

COUNTY OF RIVERSIDE

STATE OF CALIFORNIA



COUNTY EXECUTIVE OFFICER'S

FY 2007-08 MIDYEAR BUDGET REPORT

January 29, 2008

Presented by

Larry Parrish
County Executive Officer

3.62



Executive Office
County of Riverside

Larry Parrish
County Executive Officer

January 23, 2008

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 07/08 Midyear Budget Report

Board members:

To paraphrase Edward George Bulwer-Lytton: "It was a dark and stormy budget ..."

In the first-quarter report, I reported eroding revenue growth. The general forecast at the time centered on an estimated 8 percent increase in assessed value in FY 08/09. Since that report we have received several critical pieces of information that support the conclusion that the economy is worsening faster than expected. The Assessor expects \$7 billion – about 3 percent of all property value – in Proposition 8 reductions will be recorded. John Husing and the Assessor both now project 4 percent AV growth for next fiscal year. The Auditor-Controller projects a 33 percent drop in property tax supplemental revenue and a 10 percent drop in sales tax revenue, both this year. State budget woes pose a further threat to our now barely-structurally balanced budget, a threat we might not be able to assess fully until after the Board approves a budget for the coming fiscal year. We are cutting revenue estimates, but have identified enough new one-time revenue to cover current obligations this year. We are controlling costs to maintain structural balance.

Looking forward, the economic downturn that has plagued Southern California is causing similar concerns nationwide and the Federal Reserve is taking extraordinary steps to prevent a recession. I have modified the five-year budget plan to reflect declining expectations. I continue to recommend prudence and caution in budget planning, in part because long-term projections are so discouraging. Cuts are needed in the FY 08/09 proposed budget and we should reduce general funds allocations (NCC) by 5 percent for FY 08/09 in order to protect current high-priority obligations.

This midyear budget report updates our current financial condition, recommends needed adjustments and provides an updated perspective on the FY 08/09 budget. Updated budget directives are included in this report as Attachment C. The FY 08/09 budget is scheduled to

FISCAL PROCEDURES APPROVED
ROBERT E. BYRD, AUDITOR-CONTROLLER

BY Susana Garcia-Bocanegra 1/23/08
SUSANA GARCIA-BOCANEGRA

be presented June 2. Budget hearings will be conducted June 2 and 3, with final budget adoption scheduled for June 24.

We should maintain fiscal discipline by controlling costs of government operations, continuing limited investment in long-term capital assets and sequestering funds to staff and operate the expanding jail system.

The effects of recent and recommended activity on contingency follow:

\$ Millions

31.7	First-quarter ending balance
(1.7)	Second-quarter activity
<u>5.4</u>	Aggregate of actions recommended in this report
35.4	Interim balance

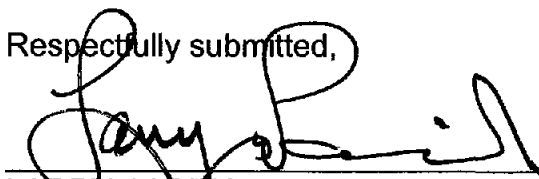
Prospective costs totaling \$4.6 million are summarized on page 11. These contingent costs represent Board commitments and departmental shortfalls that have been identified, though amounts are not definite. Additional revenue should be allocated to contingency as it becomes available to address these potential impacts.

Other attachments:

ATTACHMENT A Recommended budget adjustment summary
ATTACHMENT B Resolution 440-8767 authorizing new positions
ATTACHMENT C Budget policy and schedule
ATTACHMENT D Economic report from John Husing, Economics & Politics, Inc.
ATTACHMENT E Human Resources recruitment and vacancy report
ATTACHMENT F Internal audit plan update
ATTACHMENT G County Growth Analysis
ATTACHMENT H Probation – request to exceed 1000 temp hours

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 440-8767 authorizing new positions, 4) receive and file Attachments C, D, E, F, G, and H, and 5) suspend the budget savings retention policy (BSRP) beginning July 1, 2008.

Respectfully submitted,



LARRY PARRISH
County Executive Officer

**COUNTY OF RIVERSIDE
EXECUTIVE OFFICE
FY 07/08
MIDYEAR
TABLE OF CONTENTS**

A. COUNTY ECONOMIC OUTLOOK.....	1
B. FY 07/08 BUDGET OUTLOOK.....	1
1. MIDYEAR HIGHLIGHTS	1
2. GENERAL FUND MULTIPLE-YEAR PROJECTION	3
C. BOND RATINGS AND BENCHMARKS	6
D. SECOND-QUARTER ACTIVITY	6
1. INTEREST RATES AND POOL PERFORMANCE	6
2. QUARTERLY DISCRETIONARY REVENUE UPDATE	7
3. BOARD DESIGNATIONS	9
4. APPROPRIATIONS FOR CONTINGENCY.....	10
E. STATE BUDGET UPDATE.....	11
F. FY 07/08 DEPARTMENTAL STATUS.....	12
1. INTERDEPARTMENTAL	12
2. GENERAL GOVERNMENT.....	14
3. PUBLIC PROTECTION	18
4. PUBLIC WAYS AND FACILITIES.....	27
5. HEALTH AND SANITATION.....	29
6. PUBLIC ASSISTANCE	31
7. EDUCATION, RECREATION, AND CULTURE	33
8. ENTERPRISE FUNDS.....	34
9. INTERNAL SERVICE FUNDS.....	34
10. SPECIAL DISTRICTS	36
ATTACHMENT A: RECOMMENDATION SUMMARY.....	A-1
ATTACHMENT B: RESOLUTION 440-8767.....	B-1
ATTACHMENT C: FY 08/09 BUDGET POLICY AND SCHEDULE.....	C-1
ATTACHMENT D: JOHN HUSING'S ECONOMIC FORECAST.....	D-1
ATTACHMENT E: HR'S RECRUITMENT AND VACANCY REPORT	E-1
ATTACHMENT F: INTERNAL AUDIT PLAN UPDATE	F-1
ATTACHMENT G: COUNTY GROWTH ANALYSIS	G-1
ATTACHMENT H: PROBATION - TEMP HOURS OVER 1,000.....	H-1

A. COUNTY ECONOMIC OUTLOOK

Attached are reports from Economics & Politics, Inc. by John Husing. The reports project declines in discretionary revenue. The housing slump's effect on our local economy is worsening and it appears that the negative economic trends are gaining momentum. Mr. Husing anticipates that assessed values in FY 08/09 will increase only 4 percent, half our prior projection. DMV license fees should increase about 4 percent as well. Even with one-time reimbursements, sales tax revenue this year will be \$2.7 million under budget – 16 percent under our prior projection – and will continue to decline in FY 08/09.

Housing-market declines are deeper than many experts forecasted. The construction slowdown grows more extensive as foreclosures and a tighter credit market pull down median home prices. Tax delinquencies also are increasing.

We must consider these conditions in our long-range budget planning. The first-quarter budget report noted that assessed-valuation projections would decline and depicted that economic slowdown in a five-year outlook. Based on worsening economic data, we now expect that assessed valuation will increase 4 percent for FY 08/09 rather than the 8 percent previously predicted. The decline's length and severity are more difficult to predict, however we also have adjusted the multi-year projection downward. We continue to recommend prudence and caution in budget planning. Our budget planning strategy for FY 08/09 is to control costs by reducing general fund allocations (NCC) by 5 percent in order to retain structural balance despite deteriorating revenue. We expect that county departments will adjust their spending accordingly and keep their rates up to date in order to mitigate the impact as much as possible.

B. FY 07/08 BUDGET OUTLOOK

1. MIDYEAR HIGHLIGHTS

The Assessor's Office continues to report a decline in home sales and new construction. Sliding market values mirror the state and national real estate picture. The office anticipates 76,000 transfers for tax year 08/09 compared to 110,000 the previous year. New construction activity is down about 20 percent from last year. Declining market values will lead to more reductions in assessed value, as required by Prop. 8. Properties sold between January 2006 and December 2007 are the most likely to be adjusted. The increasing Prop. 8 reassessments, along with declines in sales and new construction, will seriously affect the FY 08/09 tax roll.

The Recorder's Office also continues to see reductions in recordings. Document recordings for calendar 2007 decreased 19.2 percent compared to last year. Document recordings in FY 07/08 fell 27.8 percent compared to FY 06/07. With fewer documents being recorded, the County Clerk-Recorder now projects that revenue from recording fees will not meet budget expectations. Due to this decrease, the Recorder's Office recommends reducing budgeted documentary transfer-tax revenue from \$16 to \$14 million. A \$2 million budget adjustment has been incorporated into the body of this report.

Permit volume in the Building and Safety department continues to decrease. During the first six months of FY 07/08, permit volume was down 41 percent compared to the same period in

FY 06/07. Applications in the Planning Department have fallen 23 percent during the same period. Volume for counter services has dropped 20 percent in Riverside, South County, and the desert permit assistance centers. Developers also have asked the Transportation Department not to sell bonds for some road projects, another symptom of the slowdown. The Transportation and Land Management Agency (TLMA), with help from the Human Resources Department, is working to reduce effects of the downturn by reassigning staff and keeping certain positions vacant. TLMA also is working with the Building Industry Association to address the group's concerns about fees and case-review procedures. TLMA will continue to monitor permit activity and report back to the Board in the third-quarter report.

The Treasurer-Tax Collector reports that the Federal Reserve has responded to a slowing U.S. economy by cutting the Fed Funds rate a total of 100 basis points (bps.) this fiscal year, and then took a bold step of another 75 bps. reduction on January 22nd. The Treasurer anticipates further cuts of at least 50 bps. at the Federal Open Market Committee's January 30th meeting. Additional cuts for the remainder of the year could come on the heels of a federal fiscal stimulus package designed to mitigate the further risks of falling into recession.

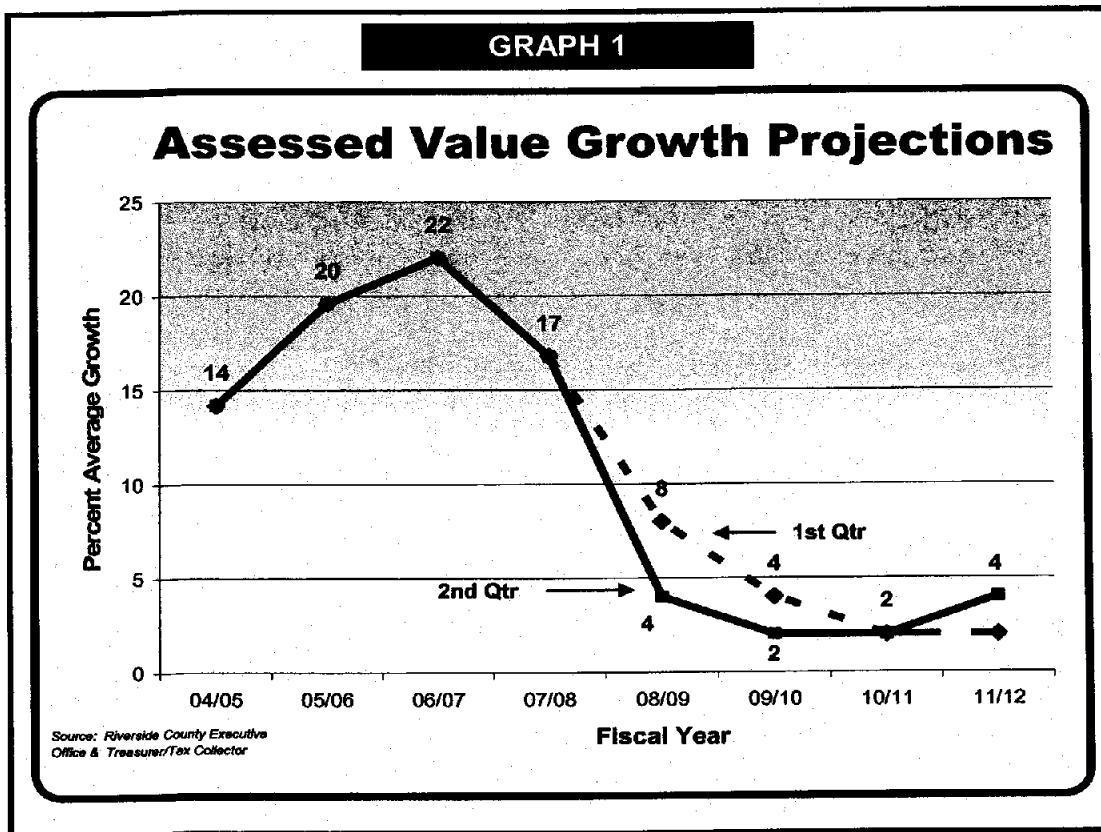
The Treasurer-Tax Collector also reports that interest earnings will meet target for the year and that in fact we can make a slight upward adjustment. The repercussions of the housing sector meltdown currently roiling the financial markets have caused a flight to quality in U.S. Treasury and agency securities, thus reducing Pool yield. Projected earnings do include additional rate cuts; however, if the Federal Reserve cuts beyond forecasts or cash balances are reduced due to delayed payments the county receives from the State of California, earnings could fall below the projected amount. The Treasurer and Executive Office are coordinating closely and will recommend budget adjustments if necessary. In light of the uncertainties of the current and future U.S. economic outlook, the continuing volatility in the financial markets, and the reverberating effects on state and local government revenues, the Treasurer-Tax Collector will remain cautious in his forthcoming FY 08/09 interest earnings forecast.

At this juncture, property tax receipts to date are in line with the previous year. However, the growing rate of foreclosures countywide might show up in our year-end delinquency rate. The Treasurer-Tax Collector believes the revised downward outlook for FY 08/09 property tax revenue – to 4 percent growth – is prudent and essential.

The Executive Office recommends distribution of the FY 06/07 budget saving retention (BSRP) funds, noting that the policy was modified in this year's first-quarter report. Departments with capital projects will first apply BSRP funds to capital-project expenses. Given the economic downturn, we recommend that BSRP be suspended next fiscal year.

