

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

STAFF REPORT

**INFRASTRUCTURE STATE REVOLVING FUND (“ISRF”) PROGRAM
DIRECT FINANCING EXECUTIVE SUMMARY**

Applicant: County of Butte (“County”)	ISRF Project Type: Infrastructure Project	ISRF Project Category Type: Public Safety Facilities
Amount Requested: \$12,000,000 (“Financing”)	Financing Term: 30 years	Interest Rate: ¹ 2.50%
Source of Repayment: General Fund (“Fund”)		Fund Rating/Date: A+, S&P 2014
Leasehold Interest: Evidence Storage Building and Morgue		
Project Name: Evidence Storage Building and Morgue (“Project”)	Project Location: 3 Gillick Way, Oroville, CA, CA 95965	

Project Description / Source and Use of Proceeds:

The Project consists of design and construction of a new 10,840 square foot (“SF”) single story building housing the evidence storage and morgue facility on a 1.9 acre site. The Project includes, but is not limited to, the following components: 1) evidence storage room; 2) morgue facility; 3) five laboratories; 4) login and evidence processing areas; 5) two vehicle ports; 6) office space and conference room; 7) lobby and reception area; 8) covered parking; and 9) appurtenant work at various locations throughout the project site, such as grading, constructing fences, landscaping and paving.

Use of Financing Proceeds:

The Financing would provide approximately 89% of the funds for construction of the Project, including, but not limited to, design, architecture, engineering, permitting, construction, demolition, remediation, equipping, construction management, project administration, and general Project development activities. The County will contribute funds to pay for approximately 11% of Project costs, including IBank’s loan origination fee. The table below lists the sources and uses of the Project funds:

Project Uses	Project Sources for County of Butte		
	IBank	County of Butte	Total
Project Uses	\$11,600,000	1,411,681	13,011,681
Capitalized Interest	400,000		400,000
Origination Fee		120,000	120,000
Total	\$12,000,000	\$1,531,681	\$13,531,681

A construction contingency of \$679,869 will be set-aside for cost overruns, unforeseen conditions, and the like. The schedule above does not anticipate contributions toward this use by the County, however the County has a total of \$2 million available for the Project and will contribute additional funds if necessary.

¹ Indicative interest Rate calculated 7/24/2020.

Credit Considerations:

Lease Payment and Fund Balance analysis for the Financing is summarized as follows:

Lease Payment and Fund Balance Analysis					
	2015	2016	2017	2018	2019
Net Revenues	\$ 6,877,339	\$ 13,115,937	\$ 1,739,180	\$ 4,498,522	\$ 11,023,499
Adjustments Specific to the Transactions					
Transfers in	\$10,428,950	\$1,572,491	\$580,936	\$868,790	\$1,764,384
Transfers out	(5,735,052)	(8,009,891)	(9,651,370)	(7,523,886)	(6,674,431)
Average Net Savings in Operating Expense for New Facility	468,000	468,000	468,000	468,000	468,000
Anticipated Revenue from Contract Coroner/Morgue Svc.	300,000	300,000	300,000	300,000	300,000
Total Adjustments	\$ 5,461,898	\$ (5,669,400)	\$ (8,302,434)	\$ (5,887,096)	\$ (4,142,047)
Adjustments to Excess (Deficiency) of Revenues					
Proposed ISRF Lease Payment *	\$12,339,237	\$7,446,537	(6,563,254)	(1,388,574)	\$6,881,452
Revised Net Revenues	605,915	605,915	605,915	605,915	605,915
Revised Net Revenues	\$ 11,733,322	\$ 6,840,622	\$ (7,169,169)	\$ (1,994,489)	\$ 6,275,537

* Calculated at \$12,000,000 at 2.50% interest rate for 30 years.

The Fund had sufficient revenues to make the proposed lease payment in three of the five historical years reviewed. The County relates that the Revised Net Revenues were negative in 2017 and 2018 due to extraordinary one-time events: the Oroville Dam spillway collapse in Fiscal Year (“FY”) 2017, and various fires including the Ponderosa fire, in FY 2018. These events resulted in a significant increase in expenses. Additionally, the Project is expected to result in increased net revenues for the County. The County is currently paying \$768,000 annually in contract Coroner and Morgue services and anticipates this expense to drop to \$300,000 when the Project is complete and these services are provided and managed in house. Furthermore, the County anticipates the Project will generate an estimated \$300,000 per year in fee revenue by providing coroner and morgue services to surrounding counties. Please see cash flow analysis section for details.

Support for Staff Recommendations:

1. Lease Payment and Fund Balance Analysis demonstrates the County’s ability to service the proposed Financing.
2. The County’s Unassigned Fund balance as of fiscal year end (“FYE”) 2019 is over \$14 million; more than twenty times the proposed lease payment.
3. Total debt service obligations, inclusive of the proposed Financing, of the Fund is 1.1% of total Fund revenue; well below the 15% IBank maximum for general fund financings.
4. The County anticipates annual savings of \$468,000 in costs related to contract coroner and morgue services and also expects to generate revenue from providing coroner and morgue services to surrounding counties.
5. The useful life of the Project is 50 years, which exceeds the 30 year term of the Financing.

IBank Staff:

John Weir and Lina Benedict

Date of Staff Report:

August 26, 2020

Date of IBank Board Meeting:

September 23, 2020

Resolution Number:

20-17

Staff Recommendation:

Staff recommends approval of Resolution No. 20-17 authorizing an ISRF Program Financing in an amount not to exceed \$12,000,000 to Butte County for the Evidence Storage Building and Morgue Project.

