

COUNTY OF
RIVERSIDE
STATE OF CALIFORNIA



COUNTY EXECUTIVE OFFICER'S

FY 2006-07
MID YEAR
BUDGET REPORT

JANUARY 30, 2007

Presented by

Larry Parrish
County Executive Officer

3.39



Executive Office
County of Riverside

Larry Parrish
County Executive Officer

January 24, 2007

Honorable Board of Supervisors
County of Riverside
Robert T. Andersen Administrative Center
4080 Lemon Street, 5th Floor
Riverside, CA 92501-3651

**REQUIRES
4/5 VOTE**

SUBJECT: FY 06/07 Midyear Budget Report

Board members:

The midyear budget report updates our financial condition, recommends needed adjustments and prepares for the FY 07/08 budget. Budget directives are included in this report as Attachment C. The FY 07/08 schedule calls for presenting the proposed budget on June 4. Budget hearings will be conducted on June 4 and 5, with final budget adoption on June 26.

At this time we have identified \$3 million in unanticipated property tax revenue. These funds are needed to cover potential departmental shortfalls. Twenty million dollars in one-time revenue from various sources has been set aside in the PSEC 800MHz designation. That designation now totals \$45 million.

John Husing's economic forecast is attached. The FY 07/08 budget outlook is positive and indicates we can expect moderately strong growth in discretionary revenue. We should budget accordingly, at sustainable levels, and maintain fiscal discipline by moderating the cost of growth in government operations while investing in long-term capital assets. Revenue sources tied closely to home sales, such as document-transfer revenue and sales-tax revenue, are not expected to meet the current year's target. This revenue will be monitored, with adjustments made in the third quarter if necessary.

Included in this report are budget adjustments for new departmental expenditures authorized under Board Policy A-36, the budget savings retention plan. Given the ongoing costs of higher priorities, I recommend suspending this program for FY 07/08.

The effect of recent and recommended activity on contingency follows.

Honorable Board of Supervisors
January 24, 2007
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\$ Millions

38.1	Second-quarter beginning balance
(0.1)	Second-quarter activity
<u>5.0</u>	Actions recommended in this report
43.0	Interim balance

Potential added costs totaling \$16.9 million are summarized below. These potential costs are for Board commitments and departmental shortfalls that have been identified. Contingency was backfilled with \$3 million in new discretionary revenue. If these potential liabilities reach full fruition, the contingency balance will be slightly below the Board-approved target level: 4 percent of discretionary revenue.

\$ Millions

0.50	Animal Services staffing (page 23)
3.00	District Attorney staffing (page 24)
0.15	CHA: Public Health operations (page 30)
2.11	CHA: California Children Services (page 32)
0.08	EDA: CBO grant writing support (pending form 11)
0.72	Probation's relocation (page 26)
3.20	Mental Health detention program expansion (33)
0.01	Veterans Services moving expenses (as reported in the first quarter)
3.02	RCRMC: MISP and detention health (page 34)
<u>4.10</u>	Sheriff's record management system and street database system (page 28)
\$16.9	

Other attachments:

- ATTACHMENT A Recommended budget-adjustment summary
- ATTACHMENT B Resolution 440-8710 authorizing new positions
- ATTACHMENT C Budget schedule and guidelines
- ATTACHMENT D Auditor-Controller's internal audit work plan update
- ATTACHMENT E Economic report from John Husing, Economics & Politics Inc.
- ATTACHMENT F Human Resources recruitment and vacancy report
- ATTACHMENT G Bond Rating Enhancement Program
- ATTACHMENT H Sheriff's Gang Taskforce update

IT IS RECOMMENDED that the Board of Supervisors 1) receive and file this report, 2) approve the recommendations and associated budget adjustments in Attachment A, 3) approve Attachment B, Resolution 440-8710 authorizing new positions, and 4) receive and file Attachments C, D, E, F, G and H.

Respectfully submitted,


LARRY PARRISH
County Executive Officer

FISCAL PROCEDURES APPROVED
ROBERT E. BYRD, Auditor-Controller

BY Clanya Harris 1-24-07
Deputy

**COUNTY OF RIVERSIDE
EXECUTIVE OFFICE
FY 06/07
MIDYEAR REPORT**

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A. COUNTY ECONOMIC OUTLOOK

Attached are reports from Economics & Politics, Inc. by John Husing. They project that slowing residential home sales will reduce growth in discretionary revenue.

- Assessed valuation is forecast to increase in FY 07/08 by 15.5 percent, down from a torrid 22.5 percent in FY 06/07. Residential home sales are falling but prices still are rising.
- The "triple flip" DMV license-fee subvention is projected to grow by 15.5 percent in FY 07/08, down from the 22.5 percent growth projected this year. License-fee revenue is indexed to the increase in gross taxable assessed valuation.
- Unincorporated-area taxable sales are projected to increase 9.8 percent next fiscal year, up from the 7.6 percent projected for the current year. County government is effectively getting a larger share of sales-tax revenue because activity is greater in unincorporated areas than in other jurisdictions in the county. Sales-tax revenue is expected to grow 11.4 percent in FY 07/08.
- Proposition 172 tax revenue is forecast to increase by 9 percent, up from the 6.6 percent growth projected for FY 06/07.

Assessor-Clerk-Recorder Larry Ward reports evidence that the real estate market is softening. Document recordings are down 11.6 percent for calendar year 2006 compared to 2005. Also, document recordings are down 14.3 percent in FY 06/07 compared to the previous year. With fewer documents being recorded, the Assessor's Office projections of re-appraisable transfers has been adjusted downward to 125,000 for assessment year 07/08 compared to 139,491 in the previous assessment year. Properties are on the market longer. The Assessor expects that new construction will drop 15 percent in this assessment year as existing inventory is depleted. The slowdown in recordings of new tract, parcel and condo maps, and a reported decrease in the issuance of building permits throughout the county, supports the prediction. The Assessor's midyear projection of a 14.2 percent increase for FY 07/08 is in line with John Husing's projection of 15.5 percent.

Although overall growth in discretionary revenue is slowing, it is still strong and a gross increase of \$77 million should be available to fund needs in the next fiscal year. However, ongoing Board-approved general-fund obligations (\$28 million), the need to sequester funds to expand the Larry D. Smith Correctional Facility (\$10 million), preserving Board-designation targets (\$11.5 million), public-safety COLA's (\$6 million), capital project funding (\$5 million) and shortfalls in the Department of Mental Health (\$14 million) will absorb most of these new funds.

B. BOND RATINGS AND BENCHMARKS

The Board has established benchmarks to measure the county's financial health. The current positive ratings can be attributed to expenditure controls, a low debt burden and the county's proven ability to sustain reserve and designation targets.

We have received information about refinements that rating agencies use. We applied these refinements and concluded that county finances are strong in many categories and standard in others. We will be evaluating ways to improve in categories rated as standard. Attachment G describes a program design.

As of July 1, 2007 the county must comply with Government Accounting Standards Board (GASB) statement 45. Statement 45 requires governments to account for future guaranteed health costs and other benefits for retirees. Potential solutions could raise the county's debt ratio or affect cash, both of which could affect our ratings in FY 08/09.

To assess the potential statewide impact, Gov. Schwarzenegger recently created a commission to identify how much state and local governments owe in unfunded retirement benefits and to recommend ways of addressing the liabilities. This commission will deliver its report on January 1, 2008.

The following chart depicts current benchmarks and provides a ratings comparison. The county's current general-obligation ratings are circled.

Riverside County's Budget Health Benchmarks							
	Target	01/02	02/03	03/04	04/05	05/06	Now
Reserve for Economic Uncertainty	15%	3%	8%	10%	3%	20%	15%
Contingency	4%	5%	6%	3%	4%	4%	4%
Structural Deficit	<1%	0%	0%	3%	6%	1%	0%
General Obligation Rating	AA+	AA-	AA-	AA-	AA-	AA-	AA

	Moody's	S&P	Fitch
Best Quality	Aaa	AAA	AAA
High Quality	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper Medium Grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Medium Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

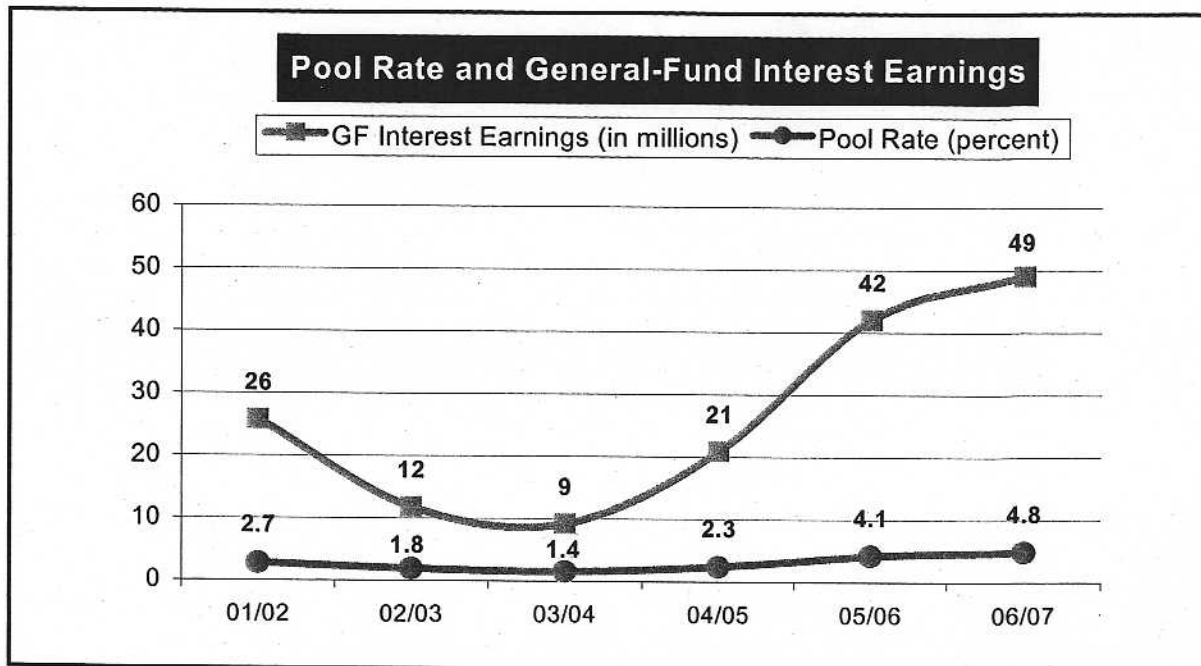
C. FIRST-QUARTER ACTIVITY

1. INTEREST RATES AND POOL PERFORMANCE

The Federal Reserve rate is stable. Pool-performance projections were adjusted slightly downward in the first quarter to reflect actual earnings as well as potential reductions in the

Fed rate. We are holding steady with our current estimate of \$49.6 million in interest earnings because rate cuts still are possible. Fluctuation in the general fund and various trust-fund balances also affect the estimate.

The following graph reflects the correlation between interest income and the current investment pool rate through midyear.



2. QUARTERLY DISCRETIONARY REVENUE UPDATE

At the FY 06/07 midpoint, it appears most revenue estimates are on target. One exception is document transfer tax revenue, which is affected by the slowing real estate market. This revenue sources should be monitored with adjustments, if necessary, made in the third quarter.

The Auditor-Controller's Office projects a \$3 million increase in current supplemental property-tax revenue. Most of these funds should be placed into contingency to cover obligations disclosed in this report, with the remainder added to the reserve for economic uncertainty to keep it at its Board-adopted target.

Several one-time funding sources have been identified. Budget recommendations for these sources are presented separately in this report's Board Designation section.

The following chart summarizes total discretionary revenue for FY 06/07.

**Summary of FY 06/07
General-Fund Discretionary Revenue (in millions)**

Source	First-quarter Estimates	Current Estimate	Variance from Budget
Property Taxes	313.0	316.0	3.0
Motor Vehicle In Lieu	187.6	187.6	0.0
Interest	49.6	49.6	0.0
Sales Tax *	38.8	38.8	0.0
Documentary Transfer Tax	26.8	26.8	0.0
Fines and Penalties	25.2	25.2	0.0
Tax Loss Reserve Fund-Overflow	10.0	10.0	0.0
Franchise Tax	5.6	5.6	0.0
Other (Prior Year & Miscellaneous)	3.1	3.1	0.0
Federal In-Lieu Taxes	1.8	1.8	0.0
El Sobrante	1.8	1.8	0.0
Transient Occupancy Tax	1.4	1.4	0.0
TOTALS	664.7	667.7	3.0

* Does not include public safety sales tax revenue

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to increase appropriations for contingency and make the following changes to Board designations and estimated revenue.

Increase estimated revenue:

10000-1300100000-704000 Prop. tax – current supplemental \$3,000,000

Increase appropriations:

10000-1109000000-581000 Appropriations for contingency \$2,550,000

Increase designation:

10000-1100100000-320100 DFB – economic uncertainty \$450,000

3. BOARD DESIGNATIONS

a) Budget Savings Retention Plan (BSRP)

Under Board Policy A-36, the budget savings retention plan, general-fund departments that returned general funds in FY 05/06 are conditionally entitled to use a portion of the savings in FY 06/07. Most significantly, the savings should be spent on one-time improvements and the Executive Office should approve the department's spending plan.

In the FY 06/07 first-quarter budget report, departments were directed to submit requests for authorization to appropriate their BSRP funds to the Executive Office by January 8, 2007. The

Executive Office has reviewed the requests and its recommendations follow. More information on funding needs can be found in each department's section of this report.

<u>Department</u>	<u>Project Description</u>	<u>BSRP Funding</u>
County Counsel	Computers, furniture	\$324,044
Probation	Computers, record mgt system	1,476,516
DPSS	Various program enhancements	3,615,532
Agricultural Commisioner	Audio-visual, furniture	120,000
Public Defender	Video conferencing	210,000
Executive Office	Computers and communication equipment	<u>3,310</u>
	Total	\$5,749,402

Several departments that earned BSRP "credit" at the end of last year did not submit requests to the Executive Office. The presumption is that they have not yet identified any pressing one-time needs.

The designation for BSRP was established by the Board in the first-quarter report and is \$10,650,046. The total funding recommended in this report is \$5,749,402. The Executive Office recommends that the remaining \$4,900,644 in the designation be moved to contingency. Should any department with a BSRP "credit" submit a funding request to the Executive Office before April 1, 2007, it will be evaluated and brought before the Board in the third-quarter report. Any amount remaining in contingency at the end of the year will be available for any general-fund purpose in the FY 07/08 budget.

Probation and the Sheriff's Department want to use their BSRP funds later in the year but either need more time to calculate actual costs or will submit a request to the Board directly. The Probation Department is requesting to use \$1.4 million in BSRP funds at this time and would like the remaining \$720,000 earmarked in contingency for later use. The Sheriff's Department will be submitting two Forms 11 asking to use BSRP funds.

Given the ongoing costs of Board commitments and the associated demand on the general fund, the Executive Office recommends that the BSRP program be suspended for FY 07/08.

Recommended Motion: that the Board of Supervisors suspend the BSRP program for FY 07/08 and approve and direct the Auditor-Controller to make the following budget adjustments to release designated funds to contingency.

Decrease designation:		
10000-1000100000-320146	DFB – budget savings retention	\$4,900,644
Increase Appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$4,900,644

b) New Tax Loss Reserve Fund Revenue

Agencies voluntarily participating in the Teeter program receive note revenue in lieu of tax revenue due from delinquent properties. The county issues, and is responsible for, the notes that generate the revenue going to Teeter participants. The county then acts as the collection

agent for these delinquent properties. As compensation for this work, cost and risk, the county is entitled to the penalties and interest collected.

Penalties and interest from delinquent property-tax collections are placed in the tax-loss reserve fund. This fund's balance currently exceeds minimum requirements and the excess is available for any county program. The Executive Office considers this one-time money and recommends dedicating it to fill a one-time need. Further, the revenue can best be used to partially fund the 800 MHz radio project.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust Board designations and estimated revenue as follows.

Increase designation:		
10000-1100100000-320148	DFB – PSEC 800MHz	\$16,700,000
Increase estimated revenue:		
10000-1100100000-700040	Teeter overflow	\$16,700,000

c) New PERS Prepay Interest Revenue

For two years, Riverside County has prepaid a portion of the year's estimated PERS costs in order to receive a discount. The net discount benefit to the county cannot be determined when the budget goes to the Board but is estimated now to be approximately \$2 million.

The Executive Office considers this one-time money and recommends dedicating it to a one-time need. Further, the revenue can best be used to partially fund the 800 MHz radio project.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust Board designations and estimated revenue as follows.

Increase designation:		
10000-1100100000-320148	DFB – PSEC 800MHz	\$2,000,000
Increase estimated revenue:		
10000-1102100000-781120	Rebates and refunds	\$2,000,000

d) New Pass-through Revenue

Based on pass-through agreements between the City of Riverside and the County of Riverside, the city has established a trust fund to hold a portion of the county's revenue. The funds can be used for projects that benefit both the city and the county. In the past, money has been used for debt-service payments on the County Administrative Center (CAC) Annex, the 12th Street parking structure and the Family Law building. The county has asked the city to transfer the full current balance of \$4.8 million.

The Executive Office recommends that \$2 million be budgeted for the Historic Courthouse renovation project and the balance for debt service on the CAC Annex and 12th Street parking structure.

On December 19, 2006 (Item 3.25), the Board approved a modified courthouse renovation project budget, using general funds. The budget adjustment that follows supports the increased project scope and will allow Facilities Management to pay vendors in a timely manner.

Budgeting \$2.8 million of this one-time money for debt service frees up \$2.8 million in previously designated general funds. The Executive Office recommends redirecting the general funds to fill two pressing needs: \$1.5 million to partially finance the Ben Clark Training Center's electrical infrastructure modification and \$1.3 million for the 800 MHz radio project.

Recommended Motion: *that the Board of Supervisors approve and direct the Auditor-Controller to adjust Board designations and estimated revenue as follows.*

Increase designation:		
10000-1100100000-320148	DFB – PSEC 800MHz	\$1,300,000
Increase estimated revenue:		
10000-1101000000-781000	Contractual revenue	\$4,800,000
Increase appropriations:		
10000-1101000000-551000	Operating transfers out	\$3,500,000
Increase estimated revenue:		
30700-1104200000-790500	Operating transfers in	\$3,500,000
Increase appropriations:		
30700-1104200000-523780	Interfund exp – capital projects	\$3,500,000

e) Monroe Building Purchase

The county leases space in the Monroe Building on Highway 111 in Indio. The lease gives the county the option to purchase the building. Purchase terms are favorable because the building has many years of useful life remaining and can be bought for less than half the cost of building a comparable new facility.

The approximately 100,000 square-foot building will cost about \$15 million. The Executive Office recommends funding from three sources: existing capital project designation, pass-through funds and assuming the current owner's financing. Each source totals approximately \$5 million. Payments from county tenants will pay the assumed debt.

Recommended Motion: *that the Board of Supervisors approve, for the purchase of the Monroe property, 1) the use of \$5 million in Palm Desert pass-through funds, 2) assumption of \$5 million in the property's existing debt (subject to the review and approval from the debt advisory committee), 3) the use of \$5 million in Board designations, and 4) direct the Auditor to make the following budget adjustments.*

Decrease designations:		
10000-1101200000-320109	DFB – capital projects	\$5,000,000

Increase estimated revenue: 10000-1101000000-781000	Contractual revenue	\$5,000,000
Increase appropriations: 10000-1101000000-551000	Operating transfers out	\$10,000,000
Increase estimated revenue: 30700-1104200000-790500	Operating transfers in	\$10,000,000
Increase appropriations: 30700-1104200000-542020	Buildings	\$10,000,000

Assuming that recommendations in this report are approved, the following chart lists the \$326.1 million in general funds designated by the Board and invested in the county pool. About \$116.2 million is earmarked for specific needs and \$100.1 million is set aside to protect against adverse state actions and economic downturns. The remaining \$109.8 million is being held for capital construction projects and land banking. These funds can be increased, decreased or spent only with Board approval.

Board designations have been increased from \$323.3 million to \$326.1 million. Significant changes involve the \$10.7 million withdrawal reserved for BSRP requests and \$20 million added to prepare for the 800 MHz radio system costs.

Board Designations (in millions)				
	Current Target	05/06 Ending Balance	06/07 First-quarter Balance	06/07 balances upon approval of this report
Capital projects	150.0	114.2	114.8	109.8
Economic uncertainty	100.1	88.6	99.7	100.1
DPSS - Realignment growth		29.9	29.4	29.2
PSEC - 800 MHz		0.0	25.0	45.0
BSRP - Budget retention		0.0	10.7	0.0
SB90 deferral		10.0	10.0	10.0
OPEB - Post employment benefits		0.0	10.0	10.0
DPSS - CalWorks Incentive		0.0	8.5	8.5
Community improvement		0.0	5.5	3.8
ACR: Property-tax system		5.3	5.3	5.3
TTC: Property-tax system		2.6	2.6	2.6
CAC maintenance		1.0	1.2	1.2
ACO: Property-tax system		0.5	0.5	0.5
TOTAL		252.1	323.3	326.1

4. APPROPRIATIONS FOR CONTINGENCY

FY 06/07 USE OF CONTINGENCY

	Cost Adjust.	Revenue Adjust.	Total Adjust.	Contingency Status
Second-quarter beginning balance:				\$38,134,735
Second-quarter adjustments:				
3.95 on 08/29/06 Cash shortage fund	\$1,751		(\$1,751)	\$38,132,984
3.56 on 10/17/06 Cash shortage fund	\$1,287		(\$1,287)	\$38,131,697
3.57 on 10/17/06 Cash shortage fund	\$452		(\$452)	\$38,131,245
2.2 on 10/24/06 Cash shortage fund	\$518		(\$518)	\$38,130,727
3.26 on 12/05/06 Cash shortage fund	\$2,059		(\$2,059)	\$38,128,668
3.25 on 12/12/06 Substance Abuse Program	\$89,360		(\$89,360)	\$38,039,308
3.58 on 12/19/06 Cash shortage fund	\$635		(\$635)	\$38,038,673

Recommended actions (in this report) affecting contingency:

New discretionary revenue		\$2,550,000	\$2,550,000	\$40,588,673
Auditor-Controller staffing	\$180,239		(\$180,239)	\$40,408,434
Animal Services staffing	\$1,395,790		(\$1,395,790)	\$39,012,644
Fire Department staffing	\$500,000		(\$500,000)	\$38,512,644
Public Health staffing	\$65,000		(\$65,000)	\$38,447,644
Executive Office contract services	\$120,000		(\$120,000)	\$38,327,644
City of Banning subvention	\$150,000		(\$150,000)	\$38,177,644
Release BSRP funds		\$4,900,644	\$4,900,644	\$43,078,288

Contingency at the end of the second-quarter = \$43,078,288

Pending actions that might affect contingency:

Animal Services staffing	\$507,191		(\$507,191)	\$42,571,097
CHA: Public Health Perris Family Care Center	\$174,283	\$67,200	(\$107,083)	\$42,464,014
CHA: Public Health Palm Springs Care Center	\$104,613	\$67,200	(\$37,413)	\$42,426,601
CHA: California Children's Services treatment	\$2,112,258		(\$2,112,258)	\$40,314,343
District Attorney staffing	\$3,000,000		(\$3,000,000)	\$37,314,343
EDA: CBO grant writing support	\$85,000		(\$85,000)	\$37,229,343
Mental Health detention program expansion	\$3,200,000		(\$3,200,000)	\$34,029,343
Probation admin relocation	\$720,000		(\$720,000)	\$33,309,343
RCRMC: Medical Indigent Provider Services	\$1,620,000		(\$1,620,000)	\$31,689,343
RCRMC: Detention Health non-county care costs	\$1,400,000		(\$1,400,000)	\$30,289,343
Sheriff record management system	\$1,900,000		(\$1,900,000)	\$28,389,343
Sheriff's public safety street database	\$2,200,000		(\$2,200,000)	\$26,189,343
Veteran Services moving costs	\$15,000		(\$15,000)	\$26,174,343

Projected year-ending contingency = \$26,174,343

Contingency target (4% of Disc. Rev) = \$26,700,000

The Board-approved contingency target is 4 percent of discretionary revenue. Current-year general-fund discretionary revenue is estimated at \$667.7 million, establishing a contingency target of \$26.7 million. As discretionary-revenue estimates rise and fall, the target will be adjusted accordingly. Additional obligations above the target have been identified for Board-

approved commitments and for revenue shortfalls or potential departmental expenses that exceed budget. Contingency has been funded to cover these additional obligations with new discretionary revenue and unsolicited BSRP funds. If all liabilities reach fruition, the balance in contingency will be slightly below the Board-approved target level. The previous chart illustrates potential obligations and second-quarter contingency uses.

5. GENERAL FUND MULTIPLE-YEAR PROJECTION

General Fund Multiple-year Projection (in millions)						
	FINAL BUDGET	PROJECTED ACTUAL				
	06/07	06/07	07/08	08/09	09/10	10/11
<u>RESOURCES:</u>						
Adjusted Fund Balance	23	54	26	41	31	33
Ongoing Revenue (5% growth)	633	668	745	782	821	862
Use of Reserves	0	0	0	0	0	0
Misc. One-Time Revenue	0	37	0	0	0	0
	656	759	771	823	852	895
<u>APPROPRIATIONS:</u>						
Misc. Ongoing NCC	539	544	533	605	635	667
Projected Ongoing FY 06/07 Costs	0	21	0	0	0	0
Misc. One-Time Costs	0	10	0	0	0	0
Contingency	32	26	41	31	33	34
Smith Correctional Facility	9	9	10	11	12	13
Public Safety COLA's	13	13	19	24	29	34
Sheriff 1.2 Staffing	18	18	19	20	21	22
Capital Project Funding	25	25	30	35	40	45
Hospital Subsidy	14	14	14	14	14	14
Code Enforcement	0	6	13	14	14	15
Added to Reserves	6	71	81	51	51	51
	656	758	760	804	849	895
Available for Budget Needs	0	1	11	19	3	(0)
<u>NOTATIONS:</u>						
All discretionary reserves	267	331	332	352	403	455

Assumptions:

- 1) Departments to absorb additional miscellaneous PERS costs
- 2) Discretionary revenues assumed to grow at a five percent rate

The multiple-year projection is displayed in a five-year format. Based on recent growth in discretionary revenue and assuming current program levels, we project a balanced budget in FY 07/08 with no structural deficit.