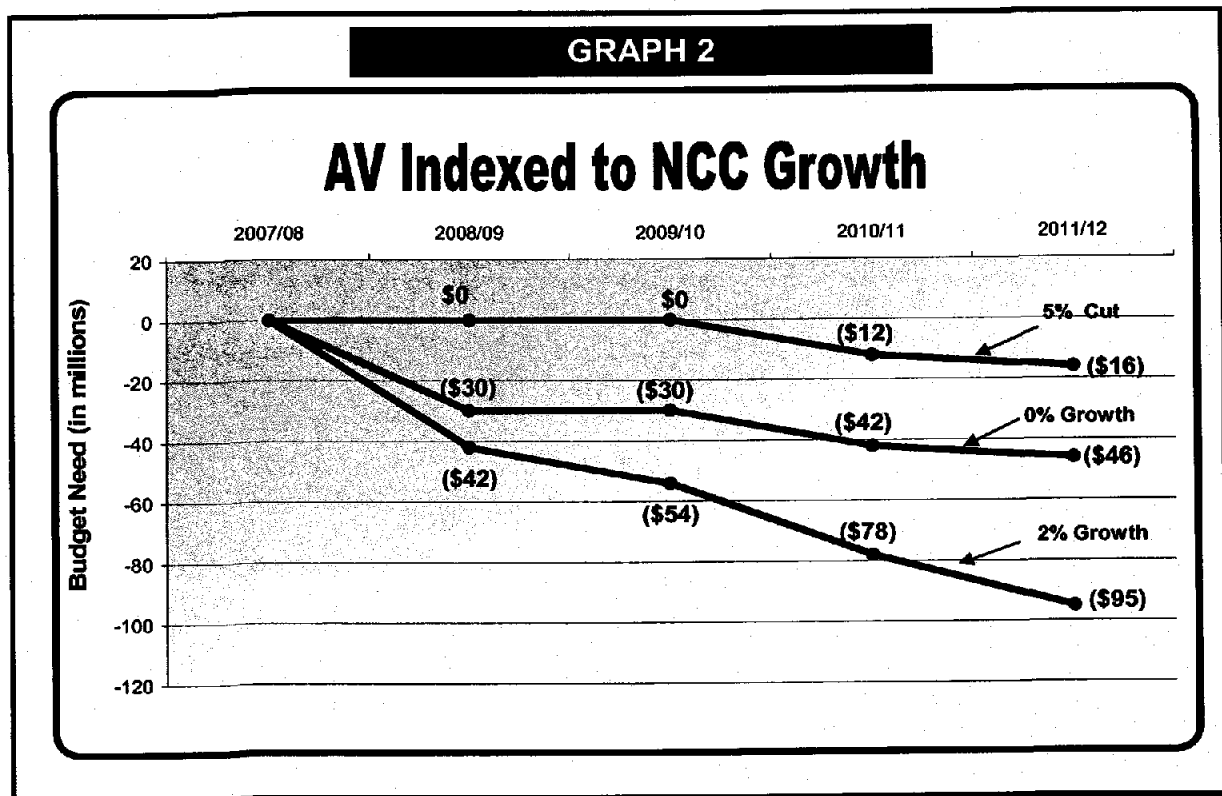
2. GENERAL FUND MULTIPLE-YEAR PROJECTION

In the first-quarter report, the Executive Office provided a model that projected revenue as part of a long-range budget plan. The model balanced Board priorities such as developing and staffing expanded jail facilities, maintaining strong public-safety services, and managing growth in other important county services. That model assumed that out-year property tax revenue would grow at about 8 percent and fall to 4 percent in FY 09/10 and 2 percent a year in FY 10/11 and 11/12 (note the dashed-line in Graph 1). New data from the Assessor suggests that property reassessments under Prop. 8 will likely exceed \$7 billion, which will drive growth in assessed value down to about 4 percent in FY 08/09.



The downturn's severity and length are difficult to predict. In the absence of hard data, we still project that assessed value will grow about 2 percent a year in FY 10/11 and 4 percent in 11/12. Graph 1, above, reflects current historical growth trends and future estimated increases in assessed property values within the county.

Graph 2, depicts revised general-fund cost projections at three levels of county growth. In each scenario, cost increases for known Board priorities were included. Miscellaneous net-county-cost (NCC) was modeled to shrink 5 percent, remain the same or grow at 2 percent. If these revenue projections hold true, the only way to avoid significant deficits is to cut NCC. The five percent reduction model presents manageable deficit potential in the out years.



The multi-year projection, displayed below, incorporates minimal growth in discretionary revenue and the 5 percent recommended cut in net county costs. As mentioned earlier, certain existing Board commitments are included and funded. These commitments include already approved staffing for the District Attorney, Code Enforcement, Sheriff's patrol and corrections, as well as public safety cost-of-living adjustments and capital-project funding. The projection reflects some increases to general-fund reserves in order to maintain Board-approved contingency and economic uncertainty targets; however, overall, reserve balances will be drawn down to fund capital projects, particularly the jail expansions and 800 MHz upgrade.

General Fund Multiple-year Projection (in millions)

5% NCC Cut in FY08/09	FINAL	PROJECTED ACTUAL				
	BUDGET					
	07/08	07/08	08/09	09/10	10/11	11/12
<u>RESOURCES:</u>						
Adjusted fund balance	33	33	30	30	30	31
Ongoing revenue (4/2/2/4 growth)	736	736	736	749	763	790
Use of reserves (to balance budget)	0	0	0	0	0	0
Misc. one-time revenue	0	3	0	0	0	0
	770	773	766	779	793	821
<u>APPROPRIATIONS:</u>						
Misc. ongoing NCC (0% growth)	597	597	567	567	567	567
Justice system maint. of effort	0	2	15	15	15	15
Misc. one-time costs	0	0	10	0	0	0
Contingency	32	30	30	30	31	32
Jail staffing set-aside	15	15	30	20	35	50
Smith Correctional Facility	11	11	12	37	38	39
Public safety COLA's	19	19	25	31	37	43
800 MHz debt service	0	3	5	5	5	12
Sheriff 1.2 staffing	19	19	20	21	22	23
Capital project funding	30	30	25	25	25	25
Hospital subsidy	14	14	14	14	14	14
Code Enforcement staffing	11	11	13	14	14	15
Added to reserves	22	22	0	0	2	2
	770	773	766	779	805	837
Available for budget needs	0	0	(0)	0	(12)	(16)
<u>NOTATIONS:</u>						
All discretionary reserves	363	363	303	273	275	277

Assumptions:

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

C. BOND RATINGS AND BENCHMARKS

The county's issuer ratings are now at AA (high quality) levels: Moody's (Aa3), S&P (AA) and Fitch (AA). This validates the budget benchmarks and financial controls we created and our adherence to those controls.

County officials recently presented a report in New York detailing our fiscal strategies for rating agencies and banks. The report was well received and confirmed that, to maintain high ratings, we must pay close attention to fundamentals: structurally balanced budgets, conservative growth, investment in long-term assets, investment in efficiency, and retrenchment of reserves.

Our financial condition remains sound and we are maintaining reserves at benchmark levels. Although we maintain substantial reserves in the construction and land-banking account, we have planned drawdowns this year and next.

Riverside County's Budget Health Benchmarks

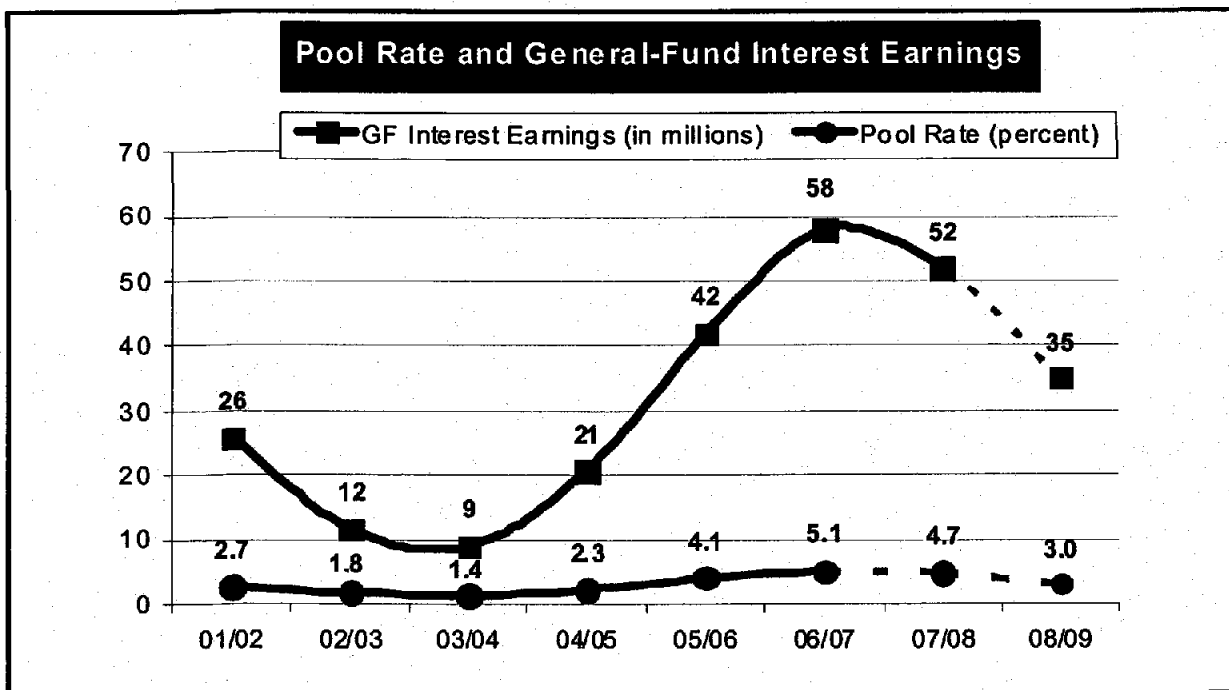
	Target	02/03	03/04	04/05	05/06	06/07	Now
Reserve for Economic Uncertainty	15%	8%	10%	3%	20%	15%	15%
Contingency	4%	6%	3%	4%	4%	5%	4%
Structural Deficit	<1%	0%	3%	6%	1%	0%	0%
General Obligation Rating	AA+	AA-	AA-	AA-	AA-	AA-	AA

	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-

D. SECOND-QUARTER ACTIVITY

1. INTEREST RATES AND POOL PERFORMANCE

We can increase our anticipated general-fund pool earnings from \$50.4 million to \$52 million at this time. However, Wall Street expects the Fed to further cut interest rates. Given the cumulative cuts over the last year and the expected deterioration of pool balances due to drawdowns as well as potential delayed payments from the state, our preliminary FY 08/09 interest revenue estimate is \$35 million, a one-year drop of \$17 million. The following graph illustrates the relationship between the pool rate and interest revenue earnings, and depicts the fall in interest earnings expected next fiscal year.



2. QUARTERLY DISCRETIONARY REVENUE UPDATE

At the end of the second quarter, several revenue estimates need adjusting. Shortfalls are expected in property taxes (\$7.8 million), sales taxes (\$2.7 million) and document transfer taxes (\$2 million). While safety sales tax is not considered a discretionary revenue, it is a dedicated funding source for many public-safety departments. Updated projections indicate safety sales tax (Prop 172) will come in between \$8 to \$12 million under target. The total effect is an expected general-fund revenue loss of about \$24.5 million.

Two discretionary revenue sources slightly offset these losses: VLF license fees and interest. Vehicle license fees are expected to increase by \$2 million. Interest revenue will increase by \$1.6 million. To bridge the remaining revenue gap, other funding sources were investigated. One appropriate reoccurring source is the Teeter loss reserve fund. This fund captures penalties and interest paid on delinquent taxes, which have been rising. Funds over a certain threshold – set by law – are annually at the board's discretion to spend. We refer to this highly cyclical resource as Teeter overflow funds. Traditionally, this revenue has been budgeted at \$10 million, but given recent trends, a conservative \$15 million will be incorporated into future budgets. The estimated Teeter overflow for FY 07/08 will be about \$31 million, \$21 more than currently estimated.

The net effect of all revenue changes is a \$12.1 million increase. We recommend that safety sales tax revenue estimates remain untouched and monitored until they can be more accurately estimated. It is recommended that the \$12.1 million in excess discretionary revenue be reserved in the Proposition 172 designation, to be allocated at years end, when actual safety sales tax figures will be known.

The Executive Office, Assessor, Treasurer and the Auditor-Controller will monitor these revenues and update the Board in the third-quarter report. Additional budget adjustments

may be recommended if current trends accelerate and further degrade revenue. The following chart summarizes total discretionary revenue for FY 07/08 but does not reflect expected losses tied to safety sales tax.

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

Increase estimated revenues:

10000-1100100000-700040	Teeter overflow	\$21,000,000
10000-1300100000-700020	Prop. tax – current secured	3,742,000
10000-1300100000-750200	CA – motor vehicle license fees	2,000,000
10000-1400100000-740020	Interest – invested funds	<u>1,600,000</u>
	Total	\$28,342,000

Decrease estimated revenue:

10000-1200200000-712000	Documentary transfer tax	\$2,000,000
10000-1300100000-710020	Sales and use tax	2,680,000
10000-1300100000-704000	Prop tax – current supplemental	9,500,000
10000-1300100000-781000	Prop tax – contractual revenue	<u>2,000,000</u>
	Total	\$16,180,000

Increase designations:

10000-1100100000-320134	DFB – Prop 172	\$12,162,000
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Summary of FY 07/08 General-Fund Discretionary Revenue (in millions)			
Source	Current Budget Estimate	Midyear Update	Variance from Budget
Property Taxes	355.8	348.0	(7.8)
Motor Vehicle In Lieu	216.6	218.6	2.0
Interest	50.4	52.0	1.6
Sales Tax *	42.7	40.0	(2.7)
Fines and Penalties	29.4	29.4	0.0
Documentary Transfer Tax	16.0	14.0	(2.0)
Tax Loss Reserve Fund-Overflow	10.0	31.0	21.0
Franchise Tax	6.4	6.4	0.0
Other (Prior Year & Miscellaneous)	3.3	3.3	0.0
Federal In-Lieu Taxes	1.8	1.8	0.0
Tipping Fees	1.6	1.6	0.0
Transient Occupancy Tax	1.5	1.5	0.0
TOTALS	735.5	747.6	12.1
* Does not include public safety sales tax revenue			

3. BOARD DESIGNATIONS

Assuming that recommendations in this report are approved, the following chart lists the \$332.8 million in general funds designated by the Board and invested in the county pool. About \$139 million is earmarked for specific needs and \$110.3 million remains set aside to protect against looming adverse state budget actions and economic downturns.

The remaining \$83.5 million is being held for capital construction projects and land banking. The chart does not reflect the \$271 million in net proceeds received from tobacco securitization, which is in a separate fund. Recent large withdrawals from the land banking and construction designation included the purchase of Riverside Centre (\$60 million), jail safety projects (\$2 million) and land in the Perris Valley (\$9 million). Recommended in this report is the withdrawal of \$15 million for this year's cost of the Smith Correctional Facility expansion. Other land-banking opportunities are under review and might come to the Board for consideration during the year. The \$83.5 million in this fund will continue to be drawn down. Another \$50-55 million will be needed to complete the Smith expansion.

The DPSS realignment designation is being drawn upon to fund increased costs in In-Home Supportive Services (\$1.3 million) and the foster-care program (\$706,570). More information on these recommended transactions is available in the Public Assistance section starting on page 31.

The Board approved many worthy programs during budget hearings. Funding for approved programs was deferred in order to give departments time to incorporate program enhancements into current budgets. Departments that have confirmed their need for additional appropriations are requesting funds from either the capital project designation or the budget allowance designation, as earmarked in the final budget.

As previously noted, it is recommended that the \$10 million BSRP budget retention designation be released and directed to three sources: 1) departments that are eligible for BSRP funds and make justified requests, 2) the capital improvement fund for departments with capital projects, and 3) contingency. Departmental requests for BSRP funds (\$1.2 million) are incorporated into this report. In accordance with the newly-amended BSRP policy, about \$3 million in BSRP funds will be placed in the capital improvement project fund for departments with CIP projects. The remaining \$5.8 million will be placed into contingency to cover current and potential general-fund liabilities. BSRP funds were directed to the CIP fund for Human Resources (\$318,049), Public Defender (\$1.9 million), Agricultural Commissioner (\$162,916), Code Enforcement (\$231,945) and Animal Services (\$313,356).

