2022-2023

COUNTY BUDGET SUMMARY

Budget Highlights

The Butte County Recommended Budget contains the proposed spending authority for all County departments. Compared to the prior fiscal year, the Recommended Budget for fiscal year 2022-23 reflects a 1.6 percent decrease. Some of the highlights of the $739.8 million Recommended Budget include:

- PG&E Settlement funds for backfilling lost property tax revenue and implementing funding commitments previously made by the Board of Supervisors.
- Target General Fund Contingency of $14.5, which includes $8 million to meet the target of 5% of prior year General Fund operations consistent with County Policy, and $6.5 million to begin implementation of the classification and compensation study and address unanticipated facility maintenance projects.
- Continue disaster response and recovery activities related to the Camp Fire, North Complex Fire, and COVID-19.
- Fund $5.7 million for COVID-19 resources including laboratory capabilities, testing, vaccination planning, public education, and outreach efforts through federal funding.
- Fund $39.2 million for 16 capital facility projects including the initial Jail expansion construction, completion of the evidence storage and morgue, architectural and engineering design work for Probation building, Public Health storage building, Public Safety generators, Countywide HVAC, Oroville Veterans Memorial Park, Fire Station 37 reconstruction, Fire Station 61 repairs, and the Fire training tower among other projects.
- Decrease the County workforce by a net of 11 positions with 12.5 sunset positions expiring, 7 positions eliminated, and 8.5 positions added.

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- Fund $6.74 million for 21 facility projects, including: Development Services/Public Works roof replacement and facility improvements and parking lot resurface that includes Human Resources, Sheriff's Office kitchen drain replacement, Gridley Veterans Memorial Hall roof, and Juvenile Hall cold storage. Not all critical projects are included. There are numerous needs in the County's aging facility infrastructure.
- Fund the continued update to the General Plan in response to a variety of State law changes and the population distribution following the Camp Fire.
- Fund the November 8, 2022 General Election.
- Continue the implementation of Workday; the County's new finance, human resources and payroll system.
- Fund major Road and Bridge projects including Rehabilitation of Oro Quincy, repairs from multiple disasters for Lower Skyway Road, New Skyway Road, Pentz Road, Forbestown Road, and construction of the Ord Ferry Road Bridge at Little Chico Creek.
- Fund $4.2 million in capital improvements and equipment including the construction of Module 5 Base Liner, construction of the Leachate Evaporation System, and various pieces of equipment at the Neal Road Recycling and Waste Facility.

