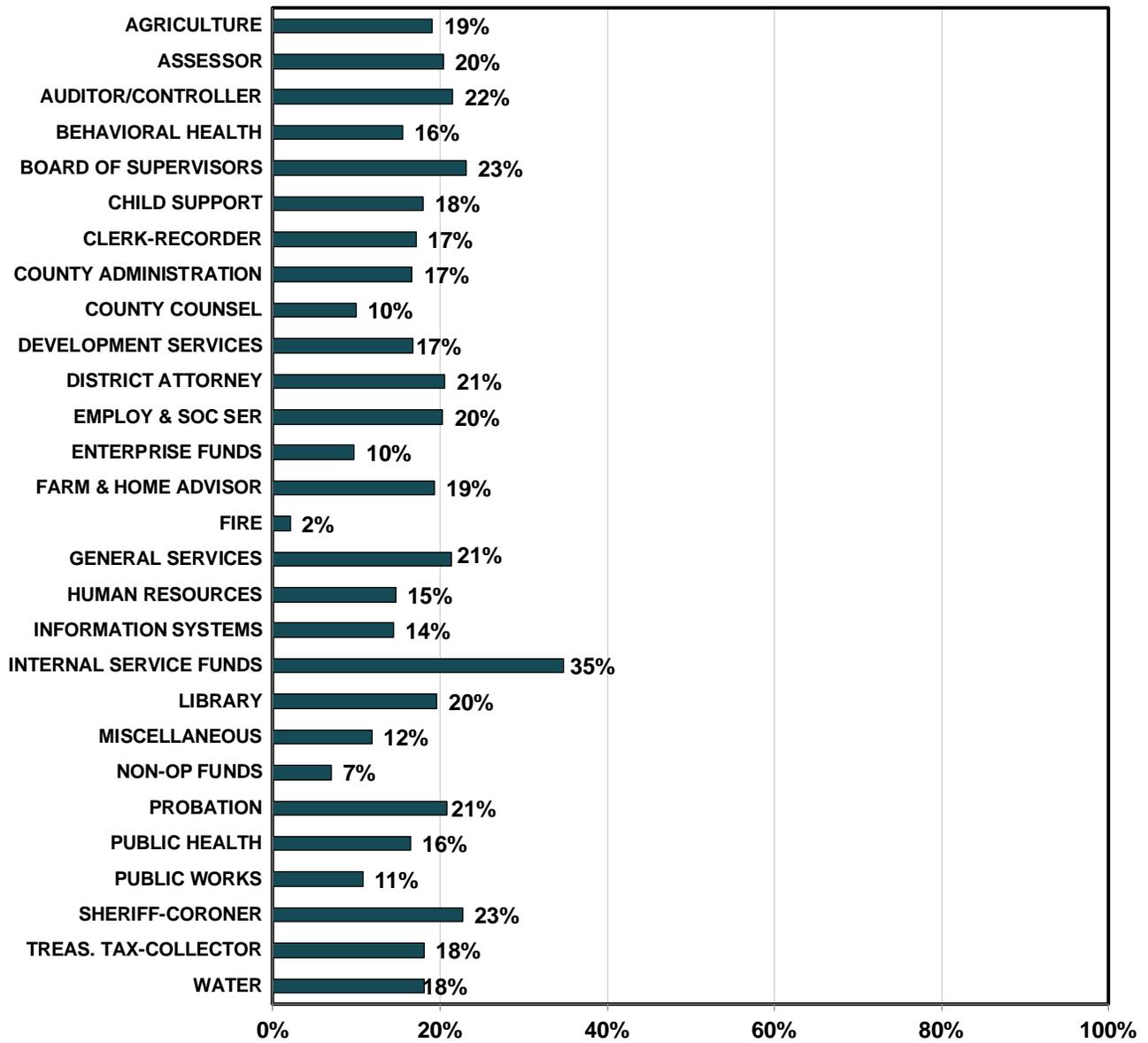
A few departments expended less than 10% of their budget for the year; however this is consistent with prior year results. The Fire budget, for example, includes the State CAL FIRE agreement and the 1<sup>st</sup> quarter invoice is not anticipated until later in the year. The non-operating funds have lower than anticipated expenditures due to the timing of transfers to the operating funds.