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

Increase appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$5,855,115
10000-1101000000-551000	Operating transfer out	<u>3,004,619</u>
	Total	\$8,859,734
Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$8,859,734

Increase appropriations:

30700-1104200000-536780

Interfund expense – capital projects

\$3,004,619

Increase estimated revenue:

30700-1104200000-790500

Operating transfer in

\$3,004,619

Board Designations (in millions)

	Midyear Balance	Adjustments Recommended	Balance Upon Approval	Variance from Original Budget
Capital projects	99.5	(16.0)	83.5	(38.3)
Economic uncertainty	110.3	0.0	110.3	0.0
PSEC - 800 MHz	34.6	(1.0)	33.6	(1.0)
DPSS - Realignment growth	26.9	(2.0)	24.9	4.9
Correctional Staffing	15.0	0.0	15.0	0.0
Prop 172 - safety sales tax	0.0	12.2	12.2	12.2
BSRP - Budget retention	10.0	(10.0)	0.0	0.0
SB90 deferred state revenue	10.0	0.0	10.0	0.0
OPEB - Post employ. benefits	5.0	0.0	5.0	(5.0)
Property-tax system	8.8	0.0	8.8	1.5
DPSS - CalWorks Incentive	13.0	0.0	13.0	4.5
Budget allowances	16.9	(5.6)	11.3	(5.6)
Community improvement	4.0	0.0	4.0	(2.0)
CAC maintenance	1.2	0.0	1.2	0.0
TOTAL	355.2	(22.4)	332.8	(28.8)

4. APPROPRIATIONS FOR CONTINGENCY

The Board-approved contingency target is 4 percent of discretionary revenue. Current-year, ongoing, general-fund discretionary revenue is now estimated at \$731.6 million. That equates to a contingency target of \$29.3 million. As estimates are adjusted, the target will adjust accordingly.

At the beginning of this fiscal year, contingency was purposely overfunded to meet stated Board obligations. These commitments, along with newly identified departmental shortfalls, are reflected in the following contingency chart. If all of these contingencies come to fruition, contingency funding will be at the Board-approved target. Unused funds from the BSRP designation (\$5.8 million) are recommended to go into contingency. These funds will sustain the Board's approved target level and allow departments authorized to receive BSRP funds additional time to formulate and justify their requests.

FY 07/08 USE OF CONTINGENCY

	Cost	Adjust.	Revenue Adjust	Total	Adjust.	Contingency Status
First-quarter ending balance:						\$31,700,729
Second-quarter adjustments:						
Item 3.11 on 10/2/07 ACO cash over/short		\$375	\$0	(\$375)		\$31,700,354
Item 3.52 on 10/30/07 Registrar of Voters		\$1,411,500	\$0	(\$1,411,500)		\$30,288,854
Item 3.52 on 10/30/07 Community Based Org.		\$6,800	\$0	(\$6,800)		\$30,282,054
Item 3.52 on 10/30/07 Community Action Part.		\$200,000	\$0	(\$200,000)		\$30,082,054
Item 3.31 on 11/06/07 Fire relief effort		\$50,000	\$0	(\$50,000)		\$30,032,054
Recommended actions (in this report) affecting contingency:						
Probation (page 21)		\$397,348	\$0	(\$397,348)		\$29,634,706
Sheriff - LA Sheriff reimbursement (page 27)		\$59,007	\$0	(\$59,007)		\$29,575,699
Unutilized BSRP funds (page 9)		\$0	\$5,855,115	\$5,855,115		\$35,430,814
Contingency balance upon approval of this report =						\$35,430,814
Pending actions that might affect contingency:						
Animal Control Services staffing (page 18)		\$950,000		(\$950,000)		\$34,480,814
Indigent Defense (page 20)		\$750,000		(\$750,000)		\$33,730,814
Probation (page 21)		\$542,000		(\$542,000)		\$33,188,814
Detention Health - RCRMC (page 30)		\$639,000		(\$639,000)		\$32,549,814
MISP - RCRMC (page 31)		\$100,000		(\$100,000)		\$32,449,814
Mental Health - Detention (page 31)		\$1,200,000		(\$1,200,000)		\$31,249,814
In Home Supportive Services (page 32)		\$422,000		(\$422,000)		\$30,827,814
Projected year-ending contingency =						\$30,827,814
Contingency target (4% of Disc. Rev) =						\$29,264,000

E. STATE BUDGET UPDATE

Governor Schwarzenegger recently introduced his FY 08/09 budget, which will undoubtedly undergo significant revision before it is adopted. The budget proposes allocations of \$101 billion, down \$2.4 billion from the current fiscal year. The projected deficit is \$14.5 billion, which the governor plans to close with a variety of harsh measures, including current-year cuts. The state would reduce spending, delay repayments on current bonds and sell the remaining deficit-reduction bonds authorized by Prop. 58.

The proposal does not anticipate suspending either Prop. 1A or Prop. 42. While not suspending Prop. 98, the governor would take back \$400 million of the \$1.5 billion by which he contends is oversubscribed in the current year. In addition, he has called for 10 percent across-the-board reductions in all state and local programs. He also called for the release of thousands of nonviolent offenders from state prisons and vowed to begin construction immediately on local community transitional facilities.

Finally, to improve the state's cash flow, local governments, especially counties, can expect delayed payments in health and human-service programs, slating first-quarter payments for September rather than July and August of 2008. This will work against the county's cash flow. Affected county departments and the Treasurer will be forced to adjust operations. There will also be an interest revenue loss, probably in excess of \$1 million.

F. FY 07/08 DEPARTMENTAL STATUS

1. INTERDEPARTMENTAL

a) 800 MHz Upgrade

The site selection team, consisting of Sheriff, Fire, RCIT Engineering, PSEC Engineering and Facilities Management, has selected a total of 70 land sites, including 12 sites on federal land. Site numbers might fall or rise, depending on how well coverage objectives are met. Facilities Management has initiated the detailed environmental impact (CEQA) study. Soon after this study is complete – as early as June – acquisition and construction can begin.

Expenses for the CEQA study will be realized this year, so it is appropriate to make a budget adjustment at this time. Site acquisition should begin in July, so these costs will be included in the FY 08/09 budget. Funding was previously identified to come from the Board's general fund designation for 800 MHz. The recommended motion moves money from the designation into the capital project budget that will make the payments anticipated for this year.

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

Increase appropriataions:

10000-1101000000-551000	Operating transfers out	\$1,000,000
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Decrease designations:

10000-1100100000-320148	DFB – PSEC 800 MHz	\$1,000,000
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Increase appropriataions:

30700-1103800000-536780	Interfund expense – capital projects	\$1,000,000
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Increase estimated revenue:

30700-1103800000-790500	Operating transfer in	\$1,000,000
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b) Capital Improvement Projects (CIP)

The capital improvement program (CIP) team's sixth annual call for projects is complete. The annual call identifies public facilities that may be included in the new development impact fee program (DIF). This list and the associated fees will replace the current needs list and fees, which will expire on Dec. 31, 2009. More than 90 new projects were submitted, totaling \$409 million. New funding requests total \$200 million. Since the last call, 29 projects have been completed. There are currently 80 projects underway, 40 of which are moving forward. Unfunded projects total \$2.4 billion. The economic downturn and resulting impacts on CIP projects will be discussed in detail in a budget workshop in May. Recommendations for

projects for the new DIF program's public-facilities needs list will be included as part of the workshop.

c) Development of options for the downtown law building

After considering Item 3.22 on the Nov. 27, 2007 agenda (downtown law building-schematic design), the Board referred the matter to committee. A meeting was held Dec. 13, 2007 to review options for the downtown law building. Attendees included two Board members, the District Attorney, the Sheriff and representatives from other interested county departments. At the close of the meeting, county staff was directed to continue negotiations on a private-building option in the downtown area. The District Attorney's Office also was asked to develop options for resizing a county-built downtown law building.

County staff has since received an offer from the principals of the private building covering terms for lease, lease-purchase and purchase options. Either purchase option would present a significant savings to the county and supply a Class A high-rise facility. That building would be available for occupancy Nov. 1, 2009. Negotiations are continuing; however, time is of the essence.

Staff from the offices of the District Attorney, Facilities Management and the Executive Office met Jan. 15, 2008 to consider the District Attorney's recommendations for resizing the law building. Their work is continuing and should be concluded in early February.

Escrow has closed on the county's purchase of The Riverside Centre, which is available for reprogramming immediately.

These options will be returned promptly to the Board committee for return to the Board of Supervisors for action no later than February 26, 2008.

d) Development Impact Fee Program

On March 28, 2006, the Board awarded a construction contract to ASR Constructors for the Perris Sheriff's station and Family Care Clinic. The project included a fueling and car wash facility, which Sheriff's patrol vehicles and other county vehicles will use. The Sheriff's station is identified on the DIF public-facilities needs list. DIF funds are needed to complete this project.

Recommended Motion: that the Board of Supervisors authorize up to \$1,500,000 of development impact fees from the western public facilities fund (30545) for costs associated with the Perris Sheriff's station and direct the Executive Office to transfer those funds from the DIF western public facilities fund to Facilities Management as needed, pursuant to contracts and billings received for the station.

e) Smith Correctional Expansion

On February 5, 2008, Facilities Management will bring to the Board a recommended construction contract for the 582-bed expansion at the Smith Correctional Facility. Construction is scheduled to begin immediately and be completed in the summer of 2009. Funding was previously identified to come from the general fund designation for capital

projects. The recommended motion moves money from the designation into the capital project budget that will make payments anticipated for this year.

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

Increase appropriations:		
10000-1101000000-551000	Operating transfers out	\$15,000,000
Decrease designations:		
10000-1100100000-320109	DFB – capital projects	\$15,000,000
Increase appropriations:		
30700-1104200000-536780	Interfund expense – capital projects	\$15,000,000
Increase estimated revenue:		
30700-1104200000-790500	Operating transfer in	\$15,000,000

2. GENERAL GOVERNMENT

a) Auditor Controller

Budget adjustments for staffing and equipment that the Board authorized during the budget process were postponed in order to determine if their current budget could absorb some of the costs. Cost-of-living allowances, parity adjustments and stagnant revenue have made it impossible to absorb additional costs this fiscal-year. Budget adjustments are requested to allocate the resources necessary to cover previously authorized enhancements.

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

Increase appropriations:		
10000-1300100000-527840	Training	\$30,139
10000-1300100000-546080	Equipment – computer	70,000
10000-1300100000-546140	Equipment – office	<u>19,500</u>
	Total	\$119,639
Decrease designations:		
10000-1100100000-320109	DFB – capital projects	\$104,060
10000-1100100000-320149	DFB – staffing growth	<u>15,579</u>
	Total	\$119,639

b) Auditor Controller – Internal Audits Unit

The Board authorized three additional auditors during budget hearings. Funding was postponed to determine if their current budget could absorb some of the costs. Current fiscal conditions will not allow the absorption. Budget adjustments are therefore requested to cover the staff costs.

The Board has directed the Executive Office to report on the status of the work plan in the Auditor-Controller's internal audits unit. A status summary follows:

Reports issued = 5	Reports in process = 10	Audits in process = 13
Audits scheduled = 32	Audits not yet scheduled = 14	Audits cancelled = 2

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

Increase appropriations:		
10000-1300200000-510040	Regular salaries	\$172,503
10000-1300200000-518100	Budgeted benefits	<u>92,886</u>
	Total	\$265,389
Decrease designations:		
10000-1100100000-320149	DFB – staffing growth	\$265,389

c) Board of Supervisors & Assessment Appeals

Under Board Policy A-36, the budget savings retention plan, general-fund departments that returned general funds in FY 06/07 are conditionally entitled to use a portion of the savings this fiscal year. Both the Board/Clerk of the Board and Assessment Appeals departments qualify for funding under this policy; and each has identified critical needs that can be satisfied with one-time purchases.

Recommended Motion: that the Board of Supervisors approve the purchase of two copiers, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

Increase appropriations:		
10000-1000100000-546140	Equipment – office	\$50,000
10000-1000200000-546140	Equipment – office	<u>20,000</u>
	Total	\$70,000
Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$70,000

d) Desert Expocentre

Fair and National Date Festival

The department requests a budget adjustment to reflect increased utilities rates. Revenue from increased fair sponsorships, additional interim events and additional state funding will offset the increased costs.

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

Increase appropriations:		
22200-1920100000-529540	Utilities	\$125,000

Increase estimated revenue:		
22200-1920100000-741160	Fair sponsorship	\$20,000
22200-1920100000-741320	Misc event charges	21,000
22200-1920100000-752600	CA – fairs	65,000
22200-1920100000-781120	Rebates and refunds	4,000
22200-1920100000-790600	Contribution from other county funds	<u>15,000</u>
	Total	\$125,000

e) Executive Office

The department requests permission to use \$105,000 in funds allocated through BSRP to offset final compensation costs associated with the recent retirement of a high ranking county official.

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

Increase appropriations:		
10000-1100100000-518100	Budgeted benefits	\$105,000

Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$105,000

f) Facilities Management

Custodial Services

The department requests authorization to purchase two Chariot Carpet Autoscrubbers at a total cost of \$22,846. Sufficient appropriations are available for this purchase.

Recommended Motion: that the Board of Supervisors approve the purchase of two Chariot Carpet Autoscrubbers.

Maintenance

The department assumed responsibility for maintaining a conference room at 41-199 Monroe Street in Indio that is used by county departments and the local community. In an effort to increase usefulness of the conference room, the department requests authorization to purchase a video conference system at a cost of \$33,056. Sufficient appropriations are available for this purchase.

Recommended Motion: that the Board of Supervisors approve the purchase of a video conference system.

Real Estate

The department was allowed several budget adjustments for lease and utilities payments and the collection of management fees. The approved budget adjustments did not include offsetting entries, causing the budget adjustments to be out of balance. The department requests a technical budget adjustment to correct the entries and reinstate its true authorized net-county-cost target.

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

Increase appropriations:		
10000-7200400000-526700	Rent – lease buildings	\$84,377
Expected offset:		
10000-7200400000-325100	Unreserved fund balance	\$84,377

Parking

The FY 07/08 budget was developed based on parking-rate increases that were anticipated in July 2007 but that still require Board approval. County Counsel is reviewing the package, which should be submitted to the Board soon. The department proposes modifying rates commensurate with the city parking structure market and cost recovery, pursuant to Board Policy B-4. Facilities Management anticipates that not having the outdated rates in place during the first half of FY 07/08 will cause a budget shortfall. The department has instituted plans to cut costs while maintaining staffing levels and will continue monitoring the situation. The third-quarter report will include an update.

Capital Projects

Facilities Management proposes reprogramming the following deferred-maintenance projects as a result of project completion or scope changes.

