



Butte County Administration

Shari McCracken
Chief Administrative Officer

25 County Center Drive, Suite 200
Oroville, California 95965

T: 530.538.7631
F: 530.538.7120

buttecounty.net/administration

Members of the Board

Bill Connelly | Maureen Kirk | Steve Lambert | Doug Teeter | Larry Wahl

Date: November 30, 2018
To: Butte County Board of Supervisors
From: Meegan Jessee, Deputy Administrative Officer
Subject: Financial Report for Fourth Quarter of Fiscal Year 2017-18 & First Quarter of 2018-19

OVERVIEW

The Butte County financial report for the fourth quarter of fiscal year 2017-18 and the first quarter of fiscal year 2018-19 contains updates on the economy, expenditures, revenues, cash balances and long-term debts for the periods ending June 30, 2018 and September 30, 2018.

The financial report for the fourth quarter of fiscal year 2017-18 is combined with the financial report for the first quarter of fiscal year 2018-19 because significant accounting activity occurred for both periods through September 30, 2018. Many revenues received and expenditures made between June 30, 2018 and September 30, 2018 were recorded in the fourth quarter of fiscal year 2017-18 because they were related to revenue earned or services provided in the 2017-18 fiscal year.

NOTE: This financial report was prepared prior to the Camp Fire and does not include financial impacts the fire has had on the County.

Economy: The U.S. economy continued to grow through September 30, 2018 and is expected to continue through the the next fiscal year albeit at a somewhat slower pace. Unemployment continues to be at historic lows.

Expenditures: Expenditures by County departments occurred as anticipated for the fiscal year ending June 30, 2018. At the end of the fourth quarter, the County had expended \$475.8 million from a budget totaling \$553.1 million, which is about 86%.

Expenditures for the quarter ending September 30, 2018 are on track. Overall, the County expended \$97.1 million during the first quarter, which is 17% of the budget.

Revenues: Discretionary revenues received during fiscal year ending June 30, 2018 were approximately \$1.3 million or 1% higher than budget due to a combination of higher than budgeted sales and use tax, property transfer tax, property tax administration revenues, FEMA and State disaster assistance reimbursements, and one-time tobacco settlement funds.

Overall, through the end of the fiscal year, the County received 93% of budgeted revenues, which includes both discretionary and non-discretionary funds.

Revenues received during the first quarter of the current fiscal year are 11% of the budgeted amount. Most County revenues are received later in the fiscal year, which results in low first quarter revenue receipts. First quarter revenues include \$500,000 in unanticipated discretionary revenue from the sale of Rule 20A Credits. Staff recommends considering the use of these one-time funds as part of the fiscal year 2019-20 budget process and directing these funds towards one-time costs or the reduction of unfunded pension or other liabilities at that time.

Year End Fund Balances: The total General Fund balance at June 30, 2018 was \$21.3 million. Of this total, \$8.7 million was restricted, committed or assigned. The unassigned (available) fund balance as of June 30, 2018 was \$12.6 million. This is approximately \$1 million more than anticipated in the Recommended Budget. As a result, the General Fund Contingency for fiscal year 2018-19 has been increased from \$7.2 million to \$8.2 million.

Other governmental fund balances totaled approximately \$112.2 million. All of the fund balances in the other governmental funds are restricted, committed or assigned. Internal service funds' restricted net assets totaled \$3.8 million. Enterprise funds' restricted net assets totaled \$31.9 million.

Cash Balances: The General Fund operating cash balance was approximately \$20.3 million at the end of June 2018, compared to \$25.5 million the prior year in part due to an additional pay period posted in June of 2018 which increased salary/benefit costs in that quarter by \$3.2 million. At the end of September 2018, General Fund operating cash was \$5.4 million, compared to \$3.2 million the prior year. The \$2.2 million increase is due to a combination of one-time and ongoing revenues and the timing of transfers from non-operating funds and one fewer payrolls posting than in the first quarter of fiscal year 2017-18.

Debt: During the fourth quarter of fiscal year 2017-18 and the first quarter of fiscal year 2018-19, principal payments totaling \$1.3 million and interest payments of \$1.3 million were made against long-term debt obligations. During the same period, the County secured a \$495,702 lease-purchase financing for the purchase of equipment for the Public Works Department.

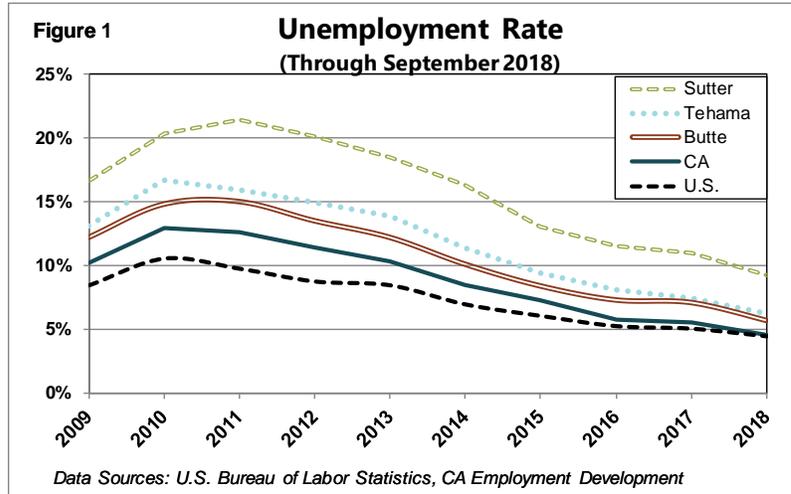
ECONOMIC UPDATE

The State and national economic update is accomplished with the inclusion of the "California Forecast: Sales Tax Trends and Economic Drivers," (attachment A) provided by HdL Companies. This forecast is produced by HdL and Bacon Economics and provided quarterly to the County at no additional cost 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: State Tax Trends and Economic Drivers" efficiently provides a concise, professional economic forecast.

The "California Forecast: Sales Tax Trends and Economic Drivers," projects GDP growth of 3.0% in fiscal year 2018-19, slowing to 2.4% in fiscal year 2019-20 along with the continuation of historically low unemployment. Median home price in the state is projected to continue to increase. However home sales continue to be only average. Statewide, sales tax is projected to increase 1.51% in fiscal year 2018-19 and 2.1% in fiscal year 2019-20.

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 unemployment rate in September of the current fiscal year was 4.1%, down from 5.3% at the close of the fourth quarter of fiscal year 2017-18 and the rate of 5.2% from a year ago. In September, the size of the labor force in Butte County was estimated at 105,700, which was an increase from 102,900 at the end of the fourth quarter of fiscal year 2017-18 and 104,800 a year ago. 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 1).

Building Activity: The total number of building permits issued for the unincorporated area of Butte County increased by 10.6% over the past year. In the first quarter of fiscal year 2018-19 an average of 279 building permits were issued per month for the unincorporated area, which is a slight increase from the monthly average of 271 in the previous quarter and a 6.1% increase from the monthly average during the first quarter of fiscal year 2017-18. Figure 2 below shows Butte County building permits per month for the last ten years.

Figure 2

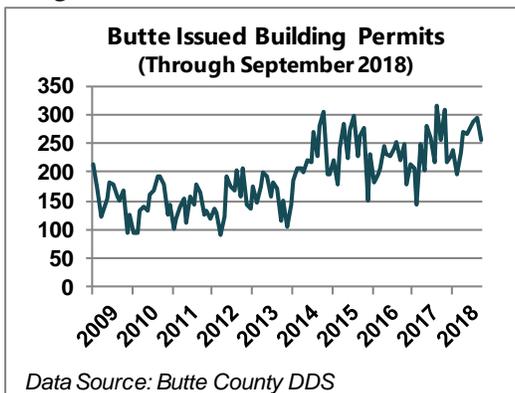
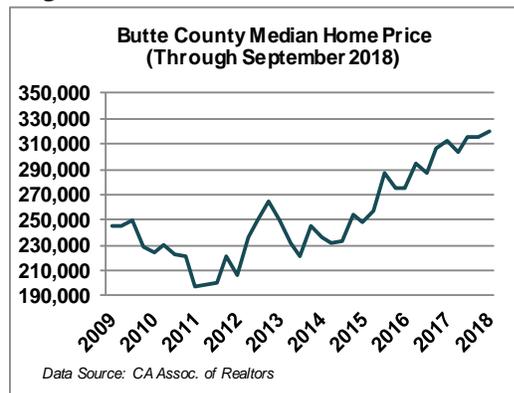


Figure 3



Median Home Price and Home Sales: The median sales price of existing single-family homes in Butte County during September 2018 was \$320,000, an increase of 1.6% from the previous month and a 2.6% increase from the median price of \$311,900 in September 2017. Figure 3 above shows the median home prices in Butte County for the past ten years. Home sales in Butte County during September 2018 were down by 32.2% from the previous month and by 9.3% from September 2017.

