

Prepared by the Auditor-Controller-Treasurer-Tax Collector's Office

## **Inside the Citizens' Report**

### **Table of Contents**

| A Message from the ACTTC                 | 2  |
|--|----|
| County of Sonoma Information             | 3  |
| Financial Summary and Trends             | 5  |
| County Revenues and Expenses             | 7  |
| Component Units                          | 9  |
| Postemployment Benefits and Liabilities1 | 10 |
| Highlights 1                             | 11 |

## What is the Citizens' Report?

The Citizens' Report is an annual report prepared by the Auditor-Controller-Treasurer-Tax Collector's office (ACTTC) in order to provide important County financial data to taxpayers in a format that is both informative and suitable for those who are not finance professionals.

The ACTTC is dedicated to promoting transparency and fiscal accountability within local government. This Citizens' Report serves an important role in that mission by continuing to provide our taxpayers and stakeholders with access to County financial information.



### **Covered in the Report**

The Citizens' Report for the fiscal year ended June 30, 2018, provides insight into the County of Sonoma's financial situation over the preceding twelve months, hereafter referred to as fiscal year 2017-18.

## Changes from Last Year's Report

During fiscal year 2017-18, the County implemented a new accounting standard developed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 75, Accounting and Financial Reporting for Postemployment

Benefits Other Than Pensions (OPEB), established accounting and financial reporting by state and local governments for postemployment benefits other than pensions. As a result, the County's restated July 1, 2017, net position decreased by \$268.4 million.



#### **Data Sources**

The financial data in this report is drawn from the County's Comprehensive Annual Financial Report (CAFR), a more detailed and complete presentation of the County's finances.

The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited by a team of independent auditors that presented the County with an unmodified (clean) opinion.

Interested parties can obtain the CAFR and Citizens' Report at <u>http://www.sonoma-county.org/auditor/</u> or by visiting our office.

#### Sources

The following sources were used to compile the non-financial data in this report:

California Employment Development Department, California Department of Finance, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Department of Housing and Urban Development, CA Association of Realtors, Bay Area Real Estate Information Services, Inc., Sonoma County CAFR 2018, Sonoma County Employees' Retirement Association (SCERA) CAFR 2017, and the Press Democrat.

## A Message from the ACTTC

## Presenting the Citizens' Report



It is my pleasure to present to you the Sonoma County Citizens' Report for the fiscal year ended June 30, 2018. This past year brought significant financial and emotional challenges in the form of a devastating natural disaster.

During this time, the amazing people of Sonoma County rallied to support those adversely impacted in

our community with kindness, compassion and unbelievable generosity. The recovery effort will continue and together we will build a more resilient Sonoma County.

#### **Economic Indicators**

The County's unemployment rate improved, decreasing to 3.0% as of June 2018. Housing prices increased by approximately 7.8% over the previous year, increasing the median home price to \$635,000.

From a county-wide perspective, local government tax revenues increased in fiscal year 2017-18. Transient occupancy tax increased by 25.4%, local sales tax increased by 24.7%, Prop. 172 public safety sales tax increased by 5.5% and the County's largest revenue source, secured property taxes, increased by 4.8% despite a reduction of \$1.7 billion in taxable assessed value resulting from the October 2017 fires.

The Treasury Pool and interest rates increased over the past year. This resulted in a 49.1% increase in investment earnings to the County and other County entities.

#### **Net Position Increases**

A very important figure, "Net Position, End of Year," is displayed at the bottom of page 6 of this report. Changes in this number are indicative of the overall fiscal health of the County.

Sonoma County has experienced an increase in Net Position in the past seven fiscal years. This represents a positive trend in the County's financial health. In fiscal year 2017-18, the County's Net Position increased by \$111.5 million as County revenues exceeded expenses.

#### Long-Term Fiscal Outlook

According to California's *Fiscal Outlook*, the U.S. economy is expected to experience continued growth with some slowing in the pace of growth in the coming years.

Locally, fiscal year 2017-18 was a year of recovery from the October 2017 fires, rebuilding and looking forward. Over the next couple years, the County has the opportunity to recover a significant portion of fire related costs from the Federal Emergency Management Agency (FEMA) and the California Office of Emergency Services. The County is pursuing other grants and funding opportunities to further offset disaster recovery costs.