<sup>3</sup> For the purpose of this report the County budget includes all departmental operating budgets, non-operating budgets, internal service funds (for example Workers’ Compensation and General Liability), enterprise funds (Neal Road Waste and Recycling Facility), non-operating funds as well as a number of miscellaneous budget units such as capital projects, CDBG grant programs and Debt Service. County Service Areas and appropriations for contingency are excluded.

Figure 18

# Department Expenditures

(% of Total Budget-Through September 30, 2016)



**FIRST QUARTER REVENUE REPORT**

Through the 1<sup>st</sup> quarter of the year the County received 9% of budgeted revenues<sup>4</sup>. Although 1<sup>st</sup> quarter revenues appear low, the results are consistent with prior years.

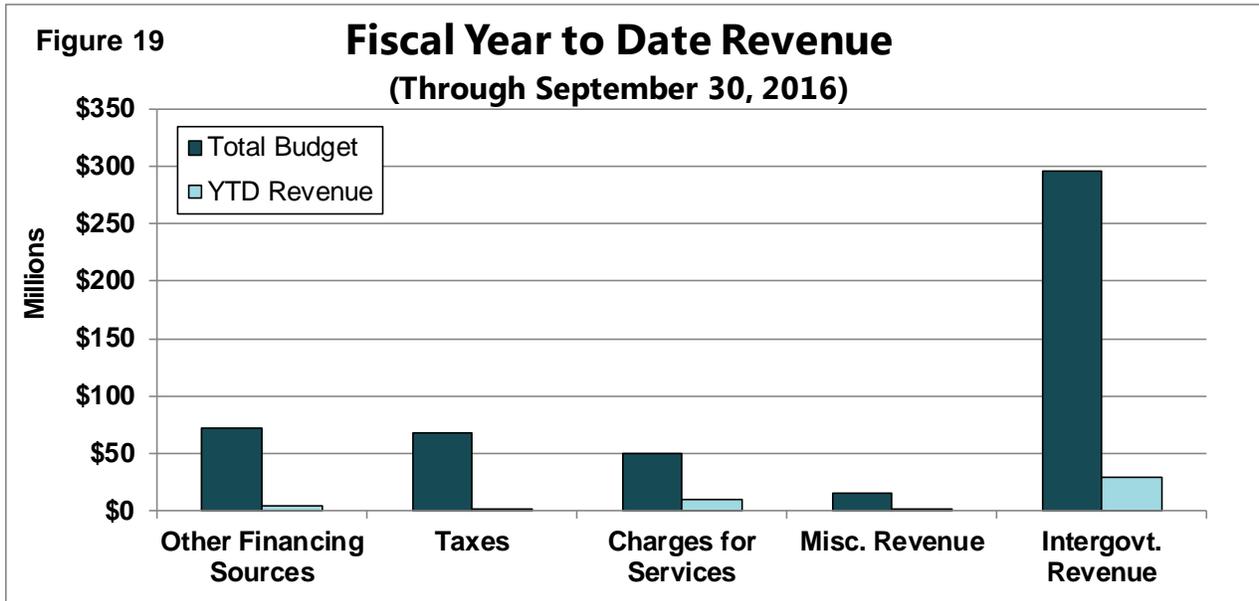


Figure 20 below shows revenues by each County department to date as a percentage of budget. At this point in the fiscal year, it is typical for departments to have wide variations in the percentage of budgeted revenue collected. Development Services saw higher than expected revenues from permit activity. The department expects this trend to continue with a new Building Code coming into effect January 1, 2017.