PROJECT DESCRIPTION

Project Background and Project Need

The County requests ISRF Program financing in the amount of \$12 million for the construction of an evidence storage building for the Butte County Sherriff's Office and a new morgue facility for the Butte County Coroner. The Project will be constructed on County owned land adjacent to the Butte County Sherriff's Office and the Butte County Juvenile Hall. The Project will consolidate the Sheriff's Coroner operations, currently contracted through three local mortuaries which provide the venue and facilities for autopsies performed by a forensic pathologist under contract with Butte County.

Criminal justice and related capital improvements are a priority for the County. In addition to the subject project. The County is constructing a Jail Expansion. The \$44+ million Jail Expansion Project is funded primarily with \$40 million in State SB 863 Adult Local Criminal Justice Facility Funds.

The Project consists of design and construction of a new 10,840 SF single story building on a 1.9 acre site. The Project includes, but is not limited to, the following components
1) evidence storage room; 2) morgue facility; 3) five laboratories; 4) login and evidence processing areas; 5) two vehicle ports; 6) office space and conference room; 7) lobby and reception area; 8) covered parking; and 9) appurtenant work at various locations throughout the project site, such as grading, constructing fences, landscaping and paving.

The County expects total Project costs to be \$13,531,681. In addition to the proposed \$12,000,000 Financing, the County will contribute \$1,531,681 towards the Project cost. The sources of the County's contribution are as follows:

1. \$1,500,000 from the Criminal Justice Facilities Construction Fund (a restricted sub fund of the General Fund).
2. \$31,681 from Sheriff Facilities Development Impact Fees.

The County's General Fund is the repayment source for the proposed ISRF Program lease. Capitalized Interest will be included in the loan amount.

The County has incurred initial costs associated with the Project totaling \$944,771. The preliminary costs incurred include design and engineering, environmental review, and permit fees. A resolution in support of the findings required of applicants pursuant to Article III of Bank Guidelines was approved by the County Board of Supervisors on September 15, 2020.

The Project will enable the Sheriff's Office to consolidate complementary services under one roof. The three main functions of the Project facility include:

1. Evidence Process and Storage areas dedicated to the processing, examination and storage of evidence gathered by law enforcement agencies
2. Morgue/Coroner Services include facilities dedicated to the operation of morgue services.
3. Administrative Services including a lobby and reception area, staff office space, toilet, showers and lockers, a conference room, and electrical and janitorial staff areas.

The following are details of the Project components:

1. Evidence and Storage Room

This includes designated areas for:

- Vehicle Evidence Gathering and Body Extraction station
- Records Storage
- Evidence Storage
- DNA Storage
- Narcotics Storage
- Refrigerated Cadaver Storage – part of the morgue (Capacity up to 40 cadavers for short-term duration until the transfer can be made to the appropriate mortuary or crematorium.)

2. Morgue facility

The facility will include a 4,855 square foot full service morgue facility including a Main Autopsy Lab and Refrigerated Cadaver Storage with capacity of up to 40 cadavers for short-term duration until the transfer can be made to the appropriate mortuary or crematorium.

3. Laboratories

Includes laboratories for specific functions including:

- Computer Lab
- Forensic Lab
- Grossing Lab (diagnostic inspection of specimens)
- Decomp/Homicide/Tissue Recovery Lab
- Main Autopsy Lab – part of the morgue

4. Log-In and evidence processing areas

5. Vehicle Ports

Includes Vehicle Sally Port (secured storage of vehicle evidence)

6. Office Space

- Coroner Office Space

7. Conference rooms, lobby, reception rooms

8. Covered parking

The Project also includes visitor parking within a secured yard that features covered parking for staff and official vehicles.

9. Appurtenant work

Landscaping, emergency generators and above ground fuel tank, and trash enclosures with separate capacity for bio-hazardous waste, and secured fencing around the perimeter. Some demolition of existing pavement, utilities, and landscaping will be required to allow for construction of the new facility.

Handling of Bio-hazardous Waste

The purpose of Morgue Services is to determine the cause of death and to identify the victims. In service to this purpose, the morgue facility will have all the arrangements for disposal of different types of waste products.

According to the County, the morgue facility will not perform embalming, which eliminates a concern of the storage of embalming fluids and disposal of the drained bodily fluid. Autopsies will be performed on some cadavers; however, this procedure typically does not generate bio-waste that would create a special storage and disposal need.

The bio-waste that is expected to be generated will be handled through an outside service and will be processed off-site according to the protocols established by various state and federal agencies

including the Occupational Safety & Health Administration, the Environmental Protection Agency, Department of Transportation, Center for Disease Control, National Institute for Occupational Safety & Health.

Over the last five fiscal years (FYE 2015 - FYE 2019) the County has expended an average of \$768,000 per year on contracted coroner/morgue services. Upon completion of the Project, the Sheriff's Office anticipates cutting these costs by almost 40% to about \$300,000 annually for contracted pathologist services at the new facility.

Public Benefits

When complete, the Project will provide the County with an updated and expanded facility to process and store evidence for the County Sheriff's Office. Additionally, the Project will provide the County with a permanent solution to its need for ongoing, reliable coroner services

Over the last five fiscal years the County has spent an average of \$768,000 per year on contracted coroner/morgue services. This Project will allow the County to bring those services in-house, effectively manage the services, and reduce outside service provider costs by approximately \$468,000. Additionally, the County estimates the morgue component of the Project will generate revenue in excess of \$300,000 annually by providing autopsy and medical record review services to neighboring counties, in addition to revenue associated with organ donation. Therefore, the County expects the net income and savings from the Project will exceed debt service on the Financing².

The Project will facilitate the creation of one new full time position of Coroner Investigator at an hourly wage of \$26.67/hour. The Sheriff's Office also anticipates relocating five existing employees to the new facility and retaining their jobs at an average wage of \$24.21/hour.