Economic recovery typically takes longer for government than the private sector due to increased costs for recovery needs. The County Board of Supervisors is focused on a recovery plan with the key areas of housing, natural resources, economic recovery, community preparedness and infrastructure, and safety net services. This will require additional or new financial resources.

The County continues to strategize on ways to reduce and control operating costs to align with resources and a structurally balanced budget, while optimizing strategic investments and maintaining the County's credit rating.

Property values were adjusted down for fire damaged properties, which will have a continued impact on local governments. The State of California committed to backfill fire impacted property tax revenues for fiscal years 2017-18 and 2018-19; however, the rebuild effort will take several more years to complete and will have a lingering impact on local property tax revenues.

To the citizens of Sonoma County, thank you for your continued support of this office. I look forward to the challenges ahead and supporting the recovery effort to build a more vibrant and economically successful community for all in Sonoma County.

Sincerely,

Erick Roeser Auditor-Controller-Treasurer-Tax Collector County of Sonoma

## **County of Sonoma Information**

## Susan Gorin, District 1 Supervisor



David Rabbitt, District 2 Supervisor



Shirlee Zane, District 3 Supervisor



James Gore, District 4 Supervisor



Lynda Hopkins, District 5 Supervisor



## About the County

### **Location and Population**

Sonoma County is located about fifty miles north of San Francisco, in a community recognized as one of the premier wine-grape growing regions in North America. The county covers more than one million acres of comfortable urban living, sprawling vineyards, rolling hills, protected wetlands, and pristine outdoor recreation areas.

Over a third of the County's 503,332 residents live in the city of Santa Rosa, the County seat; another third reside in the County's eight smaller towns and cities; and the final third are spread throughout unincorporated county land.

Those citizens residing in unincorporated areas of the County are represented in local government by the members of the Board of Supervisors and receive many of their municipal services from the County.

#### **Overview and Administration**

Sonoma County policymaking and legislative authority is vested in the County Board of Supervisors (the Board). Board members are elected for staggered four-year terms, and each member represents one of the County's five districts.

A County Administrator is appointed by the Board to assist in managing, directing, and coordinating the operations of all County departments.

Four County departments: the Sheriff, District Attorney, Auditor-Controller-Treasurer-Tax Collector, and the Clerk-Recorder-Assessor-Registrar of Voters, are led by elected department heads. Other department heads are appointed by the Board or the County Administrator.

### Staffing, Resources, and Services

The County employed 3,857 full-time equivalent employees during fiscal year 2017-18 (including extra help) in order to provide a full range of services to its residents. The number of full-time equivalent employees decreased by 37 since last year.

Citizens residing in unincorporated areas of the County receive most of their municipal services from the County, including law enforcement, land use and zoning, building permits, local road building and maintenance, and animal

Page 3 | County of Sonoma Citizens' Report

care. In addition, most services performed by the County are provided for all residents, regardless of whether residents live in cities or unincorporated areas.

The County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. Every County resident, directly or indirectly, benefits from these services.

## Demographics and Economy

#### Population Growth

Sonoma County's population was 503,332 in fiscal year 2017-18, a decrease of 1,788, or 0.4%, from the previous year, ending a multi-year trend of moderate growth.

#### **Median Home Prices**

Sonoma County home prices increased over June 2017, with the median home price standing at \$635,000, a 7.8% increase over the prior year.

#### Sonoma County Median Home Prices (Dollars in Thousands)



Sonoma County home prices are slightly above the California median home price, but below that of neighboring Napa and Marin Counties in fiscal year 2017-18.



#### Median Home Price Comparisons (Dollars in Thousands)

#### **Median Family Income**

The County's estimated median family income during the year was \$84,100. This represents an increase of \$200, or 0.2%, over the \$83,900 reported last year, and places Sonoma ahead of national and state and averages, but below that of neighboring Napa and Marin Counties.



#### Unemployment

County unemployment continues a downward trend from recent years, dropping to 3.0% as of June 2018.

County unemployment numbers were bolstered by the continued strength of countywide agricultural and tourism industries.