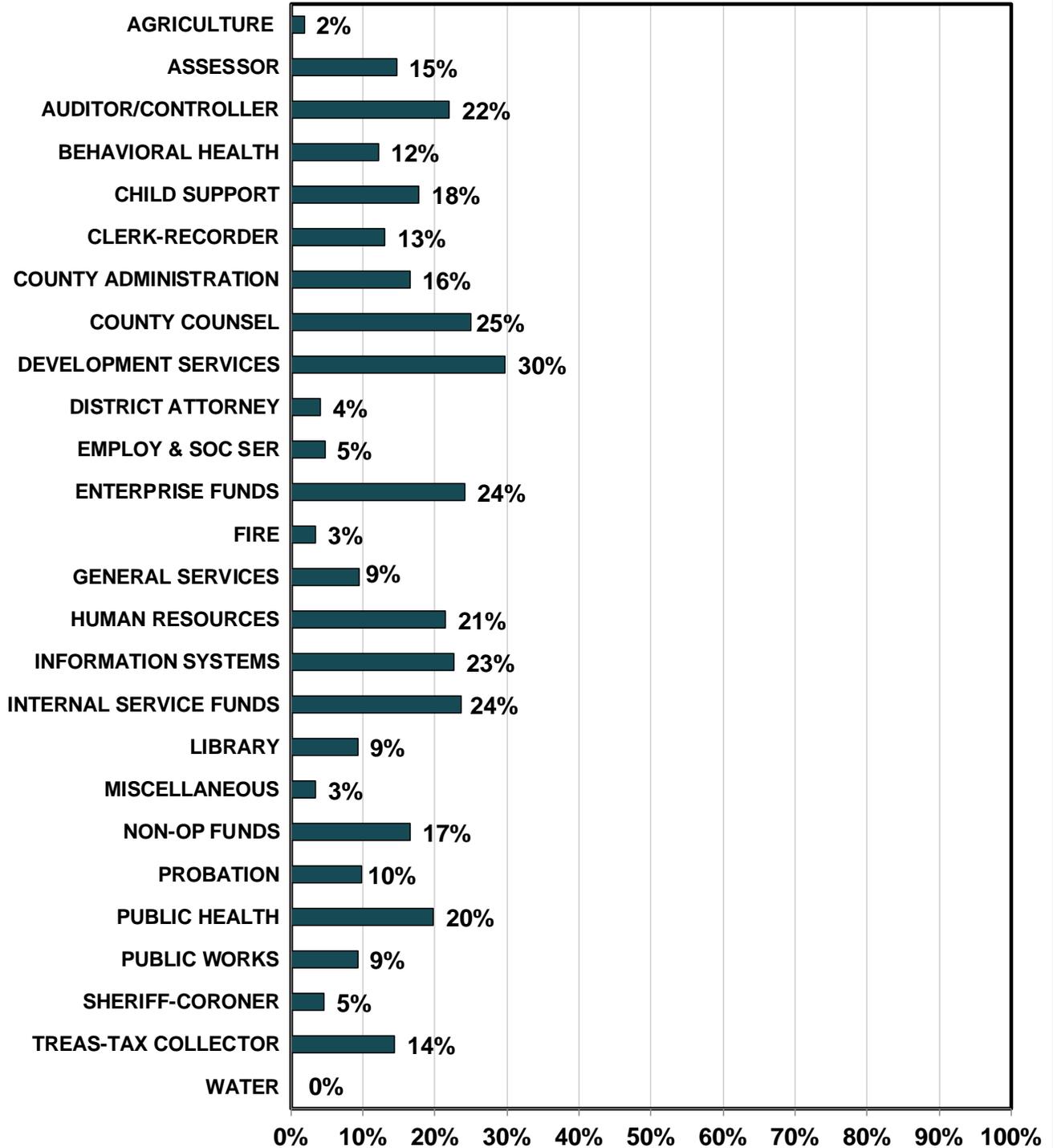
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<sup>4</sup> For the purpose of this report the County’s budgeted revenues include all departmental operating budgets, internal service funds (for example Workers’ Compensation and General Liability), enterprise funds (Neal Road Waste and Recycling Facility), non-operating funds as well as a number of miscellaneous budget units such as general purpose revenues, capital projects, CDBG grant programs and Debt Service. County Service Areas are excluded.

**Figure 20**

# Department Revenues

(% of Total Budget-Through September 30, 2016)