Recommended Motion: that the Board of Supervisors approve the proposed reprogramming of deferred maintenance projects as follows:

DEFERRED MAINTENANCE REPROGRAMMING

The following projects have been completed or had a scope change:

<u>Building #</u>	<u>Project Description</u>	<u>Budget</u>
933	County Farm Van Horn Youth Center – Repl HVAC	(\$500,000)
916	Riverside Juvenile Courts - HVAC upgrade	(50,000)
602	Hemet CAC - HVAC upgrade	(200,000)
905	Riverside CAC - Replace cooling towers (tower side)	(250,000)
602	Hemet CAC – Fire protection system for bldgs B/C	(250,000)
971	Juvenile Probation – Fire protection system	(350,000)
701	Indio CAC – Parking lot reconfiguration/sidewalk rep	(150,000)
Various	Emergency deferred fund	(35,000)
Various	Underground storage tank	(200,000)
Various	Americans with Disabilities Act	(100,000)
905	Riverside CAC - Tower window cleaning	(175,000)
924	Juvenile Probation – Parking lot repairs	(100,000)
905	Riverside CAC – Parking lot repairs	(250,000)
808	Perris Coroner – Parking lot repairs	(50,000)
960	Academy of Justice – Parking lot repairs	(50,000)
	Total	(\$2,710,000)

Additional funding is requested for the following projects:

905	Riverside CAC – Tower roof repairs	\$75,000
701	Indio CAC – Clean and paint exterior	150,000
914	RPDC – Chiller replacement project	500,000
701	Indio CAC – Replace landscaping	100,000
702	Indio Jail – Plumbing repairs	50,000
2202	Palm Desert Sheriff – Replace chiller/cooling tower	250,000
301	Blythe Sheriff – Replace HVAC	385,000
996	Riverside DA – First floor HVAC replcmnt	400,000
1017	Riverside PD – Third floor HVAC replcmnt	125,000
1307	Southwest Justice Center – Hot water exp. system	75,000
1307	Southwest Justice Center – Replace landscaping	100,000
701	Indio CAC - elevator	<u>500,000</u>
	Total	\$2,710,000

3. PUBLIC PROTECTION

a) Agricultural Commissioner

Based upon the need for additional space in the CAC-Indio Office for public safety/courts, the Agricultural Commissioner's Office is being asked to vacate and find leased space. To accommodate current Agricultural Commissioner and Weights and Measures staff, a building with approximately 4,500 square feet is required. Because the Agricultural Commissioner's Office is a general fund department and no additional funds are available, funding for this project will be through the capital improvement program. In addition, a request will be made for a budget adjustment in FY's 2008 through 2012 for the annual cost of the leased space (approximately \$95,000, with a 3 percent increase per year).

b) Animal Services – Community Health Agency

The department continues to face recruitment challenges but has successfully filled some vacancies and used temporary personnel to meet most staffing needs. The department anticipates that as more positions are filled, funds currently reserved in the general fund will be needed to meet year-end salary expenses. The department will continue to monitor expenses and work with the Executive Office to determine if and when resources will be released.

The department received Board approval in December for fee increases that took effect in January. Animal Services projects that because of delays in processing ordinance amendments, revenue generated by fees will be \$376,000 under budget. Also, final costs for the care of animals recovered in two animal-cruelty cases are still being tallied and will be reported in the third-quarter report.

Agreements were recently approved with the cities of Banning, Beaumont and Calimesa to provide field and shelter services at the Banning shelter. Using this shelter enables the department to centralize services for the cities as well as the unincorporated pass area. The department requests 12 additional staff to provide animal care, adoption services, licensing, and field services to replace shelter staff temporarily assigned to the facility. The department projects sufficient revenue and salary savings to fund these new positions this year. Annual operating expenses for the shelter are expected to run just over \$1 million, which will be

partially offset by revenue from city contracts. The department estimates that \$275,300 in additional county funds will be needed annually to support these ongoing operations.

Recommended Motion: that the Board of Supervisors approve Resolution 440-8767 included in this report as Attachment B, adding 12 new positions for the Department of Animal Services.

c) Building and Safety

The department requests authorization to use BSRP funds for the replacement of 20 ruggedized notebook computers for field building inspections (\$119,286); an emergency services trailer for disaster assessment (\$69,067); a ¾ ton pickup truck to tow the emergency services trailer (\$30,000); and funding for tenant improvements for the Building & Safety offices at the new Bermuda Dunes TLMA Regional Office (\$2,137).

Recommended Motion: that the Board of Supervisors approve the purchase of an emergency services trailer, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

Increase appropriations:

10000-3110100000-523640	Computer equipment – non fixed asset	\$119,286
10000-3110100000-528920	Carpool mileage	30,000
10000-3110100000-537000	Interfund expense – leases	2,137
10000-3110100000-546160	Equipment – other	<u>69,067</u>
	Total	\$220,490

Decrease designations:

10000-1100100000-320146	DFB – budget savings retention	\$220,490
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d) District Attorney

As the first-quarter budget report noted, the District Attorney's office projects that operating costs for the 88 positions allocated in the budget will require \$5 million from the general fund. Funds have been set aside to be allocated if needed at year-end. The District Attorney and the Executive Office will continue to monitor all costs and report back in the third-quarter report.

e) Fire Department

The department has budgeted several fire engines this fiscal year. As reported in the FY 07/08 first-quarter report, the vendor is offering a discount upon pre-payment on the vehicle's cab and chassis. The county is scheduled to make another pre-payment in the amount of \$383,840. At delivery, the financing institution will refund the pre-payment to the county. An increase in appropriations and revenue is necessary to complete this transaction.

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

Increase appropriations:

10000-2700200000-546340	Vehicles – fire	\$383,840
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Increase estimated revenue:
10000-2700200000-781360

Miscellaneous revenue

\$383,840

f) Indigent Defense

As discussed in the first-quarter report, the cost of providing criminal-defense attorneys to those who cannot afford them continues to parallel the increased number of arrests, prosecutions and trials. For example, indigent-defense contractors are handling about double the number of death penalty (DP) cases they handled two years ago. The cost for five current DP cases not included in annual attorney contracts is likely to exceed \$700,000, although the impact will be spread over several fiscal years. This fiscal year, an unbudgeted \$103,500 has been disbursed. Another \$325,000 has been paid to the conflict panels to reimburse a surge of FY 06/07 misdemeanor and felony cases that exceeded contracted benchmarks.

In addition, restructuring the Riverside criminal courts – as proposed by the judicial “strike force” – to reduce case backlogs is expected to require seven additional defense attorneys and a contract amendment of \$245,000 this fiscal year. This will ensure that sufficient attorneys are dedicated to three additional calendar/conference courts being initiated to move cases more efficiently. It is unclear whether a similar effort in Indio will require additional funding.

The court and county are analyzing the effects of recently enacted SB241, essentially an unfunded state mandate. This bill transferred the state’s responsibility for the costs of defending minors in guardianship cases to the county. Current and ongoing costs to our indigent-defense budget are not yet clear, but might approach \$200,000 this year.

In October, the court and Board of Supervisors approved an increase in the rates paid to court-appointed investigators. This is expected to have a \$105,000 impact on the current budget. These changing circumstances will be monitored and appropriation increases will be recommended later in the year.

g) National Pollutant Discharge Elimination System (NPDES)

Appropriations are requested (\$480,000) from funds reserved in the budget-savings retention designation, as allowed by Board Policy B-26. The funds will purchase a vacuum truck (\$340,000) and a dump truck (\$140,000) needed for catch-basin maintenance, a necessary element for program compliance.

Recommended Motion: that the Board of Supervisors approve the purchase of a vacuum truck and a dump truck, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

Increase appropriations:

10000-1105000000-551100

Contributions to other funds

\$480,000

Decrease designations:

10000-1100100000-320146

DFB – budget savings retention

\$480,000

h) Planning Department

The department requests authorization to use BSRP funds for construction of an enclosed office (\$15,000); a contribution to the BIA Strike Force (\$25,000); computers to replace obsolete machines for 25 staff (\$60,609); a new 4WD SUV for field visits to remote locations (\$25,860); and a color laser printer (\$9,698).

Recommended Motion: that the Board of Supervisors approve the purchase of a vehicle and laser printer, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

Increase appropriations:

10000-3120100000-522310	Maintenance – building and improvement	\$15,000
10000-3120100000-525440	Professional services	25,000
10000-3120100000-523640	Computers – non fixed asset	60,609
10000-3120100000-528920	Carpool mileage	25,860
10000-3120100000-546080	Equipment – computer	9,698
	Total	\$136,167

Decrease designations:

10000-1100100000-320146	DFB – budget savings retention	\$136,167
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i) Probation Department

As the first-quarter budget report noted, the Probation Department projects that it will exceed its current appropriations due to higher-than-expected overtime costs. The department's high vacancy rate (over 21 percent) could generate some cost offset; however, an aggressive recruitment plan is under way. Additionally, the recent retirement of several long-time employees will cost the department \$345,000 more than is budgeted. Also, expenses for custodial and maintenance services are expected to exceed budget by \$197,000. Additional general-fund support might be necessary by year-end to cover these overruns. The Executive Office and the department will monitor these costs.

During a Board workshop on Oct, 15, the department requested funds to replace computer equipment and hardware department-wide. Additionally, funds were requested for new vehicles. The department requests that funds be granted at this time. The computer equipment represents a one-time cost of \$375,000. The vehicles will require \$22,348 this year, but ongoing annual expenses are projected to be \$67,044.

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

Increase appropriations:

10000-2600100000-523640	Computer equip. – non fixed asset	\$100,000
10000-2600200000-523640	Computer equip. – non fixed asset	100,000
10000-2600700000-523640	Computer equip. – non fixed asset	175,000
10000-2600100000-528920	Carpool expense	5,000
10000-2600200000-528920	Carpool expense	13,680
10000-2600700000-528920	Carpool expense	3,668
	Total	\$397,348

Decrease appropriations:

10000-1109000000-581000	Appropriations for contingency	\$397,348
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Juvenile Facility Security

The department's juvenile institutions received recommendations from consultants to improve facility security standards in several ways, including: a centralized, secure key system; personal alarm system; internal emergency radio system; improved perimeter fencing with security lighting; and internal and external cameras. The FY 07/08 final budget designated funds to be transferred during the year as needed. Funding and budget adjustments totaling \$700,000 are requested.

Recommended Motion: that the Board of Supervisors approve and direct the Auditor Controller to decrease designations and increase appropriations as follows:

Increase appropriation:

10000-2600100000-522310	Maintenance – buildings	\$700,000
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Decrease designation:

10000-1100100000-320149	DFB – staffing growth	\$700,000
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Juvenile After-Care

The goals of the department's juvenile after-care program are to 1) reduce placement failures; 2) improve youthful offenders' readjustment to the community following their release from treatment facilities; 3) reduce new offenses; and 4) provide greater safety to the community. These goals can only be achieved through the efforts of additional staff. The department is therefore requesting approval to add eight positions. There is no general-fund impact from adding these positions because a youthful-offender block grant will provide the funding. Current-year costs total \$233,097. Ongoing costs are estimated to be \$533,131 annually and will be incorporated into next year's budget.

Recommended Motion: that the Board of Supervisors approve Resolution 440-8767 adding eight positions as reflected in Attachment B.

Appropriations Transfers Between Probation Divisions

The department requests appropriation transfers between budget units. The will ensure that adequate funding is available in specific line items and that FY 06/07 year-end encumbrances are expensed to the appropriate line items.

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

Increase appropriations:

10000-2600100000-520240	Communications equipment	\$250,000
10000-2600100000-521360	Maintenance – computer equipment	11,218
10000-2600100000-522310	Maintenance – building and improvements	106,789
10000-2600100000-522320	Maintenance – grounds	20,000
10000-2600100000-537040	Interfund expense – maintenance	152,410
10000-2600200000-510040	Regular salaries	250,000

10000-2600200000-520250	Communications equipment	85,000
10000-2600200000-521360	Maintenance – computer equipment	20,581
10000-2600200000-522310	Maintenance – building and improvements	75,000
10000-2600200000-523680	Office equipment non fixed assets	232,622
10000-2600200000-525440	Professional services	10,143
10000-2600700000-525440	Professional services	7,934
10000-2600700000-546080	Equipment – computer	126,319
10000-2600700000-528920	Car pool expense	75,000
10000-2600700000-537300	Interfund – parking	<u>75,000</u>
	Total	\$1,498,016

Decrease appropriations:

10000-2600100000-525440	Professional services	\$6,456
10000-2600100000-546060	Equipment – communications	250,000
10000-2600100000-546160	Equipment – other	152,410
10000-2600100000-546200	Equipment – shop and yard	106,789
10000-2600200000-522320	Maintenance – grounds	20,000
10000-2600200000-523640	Computer equipment – non fixed asset	17,500
10000-2600200000-526910	Field equipment – non assets	30,375
10000-2600200000-526960	Small tools and instruments	5,544
10000-2600200000-528220	Photography expense	2,078
10000-2600200000-537040	Interfund expense – maintenance	250,000
10000-2600200000-537300	Interfund – parking	150,000
10000-2600400000-530100	Institutional placement	225,000
10000-2600700000-520250	Communications equip. – installation	60,000
10000-2600700000-521360	Maintenance – computer equipment	1,899
10000-2600700000-523640	Computer equipment – non fixed assets	39,427
10000-2600700000-523680	Office equipment – non fixed assets	100,000
10000-2600700000-523700	Office supplies	<u>80,538</u>
	Total	\$1,498,016

Asset Forfeiture

The department requests the release of funds from the asset forfeiture reserve to purchase supplies and equipment for armed staff.

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

Increase appropriations:

10000-2600200000-526910	Field equipment – non assets	\$29,074
10000-2600200000-527460	Firearms equipment and supplies	<u>21,305</u>
	Total	\$50,379

Decrease reserves:

10000-2600200000-308103	Reserve for probation asset forfeiture	\$50,379
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Extension of Temporary Staff Hours

The Department has 35 full-time-equivalent positions budgeted, which equates to 161 temporary authorized positions. While these positions are intended to be used as part-time backup for unavailable full-time employees, vacancies in regular full-time positions make it

necessary to use some temporary employees to staff regular shifts in the juvenile institutions. If this continues at the present rate, many of the staff will work more than 1,000 hours during the current fiscal year. In accordance with Ordinance 440, Section 12C(3), the department requests Board approval allowing these employees to exceed 1,000 hours this year. Details are included and reflected in Attachment H.

Recommended Motion: that the Board of Supervisors authorize employment of the temporary employees listed in Attachment H for more than 1,000 hours each, for FY 07/08.

j) Sheriff's Department

Budget adjustments are requested for staffing, supplies, services, and equipment authorized by the Board during the budget process for the 1.2 per 1,000 patrol ratio. Funding was postponed to determine if the current budget could absorb some of the costs. Budget trends indicate that the current budget is insufficient to cover these costs.

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

Increase appropriations:

10000-2500300000-510040	Regular salaries	\$1,027,261
10000-2500300000-518100	Budgeted benefits	428,984
10000-2500300000-520115	Uniforms	42,000
10000-2500300000-520220	800 MHz radio cost	137,070
10000-2500300000-527460	Firearm equipment and supplies	28,500
10000-2500300000-528920	Carpool expense	92,400
10000-2500300000-546060	Equipment – communication	<u>332,400</u>
	Total	\$2,088,615

Decrease designations:

10000-1100100000-320149	DFB – staffing growth	\$2,088,615
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Aviation Unit

Budget adjustments are requested for two aircraft mechanics, insurance and fuel for the helicopters authorized by the Board during the budget process. Funding was postponed to determine if the current budget could absorb some of the costs. Budget trends indicate that the current budget is insufficient to cover these costs.