## **Financial Summary and Trends**

## Overview

The information in this section provides insight into how the County utilizes its resources to provide services.

## Inside the Statement of Net Position

**Assets:** Listed assets represent anything of value (cash, equipment, real estate) owned by the County.

**Deferred Outflows and Inflows of Resources:** The outflow (consumption) or inflow (acquisition) of resources in the current period applicable to future reporting periods.

**Liabilities:** Represent all debts and future obligations of the County.

**Net Position:** The sum of the County's assets and deferred outflows of resources less its liabilities and deferred inflows of resources.

## The Statement of Net Position

The Statement of Net Position below presents the County's financial position from a long-term perspective.

Important elements from the Statement of Net Position are explained in greater detail later in this section.

## **Statement of Net Position**

|                                      | 2017-18    | 2016-17     | Change       |
|--------------------------------------|------------|-------------|--------------|
| ASSETS                               |            |             |              |
| Current and other assets             | \$ 738,963 | \$ 673,597  | \$ 65,366    |
| Capital assets                       | 1,446,572  | 1,432,468   | 14,104       |
| Total assets                         | 2,185,535  | 2,106,065   | 79,470       |
| DEFERRED OUTFLOWS OF RESOURCES:      |            |             |              |
| Total deferred outflows of resources | 111,919    | 167,502     | (55,583)     |
| LIABILITIES                          |            |             |              |
| Current and other liabilities        | 174,832    | 63,304      | 111,528      |
| Long-term liabilities                | 1,000,210  | 1,043,459   | (43,249)     |
| Total liabilities                    | 1,175,042  | 1,106,763   | 68,279       |
| DEFERRED INFLOWS OF RESOURCES:       |            |             |              |
| Total deferred inflows of resources  | 171,350    | 58,826      | 112,524      |
| NET POSITION                         |            |             |              |
| Net investment in capital assets     | 1,370,443  | 1,348,366   | 22,077       |
| Restricted                           | 238,272    | 217,400     | 20,872       |
| Unrestricted                         | (657,653)  | (457,788)   | (199,865)    |
| Total net position                   | \$ 951,062 | \$1,107,978 | \$ (156,916) |
|                                      |            |             |              |

(Dollar amounts in thousands)

### Capital Assets

Capital assets indicate the value of land, buildings, equipment, vehicle fleets, etc., owned by the County. In fiscal year 2017-18, capital assets increased by \$14.1 million to \$1,446.6 million from \$1,432.5 million.

The current year increase is due to increased spending on road and bridge infrastructure improvement projects, Moorland Park construction, helicopter purchase, and Sonoma County Agricultural Preservation and Open Space District conservation land and easements acquisitions.



## Long-Term Debt

In fiscal year 2017-18, the County's long-term debt of bonds, loans, certificates of participation and other long-term debt totaled \$555.0 million, a decrease of \$39.1 million, or 6.6%, from prior year. This reduction in total debt was primarily due to the repayment of \$24.3 million in Pension Obligation Bonds and another \$14.8 million in various other long-term debt payments.



The debt shown above does not match the liabilities indicated on the Statement of Net Position. Certain estimated liabilities, such as net pension and net OPEB, are

excluded (see the Postemployment Benefits and Liabilities section Page 10).

#### **Net Position**

The County's total assets and deferred outflows of resources increased by \$23.9 million. Liabilities and deferred inflows of resources increased by \$180.9 million. Total net position for fiscal year 2017-18 was \$951.1 million

During fiscal year 2017-18, net position increased \$111.5 million, although the County's implementation of GASB 75 resulted in a \$268.4 million decrease to beginning net position.



#### Net Investment in Capital Assets

In fiscal year 2017-18, the County's net investment in capital assets was \$1,370.4 million. Net investment in capital assets is the largest component of the County's net position. The County's capital assets themselves cannot be used to pay County debt or other operating costs; resources needed to pay these obligations must be provided from other sources.

#### **Restricted Net Position**

In fiscal year 2017-18, \$238.3 million, or 25.1%, of the County's net position was restricted. A restricted resource is subject to external regulation on its use. An example of a restricted resource would be a grant given to the County to improve public safety.