FOURTH QUARTER EXPENDITURE REPORT

At the end of the fourth quarter fiscal year 2017-18, the County had expended \$475.8 million from a budget totaling \$553.1 million. As shown in Figure 7 below, the County spent \$196.0 million on salaries and benefits, \$121.1 million on services and supplies, \$94.2 million on other charges, such as payments between funds for services provided between County departments and contributions to other agencies, and \$5.8 million on capital assets. The remaining \$58.7 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 86% of the budget in fiscal year 2017-18 compared to 85% 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

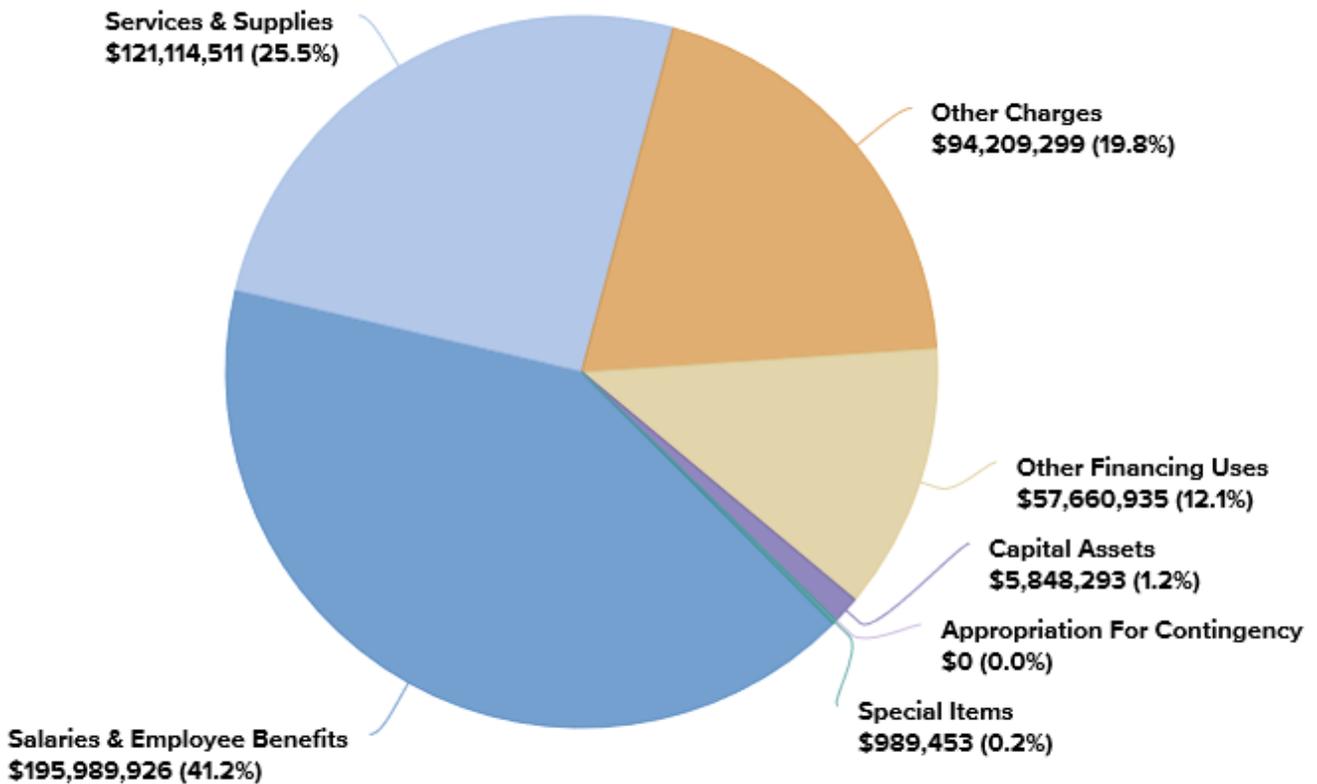


Figure 5 on page 6 shows the percentage of budget expended by each County department. Most departments had expended between 80% and 100% of their budget. A number of departments had expenditures of less than 80% of budgeted amounts. These are noted as follows:

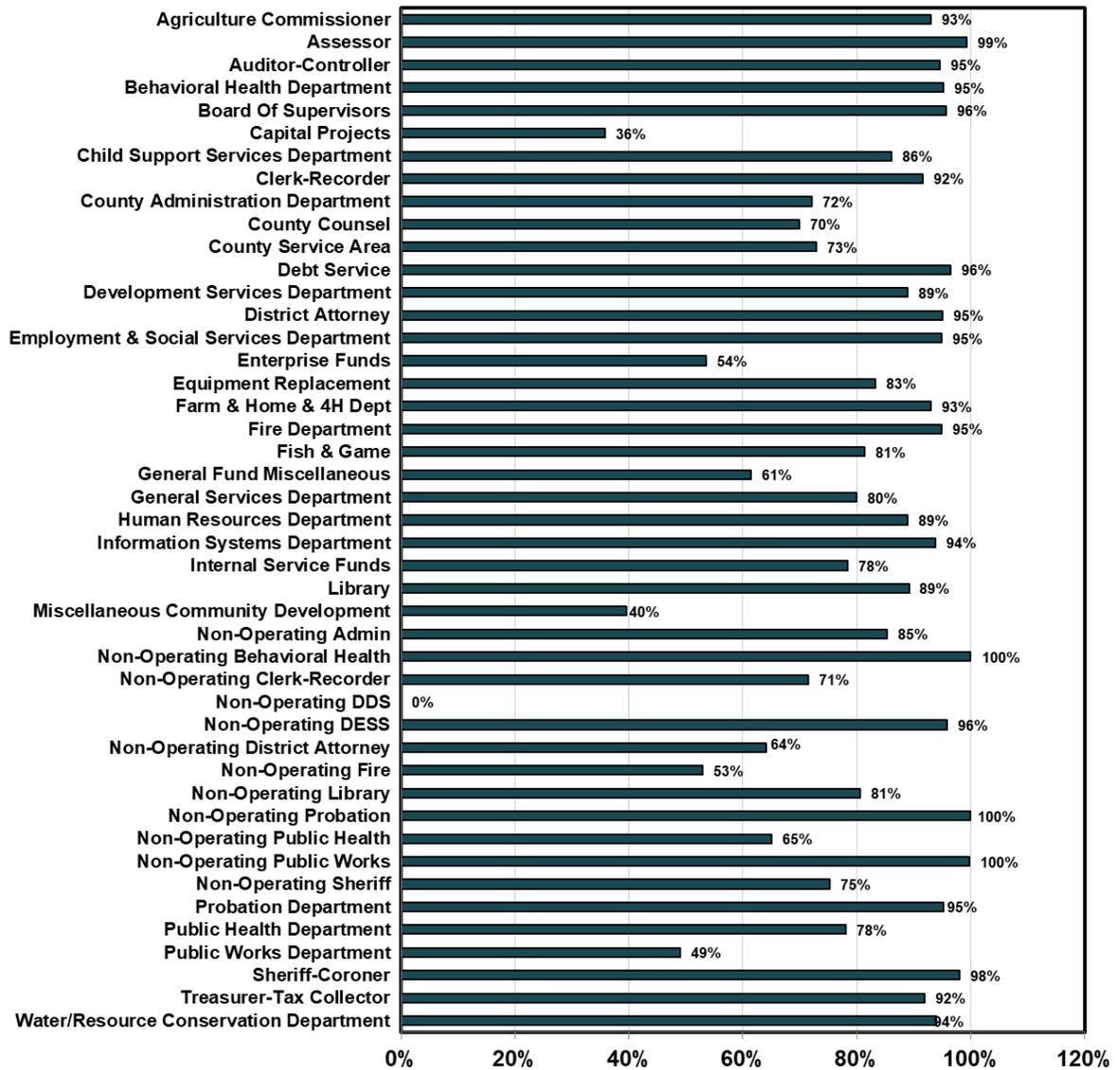
- Capital Projects includes many large multi-year projects (campus infrastructure, Jail expansion, etc.) that have been rebudgeted to fiscal year 2018-19.
- County Administration had salary savings related to vacant positions, as well as lower than anticipated professional services costs.
- County Counsel had lower than anticipated professional services costs.
- County Service Areas (CSAs) budgets often include maintenance/repair funds that are only expended as needed; unneeded funds are not spent.
- The Neal Road Recycling and Waste Facility, which is accounted for in an enterprise fund, included current year capital purchases and improvements of approximately \$3.1 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.
- General Fund Miscellaneous includes unspent General Fund Contingencies, which resulted in expenditures of less than 80% of budget.
- Internal Service Funds had lower than anticipated Workers' Compensation medical settlement costs, as well as lower than budgeted judgements/damages and legal fees..
- Miscellaneous Community Development includes the Community Development Block Grant (CDBG) and HOME programs. The unit is at less than 50% of budgeted expenditures due to the number of projects completed and the timing of billings from outside consultants.
- Many of the non-operating funds are 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. Additionally, salary savings related to vacant positions and planned projects not completed or rebudgeted to fiscal year 2018-19 contributed to lower expenditures among non-operating funds.
- Public Health expenditures were lower than expected due to the County Medical Services Program (CMSP) participation fees being waived by the CMSP Board, a delayed building remodel and planned rebudget of a capital asset to fiscal year 2018-19.
- Public Works originally anticipated construction of the Midway Bridge to begin in fiscal year 2016-17, but construction is now expected in fiscal year 2020-21 due to CalTrans reduced funding capacity – the project is to be completed on a reimbursement basis and CalTrans has indicated reimbursement funding will not be available until 2020-21. Additionally, Public Works realized savings due to a variety of equipment purchases planned for fiscal year 2017-18 that will be completed in fiscal year 2018-19.