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

Increase appropriations:

10000-2500300000-510040	Regular salaries	\$62,937
10000-2500300000-518100	Budgeted benefits	24,667
10000-2500300000-520900	Insurance – aircraft	349,300
10000-2500300000-520930	Insurance – liability	541,888
10000-2500300000-527100	Fuel	<u>200,000</u>
	Total	\$1,178,792

Decrease designations:

10000-1100100000-320149	DFB – staffing growth	\$1,178,792
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Gang Task Force

Agenda Item 3.8 (3/27/07) approved three Gang Task Force positions, but funding was deferred to be incorporated in the proposed budget. Funding was approved and designated in the FY 07/08 proposed budget. A budget adjustment is requested to move funds to the department budget.

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

Increase appropriations:

10000-2500300000-510040	Regular salaries	\$188,516
10000-2500300000-518100	Budgeted benefits	79,978
10000-2500300000-520115	Uniforms	4,500
10000-2500300000-520220	800 MHz radio cost	10,724
10000-2500300000-527460	Firearm equipment and supplies	2,000
10000-2500300000-528920	Carpool expense	29,700
10000-2500300000-546060	Equipment – communication	<u>19,600</u>
	Total	\$335,018

Decrease designations:

10000-1100100000-320149	DFB – staffing growth	\$335,018
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Sheriff's ROVE/SAFE Teams

The Sheriff's ROVE and SAFE teams were created in FY 06/07. Because teams would not be fully operational for the entire fiscal year, only partial-year funding was established. Full-year funding, which was designated in the final budget, is needed for the team's overtime, specialty pay, and supplies and services.

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

Increase appropriations:

10000-2500300000-510420	Overtime	\$503,825
10000-2500300000-510520	Bilingual pay	2,540
10000-2500300000-510700	Holiday pay	30,775
10000-2500300000-518080	Other budgeted benefits	64,457
10000-2500300000-520105	Protective gear	14,330
10000-2500300000-520230	Cellular phones	4,760
10000-2500300000-520320	Telephone service	7,507
10000-2500300000-520815	Cleaning and custodial	500
10000-2500300000-520820	Janitorial services	3,610
10000-2500300000-521340	Maintenance – comm. equipment	360
10000-2500300000-521360	Maintenance – computers	250
10000-2500300000-521500	Maintenance – motor vehicles	10,000
10000-2500300000-521560	Maintenance – other	4,000
10000-2500300000-521700	Maintenance – alarms	195

10000-2500300000-521720	Maintenance – fire systems	65
10000-2500300000-522310	Maintenance – bldgs. and improvements	1,700
10000-2500300000-522320	Maintenance – grounds	2,900
10000-2500300000-522810	Crime lab supplies	2,500
10000-2500300000-522860	Medical and dental lab supplies	2,072
10000-2500300000-523600	Audiovisual expense	2,500
10000-2500300000-523700	Office supplies	1,000
10000-2500300000-523760	Postage and mailing	250
10000-2500300000-523800	Printing and binding	790
10000-2500300000-523820	Subscriptions	1,100
10000-2500300000-524780	DUI lab services	2,500
10000-2500300000-525540	Transcription services	15,000
10000-2500300000-525640	Unincorporated area – non DUI lab svc	4,800
10000-2500300000-526400	Codes and legal publications	1,600
10000-2500300000-526930	Flashlights, batteries, bulbs	1,795
10000-2500300000-526940	Locks and keys	250
10000-2500300000-526960	Small tools and equipment	2,400
10000-2500300000-527280	Awards and recognitions	250
10000-2500300000-527500	Handcuffs	500
10000-2500300000-527680	Public signs	560
10000-2500300000-527720	Safety and security supplies	6,983
10000-2500300000-527860	Training materials	1,500
10000-2500300000-528140	Conferences, registration, tuition	4,170
10000-2500300000-528220	Photography expense	1,565
10000-2500300000-528920	Carpool expense	88,727
10000-2500300000-528960	Lodging	6,500
10000-2500300000-528980	Meals	5,000
	Total	\$806,086
Decrease designations:		
10000-1100100000-320149	DFB – staffing growth	\$806,086

New Perris Sheriff's Station

The new Perris Sheriff's station opened in August. Operational costs were approved and designated in the proposed budget. Budget adjustments are now requested to cover various operational costs.

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

Increase appropriations:

10000-2500300000-520520	Communications equipment	\$1,500
10000-2500300000-520320	Telephone service	13,400
10000-2500300000-520805	Appliances	13,600
10000-2500300000-520815	Cleaning and custodial supplies	600
10000-2500300000-520820	Janitorial services	49,500
10000-2500300000-521540	Maintenance – office equipment	500
10000-2500300000-521720	Maintenance – fire systems	983
10000-2500300000-522310	Maintenance – buildings and improve	3,000

10000-2500300000-522320	Maintenance – grounds	11,000
10000-2500300000-523300	Moving expense	10,000
10000-2500300000-523640	Computer equip. – non fixed asset	18,500
10000-2500300000-523700	Office supplies	16,073
10000-2500300000-526700	Building rental – lease	15,400
10000-2500300000-526940	Locks and keys	350
10000-2500300000-526960	Small tools and instruments	3,766
10000-2500300000-527680	Public signs	1,000
10000-2500300000-527720	Safety and security supplies	4,500
10000-2500300000-529540	Utilities	<u>105,000</u>
	Total	\$268,672
Decrease designations:		
10000-1100100000-320109	DFB – capital projects	\$85,672
10000-1100100000-320149	DFB – staffing growth	<u>183,000</u>
	Total	\$268,672

Los Angeles Sheriff Reimbursement

Riverside County received search and rescue assistance from the Los Angeles Sheriff's Department. Charges were paid out of the Sheriff's patrol budget. The department requests that these costs be reimbursed from general-fund contingency.

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

Increase appropriation:		
10000-2500300000-520250	Communications equipment - install	\$59,007
Decrease appropriation:		
10000-1109000000-581000	Appropriations for contingency	\$59,007

4. PUBLIC WAYS AND FACILITIES

a) Economic Development – Airport

The department requests a budget adjustment for increased legal expenses and payment of capital-improvement matching funds. Revenue from selling land at the Hemet Ryan Airport will offset the additional expenses.

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

Increase appropriations:		
22100-1910700000-523100	Memberships	\$5,000
22100-1910700000-523700	Office supplies	2,000
22100-1910700000-525020	Legal services	116,068
22100-1910700000-525340	Temporary help services	12,500
22100-1910700000-525440	Professional services	7,000
22100-1910700000-527780	Special program expense	66,000

22100-1910700000-536200	Contribution to non-county agency	97,208
	Total	\$305,776
Increase estimated revenue:		
22100-1910700000-778200	Interfund – miscellaneous	\$305,776

b) Transportation and Land Management Agency

Administration

The department requests that the Board approve the purchase of a high-volume copier in the amount of \$20,000. The department has funding in its budget to cover the cost.

Recommended Motion: that the Board of Supervisors approve the purchase of a copier.

Transportation Equipment (Garage)

The garage requests authorization to purchase two three-axle dump trucks needed for operations. The department previously obtained approval from the Board of Supervisors, but exchanged the fixed assets to replace a chip spreader that was involved in an accident. The department also requests budget adjustments to purchase the trucks.

Recommended Motion: that the Board of Supervisors approve the purchase of two three-axle dump trucks, and approve and direct the Auditor-Controller to adjust appropriations as follows:

Increase appropriations:		
20008-3130700000-546160	Equipment	\$200,000

Expected offset:		
20008-3130700000-325100	Unreserved fund balance	\$200,000

TLMA Road and Bridge Building Benefit District – Menifee

Based upon the latest transportation improvement program data, substantial activity will occur on Project B5-0409 (Leon and Rice Road Bridge) for the design and the environmental phases that were not included in the original budget.

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

Increase appropriations:		
31600-3130500000-537280	Contracts	\$2,863,000

Expected offset:		
31600-3130500000-325100	Unreserved fund balance	\$2,863,000

TLMA Road and Bridge Building Benefit District – Southwest

Clinton Keith Road project B2-0264 was budgeted for \$8,857 for FY 07/08. The transportation improvement plan update indicates there will be substantial activity on this project and a budget adjustment is warranted.

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

Increase appropriations:		
31610-3130500000-537280	Contracts	\$1,042,143

Expected offset:		
31610-3130500000-325100	Unreserved fund balance	\$1,042,143

TLMA – Developer Agreement/Development Impact Fee

Board Agenda Item 3.34 (07/03/07), allocated \$700,000 to be used for Project A4-0748 (Ramon Road median, widening, and stripping). This adjustment will insert the funds into the budget.

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

Increase appropriations:		
31650-3130500000-537280	Contracts	\$700,000

Increase estimated revenues:		
31650-3130500000-790600	Contributions from other co. funds	\$700,000

5. HEALTH AND SANITATION

a) Community Health Agency (CHA)

Public Health

The department receives state realignment revenue generated from vehicle license fees and sales-tax revenue. Based on current economic indicators, the department anticipates that realignment revenue might be less than budgeted. The department will continue to monitor and will request budget adjustments if necessary.

It was reported in the first quarter that funding for Outreach, Education Retention and Utilization Program was eliminated during the state budget process. The department has located alternative funding for some of the activities, reducing the potential for unreimbursed costs. CHA will continue to monitor and make every effort to absorb the remaining shortfall.

The department anticipates that \$1.4 million set aside in the general fund to cover current-year salary costs will be needed before year-end. The department will continue to monitor salary expenditures and will work with the Executive Office to determine the best timing for a budget adjustment.

Revenue was anticipated but not received last fiscal year to cover the cost of equipment purchased for the Rubidoux Health Clinic. A budget adjustment is requested to account for the receipt of funds this fiscal year.

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

Increase appropriations:

10000-4200100000-523680	Equipment – non fixed asset	\$97,000
10000-4200100000-546160	Equipment – other	<u>53,000</u>
	Total	\$150,000

Increase estimated revenue:

10000-4200100000-781360	Other misc. revenue	\$150,000
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The department has determined that an additional vehicle is necessary as a result of successfully filling a vacancy. Sufficient funds are available, but in order to comply with county policy, the department requests Board approval to purchase one additional vehicle.

Recommended Motion: that the Board of Supervisors approve the purchase of one vehicle.

b) Environmental Health

As reported in the first quarter, the department projects a reduction in estimated revenue due to the slowdown in new-home construction, which directly affects revenue. The department has shifted staff and is working to reduce expenses where possible. Recent salary and benefits increases might have a negative effect on the department's ability to further reduce expenses. Environmental Health will continue to monitor and report back.

c) Detention Health Services (DHS) – RCRMC

The department reported in the first quarter that expenses were expected to exceed the approved budget by \$215,000. At this time, DHS has increased its estimate to \$639,000. The department is reviewing options to reduce costs for pharmaceuticals and is negotiating reductions for non-county hospital costs. Updates will be provided when available.

d) Mental Health

Treatment

The state recently allocated funds for community services and support, workforce education and training, and prevention and early intervention plan components of the Mental Health Services Act (MHSA). To implement various programs approved in the plans, the department requests 120 additional staff positions and authorization to purchase capital equipment such as copiers, vehicles, computer hardware and video-conferencing systems. Costs will not exceed \$1.5 million in aggregate and will be offset by MHSA revenue. Although a budget adjustment is requested for capital-equipment needs, further budget adjustments are not necessary at this time. The department will monitor and request adjustments if needed in the third quarter.

Recommended Motion: that the Board of Supervisors; 1) approve Resolution 440-8767 included in this report as Attachment B, adding 120 new positions for Mental Health Agency, 2) approve the purchase of 20 copiers, eight computer servers, six video-conferencing systems and 40 vehicles, and 3) approve and direct the Auditor-Controller to adjust appropriations and estimated revenues as follows:

Increase appropriations:

10000-4100200000-546160	Equipment – other	\$560,000
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10000-4100200000-546320	Vehicles – cars and light trucks	<u>925,000</u>
	Total	\$1,485,000
Increase estimated revenue:		
10000-4100200000-751040	CA – MH services act	\$1,485,000

Detention Program

Although the department continues to face challenges in recruiting staff for positions in county jails, it anticipates that the background process on several staff will be completed shortly. The Board earmarked \$1.2 million in general fund contingency to fund these staff. The department will report back on the number of vacancies filled in the third-quarter report and request budget adjustments if needed.

e) Medically Indigent Services (MISP) - RCRMC

The department estimates that an additional \$100,000 in net county cost might be needed due to increased costs for pharmaceuticals. A budget adjustment is not necessary at this time. The department will continue to monitor and will report back to the Board in the third-quarter report.

6. PUBLIC ASSISTANCE

a) Department of Public Social Services (DPSS)

Child Welfare Services (CWS)

The department has been very successful in filling the additional positions the Board authorized during budget hearings; however, the department is still working to meet the state's recommended social worker staffing level. The department's goal is to hire an additional 46 support staff and 68 social worker positions. The department and the Executive Office are working together and will develop a plan of action for presentation to the Board at a later date.

CalWORKS

The department projects caseload increases for stage-one child care above the estimate used in preparing the FY 07/08 budget. The increase in client child-care payments is estimated at \$1.16 million. The department anticipates being fully funded by the state's child-care reserves. In the unlikely event that the state does not approve the request, funds held in the CalWORKS designation could be used. The requested budget adjustments provide the necessary appropriation authority to spend these funds.

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

Increase appropriations:		
10000-5100100000-530420	Child-care services	\$1,160,000
Increase estimated revenue:		
10000-5100100000-760000	Federal – public assistance	\$1,160,000

In-Home Supportive Services (IHSS)

The agreement with Riverside County IHSS workers was approved by the Board in October and received state approval in December 2007. In addition to the approved wage and benefits package, the department projects a caseload increase that requires an additional \$422,000 county contribution. No budget adjustment is needed at this time for the caseload growth; however, a budget adjustment is requested to cover the approved increase in wages and benefits. The department can use \$1.3 million from the DPSS realignment designation and incorporate any ongoing costs into future budgets. The department will continue to monitor and report back in the third-quarter report.

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

Increase appropriations:		
10000-5100200000-530440	Client services	\$1,740,000
Increase estimated revenue:		
10000-5100200000-760000	Federal – public assistance	\$234,000
10000-5100200000-750300	CA – public assistance	158,000
10000-5100200000-774970	IHSS insurance premiums	<u>48,000</u>
	Total	\$440,000
Decrease designations:		
10000-1100100000-320129	DFB – DPSS realignment	\$1,300,000

Categorical Aid

The department reported in the first quarter that a state rate increase for foster care assistance, along with projected growth in other categorical programs, would require additional county funds to cover expenses. State and federal participation is higher than initially budgeted, fully mitigating the need for additional county matching funds. The requested budget adjustment will provide the necessary appropriation authority to spend the state and federal funds.