D. STATE BUDGET UPDATE

On January 10, 2007 Gov. Schwarzenegger released his ambitious FY 07/08 budget proposal. After the FY 06/07 budget passed, the estimated operating deficit was about \$5 billion. The FY 07/08 budget plan limits growth in general-fund spending by 1 percent, the lowest growth rate in five years, according to the Department of Finance.

The FY 07/08 budget proposes \$103.141 billion in general-fund spending, an increase of \$1 billion, or 0.97 percent, over the prior fiscal year. Nearly 90 percent of the proposed budget is confined to three program areas: K-12 and higher education (51 percent); health and human services (29 percent); and corrections and rehabilitation (9.7 percent).

The FY 07/08 proposal contains bold corrections reforms that seek to address overcrowding and recidivism in state and local corrections systems. The package includes key provisions to help with local adult- and juvenile-detention facilities and \$5.5 billion to expand detention capacity statewide.

Other potential effects to the county include:

- Health and Human Services – reforming the CalWORKs programs for potential savings of \$324 million; appropriations for foster-care and child-welfare services below FY 06/07 levels; the mental-health services fund is expected to increase by \$1.1 billion via lease-revenue bonds and a proposed universal health-coverage plan for California families earning under \$60,000.
- Indian gaming compacts – FY 07/08 assumes revenues of \$506 million from pending Indian gaming compacts.
- Transportation – \$2 billion proposed for local streets and roads in cities and counties.
- Emergency management/disaster preparedness – budget includes a section to help local jurisdictions prepare for disasters.

The Board will receive updates as the state budget picture is clearer.

E. FY 06/07 DEPARTMENTAL STATUS

1. INTERDEPARTMENTAL

a) Integrated Property Tax Management System (IPTMS)

The Assessor-Clerk-Recorder, Treasurer-Tax Collector, and Auditor-Controller are in the first stage of a multiagency reengineering project. The long-term result will be design, development and implementation of an integrated property-tax management system (IPTMS).

When fully implemented, the IPTMS will replace the existing property-tax system. That system is based on designs and statistics from the late 1960s to early 1970s and originally was sized to support 400,000 parcels. Today, Riverside County's property-tax system tracks nearly one million parcels with an assessment roll that is over \$205 billion and growing at an unprecedented rate. The current system suffers significant inefficiencies, performance issues and constraints because of its aging design and the high volume of transactions it supports.

The initiative's current phase is expected to take two to three years and will produce a new design with requirements focused on business process improvement and optimization. An interdepartmental team is reviewing proposals from qualified consulting firms. A contract award is expected by April 2007 for design work to be completed during FY 08/09. Consulting contract costs for the design phase are expected to be under \$10 million.

Development and implementation will span several years beginning in FY 08/09. The replacement IPTMS system will utilize new technologies and improved processes scaled for future growth. Costs will be subject to separate development services procured at that time. These costs could be several tens of millions of dollars.

Partial funding has been set aside for this initiative. Each stakeholder office accounts for individual expenses, subject to the details of a comprehensive budget being developed for the overall project.

In anticipation of this capital investment, the Executive Office recommends designating funds for this project as revenue becomes available.

b) Capital Improvement Program (CIP)

The Capital Improvement Program team is planning for the next financing of approved projects. The following projects are in the architectural design phase:

- Community Health Agency laboratory expansion
- Downtown law building
- Riverside metro animal shelter
- San Jacinto Valley animal shelter

The CIP team's fourth annual call for projects concluded on October 16, 2006. The annual call requires departments to identify and prioritize projects, and justify them with preliminary or future staffing needs and available funding sources. Departments proposed 185 projects totaling \$1.6 billion for consideration, with general-fund requests accounting for \$1.1 billion of total costs. The CIP team recognizes departments' capital needs but, because it is impossible to fund all the requested projects, departments identified top-priority projects. Full details of all the projects submitted and the CIP team's prioritization recommendations are included as a separate item scheduled for Board consideration the same day as this report.

c) Development Agreement Funds

Countywide development-agreement funds for public facilities were committed to acquire habitat in the Badlands area for the Lockheed/Laborde project, approved by the Board on November 2, 2004 (Item 3.5). The CIP expended \$70,798 for escrow costs because the remaining balance was insufficient. Funds from the Development Agreement Interim Open Space Ordinance 810.1 Fund are available to reimburse the CIP, minus interest accrual.

Recommended Motion: that the Board of Supervisors authorize the use of Development Agreement Interim Open Space Ordinance Funds (\$54,034) to reimburse the Capital Improvement Program.

d) Public-Safety Enterprise Communication Project (PSEC)

800 MHz Cost and Financing

In order to identify the best method for updating and improving the county's 800 MHz radio system, the Board established an executive steering committee. The committee includes key executive staff from the Sheriff's Department, Fire Department, Facilities Management, Information Technology (RCIT) and the Executive Office. The Board also established the Public Safety Enterprise Communication (PSEC) project team, composed of technical staff from participating departments to provide technical expertise for the project. Two Board members also meet regularly with sheriff, fire, and RCIT staff for progress reports.

The steering committee and PSEC released a request for proposals in April 2005 and evaluated responses from MA-COM and Motorola, Inc. The evaluation process was thorough and lengthy, and yielded a consensus recommendation to accept the Motorola proposal.

Current estimates envision a four-year system installation that will cost \$149 million and consist of the following major components: vendor contract (\$105 million); land (\$8.6 million); contingency (\$11.4 million); and PSEC operations (\$24 million). Total system costs will be finalized following completion of the detailed design phase in April 2008. The steering committee will seek Board approval of the adjusted project cost at that time.

The Executive Office recommends a financing package composed of general funds, Board designations and lease financing. The Board previously established a designation for this project that now holds \$25 million. Recommended actions in this report add \$20 million, enough to cover land acquisition and contingency. The Executive Office recommends that the Board continue to approve operating budgets for the PSEC team. Over four years, this will require \$24 million in general-fund support. The Treasurer-Tax Collector and Executive Office are evaluating financing proposals for the vendor contract and will bring a recommendation to the Board when the analysis is complete. A Form 11 requesting Board authorization for interim funding is scheduled for the same agenda as this report.

RCIT has worked in close partnership with the sheriff's and fire departments to address coverage issues associated with the public-safety communications system. The Board approved the funding and formation of a county project team on September 27, 2005 to solicit, evaluate and select a vendor to resolve issues with the system. Vendor selection is complete and a formal recommendation will be presented to the Board the same day as this report.

PSEC Staffing

Throughout the PSEC project, staff has been phased-in as the work progresses. Within three weeks of the vendor award, the project's final design phase will begin and PSEC will need an additional team member: a Communication Technical Support. The PSEC budget has sufficient appropriations to absorb the cost this fiscal year. Next year's full cost to the general fund will be \$86,218.

Recommended Motion: that the Board of Supervisors approve Resolution 440-8710 included in this report as Attachment B, adding one Communication Technical Support position for the PSEC project.

2. GENERAL GOVERNMENT

a) Assessor-Clerk-Recorder

Assessor's Office

The State Controller's Office has revised its guidelines associated with SB2557 for calculating offsetting revenue related to supplemental property-tax administrative costs. As a result, the Assessor's Office will receive an additional \$542,351. Special-assessment revenue from penalties tied to untimely filings of change-in-ownership statements also is expected to be \$3,472,930 over budget. These changes eliminated financial concerns raised in the first-quarter budget report about the Assessor's budget.

The Assessor's budget anticipated using \$1.1 million in earnings retained in reserve. Recognizing the new revenue discussed previously (\$4,015,281) and increasing appropriations by \$1.1 million less than that revenue, the reserve funds no longer will be needed this fiscal year and will be retained for future use.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

10000-1200100000-523640	Computer equip. – non fixed asset	\$2,888,149
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Increase estimated revenue:

10000-1200100000-770030	Prop tax collection & admin	\$542,351
10000-1200100000-770100	Special assessments	<u>3,472,930</u>
	Total	\$4,015,281

Expected increase:

11009-1200100000-325100	Unreserved fund balance	\$1,127,132
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b) Auditor-Controller

The Auditor-Controller's Office is restricting departmental spending because annualized cost estimates indicate that year-end expenditures might not fall within the budget target. The Auditor's Office attributes these projections to increased service demand, which has no direct offsetting revenue source. Efforts are being made to evaluate service-level commitments, tap outside revenue sources and control spending. The Executive Office recommends allocating \$80,920 to fund countywide contracted accounting commitments where a direct revenue source is unobtainable.

Payroll-staffing levels within the Auditor-Controller's Office have remained relatively constant, while the number of county employees and associated payroll needs have grown significantly in the past decade. To help meet increasing demand, retain technically competent staff and establish an organizational structure that allows internal growth, the department requests authorization to hire two Supervising Accountants and one Supervising Accounting Technician. These positions will bridge supervisory gaps while enhancing operational effectiveness. The complexity of the payroll function has made retaining knowledgeable employees an arduous effort. Adding these positions will alleviate stress and better balance responsibilities within the payroll unit. The Executive Office concurs with this request and

recommends funding these positions, along with their ancillary office costs, for the remaining five months of the fiscal year. The full-year cost of these positions is \$226,804.

Recommended Motion: that the Board of Supervisors amend Ordinance 440 as reflected in Resolution 440-8710, included in this report as Attachment B, adding two Supervising Accountants and one Supervising Accounting Technician; and 2) approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-1300100000-510040	Regular salaries	\$64,419
10000-1300100000-518100	Budgeted benefits	30,100
10000-1300100000-523640	Computer equip-non fixed asset	4,200
10000-1300100000-523700	Office supplies	600
10000-1300100000-524560	Auditing and Accounting	<u>88,920</u>
	Total	\$188,239
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$180,239
Increase estimated revenue:		
10000-1300100000-770500	Auditor-accounting fees	\$8,000

c) Auditor Controller – Internal Audits Unit

The Board directed the Executive Office to report on the status of the work plan in the Auditor-Controller's internal audits unit. That work-plan update is attached (Attachment D). Additionally, staffing levels are being monitored in anticipation of adding staff per the Auditor's request (Item 3.46, 06/24/04). Historically high vacancy rates are now within reasonable levels. The Executive Office supports moderate growth in this unit and recommends that the Auditor's Office incorporate a staffing request into its FY 07/08 budget package. An audit summary follows.

Audit status:

Complete = 9	In progress = 13	Scheduled = 27
Not scheduled = 0	Cancelled = 0	Total = 49

d) Board of Supervisors and Clerk of the Board

Department staff has identified several areas of concern, which warrant monitoring and will likely require budget adjustments. Costs for legal publications are trending higher than budgeted. Publication costs can be charged back to requesting departments.

Personnel costs will likely exceed current appropriations. This result is primarily from unforeseeable costs associated with staff retirements. Additional factors include the cost-of-living increase approved in September and a higher-than-expected need for temporary staff. At the same time, it appears that cable franchise revenue will come in above projections. The additional revenue will offset some of these costs, but new general-fund support will be needed to cover retirement costs.

No adjustment is necessary at this time. Delaying adjustments to the third-quarter report will allow for further analysis.

e) County Counsel

County Counsel is eligible for up to \$461,726 through the county's budget savings retention plan (BSRP). The department requests to use BSRP funds to purchase software, licenses and hardware for a case-management system. This purchase results from recommendations in the report prepared by the Executive Office titled Use of Outside Legal Counsel presented to the Board on February 15, 2005 (Item 3.3), and the subsequent response by the department to the Board on August 23, 2005 (Item 3.4). The department also requests to use BSRP funds for new phone equipment, building maintenance, furniture, copy machines, printers and computers. Trade-in value of the old copier has been applied to reduce the funds requested.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-1500100000-520200	Communications	\$5,000
10000-1500100000-521560	Maintenance	175,000
10000-1500100000-523640	Computer equip. – non fixed	37,977
10000-1500100000-523680	Office equip. non fixed	42,000
10000-1500100000-546080	Capital equipment – computers	36,000
10000-1500100000-546280	Capital – software	<u>28,067</u>
	Total	\$324,044
Decrease designations:		
10000-1000100000-320146	DFB – budget savings retention	\$324,044

f) Economic Development Agency (EDA)

Fair and Date Festival

EDA anticipates increased fair revenue from increased ticket prices, parking fees and a new contract for carnival services. A budget adjustment is requested to reflect the additional revenue and expenditures.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
22200-1920100000-510040	Regular salaries	\$106,615
22200-1920100000-525440	Professional services	900,000
22200-1920100000-525080	Temp assist pool Services	800,000
22200-1920100000-527780	Special program expense	200,000
22200-1920100000-520945	Insurance – property	20,000
22200-1920100000-526420	Advertising	120,000
22200-1920100000-526530	Rent/Lease equipment	37,957

22200-1920100000-540060	Improvements – land	339,995
	Total	\$2,524,567
Increase estimated revenue:		
22200-1920100000-741020	Admissions	\$1,695,000
22200-1920100000-741060	Carnival	829,567
	Total	\$2,524,567

Housing Authority

The Housing Authority requests two additional permanent Housing Specialist I positions for the current year. The department receives funding from the Department of Housing and Urban Development (HUD) to provide housing assistance to low-income residents under Section 8 and related housing programs. Assistance is based on applicants' eligibility and participants' continued eligibility for assisted housing programs. In addition, tenant and Housing Authority rent portions are calculated, information is provided, complaints are investigated, contracts between the Housing Authority and property owners are prepared and executed and compliance with HUD regulations is monitored. Several thousand applications have been processed and HUD recently added several hundred families to the program. Two Housing Specialist I positions are being requested to help manage program growth. The positions will be funded with federal Housing Authority funds; no county funds are being requested.

Recommended Motion: that the Board of Supervisors approve Resolution 440-8710 included in this report as Attachment B, adding two Housing Specialist positions.

g) Executive Office

An invoice for FY 05/06 sales-tax collection services was submitted in the current fiscal year. Consequently, the Executive Office requests a budget adjustment to accommodate payment of this old year bill.

The Executive Office is also requesting permission to use \$3,310 of the fund reserved in the budget savings retention plan designation. The funds will purchase a Microsoft 2003 server that provides e-mail password security and antivirus updates. It is expected to cost \$1,500. The funds also will be used for a laptop and two docking stations in order to end connectivity drops, speed degradation and loss of data between the Riverside and Palm Desert offices. These items are expected to cost \$1,810.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-1102900000-525440	Professional services	\$120,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$120,000
Increase appropriations:		
10000-1100100000-523640	Computer equipment	\$3,310

Decrease designations:		
10000-1000100000-320146	DFB – budget savings retention	\$3,310

City of Banning Subvention Memorandum of Understanding

On December 19, 2006 (Item 3.60) the Board approved a general-fund subvention to enhance public safety in the City of Banning. The subvention was added in conjunction with the expansion of the Larry D. Smith Correctional Facility. A budget adjustment is requested to allocate general funds per the agreement. The annual net county is \$450,000.

Recommended Motion: *that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.*

Increase appropriations:		
10000-1101000000-536200	Contributions to non-county agency	\$150,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$150,000

h) Facilities Management – Administration

The administration division is being restructured and additional support positions are needed. Costs will be spread across the other Facilities Management divisions. A budget adjustment is requested for the additional cost as well as the reimbursable increase in the courts' property insurance. A progress report being prepared by the department head will be assessed to determine its budget effects. Recommendations from that assessment will be included in future quarterly reports.

Recommended Motion: *that the Board of Supervisors 1) approve Resolution 440-8710, included in this report as Attachment B, adding: two Staff Analyst II, one Accounting Technician I, one Senior Accounting Assistant, and three Accountant II's; and 2) approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.*

Increase appropriations:		
10000-7200100000-510040	Regular salaries	\$53,071
10000-7200100000-518100	Budgeted benefits	25,474
10000-7200100000-520945	Insurance – property	<u>77,927</u>
	Total	\$156,472

Decrease appropriations:		
10000-7200100000-572400	Intra/internal charges	\$73,833

Increase estimated revenue:		
10000-7200100000-778280	Interfund – reimb. for services	\$785
10000-7200100000-781360	Other miscellaneous revenue	<u>81,854</u>
	Total	\$82,639

i) Facilities Management – Real Estate Division

The real-estate division is being restructured and the department requests two new positions to enhance oversight of real-property functions. A budget adjustment also is requested for

expenses and reimbursement associated with a portion of the Public Safety Enterprise Communications (PSEC) 800 MHz radio project. The department can absorb the position's costs without the need for budget adjustments.

Recommended Motion: that the Board of Supervisors 1) approve Resolution 440-8710, included in this report as Attachment B, adding two Principal Real Property Agent positions and 2) direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-7200400000-524820	Engineering services	\$151,150
10000-7200400000-525400	Title company services	104,150
10000-7200400000-526700	Rent – lease buildings	444,700
10000-7200400000-540040	Land	<u>700,000</u>
	Total	\$1,400,000
Increase estimated revenue:		
10000-7200400000-778150	Interfund – leases	\$444,700
10000-7200400000-778280	Interfund – reimb. for services	255,300
10000-7200400000-778290	Interfund – right of way	<u>700,000</u>
	Total	\$1,400,000

j) Facilities Management – Design and Construction Division

In response to the rising cost of copying maps and plans, the design and construction division requests authorization to purchase a map/plan photocopier. The cost is \$50,000. User departments will pay a per-page copying fee to recover the cost. A budget adjustment is requested for the purchase and reimbursement of the equipment.

Recommended Motion: that the Board of Supervisors approve the purchase of a photocopier, and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-7200500000-546140	Equipment – office	\$50,000
Increase estimated revenue:		
10000-7200500000-778280	Interfund reimb. for services	\$50,000

k) Facilities Management – Capital Project Division

Based on a pass-through agreement between the Palm Desert Redevelopment Agency and the County of Riverside, the agency has established a trust fund to hold the county's pass-through revenue. Of the cash balance, \$6 million is needed to fund the following projects: 1) phase-one costs associated with constructing the Cove Communities Sheriff's Station (\$3 million); 2) construction to replace a county animal shelter in Blythe (\$2 million); 3) and a project to enhance the mechanical system at the Coachella Valley animal campus (\$1 million). The following budget adjustments will allow the funds to be received in the general fund and transferred to Facilities Management.

In addition, Facilities Management determined that parking areas at the juvenile probation office need major rehabilitation to address safety, access and potential liability issues. The work includes removing and repairing asphalt and concrete, and a slurry-seal application. The estimated cost is \$150,000. To minimize program disruption, construction will be completed in three phases during evenings and weekends. The department requests additional deferred-maintenance funds for this project.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-1101000000-551100	Contributions to other funds	\$6,000,000
Increase estimated revenue:		
10000-1101000000-781000	Contractual revenue	\$6,000,000
Increase appropriations:		
30100-7200800000-542040	Buildings – capital projects	\$6,000,000
30100-7200800000-542060	Improvements – buildings	<u>150,000</u>
	Total	\$6,150,000
Increase estimated revenue:		
30100-7200800000-790600	Contr from other county fund	\$6,150,000

I) Human Resources

A budget adjustment is needed to account for revenue incorrectly categorized in the original budget. The following budget adjustment has no general-fund impact.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Decrease appropriations:		
10000-1130100000-572900	Intra – personnel services	\$12,492,203
Decrease estimated revenue:		
10000-1130100000-777030	Personnel services	\$11,297,268
10000-1130100000-778230	Interfund – personnel services	<u>1,194,935</u>
	Total	\$12,492,203

Exclusive Care Option

An increase in expected revenue will require adjustments to this budget. The primary cause of this increase is an 11.9 percent increase in Exclusive Care enrollment.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follow.

Increase appropriations:		
45800-1132000000-510040	Regular salaries	\$610,000
45800-1132000000-520940	Stop loss insurance	200,000

45800-1132000000-523700	Office supplies	80,000
45800-1132000000-523230	Misc. expense	210,000
45800-1132000000-534480	Physician services	600,000
45800-1132000000-534500	Hospital services	1,400,000
45800-1132000000-534520	Pharmacy claims	<u>1,100,000</u>
	Total	\$4,200,000
Increase estimated revenue:		
45800-1132000000-774970	IHSS premiums	\$1,100,000
45800-1132000000-781220	Contributions	<u>3,100,000</u>
	Total	\$4,200,000

Occupational Health & Wellness

Human Resources expects costs for providing pre-employment physicals to increase, based on the additional applicants being offered full-time and temporary employment. Anticipated increases in revenue collection will offset the costs.

Recommended Motion: That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:

Increase appropriations:		
46120-1132900000-525100	Medical lab services	\$200,000
Increase estimated revenue:		
46120-1132900000-774500	Health services	\$200,000

Rideshare

Carpools, vanpools and related parking activities are higher than anticipated in the budget. A budget adjustment is requested to account for the additional expenditures and revenue.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
22000-1130300000-528920	Carpool expense	\$101,000
22000-1130300000-537300	Interfund expense	<u>214,400</u>
	Total	\$315,400
Increase estimated revenue:		
22000-1130300000-741380	Parking	\$315,400

m) Purchasing

A high turnover rate continues among procurement contract specialists and Purchasing is having difficulty backfilling the vacant positions. A Senior Procurement Specialist classification was recommended by a Human Resources' management occupation group study in December 2006 and approved by the Board of Supervisors. The department's proposed restructuring initiative includes exchanging four vacant positions for four Senior Procurement Contract Specialist positions in FY 06/07 and requesting a \$384,080 increase in net county cost in FY 07/08 to fund these positions. This new senior procurement specialist classification

will augment career progression within the department and address the county's need for enhanced expertise in contract negotiations and complex commodity and personal-service acquisitions. Staff in this classification also will help supervise buyers in other departments and internal procurement contract specialists. The Executive Office anticipates advocating for this NCC increase in the FY 07/08 budget cycle.

n) Registrar of Voters

A number of cities, special districts and school districts were consolidated onto the November 7, 2006 election ballot, increasing associated expenses and revenue and necessitating a budget adjustment.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

10000-1700100000-523800	Printing	\$151,741
10000-1700100000-525340	Temporary help	225,658
10000-1700100000-527380	Elections	122,131
10000-1700100000-523700	Office supplies	4,523
10000-1700100000-520330	Communications	<u>3,506</u>
	Total	\$507,559

Increase estimated revenue:

10000-1700100000-771230	City elections	\$507,559
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State reimbursements related to the November 2005 special election is expected to reduce net county costs needed for FY 06/07 by \$737,282. The registrar recommends using this savings to purchase a new absentee system and to implement potential recommendations from the elections review committee.

o) Treasurer-Tax Collector

Property-tax System Replacement

The Assessor-Clerk Recorder, Auditor-Controller and Treasurer-Tax Collector have initiated a five-year project to replace the antiquated property-tax computer system. A request for proposals has been issued to secure a consultant to research and document current business and system processes. This work will be the foundation for the new program's design. An award recommendation should be ready by the end of March 2007. Recently, the departments jointly hired a manager to lead the project.

Two staff members were added last year in the Treasurer's Office to support the project's first phase. An additional position – a Business Process Analyst II - is now needed and is requested in this report. The department can absorb the position's current-year cost through salary savings. The department will require additional general-fund support next year for the position's ongoing cost, estimated at \$90,000.

Recommended Motion: that the Board of Supervisors approve Resolution 440-8710 included in this report as Attachment B, adding one Business Process Analyst II.

Operations

Riverside County's explosive growth is overwhelming the Treasurer-Tax Collector's Office. Tax rolls have increased 22.5 percent in the last year and over 40,000 parcels have been added in that time. Customer contacts and payment-processing requirements are growing at a similar pace.

A reorganization plan that began to take shape in the first quarter will improve department efficiency this year and next. The department will add eight new staff members in January. Plans are in place to fill the remaining 13 vacancies.

The full reorganization plan, reviewed and supported by Human Resources, calls for adding 14 new positions. The department probably can use salary savings to absorb current-year cost of the new positions recommended in this midyear report. The department and the Executive Office will update the cost estimates during the FY 07/08 budget process. The department will require additional general-fund support next year for the ongoing cost of the new positions, estimated at \$610,000.

Recommended Motion: that the Board of Supervisors approve Resolution 440-8710 included in this report as Attachment B, adding the following 14 positions.

<u>Change</u>	<u>Job code</u>	<u>Job Title</u>
+2	77434	Deputy Treasurer Tax Collector
+1	77414	Principal Accountant
+1	74106	Staff Analyst II
+3	15915	Accounting Technician I
+4	15913	Senior Accounting Assistant
+3	15912	Accounting Assistant II

Vehicles

The department has funding in its budget for a new car that will be used by a collections officer. The department requests permission to purchase the vehicle.

Recommended Motion: that the Board of Supervisors authorize the purchase of one vehicle for the Treasurer-Tax Collector.

3. PUBLIC PROTECTION

a) Agricultural Commissioner

The Agricultural Commissioner's Office is eligible for up to \$164,000 in funds through the county's budget savings retention plan. The department requests \$10,000 for audio video equipment and \$110,000 for office furniture: desks and tables for six offices, waiting-room furniture and eight wooden bookshelves for the library.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-2800100000-520800	Household expense	\$110,000

10000-2800100000-523640	Computer equip – non fixed asset	10,000
	Total	\$120,000
Decrease designations:		
10000-1000100000-320146	DFB – budget savings retention	\$120,000

b) Community Health Agency – Department of Animal Services

The department requests funding for two policy items not included in the original budget. The changes would expand dispatch services from 5 p.m. to 11 p.m. and keep the shelters in Riverside and Coachella open to the public seven days a week. At the same time, the department is pursuing authority to create and add a Deputy Director II position to oversee the community outreach and education division. Human Resources is reviewing the classification. The department now requests funding in anticipation of HR's sanction. Funding for these items totals \$445,790 this fiscal year. The full-year cost totals \$2.3 million. The department's plan recommends adding 37 positions. The Executive office recommends authorizing 21 positions now, with the balance to be authorized as vacancies are filled.

Animal Services has worked hard to fill positions authorized in the original budget. The department requests that part of the funding set aside for these positions (\$504,210), now be allocated.

Recommended Motion: that the Board of Supervisors 1) approve resolution 440-8710 adding 21 positions, as reflected in Attachment B and 2) direct the Auditor-Controller to adjust appropriations as follows.