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Figure 5

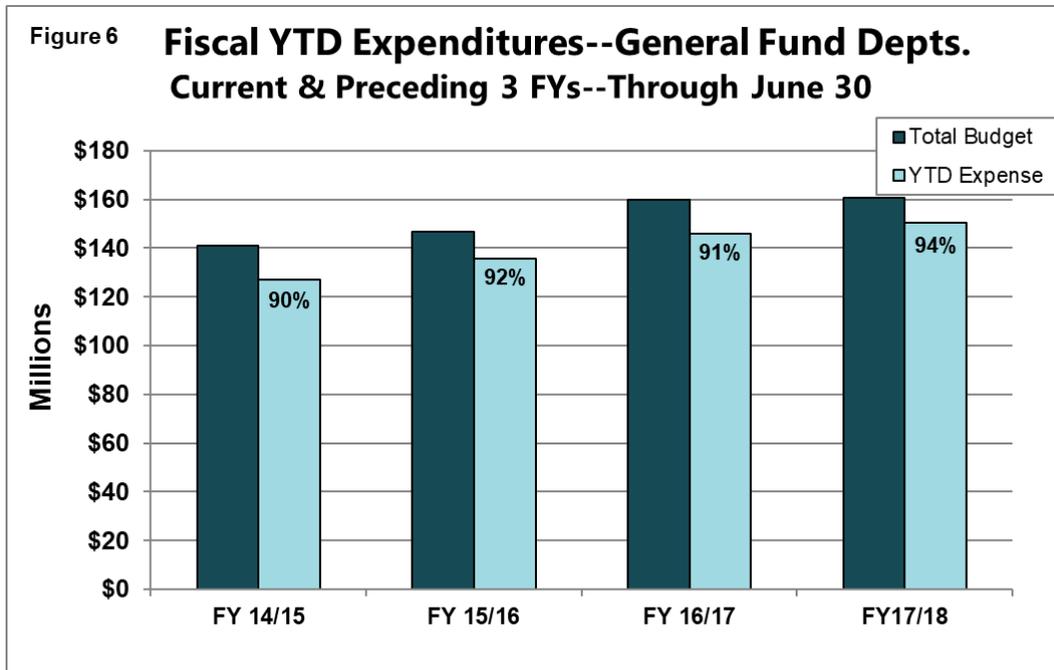
Department Expenditures

(% of Total Budget-Through June 30, 2018)



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Figure 6 displays budgeted and actual expenditures at the close of the fourth quarter among General Fund departments. As shown in the graph, total expenditures among General Fund departments have increased from are between 90% and 92% of the budgeted amount through the end of the fourth quarter to 94% at the close of fiscal year 2017-18. This increase reflects reduced salary savings and tighter General Fund budgets.



FOURTH QUARTER REVENUE REPORT

Through the fourth quarter of fiscal year fiscal year 2017-18, as reflected in Figure 7, the County received \$525,772,041 in revenue. This amounts to 93% of budgeted revenues compared with 92% in the prior year. 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.

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Figure 7

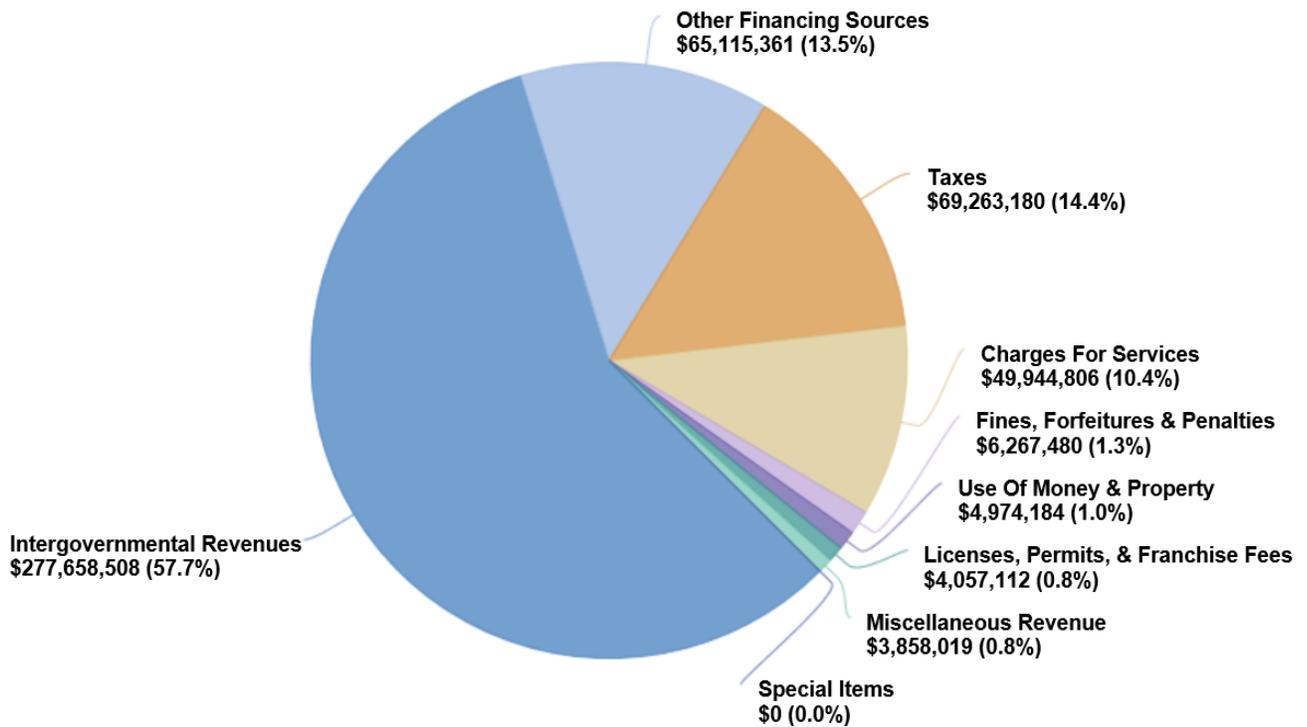


Figure 8 below shows revenues received by each County department through the end of the fourth quarter. Many departments received revenues between 80% and 110% of their budgeted amounts through the fiscal year. Nine departments had revenue receipts less than 80% of budget. These are noted as follows:

- Capital Projects had revenue related to projects that were not completed by the close of the fiscal year and have been rebudgeted to fiscal year 2018-19.
- Fire Department planning fees were lower than anticipated. Additionally, the anticipated purchase of a Type III engine with Cost Share and Water Tender funds was postponed to fiscal year 2018-19.
- Fish and Game revenues fluctuate based on the number of violations and fines issued.
- General Services had lower than anticipated revenue related to projects that were budgeted but not completed by the close of the fiscal year.

- Library revenues were less than budgeted due to lower-than-expected grant revenue for the Digital Literacy Coach program.
- Miscellaneous Community Development includes the CDBG and HOME programs. Revenue is lowered than budgeted due to timing of projects.
- The Non-Operating Development Services (DDS) fund is no longer needed. Expenditure and revenues are made directly in the General Fund.
- Non-Operating Library revenues fluctuate based on the amount of donations made to the Library.
- Public Works receives reimbursement for projects. Delays in projects reduced associated revenue.

There are also departments with revenues that exceed 110% of budgeted revenues. Specifically:

- Assessor charges for services were slightly higher than budgeted.
- Debt Service revenues were higher due to collection of the required Unfunded Accrued Liability (UAL) contribution to PERS. Funds are being held pending adoption of a pension strategy.
- Development Services Department permit revenue was higher than anticipated.
- 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 363% of budgeted revenues because revenues are based on how often the County's equipment is used by CAL FIRE on State-funded incidents. Due to last summer's busy fire season revenues were higher than anticipated.
- Water and Resource Conservation Department revenues are higher than anticipated due to the receipt of \$90,000 in revenue originally budgeted in the prior year.

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Figure 8

Department Revenues (% of Total Budget-Through June 30, 2018)