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

Increase appropriations:		
10000-5100300000-530480	Categorical assistance	\$7,768,000
Increase estimated revenue:		
10000-5100300000-761000	Federal – public assistance	\$4,327,000
10000-5100300000-750700	CA – public assistance	<u>3,441,000</u>
	Total	\$7,768,000

Other Assistance

The department projects a cost increase for children who grow too old for the foster care program. Regulations require that funding for foster-care placement be discontinued when dependent children reach age 18. Unfortunately, some youths face greater challenges than

others in preparing to be on their own. These youths are now transitioned from foster care to other county programs typically funded with general funds. It is recommended that the department use funds from the DPSS realignment designation and incorporate any ongoing costs into future budgets.

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

Increase appropriations:		
10000-5100400000-530520	County funded foster care	\$706,570

Decrease designations:		
10000-1100100000-320129	DFB – DPSS realignment	\$706,570

b) Veterans' Services

Veterans' Services is eligible for up to \$128,361 through the county's budget savings retention plan (BSRP). The department requests permission to use \$21,186 to initiate server hosting services, migrate its GroupWise email system to Microsoft Outlook in compliance with county e-mail standards and replace outdated computer equipment. Additionally, the department requests that the remaining funds be used to offset final compensation for its former director, who retired in December 2007.

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

Increase appropriations:		
10000-5400100000-518100	Budgeted benefits	\$107,175
10000-5400100000-546080	Equipment – computer	<u>21,186</u>
	Total	\$128,361

Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$128,361

7. EDUCATION, RECREATION, AND CULTURE

a) Cooperative Extension

Because public safety/courts need additional space in the CAC-Indio Office, the Cooperative Extension Office is being asked to vacate and find leased space. Current needs require approximately 5,800 square feet. As Cooperative Extension is a general fund department, and no current funds are available, this project will be funded through the capital-improvement program. In addition, a request is being made for a budget adjustment in FYs 2008 through 2012 for the annual cost of the leased space (approximately \$124,600, with a three percent increase per year).

b) Edward Dean Museum

The department requests a budget adjustment to incorporate expenses and revenue from the autumn gala.

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

Increase appropriations:		
10000-1930100000-528500	Project cost expenses	\$5,500
10000-1930100000-551100	Contribution to other funds	<u>70,000</u>
	Total	\$75,500
Increase estimated revenue:		
10000-1930100000-776770	Edward Dean Museum	\$60,500
10000-1930100000-778200	Interfund – miscellaneous	<u>15,000</u>
	Total	\$75,500

8. ENTERPRISE FUNDS

a) Riverside County Regional Medical Center (RCRMC)

RCRMC anticipated using \$12.8 million in retained earnings for current-year operations. The hospital has now reduced the estimate and expects to use only \$8.6 million. RCRMC reports that revenue for year three of the Section 1115 hospital financing waiver is projected to be \$104 million, the same as last fiscal year. Updated amounts for this fiscal year are still unknown. The department expects in the near future to determine costs for equipment and implementation of the hospital information system.

9. INTERNAL SERVICE FUNDS

a) Disability Insurance – Human Resources

Adding employees whose bargaining group allows for the payment of short-term disability benefits has increased the short-term disability fund beyond budgeted expectations.

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

Increase appropriations:		
46060-11312-00000-510040	Regular salaries	\$32,000
46060-11312-00000-534260	Liability claims	<u>472,500</u>
	Total	\$504,500
Increase estimated revenue:		
46060-11312-00000-781720	Contributions and conations	\$132,000
Expected offset:		
46060-11312-00000-380100	Unrestricted net assets	\$372,500

b) Information Technology (RCIT)

RCIT projects it will be on track with revenue and expenditures through the remainder of the fiscal year. The department requests budget adjustments for growth in service requests countywide.

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

Increase appropriations:

45500-7400100000-521460	Maintenance – microwave equipment	\$300,000
45500-7400100000-521660	Maintenance – telephone	300,000
45500-7400100000-532600	Cap lease purchase – principal	1,000,000
45500-7400100000-546060	Equipment communication	<u>1,000,000</u>
	Total	\$2,600,000

Increase estimated revenue:

45500-7400100000-770820	Communication services	\$300,000
45500-7400100000-790600	Contribution from other funds	<u>2,300,000</u>
	Total	\$2,600,000

RCIT Pass Thru

Due to technical difficulties, the budget for this IT activity was not incorporated into the approved FY 07/08 budget; therefore, budget adjustments are requested at this time. There is no general fund impact.

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

Increase appropriations:

45510-7400400000-520220	County radio systems	\$877,500
45510-7400400000-521340	Maintenance – comm. equipment	682,000
45510-7400400000-521580	Maintenance – radio elec. equipment	292,500
45510-7400400000-521640	Maintenance – software	4,000,000
45510-7400400000-521660	Maintenance – telephone	10,000
45510-7400400000-523230	Miscellaneous expense	250,000
45510-7400400000-520240	Communications equipment	3,805,000
45510-7400400000-520320	Telephone services	2,000,000
45510-7400400000-521360	Maintenance – computer equipment	3,083,000
45510-7400400000-571400	Intrafund – comm. services	(7,667,000)
45510-7400400000-572600	Intrafund – maintenance	(4,000,000)
45510-7400400000-572800	Intrafund – miscellaneous	<u>(3,333,000)</u>
	Total	\$0

c) 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	\$2,286,000
45700-7300400000-527600	ISF – indirect materials	4,965,000
45700-7300400000-523300	ISF – moving expenses	<u>60,000</u>
	Total	\$7,311,000

Increase estimated revenue:		
45700-7300400000-777760	Stores – county	\$2,286,000
45700-7300400000-781600	Systems furniture	4,965,000
45700-7300400000-781360	Other misc. revenue	<u>60,000</u>
	Total	\$7,311,000

d) Unemployment Insurance – Human Resources

Increased numbers of employees hired and contributing to the unemployment insurance fund is increasing revenue. The department requests authorization to add these contributions to the budget. In the event of layoffs, employees will be able to draw down support while they look for other jobs.

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

Increase appropriations:		
46080-1131100000-534400	Unemployment claims	\$385,000
Increase estimated revenue:		
46080-1131100000-781220	Contributions and donations	\$385,000

10. SPECIAL DISTRICTS

a) Economic Development Agency

RDA Housing Set Aside and RDA Debt Service

The department requests a budget adjustment to more accurately reflect expenses and revenue. Additional appropriations are needed to accommodate debt-service interest for special revenue housing bonds, but housing-bond proceeds are available to offset this cost.

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

Increase appropriations:		
37100-934001-533020	Bonds – interest	\$500,000
Increase estimated revenue:		
37100-934001-790500	Operating transfers in	\$500,000
Increase appropriations:		
25000-934001-551000	Operating transfers out	\$500,000
Increase estimated revenue:		
25000-934001-791000	Bond proceeds	\$500,000

RDA Capital Projects

On Dec. 18 (Item 3.81), the Board of Supervisors authorized purchase of an additional graffiti abatement vehicle. A budget adjustment is requested to enable payment for the vehicle.

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

Increase appropriations:		
32700-934001-546020	Equipment – automotive	\$125,000
Increase estimated revenue:		
32700-934001-791000	Bond proceeds	\$125,000

b) Parks - Regional Parks and Open Space District

Unanticipated salary increases have occurred due to promotions, parity increases and employment terminations. Infrastructure improvements for key buildings will increase maintenance costs significantly. Additionally, interfund transfers from Facilities Management for rights of way, easements and grant-deed transfers are above expectations because of property transfers from the old Park Facilities Corporation to the Park District. Lastly, in keeping pace with capital improvement projects, the district will provide direct support for the design work contract on the San Timoteo Schoolhouse infrastructure.

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

Increase appropriations:		
25400-931104-510040	Regular salaries	\$50,000
25400-931104-510200	Payoff permanent seasonal	62,000
25400-931104-522310	Maintenance building and improvement	90,000
25400-931104-537140	Interfund – right of ways	18,000
25400-931104-548200	Infrastructure	<u>50,000</u>
	Total	\$270,000
Expected offset:		
25400-931104-325100	Unreserved fund balance	\$270,000

Arundo Removal – a Santa Ana River Reserve

Arundo removal and eradication in the Santa Ana River continue at a fast pace in the area supported by the Santa Ana Watershed Project Authority (SAWPA). The current budget included minimal expectations for this fiscal year while negotiations continued with SAWPA on a new contract, due to be approved in January. Parks' largest contribution to this program is labor provided by district staff. All costs are reimbursable.

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

Increase appropriations:		
25520-931120-537180	Interfund salary reimbursement	\$93,000

Increase estimated revenue:		
25520-931120-777520	Reimbursement for services	\$93,000

Habitat and Open Space Management

Commitments for the habitat and open-space management program required additional personnel to manage and protect district open-space lands. One new vehicle also is needed. Open-space lands are subject to damage by the public and require restoration.

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

Increase appropriations:		
25520-931170-537180	Interfund salary reimbursement	\$24,500
25520-931170-546320	Vehicles – light trucks	<u>32,500</u>
	Total	\$57,000
Increase estimated revenue:		
25520-931170-790500	Operating transfers in	\$57,000

Off-Highway Vehicle Management

Parks' off-highway vehicle management program supports the habitat and open-space management team's efforts to restore damaged native habitat on district-owned land.

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

Increase appropriations:		
25520-931160-551000	Operating transfers out	\$51,000
Expected offset:		
25520-931160-325100	Unreserved fund balance	\$51,000

c) County Service Areas

Wildomar Landscape Maintenance District (LMD) 2006-1

On July 11, 2006, Resoluton Nos. 2006-261 and 2006-262 were adopted, allowing for the formation of Wildomar LMD 2006-1. Due to technical difficulties, the budget for this newly created LMD was not incorporated into the approved FY 07/08 budget; therefore, budget adjustments are 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 appropriations:		
24630-915201-510040	Regular salaries	\$29,640
24630-915201-518100	Budgeted benefits	14,952
24630-915201-522320	Maintenance – grounds	100,000
24630-915201-523230	Miscellaneous expense	7,408
24630-915201-529500	Electricity	12,000

24630-915201-529540	Utilities	24,000
24630-915201-537180	Interfund expense – salary reimb.	<u>12,000</u>
	Total	\$200,000
Increase estimated revenue:		
24630-915201-770100	Special assessments	200,000

Various County Service Areas

Various county service-area budgets did not include sufficient appropriations for actual salary costs for FY 07/08. For many CSAs, utilities are exceeding budgeted expectation for water and grounds maintenance. Budget adjustments are requested to incorporate these changes. No general-fund impact will result from these adjustments.

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

Increase appropriations:		
23025-900101-537180	Interfund expense – salary reimb.	\$1,000
Increase estimated revenue:		
23025-900101-781360	Other misc. revenue	\$1,000
Increase appropriations:		
23100-901301-537180	Interfund expense – salary reimb.	\$1,000
Increase estimated revenue:		
23100-901301-781360	Other misc. revenue	\$1,000
Increase appropriations:		
23725-907201-537180	Interfund expense – salary reimb.	\$1,000
Increase estimated revenue:		
23725-907201-781360	Other misc. revenue	\$1,000
Increase appropriations:		
23775-908001-537180	Interfund expense. – salary reimb	\$1,000
Increase estimated revenue:		
23775-908001-781360	Other misc. revenue	\$1,000
Increase appropriations:		
23850-908501-510040	Regular salaries	\$10,000
23850-908501-537180	Interfund expense – salary reimb.	<u>5,000</u>
	Total	\$15,000
Increase estimated revenue:		
23850-908501-781360	Other misc. revenue	\$15,000
Increase appropriations:		
24075-910301-510040	Regular salaries	\$25,000

Increase estimated revenue: 24075-910301-781360	Other misc. revenue	\$25,000
Increase appropriations: 24425-913401-522320	Maintenance – grounds	\$100,000
24425-913401-529550	Water	<u>100,000</u>
	Total	\$200,000
Increase estimated revenue: 24425-913401-781360	Other misc. revenue	\$200,000
Increase appropriations: 24825-914901-537180	Interfund expense – salary reimb.	\$10,000
Increase estimated revenue: 24825-914901-781360	Other misc. revenue	\$10,000
Increase appropriations: 40420-906202-535540	Depreciation – building	\$1,000
Increase estimated revenue: 40420-906202-781360	Other misc. revenue	\$1,000

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 440-8767 authorizing new positions, 4) receive and file Attachments C, D, E, F, G, and H, and 5) suspend the budget savings retention policy (BSRP) beginning July 1, 2008.

Quarterly Discretionary Revenue

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

Increase estimated revenues:

10000-1100100000-700040	Teeter overflow	\$21,000,000
10000-1300100000-700020	Prop. tax – current secured	3,742,000
10000-1300100000-750200	CA – motor vehicle license fees	2,000,000
10000-1400100000-740020	Interest – invested funds	<u>1,600,000</u>
	Total	\$28,342,000

Decrease estimated revenue:

10000-1200200000-712000	Documentary transfer tax	\$2,000,000
10000-1300100000-710020	Sales and use tax	2,680,000
10000-1300100000-704000	Prop tax – current supplemental	9,500,000
10000-1300100000-781000	Prop tax – contractual revenue	<u>2,000,000</u>
	Total	\$16,180,000

Increase designations:

10000-1100100000-320134	DFB – Prop 172	\$12,162,000
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Board Designations

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

Increase appropriations:

10000-1109000000-581000	Appropriations for contingency	\$5,855,115
10000-1101000000-551000	Operating transfer out	<u>3,004,619</u>
	Total	\$8,859,734

Decrease designations:

10000-1100100000-320146	DFB – budget savings retention	\$8,859,734
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Increase appropriations:

30700-1104200000-536780	Interfund expense – capital projects	\$3,004,619
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Increase estimated revenue:

30700-1104200000-790500	Operating transfer in	\$3,004,619
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INTERDEPARTMENTAL

800 MHz Upgrade

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

Increase appropriataions:		
10000-1101000000-551000	Operating transfers out	\$1,000,000
Decrease designations:		
10000-1100100000-320148	DFB – PSEC 800 MHz	\$1,000,000
Increase appropriataions:		
30700-1103800000-536780	Interfund expense – capital projects	\$1,000,000
Increase estimated revenue:		
30700-1103800000-790500	Operating transfer in	\$1,000,000

Development Impact Fee Program

Recommended Motion: that the Board of Supervisors authorize up to \$1,500,000 of development impact fees from the western public facilities fund (30545) for costs associated with the Perris Sheriff's station and direct the Executive Office to transfer those funds from the DIF western public facilities fund to Facilities Management as needed, pursuant to contracts and billings received for the station.