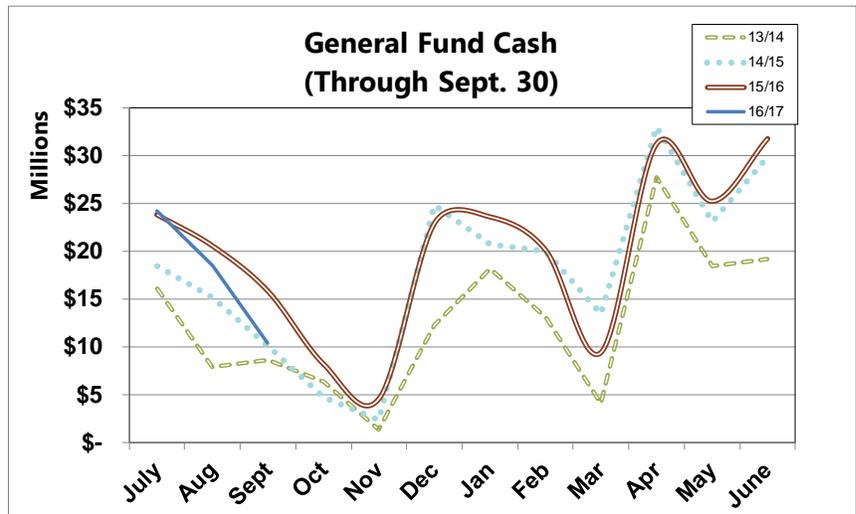
**General Purpose Revenues:** Similar to overall County revenues in the 1<sup>st</sup> quarter of the fiscal year, general purpose revenue receipts are low. Through the 1<sup>st</sup> quarter, the County only received 2% of budgeted revenues. The single largest component of general purpose revenue is property tax and the first installment will not be received until the 2<sup>nd</sup> quarter. Similarly, the County has only received one month of sales tax revenues. The table below shows year to date receipts of general purpose revenue. Based on revenues received through June 30, 2016, early projections for fiscal year 2016-17 discretionary revenues indicate revenues are on track to meet budget. Staff will continue to closely monitor these trends throughout the year and provide updates.

Figure 21 **General Purpose Revenue Receipts**  
(Through 1st Quarter)

Account Title	Budget	YTD Receipts	YTD %
Property Taxes	61,068,000	-	0%
Prop 172 Sales Tax	16,841,300	1,236,108	7%
Local Sales Tax	5,076,000	569,668	11%
Property Tax Transfers	1,000,000	229,018	23%
Other Taxes	430,000	4,717	1%
License & Permits	1,570,400	107,818	7%
Interest-County Treasury	277,000	-	0%
Lease Table A	3,660,000	15,715	0%
Fines, Forfeitures, & Penalties	1,297,000	130,234	10%
Tobacco Settlement Funds	1,900,000	-	0%
Other Misc. Revenues	3,350,000	(261,311)	-8%
<b>Total General Purpose Revenue</b>	<b>\$96,469,700</b>	<b>\$2,031,966</b>	<b>2%</b>

**CASH BALANCES**

The General Fund cash balance at the end of the 4<sup>th</sup> quarter of fiscal year 2015-16 was \$31.8 million, compared to \$29.8 million the prior year. By the end of the 1<sup>st</sup> quarter of fiscal year 2016-17, the operating cash balance was \$10.5 million, compared to \$15.8 million at the end of the 1<sup>st</sup> quarter of fiscal year 2015-16. The \$5.3 million year over year decrease is primarily due to one additional payroll (\$2.8 million), a higher bi-weekly payroll compared to the first quarter of 2015-16, a \$820,000 payment to Cal Fire for services rendered in the 4<sup>th</sup> quarter of fiscal year 2015-16 as well as the receipt in 2015-16 of approximately \$1 million in formerly restricted funds into the operating cash account.



## LONG-TERM DEBT

The following Long-Term Debt schedule, Figure 23, presents balances as of September 30, 2016. During the 4<sup>th</sup> quarter of fiscal year 2015-16 and the 1<sup>st</sup> quarter of the current fiscal year, the County made a total of \$3,093,091 in debt payments, \$1,969,543 of which resulted in principal reductions as detailed in the table below, Figure 24. During the period covered by this report, the County elected to (1) refinance the Neal Road Recycling and Waste Facility 2006 Certificates of Participation, which will result in interest savings of approximately \$345,000 and (2) pay off one of two loans from the California Energy Commission three years early resulting in interest savings of \$11,973.