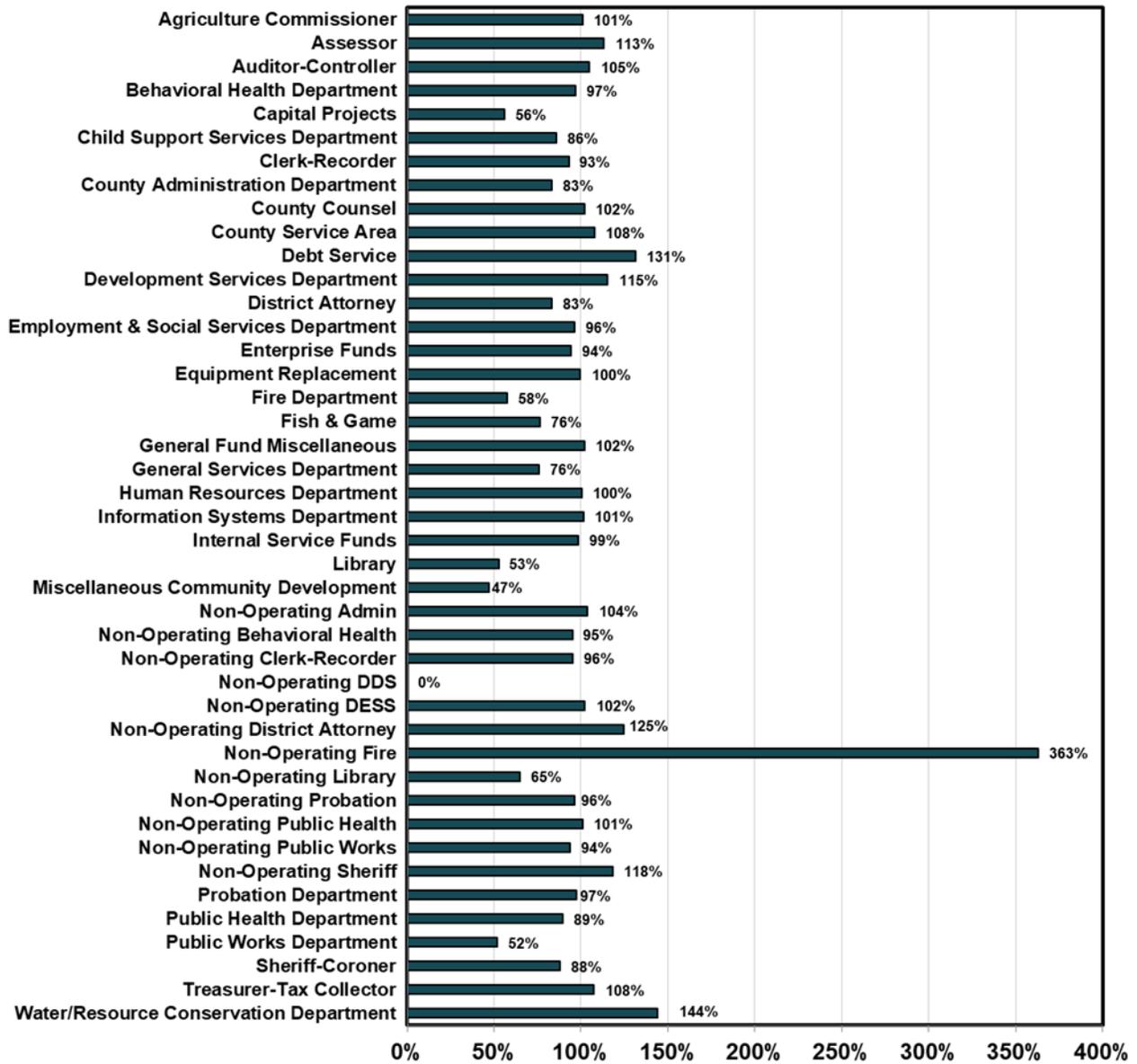
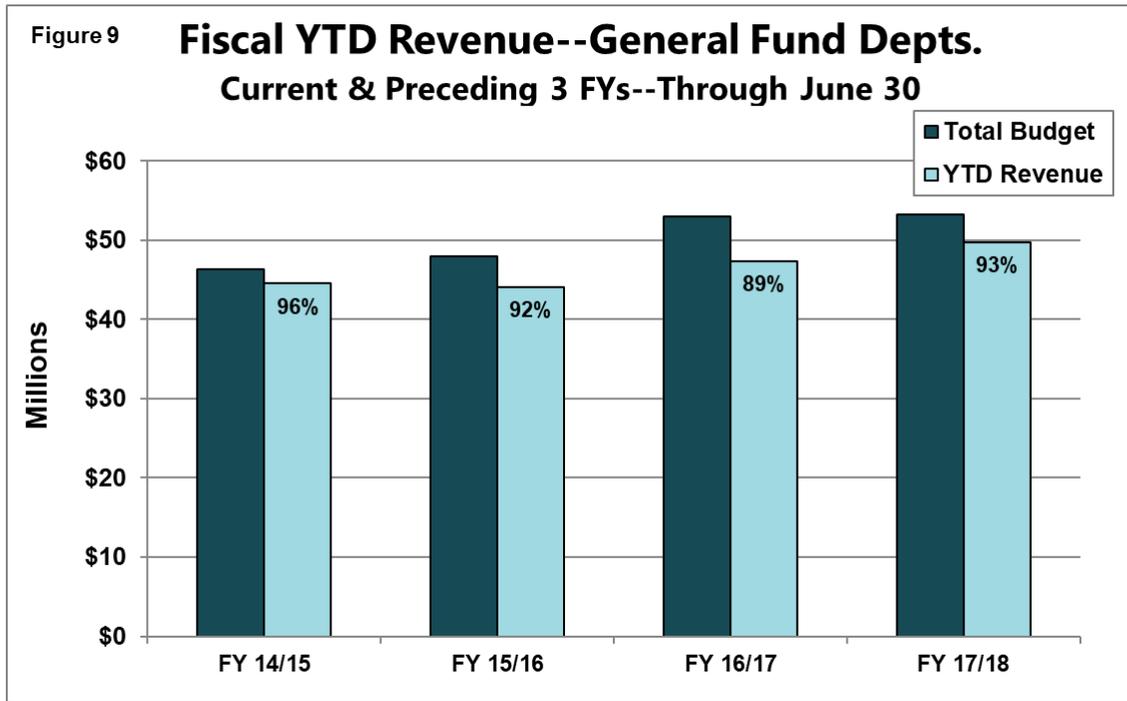


Figure 9 displays budgeted and actual revenues at the close of the fourth quarter fiscal year 2017-18 among General Fund departments. County departments received 93% of budgeted revenues, an increase from fiscal years 2015-16 and 2016-17 due to a combination of higher than budgeted user fee revenue related to the user fee study, higher construction permit revenues, and transfers from other funds related to the completion of projects and purchases and charges for services.



General Purpose Revenue: General Purpose Revenues (included in Figure 10 below) ended the year higher than budgeted. In total, the County received 101% of budgeted general purpose revenue. This was approximately \$1.3 million more than budgeted primarily due to higher than budgeted sales and use tax, property transfer tax, Property Tax Administration Revenues, federal and State disaster assistance reimbursements, and a one-time increase in tobacco settlement funds.

Figure 10

General Purpose Revenue Receipts (Through 4th Quarter)			
Account Title	Budget	YTD Receipts	YTD %
Property Taxes	61,860,000	61,099,822	99%
Sales and Use Taxes	5,152,000	5,498,556	107%
Other Taxes	1,527,000	1,781,308	117%
State Revenue	18,030,000	18,532,946	103%
Federal Revenue	1,255,000	1,707,002	136%
Other-In-Lieu Revenue	21,000	20,775	99%
Use Of Money & Property	4,182,000	4,214,392	101%
Fines, Forfeitures & Penalties	3,399,000	3,126,177	92%
Tobacco Settlement	1,900,000	2,328,352	123%
Other Sales	45,000	19,203	43%
Miscellaneous Revenue	0	8,179	
Charges For Services	1,691,000	1,863,428	110%
Licenses, Permits, & Franchise Fees	1,441,000	1,491,581	104%
Other Financing Sources	0	64,049	
Total General Purpose Revenue	\$100,503,000	\$101,755,771	101%

YEAR END FUND BALANCE REPORT

The Auditor-Controller's Office spent the months of July, August, and September finalizing the accounting for fiscal year 2017-18. As the process wraps up and the Auditor-Controller's Office prepares the Comprehensive Annual Financial Report (CAFR), the June 30, 2018 unaudited ending fund balances in each of the County's Governmental Funds became known. In the coming months the 2017-18 financial results will be audited and published in the CAFR.

The total General Fund balance at June 30, 2018 was \$21.3 million. Of this total, \$8.7 million was restricted, committed or assigned. The unassigned (available) fund balance as of June 30, 2018 was \$12.6 million. This is approximately \$2.3 million less than available fund balance from fiscal year 2016-17 and \$1.0 million more than anticipated in the fiscal year 2018-19 Recommended Budget. As a result, the General Fund Contingency target of \$7.2 million will be increased by \$1 million so that the budget remains in balance. This will result in a total General Fund Contingency for fiscal year 2018-19 of \$8.2 million. However \$315,000 of that amount has already been expended, leaving a balance of \$7.9 million.

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	21,325,937	8,726,166	12,599,771.41
0020	Social Services Fund	6,242,736	6,242,736	-
0021	Public Health Fund	14,156,587	14,156,587	-
0022	Behavioral Health Fund	11,109,843	11,109,843	-
0025	Child Support Services Fund	2,000	2,000	-
0030	Road Operations Fund	3,553,346	3,553,346	-
0038	POB Debt Service Fund	13,648,405	13,648,405	-
0039	Debt Service Fund	817	817	-
0041	Capital Project Fund	3,859,059	3,859,059	-
0101	Sheriff - Equip. Replacement	2,018,786	2,018,786	-
0102	District Attorney - Equip. Replacement	116,458	116,458	-
0103	Fire - Equip. Replacement	2,071,617	2,071,617	-
0104	Probation - Equip. Replacement	136,062	136,062	-
0105	Assessor - Equip. Replacement	34,142	34,142	-
0106	General Services - Equip. Replacement	98,063	98,063	-
0107	Information Systems - Equip. Replacement	2,486,847	2,486,847	-
0108	Internal Service Fund - Equip. Replacement	0	-	-
0109	Agriculture - Equip. Replacement	5,664	5,664	-
0131	Transit - Local Trans	263,711	263,711	-
0142	CDBG Program Grants	130,446	130,446	-
0143	CDBG - Program Income Fund	3,805,389	3,805,389	-
0144	HOME Program Income Fund	316,531	316,531	-
0150	Fish & Game Fund	101,932	101,932	-
Included in Attachment A - Non-Operating Funds		47,998,156	47,998,156	-
Total Governmental Funds		133,482,536	\$ 120,882,765	\$ 12,599,771

The fund balance estimate completed during the preparation of the fiscal year 2018-19 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 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 in 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 \$14.1 million is primarily Public Health Realignment funds that can only be used for public health efforts, and the Road Operations fund balance of \$3.5 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. Compared to prior year, overall governmental fund balances increased by 6%, restricted/committed/assigned fund balances increased by 9%, and unassigned General Fund balance decreased by 18%. The balance of each of the County's non-operating funds is shown in Attachment B.