Smith Correctional Expansion

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

Increase appropriataions:		
10000-1101000000-551000	Operating transfers out	\$15,000,000
Decrease designations:		
10000-1100100000-320109	DFB – capital projects	\$15,000,000
Increase appropriataions:		
30700-1104200000-536780	Interfund expense – capital projects	\$15,000,000
Increase estimated revenue:		
30700-1104200000-790500	Operating transfer in	\$15,000,000

GENERAL GOVERNMENT

Auditor Controller

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

Increase appropriations:		
10000-1300100000-527840	Training	\$30,139
10000-1300100000-546080	Equipment – computer	70,000

10000-1300100000-546140	Equipment – office	<u>19,500</u>
	Total	\$119,639
Decrease designations:		
10000-1100100000-320109	DFB – capital projects	\$104,060
10000-1100100000-320149	DFB – staffing growth	<u>15,579</u>
	Total	\$119,639

Auditor Controller – Internal Audits Unit

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

Increase appropriations:		
10000-1300200000-510040	Regular salaries	\$172,503
10000-1300200000-518100	Budgeted benefits	<u>92,886</u>
	Total	\$265,389
Decrease designations:		
10000-1100100000-320149	DFB – staffing growth	\$265,389

Board of Supervisors & Assessment Appeals

Recommended Motion: that the Board of Supervisors approve the purchase of two copiers, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

Increase appropriations:		
10000-1000100000-546140	Equipment – office	\$50,000
10000-1000200000-546140	Equipment – office	<u>20,000</u>
	Total	\$70,000
Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$70,000

Fair and National 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:		
22200-1920100000-529540	Utilities	\$125,000
Increase estimated revenue:		
22200-1920100000-741160	Fair sponsorship	\$20,000
22200-1920100000-741320	Misc event charges	21,000
22200-1920100000-752600	CA – fairs	65,000
22200-1920100000-781120	Rebates and refunds	4,000
22200-1920100000-790600	Contribution from other county funds	<u>15,000</u>
	Total	\$125,000

Executive Office

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

Increase appropriations:		
10000-1100100000-518100	Budgeted benefits	\$105,000

Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$105,000

Facilities Management

Custodial Services

Recommended Motion: that the Board of Supervisors approve the purchase of two Chariot Carpet Autoscrubbers.

Maintenance

Recommended Motion: that the Board of Supervisors approve the purchase of a video conference system.

Real Estate

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

Increase appropriations:		
10000-7200400000-526700	Rent – lease buildings	\$84,377

Expected offset:		
10000-7200400000-325100	Unreserved fund balance	\$84,377

Capital Projects

Recommended Motion: that the Board of Supervisors approve the proposed reprogramming of deferred maintenance projects as follows:

DEFERRED MAINTENANCE REPROGRAMMING

The following projects have been completed or had a scope change:

<u>Building #</u>	<u>Project Description</u>	<u>Budget</u>
933	County Farm Van Horn Youth Center – Repl HVAC	(\$500,000)
916	Riverside Juvenile Courts - HVAC upgrade	(50,000)
602	Hemet CAC - HVAC upgrade	200,000)
905	Riverside CAC - Replace cooling towers (tower side)	(250,000)
602	Hemet CAC – Fire protection system for bldgs B/C	(250,000)
971	Juvenile Probation – Fire protection system	(350,000)
701	Indio CAC – Parking lot reconfiguration/sidewalk rep	(150,000)
Various	Emergency deferred fund	(35,000)
Various	Underground storage tank	(200,000)
Various	Americans with Disabilities Act	(100,000)
905	Riverside CAC - Tower window cleaning	(175,000)
924	Juvenile Probation – Parking lot repairs	(100,000)
905	Riverside CAC – Parking lot repairs	(250,000)
808	Perris Coroner – Parking lot repairs	(50,000)
960	Academy of Justice – Parking lot repairs	(50,000)
	Total	(\$2,710,000)

Additional funding is requested for the following projects:

905	Riverside CAC – Tower roof repairs	\$75,000
701	Indio CAC – Clean and paint exterior	150,000
914	RPDC – Chiller replacement project	500,000
701	Indio CAC – Replace landscaping	100,000
702	Indio Jail – Plumbing repairs	50,000
2202	Palm Desert Sheriff – Replace chiller/cooling tower	250,000
301	Blythe Sheriff – Replace HVAC	385,000
996	Riverside DA – First floor HVAC replcmnt	400,000
1017	Riverside PD – Third floor HVAC replcmnt	125,000
1307	Southwest Justice Center – Hot water exp. system	75,000
1307	Southwest Justice Center – Replace landscaping	100,000
701	Indio CAC - elevator	<u>500,000</u>
	Total	\$2,710,000

PUBLIC PROTECTION

Animal Services – Community Health Agency

Recommended Motion: that the Board of Supervisors approve Resolution 440-8767 included in this report as Attachment B, adding 12 new positions for the Department of Animal Services.

Building and Safety

Recommended Motion: that the Board of Supervisors approve the purchase of an emergency services trailer, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

Increase appropriations:

10000-3110100000-523640	Computer equipment – non fixed asset	\$119,286
10000-3110100000-528920	Carpool mileage	30,000
10000-3110100000-537000	Interfund expense – leases	2,137
10000-3110100000-546160	Equipment – other	<u>69,067</u>
	Total	\$220,490

Decrease designations:

10000-1100100000-320146	DFB – budget savings retention	\$220,490
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Fire Department

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

Increase appropriations:

10000-2700200000-546340	Vehicles – fire	\$383,840
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Increase estimated revenue:

10000-2700200000-781360	Miscellaneous revenue	\$383,840
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National Pollutant Discharge Elimination System (NPDES)

Recommended Motion: that the Board of Supervisors approve the purchase of a vacuum truck and a dump truck; and approve and direct the Auditor-Controller to decrease designation, and adjust appropriations as follows:

Increase appropriations:		
10000-1105000000-551100	Contributions to other funds	\$480,000

Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$480,000

Planning Department

Recommended Motion: that the Board of Supervisors approve the purchase of a vehicle and laser printer, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

Increase appropriations:		
10000-3120100000-522310	Maintenance – building and improvement	\$15,000
10000-3120100000-525440	Professional services	25,000
10000-3120100000-523640	Computers – non fixed asset	60,609
10000-3120100000-528920	Carpool mileage	25,860
10000-3120100000-546080	Equipment – computer	<u>9,698</u>
	Total	\$136,167

Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$136,167

Probation Department

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

Increase appropriations:		
10000-2600100000-523640	Computer equip. – non fixed asset	\$100,000
10000-2600200000-523640	Computer equip. – non fixed asset	100,000
10000-2600700000-523640	Computer equip. – non fixed asset	175,000
10000-2600100000-528920	Carpool expense	5,000
10000-2600200000-528920	Carpool expense	13,680
10000-2600700000-528920	Carpool expense	<u>3,668</u>
	Total	\$397,348

Decrease appropriation:		
10000-1109000000-581000	Appropriations for contingency	\$397,348

Juvenile Facility Security

Recommended Motion: that the Board of Supervisors approve and direct the Auditor Controller to decrease designations and increase appropriations as follows:

Increase appropriation:		
10000-2600100000-522310	Maintenance – buildings	\$700,000

Decrease designation:		
10000-1100100000-320149	DFB – staffing growth	\$700,000

Juvenile After-Care

Recommended Motion: that the Board of Supervisors approve Resolution 440-8767 adding eight positions as reflected in Attachment B.

Appropriations Transfers Between Probation Divisions

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

Increase appropriations:

10000-2600100000-520240	Communications equipment	\$250,000
10000-2600100000-521360	Maintenance – computer equipment	11,218
10000-2600100000-522310	Maintenance – building and improvements	106,789
10000-2600100000-522320	Maintenance – grounds	20,000
10000-2600100000-537040	Interfund expense – maintenance	152,410
10000-2600200000-510040	Regular salaries	250,000
10000-2600200000-520250	Communications equipment	85,000
10000-2600200000-521360	Maintenance – computer equipment	20,581
10000-2600200000-522310	Maintenance – building and improvements	75,000
10000-2600200000-523680	Office equipment non fixed assets	232,622
10000-2600200000-525440	Professional services	10,143
10000-2600700000-525440	Professional services	7,934
10000-2600700000-546080	Equipment – computer	126,319
10000-2600700000-528920	Car pool expense	75,000
10000-2600700000-537300	Interfund – parking	<u>75,000</u>
	Total	\$1,498,016

Decrease appropriations:

10000-2600100000-525440	Professional services	\$6,456
10000-2600100000-546060	Equipment – communications	250,000
10000-2600100000-546160	Equipment – other	152,410
10000-2600100000-546200	Equipment – shop and yard	106,789
10000-2600200000-522320	Maintenance – grounds	20,000
10000-2600200000-523640	Computer equipment – non fixed asset	17,500
10000-2600200000-526910	Field equipment – non assets	30,375
10000-2600200000-526960	Small tools and instruments	5,544
10000-2600200000-528220	Photography expense	2,078
10000-2600200000-537040	Interfund expense – maintenance	250,000
10000-2600200000-537300	Interfund – parking	150,000
10000-2600400000-530100	Institutional placement	225,000
10000-2600700000-520250	Communications equip. – installation	60,000
10000-2600700000-521360	Maintenance – computer equipment	1,899
10000-2600700000-523640	Computer equipment – non fixed assets	39,427
10000-2600700000-523680	Office equipment – non fixed assets	100,000
10000-2600700000-523700	Office supplies	<u>80,538</u>
	Total	\$1,498,016

Asset Forfeiture

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

Increase appropriations:

10000-2600200000-526910	Field equipment – non assets	\$29,074
10000-2600200000-527460	Firearms equipment and supplies	<u>21,305</u>
	Total	\$50,379

Decrease reserves:

10000-2600200000-308103	Reserve for probation asset forfeiture	\$50,379
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Extension of Temporary Staff Hours

Recommended Motion: that the Board of Supervisors authorize employment of the temporary employees listed in Attachment H for more than 1,000 hours each, for FY 07/08.

Sheriff's Department

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

Increase appropriations:

10000-2500300000-510040	Regular salaries	\$1,027,261
10000-2500300000-518100	Budgeted benefits	428,984
10000-2500300000-520115	Uniforms	42,000
10000-2500300000-520220	800 MHz radio cost	137,070
10000-2500300000-527460	Firearm equipment and supplies	28,500
10000-2500300000-528920	Carpool expense	92,400
10000-2500300000-546060	Equipment – communication	<u>332,400</u>
	Total	\$2,088,615

Decrease designations:

10000-1100100000-320149	DFB – staffing growth	\$2,088,615
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Aviation Unit

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

Increase appropriations:

10000-2500300000-510040	Regular salaries	\$62,937
10000-2500300000-518100	Budgeted benefits	24,667
10000-2500300000-520900	Insurance – aircraft	349,300
10000-2500300000-520930	Insurance – liability	541,888
10000-2500300000-527100	Fuel	<u>200,000</u>
	Total	\$1,178,792

Decrease designations:

10000-1100100000-320149	DFB – staffing growth	\$1,178,792
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Gang Task Force

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

Increase appropriations:

10000-2500300000-510040	Regular salaries	\$188,516
10000-2500300000-518100	Budgeted benefits	79,978
10000-2500300000-520115	Uniforms	4,500
10000-2500300000-520220	800 MHz radio cost	10,724
10000-2500300000-527460	Firearm equipment and supplies	2,000
10000-2500300000-528920	Carpool expense	29,700
10000-2500300000-546060	Equipment – communication	<u>19,600</u>
	Total	\$335,018

Decrease designations:

10000-1100100000-320149	DFB – staffing growth	\$335,018
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Sheriff's ROVE/SAFE Teams

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

Increase appropriations:

10000-2500300000-510420	Overtime	\$503,825
10000-2500300000-510520	Bilingual pay	2,540
10000-2500300000-510700	Holiday pay	30,775
10000-2500300000-518080	Other budgeted benefits	64,457
10000-2500300000-520105	Protective gear	14,330
10000-2500300000-520230	Cellular phones	4,760
10000-2500300000-520320	Telephone service	7,507
10000-2500300000-520815	Cleaning and custodial	500
10000-2500300000-520820	Janitorial services	3,610
10000-2500300000-521340	Maintenance – comm. equipment	360
10000-2500300000-521360	Maintenance – computers	250
10000-2500300000-521500	Maintenance – motor vehicles	10,000
10000-2500300000-521560	Maintenance – other	4,000
10000-2500300000-521700	Maintenance – alarms	195
10000-2500300000-521720	Maintenance – fire systems	65
10000-2500300000-522310	Maintenance – bldgs. and improvements	1,700
10000-2500300000-522320	Maintenance – grounds	2,900
10000-2500300000-522810	Crime lab supplies	2,500
10000-2500300000-522860	Medical and dental lab supplies	2,072
10000-2500300000-523600	Audiovisual expense	2,500
10000-2500300000-523700	Office supplies	1,000
10000-2500300000-523760	Postage and mailing	250
10000-2500300000-523800	Printing and binding	790
10000-2500300000-523820	Subscriptions	1,100
10000-2500300000-524780	DUI lab services	2,500
10000-2500300000-525540	Transcription services	15,000
10000-2500300000-525640	Unincorporated area – non DUI lab svc	4,800
10000-2500300000-526400	Codes and legal publications	1,600
10000-2500300000-526930	Flashlights, batteries, bulbs	1,795
10000-2500300000-526940	Locks and keys	250
10000-2500300000-526960	Small tools and equipment	2,400
10000-2500300000-527280	Awards and recognitions	250
10000-2500300000-527500	Handcuffs	500
10000-2500300000-527680	Public signs	560
10000-2500300000-527720	Safety and security supplies	6,983
10000-2500300000-527860	Training materials	1,500
10000-2500300000-528140	Conferences, registration, tuition	4,170
10000-2500300000-528220	Photography expense	1,565
10000-2500300000-528920	Carpool expense	88,727
10000-2500300000-528960	Lodging	6,500
10000-2500300000-528980	Meals	<u>5,000</u>
	Total	\$806,086

Decrease designations:

10000-1100100000-320149	DFB – staffing growth	\$806,086
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New Perris Sheriff's Station

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

Increase appropriations:

10000-2500300000-520520	Communications equipment	\$1,500
10000-2500300000-520320	Telephone service	13,400
10000-2500300000-520805	Appliances	13,600
10000-2500300000-520815	Cleaning and custodial supplies	600
10000-2500300000-520820	Janitorial services	49,500
10000-2500300000-521540	Maintenance – office equipment	500
10000-2500300000-521720	Maintenance – fire systems	983
10000-2500300000-522310	Maintenance – buildings and improve	3,000
10000-2500300000-522320	Maintenance – grounds	11,000
10000-2500300000-523300	Moving expense	10,000
10000-2500300000-523640	Computer equip. – non fixed asset	18,500
10000-2500300000-523700	Office supplies	16,073
10000-2500300000-526700	Building rental – lease	15,400
10000-2500300000-526940	Locks and keys	350
10000-2500300000-526960	Small tools and instruments	3,766
10000-2500300000-527680	Public signs	1,000
10000-2500300000-527720	Safety and security supplies	4,500
10000-2500300000-529540	Utilities	<u>105,000</u>
	Total	\$268,672

Decrease designations:

10000-1100100000-320109	DFB – capital projects	\$85,672
10000-1100100000-320149	DFB – staffing growth	<u>183,000</u>
	Total	\$268,672

Los Angeles Sheriff Reimbursement

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

Increase appropriation:

10000-2500300000-520250	Communications equipment - install	\$59,007
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Decrease appropriation:

10000-1109000000-581000	Appropriations for contingency	\$59,007
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PUBLIC WAYS AND FACILITIES**Economic Development – Airport**

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

Increase appropriations:

22100-1910700000-523100	Memberships	\$5,000
22100-1910700000-523700	Office supplies	2,000
22100-1910700000-525020	Legal services	116,068
22100-1910700000-525340	Temporary help services	12,500
22100-1910700000-525440	Professional services	7,000

22100-1910700000-527780	Special program expense	66,000
22100-1910700000-536200	Contribution to non-county agency	<u>97,208</u>
	Total	\$305,776
Increase estimated revenue:		
22100-1910700000-778200	Interfund – miscellaneous	\$305,776

Transportation and Land Management Agency

Administration

Recommended Motion: that the Board of Supervisors approve the purchase of a copier.