Grantors, contributors, laws and regulations, constitutional provisions, or legislation passed by federal, state, or local governments can impose regulations on restricted assets.

#### **Unrestricted Net Position**

The final component of net position is unrestricted net position. Unrestricted net position represents resources that

can be used to meet ongoing obligations to citizens or creditors.

In fiscal year 2017-18, the County reported a \$657.7 million deficit in unrestricted net position. This deficit is due to the County's net pension and other postemployment benefit liabilities reported as required by GASB standards (see the Postemployment Benefits and Liabilities section Page 10).

#### The Statement of Activities

The following table compliments the Statement of Net Position by providing additional details about the activities that impacted the net position.

#### **Statement of Activities**

| FISCAL YEAR                            | 2017-18    | 2016-17      |
|--|------------|--------------|
| REVENUES                               |            |              |
| Program revenues:                      |            |              |
| Charges for services                   | \$ 132,247 | \$ 128,306   |
| Operating grants and contributions     | 530,303    | 477,976      |
| Capital grants and contributions       | 5,939      | 14,480       |
| General revenues:                      |            |              |
| Property taxes                         | 245,274    | 233,256      |
| Documentary transfer taxes             | 6,201      | 6,047        |
| Transient occupancy taxes              | 22,237     | 17,701       |
| Unrestricted grants and gov't revenues | 48,721     | 42,813       |
| Unrestricted investment earnings       | 11,775     | 8,145        |
| Other                                  | 38,733     | 36,507       |
| Total operating revenues               | 1,041,430  | 965,231      |
| EXPENSES                               |            |              |
| General government                     | 112,173    | 104,166      |
| Public protection                      | 306,078    | 310,466      |
| Public ways and facilities             | 52,302     | 47,670       |
| Health and sanitation                  | 136,228    | 135,564      |
| Public assistance                      | 208,901    | 220,772      |
| Education                              | 1,122      | 1,118        |
| Recreation and cultural services       | 33,943     | 33,174       |
| Interest on long-term debt             | 28,219     | 29,136       |
| Refuse                                 | 4,331      | 9,935        |
| Airport                                | 8,821      | 7,596        |
| Energy Independence Program            | 2,253      | 2,458        |
| Transit                                | 19,309     | 18,816       |
| Fair                                   | 11,495     | 7,199        |
| Marinas                                | 2,332      | 2,497        |
| Other                                  | 1,092      | 1,238        |
| -<br>Total operating expenses          | 928,599    | 931,805      |
| -<br>Special item                      | (1,367)    | -            |
| Change in net position                 | 111,464    | 33,426       |
| Net position, beginning of year        | 1,107,978  | 1,074,552    |
| Prior period adjustment                | (268,380)  | -            |
| Net position, beginning of year,       | <u> </u>   |              |
| as restated                            | 839,598    | 1,074,552    |
| -<br>Net position, end of year         | \$ 951,062 | \$ 1,107,978 |
|  |            |              |

(Dollar amounts in thousands)

## **County Revenues and Expenses**

## **Total Revenues**

The County's total revenues for fiscal year 2017-18 were \$1.04 billion, an increase of \$76 million from the previous year. These revenues are derived from two broad sources: program revenues, which include items such as grants and charges for services, and general revenues, which include items such as taxes and investment returns.



| Revenue Source                          | Amount        | Description  |
|---|---------------|--|
| Charges for Services                    | \$132 million | Charges for Services are revenues collected through charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided. Charges for Services revenues increased by \$3.9 million, or 3.1% more compared to the previous year.  |
| Operating Grants &<br>Contributions     | \$530 million | Operating Grants & Contributions increased by \$52.3 million, or 10.9%, more than prior year.<br>These funds are received from non-County parties, such as State or Federal governments, and are<br>generally restricted to use by specific programs (such as public protection).  |
| Capital Grants &<br>Contributions       | \$6 million   | Capital Grants & Contributions decreased by \$8.5 million, or 59% less than the prior year. These funds are typically awarded by non-County governments for the purchase or creation of capital assets.  |
| Property Taxes                          | \$245 million | Property Taxes are collected based on the assessed value of real property (i.e., buildings and improvements, land), business personal property (i.e., heavy equipment), and other property (i.e., boats) located within the County. These revenues increased by \$12 million, or 5.2%, from the previous fiscal year. The increase was largely attributable to the real estate market increase of home values. |
| Grants & Other<br>Governmental Revenues | \$49 million  | Grants & Other Governmental Revenues are generally not restricted to specific programs. These revenues increased by \$5.9 million, or 13.8%, over the prior fiscal year.   |
| Investment Earnings                     | \$12 million  | Unrestricted investment earnings increased by \$3.6 million, or 44.6%, due to higher average daily cash balances on deposit with the Treasury.   |
| Other General Revenues<br>& Taxes       | \$67 million  | Other General Revenues & Taxes increased by \$6.9 million, or 11.5% more than the prior year.  |