<b>Figure 23 LONG-TERM DEBT (THROUGH SEPTEMBER 2016)</b>					
Type of Debt	Original Loan Amount	Current Balance		Avg. Annual Payment*	Maturity Date
<b>Bonds Payable</b>					
Pension Obligation Bonds					
-Series A	28,020,000	27,640,000		2,629,431	6/1/2034
-Series B	21,875,000	20,840,000		1,797,500	6/1/2034
<b>Total Bonds Payable</b>	<b>\$ 49,895,000</b>	<b>\$ 48,480,000</b>		<b>\$ 4,426,931</b>	
<b>Certificates of Participation</b>					
2014 Hall of Records Certificates of Participation	8,000,000	7,504,954		374,099	7/1/2054
2010 Bangor Fire Station #55 Renovation Project	1,100,000	966,333		55,302	8/1/2050
<b>Total Certificates of Participation</b>	<b>\$ 9,100,000</b>	<b>\$ 8,471,287</b>		<b>\$ 429,401</b>	
<b>Capital Leases</b>					
Chico Memorial Hall - 492 Rio Lindo	583,400	205,293		61,156	4/10/2020
Chico Memorial Hall - 554 Rio Lindo	670,900	219,800		62,275	4/10/2020
Ford Motor Credit Company	34,059	24,823		9,235	2/22/2019
<b>Total Capital Leases</b>	<b>\$ 1,288,359</b>	<b>\$ 449,916</b>		<b>\$ 132,666</b>	
<b>Notes Payable</b>					
California Energy Commission					
-Solar Project Phase 1	2,777,000	653,695		277,181	12/22/2018
-Solar Project Phase 2	390,000	-		-	
<b>Total Notes Payable</b>	<b>\$ 3,167,000</b>	<b>\$ 653,695</b>		<b>\$ 277,181</b>	
<b>Neal Road Recycling and Waste Facility</b>					
2006 Certificates of Participation	12,025,000	-		-	
2006 Certificates of Participation Refunding	4,220,000	4,220,000		1,055,000	7/1/2020
Note Payable - Calif. Integrated Waste Mgt Board	500,000	-		-	
Lease/Purchase - JPMorgan Chase Bank	558,924	229,483		117,804	12/24/2017
Lease/Purchase - JPMorgan Chase Bank	500,000	304,869		104,976	2/20/2019
<b>Total Neal Road Recycling and Waste Facility</b>	<b>\$ 17,803,924</b>	<b>\$ 4,754,352</b>		<b>\$ 222,780</b>	
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 81,254,283</b>	<b>\$ 62,809,250</b>		<b>\$ 5,488,959</b>	

\* From FYE 6/30/15 to maturity per amortization schedules

<b>Debt Description</b>	<b>Principal Paid</b>	<b>Interest Paid</b>
Pension Obligation Bonds Series A	\$200,000	\$840,566
Pension Obligation Bonds Series B	\$395,000	\$81,143
2010 Bangor Fire Station #55 Renovation Project	\$14,000	\$19,607
Chico Memorial Hall-492 Rio Lindo	\$42,798	\$18,359
Chico Memorial Hall-554 Rio Lindo	\$48,332	\$13,943
California Energy Commission-Solar Project Phase 1	\$123,205	\$15,386
California Energy Commission-Solar Project Phase 2	\$146,209	\$2,896
2006 Certificates of Participation	\$950,000	\$131,650
Note Payable - Calif. Integrated Waste Mgt. Board	\$50,000	\$0
<b>TOTAL DEBT PAYMENTS</b>	<b>\$1,969,543</b>	<b>\$1,123,549</b>

Figure 25 below 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.

	<b>Governmental Activities (A)</b>				<b>Neal Road Recycling and Waste Facility - Business Type Activities (B)</b>				<b>Total Outstanding Debt (A+B)</b>	<b>Debt Ratios</b>		
	Loans/ Bonds	Notes	Certificates of Participation	Capital Leases	Loans	Certificates of Participation	Lease Obligation (Refinancing)	Lease- Purchase Agreements		Primary Government	Debt as a % of Assessed Property Values	Debt per County Resident
Fiscal Year												
2008	\$ 50,575	\$ 2,703	\$ 2,650	\$ 1,134	\$ 400	\$ 12,025		\$ 20	\$ 69,507	0.3854%	\$ 315	
2009	\$ 50,492	\$ 2,494	\$ 2,300	\$ 1,029	\$ 350	\$ 12,025		\$ 20	\$ 68,710	0.3680%	\$ 311	
2010	\$ 50,403	\$ 2,278	\$ 1,945	\$ 922	\$ 300	\$ 11,300		\$ -	\$ 67,148	0.3739%	\$ 308	
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	\$ 48,480	\$654	\$ 8,471	\$ 450	\$ -	\$ -	\$ 4,220	\$ 534	\$ 62,809	0.2966%	\$ 280	

## **UPDATE ON PENSION AND OTHER POST EMPLOYMENT BENEFIT LIABILITIES**

County Employees receive pension benefits and in some cases health benefits after their retirement from the County. The management of these long term liabilities is a key component of the County's finances. Since 2010 both the County on its own behalf and CalPERS have made a variety of changes to the funding for post-employment benefits. The County's efforts related to our Pension Obligation Bonds and retiree health care are going well. CalPERS is considering additional changes to pension funding which would significantly increase County costs. An update on all three follows.