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	1,351,865
7110	Workers Compensation Fund	2,300,486
7120	Unemployment Insurance	103,622
7140	Medical Liability Insurance	12,140
7160	Miscellaneous Insurance	38,138
7210	Utilities Clearing	36,315
Total Internal Service Funds		\$ 3,842,566

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 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.

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

Fund No.	Fund Name	Net Position
7560	Neal Rd Clsr-Cor Actn Fund	(1,748,572)
7570	Neal Rd Recycling & Waste Mgt Fund	33,602,982
Total Enterprise Funds		\$31,854,410

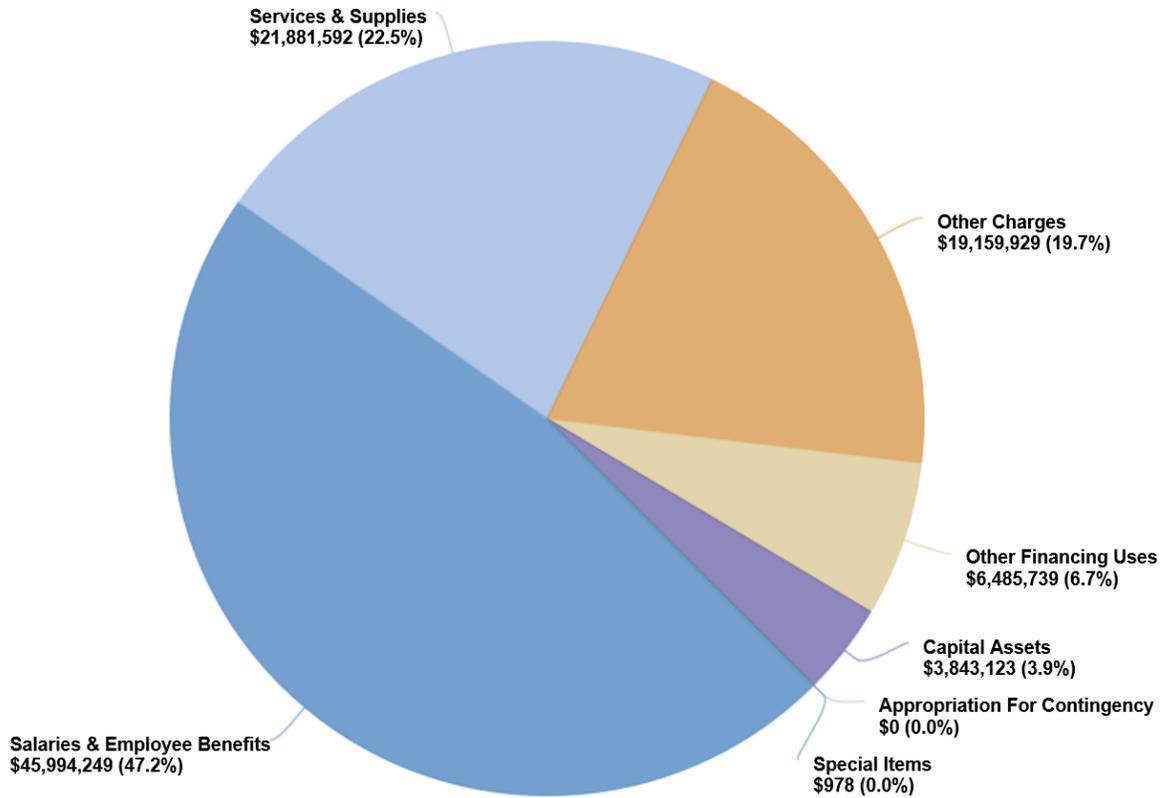
The fund had a total of \$5.5 million in cash at the end of the year to be used Post Closure. The Enterprise Fund is in compliance with requirements set in statute and administered by CalRecycle for current Closure and Corrective Action Fund obligations as well as a State approved instrument to satisfy 30-year Post Closure Maintenance Obligations (Figure 13).

FIRST QUARTER EXPENDITURE REPORT

At the end of the first quarter of fiscal year 2018-19, the County had expended \$97.4 million from a budget totaling \$559.6 million. As shown in the graph below (Figure 14), the County spent \$46.0 million on salaries and benefits, \$21.9 million on services and supplies, \$19.2 million on other charges, such as payments between funds and contributions to other agencies, \$6.5 million on other financing uses and \$3.8 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.

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Figure 14

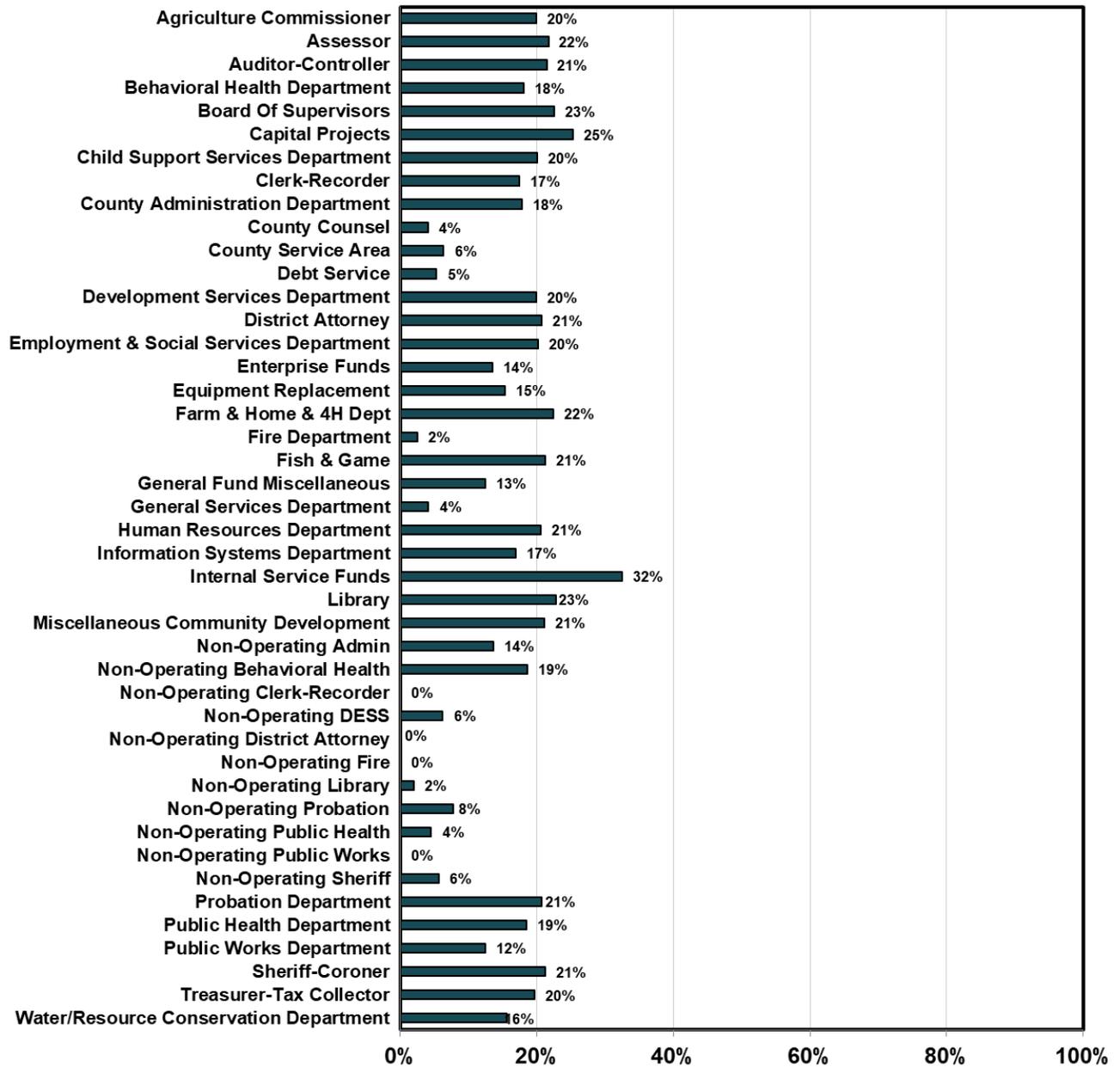


The graph on the following page (Figure 15) shows the percent of budget expended by each County department. The majority of departments expended 10% to 25% of their budget through September, which is typical for this early in the fiscal year. Through the first quarter the internal services funds category 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 first quarter of the fiscal year which accounts for the higher percent of budget expended then other areas of the County.