Increase in appropriations:		
10000-4200600000-510040	Regular salaries	\$465,000
10000-4200600000-518100	Budgeted benefits	228,000
10000-4200600000-520115	Uniforms	800
10000-4200600000-523680	Office equipment	51,750
10000-4200600000-523700	Office supplies	1,500
10000-4200600000-525340	Temporary help	200,000
10000-4200600000-528140	Conf/Registration fees	<u>2,950</u>
	Total	\$950,000
Decrease in appropriations		
10000-1109000000-581000	Appropriations for contingency	\$950,000

c) Code Enforcement

The department requests authority to purchase one copier and two medium-volume scanners. The total purchase price is \$34,000. Funding was previously approved in the first-quarter report.

Recommended Motion: that the Board of Supervisors authorize the purchase of one copier and two medium-volume scanners for Code Enforcement.

d) District Attorney

As the first-quarter budget report noted, the District Attorney’s Office projects the need for additional general-fund support for 158 new positions added in the beginning of FY 06/07. At this time, the department estimates that it needs over \$3 million in general-fund support. \$3 million has been set aside in contingency to fund this potential liability. The Executive Office will continue to monitor hiring progress and will make funding recommendations in the third quarter, if needed.

e) Fire Department

The Fire Department requests three additional fire captains. Two will be assigned to the training division and the third will be used as a safety officer. These positions are necessary to meet increased demand for training and to enhance safety efforts. The department also is adding two Senior Personnel Specialist positions, funded through the state contract; and two county positions, a Senior Buyer Assistant and an Office Assistant III. These support positions are necessary to meet the department’s increased workload.

In the wake of the recent Esperanza Fire, it has become evident that Fire Station 63 in Poppet Flats needs to be staffed full time. The station is currently staffed by volunteer firefighters who have regular jobs and are unable to provide around-the-clock coverage. The department is requesting that this station be staffed according to the current county standard with three on-duty career personnel, including a paramedic.

The following budget adjustments provide the necessary appropriation authority for these enhancements. Full-year cost for these state and county positions is \$1,371,504.

Recommended Motion: that the Board of Supervisors amend Ordinance 440 as reflected in Resolution 440-8710, included in this report as Attachment B, adding one Senior Buyer Assistant and one Office Assistant III; and 2) approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

10000-2700200000-510040	Salaries	\$31,125
10000-2700200000-518100	Budgeted benefits	11,261
10000-2700200000-520240	Communications equipment	56,050
10000-2700200000-523640	Computer equipment	15,000
10000-2700200000-523680	Office equipment	7,500
10000-2700200000-525440	Professional services	265,864
10000-2700200000-520805	Appliances	6,000
10000-2700200000-520840	Household furnishings	7,200
10000-2700200000-522860	Medical supplies	27,000
10000-2700200000-526910	Field equipment	50,000
10000-2700200000-546120	Equipment – fire	<u>23,000</u>
	Total	\$500,000

Decrease appropriations:

10000-1109000000-581000	Appropriations for contingency	\$500,000
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Fire tax adjustments

Fire-tax revenue is expected to surpass current budget estimates by \$1,133,142. The following budget adjustments recognize this additional revenue in the fire-tax fund and allow this revenue to be transferred to the county fire and contract-cities budget units. Tax revenue for contract cities will offset direct billings. Tax revenue received for the county will offset revenue losses tied to the slowdown in local construction, which cuts deposit-based fees and plan-check revenue.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
21000-2700300000-536900	Interfund exp – fire services	\$1,133,142
Increase estimated revenue:		
21000-2700300000-700020	Prop tax – current secured	\$1,044,575
21000-2700300000-705000	Prop tax – prior supplemental	<u>88,567</u>
	Total	\$1,113,142
Increase estimated revenue:		
10000-2700200000-778120	Interfund transfers	\$985,886
Decrease estimated revenue:		
10000-2700200000-771930	Deposit based fees	\$102,101
10000-2700200000-779020	Fire protection – engineering	<u>883,785</u>
	Total	\$985,886
Increase estimated revenue:		
10000-2700400000-778120	Interfund – fire services	\$147,256
Decrease estimated revenue:		
10000-2700400000-779050	Fire protection	\$147,256

f) Probation Department

The department projects that it will meet net-county-cost targets at yearend if it can make adjustments among budget units. The department requests authorization to use salary savings to fund needed equipment and maintenance in several facilities for juveniles. Needed equipment includes a new generator and a bulldozer for Twin Pines Ranch, as well as items exceeding the \$5,000 fixed-asset threshold: washers, dryers, dishwasher, convection oven, generator, cooling tower, riding mower and utility cart.

The California State Auditor recently conducted a statewide audit on the Batterer Intervention Program from five selected sample counties, including Riverside County Probation and the courts. A final report contains findings and recommendations to improve program monitoring and develop clear written policies and procedures. Additional staffing might be requested through the budget process to address concerns the report raised. The department is coordinating with the courts to respond to the findings and recommendations. A future agenda submittal will update the Board.

Recommended Motion: that the Board of Supervisors 1) authorize the purchase of fixed assets including seven washers, a convection oven, a bulldozer, a replacement generator, a back-up generator, a cooling tower, a riding mower and a motorized utility cart; and 2) approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:

10000-2600100000-510040	Regular salaries	\$630,000
10000-2600100000-518100	Budgeted benefits	270,000
10000-2600100000-522310	Maintenance – buildings	407,000
10000-2600100000-546200	Equip – shop & yard	<u>228,000</u>
	Total	\$1,535,000

Increase appropriations:

10000-2600200000-546360	Vehicles – heavy equipment	\$70,000
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Decrease appropriations:

10000-2600200000-510040	Regular salaries	\$1,020,000
10000-2600200000-518100	Budgeted benefits	<u>585,000</u>
	Total	\$1,605,000

Juvenile Justice Crime Prevention Act (JJCPA)

Following authorization in the FY 06/07 state budget, additional JJCPA funds were allocated to Riverside County, exceeding the department's budget estimate by \$716,892. This funding will be used to increase staffing in the program and cover additional operating expense and office equipment.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

10000-2600200000-510040	Regular salaries	\$222,000
10000-2600200000-518100	Budgeted benefits	96,000
10000-2600200000-523680	Office equipment – non fixed asset	248,892
10000-2600200000-536240	Other contract agencies	<u>150,000</u>
	Total	\$716,892

Increase estimated revenue:

10000-2600200000-755520	CA – citizens option PS	\$716,892
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Budget Savings Retention Plan (BSRP)

The department requests to appropriate \$2.1 million in BSRP funds to purchase computer equipment to implement the Juvenile and Adult Management System the Board approved on November 21, 2006 (Item 3.15). The department requests that the remaining \$720,000 be held in contingency to be allocated in the third-quarter to relocate Probation administration from the Criminal Justice Building.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-2600700000-520250	Communications equip. – installation	\$202,000
10000-2600700000-523680	Office equip. – non fixed assets	474,516
10000-2600200000-546080	Equipment – other	<u>800,000</u>
	Total	\$1,476,516
Decrease board designations:		
10000-1000100000-320146	DFB – budget savings retention	\$1,476,516

Federal Title IV-E

Proposed changes by the U.S. Department of Health and Human Services and the California Department of Social Services might affect eligibility and procedures for the Probation Department's claiming of Title IV-E revenue. Implementing these proposed changes would reduce revenue and complicate the claiming process. The department currently receives approximately \$4.5 million a year in Title IV-E revenue, so the potential budget impact of new procedures could be significant. An update will be included in the third-quarter budget report.

Technical budget adjustment

Within the department's original budget submission, an estimated intrafund transfer was entered incorrectly and reduced spending authority by \$6,000. The department requests that this entry be corrected.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
10000-2600100000-536240	Other contract agencies	\$6,000
Decrease appropriations:		
10000-2600100000-573800	Intrafund – utilities	\$6,000

g) Public Defender

The Public Defender is eligible for up to \$847,211 through the county's budget savings retention plan. The department estimates a portion will be needed this fiscal year to expand video conferencing systems, which have significantly reduced travel between offices. Productivity also can be enhanced by purchasing additional equipment to digitally transmit and receive investigative documents. The total cost of these items is estimated at \$210,000. The actions below will authorize the purchases and establish the appropriations to make them possible.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-2400100000-546160	Equipment – other	\$210,000
Decrease board designations:		
10000-1000100000-320146	DFB – budget savings retention	\$210,000

h) Sheriff's Department

The department does not request any budget adjustments at this time. Certain budget units, such as the Ben Clark Training Center and corrections, are projecting possible budget shortfalls. Unexpected issues, such as overtime costs related to President Ford's funeral and the cancelled contract with the Soboba Band of Luiseno Indians, have affected the patrol budget. Salary savings within the patrol budget are a possible offset to these impacts. Due to the Soboba contract cancellation, the department will be deleting five deputy-sheriff positions. The department, along with the Executive Office, will closely monitor these units and update the Board in the third-quarter budget report.

Budget Savings Retention Plan

As the first-quarter budget report noted, the department is requesting authority to use its budget savings retention funds for major capital expenditures. Attachment C of the first-quarter report indicated that the department has \$2,635,506 in budget savings retention funds. An agenda item will be submitted requesting \$1.9 million to upgrade the records management system. The system must be replaced by calendar year 2009, when numbered fields for new records will be exhausted. Purchasing a newer version is more cost-effective because the existing system is seven years old.

The department also is working on the joint project with CDF/County Fire and TLMA to develop a shared, standard public-safety-street database that supports many standard mapping applications. The preliminary cost of the sheriff's share is \$2.2 million. That amount, combined with the records management system, exceeds the budget savings retention. However, the department's technical staff is working closely with Information Technology to refine the estimates and the possibility of spreading costs over two fiscal years will be examined. The department is working on a future agenda submittal that will better estimate project costs.

A Gang Taskforce update is included in the report as Attachment H.

i) Superior Court

Part of the budget for contributions to trial-court funding was estimated based on past realignment-revenue receipts. A portion of realignment revenue is paid to the state and to the local courts. It is possible that a budget adjustment for payment to the state might be needed in the third quarter to account for any excess revenue received over original projections. The Executive Office will continue to monitor the budget and update the Board in the third-quarter report.

4. PUBLIC WAYS AND FACILITIES

a) TLMA – Airport Land Use Commission

Costs associated with staff time and County Counsel charges are trending higher than originally anticipated, as are revenues from plan reviews. There is adequate fund balance to cover the expenditures in excess of new revenue. The following budget adjustment is needed to account for these financial impacts.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
22650-3120100000-525440	Professional/special services	\$43,300
Decrease appropriations:		
22650-3120100000-537180	Interfund exp. – salary reimbursement	\$30,000
Increase estimated revenues:		
22650-3120100000-771870	Plan review fees	\$18,850
Expected offset:		
22650-3120100000-325100	Unreserved fund balance	\$5,550

b) TLMA – Garage

Expenditures for maintenance, fuel and new equipment will cause the garage to exceed approved appropriation levels. The following budget adjustments allow appropriations to be increased and utilize existing fund balance to fund the expenditures.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and fund balance as follows.

Increase appropriations:		
20000-3130700000-521420	Maintenance – field equipment	\$400,000
20000-3130700000-528460	Inventory – fuel & oil	475,000
20000-3130700000-546160	Equipment – other	<u>75,000</u>
	Total	\$950,000
Decrease appropriations:		
20000-3130700000-532660	Capital lease – other	\$100,000
20000-3130700000-536740	Interfund – admin support indirect	<u>200,000</u>
	Total	\$300,000
Expected offset:		
20000-3130700000-325100	Unreserved fund balance	\$650,000

c) TLMA – Landscape Maintenance District

The Landscape and Maintenance District budget includes budgets for more than 77 landscape zones. Revenue across all zones is sufficient, overall. Three zones lack sufficient revenue, however, to cover anticipated year-end expenditures. A long-term solution is being addressed but the discretionary funds must be moved in the short term to a subfund where the costs are posted. The following budget adjustment authorized this transfer to occur.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations follows.

Increase appropriations:		
20300-3130100000-551100	Contributions to other funds	\$255,300

Expected offset:		
20300-3130100000-325100	Unreserved fund balance	\$255,300

5. HEALTH AND SANITATION

a) Community Health Agency (CHA) – Department of Public Health

The department is requesting that a Dentist, a Program Coordinator II, and two Dental Assistants be added. After receiving responses to the department’s request for proposals it was determined that the department could hire staff rather than contract with a private provider. Funds to pay for these positions were included in the FY 06/07 budget; an appropriation transfer will be prepared. No additional general funds are required for these four positions.

The department’s FY 06/07 budget submission included a policy item requesting additional funding for three positions in support of the communicable-disease control/sexually transmitted disease (STD) program. This policy item was not funded within the budget package but the department was offered an opportunity to resubmit this request pending availability of county funds. The number of STDs reported in Riverside County continues to exceed the current staff’s investigational capacity. Due to the potential life-threatening nature of syphilis, investigating these cases takes priority over chlamydia and gonorrhea cases. With staffing constraints, at least 25 percent of chlamydia and gonorrhea cases have not been investigated. This leads to potential medical consequences for patients and missed opportunities to educate patients and their partners. The STD program has streamlined the investigation processes and staff efficiency but has not been able to meet the response needs without additional positions. The department requests \$65,000 and permission to add:

- One Communicable Disease Specialist to conduct STD case investigations
- One Senior Communicable Disease Specialist to coordinate investigations and implement a web-based, confidential morbidity report to meet state reporting requirements
- One Public Health Nurse to be located in the desert community to respond to these communicable-disease issues

The annual net county cost for these positions is \$248,054.

Recommended Motion: that the Board of Supervisors 1) approve resolution 440-8710 adding seven positions, as reflected in Attachment B; and 2) direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$45,000
10000-4200100000-518100	Budgeted benefits	<u>20,000</u>
	Total	\$65,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$65,000

b) CHA – Public Health Administration

The department continues to monitor the progress of the proposed health administration annex. As previously reported, construction costs continue to rise and the department anticipates that additional general-fund support will be needed. The department and the Executive Office will continue to monitor this project.

The department reports that fines from the courts associated with the MADDY program (named after a state senator) are higher than anticipated and requests budget adjustments.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations follows.

Increase in appropriations:		
10000-4200300000-525440	Professional services	\$2,200,000
Increase estimated revenue:		
10000-4200300000-774790	Uncompensated med. svcs.	\$2,200,000

c) CHA – California Children’s Services

In the first quarter it was reported that state-paid claims for California Children’s Services began to increase and additional county funds (\$1.2 million) might be required. The department continues to evaluate this liability in order to determine this year’s full deficit. The department will monitor and report back in the third-quarter report.

d) CHA – Environmental Health

The department has been asked to facilitate payments to Waste Management Inc. for the Esperanza Fire cleanup. In addition, the Household Hazardous Waste Program has been transferred to Waste Management Inc. In order to have budget capacity for the payments, the department requests the following budget adjustment.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations follows.

Increase appropriations:		
10000-4200400000-790600	Contributions from other funds	\$763,401
Decrease appropriations:		
10000-4200400000-572800	Intrafund – miscellaneous	\$50,000
Increase estimated revenue:		
10000-4200400000-525440	Professional services	\$550,000
10000-4200400000-524500	Admin support – direct	<u>263,401</u>
	Total	\$813,401

e) Mental Health

Mental Health funding from the state and federal governments supports services outlined in annual county plans and reports. The county general fund currently contributes about \$10 million annually to treatment, public-guardian and detention programs. About \$1.5 million of this is a maintenance-of-effort requirement.

For the past several years, additional funding has come from a mental health trust fund in which unspent state monies have accumulated. For more than a decade, these funds have enabled the department to manage without additional general-fund contributions. Unfortunately, the fund balance is shrinking, primarily because programs are growing at a pace that outstrips the slight growth of state and federal base funding. As a result, there will be little leftover at year-end to carry into the next budget year. The trust fund historically has had more than \$20 million but there will be less than \$9 million available for FY 07/08, possibly much less. After that, the fund will be depleted.

Mental Health expenditures have increased 43 percent in the past six years, primarily for treatment and detention services. Salary and benefits costs have risen steadily and increased costs for private-care contracts and internal county services have been substantial. During this same period, inpatient treatment services have declined by 9 percent (8,798 client days) and outpatient treatment services have increased by 1 percent (210,464 units of service).

Allocations from Proposition 63, the Mental Health Services Act (MHSA), are reserved for new and expanded voluntary county mental-health services for those who are not now served. It is not permissible to supplant current efforts with these new monies. Approximately \$16.8 million is expected from MHSA this fiscal year. Despite the new funding stream, the department's director anticipates a \$14 million structural deficit going into FY 07/08 and an unknown, ongoing deficit. Remaining trust funds will reduce the deficit but will not address the structural problem.

Although the county is required to provide mental-health services to Medi-Cal patients, and emergency services to all, the degree to which most other mental health services are offered is discretionary. Continuing programs at the present level will require an additional funding source. Cutting costs will require program reductions and possible facility closures. Mental Health managers are developing staffing and service plans in preparation for next year.

Issues further complicating the Mental Health funding picture are 1) proposed cuts in homeless programs included in the governor's FY 07-08 budget plan; 2) uncertainty about growth in state realignment funds; 3) Medi-Cal revenue reductions that may result from local cost-cutting; 4) uncertainty about the effect of new programs on enrollment in current programs; and 5) the likely elimination of Proposition 10 tobacco tax revenue.

As the FY 07/08 budget is developed, the specific needs will become apparent. At this time, however, it is recommended that the Mental Health director, in conjunction with the Mental Health Advisory Board, prioritize service needs and present them to the Board of Supervisors at a spring 2007 workshop.

f) Mental Health Detention Program

The Detention Program proposes to enhance staffing in all county jail facilities in order to meet the increasing demand for mental-health services. At the Larry D. Smith Correctional facility, additional safety cells require monitoring 24/7. The department estimates that staffing increases will cost the general fund about \$3.2 million annually. The department requests authority to add 23 positions, as listed below. The department will work with the Executive Office on budget adjustments to be made in the third-quarter report.

<u>Changes</u>	<u>Job code</u>	<u>Job description</u>
+6	57745	Behavior Health Specialist II
+6	79742	Clinical Therapist II
+1	79718	Mental Health Services Supervisor B
+1	13865	Office Assistant II
+3	73830	Psychiatrist III Per Diem
+6	73991	Registered Nurse IV

g) RCRMC – Detention Health

Demand for detention-health services remains strong. The department projects that \$1,386,000 in additional general funds will be needed to meet year-end expenses. This deficit relates primarily to two expenditure components: pharmaceuticals purchased from the contract pharmacy and the cost of treating prisoners in the private sector. These costs are above and beyond the cost of treating prisoners at RCRMC. Medical care provided to inmates in the prison system is an issue throughout California. The department will monitor expenses and minimize the projected deficit.

h) RCRMC – Medical Indigent Provider Services (MISP)

There are approximately 10,000 members in Riverside County’s MISP Program. The MISP program’s projected net cost is \$3,542,000, which is \$1,620,000 more than budgeted. This deficit is due to the dramatic cost of using the private sector to provide health services that are not available to MISP patients at RCRMC. The hospital will work to ensure that only those needing emergency services that cannot be provided at RCRMC are referred to non-county providers. The hospital has applied for a grant under the Coverage Initiative, part of the statewide hospital financing waiver, to expand services to this population with a focus on preventive care and managing chronic disease.

6. PUBLIC ASSISTANCE

a) Department of Public Social Services (DPSS) – Administration

DPSS – CalWORKS

The CalWORKs program is composed of three primary welfare components - eligibility determination, welfare-to-work and child care. For FY 06/07, the state reduced CalWORKs funding allocation statewide. Riverside County’s share of the cut was over \$14 million. The department has sustained existing operations and mitigated funding cuts by using one-time funding. The department also is aggressively pursuing state funding in collaboration with the California Welfare Directors Association.

As an example, DPSS recently completed an updated county plan for the CalWORKs program. The effort included advising the state about the effects of current-year cuts, the inequities in the current funding methodology and the anticipated operational effects associated with meeting the new TANF work-participation requirements, especially in the absence of added funding.

In addition, for FY 07/08, the state has reinstated a budget request process that the department is in the process of completing to further justify funding needs for next fiscal year.

In the meantime, the department is preserving the funding in the local CalWORKs incentive designation for potential use in FY 07/08. In addition, we have approximately \$4.2 million remaining in state CalWORKs incentives that we intend to capture through a pass-through transaction with Probation, as we have in prior years. This will prevent the state from diverting these funds for other uses. These funds will serve as a backstop should the state not allocate sufficient funding for FY 07/08.

b) DPSS – Mandated Client Services

The In-Home Supportive Services (IHSS) program continues to experience growth. The most recent projections for IHSS individual provider hours indicate an annual increase of 5 percent for FY 06/07. The initial budgeted growth for FY 06/07 was 1.8 percent. Contracted provider services are declining at a projected annualized rate of 11.1 percent for FY 06/07. The department continues to realize unbudgeted savings due to the IHSS waiver provisions. The amount the department receives should cover the growth in the program. The department will continue to monitor growth and will provide an update in the third-quarter budget report. No budget adjustment is being requested at this time.

c) DPSS – In Home Supportive Services – Public Authority

The department’s initial budget request included a policy item for additional staff and costs. Those items resulted from workload associated with the continued increases in health benefits for IHSS providers and a shift from contract home-care providers to individual providers. The department now projects expenditure levels that will support the need for the policy item. The department requests approval of the policy item as part of the midyear budget report. The following budget adjustment and related cash transfer are being requested at this time.

Recommended Motion: *that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations, estimated revenue, and board designations as follows.*

Increase appropriations:

22800-985101-510040	Regular salaries	\$94,129
22800-985101-523680	Office equip. – non fixed assets	100,000
22800-985101-523700	Office supplies	120,000
22800-985101-523800	Printing/binding	80,000
22800-985101-525440	Professional services	40,000
22800-985101-526420	Advertising	40,000
22800-985101-527860	Training materials	52,000
22800-985101-536740	Interfund – admin support indirect	94,035
22800-985101-537080	Interfund – Miscellaneous	<u>117,091</u>
	Total	\$737,255

Increase estimated revenue:		
22800-985101-760000	Fed – public assistance admin	\$274,996
22800-985101-750300	CA – public asst. administration	284,433
22800-985101-781540	Contribution from other funds	<u>177,826</u>
	Total	\$737,255
Increase appropriations:		
10000-1101000000-551100	Contribution to other funds	\$177,826
Decrease designation:		
10000-1100100000-320129	DFB – DPSS realignment growth	\$177,826

Budget Savings Retention Plan (BSRP)

As part of the first-quarter budget report, the county Executive Office recommended designating a portion of the DPSS FY 05/06 unspent general-fund contribution for conditional use in the current fiscal year. The department requests approval to budget those one-time funds. The following budget adjustments will allow these funds to be spent on:

- One-time purchase of foster-child supplies to support out-of-home placement. Rolling backpacks and other supplies to transport personal items, sleeping bags to facilitate visitations and hooded sweatshirts for cooler months. (Estimate of \$1.1 million for 7,000 children.)
- One-time improvements are needed in our Cathedral City self-sufficiency facility. This includes reconfiguring floor space, new carpeting, a fleet vehicle canopy and facility expansion to meet increased staffing requirements. (Estimate of \$630,000.)
- The department also has identified one-time needs to purchase equipment for: Temporary Assistance and Medical Division (TAMD), Adult Protective Services, Child Welfare Services (CWS), and Information Technology (IT). This includes remodeling of the IT office, staff relocation expenses and equipment to support staff relocation. The costs also include small-equipment purchases, such as cameras and flashlights to assist caseworkers in documenting case activities; additional file space; electronic recording equipment to support case documentation in the field; and items such as printers, copiers and fax machines. (Estimate of \$1.5 million.)
- A TAMD initiative also calls for installing closed-circuit broadcast system in all lobbies to disseminate information to welfare clients during office visits. This customer-service initiative requires new equipment and building modifications. (Estimate of \$110,000.)
- The department is looking to improve flexibility and connectivity for our CWS case-management system. This change requires IT infrastructure improvements to provide CWS caseworkers direct access to department networks. (Estimate of \$649,000.)

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:

10000-5100100000-522310	Maint. – building and improvements	\$965,532
10000-5100100000-523680	Office equip. non fixed asset	1,450,000
10000-5100100000-527340	Client-ward-child expense	<u>1,200,000</u>
	Total	\$3,615,532

Decrease designation:

10000-1000100000-320146	DFB – budget savings retention	\$3,615,532
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d) Department of Community Action – Administration

The department has received additional revenue to provide youth program services and SB90 funds. The following budget adjustment is requested at this time.

Recommended Motion: That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:

Increase in appropriations:

21050-5200100000-523230	Miscellaneous expenses	\$30,271
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Increase estimated revenue:

21050-5200100000-753620	CA mandated reimbursement	\$1,027
21050-5200100000-781360	Other misc. revenue	<u>29,244</u>
	Total	\$30,271

e) Department of Community Action – Other Programs

The department has received funds for the Earned Income Tax Credit Program that were not included in the FY 06/07 budget. Funds were received for case-management services. A budget adjustment is requested to account for the receipt of the funds.

Recommended Motion: That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:

Increase appropriations:

21050-5200300000-523230	Miscellaneous expense	\$500
21050-5200300000-527780	Special program expense	<u>70,000</u>
	Total	\$70,500

Increase estimated revenue:

21050-5200300000-767220	Fed – other grants	\$70,000
21050-5200300000-778200	Interfund miscellaneous	<u>500</u>
	Total	\$70,500

7. EDUCATION, RECREATION, AND CULTURE

Nothing to report.

8. ENTERPRISE FUNDS

a) Riverside County Regional Medical Center (RCRMC)

RCRMC is projecting a surplus of approximately \$6 million this fiscal year. However, three issues could affect finances this year and beyond.

AB 774 took effect on January 1, 2007 and requires that all hospitals licensed in California have a charity-care policy for patients with incomes up to 350 percent above the federal poverty level (FPL). RCRMC already has the MISP program, which allows for free care for patients with incomes up to 100 percent above the FPL and a minimal cost-sharing for patients with incomes up to 200 percent above the FPL. Patients over the 200 percent threshold are reviewed individually to determine if a plan discount is appropriate. A proposed discount plan will be submitted to the Board for patients with incomes between 200 percent and 350 percent above the FPL. Compliance with this new state mandate could affect self-pay collections. RCRMC will monitor the impact and provide an update the next quarterly report.