Overview

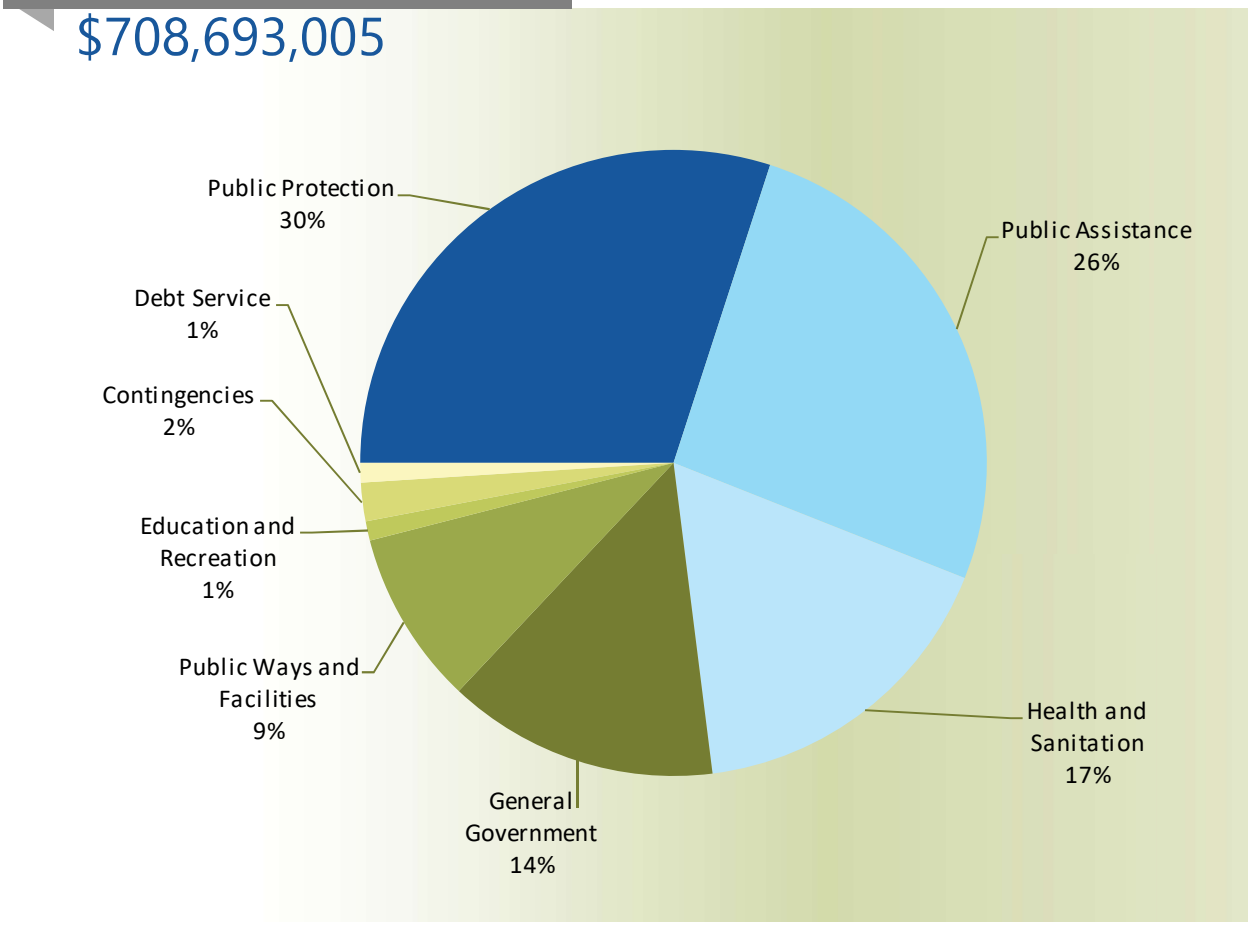
The Recommended Budget for fiscal year 2022-23 for all funds totals $739.8 million. This is a decrease of $12.0 million or 1.6% from the fiscal year 2021-22 Adopted Budget and includes increases in the Social Services Fund, the Behavioral Health Fund, and the CDBG Program Grants Fund; and decreases in the Road Fund, Disaster Recovery, and all Non-Operating funds. Additionally, the Recommended Budget includes a net decrease of 11 positions. The Recommended Budget for the General Fund is $221 million, which is a decrease of $6.1 million from Fiscal Year 2021-22. The target General Fund Appropriation for Contingencies is $14.5 million. Each year, a target General Fund Appropriation for Contingencies is set as part of the Recommended Budget. The actual General Fund Contingency depends on the final available fund balance, which is known in the fall. If the available fund balance is lower than anticipated, the General Fund Contingency is reduced in order to maintain a balanced budget.

Appropriations

The fiscal year 2022-23 Recommended Budget is comprised of $708.7 million in governmental funds, $13.8 million in internal service funds, $14.9 million in enterprise funds, and $2.4 million in special district and other agency funds, for a total of $739.8 million.

Figure 1 illustrates recommended spending authority in governmental funds among major program areas. As a political subdivision of the State of California, the County expends most of its funds on State and federal programs such as public assistance, mental health, public health, and other social services as mandated by law. The County spends most of its discretionary revenues on public safety, as discussed in detail later in this section and illustrated in Figure 6.