² The County's average annual expense for contracting-out morgue services is \$768,000. The Project is expected to reduce this expense to \$300,000. This remaining expense would be offset by \$300,000 in expected income from neighboring counties. Therefore, the Project would reduce the County's expenses by approximately \$768,000. Debt service on the Financing would be \$605,915, resulting in an approximate annual net benefit to the County of \$162,000.

BUTTE COUNTY GENERAL INFORMATION

Butte County is located in the middle of the California Sacramento Valley, approximately 90 miles north of the State Capital of Sacramento. The County's economic base is supported by agricultural, forest products, and mining and is home to California State University Chico (CSUC). The majority of Butte County residents live in one of the five incorporated towns or cities of Biggs, Chico, Gridley, Oroville, and Paradise. The County's population is 226,466 with approximately one-third of residents living in the unincorporated area. The County seat is the City of Oroville.

Policymaking and legislative authority is vested in the County Board of Supervisors which consists of an elected supervisor from each of five districts. Supervisors are elected to four-year terms staggered every two years. In addition to the County Board, there are six additional officers elected to fulfill the offices of the County Assessor, Auditor-Controller, Clerk-Recorder, District Attorney, Sheriff-Coroner, and Treasurer-Tax Collector.

The County's principal employers include CSUC, the County, Enloe Medical Center, Inc., Butte Glenn Community College, Chico Unified School District, Oroville Hospital, Butte County Office of Education, Feather Falls Casino, Walmart, and Pacific Coast Producers. None of these employers exceed 10% of the County's total employment base.

CREDIT ANALYSIS

Source of Financing Repayment

Source of Revenue to Repay Proposed ISRF Program Financing:	General Fund
Outstanding General Fund Bond and Lease Obligations:	N/A
Type of Audited Financial Documents Reviewed:	<input checked="" type="checkbox"/> Comprehensive Annual Financial Reports ("CAFR") <input type="checkbox"/> Basic Financial Statements (F/S) <input type="checkbox"/> Other: _____
Fiscal Year Ends:	June 30
Audit Fiscal Years Reviewed:	2015-2019
The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the City, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no, explain]
Adopted Budget(s) Reviewed:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no, explain]
Budget Year(s) Reviewed:	FYE 2020 and 2021

Impact of Camp Fire on the General Fund of Butte County

The short-term impact of the Camp Fire on the General Fund manifested first in increased costs for emergency response and recovery followed by an increase in reimbursement revenues from State and Federal funds. However, the long-term impact is the potential shortfalls in property tax receipts.

The County will continue to receive state and federal expense reimbursement revenues for a number of years for reimbursable costs related to the Camp Fire response and recovery. The State has approved a three-year property tax backfill to replace tax shortfalls that extends through FYE 2021. The County General Fund received a \$1.5 million backfill in FYE 2019 which was a partial year backfill based on the November 2018 Camp Fire date, received approximately \$4.3 million property tax backfill in FYE 2020 and expects to receive a similar amount in FYE 2021. Total backfill to the Fund for the three years approved is expected to be approximately \$9 million.

The rebuild of communities devastated by the Camp Fire will not be complete by the end of three years and the County has requested the State extend the property tax backfill. If no extension of property tax backfill is granted, the County estimates it will likely face a revenue shortfall in property tax in the neighborhood of \$3 to \$4 million per year which will decline over time as the rebuild and recovery is complete. However, some of which will be offset by economic and population growth in the County. Other areas of the County are seeing significant growth as some Camp Fire Survivors relocate.

In addition to State and Federal reimbursements, the County has received insurance reimbursements for destroyed property and cleanup and will continue to receive reimbursements until the facility repairs and replacements are complete; however, much of this activity will not occur in the General Fund. The County reports that insurance reimbursements have been timely received and have helped limit the financial impacts on the County.

On July 9, 2020, the County received a settlement from Pacific Gas and Electric Company ("PG&E") related to the Camp Fire in the amount of \$204 million in exchange for a release of all claims against PG&E. At the most recent Board of Supervisors meeting the Board directed staff to come back with a policy and information related to increasing General Fund reserves, backfilling lost General Fund Property Taxes from the Camp Fire and paying down County unfunded liabilities. County staff reports that the use of PG&E's settlement money is left entirely to the discretion of the Board. Based on the Board's direction, County staff anticipate some of the PG&E Settlement money will be used to increase the general fund reserve, backfill property taxes lost in the Camp Fire, and well as strategically address County liabilities such as pension. If approved by the Board, these actions will both strengthen the General Fund and make the County more resilient for the next emergency. Additional discussions session will be necessary to set specific allocations and priorities for use of the settlement funds.

The County notes that the Camp Fire will continue to impact its finances ranging from direct costs for response and recovery to increased revenues at the Neal Road Recycling and Waste Facility to reductions in property tax revenues. However, the rate of spending has slowed, claims are being submitted to and paid by the California Office of Emergency Services and the Federal Emergency Management Agency and some of the uncertainty in this area has been resolved.

Comparative Balance Sheet- Analysis

Summary of the General Fund's Comparative Balance Sheet for the last five fiscal years are as follows:

COUNTY OF BUTTE GENERAL FUND BALANCE SHEET										
For Fiscal Year Ending (FYE) June30	2015		2016		2017		2018		2019	
Source:	CAFR	% ⁽¹⁾	CAFR	% ⁽¹⁾	CAFR	% ⁽¹⁾	CAFR		CAFR	% ⁽¹⁾
Assets										
Cash and Investments	\$49,854,463	86.9%	\$55,720,857	84.5%	\$49,437,012	82.6%	\$43,931,683	83.0%	\$52,127,723	82.0%
Restricted Assets:										
Cash with fiscal agent	37,432	0.1%	6,598	0.0%	30,000	0.1%	32,841	0.1%	43,540	0.1%
Imprest Cash	37,995	0.1%	18,655	0.0%	18,855	0.0%	18,605	0.0%	18,071	0.0%
Due from other funds	3,770	0.0%	274,527	0.4%	806,444	1.3%	193,024	0.4%	82,942	0.1%
Interest Receivable			125,672	0.2%	350,909	0.6%	356,468	0.7%	421,320	0.7%
Accounts Receivable	2,370,041	4.1%	821,947	1.2%	248,120	0.4%	1,367,800	2.6%	2,261,307	3.6%
Due from other Governments	4,472,435	7.8%	8,750,868	13.3%	8,283,435	13.8%	6,415,844	12.1%	8,029,232	12.6%
Prepaid Items	555,606	1.0%	204,448	0.3%	668,635	1.1%	607,561	1.1%	574,056	0.9%
Deposits with others	2,797	0.0%								
Inventory	51,854	0.1%	34,170	0.1%						
Total Assets	\$57,386,393	100.0%	\$65,957,742	100.0%	\$59,843,410	100.0%	\$52,923,826	100.0%	\$63,558,191	100.0%
Liabilities										
Due to Other Funds	\$1,391	0.0%	\$21,251	0.0%	\$1,330,656	2.2%	\$229,092	0.4%	\$21,040	0.0%
Accounts Payable	2,295,912	4.0%	3,276,684	5.0%	3,059,731	5.1%	2,685,134	5.1%	4,190,664	6.6%
Salaries and Benefits Payable	2,300,072	4.0%	3,082,257	4.7%						
Accrued Payroll					3,230,659	5.4%			3,401,115	5.4%
Deposits Payable	258,098	0.4%	268,573	0.4%	9,030	0.0%	8,680	0.0%	8,680	0.0%
Unearned Revenue	918,593	1.6%	617,084	0.9%	801,780	1.3%	868,399	1.6%	934,867	1.5%
Total Liabilities	\$5,774,066	10.1%	\$7,265,849	11.0%	\$8,431,856	14.1%	\$3,791,305	7.2%	\$8,556,366	13.5%
Deferred Inflows of Resources										
Unavailable Revenue	\$142,636	0.2%	\$420,453	0.6%	\$471,368	0.8%	\$348,909	0.7%	\$104,761	0.2%
Total Deferred Inflows of Resources	\$142,636	0.2%	\$420,453	0.6%	\$471,368	0.8%	\$348,909	0.7%	\$104,761	0.2%
Fund Balance										
Nonspendable	\$607,460	1.1%	\$238,618	0.4%	\$798,397	1.3%	\$726,166	1.4%	\$675,069	1.1%
Restricted	26,840,249	46.8%	27,132,083	41.1%	27,284,624	45.6%	27,452,833	51.9%	29,537,504	46.5%
Committed (Emergency Reserve)			7,500,000	11.4%	8,000,000	13.4%	8,000,000	15.1%	8,000,000	12.6%
Assigned	28,259	0.0%	28,867	0.0%			24,978	0.0%	2,672,403	4.2%
Unassigned	23,993,723	41.8%	23,371,872	35.4%	14,857,165	24.8%	12,579,635	23.8%	14,012,088	22.0%
Total Fund Balances	\$51,469,691	89.7%	\$58,271,440	88.3%	\$50,940,186	85.1%	\$48,783,612	92.2%	\$54,897,064	86.4%
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$57,386,393	100.0%	\$65,957,742	100.0%	\$59,843,410	100.0%	\$52,923,826	100.0%	\$63,558,191	100.0%
Total Fund Balance/Total Liabilities	8.91		8.02		6.04		12.87		6.42	

(1) Calculated as a percent of Total Assets.

Total Assets grew 10.8% from \$57 million to over \$63.5 million over the five years reviewed primarily due to increases in cash reserves that reflect the investment market and expanding County revenues. Due from Other Governments increased \$3.5 million or 79.5%, primarily due to timing of state allocations of sales tax that are accrued back to the prior year based on the timing of the receipt.

FYE 2018 saw declines in Cash and Investments in part by the posting of approximately \$3.4 million of the final annual payroll on 6/30/2018. Had the payroll been posted in the following fiscal year, Cash and Investments would have been \$47.3 million. The payout of the June payroll also affected FYE 2018 Total Liabilities by the same amount as no Accrued Payroll was posted for the fiscal year.

The Fund has maintained an \$8 million General Reserve balance for the last three years reviewed and budgeted the same for FYE 2020. Unassigned (cash) Funds were over \$14M in FYE 2019.

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance Analysis

The Fund's Comparative Statement of Revenues, Expenses, and Changes in Fund Balance for the last five years is as follows:

COUNTY OF BUTTE GENERAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES										
For Fiscal Year Ending (FYE) June30	2015	%(¹)	2016	%(¹)	2017	%(¹)	2018	%(¹)	2019	%(¹)
Source:	CAFR		CAFR		CAFR		CAFR		CAFR	
% Change Year-over-Year in Total Revenues		13.35%		11.00%		-1.04%		4.51%		19.43%
Revenues										
Taxes	\$67,018,248	51.4%	\$63,462,798	43.9%	\$64,381,818	45.0%	\$68,379,686	45.2%	\$73,039,545	42.7%
Licenses and permits	3,715,786	2.9%	3,410,254	2.4%	3,379,667	2.4%	3,761,638	2.5%	4,060,545	2.4%
Fines, forfeitures, and penalties	1,976,804	1.5%	7,697,620	5.3%	6,215,992	4.3%	5,855,102	3.9%	6,213,024	3.6%
Revenue from use of money and property	3,156,233	2.4%	5,491,089	3.8%	4,065,530	2.8%	4,393,305	2.9%	6,158,611	3.6%
Aid from other governments	40,488,672	31.1%	41,841,348	28.9%	41,601,576	29.1%	45,087,122	29.8%	54,223,058	31.7%
Charges for services	10,932,191	8.4%	19,525,032	13.5%	20,314,467	14.2%	20,288,093	13.4%	22,731,475	13.3%
Other	3,017,868	2.3%	3,216,072	2.2%	3,187,515	2.2%	3,403,389	2.3%	4,528,726	2.6%
Total Revenues	\$130,305,802	100.0%	\$144,644,213	100.0%	\$143,146,565	100.0%	\$151,168,335	100.0%	\$170,954,984	100.0%
Expenditures										
Current:										
General Government	\$21,844,344	16.8%	\$24,749,282	17.1%	\$28,475,417	19.9%	\$29,345,291	19.4%	\$37,520,018	21.9%
Public Protection	96,016,701	73.7%	103,115,737	71.3%	108,861,129	76.0%	113,680,585	75.2%	118,499,242	69.3%
Health and Sanitation	3,025	0.0%								
Public Assistance	751,396	0.6%								
Education	3,255,644	2.5%	3,654,022	2.5%	4,056,341	2.8%	3,631,215	2.4%	3,902,990	2.3%
Recreation and Cultural Services	353,706	0.3%			5,263	0.0%	3,487	0.0%		
Debt Service:										
Principal	1,196,093	0.9%	9,235	0.0%	7,820	0.0%	8,266	0.0%	8,737	0.0%
Interest	7,554	0.0%			1,415	0.0%	969	0.0%	498	0.0%
Total Expenditures	\$123,428,463	94.7%	\$131,528,276	90.9%	\$141,407,385	98.8%	\$146,669,813	97.0%	\$159,931,485	93.6%
Net Revenues	\$6,877,339	5.3%	\$13,115,937	9.1%	\$1,739,180	1.2%	\$4,498,522	3.0%	\$11,023,499	6.4%
Other Financing Sources (Uses)										
Sales of capital assets			\$89,153	0.1%						
Capital Lease			34,059	0.0%						
Transfers in	10,428,950	8.0%	1,572,491	1.1%	580,936	0.4%	868,790	0.6%	1,764,384	1.0%
Transfers out	(5,735,052)	-4.4%	(8,009,891)	-5.5%	(9,651,370)	-6.7%	(7,523,886)	-5.0%	(6,674,431)	-3.9%
Total Other Financing Sources (Uses)	\$4,693,898	3.6%	(\$6,314,188)	-4.4%	(\$9,070,434)	-6.3%	(\$6,655,096)	-4.4%	(\$4,910,047)	-2.9%
Net Change in Fund Balance	\$11,571,237	8.9%	\$6,801,749	4.7%	(\$7,331,254)	-5.1%	(\$2,156,574)	-1.4%	\$6,113,452	3.6%
Fund Balance, Beginning of Year	\$39,898,454	30.6%	\$51,469,691	35.6%	\$58,271,440	40.7%	\$50,940,186	33.7%	\$48,783,612	28.5%
Fund Balance, End of Year	\$51,469,691	39.5%	\$58,271,440	40.3%	\$50,940,186	35.6%	\$48,783,612	32.3%	\$54,897,064	32.1%

⁽¹⁾ Calculated as a percent of Total Revenues

Total Revenue increased over 31% from FYE 2016 through 2019. Total Revenue in FYE 2019 increased \$19.7 million (13%), mostly from Taxes and Aid from Other Governments which included \$7.7M in State and Federal revenues related to the Camp Fire in FYE 2019. The County also received \$1.5 million in property tax backfill from the State and increases related to Proposition 172 statewide sales tax revenues also contributed \$875,000 in FYE 2019.

Tax revenue (property and sales tax) appears to have dropped in FYE 2016 and FYE 2017. However, according to the County, this is a result of FYE 2015 tax revenue being artificially high due to the adoption of a Teeter Plan Policy which reduced the amount of the funds held in the Tax Loss Reserve Fund and resulted in one time revenues in the County General Fund. The Tax Loss Reserve Fund helps support property tax payments to taxing entities based on the Teeter Plan. The County now maintains a percent of total assessed value in the fund which has normalized annual General Fund revenues. By comparison, FYE 2014 tax revenue was \$53.5 million.

Total Expenditures increased over 29% from FYE 2015 through FYE 2019 largely due to increases in General Government spending (72%) and Public Protection (23%). These increases contributed to the negative Net Change in Fund Balance figures in FYE 2017 and FYE 2018, as shown in the charts

above. The County experienced the after-effects of the Oroville Dam spillway collapse in FY 2017 and an excessive number of fires in FY 2018 that resulted in higher spending on payroll, public protection, and one-time expenditures.

Transfers In/Out from other funds represent its funding for capital projects, lease payments or debt service, subsidies of various County operations, and re-allocations of special revenue.

The majority of long term debt is paid through the Debt Service Fund and not reflected on the table above. The General Fund Principal and Interest expenditures represent a vehicle lease in the Sheriff's Office to Ford Credit. All other expenditures showed little change that indicates the County has strong fiscal controls.

With the uncertainty of COVID-19, the County adopted for FYE 2021 a Recommended Budget that includes minimal or no growth to expenditures not funded by outside revenue sources or reimbursements.