Effective July 1, 2005 the state changed the way public hospitals are reimbursed for MediCal services in California. Previously, RCRMC received a prospective contract payment for inpatient services. Effective July 1, 2005, reimbursement will be made through certified public expenditures matched by federal funds. Payment is based on a state-calculated interim rate reconciled to actual costs based on the filed MediCal cost report. Over the next two quarters the state is reconciling the FY 05/06 payments to the cost information in the cost report. It is likely that the state will recover a portion of the interim payments and adjust the interim payment based on the filed cost report. Based on current information, this could result in a payback of approximately \$3 million for FY 05/06. RCRMC will carefully monitor this process and propose a strategy to the Executive Office to minimize any payback.

As part of the 2005 federal budget, the administration recommended potential reductions in Medicaid (MediCal in California) payments to states. These reductions have not been implemented yet. There is considerable opposition to the reductions from governors, in Congress and the health-care industry. Given the November election results, it is unclear whether these regulations will be implemented. RCRMC is monitoring the potential impact of these changes and is working with lobbying groups to prevent implementation.

9. INTERNAL SERVICE FUNDS

a) Printing Services

Printing services are in high demand. A budget adjustment is requested to account for the additional expenditures and revenue above the current budget. There is no direct general-fund impact.

Recommended Motion: *That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenues as follows:*

Increase appropriations:

45600-7300300000-527650	Paper and envelopes	\$100,000
45600-7300300000-527600	ISF – indirect materials	<u>100,000</u>
	Total	\$200,000

Increase estimated revenue:		
45600-7300300000-777670	Printing services	\$200,000

b) Supply Services

Supply Services' warehouse sales are higher than expected. A budget adjustment is requested to replenish supplies and account for the additional revenue.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
45700-7300400000-527560	ISF – direct materials	\$600,000

Increase estimated revenue:		
45700-7300400000-777760	Stores – county	\$600,000

10. SPECIAL DISTRICTS

a) EDA – Redevelopment Agency (RDA)

RDA is requesting a budget adjustment to acquire properties for additional housing-project development.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
25000-934001-536280	Contr. – project improv costs	\$12,500,000

Increase estimated revenue:		
25000-934001-791000	Bond proceeds	\$12,500,000

b) Parks - Regional Parks District

Regional Park and Open Space District

The district requests authority to add two new vehicles. Completing several capital-improvement projects that are now open for public use has increased maintenance and patrol requirements. One full-time permanent maintenance worker was hired to perform work at headquarters, Bogart, Gilman, San Timoteo and Box Springs parks. This requires a maintenance vehicle that can be used at various locations and meet a range of requirements. An existing full-time permanent Ranger II position is being recruited to patrol western, eastern and mountain parks, and Lake Cahuilla, to ensure public safety. The ranger will need a light truck. Unreserved fund balance is available to offset the increase in appropriations.

Parks will initiate operating transfers to two new funds created needed to manage district-owned open space: habitat and open-space management (25521) and off-highway vehicle management (25522). Funding for these entities will come from existing reserve funds collected for these specific programs. Fund balance will offset the increase in appropriations.

Recommended Motion: that the Board of Supervisors 1)approve the purchase of two new vehicles and 2) approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
25400-931104-546320	Vehicles – light trucks	\$62,000
25400-931104-551000	Operating transfers – out	<u>150,655</u>
	Total	212,655
Expected offset:		
25400-931104-320100	Designated fund balance	\$150,655
25400-931104-325100	Unreserved fund balance	<u>62,000</u>
	Total	\$212,655

Santa Ana River Mitigation Bank (SARMBK)

The parks natural resource manager for the SARMBK needs a vehicle that can travel off road over rugged and narrow terrain. The existing heavy-duty truck is shared with another employee and is too large to access most open-space terrain and areas and the Santa Ana River watershed region.

Recommended Motion: that the Board of Supervisors approve the purchase of one new vehicle, and approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
25550-931101-546320	Vehicles – light trucks	\$30,000
Expected offset:		
25550-931101-325100	Unreserved fund balance	\$30,000

Jensen Ranch Trust

During FY 06/07 budget preparation, appropriations for the historic Jensen Ranch were understated. Current-year appropriations require an increase. Fund balance is available to cover this increase.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
25570-931113-522310	Maintenance – building	\$5,900
25570-931113-522320	Maintenance – grounds	<u>1,100</u>
	Total	\$7,000
Expected offset:		
25570-931113-325100	Unreserved fund balance	\$ 7,000

Prop. 40 Capital Development

Revenue for this fund was understated in the FY 06/07 budget, creating the appearance of a deficit in fund balance. Progress on capital projects has advanced rapidly, allowing the district to seek state reimbursement for San Timoteo schoolhouse, Gilman Ranch improvements and a Bogart Park playground.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust estimated revenue as follows.

Increase estimated revenues:

33110-931121-755320	CA – misc. state reimbursements	\$296,707
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Expected increase:

33110-931121-325100	Unreserved fund balance	\$296,707
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Construction and Acquisition

Revenues for this fund were understated in the FY 06/07 budget, creating the appearance of a deficit in fund balance. Progress on capital projects has advanced rapidly, allowing the district to file for an advance on contracted work for Lake Cahuilla and a reimbursement for completing the Santa Ana River Trail from Market Street to San Bernardino.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust estimated revenue as follows.

Increase estimated revenues:

33150-931102-751680	CA – grant revenue	\$469,840
33150-931102-755320	CA – misc. state reimbursements	<u>203,943</u>
	Total	\$673,783

Expected increase:

33150-931102-325100	Unreserved fund balance	\$673,783
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Western County Parks – Development Impact Fee (DIF)

Due to delays in receiving state bond funds, the district requests additional appropriations in DIF funds. The increase will offset a short-term funding shortfall for expanding the district headquarters building, which is expected to be completed by March 2007.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

33120-931122-536780	Interfund exp. – capital projects	\$2,003,000
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Increase estimated revenue:

33120-931122-790500	Operating transfer in	\$2,003,000
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c) County Service Areas

County Service Area #85, Cabazon Lighting

A budget adjustment is requested for County Service Area 85 to cover increased landscape maintenance charges. Sufficient fund balance exists to finance the increased cost.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
23850-908501-522320	Maintenance – grounds	\$30,000

Expected offset:		
23850-908501-325100	Unreserved fund balance	\$30,000

County Service Area 87, Woodcrest Lighting

A budget adjustment is requested for County Service Area 87 to cover increased utilities charges. Sufficient fund balance exists to finance the increased cost.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
23900-908701-529530	Streetlights	\$5,000

Expected offset:		
23900-908701-325100	Unreserved fund balance	\$5,000

County Service Area 103, La Serene Lighting

A budget adjustment is requested for County Service Area 103 to purchase furniture and computer equipment. Sufficient fund balance exists to finance these assets.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and fund balance as follows.

Increase appropriations:		
24075-910301-546140	Equipment – office	\$9,000

Expected offset:		
24075-910301-325100	Unreserved fund balance	\$9,000

County Service Area 134, Temescal Canyon Lighting

A budget adjustment is requested for County Service Area 134 to purchase furniture and computer equipment. Sufficient fund balance exists to finance these assets.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and fund balance as follows.

Increase appropriations:		
24425-913401-546140	Equipment – office	\$9,000

Expected offset:		
24425-913401-325100	Unreserved fund balance	\$9,000

County Service Area 142, Wildomar Lighting

A budget adjustment is requested for County Service Area 142 to cover increased utilities charges. Sufficient fund balance exists to finance the increased cost.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
24525-914201-529530	Streetlights	\$5,000
Expected offset:		
24525-914201-325100	Unreserved fund balance	\$5,000

County Service Area 143, Rancho CA Park & Recreation

A budget adjustment is requested for County Service Area 143 to purchase furniture, computer equipment, and for increased landscape-maintenance charges. Sufficient fund balance exists to finance these assets and the increased cost.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
24550-914301-546140	Equipment – office	\$40,000
24550-914301-522320	Maintenance – grounds	<u>250,000</u>
	Total	\$290,000
Expected offset:		
24550-914301-325100	Unreserved fund balance	\$290,000

County Service Area 145, Sun City Park & Recreation

A budget adjustment is requested for County Service Area 145 to purchase furniture, computer equipment, and for increased landscape-maintenance charges. Sufficient fund balance exists to finance these assets and the increased cost.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
24575-914501-546140	Equipment – office	\$9,000
24575-914501-522320	Maintenance – grounds	<u>60,000</u>
	Total	\$69,000
Expected Offset:		
24575-914501-325100	Unreserved fund balance	\$69,000

County Service Area 152, County Community Parks (Wildomar)

A budget adjustment is requested for County Service Area 152 to purchase furniture and computer equipment. Sufficient fund balance exists to finance these assets.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
33200-915201-546140	Equipment – office	\$9,000
Expected offset:		
33200-915201-325100	Unreserved fund balance	\$9,000

County Service Area 62, Ripley Debt Service

A budget adjustment is requested for County Service Area 62 to enable the debt-service payment. Sufficient fund balance exists to finance this payment.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
40420-906202-532600	Capital lease purchase – principal	\$500
Expected offset:		
40420-906202-325100	Unreserved fund balance	\$500

ATTACHMENT A: RECOMMENDATION SUMMARY

For convenience, this section repeats the recommendations contained in the main document. There is no new information in Attachment A.

Cover letter

IT IS RECOMMENDED that the Board of Supervisors 1) receive and file this report, 2) approve the recommendations and associated budget adjustments in Attachment A, 3) approve Attachment B, Resolution 440-8710 authorizing new positions, and 4) receive and file Attachments C, D, E, F, G and H.

Quarterly Discretionary Revenue

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to increase appropriations for contingency and make the following changes to Board designations and estimated revenue.

Increase estimated revenue: 10000-1300100000-704000	Prop. tax – current supplemental	\$3,000,000
Increase appropriations: 10000-1109000000-581000	Appropriations for contingency	\$2,550,000
Increase designation: 10000-1100100000-320100	DFB – economic uncertainty	\$450,000

BOARD DESIGNATIONS

Budget Savings Retention Plan (BSRP)

Recommended Motion: that the Board of Supervisors suspend the BSRP program for FY 07/08 and approve and direct the Auditor-Controller to make the following budget adjustments to release designated funds to contingency.

Decrease designation: 10000-1000100000-320146	DFB – budget savings retention	\$4,900,644
Increase Appropriations: 10000-1109000000-581000	Appropriations for contingency	\$4,900,644

New Tax Losses Reserve Fund Revenue

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust Board designations and estimated revenue as follows.

Increase designation: 10000-1100100000-320148	DFB – PSEC 800MHz	\$16,700,000
Increase estimated revenue: 10000-1100100000-700040	Teeter overflow	\$16,700,000

New PERS Prepay Interest Revenue

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust Board designations and estimated revenue as follows.

Increase designation:		
10000-1101000000-320148	DFB – PSEC 800MHz	\$2,000,000
Increase estimated revenue:		
10000-1102100000-781120	Rebates and refunds	\$2,000,000

New Pass-through Revenue

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust Board designations and estimated revenue as follows.

Increase designation:		
10000-1100100000-320148	DFB – PSEC 800MHz	\$1,300,000
Increase estimated revenue:		
10000-1101000000-781000	Contractual revenue	\$4,800,000
Increase appropriations:		
10000-1101000000-551000	Operating transfers out	\$3,500,000
Increase estimated revenue:		
30700-1104200000-790500	Operating transfers in	\$3,500,000
Increase appropriations:		
30700-1104200000-523780	Interfund exp – capital projects	\$3,500,000

Monroe Building Purchase

Recommended Motion: that the Board of Supervisors approve, for the purchase of the Monroe property, 1) the use of \$5 million in Palm Desert pass-through funds, 2) assumption of \$5 million in the property's existing debt, 3) the use of \$5 million in Board designations, and 4) direct the Auditor to make the following budget adjustments.

Decrease designations:		
10000-1101200000-320109	DFB – capital projects	\$5,000,000
Increase estimated revenue:		
10000-1101000000-781000	Contractual revenue	\$5,000,000
Increase appropriations:		
10000-1101000000-551000	Operating transfers out	\$10,000,000
Increase estimated revenue:		
30700-1104200000-790500	Operating transfers in	\$10,000,000
Increase appropriations:		
30700-1104200000-542020	Buildings	\$10,000,000

**FY 06/07 DEPARTMENTAL STATUS
INTERDEPARTMENTAL**

Development Agreement Funds

Recommended Motion: that the Board of Supervisors authorize the use of Development Agreement Interim Open Space Ordinance Funds (\$54,034) to reimburse the Capital Improvement Program.

**Public-Safety Enterprise Communication Project (PSEC)
800 MHz Cost and Financing**

Recommended Motion: that the Board of Supervisors approve Resolution 440-8710 included in this report as Attachment B, adding one Communication Technical Support position for the PSEC project.

GENERAL GOVERNMENT

Assessor-Clerk-Recorder

Assessor's Office

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

10000-1200100000-523640	Computer equip. – non fixed asset	\$2,888,149
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Increase estimated revenue:

10000-1200100000-770030	Prop tax collection & admin	\$542,351
10000-1200100000-770100	Special assessments	<u>3,472,930</u>
	Total	\$4,015,281

Expected increase:

11009-1200100000-325100	Unreserved fund balance	\$1,127,132
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Auditor-Controller

Recommended Motion: that the Board of Supervisors amend Ordinance 440 as reflected in Resolution 440-8710, included in this report as Attachment B, adding two Supervising Accountants and one Supervising Accounting Technician; and 2) approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

10000-1300100000-510040	Regular salaries	\$64,419
10000-1300100000-518100	Budgeted benefits	30,100
10000-1300100000-523640	Computer equip-non fixed asset	4,200
10000-1300100000-523700	Office supplies	600
10000-1300100000-524560	Auditing and Accounting	<u>88,920</u>
	Total	\$188,239

Decrease appropriations:

10000-1109000000-581000	Appropriations for contingency	\$180,239
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Increase estimated revenue:		
10000-1300100000-770500	Auditor-accounting fees	\$8,000

County Counsel

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-1500100000-520200	Communications	\$5,000
10000-1500100000-521560	Maintenance	175,000
10000-1500100000-523640	Computer equip. – non fixed	37,977
10000-1500100000-523680	Office equip. non fixed	42,000
10000-1500100000-546080	Capital equipment – computers	36,000
10000-1500100000-546280	Capital – software	<u>28,067</u>
	Total	\$324,044
Decrease designations:		
10000-1000100000-320146	DFB – budget savings retention	\$324,044

Economic Development Agency (EDA)

Fair and Date Festival

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
22200-1920100000-510040	Regular salaries	\$106,615
22200-1920100000-525440	Professional services	900,000
22200-1920100000-525080	Temp assist pool Services	800,000
22200-1920100000-527780	Special program expense	200,000
22200-1920100000-520945	Insurance – property	20,000
22200-1920100000-526420	Advertising	120,000
22200-1920100000-526530	Rent/Lease equipment	37,957
22200-1920100000-540060	Improvements – land	<u>339,995</u>
	Total	\$2,524,567
Increase estimated revenue:		
22200-1920100000-741020	Admissions	\$1,695,000
22200-1920100000-741060	Carnival	<u>829,567</u>
	Total	\$2,524,567

Housing Authority

Recommended Motion: that the Board of Supervisors approve Resolution 440-8710 included in this report as Attachment B, adding two Housing Specialist positions.

Executive Office

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-1102900000-525440	Professional services	\$120,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$120,000
Increase appropriations:		
10000-1100100000-523640	Computer equipment	\$3,310
Decrease designations:		
10000-1000100000-320146	DFB – budget savings retention	\$3,310

City of Banning Subvention Memorandum of Understanding

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows:

Increase appropriations:		
10000-1101000000-536200	Contributions to non-county agency	\$150,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$150,000

Facilities Management – Administration

Recommended Motion: that the Board of Supervisors 1) approve Resolution 440-8710, included in this report as Attachment B, adding: two staff analyst II, one accounting technician I, one senior accounting assistant, and three accountant II's; and 2) approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-7200100000-510040	Regular salaries	\$53,071
10000-7200100000-518100	Budgeted benefits	25,474
10000-7200100000-520945	Insurance – property	<u>77,927</u>
	Total	\$156,472
Decrease appropriations:		
10000-7200100000-572400	Intra/internal charges	\$73,833
Increase estimated revenue:		
10000-7200100000-778280	Interfund – reimb. for services	\$785
10000-7200100000-781360	Other miscellaneous revenue	<u>81,854</u>
	Total	\$82,639

Facilities Management – Real Estate Division

Recommended Motion: that the Board of Supervisors 1) approve Resolution 440-8710, included in this report as Attachment B, adding two Principal Real Property Agent positions and 2) direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-7200400000-524820	Engineering services	\$151,150
10000-7200400000-525400	Title company services	104,150
10000-7200400000-526700	Rent – lease buildings	444,700
10000-7200400000-540040	Land	<u>700,000</u>
	Total	\$1,400,000

Increase estimated revenue:		
10000-7200400000-778150	Interfund – leases	\$444,700
10000-7200400000-778280	Interfund – reimb. for services	255,300
10000-7200400000-778290	Interfund – right of way	<u>700,000</u>
	Total	\$1,400,000

Facilities Management – Design and Construction Division

Recommended Motion: that the Board of Supervisors approve the purchase of a photocopier, and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-7200500000-546140	Equipment – office	\$50,000
Increase estimated revenue:		
10000-7200500000-778280	Interfund reimb. for services	\$50,000

Facilities Management – Capital Project Division

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-1101000000-551100	Contributions to other funds	\$6,000,000
Increase estimated revenue:		
10000-1101000000-781000	Contractual revenue	\$6,000,000
Increase appropriations:		
30100-7200800000-542040	Buildings – capital projects	\$6,000,000
30100-7200800000-542060	Improvements – buildings	<u>150,000</u>
	Total	\$6,150,000
Increase estimated revenue:		
30100-7200800000-790600	Contr from other county fund	\$6,150,000

Human Resources

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Decrease appropriations:		
10000-1130100000-572900	Intra – personnel services	\$12,492,203
Decrease estimated revenue:		
10000-1130100000-777030	Personnel services	\$11,297,268
10000-1130100000-778230	Interfund – personnel services	<u>1,194,935</u>
	Total	\$12,492,203

Exclusive Care Option

An increase in expected revenue will require adjustments to this budget. The primary cause of this increase is an 11.9 percent increase in Exclusive Care enrollment.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

45800-1132000000-510040	Regular salaries	\$610,000
45800-1132000000-520940	Stop loss insurance	200,000
45800-1132000000-523700	Office supplies	80,000
45800-1132000000-523230	Misc. expense	210,000
45800-1132000000-534480	Physician services	600,000
45800-1132000000-534500	Hospital services	1,400,000
45800-1132000000-534520	Pharmacy claims	<u>1,100,000</u>
	Total	\$4,200,000

Increase estimated revenue:

45800-1132000000-774970	IHSS premiums	\$1,100,000
45800-1132000000-781220	Contributions	<u>3,100,000</u>
	Total	\$4,200,000

Occupational Health & Wellness

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

46120-1132900000-525100	Medical lab services	\$200,000
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Increase estimated revenue:

46120-1132900000-774500	Health services	\$200,000
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Rideshare

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

22000-1130300000-528920	Carpool expense	\$101,000
22000-1130300000-537300	Interfund expense	<u>214,400</u>
	Total	\$315,400

Increase estimated revenue:

22000-1130300000-741380	Parking	\$315,400
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Registrar of Voters

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

10000-1700100000-523800	Printing	\$151,741
10000-1700100000-525340	Temporary help	225,658
10000-1700100000-527380	Elections	122,131
10000-1700100000-523700	Office supplies	4,523
10000-1700100000-520330	Communications	<u>3,506</u>
	Total	\$507,559

Increase estimated revenue:
 10000-1700100000-771230 City elections \$507,559

Treasurer-Tax Collector
Property tax System Replacement

Recommended Motion: that the Board of Supervisors approve Resolution 440-8710 included in this report as Attachment B, adding one Business Process Analyst I.

Operations

Recommended Motion: that the Board of Supervisors approve Resolution 440-8710 included in this report as Attachment B, adding the following 14 positions.

<u>Change</u>	<u>Job code</u>	<u>Job Title</u>
+2	77434	Deputy Treasurer Tax Collector
+1	77414	Principal Accountant
+1	74106	Staff Analyst II
+3	15915	Accounting Technician I
+4	15913	Senior Accounting Assistant
+3	15912	Accounting Assistant II

Vehicles

Recommended Motion: that the Board of Supervisors authorize the purchase of one vehicle for the Treasurer-Tax Collector.

PUBLIC PROTECTION

Agricultural Commissioner

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-2800100000-520800	Household expense	\$110,000
10000-2800100000-523640	Computer equip – non fixed asset	<u>10,000</u>
	Total	\$120,000
Decrease designations:		
10000-1000100000-320146	DFB – budget savings retention	\$120,000

Community Health Agency – Department of Animal Services

Recommended Motion: that the Board of Supervisors 1) approve resolution 440-8710 adding 22 positions, as reflected in Attachment B and 2) direct the Auditor-Controller to adjust appropriations as follows.

Increase in appropriations:		
10000-4200600000-510040	Regular salaries	\$465,000
10000-4200600000-518100	Budgeted benefits	228,000
10000-4200600000-520115	Uniforms	800
10000-4200600000-523680	Office equipment	51,750
10000-4200600000-523700	Office supplies	1,500
10000-4200600000-525340	Temporary help	200,000

10000-4200600000-528140	Conf/Registration fees	<u>2,950</u>
	Total	\$950,000
Decrease in appropriations		
10000-1109000000-581000	Appropriations for contingency	\$950,000

Code Enforcement

Recommended Motion: that the Board of Supervisors authorize the purchase of one copier and two medium-volume scanners for Code Enforcement.

Fire Department

Recommended Motion: that the Board of Supervisors amend Ordinance 440 as reflected in Resolution 440-8710, included in this report as Attachment B, adding one Senior Buyer Assistant and one Office Assistant III; and 2) approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

10000-2700200000-510040	Salaries	\$31,125
10000-2700200000-518100	Budgeted benefits	11,261
10000-2700200000-520240	Communications equipment	56,050
10000-2700200000-523640	Computer equipment	15,000
10000-2700200000-523680	Office equipment	7,500
10000-2700200000-525440	Professional services	265,864
10000-2700200000-520805	Appliances	6,000
10000-2700200000-520840	Household furnishings	7,200
10000-2700200000-522860	Medical supplies	27,000
10000-2700200000-526910	Field equipment	50,000
10000-2700200000-546120	Equipment – fire	<u>23,000</u>
	Total	\$500,000

Decrease appropriations:

10000-1109000000-581000	Appropriations for contingency	\$500,000
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Fire tax adjustments

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:

21000-2700300000-536900	Interfund exp – fire services	\$1,133,142
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Increase estimated revenue:

21000-2700300000-700020	Prop tax – current secured	\$1,044,575
21000-2700300000-705000	Prop tax – prior supplemental	<u>88,567</u>
	Total	\$1,113,142

Increase estimated revenue:

10000-2700200000-778120	Interfund transfers	\$985,886
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Decrease estimated revenue:

10000-2700200000-771930	Deposit based fees	\$102,101
10000-2700200000-779020	Fire protection – engineering	<u>883,785</u>
	Total	\$985,886

Increase estimated revenue:		
10000-2700400000-778120	Interfund – fire services	\$147,256
Decrease estimated revenue:		
10000-2700400000-779050	Fire protection	\$147,256

Probation Department

Recommended Motion: that the Board of Supervisors 1) authorize the purchase of fixed assets including seven washers, a convection oven, a bulldozer, a replacement generator, a back-up generator, a cooling tower, a riding mower and a motorized utility cart; and 2) approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
10000-2600100000-510040	Regular salaries	\$630,000
10000-2600100000-518100	Budgeted benefits	270,000
10000-2600100000-522310	Maintenance – buildings	407,000
10000-2600100000-546200	Equip – shop & yard	<u>228,000</u>
	Total	\$1,535,000

Increase appropriations:		
10000-2600200000-546360	Vehicles – heavy equipment	\$70,000

Decrease appropriations:		
10000-2600200000-510040	Regular salaries	\$1,020,000
10000-2600200000-518100	Budgeted benefits	<u>585,000</u>
	Total	\$1,605,000

Juvenile Justice Crime Prevention Act (JJCPA)

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
10000-2600200000-510040	Regular salaries	\$222,000
10000-2600200000-518100	Budgeted benefits	96,000
10000-2600200000-523680	Office equipment – non fixed asset	248,892
10000-2600200000-536240	Other contract agencies	<u>150,000</u>
	Total	\$716,892

Increase estimated revenue:		
10000-2600200000-755520	CA – citizens option PS	\$716,892

Budget Savings Retention Plan (BSRP)

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-2600700000-520250	Communications equip. – installation	\$202,000
10000-2600700000-523680	Office equip. – non fixed assets	474,516
10000-2600200000-546080	Equipment – other	<u>800,000</u>
	Total	\$1,476,516

Decrease board designations:		
10000-1000100000-320146	DFB – budget savings retention	\$1,476,516

Technical budget adjustment

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
10000-2600100000-536240	Other contract agencies	\$6,000

Decrease appropriations:		
10000-2600100000-573800	Intrafund – utilities	\$6,000

Public Defender

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-2400100000-546160	Equipment – other	\$210,000

Decrease board designations:		
10000-1000100000-320146	DFB – budget savings retention	\$210,000

PUBLIC WAYS AND FACILITIES

TLMA – Airport Land Use Commission

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
22650-3120100000-525440	Professional/special services	\$43,300

Decrease appropriations:		
22650-3120100000-537180	Interfund exp. – salary reimbursement	\$30,000

Increase estimated revenues:		
22650-3120100000-771870	Plan review fees	\$18,850

Expected offset:		
22650-3120100000-325100	Unreserved fund balance	\$5,550

TLMA – Garage

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and fund balance as follows.

Increase appropriations:		
20000-3130700000-521420	Maintenance – field equipment	\$400,000
20000-3130700000-528460	Inventory – fuel & oil	475,000
20000-3130700000-546160	Equipment – other	75,000
	Total	\$950,000

Decrease appropriations:		
20000-3130700000-532660	Capital lease – other	\$100,000
20000-3130700000-536740	Interfund – admin support indirect	<u>200,000</u>
	Total	\$300,000
Expected offset:		
20000-3130700000-325100	Unreserved fund balance	\$650,000

TLMA – Landscape Maintenance District

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations follows.