Figure 1 Governmental Funds Appropriations



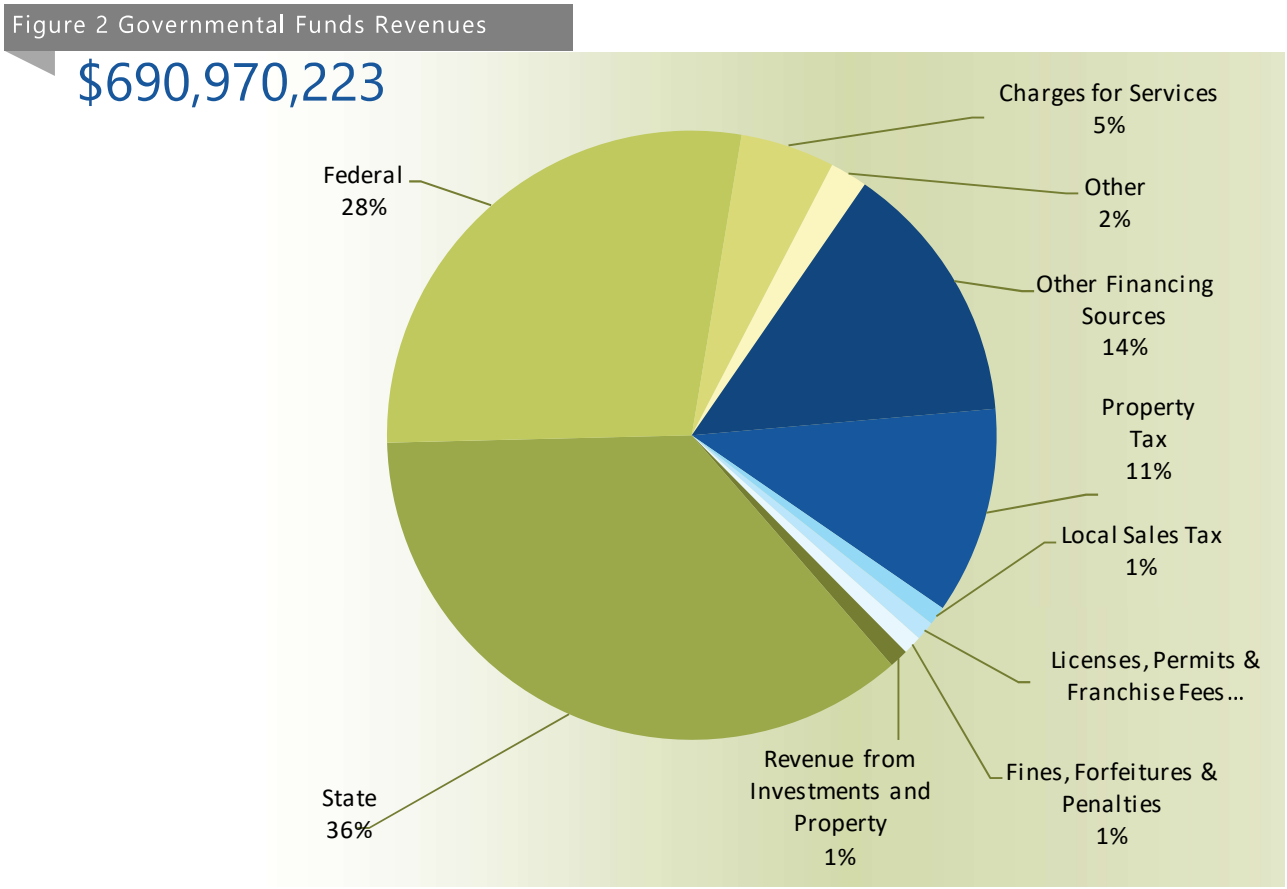
Revenues

Revenues in all governmental funds for fiscal year 2022-23 are estimated at $690.9 million. These revenues are deposited into either the General Fund or other governmental funds including special revenue funds, the Debt Service Fund, or the Capital Project Fund. The $690.9 million in revenue is comprised of $582.4 million in outside revenues and $100.4 million in other financing sources, which is primarily operating transfers between funds. The recommended spending plan is balanced with an unused General Fund Appropriation for Contingencies balance of $6.7 million, $18.5 million in savings from departments, and $1 million more in general purpose revenues than budgeted due to growth in property tax and statewide sales tax revenues.

Revenues in the General Fund support a wide variety of services and programs for Butte County residents, including law enforcement, fire protection, Jail and Juvenile Hall operations, criminal prosecution, libraries, tax collection, building inspection, property assessment, agricultural regulation, the County's share of mandated health and social services and other essential services. Revenues deposited into special revenue, capital project, and debt service funds are limited to specific purposes, such as the provision of health and human services, public works and transit, child support services, and capital projects.

Operating transfers between governmental funds partially support the funding requirements. For example, transfers to the Capital Project Fund help to fund planned capital projects. Operating transfers from the General Fund to the Public Health and Behavioral Health Funds are necessary to meet maintenance of effort (MOE) requirements. Operating transfers from the General Fund to the Social Services fund meet the County's share of entitlement programs. The General Fund receives operating transfers from non-operating funds that hold restricted, program-specific revenues such as 2011 public safety realignment (also referred to as prison realignment or AB 109). Additional transfers between departments, included in Charges for Services, are made to account for the exchange of services between County departments in providing a cooperative service delivery system.