## **Total Expenses**

The County's total expenses for fiscal year 2017-18 were \$929 million, a decrease of \$3 million from the previous fiscal year. Expenses are classified by the function or service that they fund.



#### Where Your Money Goes (As a percentage of \$929 million)

| Expense                             | Cost          | Purpose   |
|-------------------------------------|---------------|---|
| General Government                  | \$112 million | County operating costs, such as the Board of Supervisors, County Administrator, County Counsel,<br>Human Resources, and the Registrar of Voters are considered general governmental expenses. |
| Public Protection                   | \$306 million | Community protection services consist of the Sheriff-Coroner, District Attorney, Adult Probation, Juvenile Probation, Public Defender, and Emergency Services.                                |
| Public Ways &<br>Facilities         | \$52 million  | Consists of Transportation and Public Works and includes repairs and maintenance of public roads.   |
| Health and<br>Sanitation            | \$136 million | Includes Public Health, Environmental Health, Behavioral Health, and Alcohol and other Drug Services.   |
| Public Assistance                   | \$209 million | Consists of Human Service programs such as Economic Assistance, Employment and Training, Adult and Aging, as well as Child Support Services and In-Home Support Services.                     |
| Recreation and<br>Cultural Services | \$34 million  | Represents operations and maintenance of the County's regional and community parks, campgrounds, swimming facilities, and trails.   |
| Interest on<br>Long-Term Debt       | \$28 million  | Includes the indirect interest expense paid on general long-term debt incurred by the governmental functions.   |
| Airport                             | \$9 million   | Represents operations and maintenance of the Airport.   |
| Transit                             | \$20 million  | Represents operations and maintenance of the County's transit system.   |
| Fair                                | \$12 million  | Represents costs and maintenance for the County's Fair operations.  |
| Other Program<br>Expenses           | \$11 million  | Includes operations and maintenance for the Sonoma County Energy Independence Program, Refuse,<br>Marinas, other enterprise districts, and education.   |

## **Component Units**

## **Financial Highlights**

#### **Discrete Component Units**

Included in operations are several component units that provide services within the County. These legally separate discrete component units include the Sonoma County Community Development Commission (CDC) and the Sonoma County Water Agency (Water Agency) as major discrete component units (DCUs); and several sanitation districts, Sonoma Valley, Russian River, South Park, and Occidental County Sanitation as non-major DCUs.

#### **Community Development Commission**

The CDC's total net position for fiscal year 2017-18 was \$99.1 million. Beginning balance net position was adjusted for the implementation of GASB 75, a decrease of \$3.3 million. CDC's unrestricted net position was \$89.9 million, and was available for programs and projects.

The County Fund for Housing Program (CFH) receives revenues from Sonoma County's Permit and Resource Management Department and provides short and long term loans to developers which provide affordable rental and ownership housing for low-income households. The HOME Program receives revenue through HUD. The net position of CDC increased \$7.0 million during fiscal year 2017-18, primarily due to an increase in CFH of \$5.7 million.

#### Sonoma County Water Agency

The Water Agency is a wholesale water provider, delivering potable water to 600,000 residents in Sonoma and Marin Counties as well as providing flood protection, distribution of recycled water, recreational opportunities, and wastewater treatment. The Water Agency's total net position for fiscal year 2017-18 was \$349.2 million. Of this amount, \$31.2 million may be used to meet ongoing obligations to citizens and creditors.