Increase appropriations:		
20300-3130100000-551100	Contributions to other funds	\$255,300
Expected offset:		
20300-3130100000-325100	Unreserved fund balance	\$255,300

HEALTH and SANITATION

Community Health Agency (CHA) – Department of Public Health

Recommended Motion: that the Board of Supervisors 1) approve resolution 440-8710 adding seven positions, as reflected in Attachment B; and 2) direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$45,000
10000-4200100000-518100	Budgeted benefits	<u>20,000</u>
	Total	\$65,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$65,000

CHA – Public Health Administration

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations follows.

Increase in appropriations:		
10000-4200300000-525440	Professional services	\$2,200,000
Increase estimated revenue:		
10000-4200300000-774790	Uncompensated med. svcs.	\$2,200,000

CHA – Environmental Health

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations follows.

Increase appropriations:		
10000-4200400000-790600	Contributions from other funds	\$763,401

Decrease appropriations:		
10000-4200400000-572800	Intrafund – miscellaneous	\$50,000
Increase estimated revenue:		
10000-4200400000-525440	Professional services	\$550,000
10000-4200400000-524500	Admin support – direct	<u>263,401</u>
	Total	\$813,401

DPSS – In Home Supportive Services – Public Authority

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations, estimated revenue, and board designations as follows.

Increase appropriations:		
22800-985101-510040	Regular salaries	\$94,129
22800-985101-523680	Office equip. – non fixed assets	100,000
22800-985101-523700	Office supplies	120,000
22800-985101-523800	Printing/binding	80,000
22800-985101-525440	Professional services	40,000
22800-985101-526420	Advertising	40,000
22800-985101-527860	Training materials	52,000
22800-985101-536740	Interfund – admin support indirect	94,035
22800-985101-537080	Interfund – Miscellaneous	<u>117,091</u>
	Total	\$737,255

Increase estimated revenue:		
22800-985101-760000	Fed – public assistance admin	\$274,996
22800-985101-750300	CA – public asst. administration	284,433
22800-985101-781540	Contribution from other funds	<u>177,826</u>
	Total	\$737,255

Increase appropriations:		
10000-1101000000-551100	Contribution to other funds	\$177,826

Decrease designation:		
10000-1100100000-320129	DFB – DPSS realignment growth	\$177,826

Budget Savings Retention Plan (BSRP)

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and board designations as follows.

Increase appropriations:		
10000-5100100000-522310	Maint. – building and improvements	\$965,532
10000-5100100000-523680	Office equip. non fixed asset	1,450,000
10000-5100100000-527340	Client-ward-child expense	<u>1,200,000</u>
	Total	\$3,615,532

Decrease designation:		
10000-1000100000-320146	DFB – budget savings retention	\$3,615,532

Department of Community Action – Administration

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase in appropriations:		
21050-5200100000-523230	Miscellaneous expenses	\$30,271
Increase estimated revenue:		
21050-5200100000-753620	CA mandated reimbursement	\$1,027
21050-5200100000-781360	Other misc. revenue	<u>29,244</u>
	Total	\$30,271

Department of Community Action – Other Programs

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
21050-5200300000-523230	Miscellaneous expense	\$500
21050-5200300000-527780	Special program expense	<u>70,000</u>
	Total	\$70,500
Increase estimated revenue:		
21050-5200300000-767220	Fed – other grants	\$70,000
21050-5200300000-778200	Interfund miscellaneous	<u>500</u>
	Total	\$70,500

INTERNAL SERVICE FUNDS

Printing Services

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenues as follows.

Increase appropriations:		
45600-7300300000-527650	Paper and envelopes	\$100,000
45600-7300300000-527600	ISF – indirect materials	<u>100,000</u>
	Total	\$200,000
Increase estimated revenue:		
45600-7300300000-777670	Printing services	\$200,000

Supply Services

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:

Increase appropriations:		
45700-7300400000-527560	ISF – direct materials	\$600,000
Increase estimated revenue:		
45700-7300400000-77760	Stores – county	\$600,000

SPECIAL DISTRICTS

EDA – Redevelopment Agency (RDA)

RDA is requesting a budget adjustment to acquire properties for additional housing-project development.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
25000-934001-536280	Contr. – project improv costs	\$12,500,000
Increase estimated revenue:		
25000-934001-791000	Bond proceeds	\$12,500,000

PARKS - REGIONAL PARKS DISTRICT
Regional Park and Open Space District

Recommended Motion: that the Board of Supervisors 1)approve the purchase of two new vehicles and 2) approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
25400-931104-546320	Vehicles – light trucks	\$62,000
25400-931104-551000	Operating transfers – out	<u>150,655</u>
	Total	212,655
Expected offset:		
25400-931104-320100	Designated fund balance	\$150,655
25400-931104-325100	Unreserved fund balance	<u>62,000</u>
	Total	\$212,655

Santa Ana River Mitigation Bank (SARMBK)

Recommended Motion: that the Board of Supervisors approve the purchase of one new vehicle, and approve and direct the Auditor-Controller to adjust appropriations as follow.

Increase appropriations:		
25550-931101-546320	Vehicles – light trucks	\$30,000
Expected offset:		
25550-931101-325100	Unreserved fund balance	\$30,000

Jensen Ranch Trust

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follow.

Increase appropriations:		
25570-931113-522310	Maintenance – building	\$5,900
25570-931113-522320	Maintenance – grounds	<u>1,100</u>
	Total	\$7,000
Expected offset:		
25570-931113-325100	Unreserved fund balance	\$ 7,000

Prop. 40 Capital Development

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust estimated revenue as follows.

Increase estimated revenues:		
33110-931121-755320	CA – misc. state reimbursements	\$296,707

Expected increase:		
33110-931121-325100	Unreserved fund balance	\$296,707

Construction and Acquisition

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust estimated revenue as follows.

Increase estimated revenues:		
33150-931102-751680	CA – grant revenue	\$469,840
33150-931102-755320	CA – misc. state reimbursements	<u>203,943</u>
	Total	\$673,783

Expected increase:		
33150-931102-325100	Unreserved fund balance	\$673,783

Western County Parks – Development Impact Fee (DIF)

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows.

Increase appropriations:		
33120-931122-536780	Interfund exp. – capital projects	\$2,003,000

Increase estimated revenue:		
33120-931122-790500	Operating transfer in	\$2,003,000

COUNTY SERVICE AREAS

County Service Area #85, Cabazon Lighting

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
23850-908501-522320	Maintenance – grounds	\$30,000

Expected offset:		
23850-908501-325100	Unreserved fund balance	\$30,000

County Service Area 87, Woodcrest Lighting

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
23900-908701-529530	Streetlights	\$5,000

Expected offset:		
23900-908701-325100	Unreserved fund balance	\$5,000

County Service Area 103, La Serene Lighting

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and fund balance as follows.

Increase appropriations:		
24075-910301-546140	Equipment – office	\$9,000

Expected offset:		
24075-910301-325100	Unreserved fund balance	\$9,000

County Service Area 134, Temescal Canyon Lighting

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and fund balance as follows.

Increase appropriations:		
24425-913401-546140	Equipment – office	\$9,000

Expected offset:		
24425-913401-325100	Unreserved fund balance	\$9,000

County Service Area 142, Wildomar Lighting

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
24525-914201-529530	Streetlights	\$5,000

Expected offset:		
24525-914201-325100	Unreserved fund balance	\$5,000

County Service Area 143, Rancho CA Park & Recreation

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
24550-914301-546140	Equipment – office	\$40,000
24550-914301-522320	Maintenance – grounds	<u>250,000</u>
	Total	\$290,000

Expected offset:		
24550-914301-325100	Unreserved fund balance	\$290,000

County Service Area 145, Sun City Park & Recreation

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
24575-914501-546140	Equipment – office	\$9,000
24575-914501-522320	Maintenance – grounds	<u>60,000</u>
	Total	\$69,000

Expected Offset:		
24575-914501-325100	Unreserved fund balance	\$69,000

County Service Area 152, County Community Parks (Wildomar)

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
33200-915201-546140	Equipment – office	\$9,000

Expected offset:		
33200-915201-325100	Unreserved fund balance	\$9,000

County Service Area 62, Ripley Debt Service

Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations as follows.

Increase appropriations:		
40420-906202-532600	Capital lease purchase – principal	\$500

Expected offset:		
40420-906202-325100	Unreserved fund balance	\$500

ATTACHMENT B: RESOLUTION 440-8710

BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on January 30, 2007, that pursuant to Section 5.A. of Ordinance No. 440, the County Executive Officer is authorized to make the following listed change(s), operative on the date of approval, as follows:

<u>Job code</u>	<u>+/-</u>	<u>Title</u>	<u>Department</u>
77416	+2	Supervising Accountant	1300100000 Auditor-Controller
15917	+1	Supervising Accounting Tech.	1300100000 Auditor-Controller
86128	+1	Communication Tech Support	7400300000 PSEC
13865	+1	Office Assistant III	2700200000 Fire Department
15810	+1	Senior Buyer Assistant	2700200000 Fire Department
97462	+2	Housing Specialist	1900400000 Housing Authority
73877	+1	Dentist	4200100000 Public Health
37566	+1	Program Coordinator II	4200100000 Public Health
57731	+2	Dental Assistant	4200100000 Public Health
73935	+1	Public Health Nurse V	4200100000 Public Health
73961	+1	Sr. Communicable Dis. Spec.	4200100000 Public Health
73956	+1	Communicable Dis. Spec	4200100000 Public Health
86111	+1	Business Process Analyst II	1400100000 Treasurer
77434	+2	Deputy Treasurer Tax Coll.	1400100000 Treasurer
77414	+1	Principal Accountant	1400100000 Treasurer
74106	+1	Staff Analyst II	1400100000 Treasurer
15915	+3	Accounting Technician I	1400100000 Treasurer
15913	+4	Senior Accounting Assistant	1400100000 Treasurer
15912	+3	Accounting Assistant II	1400100000 Treasurer
73508	+4	Animal Adoption Counselor	4200600000 Animal Svcs
15915	+2	Accounting Technician	4200600000 Animal Svcs
73501	+2	Registered Veterinary Tech	4200600000 Animal Svcs
73524	+1	Veterinary Surgeon	4200600000 Animal Svcs
62380	+3	Animal Care Technician	4200600000 Animal Svcs
13865	+5	Office Assistant II	4200600000 Animal Svcs
13866	+3	Office Assistant III	4200600000 Animal Svcs

Attachment B: Resolution 440-8710 (continued)

	<u>Job code</u>	<u>+/-</u>	<u>Title</u>	<u>Department</u>
1	73517	+1	Supervising Animal Cntrl Off	4200600000 Animal Svcs
2	57745	+6	Behavior Health Specialist II	4100300000 MH Detention
3	79742	+6	Clinical Therapist II	4100300000 MH Detention
4	79718	+1	Mental Health Services Sup B	4100300000 MH Detention
5	13865	+1	Office Assistant II	4100300000 MH Detention
6	73830	+3	Psychiatrist III Per Diem	4100300000 MH Detention
7	73991	+6	Registered Nurse IV	4100300000 MH Detention
8	74106	+2	Staff Analyst	7200100000 FM Admin
9	15915	+1	Accounting Tech	7200100000 FM Admin
10	15913	+1	Senior Accounting Assistant	7200100000 FM Admin
11	77412	+3	Accountant II	7200100000 FM Admin
12	74922	+2	Principal Real Prop Agent	7200400000 FM Real Estate
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ATTACHMENT C: FY 07/08 BUDGET GUIDELINES AND SCHEDULE

BUDGET POLICY

The FY 07/08 budget will be developed in accordance with the following standard policies:

- 1) **Net County Cost.** The general fund net county cost (NCC) approved by the Board for each general-fund budget unit in the FY 06/07 final budget will be the basis for developing net-county-cost allocations for the FY 07/08 proposed budget. There are two exceptions to this general rule: (1) NCC will be increased for budget units in which forms 11 have permanently modified ongoing costs; and (2) Sheriff's Department, District Attorney, Probation Department and Public Defender will have NCC increases to cover authorized cost of living allowances (COLAs) for sworn staff and attorneys.
- 2) **COLAs.** Pursuant to standing Board policy, departments will absorb cost of living increases (see No. 1 above for exceptions).
- 3) **Priorities in Budget Construction.** All general-fund budget requests will be submitted within the net-county-cost allocation target as issued by the Executive Office. Requests that exceed allocated net county costs for general-fund budget units may be rejected and returned by the Executive Office to department heads.

Departments will budget first for basic costs of doing business, such as rent, debt service and utilities. Then, departments will budget for the costs of completing their missions, such as essential materials, services and training. Finally, departments will budget for non-essential costs, such as subscriptions, memberships and redecoration.

In the event a department cannot provide all essential services within its allocated NCC, the department will submit one or more "add-back" requests along with a balanced budget. It is essential that these requests clearly describe the service that would be reduced or cut should the request not be funded.

- 4) **General Fund Support: "Last In/First Out."** Unless otherwise mandated or restricted, all general-fund departmental revenues shall be fully expended in the year received, ensuring that general-fund support is provided only as needed. Year-end cost savings shall be analyzed using Budget Savings Retention Policy (BSRP) guidelines. Departments will be notified of any retained funding which can be used to fund one-time needs. No department should assume year-end cost savings or excess revenues to be departmental resources for future-year budgeting.
- 5) **Submittal Deadlines.** All departments will submit their FY 07/08 budget requests to the county Executive Office no later than **March 15, 2007**. To be considered on time, budget requests must be complete and in accordance with these budget policies.

FISCAL YEAR 2006-07
QUARTERLY REPORT SCHEDULE

Due Date Milestone

First quarter

10/02/06	Interim September financial reports available
10/06/06	First-quarter reports due from departments
10/31/06	FY 06/07 first-quarter report to Board

Midyear

01/02/07	Interim December financial reports available
01/05/07	Second-quarter reports due from departments
01/30/07	FY 06/07 second-quarter Report to Board

Third quarter

04/02/07	Interim March financial reports available
04/06/07	Third-quarter reports due from departments
05/01/07	FY 06/07 third-quarter report to Board

FISCAL YEAR 2007-08
BUDGET PREPARATION SCHEDULE

Due Date Milestone

01/30/07	Board of Supervisors approves the FY 07/08 budget policy and new ISF rates.
01/31/07	County Executive Office distributes approved Budget Policy, General Fund Net County Cost allocations, ISF rates, and budget preparation materials to departments.
03/15/07	Department budgets due to the Executive Office
06/04/07	Board approves proposed budget and opens budget Hearings
06/12/07	Department fee updates due to the Board
06/26/07	Board of Supervisors adopts final budget

Internal Audits - Workplan Status Report

No.	Audit Project	Status	Dec-06
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✓ = Complete U = In Process → = Scheduled ■ = Not Scheduled
 X = Cancelled

2005-018	RCRMC - Discharge of Accountability	Audit completed in FY2004/05, Form-11 requesting discharge of accountability from RCRMC on Board agenda as item 3.36 on October 17, 2006.	✓
2006-007	Facilities Management	Audit completed and report issued. Agenda item 2.4 of December 12, 2006.	✓
2006-011	Public Defender	Audit completed and report issued. Agenda item 2.5 of December 12, 2006.	✓
2006-015	Human Resources - Asset Management	Audit completed and report issued. Agenda item 2.6 of December 12, 2006.	✓
2006-016	Sheriff - Inmate Trust Fund	Audit completed and report issued. Agenda item 2.4 - October 17, 2006.	✓
2007-001	County Libraries	Audit completed and report issued to management.	✓
2007-002	TLMA - Fee Study	Audit completed and report issued to management.	✓
2007-101	1st Quarter Treasury Verification	Audit completed, posted and filed with the Clerk of the Board on November 28, 2006.	✓
2007-301	Follow-up - Information Technology	Audit completed and report issued. Agenda item 2.14 - September 12, 2006.	✓
2006-008	RCRMC - Purchasing and Contracting	In progress	U
2006-015	Purchasing and Fleet Services	This project was started in FY2005/06 then postponed. It will be restarted in January 2007.	U
2006-305	Follow-up - County Fire Department	Audit work completed. Final report under review.	U
2007-003	County Fire Department	In progress	U
2007-005	Countywide - Credit Cards	In progress	U
2007-010	Department of Child Support Services	In progress	U
2007-011	Department of Public Social Service - Foster Care Program	In progress	U
2007-012	Department of Public Social Service - Group Homes	In progress	U
2007-102	2nd Quarter Treasury Verification	In progress	U
2007-302	Follow-up - Countywide Accounts Payable Interface Transactions	In progress	U
2007-308	Follow-up - DPSS Change in Department Head	In progress	U
2007-312	Follow-up - Community Action	Audit work completed. Final report under review.	U

Internal Audits - Workplan Status Report

No.	Audit Project	Status	Dec-06
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✓ = Complete U = In Process → = Scheduled ■ = Not Scheduled
 X = Cancelled

2007-315	Follow-up - Mental Health	In progress	U
2007-004	RCRMC - Asset Management		→
2007-006	Riverside County Habitat Conservation Agency		→
2007-007	Countywide - Cellular Phones		→
2007-008	Community Health Agency - Public Health		→
2007-009	Agricultural Commissioner	Announcement letter sent. January 16, 2007 start date.	→
2007-013	Department of Public Social Service - Purchasing and Contracting		→
2007-014	TLMA Accounts Receivable		→
2007-015	Economic Development Agency - HUD-CDBG Home Grants		→
2007-016	Transportation - Garage		→
2007-017	Mental Health - Western Region		→
2007-018	Sheriff		→
2007-019	Facilities Management		→
2007-020	Sheriff - Inmate Trust Fund		→
2007-103	3rd Quarter Treasury Verification		→
2007-104	4th Quarter Treasury Verification		→
2007-303	Follow-up - Clerk of the Board		→
2007-304	Follow-up - RCRMC Nursing Fees		→
2007-305	Follow-up - Economic Development Agency - Fair and National Date Festival & Change in Department Head		→
2007-306	Follow-up - RCRMC Patient Charges		→
2007-307	Follow-up - Probation Department	We agreed to postpone this project to the 2nd or 3rd quarter at the department's request.	→
2007-309	Follow-up - Public Defender		→
2007-310	Follow-up - HR Asset Management		→
2007-311	Follow-up - Community Health Agency - Animal Control	Announcement letter sent. January 4, 2007 start date.	→
2007-313	Follow-up - County Counsel		→
2007-314	Follow-up - District Attorney		→
2007-316	Follow-up - Veterans' Services		→
2007-317	Follow-up - Waste Management		→

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PROPOSITION 172 ESTIMATES RIVERSIDE COUNTY, FY 2007 & FY 2008

SUMMARY

1. **FY 2006 Riverside County government tax revenues accrued from Prop 172 totaled \$136.9 million, up 15.6%.** This figure is *net of the 4.51% of funds paid to other jurisdictions in the county*. It represented \$0.1 million less than the \$137.0 million that Economics & Politics, Inc. predicted last year, an error of .08%.
2. **FY 2007 Riverside County tax revenue accruals from Prop 172 are forecasted at \$145.9 million, up 6.6%.** This is \$3.7 million or 2.5% less than the two year forecast made in January 2006 of \$149.6 million.

Riverside County's Prop 172 collections in FY 2007 are expected to rise 6.2% for two reasons. The county's percent of California's taxable transactions again surged strongly from 5.0537% in 2004 to 5.2701% (*5.2152% was conservatively used in forecasting*). This is the percentage used to determine its share of the state FY 2007-Prop 172 pie. Though significant, county's gain in share was the smallest in the last five years. The share grew because the county's sales rose 12.0% in 2005 while the state's sales rose just 7.4%. This larger share will be applied to a somewhat larger pie as state's sales are forecasted to grow by just 2.2% in FY 2007 due to a decline in real estate activity and high oil prices. In the fiscal year's first quarter, the state's sales were up 1.1%, while the county's Prop 172 receipts grew 5.4% due to its larger share. State sales are only expected to rise modestly in the balance of the quarters applicable to the fiscal year. Riverside County's government receives 95.49% of county receipts.

3. **FY 2008 Riverside County tax revenue accruals from Prop 172 are forecasted at \$158.9 million, up 9.0%.**

Riverside County's Prop 172 collections are expected to rise again in FY 2008, up 8.9% for two reasons. First, the increase of California's sales tax collections in FY 2008 are expected to grow 6.8%. This is based upon two facts the CA Legislative Analyst's Office sees affecting California's retail economy in 2007-2008: a modest home sales recovery and thus related retail sales and no further rapid increases in energy prices. Riverside County will again have the double benefit of an increased share of the state's larger total sales. The larger share will occur as the county's rapid growth makes it likely that it has outperformed the state's sales in calendar year 2006. The share is assumed to rise from the 5.2701% applicable to FY 2007 (*based on 2005 share of state sales*) to 5.3783% applicable to FY 2008 (*based on the 2006 share of state sales*). The share is seen as growing 50% of the gain from 2004 to 2005 or .1082% (*.2164% / 2*). That conservative increase has been the source of repeated underestimates of the county's share, but is kept for that reason. This higher share of the state's sales in calendar year 2006 is what will be applied to Prop 172 distributions during FY 2008. Riverside County's government receives 95.49% of county receipts.

ANALYSIS. These conclusions were developed based upon the following considerations:

1. Riverside County Share of California Prop 172 Revenues

Exhibit 1 shows that in calendar year 2001, Riverside County accounted for 4.1401% of California taxable sales (*net of a small administrative fee*). In calendar year 2002, it grew to 4.4344%. It increased to 4.7306% in 2003 and 5.0537% in 2004 and went to 5.2701% in 2005 (*forecast 5.2152%*). These increases have occurred as Riverside County's annual sales growth rates have been much faster than those of the state.

These calendar year figures are used by the California State Controller to determine the percentage of state Prop 172 accruals that will go to Riverside County in the next full fiscal year. Thus, the 2005 figure (*5.2152%*) is used in the distribution formula for FY 2007. The estimated 2006 figure (*5.3783%*) will be used during FY 2008.

Exhibit 1.-Riverside County Share of State Taxable Sales, 2001-2006e						
	2001	2002	2003	2004	2005	2006e
CA Taxable Sales	\$441,517,560	\$440,950,094	\$460,096,468	\$500,076,783	536,904,428	
Administrative Costs	1,152,472	1,233,000	1,190,000	699,133	738,302	
California Basis	\$440,365,088	\$439,717,094	\$458,906,468	\$499,377,650	\$536,166,126	
RV County	18,231,555	19,498,994	21,709,135	25,237,048	28,256,491	
RV County Percent	4.1401%	4.4344%	4.73060%	5.05370%	5.2701%	5.3783%

Note: 2006 percent based upon 50% of increase in Riverside County's share of state retail sales from 2004 to 2005 ($0.2164\% / 2$).
Source: CA Board of Equalization, Economics & Politics, Inc.

2. California Taxable Sales Collections

Riverside County's Prop 172 revenue accruals are determined by applying its share of state sales taxes (*Exhibit 1*) to the taxable sales collections of the State of California. In Exhibit 2 (*next page*) the second column shows actual monthly state tax collections for FY 2006. The level was up 8.21% over the prior year to **\$2.84 billion**.

Column 2 shows the estimated California sales tax collections for FY 2007 of **\$2.90 billion, up 2.18%**. The forecast is based upon actual changes in state sales collections that were just 1.09% in the first 4-months of the fiscal year. Due to the rise in gasoline prices and a reportedly weak housing market, plus the county's desire for conservative forecasts, the rate is assumed to stay at that rate until December 2006, rise to 2.5% in first quarter 2007 and then rise to 4.0% for second quarter 2007.

FY 2008 state tax collections are estimated to grow **6.76%** to **\$3.09 billion**. This is based upon estimating that sales will rise to growth of 6.0% in third quarter 2007, followed by increases to 6.5% in fourth quarter 2007, 7.0% in first quarter 2008 and 7.5% in second quarter 2008. These forecasts are a little weaker than those of the California Legislative Analyst's Office which puts the fiscal year at 7.1%.

3. Estimated & Actual Riverside County Prop 172 Revenues

- In column 4 of Exhibit 2, Riverside County's total revenue accruals from Prop 172 are shown and estimated, applying the formulas from Exhibit 1 to the state revenue figures in Column 2. Note, accruals precede distributions by 2 months. The state's monthly collections for FY 2006 were multiplied by the county's 5.0537% share of state sales from calendar year 2004. The actual accruals were **\$143,353,861**. The county's Prop

172 revenue accruals were 15.61% above the prior year. Note, this was far above the 8.21% growth in state receipts because Riverside County's share of state revenues was up substantially from the prior year's 4.7306%.