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Figure 15

Department Expenditures (% of Total Budget-Through September 30, 2018)



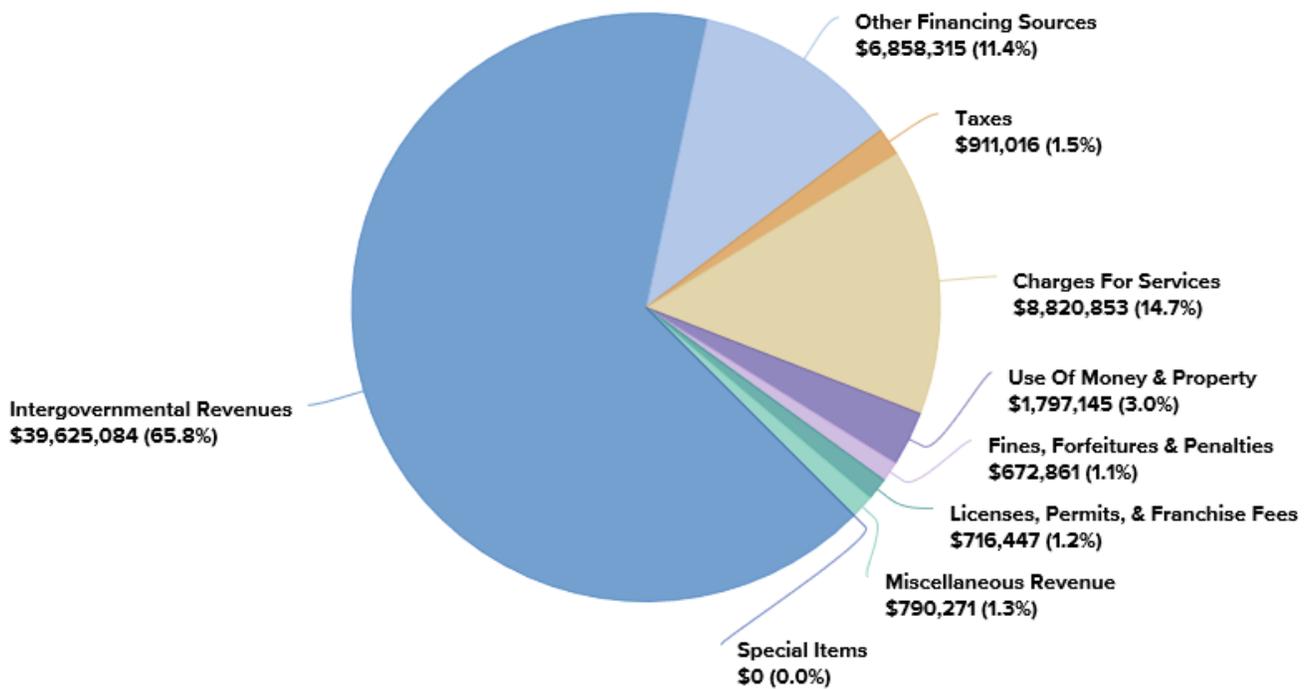
A few departments expended less than 10% of their budget for the year; this is mostly consistent with prior year results. The Fire budget, for example, includes the State CAL FIRE agreement and the first quarter invoice is not anticipated until later in the year, the County Service Area budgets include charges from Public Works that will not be posited until the second quarter, and the timing of Debt Service payments dictates when that budget is expended. General Services costs are somewhat lower than is typical at this point in the year because a number of large major maintenance projects have not

been expended. 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 11% of budgeted revenues, consistent with prior year's 12%. 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. OpenGov reports are from the County's Financial Transparency Portal, which provides interactive County financial data at www.buttecounty.net/administration/Finance.

Figure 16

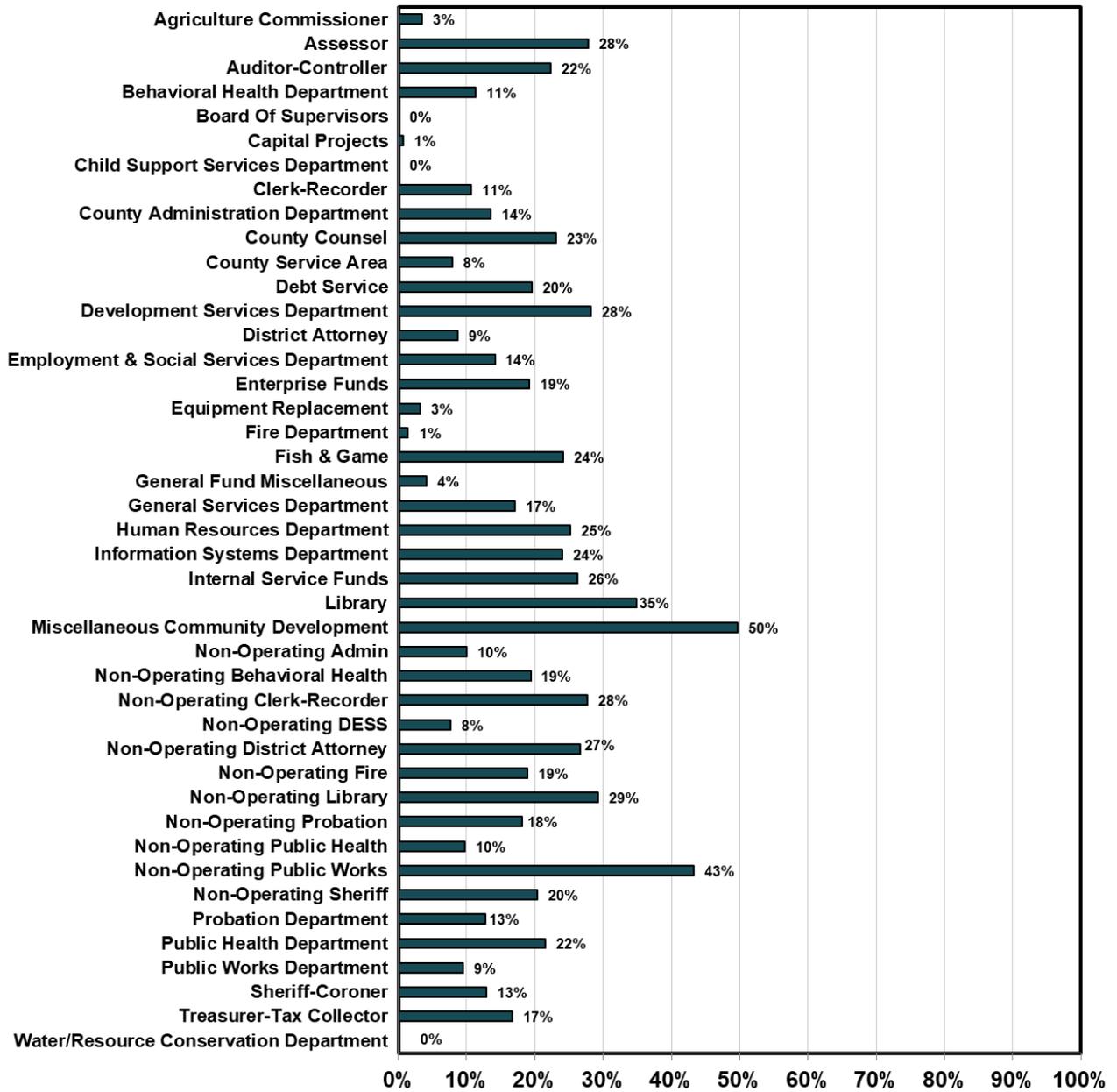


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Figure 17 below shows revenues by each County department to date as a percentage of budget. At this point in the fiscal year, it is typical for departments to have wide variations in the percentage of budgeted revenue collected.

Figure 17

Department Revenues (% of Total Budget-Through September 30, 2018)



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 4% 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 2018.

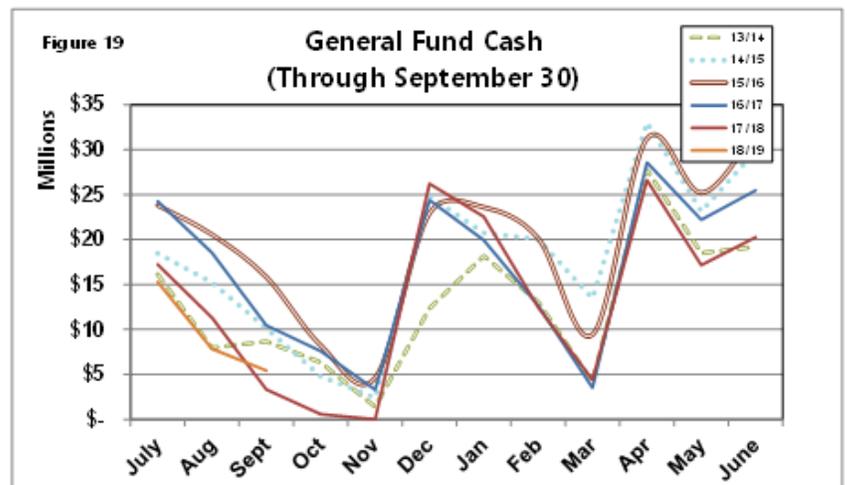
During the first quarter the year, the County received \$500,000 in unanticipated revenue related to the sale of Rule 20A Underground Utility Credits to Colusa County. These are one-time discretionary funds. Staff recommend that the use of these funds be considered as part of the fiscal year 2019-20 budget for one-time needs such as building the general fund reserve, reducing pension liabilities or addressing one-time facility needs.