Water Agency revenues increased by \$5.6 million in fiscal year 2017-18. Key increases over the prior year included an additional \$7.3 million in water sales revenue, \$1.6 million in property tax, and \$1.2 million in investment earnings. These gains were partially offset by decreases of \$1.9 million in operating grants/contributions, \$1.7 million in capital grants/contributions, and \$0.9 million in other areas. The Water Agency's expenses increased by \$3.4 million resulting from an increase in flood control expenses of \$3.7 million and habitat restoration projects of \$1.4 million, offset by decreases in other areas.

The Water Agency's net position, beginning of year, decreased by \$24.2 million due to the implementation of GASB 75. This amount is included in the ending net position of \$349.2 million.

### **Statement of Net Position**

|                               | CDC |         | Water Agency |         | Non-Major |         |
|-------------------------------|-----|---------|--------------|---------|-----------|---------|
| ASSETS                        |     |         | -            |         |           |         |
| Current and other assets      | \$  | 101,106 | \$           | 185,359 | \$        | 41,276  |
| Capital assets                |     | 9,282   |              | 346,848 |           | 116,813 |
| Total assets                  |     | 110,388 |              | 532,207 |           | 158,089 |
| Total deferred outflows of    |     |         |              |         |           |         |
| resources                     |     | 807     |              | 6,219   |           | 184     |
| LIABILITIES                   |     |         |              |         |           |         |
| Current and other liabilities |     | 6,090   |              | 13,247  |           | 5,272   |
| Long-term liabilities         |     | 4,742   |              | 166,862 |           | 26,071  |
| Total Liabilities             |     | 10,832  |              | 180,109 |           | 31,343  |
| Total deferred inflows of     |     |         |              |         |           |         |
| resources                     |     | 1,251   |              | 9,115   |           | -       |
| NET POSITION                  |     |         | -            |         |           |         |
| Net capital assets            |     | 8,522   |              | 220,430 |           | 91,454  |
| Restricted                    |     | 650     |              | 97,608  |           | 5,823   |
| Unrestricted                  |     | 89,940  |              | 31,164  |           | 29,653  |
| Total Net Position            | \$  | 99,112  | \$           | 349,202 | \$        | 126,930 |

(Dollar amounts in thousands)

## **Statement of Activities**

|                                  | CDC       | Agency    | Non-Major |  |
|----------------------------------|-----------|-----------|-----------|--|
| Revenues:                        |           |           |           |  |
| Program Revenues:                |           |           |           |  |
| Charges for services             | \$ 686    | \$ 61,739 | \$ 24,420 |  |
| Operating Grants/IContributions  | 48,763    | 4,149     | 1,727     |  |
| Capital Grants/@ontributions     | -         | 2,271     | 1,833     |  |
| General Revenues:                |           |           |           |  |
| Property taxes                   | -         | 26,924    | 60        |  |
| Investment earnings              | 1,930     | 1,951     | 475       |  |
| Total revenue                    | 51,379    | 97,034    | 28,515    |  |
| Expenses                         | 44,338    | 95,000    | 25,308    |  |
| Change in net position           | 7,041     | 2,034     | 3,207     |  |
| Net position, beginning of year, |           |           |           |  |
| as restated                      | 92,071    | 347,168   | 123,723   |  |
| Net position, end of year        | \$ 99,112 | \$349,202 | \$126,930 |  |

(Dollar amounts in thousands)

## **Postemployment Benefits and Liabilities**

## About SCERA

#### **Background and Additional Information**

Employees of the County of Sonoma are enrolled in the Sonoma County Employees' Retirement Association (SCERA), a multi-employer defined benefit pension plan (Plan) governed by a nine member Board of Retirement. The Plan is paid for through employee and employer contributions.

SCERA issues a report as of December 31 annually, available on the SCERA website at <u>www.scretire.org</u>.

#### **Financial Summary**

SCERA's membership as of December 31, 2017, was 10,227 members, including 4,936 retirees and beneficiaries, 4,110 active employees, and 1,181 terminated vested members.