Exhibit 2.-Prop. 172 Tax Receipts Riverside County, FY 2006 to FY 2008						
1	2	3	4	5	6	7
Month	California		Riverside County		Riv County Government	
Accrued	Sales Taxes	Growth Rate	Sales Taxes	Growth Rate	95.49%	Growth Rate
Jul-05	241,798,722	18.33%	11,438,530	26.23%	10,922,469	26.23%
Aug-05	213,547,391	8.40%	10,102,073	15.64%	9,646,308	15.64%
Sep-05	254,583,260	12.03%	14,337,098	20.08%	13,690,265	20.08%
Oct-2005	230,234,979	13.56%	11,635,385	21.31%	11,110,443	21.31%
Nov-05	192,479,262	-3.41%	9,727,324	3.19%	9,288,466	3.19%
Dec-05	290,741,153	2.70%	14,693,185	9.71%	14,030,287	9.71%
Jan-05	215,692,251	22.47%	10,900,439	30.83%	10,408,655	30.83%
Feb-06	198,177,697	2.89%	10,015,306	9.92%	9,563,455	9.92%
Mar-06	267,717,810	9.45%	13,529,655	16.93%	12,919,251	16.93%
Apr-06	221,700,538	-2.90%	11,204,080	3.73%	10,698,596	3.73%
May-06	282,445,571	6.46%	14,273,952	13.73%	13,629,968	13.73%
Jun-06	227,493,393	13.40%	11,496,833	21.14%	10,978,142	21.14%
FY 06	2,836,612,027	8.21%	143,353,861	15.61%	136,886,305	15.61%
Jul-06	224,998,709	-6.95%	11,370,760	-0.59%	10,857,757	-0.59%
Aug-06	218,210,923	2.18%	11,027,725	9.16%	10,530,198	9.16%
Sep-06	274,455,873	7.81%	15,423,205	7.58%	14,727,371	7.58%
Oct-06	232,743,860	1.09%	12,265,834	5.42%	11,712,448	5.42%
Nov-06	194,576,717	1.09%	10,254,388	5.42%	9,791,750	5.42%
Dec-06	293,909,372	1.09%	15,489,318	5.42%	14,790,501	5.42%
Jan-07	221,084,557	2.50%	11,651,377	6.89%	11,125,713	6.89%
Feb-07	203,132,139	2.50%	10,705,267	6.89%	10,222,288	6.89%
Mar-07	274,410,755	2.50%	14,461,721	6.89%	13,809,266	6.89%
Apr-07	230,568,560	4.00%	12,151,194	8.45%	11,602,980	8.45%
May-07	293,743,394	4.00%	15,480,571	8.45%	14,782,149	8.45%
Jun-07	236,593,129	4.00%	12,468,694	8.45%	11,906,157	8.45%
FY 07	2,898,427,988	2.18%	152,750,054	6.55%	145,858,578	6.55%
Jul-07	238,498,632	6.00%	12,827,172	12.81%	12,248,461	12.81%
Aug-07	231,303,578	6.00%	12,440,200	12.81%	11,878,948	12.81%
Sep-07	290,923,225	6.00%	15,646,724	1.45%	14,940,806	1.45%
Oct-07	247,872,211	6.50%	13,331,311	8.69%	12,729,855	8.69%
Nov-07	207,224,204	6.50%	11,145,139	8.69%	10,642,315	8.69%
Dec-07	313,013,481	6.50%	16,834,804	8.69%	16,075,285	8.69%
Jan-08	236,560,476	7.00%	12,722,932	9.20%	12,148,924	9.20%
Feb-08	217,351,389	7.00%	11,689,810	9.20%	11,162,412	9.20%
Mar-08	293,619,508	7.00%	15,791,738	9.20%	15,079,278	9.20%
Apr-08	247,861,201	7.50%	13,330,719	9.71%	12,729,290	9.71%
May-08	315,774,148	7.50%	16,983,281	9.71%	16,217,063	9.71%
Jun-08	254,337,613	7.50%	13,679,040	9.71%	13,061,896	9.71%
FY 08	3,094,339,668	6.76%	166,422,871	8.95%	158,914,533	8.95%

Source: CA Board of Equalization, CA Legislative Analyst's Office, Economics & Politics, Inc.

- The state's monthly actual & estimated revenue accruals for FY 2007 are multiplied by the county's 5.2701% share from calendar year 2005 to derive Riverside County's estimated annual Prop 172 accruals of \$152,750,054, up 6.6%. The relatively weak forecast is made because California is expected to see a gain of just 2.18% in its sales tax collections (see step #2). The county's stronger gain will occur as its share of state tax collections again surged in 2005, up from the 5.0537% in 2004 that was a key element of the FY 2006 formula.
- The state's monthly estimated revenue accruals for Fiscal Year 2008 are multiplied by the county's 5.3783% share estimated for calendar year 2006 to derive Riverside County's estimated fiscal year Prop 172 accruals of \$166,422,871, up 9.0%. Growth will be stronger than the 6.8% estimated for California (step #2) as Riverside County's share of state sales tax revenues will be larger than the 5.2701% applied to FY 2007 despite the deliberately conservative estimate of that increase (step #1).

4. Riverside County Government's Share of County Prop 172 Accruals

In column 6 of Exhibit 2, the actual and estimated monthly Prop 172 accruals for Riverside County are multiplied by the 95.49% that have historically gone to county government. This yields the actual accruals to be used for county budget purposes.

- For FY 2006, Riverside County government's accruals were \$136,886,305, up 15.61% from the prior fiscal year.
- For FY 2007, Riverside County government's accruals are estimated at \$145,858,578, up 6.55% from the prior fiscal year.
- For FY 2008, Riverside County government's accruals are estimated at \$158,914,533, up 8.95% from the prior fiscal year.

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RIVERSIDE COUNTY TAXABLE SALES

SUMMARY

1. **FY 2006 total taxable transactions in Riverside County were \$28,636,871,000, up 11.2% from the prior fiscal year.** In January 2006, the forecast was for \$29,117,166,000. The forecast was high by \$480,295,000, an overestimate of -1.6%. The relatively small difference came about because retail sales associated with home sales (*construction materials, household furniture, direct sales by contractor*) were less than expected due to the housing slowdown.
2. **FY 2007, the county's taxable transactions are estimated at \$30,819,692,000. This would represent growth of 7.6% over FY 2006.** This forecast is a downward adjustment of \$951,183,999 (-3.0%) from the long term FY 2007 estimate of \$31,770,875,000 made in January 2006. The difference is seen as occurring because of the slowing home sales and the associated decline in the speed of population growth.
3. **FY 2008, the county's taxable transactions are estimated at \$33,845,610,000.** This would represent an increase of 9.8% over the FY 2006 estimate. The housing market will still be in the process of recovery and help drive retail sales more aggressively than the prior year.

ANALYSIS

These conclusions were developed based upon the following considerations:

1. **Taxable Retail Sales** in Riverside County during any year have historically depended upon one variable, the average annual **Wage & Salary Employment** in San Bernardino & Riverside counties of the *prior* year.
2. Using a correlation based upon data from FY 1994 to FY 2006, these variables led to the prediction that FY 2007 Riverside County's taxable transactions would be \$29,539,559,000 ± \$3,200,333,000 with 99% confidence.

Based upon experience, the actual estimate was made adding 40% of the upper range or \$2,280,133,000. This is a smaller share than is normally added to this range, due to the analyst's view that the slowing of home sales will decrease population growth and both will slow the rate of retail sales growth in the county. This yielded the FY 2007 forecast of taxable sales at \$30,819,692,000. This would represent a 7.6% gain over FY 2006.

3. For FY 2008, the correlation was rerun assuming the FY 2007 level in #2. The model led to the forecast that Riverside County's Taxable Retail Sales would be \$31,640,143,000 ± \$3,150,668,000 with 99% confidence.

The analyst is of the opinion that in FY 2008, the county will be at the middle of the upper end of this range as housing begins to recover. For this reason, 70% of the upper range or \$2,250,467,000 was added to arrive at the FY 2008 forecast of \$33,845,610,000. This would represent a 9.8% increase over the forecast for FY 2007.

In detail, the estimates cited were developed in response to the following questions:

WHAT IS THE HISTORY OF RIVERSIDE COUNTY'S TAXABLE RETAIL SALES?

There is a one quarter lag from the time retail sales occur to the time when they affect county tax revenues. Sales tax revenues for FY 2006 (*July 1, 2005 to June 30, 2006*) are affected by sales activity from April 1, 2005 to March 31, 2006, etc. Riverside County retail sales for FY 1991 through FY 2006 were compiled using data for these months (*Exhibit 3*).

Exhibit 3.-Taxable Retail Sales, Riverside County (000), FY 1991 to 2006							
Quarter	Taxable Sales	Quarter	Taxable Sales	Quarter	Taxable Sales	Quarter	Taxable Sales
1990-2	2,431,581	1994-2	2,442,585	1998-2	3,287,945	2002-2	4,896,534
1990-3	2,276,545	1994-3	2,374,585	1998-3	3,178,162	2002-3	4,760,280
1990-4	2,477,026	1994-4	2,659,445	1998-4	3,601,126	2002-4	5,282,191
1991-1	2,130,354	1995-1	2,423,798	1999-1	3,464,547	2003-1	4,977,368
FY 91	9,315,506	FY 95	9,900,413	FY 99	13,531,780	FY 2003	19,916,373
1991-2	2,237,096	1995-2	2,611,193	1999-2	3,787,668	2003-2	5,414,236
1991-3	2,175,708	1995-3	2,488,680	1999-3	3,647,531	2003-3	5,371,765
1991-4	2,367,963	1995-4	2,796,947	1999-4	4,177,199	2003-4	5,945,766
1992-1	2,192,630	1996-1	2,716,830	2000-1	4,018,142	2004-1	5,818,529
FY 92	8,973,397	FY 96	10,613,650	FY 2000	15,630,540	FY 2004	22,550,296
1992-2	2,370,201	1996-2	2,797,788	2000-2	4,289,030	2004-2	6,288,751
1992-3	2,188,697	1996-3	2,648,118	2000-3	4,087,147	2004-3	6,245,806
1992-4	2,475,905	1996-4	2,976,125	2000-4	4,585,130	2004-4	6,884,062
1993-1	2,215,835	1997-1	2,848,595	2001-1	4,294,472	2006-1	6,339,661
FY 93	9,250,638	FY 97	11,270,626	FY 2001	17,255,779	FY 2006	25,758,280
1993-2	2,344,444	1997-2	2,983,676	2001-2	4,618,996	2005-2	7,176,851
1993-3	2,218,484	1997-3	2,888,303	2001-3	4,379,758	2005-3	7,129,552
1993-4	2,496,513	1997-4	3,251,797	2001-4	4,938,329	2005-4	7,610,427
1994-1	2,337,918	1998-1	3,073,621	2002-1	4,559,989	2006-1	6,720,041
FY 94	9,397,359	FY 98	12,197,397	FY 2002	18,497,072	FY 2006	28,636,871

Note: 1. FY 06 applies to 2nd Quarter-05 to 1st Quarter-06 due to lag between time of sales and when county revenues are affected.

Source: CA State Board of Equalization

WHAT FORCES BEST PREDICT RIVERSIDE COUNTY TAXABLE SALES?

Given the historical trend of taxable sales, it was necessary to determine what combination of economic variables best correlated with them. A series of multiple regressions were run using a wide variety of variables. This work identified one variable as crucial, the **Average Annual Wage & Salary Employment** in the Inland Empire for the year before the April through March period relevant to taxable sales (*Column 1 Exhibit 4*).

Not only does this variable statistically correlate closely to taxable sales, it makes a nice theoretical fit. People cannot spend if they have not been employed in the past. Regressions, run to determine how well these variables could predict past Riverside County retail sales levels, had a strong correlation of 97.5% over the 12 years including FY 1995 to FY 2006 (*Exhibit 5*). To be very specific, the equation that resulted from this work was:

$$\text{Taxable Sales (000)}_{(t)} = (-22,179,697,000) + 41.25 * \text{Employment}_{(t-1)}$$

(t = current year, t-1 = prior year)

For FY 2007, the result was \$29,539,559,000 with 99% confidence at plus or minus \$3,200,333,000.

Exhibit 4.-Taxable Sales Forecast, Riverside County, FY 2007-FY 2008 Forecast							
R squared	97.5%	F Test @	99% is	Significant	Confidence Interval @	99.0%	
#1		#2			#3		
Riverside-San Bernardino Co. Employment		Riverside County Taxable Sales (000)			Model Estimates (000)		
In Prior Year		Same Year		Growth	Estimate	Deviation	% Deviation
FY1990	702,467	9,315,506	FY91	2.3%			
FY1991	739,517	8,973,397	FY92	-3.7%			
FY1992	743,642	9,250,638	FY93	3.1%			
FY1993	752,250	9,397,359	FY94	1.6%			
FY1994	757,558	9,900,413	FY95	5.4%	9,069,173	(831,240)	-8.4%
FY1995	780,967	10,613,650	FY96	7.2%	10,034,767	(578,883)	-5.5%
FY1996	807,858	11,270,626	FY97	6.2%	11,144,007	(126,619)	-1.1%
FY1997	832,700	12,197,397	FY98	8.2%	12,168,726	(28,671)	-0.2%
FY1998	870,925	13,531,780	FY99	10.9%	13,745,486	213,706	1.6%
FY1999	916,692	15,630,540	FY2000	15.5%	15,633,336	2,796	0.0%
FY2000	975,158	17,255,779	FY2001	10.4%	18,045,054	789,275	4.6%
FY2001	1,021,258	18,497,072	FY2002	7.2%	19,946,654	1,449,582	7.8%
FY2002	1,057,342	19,916,373	FY2003	7.7%	21,435,072	1,518,699	7.6%
FY2003	1,093,683	22,550,296	FY2004	13.2%	22,934,146	383,850	1.7%
FY2004	1,131,417	25,758,280	FY2005	14.2%	24,490,626	(1,267,654)	-4.9%
FY2005	1,194,967	28,636,871	FY2006	11.2%	27,112,029	(1,524,842)	-5.3%
FY2006	1,253,817	30,819,692	FY2007e	7.6%			
FY2007	1,293,842	33,845,610	FY2008e	9.8%			

Note: Fiscal Year 06 applies to 2nd Quarter-05 to 1st Quarter-06 due to lag between time of sales and when county revenues affected

As indicated, the analysis was rerun assuming the validity of the FY 2007 estimates. It yielded:

$$\text{Taxable Sales (000)}_{(t)} = (-23,161,485,000) + 42.36 * \text{Employment}_{(t-1)}$$

(t = current year, t-1 = prior year)

For FY 2008, the result: \$31,640,143,000 with 99% confidence, plus or minus \$3,150,668,000.

Exhibit 4 shows the variables, the actual and estimated retail sales and amount of error for each past year as well as the predictions for FY 2007 and FY 2008. Block #1 of Exhibit 4 shows Inland Empire Wage & Salary data. Note each row shows data lagged by one year.

1. Block #2 shows the history of Riverside County taxable sales taken from Exhibit 3.
2. Block #3 shows the annual fiscal year of Riverside County Retail Sales estimates from the model for FY 1994 to FY 2005. Note, the largest negative error (-5.5%) was in FY 1995 when sales were abnormally low. The largest positive error (+7.8%) was in FY 2001 when sales were unusually high.

WHAT ARE THE RETAIL SALES FORECASTS FOR FY 2007 & FY 2008?

At the bottom of Block #2 of Exhibit 4, estimates are shown for taxable sales in FY 2007 at \$30,819,692,000 and FY 2008 at \$33,845,610,000. They were derived as follows:

1. In FY 2007, the model yielded an estimate of Riverside County retail sales at \$29,539,559,000 ± \$3,200,333,000. As indicated above, the county's housing sales and population growth are slowing, thus the actual estimate was made adding 40% of the up-

per range or \$2,280,133,000. This yielded the forecast of **\$30,819,692,000** for FY 2007 Riverside County taxable sales, a relatively modest **7.6%** gain over FY 2006.

TECHNICAL DATA ON MODEL

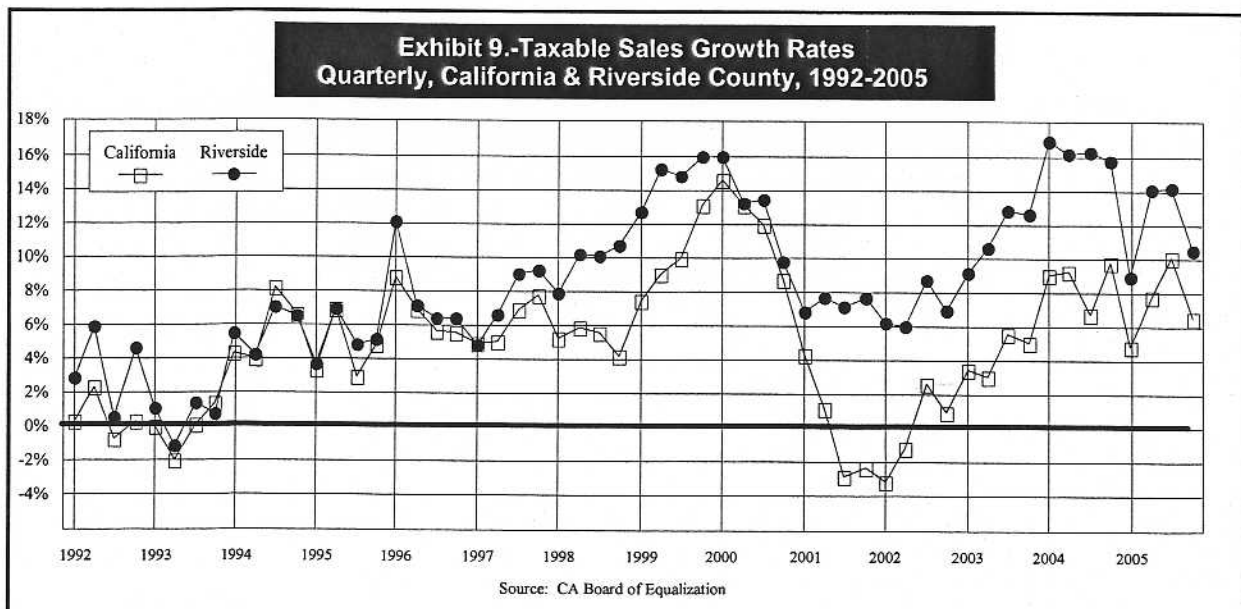
The R^2 was 97.5%. Using the t-statistic, with 10 degrees of freedom, there was a 99% chance that employment lagged one year was statistically significant in predicting the retail sales level. An F test showed the correlation was very highly significant (0.1% level). With a standard error of \$1,009,887,000, and 10 degrees of freedom, 99% confidence was found at \pm \$3,200,333,000 using a student t value of 3.169.

- In FY 2008, the model was rerun assuming the accuracy of the FY 2007 estimate. It yielded an estimate of \$31,640,143,000 \pm \$3,150,668,000. The analyst added 70% of the upper range with the opinion that in FY 2008, the housing market and population growth will be starting to increase. This yielded the forecast of **\$33,845,610,000** for FY 2008 Riverside County taxable sales, a **9.8%** increase over the FY 2007 forecast.

DOES DATA EXIST THAT GIVES INSIGHT INTO HOW WELL FY 2007 RIVERSIDE COUNTY TAXABLE SALES MAY PERFORM?

There is, as yet, little hard data available on FY 2007 for Riverside County. The California Legislative Analyst's Office estimates that a 0.7% state growth rate is likely for the year based upon returns they have seen. Meanwhile, Graph 1 shows that Riverside County can expect to outperform the state (*Graph 1*):

- In 2nd quarter 2005: California's growth was 7.8%; Riverside County's rate was 14.1%, a 6.3% county advantage.
- In 3rd quarter 2005: California's growth was 10.1%; the county's rate was 14.1%; a 4.0% county advantage.
- In 4th quarter 2005: California's growth was 6.6%, the county's rate was 10.6%; a 4.0% county advantage.



The consistently stronger performance by the county reflects the economic strength as population and income has grown in Riverside County. These trends should continue.

HOW DO COUNTYWIDE TAXABLE SALES RELATE TO RIVERSIDE COUNTY GOVERNMENT REVENUES?

These taxable sales forecasts are the basis for determining the total amount of money that all jurisdictions in Riverside County will collect in FY 2007 and FY 2008. However, they are only a guide to how much any single jurisdiction such as Riverside County will collect. In fact, taxable collections in the unincorporated areas have under and over-performed countywide growth, though in recent years they have grown much faster than countywide growth (*Exhibit 5*):

Exhibit 5.-Riverside County vs. County Government Sales Taxes, FY 99-FY 06				
Year	Countywide	County Government	Percent Difference	Multiple
FY 99	10.9%	9.0%	-2.0%	0.82
FY 00	15.5%	12.5%	-3.0%	0.81
FY 01	10.4%	11.4%	1.0%	1.10
FY 02	7.2%	1.5%	-5.7%	0.20
FY 03	7.7%	9.0%	1.3%	1.17
FY 04	13.2%	16.7%	3.4%	1.26
FY 05	14.2%	21.1%	6.9%	1.49
FY 06	11.2%	20.0%	8.8%	1.79

Source: CA Board of Equalization, Hinderliter de LLamas

Given the wide variation, it has been the practice to assume that the countywide and county government taxable sales growth would be approximately the same. For this reason, Riverside County government revenues have been generally estimated conservatively at the forecasted level for Riverside County. This year, those forecasts were 7.6% for FY 2007 and 9.8% for FY 2008. However, as the county government's sales tax revenues have lately been consistently outperforming the county as a whole, these figures were thus increased by 150% to get estimates of 11.4% and 14.7% (*footnotes: Exhibit 7, next section*). The rates represent a slowdown in the pace of growth due to the anticipated impacted of the housing lull on population growth, retail trade and construction project related retail sales in the unincorporated area.

Note: Normally, when there are significant forecasting errors using the type of procedures outlined here, the forecasts have still have been relatively accurate as it is only the extra piece of revenue that ends up being significantly higher or lower. This was somewhat true in FY 2006. The level of countywide sales tax increase was 11.2%. However, the county government's revenues increased by 20.0%. The estimate last year was for county revenue to increase by 15.3%, still less than the 20.0% that resulted. The FY 2006 estimate was based upon using an expected gain of 11.5% for countywide sales and using a 133% factor to adjust to county government revenues. While the actual gain was 11.2%, there was still a large underestimate in the county government's revenues. Clearly, the factor helped but was still not strong enough. Hence, this year the 150% figure is being used on the assumption that the difference will remain but the slowdown in housing will narrow it from the 179% difference.

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UNINCORPORATED RIVERSIDE COUNTY SALES TAX REVENUE, FY 2007 & FY 2008

SUMMARY

1. **FY 2006 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, was \$34,922,379, up 20.0% from FY 2005.** The forecast was for \$32,452,716. The forecast error was -\$2,469,663 (-7.6%). *Another \$4,034,455 came from county & state pools. The estimate was \$3,245,272.* These errors were consistent with the county's desire to be conservative. However, the size of the 7.6% error reflects the unusually strong sales in unincorporated Riverside County. The area's 20.0% growth was far above the countywide 11.2% rate, which itself was just about equal to the 11.5% forecast for FY 2006. Two types of sectors powered this extra growth in the unincorporated areas. One was the same housing related retail sectors driving the full county's expansion. The other was the rapid sales growth in automotive sales in the unincorporated area.
2. **FY 2007 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, is forecasted to be \$38,915,273, up 11.4%.** The original long term estimate for the fiscal year was \$35,701,233. The higher revised forecast occurs because the county's sales tax revenues are growing from an unexpectedly high plateau. The growth rate is estimated to be 150% of the anticipated countywide growth of 7.6% in FY 2007. This premium is introduced as the county government's revenues have lately been growing consistently faster than the county as a whole. *Another \$4,475,256 is forecasted for the county & state pools which have recently averaged 11.5% of county revenues.*
3. **FY 2008 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, is forecasted to be \$44,646,402, up 14.7%.** The estimate is equal to 150% of the anticipated countywide growth of 9.8% in FY 2008 because the county government's revenues are outperforming the county as a whole. *Another \$5,134,336 can be expected from the county & state pools which have averaged 11.5% of county revenues.*

ANALYSIS

These conclusions were developed based upon the following considerations:

HOW HAS UNINCORPORATED RIVERSIDE COUNTY'S SALES TAX REVENUE CHANGED SINCE FY 99?

Exhibit 6 shows unincorporated Riverside County's sales tax revenue since FY 99, exclusive of state & county pool funds. The data come from Hinderliter, de LLamas & Associates and are based on California State Board of Equalization reports.

NOTE: FY 2006 is made up of Quarters 3-4 of 2005 and Quarters 1-2 of 2006. However, since taxes are not collected until the quarter after sales occur, the actual period of sales for FY 2006 are Quarters 2-3-4 of 2005 and Quarter 1 of 2006 (*April 1, 2005-March 31, 2006*).

Exhibit 6.-Taxable Sales Revenue, Riverside Co. Unincorporated, Fiscal Years 99-06											
Retail Sector	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 05-06	Gains	
Apparel Stores	1,651,750	1,688,657	1,721,934	1,776,000	1,994,910	2,387,037	2,928,941	3,038,506	109,565	1.8%	
Gn. Merchandise	551,198	574,985	635,677	642,437	729,304	903,557	1,468,671	1,300,278	(168,393)	N.A.	
Specialty Stores	781,002	829,786	898,210	902,009	1,027,465	1,002,307	1,312,344	1,459,304	146,960	2.5%	
Food Stores	1,404,652	1,522,086	1,692,639	1,774,434	2,020,845	1,977,572	2,156,264	2,485,178	328,915	5.5%	
Eating & Drink	1,070,333	1,179,344	1,381,903	1,504,414	1,534,785	1,764,595	2,034,384	2,339,949	305,565	5.1%	
Building Related	4,025,331	4,950,260	5,032,261	4,983,595	5,434,705	6,588,940	9,261,554	11,239,690	1,978,136	33.0%	
Vehicle	2,783,708	3,305,357	4,284,236	4,115,319	4,731,408	5,410,138	6,355,287	7,970,182	1,614,895	27.0%	
Personal Service	730,741	782,718	825,903	827,154	867,458	999,789	1,168,119	1,352,097	183,978	3.1%	
Industrial	1,553,981	1,545,540	1,689,199	1,946,801	2,009,383	2,104,447	2,155,667	2,557,138	401,471	6.7%	
Other	225,788	242,299	359,191	300,351	220,404	843,963	214,423	1,092,385	877,962	14.7%	
Part Time	83,970	72,809	59,476	55,313	51,628	47,049	48,855	46,930	(1,925)	N.A.	
State Adjust.	2,314	28,364	50,603	74,286	(26,794)	(2,523)	1,066	40,741	39,676	0.7%	
TOTAL	\$14,864,767	\$16,722,205	\$18,631,230	\$18,902,114	\$20,595,502	\$24,026,870	\$29,105,575	\$34,922,379	\$5,816,804	100.0%	
Unincorporated ¹	9.0%	12.5%	11.4%	1.5%	9.0%	16.7%	21.1%	20.0%			
Full County	10.9%	15.5%	10.4%	7.2%	7.7%	12.0%	16.3%	11.2%			
Notes: 1. Forecast at percentages of Riverside Co. growth forecasts:						150.0%	7.6%		150.0%	9.8%	
2. Forecasts:						FY 2007:	\$38,915,273	11.4%	FY 2008:	\$44,646,402	14.7%

Source: Hinderliter, de Llamas & Associate, CA State Board of Equalization, Footnotes by Economics & Politics, Inc.

WHAT ARE THE FY 07 & FY 08 UNINCORPORATED SALES TAX FORECASTS?