**Pension Obligation Bonds:** As part of the County's management of its long term debt in 2012 the Board adopted a strategy related to the pension obligation bonds shown in figure 23 above. The pension obligation bonds series B have a variable interest rate. In order to prepare for interest rate fluctuations and increasing payments in future years, the County has accumulated approximately \$7.9 million for future payments. The interest earnings from this reserve currently offset the debt service payments. The County will prepay some of the principal when it becomes advantageous (interest costs exceed interest earnings).

**Retiree Health:** In July 2015, to address a sizeable unfunded liability related to retiree health care for existing employees, the County established an irrevocable trust to prefund retiree health care benefits earned but not yet payable. The strategy involved gradually increasing the amount set aside for retiree health benefits beyond the amount payable in a single year to the amount accrued in a single year. This accrued liability amount is referred to as the actuarially required contribution (ARC). In the current year the County is collecting 70% of ARC from department budgets and any amount beyond what is payable in the current year will be set aside in a trust. The balance in the trust as of the end of the 1<sup>st</sup> quarter of the current fiscal year was \$1 million. In addition, the retiree health benefits for new employees were significantly reduced in 2010 to reduce the ARC over time.

**CalPERS Pensions:** Despite increases in CalPERS payments since the great recession, due both to investment losses and a variety of assumption changes, the CalPERS Board is considering lowering its "discount rate" or earnings assumption over the coming months due to lower investment earnings expected over the next decade, a relatively low funded status and a maturing retirement plan. At its November meeting the CalPERS Board heard Informational presentations from staff and consultants on this topic and directed staff to come back to the Board with recommendations in December. Reducing the discount rate, which is currently 7.5%, to 7.25% or 7% have both been discussed and may be necessary. Any reduction to the discount rate will increase County costs significantly, likely millions of dollars annually. A change made this year would likely first impact the County in fiscal year 2018-19. Staff will continue to monitor these discussions and provide updates as appropriate.

## 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	161,887	161,887	
5001	SSN Truncation Fund	43,841	43,841	
5002	Recording Systems Fund	2,264,880	2,264,880	
5003	Micrographics Fund	335,587	335,587	
5004	Vital Health Fund	4,230	4,230	
5005	DA - Federal Forfeiture Fund	256,204	256,204	
5006	DA - Treasury Federal Seizure	711,034	711,034	
5007	DA Criminalist Lab Fund	30,917	30,917	
5008	Criminal Justice Facilities Construction Special Revenue Fund	1,487,689	1,487,689	
5009	Probation - Ward Welfare Fund	145,825	145,825	
5010	Probation - CPIA/SB678 Fund	642,344	642,344	
5011	Inmate Welfare Fund	1,942,225	1,942,225	
5012	DNA ID Local Share Fund	118,428	118,428	
5013	Civil Equipment Fund	297,128	297,128	
5014	Vehicle Maintenance/Replacement Fund	262,552	262,552	
5015	Crime Prevention Fund	5,210	5,210	
5016	Drug and Gang Activity Fund	267,567	267,567	
5018	Sheriff - Federal Revenue Sharing Fund	1,643,951	1,643,951	
5019	Sheriff - Treasury Federal Seizure Fund	51,913	51,913	
5020	Survey Monument Fund	265,676	265,676	
5021	Community Cost Share Fund	841,795	841,795	
5022	Water Tender Earnings Fund	792,745	792,745	
5023	Library Donations	507,008	507,008	
5024	Probation - Title IV-E Fund	574,887	574,887	
5025	DA - State/Local Forfeiture Fund	72,497	72,497	
5026	DA - Environmental and Consumer Protection Fund	295,490	295,490	
5027	DA - Real Estate Fraud Prosecution Trust Fund	378,696	378,696	
5028	PROB - MCRP Participant Fund	415	415	
5050	POB Debt Service Fund	9,062	9,062	
5052	Bangor Reserve Fund	31,640	31,640	
5054	Hall of Records Reserve Fund	38,332	38,332	
5055	Jail Project Reserve	2,923,555	2,923,555	
5101	Domestic Violence Fund	32,124	32,124	
5102	Child Abuse Prevention Fund	400	400	
5120	Public Health - Rural Health Education Tobacco Fund	1,965	1,965	
5121	Public Health - Emergency Medical Services Fund	137,077	137,077	
5122	Public Health - Vital/Health Statistics Fund	287,013	287,013	
5123	Public Health - Emergency Preparedness Fund	207,958	207,958	
5124	Public Health - Hospital Preparedness Program Fund	200,136	200,136	
5130	Prop 63 MHSF Fund	1,195,909	1,195,909	
5131	Alcohol Education Fines Fund	322,815	322,815	
5132	Drug Education Fund	106,799	106,799	
5200	Road Improvements Contribution Fund	584,045	584,045	
5201	Countywide General Government Facilities	1,268,675	1,268,675	
5202	Jail Facilities	138,245	138,245	
5203	Sherriff Facilities Pre-2007	6,199	6,199	
5204	Chico Street Improvement Fund	485,277	485,277	