Figure 2 Governmental Funds Revenues



General Purpose Revenue

General purpose revenue is used to fund discretionary County services and programs, such as public safety and library services. It is also used to fulfill state mandated maintenance of effort (MOE), matching funds, and unfunded mandates. Once mandates are met, the Board of Supervisors has discretion over the use of the remaining general purpose revenue to best meet local needs.

Figure 3 illustrates that County general purpose revenue is a relatively small portion of total revenues. The County is a political subdivision of the State and receives most of its funding from State and federal governments to run mandated programs.

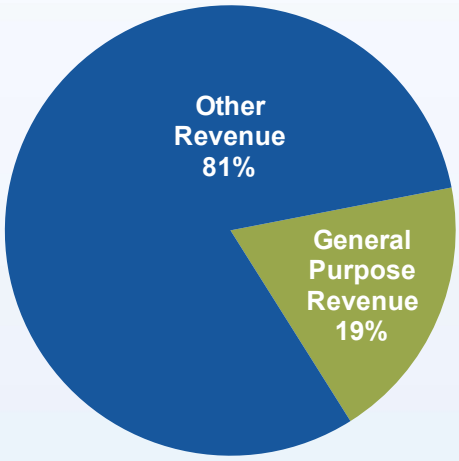


Figure 3 Governmental Funds Revenues

TOTAL GOVERNMENTAL FUNDS REVENUES

$690,970,223

Table 1 County General Purpose Revenue (GPR)

County General Purpose Revenue (GPR)

	Recommended Fiscal Year 2022-23
Property Tax	$73,623,440
Proposition 172 Sales Tax for Public Safety	$22,792,000
Local Sales Tax	$6,700,000
Disaster Reimbursement	$5,261,000
Royalties (Table A Water Lease)	$4,315,000
Fines, Forfeitures, Penalties	$3,859,000
PG&E Settlement Fund	$3,600,000
Tobacco Settlement Funds	$2,214,000
Property Transfer Tax	$1,824,000
Property Tax Administration Fees	$1,930,000
Interest	$1,300,000
PG&E Franchise	$1,212,000
State Stabilization Funds	$631,000
Cable Franchise	$600,000
Homeowners Property Tax Exemption	$339,000
Other Taxes	$452,000
Federal Revenues	$335,000
Open Space Act (Williamson Act)	$437,000
Other Miscellaneous Revenue	$324,000
Motor Vehicle Revenue	$212,000
Other Intergovernmental Revenues	$20,000
Other Use of Money & Property	$1,200
Business License	$725
Total	**$131,982,365**

As shown in Table 1, the largest source of general purpose revenue is property tax, which is 56% of total general purpose revenue. Public safety sales tax (from Proposition 172) is the second largest revenue source and accounts for 17% of total general purpose revenues. The public safety sales tax can only be received if the County funds public safety programs at the required MOE level. The local share of sales tax, disaster reimbursement, Table A water lease revenue, fines (forfeitures & penalties), PG&E property tax backfill revenue, tobacco lawsuit settlement revenue, property tax administration fees, property transfer tax, and interest together account for another 24% of general purpose revenue. The remaining 3% of general purpose revenue is made up of various franchise fees, taxes, unrestricted State and federal revenues, and miscellaneous revenues.

Property Tax

Property tax revenue is the largest single component of general purpose revenue. Butte County retains approximately 22% of all property tax revenues collected in the County with the remainder going to support local schools, cities, and special districts.

These tax receipts are used to support a wide variety of County programs. Figure 4 shows property tax revenues over a five-year period, adjusted from fiscal year 2018-19 to include first the three-year State backfill of property tax revenues lost due to damage from the Camp Fire, and starting in fiscal year 2021-22 the use of PG&E Settlement Funds to continue the backfill.