Figure 18

General Purpose Revenue Receipts (Through 1st Quarter)			
Account Title	Budget	YTD Receipts	YTD %
Property Taxes	64,210,000	136,855	0%
Sales and Use Taxes	5,270,000	501,010	10%
Other Taxes	1,858,000	269,936	15%
State Revenue	18,427,629	1,437,909	8%
Federal Revenue	291,000	536,065	184%
Other-In-Lieu Revenue	21,000	0	0%
Use Of Money & Property	4,093,000	230,892	6%
Fines, Forfeitures & Penalties	2,997,000	115,806	4%
Charges For Services	1,868,000	25,016	1%
Tobacco Settlement	1,950,000	0	0%
Other Sales	58,000	500,563	863%
Licenses, Permits, & Franchise Fees	1,491,700	111,987	8%
Other Financing Sources	0	11,636	
Total General Purpose Revenue	\$102,535,329	\$3,877,675	4%

CASH BALANCES

The General Fund cash balance at the end of the fourth quarter of fiscal year 2017-18 was \$20.3 million, compared to \$25.5 million the prior year. By the end of the first quarter of fiscal year 2018-19, the operating cash declined to \$5.4 million, compared to \$3.3 million at the end of the first quarter of fiscal year 2017-18. The \$2.1 million year over year increase is due to a combination of factors including the receipt of the \$500,000 related to the sale of Rule 20A credits, almost



\$300,000 in emergency response reimbursement, \$500,000 per quarter in higher allocated cost revenues in the General Fund, and the timing of an \$800,000 revenue transfer that funds a portion of jail operations.

PENSION PLAN FUNDED STATUS

Figure 20 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 improved by 1.7% and the miscellaneous plan’s funded ratio improved by 1.3%. In both cases, however, the total unfunded accrued liability increased as did the required pension payments to CalPERS for the 2019-20 fiscal year.

Figure 20 PENSION PLAN FUNDED STATUS	
Butte County Pension Plans	As of June 30, 2017
Safety Plan	
Unfunded Accrued Liability	\$56,842,000
Funded Ratio	71.1%
Miscellaneous Plan	
Unfunded Accrued Liability	\$183,705,214
Funded Ratio	73.8%

RETIREE HEALTH PLAN FUNDED STATUS

Figure 21 below presents the most recent funded status of the County’s retiree health plan as of July 1, 2018. The retiree health actuarial is updated every two years, with a supplement issued annually. The information below is from the supplement issued on November 6, 2018. 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 July 1, 2017 had accumulated \$2.4 million in a trust for that purpose. In the current fiscal year the County is collecting 90% of the actuarially determined annual contribution, increasing by 10% every year until fiscal year 2019-20 when 100% of the annual contribution will be collected. As this policy continues to be implemented the current funded ratio of 6.4% will increase. As of September 30, 2018 the County had accumulated \$4.6 million.

Figure 21 RETIREE HEALTH FUNDED STATUS	
Retiree Health Insurance Plan	As of July 1, 2018
Unfunded Accrued Liability (GASB 75)	\$65,320,371
Funded Ratio	6.4%

LONG-TERM DEBT

The Long-Term Debt schedule, Figure 22, presents balances as of September 30, 2018. During the fourth quarter of fiscal year 2017-18, the County secured a \$495,702 lease-financing for the purchase of a grader and tractor truck for the Public Works Department. The financing is for a term of five years with annual lease payments of \$108,050 at a fixed annual interest rate of 2.939%.

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Figure 22 LONG-TERM DEBT (THROUGH SEPTEMBER 2018)					
Type of Debt	Original Loan Amount	Current Balance		Avg. Annual Payment*	Maturity Date
Bonds Payable					
Pension Obligation Bonds					
-Series A	28,020,000	26,990,000		2,761,441	6/1/2034
-Series B	21,875,000	19,875,000		1,857,191	6/1/2034
Total Bonds Payable	\$ 49,895,000	\$ 46,865,000		\$ 4,618,632	
Certificates of Participation					
2014 Hall of Records	8,000,000	7,297,954		357,114	7/1/2054
2010 Bangor Fire Station #55 Renovation Project	1,100,000	936,333		53,252	8/1/2050
Total Certificates of Participation	\$ 9,100,000	\$ 8,234,287		\$ 410,366	
Capital Leases					
Motorola Solutions Inc.	7,166,380	6,482,024		757,453	12/15/2026
Chico Memorial Hall - 492 Rio Lindo	583,400	109,962		61,156	4/10/2020
Chico Memorial Hall - 554 Rio Lindo	670,900	115,467		62,275	4/10/2020
Ford Motor Credit Company	34,059	8,737		9,235	2/22/2019
2017 Government Campus Infrastructure Financing	2,658,000	2,587,985		221,269	10/1/2032
2018 Grader and Tractor Truck Lease	495,702	495,702		108,050	4/13/2023
Total Capital Leases	\$ 11,608,441	\$ 9,799,877		\$ 1,219,438	
Notes Payable					
California Energy Commission					
-Solar Project Phase 1	2,777,000	135,899		207,886	12/22/2018
Total Notes Payable	\$ 2,777,000	\$ 135,899		\$ 207,886	
Neal Road Recycling and Waste Facility					
2006 Certificates of Participation Refunding	4,220,000	2,150,000		1,102,396	7/1/2020
2013 Equipment Lease-Purchase	558,924	Paid in Full		-	12/24/2017
2014 Equipment Lease-Purchase	500,000	103,282		104,976	2/20/2019
2017 Equipment Lease-Purchase	816,393	658,155		171,039	11/15/2021
Total Neal Road Recycling and Waste Facility	\$ 6,095,317	\$ 2,911,437		\$ 1,378,411	
TOTAL LONG-TERM DEBT	\$ 79,475,758	\$ 67,946,500		\$ 7,834,733	

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

During the fourth quarter of fiscal year 2017-18 and the first quarter of the current fiscal year, the County made a total of \$2,581,008 in debt payments, \$1,306,158 of which resulted in principal reductions as detailed in Figure 23 below.

Figure 23 LONG-TERM DEBT PAYMENTS		
Debt Description	Principal Paid	Interest Paid
Pension Obligation Bonds Series - A	\$370,000	\$826,724
Pension Obligation Bonds Series - B	\$510,000	\$233,049
2014 Hall of Records Certificates of Participation	\$105,000	\$129,552
2010 Bangor Fire Station Certificates of Participation	\$15,000	\$19,027
California Energy Commision - Solar Project Phase 1	\$133,289	\$5,302
2017 Government Campus Infrastructure Financing	\$70,015	\$40,620
Chico Memorial Hall -192 Rio Lindo	\$49,366	\$11,790
Chico Memorial Hall - 554 Rio Lindo	\$53,489	\$8,786
TOTAL DEBT PAYMENTS	\$1,306,158	\$1,274,850

Figure 24 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.

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Figure 24

**Outstanding Debt and Ratios (Through September 2018)
(In Thousands, Except Debt Ratios)**

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
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	\$ 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	\$ 46,865	\$136	\$ 8,234	\$ 9,800	\$ -	\$ -	\$ 2,911	\$67,946	0.2885%	\$ 300

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CALIFORNIA FORECAST SALES TAX TRENDS AND ECONOMIC DRIVERS

SEPTEMBER 2018

HdL[®] Companies



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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to Local Government Since 1983*

HDL CONSENSUS FORECAST – SEPTEMBER 2018

STATEWIDE SALES TAX TRENDS

 **TOTAL 2.2% | 2.1%**

 **Autos/Transportation** 2018/19 | 2019/20
0.5% | 0.0%

This sector is in a sweet-spot marked by growing wages combined with moderate financing rates; this has yielded strong truck and sports utility vehicle sales. However, lending rates have risen from historic lows and it is becoming more difficult to find zero-rate vehicle loans. Continued increases in benchmark interest rates, higher gasoline prices and a glut of off-lease vehicles hitting the market are expected to crimp tax revenue in the coming months. Simmering trade tensions further unsettle industry observers.

 **Building/Construction** 4.5% | 3.9%

Construction product costs are rising steadily and will boost taxes. Home affordability continues to take a hit with both labor and materials on a sharp upward trajectory. Planned multi-family starts may be affected as projects fail to pencil out. At best, upcoming bids for infrastructure projects will cause the scope of work to decrease, some projects could be delayed or shelved due to a lack of funding. The volume of work on highways and local streets under existing contracts is not affected by recent increases levies on imported steelwork and lumber.

 **Business/Industry** 2.2% | 2.0%

Not limited to this group, but the State's computer conversion problems delayed a substantial number of second quarter tax returns thereby skewing what can be determined from sales tax data. Outside statistics suggest capital investment remains at previous year's levels with the tech sector being the primary driver of growth. Costs of raw materials and transportation rising due to labor shortages. A rush in purchases to beat new rounds of tariff announcements may generate a spike in third quarter sales tax revenues followed by declines in subsequent quarters.

 **Food/Drugs** 1.9% | 1.5%

Grocery stores are in the midst of a rapidly changing landscape. Established chains still dominate the market. However, new entrants are luring shoppers with low margin products, expansive on-line inventories and quick home delivery. Cashierless outlets and voice activated buying are emerging trends anchored to consumer convenience preferences. Drug store offerings reflect liquor, food and trendy products while enhancing pharmaceutical and medical service offerings. Licensed cannabis businesses are cultivating new revenues for this sector.