In the footnotes to Exhibit 6, forecasts of Riverside County sales tax revenues, exclusive of state and county pool funds, are made for FY 07 & FY 08. The growth is assumed to occur at 150% of the 7.6% rate in FY 07 and 150% of the 9.8% in FY 08. These assumptions are made because county government's revenues have grown consistently faster than countywide sales for the past several years (*see end of prior section*). That difference is expected to narrow somewhat below the 179% difference in FY 06 with the housing lull impacting construction related taxable sales in the unincorporated area.

1. The county government sales tax revenue estimate for FY 2007 is thus forecasted as **11.4%** more than the \$34,922,379 in FY 2006, or **\$38,915,273**. The slowdown from the torrid pace of the past few years (16.7%, 21.1%, 20.0%) seems justified given that the first quarter of FY 2008 (2nd quarter 2006) has reported and the rate was -1.5%.
2. The county government sales tax revenue estimate for FY 2008 is forecasted as **14.7%** more than the \$38,915,273 estimated for FY 2007 or **\$44,646,402**.

WHAT ARE THE MOST RECENT QUARTERLY UNINCORPORATED SALES TAXES?

Exhibit 7 presents data on unincorporated sales tax collections for the most recent five quarters. For FY 2006, while county retail tax revenue was up **20.0%**, the table shows that quarterly growth were inconsistently above the same quarters of the prior year:

1. In the first quarter relevant to FY 2006 (*April 1, 2005 to June 30, 2005*), unincorporated sales tax revenues rose **32.2%** from the same period of FY 2005.

2. In FY 2006's second relevant quarter (*July 1, 2005 to September 30, 2005*), revenues grew **31.8%** from that quarter of 2005.
3. In FY 2006's third relevant quarter (*October 1, 2005 to December 31, 2005*), unincorporated sales tax revenues were up modestly from that period of the prior year at **7.6%**.
4. In FY 2006's fourth relevant quarter (*January 1, 2006 to March 31, 2006*), unincorporated retail sales tax revenues were **11.3%** above that period of the prior year.

Note that towards the end of the fiscal year, the growth of unincorporated sales tax revenues was moderating. This continued in the early part of FY 2007:

5. In the first quarter relevant to FY 2007 (*April 1, 2006 to June 30, 2006*), unincorporated sales tax revenues fell **-1.5%** from the same period of FY 2006.

Exhibit 7.-Taxable Retail Sales Revenue, FY 2006 – FY 2007 Riverside County Unincorporated, By Quarter						
When Sales Occurred:	1-05	FY 2006				FY 2007
		2-05	3-05	4-05	1-06	2-06
When Revenues Affected:	2nd	3rd	4th	1st	2nd	3rd
Apparel Stores Group	669,848	777,018	692,134	893,158	676,196	761,543
General Merchandise Group	414,224	354,303	269,511	379,414	297,050	317,289
Specialty Stores Group	306,775	340,397	363,918	417,305	337,684	394,970
Food Stores	511,270	584,235	730,551	634,217	536,176	720,715
Eating & Drinking Group	476,321	558,151	595,116	583,569	603,113	586,819
Building Related Group	2,185,630	2,736,933	2,977,029	2,757,704	2,768,023	2,692,862
Vehicle Group	1,472,248	1,778,295	2,157,786	2,084,800	1,949,302	2,272,909
Personal Service Group	284,532	298,518	403,208	317,736	332,634	410,070
Industrial Group	534,348	720,439	668,714	555,663	612,323	744,758
Other	40,726	948,203	9,654	83,512	51,017	77,018
Part Time Permittees	13,073	9,245	10,865	17,120	9,701	14,552
State Adjust & Rounding	10	27,802	43	12,629	267	5,026
TOTAL	6,909,006	9,133,538	8,878,529	8,736,827	8,173,485	8,998,531
% Change from prior FY	20.1%	32.2%	31.8%	7.6%	11.3%	-1.5%

Source: CA State Board of Equalization, Hinderliter, de Llamas & Associates

SUMMARY

The growth of Riverside County government unincorporated area taxable revenues was up 20.0% in FY 2006 after strong gains of 21.1% in FY 2005 and 16.7% in FY 2004. Again, the county government's share of countywide retail sales taxes grew much faster than the 11.2% rate for the county as a whole. Looking ahead, the -1.5% growth of county government sales tax revenues in the first quarter relevant to FY 2007 shows that the housing lull is apparently affecting sales. For that reason this analyst forecasts rates of growth at 11.4% and 14.7% in county retail sales revenue in FY 2007 and FY 2008. The accuracy of this forecast will depend on whether the countywide sales slow as expected to rates of 7.6% and 9.8% in these two fiscal years and whether the slowdown to a 150% difference between county government and countywide holds true. That could be an overestimate, given the fact that some of the reasons the difference has existed is because of construction material sales in the unincorporated area. Meanwhile, Riverside County's estimated share of state and county pools was bumped up to 11.5% from 10.0% due to constant underestimates at the 10.0% threshold.

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ASSESSED VALUATION ESTIMATE RIVERSIDE COUNTY, FY 2008

By John E. Husing, Ph.D.

SUMMARY

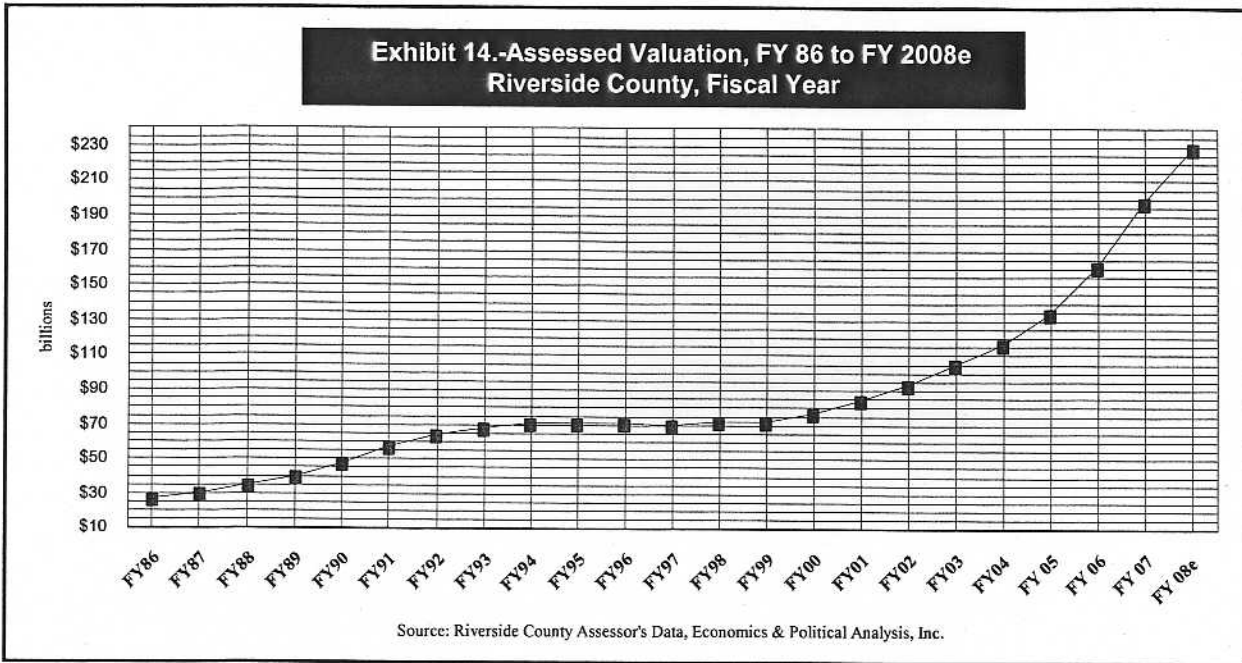
1. Riverside County Fiscal Year 2007 assessed valuation was **\$197.8 billion**, up **\$37.3 billion** from \$160.5 billion in FY 2006 (23.3%). Economics & Politics, Inc.'s estimate for FY 2007 was \$196.1 billion (22.2%). The forecast error was -\$1.8 billion or -0.9%. The underestimate occurred because the change in existing valuation after the mid-year was a little greater than forecasted. By December 31, 2005, the Assessor's Office estimated that they would have to examine 153,000 parcels for reappraisal and new construction during the year. As they had reviewed 40,653 parcel by that date, it appeared that 27% of the valuation changes from these major sources had been added to the assessment roll with 73% to go. In fact, 165,606 parcels ended up having to be reviewed, or 8.3% more than the estimate. That meant that the agency had completed only 25% of the parcels that would add value and had 75% to go. This led to a slightly greater increase in the roll from January-June 2006 than was forecasted. *(Note: These estimates do not include changes in the personal property portion of the roll. The FY 2007 increase was 22.5% with that included).*
2. **FY 2008 assessed valuation is forecasted at \$228.4 billion, up \$30.6 billion from FY 2007 or 15.5%.**

Riverside County's real estate markets continue to be relatively strong despite the downturn occurring in the housing industry. Residential sales have weakened but and modest housing appreciation is still occurring. Industrial leasing and construction are continuing. Office market leasing and construction has begun to accelerate. Business sales and employment are up, though firms seem hesitant to invest in plant and equipment.

This forecast was made assuming about 48.8% of the reappraisal and new valuation work to be put on the books was there by January 1, 2007 due to changes in procedure by the Assessor's Office that have sped up the process of putting valuation on the roll. In the past two years, the figures were 21.4% and 24.5%. Last year, at mid-year, the assessment roll had increased \$9.0 billion by mid-year from these two sources. This year, at mid-year, it had increased \$14.3 billion from these two sources. Meanwhile, there is no Prop 8 revaluations in the forecast and there is no downward adjustment to the 2% increase allowed on parcels subject to Proposition 13 since California inflation was well above 2%.

ANALYSIS

For FY 2008, Riverside County's assessed valuation is forecasted to change by **\$30,626,774,458** (15.5%) to reach **\$228,435,107,418**. As a result, assessed valuation will again have the second largest absolute increase on record after FY 2007 (*Exhibits 8-9*). *[Note: This does not include the personal property change which is annually a small part of the shift.]*



This outcome is forecasted based upon gains from large increases in valuation due to changes of ownership and reappraisals plus new construction, a full 2.0% Prop 13 adjustment on 67% of Riverside County's properties, a small 2.5% increase in business fixtures valuations, and no change in the Prop 8 adjustment. The detailed calculations are outlined below.

Exhibit 9.-Assessed Valuation Growth, FY 1986 TO FY 2008e

Fiscal Year	Date	Land	Structures	Total	Change	%Change
FY86	07/01/85	10,370,679,230	16,617,241,727	\$26,987,920,957	\$3,191,571,000	13.4%
FY87	07/01/86	11,519,495,788	18,765,081,988	30,284,577,776	3,296,656,819	12.2%
FY88	07/01/87	13,219,728,694	21,786,972,156	35,006,700,850	4,722,123,074	15.6%
FY89	07/01/88	15,002,752,216	24,515,246,334	39,517,998,550	4,511,297,700	12.9%
FY90	07/01/89	17,609,382,949	29,302,126,908	46,911,509,857	7,393,511,307	18.7%
FY91	07/01/90	21,820,061,995	34,945,187,611	56,765,249,606	9,853,739,749	21.0%
FY92	07/01/91	24,639,885,741	39,091,910,429	63,731,796,170	6,966,546,564	12.3%
FY93	07/01/92	26,111,965,577	41,716,605,229	67,828,570,806	4,096,774,636	6.4%
FY94	07/01/93	27,091,217,872	43,217,810,618	70,309,028,490	2,480,457,684	3.7%
FY95	07/01/94	7,156,125,625	43,352,238,815	70,508,364,440	199,335,950	0.3%
FY96	07/01/95	27,028,211,924	43,599,485,755	70,627,697,679	119,333,239	0.2%
FY97	07/01/96	26,539,556,675	43,435,107,342	69,974,664,017	(653,033,662)	-0.9%
FY98	07/01/97	26,604,125,285	44,580,146,245	71,184,271,530	1,209,607,513	1.7%
FY99	07/01/98	26,354,678,254	45,502,640,195	71,857,318,449	673,046,919	0.9%
FY2000	07/01/99	27,570,773,518	48,622,740,269	76,193,513,787	4,336,195,338	6.0%
FY2001	07/01/00	29,652,573,690	54,510,507,750	84,163,081,440	7,969,567,653	10.5%
FY2002	07/01/01	32,043,484,668	61,013,239,173	93,056,723,841	8,893,642,401	10.6%
FY2003	07/01/02	35,014,544,283	69,219,621,221	104,234,165,504	11,177,441,663	12.0%
FY2004	07/01/03	38,469,436,701	78,067,384,039	116,536,820,740	12,302,655,236	11.8%
FY2005	07/01/04	43,783,094,202	89,743,256,172	133,526,350,374	16,989,529,634	14.6%
FY 2006	07/01/05	52,383,421,211	108,106,474,744	160,489,895,955	26,963,545,581	20.2%
FY 2007	07/01/2006	66,060,463,091	131,747,869,869	197,808,332,960	37,318,437,005	23.3%
FY 2008e	07/01/2007			228,435,107,418	30,626,774,458	15.5%

1. Riverside County's assessed valuation for FY 2007 was \$197,808,332,960. This amount is divided into valuation categories in Exhibit 10.

Exhibit 10.-Assessed Valuation by Category Riverside County, FY 2007	
Type of Property	Assessed Value
Land	\$ 66,060,463,091
Structures	130,688,173,347
Business Fixtures	981,004,882
Trees & Vines	78,691,640
TOTAL FY 2007	\$197,808,332,960

Source: Riverside County Assessor's Office

2. In the Assessor's Office's work flow, three adjustments are made to the prior year's assessed value to get the starting point for the new Fiscal Year's valuation:
- The business fixture assessment is deducted. The entire amount is re-estimated during the spring of the next calendar year. This deduction was \$981,004,882.
 - Prior Fiscal Year's remaining Prop 8 deduction is added back into the base. This was \$448,675,957.
 - Properties unaffected by the Prop 8 deduction are increased 2.0% for the annual Proposition 13 adjustment. This year, about 67% of parcels (*less the fixture valuation*) were involved. The 2% increase is estimated at \$2,628,401,858.

The starting point for estimating the FY 2008 assessed valuation is \$199,904,405,893.

Exhibit 11.-Initial Adjustments to Assessed Valuation Riverside County, FY 2008	
Adjustments	Assessed Value
FY 2007 Assessed Value	\$197,808,332,960
<i>Deduct</i> Fixtures	<u>981,004,882</u>
	196,827,328,078
<i>Add back</i> Cumulative Prop 8	448,675,957
	197,276,004,035
<i>Add</i> Prop 13 (67% of parcels)	<u>2,628,401,858</u>
FY 2008 Initial Valuation	\$199,904,405,893

3. Starting on July 1st of each new Fiscal Year, the Assessor's office begins altering the assessment roll to allow for valuation changes from properties with *changes in ownership* and *new construction*. By January 1, 2007, this work had caused the Riverside County assessment roll to rise above its starting point. Excluding business fixtures (\$392,490), valuation went from \$199,904,405,893 in Exhibit 11 to \$214,171,068,107, a change of \$14,266,662,214, again this is the largest change by mid-year in the county's history. When all work is completed, FY 2008 reappraisals are expected to rise another \$13,707,185,264 with the total gain from this source over the FY 2007 level at \$27,973,847,478. The logic behind this prediction is:

- A. According to Exhibit 12, it is estimated that the FY 2008 assessed valuation will be impacted by 110,000 reappraisals due to ownership changes, down 10.2% from FY 2007. Of these, 49,731 or **45.2%** were completed as of January 1st. In the prior five years, the shares of reappraisals completed for this reason were: 32.6%, 26.6%, 11.3%, 17.7% and 24.3%. According to the Assessor's Office, the very high share completed this year is due to changes in procedure and a steep decline in sales activity (see Exhibit 16).

FY 2008				FY 2007			
Report Date	Estimated Annual	Year to Date	Percent Complete	Report Date	Estimated Annual	Year to Date	Percent Complete
07/22/2006	110,000	3,852	3.50%	07/22/2006	122,471	59	0.05%
08/18/2006	110,000	7,449	6.77%	08/19/2005	122,471	1,097	0.90%
09/22/2006	110,000	15,670	14.25%	09/23/2005	122,471	3,201	2.61%
10/20/2006	110,000	23,910	21.74%	10/21/2005	122,471	12,178	9.94%
11/17/2006	110,000	37,923	34.48%	11/18/2005	122,471	19,574	15.98%
12/22/2006	110,000	49,731	45.21%	12/23/2005	122,471	29,803	24.33%

- B. According to Exhibit 13, it is estimated that the FY 2008 assessed valuation will be impacted by 38,000 reappraisals due to *new construction or refurbishing*, down 11.9% from FY 2007. Of these, 22,543 were completed as of January 1st or **59.3%**. For the prior five years, the reappraisals for this reason were: 49.1%, 54.6%, 39.6%, 33.9% and 24.3%. Again, according to Assessor's Office, the very high share completed this year is due to changes in procedure.

FY 2008				FY 2007			
Report Date	Estimated Annual	Year to Date	Percent Complete	Report Date	Estimated Annual	Year to Date	Percent Complete
07/22/2006	38,000	2,828	7.44%	07/22/2006	43,135	681	1.58%
08/18/2006	38,000	5,666	14.91%	08/19/2005	43,135	1,675	3.88%
09/22/2006	38,000	9,769	25.71%	09/23/2005	43,135	3,022	7.01%
10/20/2006	38,000	13,206	34.75%	10/21/2005	43,135	5,675	13.16%
11/20/2006	38,000	18,120	47.68%	11/18/2005	43,135	7,423	17.21%
12/22/2006	38,000	22,543	59.32%	12/23/2005	43,135	10,850	25.15%

- C. Combining Exhibits 12 & 13, Riverside County expected that the FY 2007 assessed valuation to be impacted by the reappraisal of 148,000 parcels with either ownership changes or new construction. The figure last year was 165,606 so the estimated number represents an estimated 10.6% downward adjustment in the volume of parcels to be considered. This is the figure that was severely under-estimated last year. Given that estimate, Steps #A and #B showed that 72,274 or 48.8% were completed by January 1st (last year the figure was 40,653 showing the change in procedure). In the past five years, the completion was: 36.5%, 32.9%, 17.5%, 21.4% and 24.5%.
- D. With an estimated 48.8% of the work on reappraisals completed, Riverside County's FY 2008 assessed valuation base increased by **\$14,266,662,214**. Again, that was the

largest increase in the county's history, above the \$9.0 billion increase from July 1st to January 1st 2005 as part of creating the FY 2007 assessment roll.

- E. With 48.8% of the reappraisal work completed, it is estimated that the increase in the assessment roll is **51%** complete as of January 1, 2007 and that 49% of new valuation for FY 2008 remains to be put on the books. The 51% is used because Riverside County's market is seeing prices stabilize (*Exhibit 17*)
- F. A important caveat is that the 48.8% completion is based upon an estimate of the completed work load. If the total exceeds the estimated 148,000 parcels to be changed, as it did in building the FY 2007 roll, or if the new procedures have not completed as great a share of the roll as appears to have occurred, the 37% completion level would be an underestimate. That appears less likely this year due to the slowing of sales. Also, the assumption that 51% of the assessment change is completed with 48.8% of the parcels examined would be an underestimate if the impact of prior price increases is greater than assumed. That consideration would seem to introduce a conservative leaning into the forecast.
- G. As a result, the estimated amount to be put on to the roll from January 1st to June 30th of 2007 from reappraisals and new construction is **\$13,707,185,264**. This will bring the total change in valuation from these two sources to **\$27,973,847,478** (*Exhibit 14*).

Exhibit 14.- Assessed Valuation Calculation Riverside County, FY 2008	
Adjustments	Assessed Value
FY 2007 Valuation	\$197,808,332,960
add Change from Reappraisals	27,973,847,478
	225,782,180,438
add Prop 13 (deduction made: 2.0% allowed)	2,628,401,858
	228,410,582,296
add Change in Business Fixture Valuation (2.5%)	24,525,122
	228,435,107,418
add decrease in Prop 8	0
FY 2008 Assessed Valuation (estimate)	228,435,107,418
FY 2007 Assessed Valuation	197,808,332,960
Change	\$30,626,774,458
Percent Change	15.5%

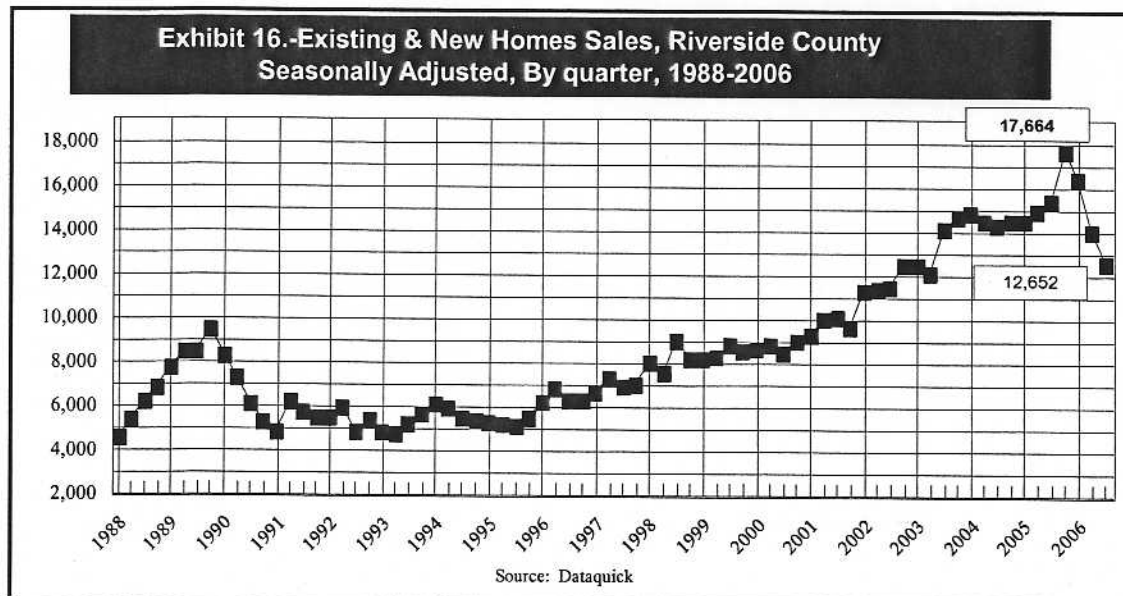
4. For FY 2008, Riverside County's assessed valuation figure will not require a second adjustment due to California's inflation rate. In 2006, prices in California rose far over the 2.0% pace that is the upward limit for adjusting property values under Proposition 13. the full **\$2,628,401,858** estimated increase in the roll will thus apply to FY 2008.
5. Riverside County's assessed valuation was barely helped by the increase in its fixture valuation. In FY 2007, the fixture valuation went from \$971,079,629 to \$981,004,882, an increase of \$9,925,253 or just 1.0%. For FY 2008, it is assumed that the gain will be 2.5% to \$1,005,530,004, a change of **\$24,525,122** in the fixture valuation.

6. Finally, it is estimated that by the beginning of FY 2008, the cumulative deduction for Prop 8 remaining in Riverside County will remain unchanged at **\$448,675,957**, down **\$0** as the housing market is now in a serious lull.
7. In Exhibit 14, it is estimated that the assumption outlined above will result in an estimated FY 2008 assessed valuation of **\$228,435,107,418**, a change of **\$30,626,774,458 (15.5%)** from FY 2007. Growth of 15.5% or well below the 23.3% of FY 2007.
8. In Exhibit 15, the range of factors that resulted in the **\$30,626,774,458 (15.5%)** change in valuation between FY 2007 and FY 2008 are detailed.