Aside from the losses related to the Camp Fire, property taxes are anticipated to continue to increase in fiscal years 2021-22 and 2022-23 due to gains in property values and the continued wind down of redevelopment agencies

Figure 4 Butte County Property Tax Revenue

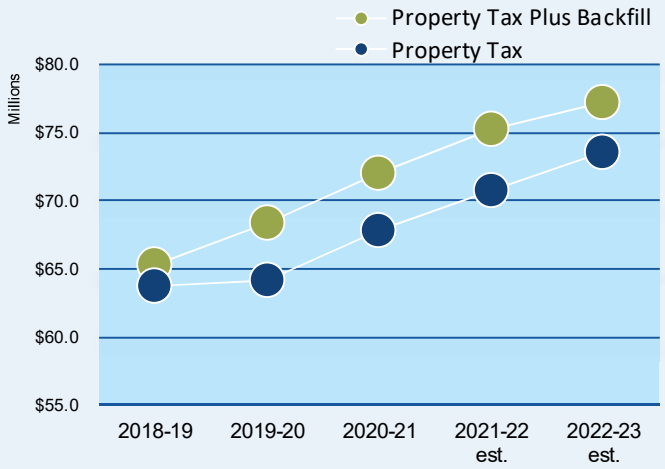
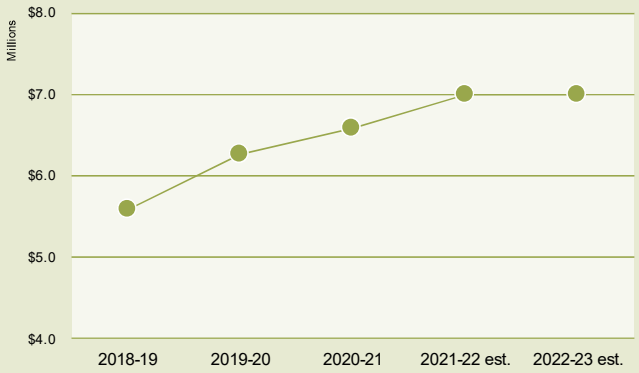


Figure 5 Butte County Local Sales Tax Revenue



Sales Tax

State law levies taxes on the purchase of most tangible goods in the State. The State collects the sales tax and distributes the local portion to the jurisdiction where the purchase was made. Therefore, if the sale occurred within a city, that municipality would receive the local portion of the sales tax. If the sale occurred within the unincorporated area of the County, then the County receives the local portion of the tax. It should be noted that this arrangement is sometimes modified by tax sharing agreements between jurisdictions. For example, the County receives 5% of the local sales tax collected in the City of Chico. Figure 5 shows total sales tax revenues for a five-year period. A modest increase in revenues is anticipated in fiscal year 2022-23.

NOTE: This does not include statewide sales tax the State passes on to the County.

Available Fund Balance

Like most public agencies, Butte County relies on an available fund balance carryover in the General Fund to balance the budget. Available fund balance carryover occurs when the prior year Appropriation for Contingencies goes unspent, prior year revenues come in higher than budgeted, and/or prior year expenditures are lower than budgeted.

Available fund balance for 2022-23

$26.3 million

Available fund balance carryover can fluctuate significantly from year-to-year. Over the past ten years, available fund balance carryover in the General Fund has ranged from $12.6 million in fiscal year 2017-18 to $24.0 million in fiscal year 2014-15. The estimated available fund balance carryover from fiscal year 2021-22 in the General Fund is $26.3 million. The estimate assumes that there will be approximately $6.7 million in unspent Appropriation for Contingencies at year end, County departments will accrue approximately $18.5 million in General Fund savings, and total general purpose revenues will be $1 million more than the amount budgeted due to growth in property tax and statewide sales tax revenues. The actual beginning available fund balance carryover in the General Fund will not be known until sometime in fall 2022 when the fiscal year 2021-22 accounting is finalized and the books are closed.

General Purpose Revenue

General purpose revenue makes up the majority of the total discretionary resources available to fund County programs in any given year.

Total general purpose revenue for 2022-23

$132.0 million

As shown on Table 1, total anticipated general purpose revenue is $132.0 million. This is a decrease of $2.5 million or 1.8 percent from the fiscal year 2021-22 Adopted Budget primarily due to the reduced transfer of PG&E Settlement Funds into the General Fund and a reduction in disaster revenue reimbursements.