SCERA's fiduciary net position as of December 31, 2017, was \$2.7 billion. This amount reflects an increase of 14% during 2017, due to revenues for the year of \$502.9 million, comprised of \$63.8 million of employer contributions, \$44.2 million of member contributions, and investment gains of \$394.9 million.

Expenses for the year were \$169.7 million, an increase of \$8.0 million, or 5% over the prior year. The majority of this increase was due to \$8.5 million in pension benefit payments and refunds. Administrative and other expenses decreased \$0.5 million from prior year.

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the County Board of Supervisors.

#### **Pension Benefits**

The average SCERA annual pension benefit received in 2017 was \$33,600, a \$600 increase from the prior year.



#### **Pension Obligation Bonds**

As of June 30, 2018, the County held three Pension Obligation Bonds (POBs), issued in 2003 and 2010, with an outstanding combined balance of \$379.9 million. A POB is a bond obtained for the purpose of using borrowed funds to generate a higher rate of return than the cost of the debt.

## **Other Postemployment Benefits**

#### **Background and Additional Information**

Sonoma County administers a single employer defined other postemployment benefit (OPEB) plan. The authority to establish and amend benefit provisions of the OPEB Plan resides with the County Board of Supervisors (Board). The Plan was closed to new participants on January 1, 2009. The OPEB Plan is funded by the County, employees do not contribute to the OPEB Plan.

In fiscal year 2017-18, the County implemented a new GASB which requires recording the County's actuarially determined net OPEB liability.

#### **Financial Summary**

In fiscal year 2017-18 the total OPEB Plan membership was 6,021 which includes 4,110 retires receiving benefits and 1,911 members not currently receiving benefits.

Contributions to the OPEB Plan in fiscal year 2017-18 were \$26.8 million plus net investment income of \$3.5 million. Benefit payments were \$22.2 million. The increase in the OPEB fiduciary net position was \$8.1 million.

The OPEB Plan liability is determined by an independent actuary. OPEB Plan contribution requirements are determined by the County and adopted by the Board.

### **Net Pension and OPEB Liabilities**

As of June 30, 2018, the pension and OPEB plans were 94.2% and 18.8% funded, respectively, on a market value basis. Combined assets totaled \$2.8 billion compared to \$3.2 billion needed to pay future pension and OPEB benefits. The difference of \$400 million approximates the County's combined net pension and OPEB liabilities reported in fiscal year 2017-18.

# Highlights

## Your Tax Dollars at Work

This section highlights some of the ways that your tax dollars help make Sonoma County a wonderful place to live.

The County completed many major initiatives in fiscal year 2017-18 while maintaining core services. The following highlights only represent a partial list of the many accomplishments of the Sonoma County organization in fiscal year 2017-18:

- Implemented numerous fire response and fire recovery initiatives to support the community.
- Established the Local Assistance Center (LAC) and the Sonoma Valley Intake LAC to provide county, city, and community organization information and services as part of the fire response effort to impacted individuals and households.
- Opened the Resiliency Permit Center to provide comprehensive permitting services for fire victims. The Resiliency Permit Center will continue operations through fiscal year 2018-19.
- Implemented ACCESS Sonoma County, an initiative that seeks to improve the well-being and self-sufficiency of the County's most at-risk residents by providing coordinated service delivery consisting of intensive resources, wrap-around services and case management.
- Hired over 70 new Sheriff's Office employees as part of a continued intensive hiring effort. This hiring effort has allowed the Office to provide better services to the community.
- Provided financing for affordable rental housing developments throughout the County.
- Created the new Coordinated Entry program, a "no-wrongdoor homeless services program" that streamlines the process for individuals experiencing homelessness to access housing, shelter and services.
- Executed landmark Project Partnership Agreement with the U.S. Army Corps of Engineers for the Russian River Biological Opinion Dry Creek Habitat Enhancement phases to improve instream conditions.
- Provided support and legal guidance for the County's immigration initiative.
- Implemented relevant portions of the County's Medical Cannabis Ordinance, including development of the cannabis cultivation best management practices and issuing the first cannabis cultivation permit in Sonoma County.
- Completed the construction of Andy's Unity Park.

## **Reporting Awards**

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the County of Sonoma for its Popular Annual Financial Report for the fiscal year ended June 30, 2017. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award of Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award of Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