 **Fuel/Service Stations** 0.2% | 1.0%

Global crude oil prices have remained steady for several months as OPEC members and affiliates complied with production caps, only slowly increasing output to keep up with demand. This consistent pricing also tempered U.S. extraction in West Texas as driller's struggle with tight labor markets. In California, while elevated summer pricing will soon give way to lower winter blend cost, all eyes will be on the Prop 6 November election results – repeal of SB-1 legislation that increased statewide excise tax on gas and diesel fuel.

 **General Consumer Goods** 1.0% | 1.0%

Traditionally based retail is transforming itself driven by emphasis on experience and community. This means the integration of bedrock brands infused with ever changing, limited quality, unique finds combined with the addition of restaurants, pop-up shops, and amenities such as speaker series, art installations and podcasts. The launching of storefronts amplifying online sellers and the emergence of social media are becoming a force in the retail marketplace. As a result, there will be local and regional fluctuations in performance based on retail mix and demographics. There are predictions of an ongoing favorable sales trend, buoyed by rising wages and low unemployment. However emerging headwinds like rising freight, fuel prices and merchandise tariffs could rein in spending.

 **Restaurants/Hotels** 3.0% | 3.0%

Restaurant owners again report a net increase in activity and are generally optimistic about sales growth in the months ahead. Quick service and fast casual eateries have remained unperturbed by the recent softness and should continue to perform well. Casual dining establishments are struggling with weak same-store sales and traffic. Menu prices are increasing at a much quicker rate than the prices of food at the grocery stores. California's hotel market remains strong; new openings offer bars, meals and other conveniences that contribute to the positive trend for this group.

 **State and County Pools** 5.5% | 5.1%

Favorable prognostications are on the horizon for the 2018 holiday season. This is particularly so for e-commerce and mobile device purchases; experts anticipate sizeable growth from tech-savvy consumers. Amazon will dominate gains; traditional retailers are poised to reap benefits from digital age investments that cater to consumer shopping patterns. Congress introduced the Online Sales Simplicity and Small Business Relief Act in response to the Supreme Court's Wayfair decision. Notable is a \$10 million exemption provision for small business sellers; it remains until simplified taxpayer collection is agreed to by all states. California has yet to implement Wayfair guidelines; new out of state taxes for the pools are not expected soon.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. Retroactive accounting adjustments are anticipated in 2018/19 and beyond as the California Department of Tax and Fee Administration migrated to a new information management platform in May 2018. HdL forecasts positive growth in Fiscal Year 2018/19 just at a slower pace than prior years due to potential economic constraints impacting consumer spending. HdL forecasts a statewide increase of 1.51% for Fiscal Year 2018/19 and a gain of 2.10% in 2019/20.

NATIONAL AND STATEWIDE ECONOMIC DRIVERS



U.S. Real GDP Growth 2018/19 | 2019/20 3.0% | 2.4%

The United States is currently in the midst of the second longest expansion in the nation's history at 111 months and counting. If it continues to July of next year, the current expansion will officially become the longest on record. Will we make it? Odds are almost certain we will. Far from losing steam, the U.S. economy has been on an upswing lately. The rest of this year looks solid, but expect slower growth next year. Additionally, the long-term stressors of heavy Federal borrowing, rising interest rates and ongoing political chaos make it clear that while there is no reason to expect a recession anytime soon. We should remain more vigilant than ever in watching for the unanticipated shock. The nation's capacity to absorb a blow to its economy is substantially diminished and it won't take much to end the current expansion.



U.S. Unemployment Rate 3.9% | 3.9%

Employment growth over the last 3 months has totaled over 200,000 jobs added per month even with unemployment below 4%. More importantly, the job openings rate is at 4.2%, suggesting that employers would hire even more workers if they could find them. As positive as all this news is, don't be fooled into believing the U.S. economy has truly achieved a new pace of sustained growth. The current growth surge is, at best, temporary, with the economy's long-run trajectory limited by increases in the labor force.



CA Total Nonfarm Employment Growth 1.8% | 1.7%

With two quarters down and sights turning toward the last part of the year, it is apparent that the California economic engine continues to hum along, much like the nation as a whole. Job gains have been steady and the state's leading industries have expanded despite ongoing concerns on the international trade front. In looking at the future growth trajectory of the California economy, the elephant in the room is the high cost of housing and its impact on labor force growth. As growth in the state's labor force slows further, it will tighten like a noose on the economy and limit future expansion and business development.



CA Unemployment Rate 4.1% | 4.0%

California continues to land in record territory, with its unemployment rate at 4.2% for the fourth month in a row as of July 2018. Recent labor market reports reveal the ongoing challenge that U.S. employers currently face in filling job vacancies. The number of job openings nationally has been routinely pushing into record territory, with nearly every industry suffering from a lack of workers, from the tech sector to health care to restaurants. These problems are compounded in California, which has consistently outpaced the nation in terms of job growth and economic activity.



CA Median Existing Home Price \$502,100 | \$533,865

California's housing market has been a mixed bag so far this year. According to CoreLogic, the median home price in California was \$481,100 in the second quarter, up 8.6% year-to-year. The median price is still about 7% below its pre-recession peak despite a string of yearly price gains going back several years. Still, home sales have been average, at best, and disappointing when considered against the backdrop of the state's long economic expansion.



CA Residential Building Permits 122,500 | 132,100

New home construction moved up a notch in the first half of this year compared with last year, a development that should also temper, but not halt, price increases. Overall, housing permits rose 9.4% in the first half of 2018 compared to one year earlier, with increases of 7.3% in single-family permits and 11.4% in multi-family permits. The state is on track to add about 130,000 new units this calendar year, still far below its needs which are closer to 200,000 units annually. As long as home construction lags what the state needs, high housing costs will be a painful thorn in the side of the California economy.

HdL Companies

120 S. State Blvd., Suite 200

Brea, CA 92821

Telephone: 714.879.5000 • 888.861.0220

Fax: 909.861.7726

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

Beacon Economics

Southern California Office

5777 West Century Boulevard, Suite 895

Los Angeles, CA 90045

Telephone: 310.571.3399

Fax: 424.646.4660

E-Fax: 888.821.4647

Beacon Economics, LLC has proven to be one of the most thorough and accurate, economic research/analytical forecasters in the country. They regularly provide national, state, regional, and sub-regional economic analysis/forecasting to clients ranging from the State of California to private hedge funds to major universities. 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 Economics and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.



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120 S. State Blvd., Suite 200, Brea, CA 92821

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	20,635	20,635	
5001	SSN Truncation Fund	94,951	94,951	
5002	Recording Systems Fund	1,780,084	1,780,084	
5003	Micrographics Fund	301,757	301,757	
5004	Vital Health Fund	13,738	13,738	
5005	DA - Federal Forfeiture Fund	141,891	141,891	
5006	DA - Treasury Federal Seizure	276,461	276,461	
5007	DA Criminalist Lab Fund	29,293	29,293	
5008	Criminal Justice Facilities Construction Special Revenue Fund	2,319,236	2,319,236	
5009	Probation - Ward Welfare Fund	122,405	122,405	
5010	Probation - CPIA/SB678 Fund	1,067,633	1,067,633	
5011	Inmate Welfare Fund	1,145,922	1,145,922	
5012	DNA ID Local Share Fund	88,452	88,452	
5013	Civil Equipment Fund	308,660	308,660	
5014	Vehicle Maintenance/Replacement Fund	294,711	294,711	
5015	Crime Prevention Fund	5,784	5,784	
5016	Drug and Gang Activity Fund	187,793	187,793	
5018	Sheriff - Federal Revenue Sharing Fund	136,016	136,016	
5019	Sheriff - Treasury Federal Seizure Fund	56,457	56,457	
5020	Survey Monument Fund	320,593	320,593	
5021	Community Cost Share Fund	1,154,632	1,154,632	
5022	Water Tender Earnings Fund	918,426	918,426	
5023	Library Donations	142,911	142,911	
5024	Probation - Title IV-E Fund	860,484	860,484	
5025	DA - State/Local Forfeiture Fund	155,002	155,002	
5026	DA - Environmental and Consumer Protection Fund	275,766	275,766	
5027	DA - Real Estate Fraud Prosecution Trust Fund	282,976	282,976	
5028	PROB - MCRP Participant Fund	12,890	12,890	
5050	POB Debt Service Fund	-	-	
5052	Bangor Reserve Fund	42,977	42,977	
5054	Hall of Records Reserve Fund	111,851	111,851	
5055	Jail Project Reserve	2,784,568	2,784,568	
5101	Domestic Violence Fund	95,430	95,430	
5102	Child Abuse Prevention Fund	18,636	18,636	
5120	Public Health - Rural Health Education Tobacco Fund	150,401	150,401	
5121	Public Health - Emergency Medical Services Fund	138,017	138,017	
5122	Public Health - Vital/Health Statistics Fund	332,121	332,121	
5123	Public Health - Emergency Preparedness Fund	182,710	182,710	
5124	Public Health - Hospital Preparedness Program Fund	103,064	103,064	
5125	Public Health - Prop 56 Tobacco Use Program Fund	241,203	241,203	
5130	Prop 63 MHSA Fund	5,926,989	5,926,989	
5131	Alcohol Education Fines Fund	392,714	392,714	
5132	Drug Education Fund	128,745	128,745	
5200	Road Improvements Contribution Fund	573,378	573,378	
5201	Countywide General Government Facilities	1,100,711	1,100,711	
5202	Jail Facilities	141,964	141,964	
5203	Sherriff Facilities Pre-2007	-	-	
5204	Chico Street Improvement Fund	355,444	355,444	