Lease Payment and Fund Balance Analysis

Lease Payment and Fund Balance Analysis					
	2015	2016	2017	2018	2019
Net Revenues	\$ 6,877,339	\$ 13,115,937	\$ 1,739,180	\$ 4,498,522	\$ 11,023,499
Adjustments Specific to the Transactions					
Transfers in	\$10,428,950	\$1,572,491	\$580,936	\$868,790	\$1,764,384
Transfers out	(5,735,052)	(8,009,891)	(9,651,370)	(7,523,886)	(6,674,431)
Average Net Savings in Operating Expense for New Facility	468,000	468,000	468,000	468,000	468,000
Anticipated Revenue from Contract Coroner/Morgue Svc.	300,000	300,000	300,000	300,000	300,000
Total Adjustments	\$ 5,461,898	\$ (5,669,400)	\$ (8,302,434)	\$ (5,887,096)	\$ (4,142,047)
Adjustments to Excess (Deficiency) of Revenues					
Proposed ISRF Lease Payment *	605,915	605,915	605,915	605,915	605,915
Revised Net Revenues	\$ 11,733,322	\$ 6,840,622	\$ (7,169,169)	\$ (1,994,489)	\$ 6,275,537

* Calculated at \$12,000,000 at 2.50% interest rate for 30 years.

The Fund's Net Revenue, as shown above in the Statement of Revenues, Expenditures and Changes in Fund Balance is positive in all years reviewed. When Transfers In and Transfers Out to other County funds are taken into account, the Fund has adequate funds to cover the proposed lease payment in three of the five historical years reviewed without taking into consideration the additional funding sources available to the County (see below).

The County experienced extraordinary one-time events: the Oroville Dam spillway collapse in FY 2017, and various fires including the Ponderosa fire in FY 2018, these events accounted for an unexpected increase in expenses.

Transfers In occur annually and are therefore included in the cash flow analysis. These funds represent transfers from other County funds based on work or services expensed to the Fund. These funds include the Behavior Health Fund, Road Fund, Social Services Fund, Neal Road Landfill, Internal Services Fund, and other Non-major Governmental Funds. Transfers Out, are made annually and are therefore included with this cash flow analysis.

Average Net Savings in Operating Expense for New Facility is the net savings the County estimates when compared to the current expenditures for the same services. The County is currently paying \$768,000 annually in contract Coroner and Morgue services and anticipates this expense to drop to \$300,000 when these services are provided and managed in house. Anticipated Revenue for Contract Coroner/Morgue Services is the amount the County anticipates it will receive in annual revenue for contract coroner and morgue services to surrounding counties. The County anticipates the Project

morgue facility will generate \$300,000 per year in fee revenue by providing coroner and morgue services for surrounding counties.

Sales of Capital Assets and Capital Lease revenue were not included in the lease payment analysis as they are considered non-recurring as they occurred only in FYE 2016 in the five years reviewed.

The County has three outstanding obligations: Pension Obligation Bonds ("POB") Series A and Series B, and a USDA Rural Development Certificate of Participation ("COP") for the Hall of Records. The POB is not a direct obligation of the Fund.

Total debt service for the COP is \$366,000. The debt service is collected from the Clerk-Recorder, Elections, General Government Impact Fees and the Capital Projects Fund. Only the Elections division is supported by the General Fund. The County includes the debt service for the Hall of Records financing as part of the County's costs when charging other agencies (special districts, schools, cities and towns) for election services. Elections is responsible for \$45,000 per year of the average annual debt service of \$366,000. The Clerk-Recorder is part of the General Fund, but is a fee-supported division not supported by the General Fund.

If necessary, the County can access a number of restricted funds to support debt service including the following funds/restricted revenues with balances as of 6/30/2019:

- Capital Projects Fund: \$1,644,819
- Rural and Small County and Law Enforcement Fund: \$500,000
- Sheriff Equipment Replacement Fund: \$2,073,040

Projected Lease Payment and Fund Balance

Based on projections provided by the County, the Fund will return to routine budgets by FYE 2024 after seeing a substantial net increase of \$8.2 million in the Fund Balance in FYE 2020 for disaster relief followed by net decreases in FYE 2021 through FYE 2023 due to Transfers out to other County agencies for continued disaster related expenditures. In these projected years the County will strategically draw down on mostly restricted fund balances to smooth the economic impacts of COVID 19. Additionally the County is receiving significant Camp Fire cost reimbursements and Coronavirus Virus Relief funds. To the degree these revenues reimburse costs in other County funds such as the Road Fund or Social Services Fund a transfer out is recorded.

The assumptions for projected Net Revenue and Adjustments in FYE 2020 are based on initial estimated (non-audited) year-end totals. Projections for FYE 2021 are based on detailed, account by account projections for each category, Projections for FYE 2022 assume some carry over expenditures from COVID 19 while through FYE 2023 and 2024 assume a percentage increase from the prior year based on historical trends.

Net Revenues projections for FYE 2020 and FYE 2021 are extraordinary due to revenue from the Camp Fire and CARES Act reimbursements. However, these years also face higher than average projected Transfers out, including \$6 million in transfers of FEMA & Cares funds to County funds that originally experienced the expense in FYE 2020, and \$16 million in transfers related to FEMA and CARES and increased transfer to the Department of Employment and Social Services, capital projects and equipment replacement in FYE 2021.

The Fund also has over \$14 million in unassigned funds that are available to cover the required subject debt service for the shortfall projected in FYE 2021 through FYE 2023.

Despite the fluctuations in the net Fund Balance over the years, the County has demonstrated responsible management of its discretionary budget expenditures by maintaining positive Net Revenues and an average Fund Balance of \$52.8 million since FYE 2015. Furthermore, the County projects positive Net Revenues and Fund Balances above the historic average through FYE 2024.

Coroner operations are a mandated function of County Government and after years of analysis and discussion, the County is confident that building and operating our own facility is the best way to operate this function. Even in a worst-case scenario if the County had significant financial difficulty, this mandated function would be prioritized and maintained with a use of restricted Sheriff Office revenues and/or diverting resources from other non-mandatory functions. Butte County conservatively manages its finances and has and will make budget cuts if needed to ensure the County's financial stability. Criminal justice programs have long been a budgetary priority for the County and there is no expectation that will change.

Impact of COVID pandemic

To date the County has \$15.3 million in costs related to COVID-19. This includes emergency response costs, the value of staff time dedicated to COVID 19 response and the value of emergency sick leave provided to employees.