Total Discretionary Resources

Total discretionary resources for 2022-23

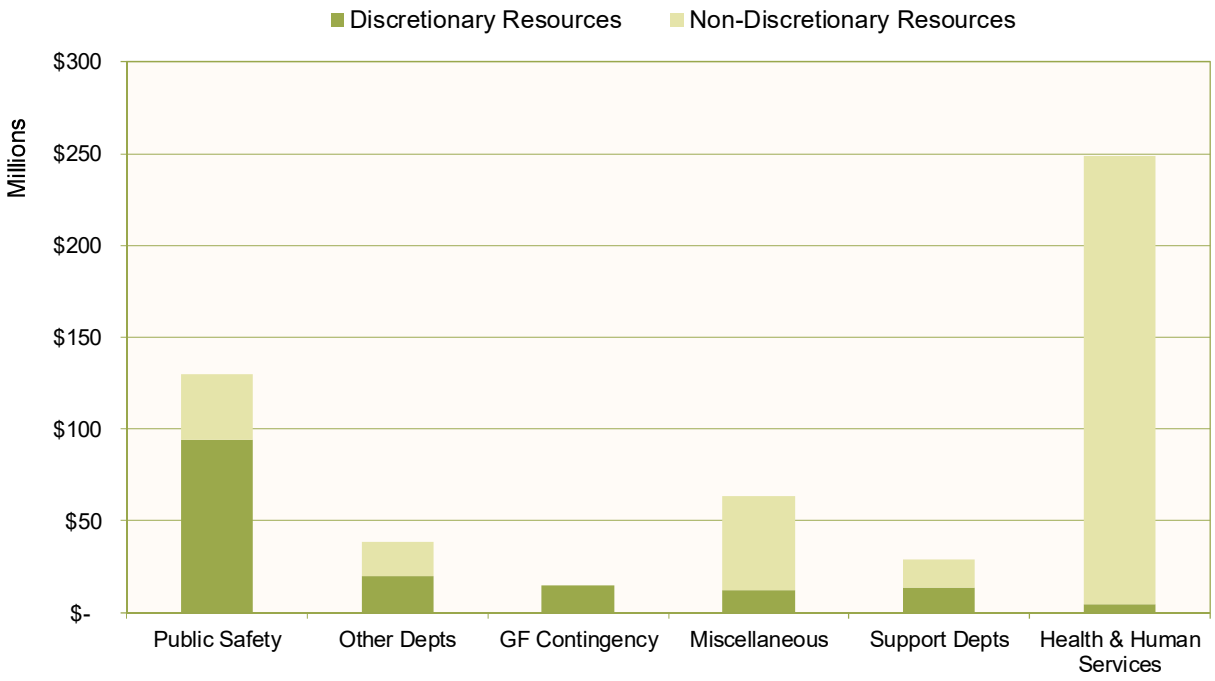
$153.0 million

The total discretionary resources available for the fiscal year 2022-23 Recommended Budget are $158.3 million, comprised of an estimated $26.3 million in available fund balance carryover in the General Fund and $132.0 million in general purpose revenue. Overall discretionary resources available for the fiscal year 2022-23 Recommended Budget are up compared to the fiscal year 2021-22 Adopted Budget total of $153.0 million.

Use of Discretionary Resources

The County has limited discretionary resources to fund local priorities. When State and federal mandates are imposed upon the County and not accompanied by adequate revenues, the County must utilize local general purpose revenue to meet the mandates. This limits local control over discretionary resources and decreases the amount available to fund local priorities. After funding the mandates, the County has discretion on how to use remaining general purpose revenue to best meet local needs.

Figure 6 shows the recommended allocation of discretionary resources compared to total budget by department group for fiscal year 2022-23. As in previous years, the vast majority of discretionary resources ($94.2 million) are used to fund public safety. The remaining discretionary resources are dedicated to other departments ($19.6 million), which includes Development Services, Assessor, Agriculture, and Library, among others; General Fund Contingency and Reserve ($14.5 million); miscellaneous ($7.7 million), which includes Capital Projects, Public Defender, and Grand Jury; support departments ($13.4 million) such as General Services, Information Systems, and Auditor-Controller; and Health and Human Services ($4.3 million), which includes Employment and Social Services, Public Health, and Behavioral Health.



Total use of discretionary resources

$153.8 million

Indirect uses of discretionary resources by support service departments are not included in Figure 6 since they are already included in the costs for operating departments they support. If these costs were included in Figure 6, the use of discretionary resources related to support service departments would be double counted. Most support service department costs are allocated to other departments based on the State Controller approved Countywide Cost Allocation Plan. Historically, approximately 40-45% of support service department costs are allocated to general purpose revenue supported functions and the remainder to federal, State, and fee-supported functions.