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

<b>Fund No.</b>	<b>Fund Name</b>	<b>Total Fund Balance</b>	<b>Restricted / Committed / Assigned Fund Balance</b>	<b>Available / Unassigned Fund Balance</b>
5205	Criminal Justice Facilities	80,381	80,381	
5206	Unincorporated General Government Facilities	141,903	141,903	
5207	Health & Social Services Facilities	20,583	20,583	
5208	Countywide Thermalito Traffic Fund	159,902	159,902	
5209	Thermalito Drainage Fund	175,730	175,730	
5210	Drainage Deposits Fund	151,408	151,408	
5211	Subdivision Drainage Fund	1,167,801	1,167,801	
5212	Library Facilities	356,748	356,748	
5213	Community Development Fund	23,450	23,450	
5215	Transportation Facilities Fund	1,481,388	1,481,388	
5216	Fire Hydrants Durham Irrigation	87	87	
5217	Fire Hydrants Yuba Co	4,181	4,181	
5218	Fire Hydrants Cal Water	8,311	8,311	
5219	Fire Hydrants Del Oro	1,002	1,002	
5220	Fire Hydrants OWID	21,960	21,960	
5221	Fire Hydrant TID	4,729	4,729	
5222	Sheriff Facilities	238,714	238,714	
5223	Fire Facilities	1,030,184	1,030,184	
5224	Battalion #1 Water Tender Impact Fee	693	693	
5225	Battalion #6 Water Tender Impact Fee	1,187	1,187	
5226	Battalion #7 Water Tender Impact Fee	1,776	1,776	
5227	North Chico Specific Plan Trails Fund	28,280	28,280	
5228	North Chico Specific Plan Roads and Bridges Fund	98,905	98,905	
5229	North Chico Specific Plan Storm Drainage Fund	218,611	218,611	
5230	North Chico Specific Plan Fire Station Fund	69,779	69,779	
5231	North Chico Specific Plan Parks Fund	119,464	119,464	
5232	Drainage Area 770 - Butte Creek Fund	697	697	
5233	Drainage Area 771 - Comanche Creek Fund	1,669	1,669	
5234	Drainage Area 772 - Little Chico Creek Fund	15,726	15,726	
5235	Drainage Area 773 - Big Chico Creek Fund	18,208	18,208	
5236	Drainage Area 774 - Lindo Channel Fund	29,079	29,079	
5237	Drainage Area 775 - Sudad Ditch Fund	19,221	19,221	
5238	Drainage Area 776 - Mud Creek/Sycamore Creek Fund	79,091	79,091	
5239	Drainage Area 777 - PV Ditch Fund	241	241	
5501	Community Corrections Partnership Fund	7,499,603	7,499,603	
5502	2011 Youthful Offender Block Grant Fund	1,279,721	1,279,721	
5503	2011 COPS - Juvenile Justice Fund	607,278	607,278	
5505	COPS - Jail Fund	172,211	172,211	
5506	2011 Rural County Assistance Fund	2,086,963	2,086,963	
5507	2011 CALOES Fund	598,656	598,656	
5508	COPS - DA Fund	111,220	111,220	
5509	DA Revocation Fund	228,656	228,656	
5510	Protective Services Fund	2,278,736	2,278,736	
5511	COPS - Front Line Law Enforcement Fund	145,571	145,571	
6211	BH - Here	16,286	16,286	
<b>Total Governmental Funds</b>		<b>43,175,837</b>	<b>\$ 43,175,837</b>	<b>\$ -</b>