The County, through the State, is receiving \$21.4 million in federal Cares Act Coronavirus Relief Funds ("CRF") as well as FEMA emergency response and a variety of targeted State and federal grants and allocations to help with COVID-19 response. The majority of the County's COVID response costs are in the Public Health Fund, which maintains strong fund balances, and will not affect the General Fund. General Fund costs in excess of normally budgeted staff costs are primarily related to operational needs in criminal justice departments (jail etc.), as well as COVID related sheltering operations, telework expenditures, and the CRF funds are being used to address those expenses.

To date the most significant projected General Fund revenue impacts from COVID 19 are related to statewide sales tax revenues, have already been accounted for in the County's budget, and to date actual receipts are doing better than initial projections.

As an interesting note the County's local sales tax – which is largely dependent on the Agricultural & Construction industries is doing quite well. In the wake of the Camp Fire, construction is booming in the County, and has not been significantly impacted by the COVID-19 pandemic. Similarly, County Agricultural operations continue.

Analysis of the Proposed Leased Asset

The County proposes to finance the Project under a lease/lease-back financing agreement. As the Project is new construction, the valuation is the construction cost of \$13,531,681.

The Project will include a 10,840 SF building on a new parcel on existing undeveloped land owned by the County located at 3 Gillick Way, Oroville, CA, CA 95965 and includes facilities dedicated to fulfilling the County Sheriff's Office need for evidence storage and morgue services. The County states the expected life span of the Project is a minimum of 50 years.

Staff completed a rental analysis for commercial properties in the region and found the average contract lease price per SF is \$28.74 per year. However, the project has a higher value as it is largely a special purpose building as the morgue and evidence rooms and laboratories will be constructed specific to the project need i.e. security of items, storage and labs for cadavers. IBank adjusted the

price per SF for the special use of the building, and specialized equipment. Based on these adjustments, IBank has identified the economic rental value as \$623,083 per year which is higher than the proposed lease payment of \$605,915.

The building will be an acceptable asset upon completion and will be an essential asset to the County and the public.

Name of Asset	Year Built	Building Size (SF)	Type of Construction	Estimate Total Costs
Evidence Storage Building and Morgue	New Construction	10,840	Concrete Tilt-Up	\$13,531,681
Total Value				13,531,681
Lease Amount				\$12,000,000
Value-to-Lease				1.13 or 113%

Risk Factors

1. Structured as a lease-financing and there will be no lien on the Fund or any other governmental fund.
2. Under State law governing the proposed ISRF Program financing, lease payments to IBank (designed to match debt service) are subject to abatement, with the amount of abatement proportionate to the extent and disruption, of the Borrower’s use of the Leased Asset.
3. Under State law governing the proposed ISRF Program financing, acceleration in the event of default by the Borrower is prohibited. Thus, in the event of payment default, IBank must either annually pursue a remedy of compelling past due lease payments or institute an unlawful detainer action to obtain possession of the Leased Asset for purposes of re-letting.

Mitigating Factors

1. The Project will enable the County to bring coroner and morgue services in-house.
2. The County will covenant to annually budget and appropriate lease payments.
3. The County will covenant to procure rental interruption insurance for the Leased Asset in the event of loss of use (abatement), such insurance would cover abated lease payments for a period of at least six months beyond the period required to rebuild the Leased Asset.
4. The County will obtain title insurance in favor of IBank and will covenant against permitting additional encumbrances against the Leased Asset.

Compliance with IBank Criteria, Priorities, and Guidelines

The application and the proposed Financing are in accordance with ISRF Criteria, Priorities and Guidelines.

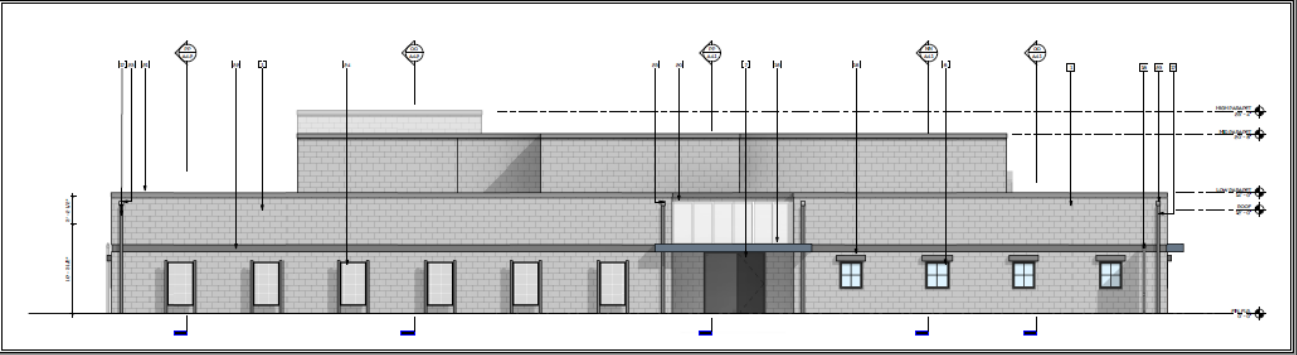
- The total Fund obligation (inclusive of the Financing) is less than 15% of the County’s Total Revenues for FYE 2019
- The Leased Asset is the Evidence Storage Building and Morgue and is acceptable to IBank
- The Fund adequately covers existing expenditures, financing obligations, and the proposed IBank Lease payments
- The useful life of the Project is 50 years and exceeds the term of this Financing