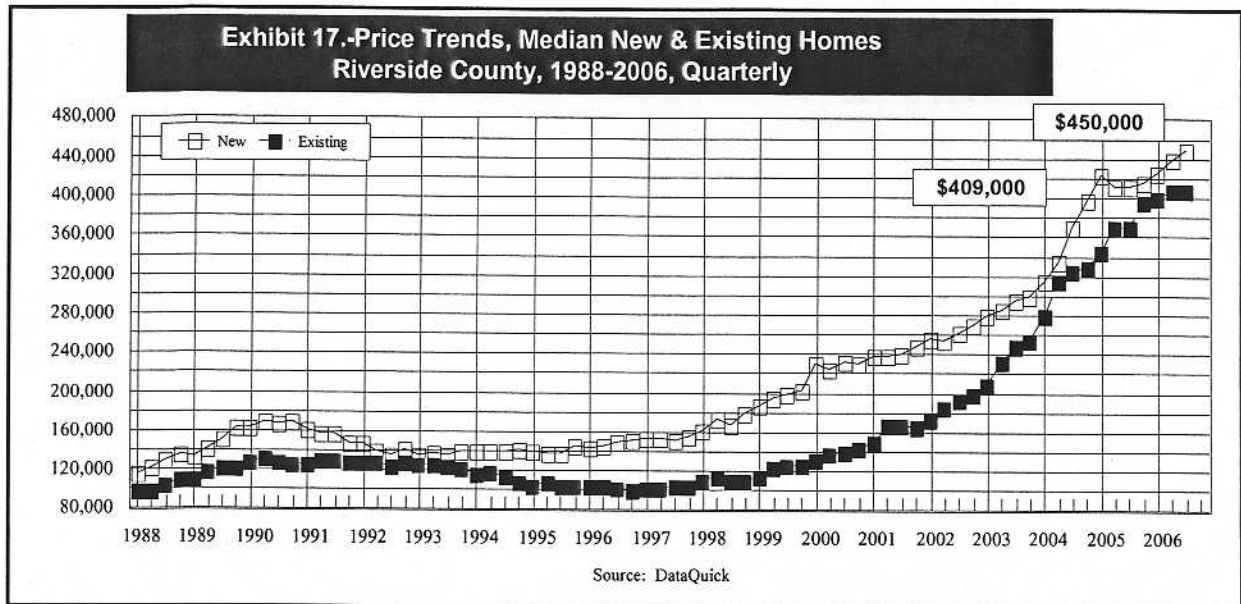
Exhibit 15.- Elements of Assessed Valuation Change, FY 2008			
Categories		Adjustments	Share
Reappraisals		\$27,973,847,478	91.3%
Prop 13 (2%)	\$2,628,401,858		
deduct Prop 13 under 2%	0		
Net Prop 13 Increase		2,628,401,858	8.6%
Fixture Valuation Change		24,525,122	0.1%
Prop 8 Change (shrinkage)		0	0.0%
FY 2008 Net Change		\$30,626,774,458	100.0%

SECONDARY INFORMATION

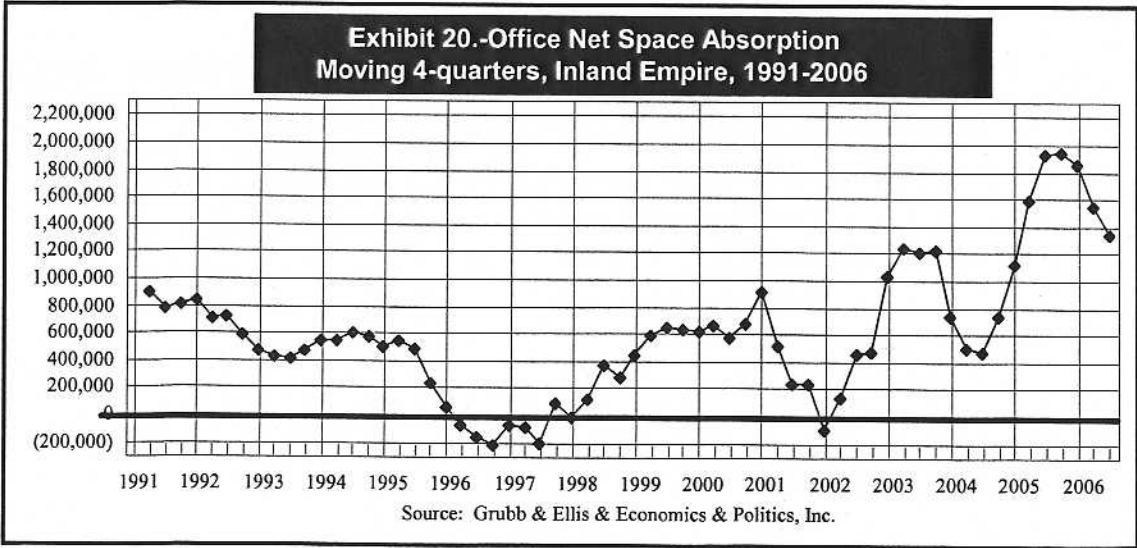
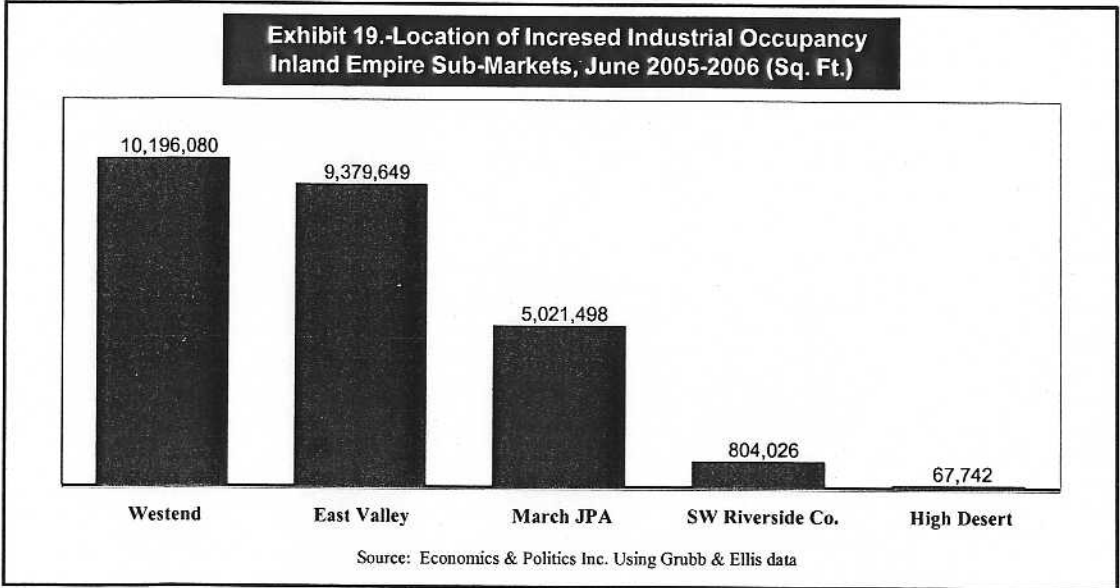
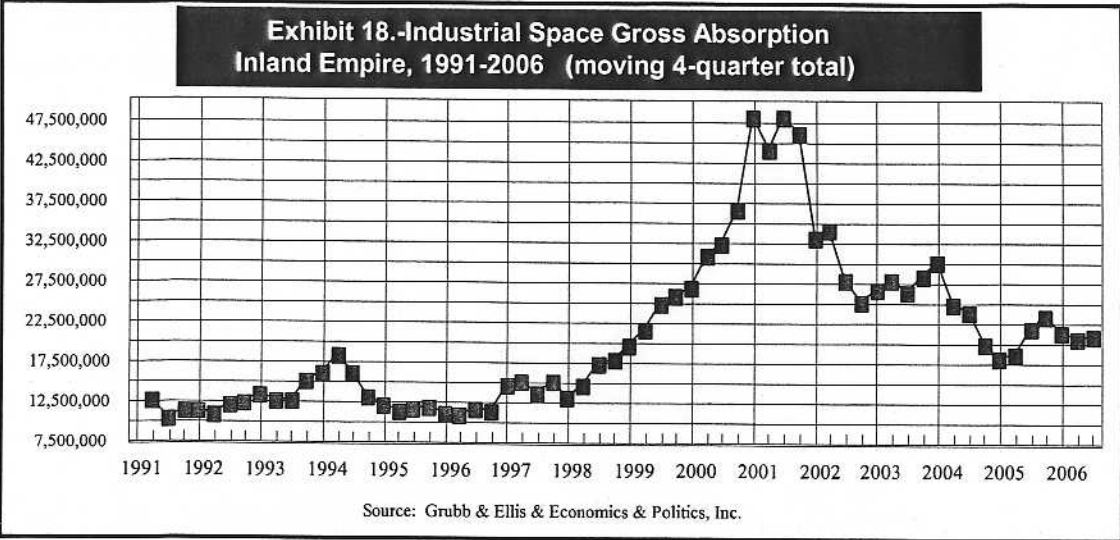
Riverside County's net Assessed Valuation change in FY 2008 is estimated at **\$30,626,774,458 (15.5%)** over FY 2007. The absolute increase will be the second most in the county's history. But the rate will drop from 23.3% down to 15.5%. Secondary information on Riverside County's real estate supports this forecast.



- A. Slowing Home Sales.** Home construction slowed towards the end of 2006 but the value of both new and existing homes continued to move into record territory. The volume of sales in Riverside's home markets continued its upward march through 2005, reaching a record quarterly volume of 17,664 seasonally adjusted units in the fourth quarter (*Exhibit 16*). However, in 2006, volume dropped to a seasonally adjusted low of 12,652 units in the third quarter (-28.4%). This is reducing the parcels to be reappraised beyond the 2% factor for Proposition 13.



- B. Home Prices Rising.** Riverside County's existing homes reached a median price of \$409,000 in 2nd quarter 2006 and stayed there in 3rd quarter. Prices were up 10.5% after a 13.8% gain the prior year (*Exhibit 17*). The median new home price was \$450,000, up 9.2% after rising 10.5% in 2005. With the number of homes rising slowly, the number of sales falling but home prices still up, the residential portion of the assessed valuation roll for FY 2008 exceeded FY 2007, though by less than a year ago, as has been forecasted.
- C. Industrial Real Estate.** While the Inland Empire's industrial markets have come down from the extraordinary peaks of 2000-2001, they are at a very high plateau with gross absorption stabilized at about 20.0 million square feet (*Exhibit 18*). The slowing has occurred because land has become less available in the Westend and the supply has not grown to match continuing demand resulting in an extraordinary low 4.3% vacancy rate. Interestingly, the markets west of the I-15 freeway once represented about 67% of all industrial space absorption. However, in 2006, this fell to just 40% with more and more of the industrial space ending up in Riverside County's March Joint Powers Authority (19.7%) and southwestern markets (3.2%) (*Exhibit 19*). Industrial lease rates have remained relatively constant going from \$4.79 a square foot per month in September 2005, to \$4.78 in September 2006. The higher inventory of space at the roughly the same price should positively impact county assessed valuation both through the greater amount of space and via increases in the value of business fixtures.



D. Commercial Real Estate. The Inland Empire's office market has become much stronger in 2006 and that strength is expected to continue now that firms in Orange, Los Angeles and San Diego counties realize that it is very difficult to serve inland clients from coastal locations. The strength is seen in net space absorption that has run at annual rates of over 1.0 million feet for the past seven quarters (*Exhibit 20*). Today, the region's 7.3% vacancy rate is the fifth lowest suburban rate in the United States (*Exhibit 21*). Office construction is thus occurring in places like Corona, Riverside, and Temecula-Murrieta. In this tight market, annual lease rates have gone from \$23.50 per square foot in September 2005 to \$25.35 per square foot a year in September 2006, up 7.9%. These conditions mean that the office sector is now beginning to add value to the assessment roll.



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**DMV MOTOR VEHICLE
 LICENSE FEE SUBVENTION: FY 2006 TO FY 2008**

Starting in FY 2005, the conventional Motor Vehicle License Fee (*MVLF*) program no longer exists for counties. It has been replaced by the "triple flip". In this process, the state authorizes county auditors to pay counties from the property tax funds flowing into the Educational Revenue Augmentation Fund (*ERAF*) by an amount equal to what counties would be due under the 2% formula for the *MVLF*. The payments are due on January 31st and May 31st. In exchange, the state will pay the equivalent amount to the school districts to make up for this amount. Starting in FY 2006, the county payment will **grow at the same rate as its assessed valuation growth.**

FY 2005-2006

The **\$10,397,751** "true-up" payment from California to the county was in two payments on January 31st and May 31st of 2006. Also, the FY 2005-2006 amount to the county:

- 2004-2005 Payment Basis **\$128,200,332**

Each year, the payment basis is to be increased by the percentage gain in Riverside County's *gross taxable assessed valuation* from July 1st year (t) to July 1st year (t+1)

- July 1, 2004 gross taxable assessed valuation \$138,771,615,256
- July 1, 2005 gross taxable assessed valuation \$165,707,604,811
- Change \$26,935,989,555
- Percent Change **19.41%**
- Additional Base: \$128,200,332 X 19.41% = \$24,884,071
- FY 2004-2005 Payment Basis \$128,200,332
- FY 2005-2006 Payment Due **\$153,084,403**
- True-Up Due \$10,397,751
- FY 2005-2006 Total Due **\$163,482,154**

These payments were made to Riverside County's general fund in two payments:

- January 31, 2006 \$81,741,077
- May 31, 2006 \$81,741,077

FY 2006-2007

In FY 2007, the basis for Riverside County's payments will be:

- FY 2005-2006 Payment Basis **\$153,084,403**

This amount will be increased by the *gross taxable assessed valuation* increase:

- Percent Change **22.52%**
- Additional Base: \$153,084,404 X 22.52% = \$34,474,607
- FY 2006-2007 Payment Due **\$187,559,010**

Estimate Made in January 2005:	<u>\$187,069,140</u>
Error	-\$489,870
Error Percentage	-0.3%
Error made as Assessed Valuation increase was more than forecasted:	22.2%

These payments will be made due Riverside County's general fund in two payments:

- January 31, 2007 \$93,779,505
- May 31, 2007 \$93,779,505

FY 2007-2008

In FY 2008, the basis for Riverside County's payments will be:

- FY 2006-2007 Payment Basis **\$187,559,010**

This amount will be increased by the *gross taxable assessed valuation* increase:

- Percent Change **15.78%**
- Additional Base: \$153,084,404 X 22.52% = **\$29,039,866**
- FY 2007-2008 Payment Due **\$216,598,879**

These payments will be made due Riverside County's general fund in two payments:

- January 31, 2008 \$108,299,438
- May 31, 2008 \$108,299,438

**HUMAN RESOURCES
HIRING TRENDS AND VACANCY RATES
MIDYEAR 06/07**

Hiring activity during the third quarter remained brisk in all departments with 768 new hires into the County. Notably, the Sheriff's Department hired 105 employees and RCRMC (including ITF) hired 76 employees (34 in registered nursing classifications).

Following the close of the second quarter, the Human Resources Department looked at vacancies throughout the County. The methodology for this section has been revised to review vacant positions, recruiting activity, candidates who have accepted but not yet started, and vacancies that departments have no plan to fill at present. The outcome of this review was that there are no departments with a vacancy rate of greater than 30%.

It should be noted that while the vacancy rate for the County's Fire Department is less than 30%, they have 22 vacant Public Safety Communication Officer positions (a 50% vacancy rate). Recently, this series was granted a pay increase and brought to parity with the Sheriff's 911 Communications Operator series and this will improve our ability to fill these remaining Fire Department vacancies.

In the Mental Health Department's Treatment programs, significant vacancies exist in the classification of Peer Specialist which was created by the passage of Proposition 63. Since their positions must be filled from consumers or family members of consumers, the recruiting approach has been specialized to this requirement. A 12 week course has been designed for potential recruits to prepare them for this role and the hiring process; thus far hiring has been successful, although it will become more challenging as the candidate pool shrinks.

In December, 29 employees were displaced from their positions with the First Five program and a special recruiting activity was conducted to retain these employees and place them into available positions. This resulted in a 100% placement rate and the retention of several difficult to recruit Public Health Nurses.

Special recruiting focus has been placed on the desert region and an expanded team has been assigned responsibility for these efforts. Nearly 500 vacant positions exist in the desert region, while over 350 are in active recruitment. Contacts have been made with local colleges to tap additional recruiting sources for skilled employees. Contacts have been positive and colleges are receptive to tailoring coursework to meet the County's hiring objectives in order to improve placement rates in this region.

The Human Resources Department remains committed to filling departments' needs for new staff and to keep pace with the County's hiring demands.

**HUMAN RESOURCES
HIRING AND VACANCY REPORT
MIDYEAR 06/07**

Department	Filled	Active Recruiting	No Plan to Fill	Pending Start	Using TAP	Vacant Total	Total Positions	Actual Vacancy %
Fire	144	58	20		1	79	223	28.6%
Mental Health - Treatment	596	219	22	12	22	275	871	25.8%
Registrar of Voters	29	9	1			10	39	23.7%
Flood Control	223	63	7		8	78	301	21.4%
Waste Management	229	64	44		14	122	351	20.8%
Local Initiative Admin DCA	34	8	5			13	47	19.0%
Probation	904	209	32	6		247	1151	18.7%
Public Defender	226	51	4	5		60	286	18.1%
RCRMC - ITF	164	36	13	1		50	214	17.9%
Sheriff	626	135	1	1		137	763	17.7%
Mental Health	306	65	20	6	2	93	399	17.2%
RCA Ops	10	2	7			9	19	16.7%
Facilities Mgmt - Maintenance Svcs	115	27	6	22	1	56	171	16.4%
TLMA	668	138	101	2	38	279	947	16.3%
Parks	96	18	3	1		22	118	15.7%
TLMA - Code Enforcement	53	15		26	3	44	97	15.5%
Sheriff - Corrections	1042	190		1		191	1233	15.4%
RCRMC	1658	298	75	41	20	434	2092	14.8%
Facilities Mgmt	71	14	1	8	6	29	100	14.1%
IT	41	7	9		3	19	60	13.7%
Treasurer - Tax Collector	92	14	1	1		16	108	13.1%
TLMA - Planning	70	11	17		8	36	106	12.4%
Sheriff - Patrol	1666	235		1		236	1902	12.4%
Office On Aging Title III	148	18	6			24	172	10.8%
Purchasing/Fleet	122	15	33	2		50	172	10.8%
Auditor/Controller	86	11	5	5	1	22	108	10.7%
DPSS	2824	337	281		1	619	3443	10.7%
District Attorney	643	81	7	51		139	782	10.5%
Children & Families First Comm	28	3	7			10	38	9.7%
Board of Supervisors	10	1	1			2	12	9.1%
ACR	469	46	58	1	2	107	576	8.9%

**HUMAN RESOURCES
HIRING AND VACANCY REPORT
MIDYEAR 06/07**

Department	Filled	Active Recruiting	No Plan to Fill	Pending Start	Using TAP	Vacant Total	Total Positions	Actual Vacancy %
RCRMC - Detention Health	95	10	10	9		29	124	8.8%
EDA - Housing	95	9	7	2		18	113	8.5%
Facilities Mgmt - Custodial	168	16		7	14	37	205	7.8%
HR	307	24	22	3		49	356	7.2%
County Counsel	64	5		3		8	72	6.9%
EDA	259	18	53	3	1	75	334	6.4%
CHA - CA Childrens's Services	162	11	23			34	196	6.4%
Child Support Services	377	26	18	3		47	424	6.4%
CHA	995	62	274			336	1331	5.9%
Agr Commissioner	50	3		2		5	55	5.5%
CHA - Animal Control	156	9	14	1		24	180	5.4%
EO - OASIS	27	1	7	1		9	36	3.4%
Exec Office	30	1	8			9	39	3.2%
BOS - Assessment Appeals	6					0	6	0.0%
Clerk of the Board	11		1			1	12	0.0%
CoOp Extension	5					0	5	0.0%
LAFCO	5		1			1	6	0.0%
Public Authority	25					0	25	0.0%
Salton Sea	3		2			2	5	0.0%
Vets Svcs	12		2			2	14	0.0%
Grand Total	16518	2604	1237	227	146	4214	21014	13.4%

BUDGET RATING ENHANCEMENT PLAN

Standard & Poor's recently reported its intent to increase focus on seven key factors when assessing a government's financial management practices. Their assessment criteria reflect clear and detailed expectations that provide a good framework within which the county can improve its already excellent financial position. Following are recommendations for improvement.

Revenue and expenditure expectations. Currently, the county uses realistic and well grounded revenue and expenditure assumptions that are based on recent performance and are not overly optimistic.

***Recommendation:** That the county strengthen its financial management practices by expanding quarterly reports to include 5-year revenue and expense projections, with special attention to the out-year costs of current actions. In addition, that the county expand both discretionary and departmental revenue and expense tracking to include formal historic trend analysis and forward projections against those historic trends. Furthermore, that the County formalize specific cash handling and revenue collection policies and procedures.*

Budget amendments and updates. Currently the county is strongly positioned in this area, maintaining quarterly budget surveillance to identify problem areas and enable timely budget adjustments when necessary, and taking measures necessary to meet fiscal targets.

***Recommendation:** That the county continue to develop its quarterly budget reports and refine policies that preserve contingency, limit deficit spending, maintain reserves, and enforce annual Board targets.*

Long term financial planning. Currently, the county has good long term financial planning practices, utilizing multi-year planning for major initiatives. For instance, while we currently project the possibility of receiving an increase of \$77 million in discretionary resources, most of that amount is already earmarked in our multi-year plans to fund commitments previously made by the Board. None the less, there is room for improvement in this area.

***Recommendation:** That all expenditure decisions be made acknowledging long-range estimates and long-term impacts, and that long-term obligations resulting from new commitments immediately be included in budget planning documents such as multi-year projections in budgets and quarterly reports.*

Long term capital planning. Currently, the county maintains a multi-year project wish list, with emphasis on projects to be funded in the current year. Improvements can be made that strengthen the county's long-term capital planning by linking it to long range revenue projections, budget planning and financing strategies.

BUDGET RATING ENHANCEMENT PLAN

Recommendation: *That the County move toward a rolling 5-year Capital Improvement Plan directly tied to multi-year revenue projections and budget planning. Improve the CIP budgeting model and tracking procedures to support detailed multi-year project cost and financial planning.*

Investment management policies. Currently, the county's investment policy is quite strong. The Treasurer's Pooled investment Fund (Aaa/MR1, AAA/V1+) has the highest obtainable credit rating as well as market risk and volatility ratings from both Moody's Investors Service and FitchRatings.

Recommendation: *That the county maintain current investment policies, which are more restrictive than required by California Government Code, and continue to monitor the capital markets, including statements of fund managers, for suggested innovations and policy changes. In addition, solicit staff recommendations for incremental improvements.*

Debt management policies. Currently, the county has good debt management practices, but improvement can be made in this area.

Recommendation: *That the county maintain current debt management policies, including a debt advisory committee that reviews all county-related financings. Direct the debt advisory committee to review the county debt management policy annually and make recommendations where appropriate.*

Reserve and liquidity policies. Currently, the county has good reserve and liquidity practices, but improvements would strengthen the county's position.

Recommendation: *Establish written guidance regarding threshold factors for cash balance, contingency, reserves and deficit spending supported by historic trend analysis and forward projections based on current economic conditions. Include guidance for restoring balance should a threshold not be met, and for regular review of all cash balances and reserves.*

**RIVERSIDE COUNTY SHERIFF'S DEPARTMENT
GANG TASK FORCE
MEMORANDUM**

DATE: JANUARY 5, 2007

TO: ASST. SHERIFF PAT MCMANUS, CHIEF DEPUTY CRAIG KILDAY

FROM: CAPTAIN JIM DOMENOE

SUBJECT: GANG TASK FORCE UPDATE FOR BOARD OF SUPERVISORS

This memo provides information regarding the progress of the County-wide Gang Task Force. All of the information contained in this memo is accurate as of the date of the memo.

Agencies Represented

Federal: Bureau of Alcohol Tobacco and Firearms (ATF); Federal Bureau of Investigation (FBI); Housing and Urban Development, Office of Inspector General (HUD); US Department of Border Protection, Immigration and Naturalization Service (INS)

State: Department of Justice, Bureau of Narcotics Enforcement (BNE); State Parole; California Department of Corrections and Rehabilitation (CDCR)

County: District Attorney; Probation; Sheriff

Local (City): Banning; Cathedral City; Coachella; Corona; Desert Hot Springs; Hemet; Indio; La Quinta; Murrieta; Palm Desert; Palm Springs; Riverside; San Jacinto

Personnel Commitments

The following positions are committed to the task force and will be working in one of the task force regions.

Sheriff's Department: 1 Sheriff's Captain, 3 Sheriff's Sergeants, 7 Deputy Sheriffs, 2 Crime Analysts, 1 Office Assistant II

District Attorney: 2 Supervising DA Investigators, 8 DA Investigators, 3 DA IVs, 1 Crime Analyst

Probation: 1 Supervising Probation Officer, 1 Senior Probation Officer, 7 Deputy Probation Officers II, 1 Supervising Office Assistant I, 7 Office Assistant IIs. Currently, four of the office assistants have been assigned but Probation advises that the remainder should be in place within the next several weeks.

BNE: 2 Special Agent Supervisors.

Parole: 8 Parole Officers (They are currently working with the task for approximately five hours a week on an overtime basis)

ATF: 2 Special Agents

FBI: 1 Special Agent

HUD: 1 Special Agent

Banning Police Department: 2 Police Detectives

Cathedral City Police Department: 1 Police Officer

Coachella Police Department: 1 Police Officer

Corona Police Department: 1 Police Detective

Desert Hot Springs Police Department: 1 Police Officer

Hemet Police Department: 1 Police Sergeant, 1 Police Officer

Indio Police Department: 1 Police Officer

La Quinta Police Department: 1 Police Officer

Murrieta Police Department: 1 Police Officer

Palm Desert Police Department: 1 Police Officer

Palm Springs Police Department: 1 Police Officer

Riverside Police Department: 1 Police Sergeant

San Jacinto: 1 Police Officer

Task Force Team Status

Region 1, Coachella Valley – This team has been operational since July 2001. It was the task force that was used as the model for the Riverside County Gang Task Force.

Region 2, San Geronio Pass Area – This team has been operational since December 15, 2005. They are housed in a city-owned, off-site facility. It is staffed with Banning PD, BNE, DA, and within the next several days, Probation and Sheriff's personnel.

Region 3, Hemet/San Jacinto Valley Area – This team became operational in early April. The team is staffed with Hemet PD, Riverside County Sheriff, DA, Probation and San Jacinto PD personnel.

Region 4, Southwest Riverside County Area – This team became operational on April 5, 2006. The team is housed in the Murrieta Police Department building. It is staffed with Murrieta PD, INS, BNE, Sheriff, Probation, Parole, ATF and District Attorney personnel.

Region 5, Greater Lake Perris / Moreno Valley Area – This team became partially operational on December 7, 2006. The team is housed in an off-site Moreno Valley Police Department location. Due to a delay in installing computer equipment, personnel have not fully occupied their office. It is expected that they will be fully staffed and operational by February 2007.

Region 6, Perris / Mead Valley / Lake Elsinore Area – This team has been operational since August 1, 2006. The team is housed in the Lake Elsinore Sheriff's Station but will move to the newly constructed Perris Station when it is completed next year. It is staffed by personnel from the Sheriff, Probation and District Attorney.

Region 7, Northwest Riverside County Area – This team has been operational since August 2006. The team is housed at the Jurupa Valley Sheriff's Station. It is staffed by personnel from Riverside Police Department, Sheriff, Probation and District Attorney. A special agent from BNE is expected to join the team in the future.

Region 8, Greater Corona / Norco / Home Gardens Area – This team was operational and fully staffed in early May, 2006. It is housed in a city-owned building occupied by the Corona Police Department within the city of Corona. It will be staffed with Corona PD, Sheriff, DA, Probation, and Parole personnel.

Training

Training on a variety of topics is occurring on a regular basis. Several members of the task force attended a gang conference in mid-December. Operations planning and dynamic entry training was conducted in December at the Cahuilla Range in the Coachella Valley.

Summary

There has been significant activity occurring in the various regions. Below is a recap of activity for the calendar year 2006. While the numbers are impressive, the coming year should show an increase in enforcement activity since all of the teams will be active for the full year. We will also concentrate on refining some of our procedures in an effort to become more effective and efficient.

Calendar Year 2006 Statistics for all regions

857 arrests (549 felony, 308 misdemeanor)

Completed 1,495 gang identification cards

Completed 134 gang enhancement reports

Filed 312 criminal cases with the district attorney's office

Conducted 61 search warrants

Conducted 456 probation searches

Conducted 407 parole searches

Conducted 327 agency assists

Recovered 68 firearms

Conducted 55 gang presentations/training classes