STAFF RECOMMENDATION

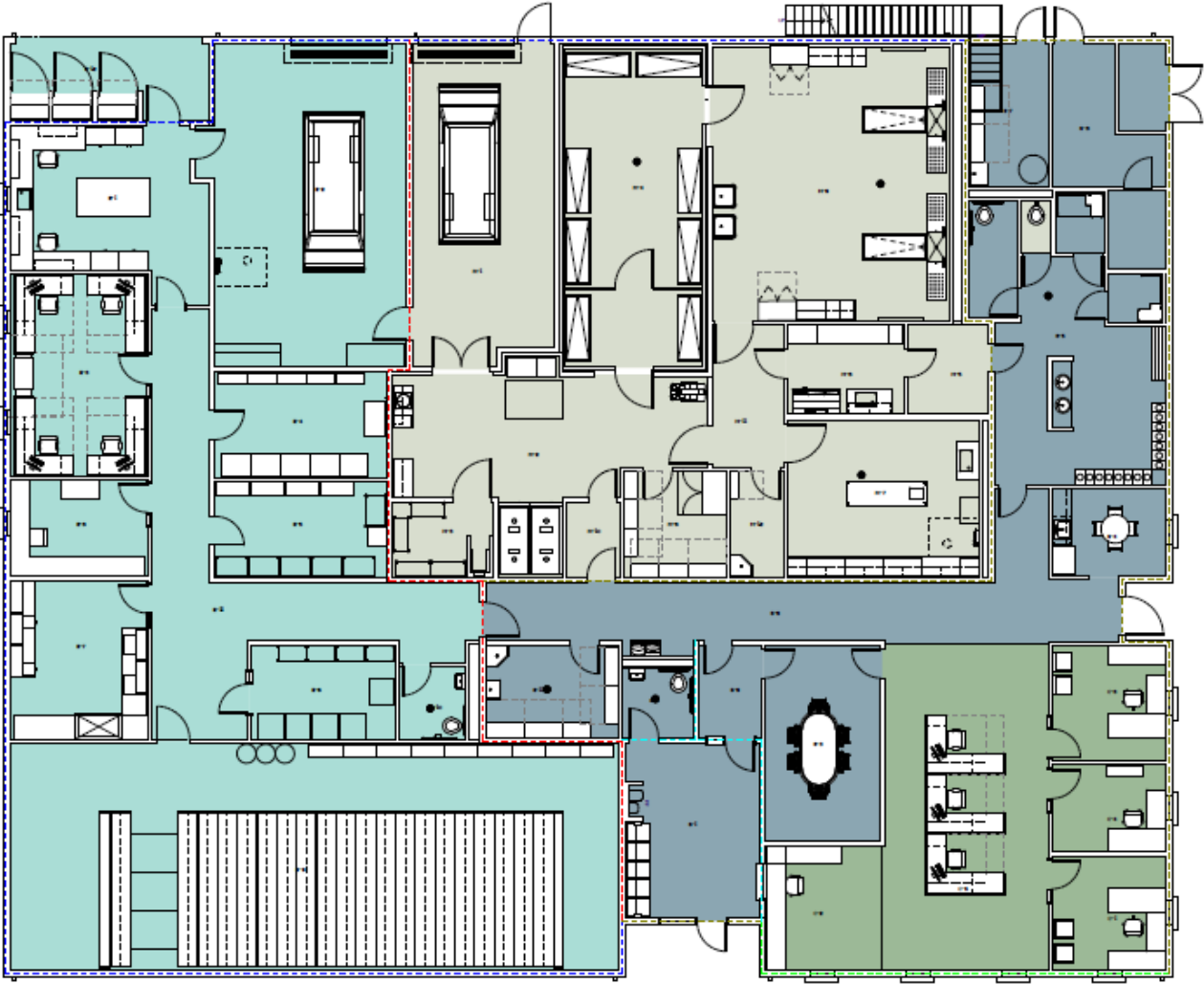
Staff recommends approval of Resolution No. 20-17 authorizing ISRF Program financing to the County of Butte for the Evidence Storage Building and Morgue Project as follows:

1. **Applicant/Borrower:** County of Butte
2. **Project:** Evidence Storage Building and Morgue Project
3. **Amount of ISRF Program financing:** \$12,000,000
4. **Maturity:** Thirty (30) years
5. **Repayment/Leased Asset:** General Fund Lease provides IBank with a leasehold interest on the Evidence Storage Building and Morgue ("Leased Asset").
6. **Interest Rate:** 2.50%
7. **Fees:** The County to pay the origination fee of 1.00% (\$120,000) upon loan closing, and an annual fee of 0.30% of the outstanding balance.
8. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as unconditional commitment to finance the Project, but rather IBank's approval pursuant to the resolution is conditioned upon entry by IBank and the Borrower into an ISRF Program financing agreement(s), in form and substance satisfactory to IBank.
9. **Limited Time:** The Board's approval expires 180 days from the date of adoption. Thus, the County and IBank must enter into the Financing Agreement no later than 180 days from such date. Once the approval has expired, there can be no assurances that IBank would be able to provide financing to the County or consider extending the approval period.
10. **ISRF Program Financing Agreement Covenants:** Aside from usual and customary terms and conditions for this type of ISRF Program financing, Staff recommends IBank's ISRF Program financing agreement(s) includes without limitation, the following additional conditions, and covenants:
 - a. Comply with all applicable requirements of ISRF Program Criteria, as well as all applicable laws, regulations and permitting requirements associated with public works projects.
 - b. Budget and appropriate funds sufficient to make annual Lease payments.
 - c. Procure an ALTA title insurance policy.
 - d. Not encumber further the Leased Asset.
 - e. Provide to IBank within 180 days of the end of each fiscal year a copy of its audited financial statements, together with an annual certificate demonstrating compliance with the foregoing covenants, as well as other information as IBank may request from time to time.

SCHEMATIC OF EVIDENCE STORAGE BUILDING AND MORGUE



Main Entrance – South View



Floor Plan