Transportation Equipment (Garage)

Recommended Motion: that the Board of Supervisors approve the purchase of two three-axle dump trucks, and approve and direct the Auditor-Controller to adjust appropriations as follows:

Increase appropriations:		
20008-3130700000-546160	Equipment	\$200,000
Expected offset:		
20008-3130700000-325100	Unreserved fund balance	\$200,000

TLMA Road and Bridge Building Benefit District – Meniffee

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

Increase appropriations:		
31600-3130500000-537280	Contracts	\$2,863,000
Expected offset:		
31600-3130500000-325100	Unreserved fund balance	\$2,863,000

TLMA Road and Bridge Building Benefit District – Southwest

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

Increase appropriations:		
31610-3130500000-537280	Contracts	\$1,042,143
Expected offset:		
31610-3130500000-325100	Unreserved fund balance	\$1,042,143

TLMA – Developer Agreement/Development Impact Fee

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

Increase appropriations:		
31650-3130500000-537280	Contracts	\$700,000

Increase estimated revenues:

31650-3130500000-790600	Contributions from other co. funds	\$700,000
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HEALTH AND SANITATION

Community Health Agency (CHA)

Public Health

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

Increase appropriations:

10000-4200100000-523680	Equipment – non fixed asset	\$97,000
10000-4200100000-546160	Equipment – other	<u>53,000</u>
	Total	\$150,000

Increase estimated revenue:

10000-4200100000-781360	Other misc. revenue	\$150,000
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Recommended Motion: that the Board of Supervisors approve the purchase of one vehicle.

Mental Health – Treatment

Recommended Motion: that the Board of Supervisors; 1) approve Resolution 440-8767 included in this report as Attachment B, adding 120 new positions for Mental Health Agency, 2) approve the purchase of 20 copiers, eight computer servers, six video-conferencing systems and 40 vehicles, and 3) approve and direct the Auditor-Controller to adjust appropriations and estimated revenues as follows:

Increase appropriations:

10000-4100200000-546160	Equipment – other	\$560,000
10000-4100200000-546320	Vehicles – cars and light trucks	<u>925,000</u>
	Total	\$1,485,000

Increase estimated revenue:

10000-4100200000-751040	CA – MH services act	\$1,485,000
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PUBLIC ASSISTANCE

Department of Public Social Services (DPSS)

CalWORKS

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

Increase appropriations:

10000-5100100000-530420	Child-care services	\$1,160,000
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Increase estimated revenue:

10000-5100100000-760000	Federal – public assistance	\$1,160,000
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In-Home Supportive Services (IHSS)

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

Increase appropriations:		
10000-5100200000-530440	Client services	\$1,740,000
Increase estimated revenue:		
10000-5100200000-760000	Federal – public assistance	\$234,000
10000-5100200000-750300	CA – public assistance	158,000
10000-5100200000-774970	IHSS insurance premiums	<u>48,000</u>
	Total	\$440,000
Decrease designations:		
10000-1100100000-320129	DFB – DPSS realignment	\$1,300,000

Categorical Aid

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

Increase appropriations:		
10000-5100300000-530480	Categorical assistance	\$7,768,000
Increase estimated revenue:		
10000-5100300000-761000	Federal – public assistance	\$4,327,000
10000-5100300000-750700	CA – public assistance	<u>3,441,000</u>
	Total	\$7,768,000

Other Assistance

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

Increase appropriations:		
10000-5100400000-530520	County funded foster care	\$706,570
Decrease designations:		
10000-1100100000-320129	DFB – DPSS realignment	\$706,570

Veterans' Services

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

Increase appropriations:		
10000-5400100000-518100	Budgeted benefits	\$107,175
10000-5400100000-546080	Equipment – computer	<u>21,186</u>
	Total	\$128,361
Decrease designations:		
10000-1100100000-320146	DFB – budget savings retention	\$128,361

EDUCATION, RECREATION, AND CULTURE

Edward Dean Museum

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

Increase appropriations:		
10000-1930100000-528500	Project cost expenses	\$5,500

10000-1930100000-551100	Contribution to other funds	<u>70,000</u>
	Total	\$75,500
Increase estimated revenue:		
10000-1930100000-776770	Edward Dean Museum	\$60,500
10000-1930100000-778200	Interfund – miscellaneous	<u>15,000</u>
	Total	\$75,500

ENTERPRISE FUNDS

None

INTERNAL SERVICE FUNDS

Disability Insurance – Human Resources

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

Increase appropriations:		
46060-1131200000-510040	Regular salaries	\$32,000
46060-1131200000-534260	Liability claims	<u>472,500</u>
	Total	\$504,500
Increase estimated revenue:		
46060-1131200000-781720	Contributions and conations	\$132,000
Expected offset:		
46060-1131200000-380100	Unrestricted net assets	\$372,500

Information Technology (RCIT)

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

Increase appropriations:		
45500-7400100000-521460	Maintenance – microwave equipment	\$300,000
45500-7400100000-521660	Maintenance – telephone	300,000
45500-7400100000-532600	Cap lease purchase – principal	1,000,000
45500-7400100000-546060	Equipment communication	<u>1,000,000</u>
	Total	\$2,600,000
Increase estimated revenue:		
45500-7400100000-770820	Communication services	\$300,000
45500-7400100000-790600	Contribution from other funds	<u>2,300,000</u>
	Total	\$2,600,000

RCIT Pass Thru

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

Increase appropriations:		
45510-7400400000-520220	County radio systems	\$877,500
45510-7400400000-521340	Maintenance – comm. equipment	682,000
45510-7400400000-521580	Maintenance – radio elec. equipment	292,500
45510-7400400000-521640	Maintenance – software	4,000,000
45510-7400400000-521660	Maintenance – telephone	<u>10,000</u>

45510-7400400000-523230	Miscellaneous expense	250,000
45510-7400400000-520240	Communications equipment	3,805,000
45510-7400400000-520320	Telephone services	2,000,000
45510-7400400000-521360	Maintenance – computer equipment	3,083,000
45510-7400400000-571400	Intrafund – comm. services	(7,667,000)
45510-7400400000-572600	Intrafund – maintenance	(4,000,000)
45510-7400400000-572800	Intrafund – miscellaneous	<u>(3,333,000)</u>
	Total	\$0

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	\$2,286,000
45700-7300400000-527600	ISF – indirect materials	4,965,000
45700-7300400000-523300	ISF – moving expenses	<u>60,000</u>
	Total	\$7,311,000

Increase estimated revenue:

45700-7300400000-777760	Stores – county	\$2,286,000
45700-7300400000-781600	Systems furniture	4,965,000
45700-7300400000-781360	Other misc. revenue	<u>60,000</u>
	Total	\$7,311,000

Unemployment Insurance – Human Resources

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

Increase appropriations:

46080-1131100000-534400	Unemployment claims	\$385,000
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Increase estimated revenue:

46080-1131100000-781220	Contributions and donations	\$385,000
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SPECIAL DISTRICTS

RDA Housing Set Aside and RDA Debt Service

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

Increase appropriations:

37100-934001-533020	Bonds – interest	\$500,000
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Increase estimated revenue:

37100-934001-790500	Operating transfers in	\$500,000
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Increase appropriations:

25000-934001-551000	Operating transfers out	\$500,000
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Increase estimated revenue:

25000-934001-791000	Bond proceeds	\$500,000
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RDA Capital Projects

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

Increase appropriations:		
32700-934001-546020	Equipment – automotive	\$125,000
Increase estimated revenue:		
32700-934001-791000	Bond proceeds	\$125,000

Parks - Regional Parks and Open Space District

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

Increase appropriations:		
25400-931104-510040	Regular salaries	\$50,000
25400-931104-510200	Payoff permanent seasonal	62,000
25400-931104-522310	Maintenance building and improvement	90,000
25400-931104-537140	Interfund – right of ways	18,000
25400-931104-548200	Infrastructure	<u>50,000</u>
	Total	\$270,000
Expected offset:		
25400-931104-325100	Unreserved fund balance	\$270,000

Arundo Removal – a Santa Ana River Reserve

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

Increase appropriations:		
25520-931120-537180	Interfund salary reimbursement	\$93,000
Increase estimated revenue:		
25520-931120-777520	Reimbursement for services	\$93,000

Habitat and Open Space Management

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

Increase appropriations:		
25520-931170- 537180	Interfund salary reimbursement	\$24,500
25520- 931170-546320	Vehicles – light trucks	<u>32,500</u>
	Total	\$57,000
Increase estimated revenue:		
25520-931170-790500	Operating transfers in	\$57,000

Off-Highway Vehicle Management

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

Increase appropriations:		
25520-931160-551000	Operating transfers out	\$51,000

Expected offset:		
25520-931160-325100	Unreserved fund balance	\$51,000

County Service Areas

Wildomar Landscape Maintenance District (LMD) 2006-1

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

Increase Appropriations:		
24630-915201-510040	Regular salaries	\$29,640
24630-915201-518100	Budgeted benefits	14,952
24630-915201-522320	Maintenance – grounds	100,000
24630-915201-523230	Miscellaneous expense	7,408
24630-915201-529500	Electricity	12,000
24630-915201-529540	Utilities	24,000
24630-915201-537180	Interfund expense – salary reimb.	<u>12,000</u>
	Total	\$200,000

Increase estimated revenue:		
24630-915201-770100	Special assessments	200,000

Various County Service Areas

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

Increase appropriations:		
23025-900101-537180	Interfund expense – salary reimb.	\$1,000

Increase estimated revenue:		
23025-900101-781360	Other misc. revenue	\$1,000

Increase appropriations:		
23100-901301-537180	Interfund expense – salary reimb.	\$1,000

Increase estimated revenue:		
23100-901301-781360	Other misc. revenue	\$1,000

Increase appropriations:		
23725-907201-537180	Interfund expense – salary reimb.	\$1,000

Increase estimated revenue:		
23725-907201-781360	Other misc. revenue	\$1,000

Increase appropriations:		
23775-908001-537180	Interfund expense. – salary reimb	\$1,000

Increase estimated revenue: 23775-908001-781360	Other misc. revenue	\$1,000
Increase appropriations: 23850-908501-510040	Regular salaries	\$10,000
23850-908501-537180	Interfund expense – salary reimb.	<u>5,000</u>
	Total	\$15,000
Increase estimated revenue: 23850-908501-781360	Other misc. revenue	\$15,000
Increase appropriations: 24075-910301-510040	Regular salaries	\$25,000
Increase estimated revenue: 24075-910301-781360	Other misc. revenue	\$25,000
Increase appropriations: 24425-913401-522320	Maintenance – grounds	\$100,000
24425-913401-529550	Water	<u>100,000</u>
	Total	\$200,000
Increase estimated revenue: 24425-913401-781360	Other misc. revenue	\$200,000
Increase appropriations: 24825-914901-537180	Interfund expense – salary reimb.	\$10,000
Increase estimated revenue: 24825-914901-781360	Other misc. revenue	\$10,000
Increase appropriations: 40420-906202-535540	Depreciation – building	\$1,000
Increase estimated revenue: 40420-906202-781360	Other misc. revenue	\$1,000

ATTACHMENT B: RESOLUTION 440-8767

BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on January 29, 2008 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>
73508	+2	Animal Adoption Counselor	Animal Services 4200600000
62380	+4	Animal Care Technician	Animal Services 4200600000
74107	+1	CHA Program Coordinator I	Animal Services 4200600000
13866	+2	Office Assistant III	Animal Services 4200600000
73513	+1	Op's Chief, Animal Services	Animal Services 4200600000
73515	+1	Sergeant of Field Services	Animal Services 4200600000
73500	+1	Sup.Registered Vet Tech	Animal Services 4200600000
79534	+1	Supv. Probation Officer	Probation 2600100000
79533	+1	Sr. Probation Officer II	Probation 2600100000
79532	+3	Dep. Probation Officer II	Probation 2600100000
57794	+2	Probation Assistant	Probation 2600100000
13866	+1	Office Assistant II	Probation 2600100000
15912	+1	Accounting Assistant II	Mental Health 4100200000
57745	+38	Behavioral Health Specialist II	Mental Health 4100200000
79751	+4	Behavioral Health Specialist III	Mental Health 4100200000
79742	+23	Clinical Therapist II	Mental Health 4100200000
57792	+4	Community Services Assistant	Mental Health 4100200000
79891	+4	Employment Svcs Counselor II	Mental Health 4100200000
57751	+1	Licensed Vocational Nurse I	Mental Health 4100200000
79726	+16	Mental Health Peer Specialist	Mental Health 4100200000
79718	+4	MH Services Supervisor B	Mental Health 4100200000
57781	+1	Nursing Assistant	Mental Health 4100200000
13865	+6	Office Assistant II	Mental Health 4100200000
73436	+1	Occupational Therapist II	Mental Health 4100200000
73991	+5	Registered Nurse IV	Mental Health 4100200000
79727	+1	Senior MH Peer Specialist	Mental Health 4100200000
74105	+1	Staff Analyst I	Mental Health 4100200000
74106	+1	Staff Analyst II	Mental Health 4100200000
73819	+4	Staff Psychiatrist IV	Mental Health 4100200000
57745	+1	Behavioral Health Specialist II	Mental Health 4100300000
79742	+1	Clinical Therapist II	Mental Health 4100300000
73991	+1	Registered Nurse IV	Mental Health 4100400000
74106	+2	Staff Analyst II	Mental Health 4100400000

BUDGET POLICY and SCHEDULE

The FY 08/09 budget will be developed in accordance with the following standard policies:

- 1) Net County Cost (NCC).** Discretionary funds authorized to general fund departments by the Board in FY 07/08's final budget will be the basis for developing FY 08/09 proposed budget NCC's. There are two exceptions to this general rule: 1) NCC will be increased for budget units in which Form 11's permanently modified ongoing costs, and 2) Sheriff's Department, District Attorney, Probation Department and the Public Defender will have NCC increases to cover authorized cost of living allowances (COLAs) for sworn staff and attorneys.
- 2) Five Percent NCC Reduction**
Net county cost targets calculated per No. 1, above, will be reduced five percent before they are given to department heads.
- 3) Cost of Living Allowances (COLAs).** Pursuant to standing Board policy, departments will absorb cost of living increases (see No. 1 above for exceptions).
- 4) Priorities in Budget Construction.** All general-fund budget requests will be submitted within the net-county-cost 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.
- 5) 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. Refer to Policy A-36.

ATTACHMENT C

- 6) **Submittal Deadlines.** All departments will submit their FY 08/09 budget requests to the Executive Office no later than **March 14, 2008**. To be considered on time, budget requests must be complete and in accordance with these budget policies.

FISCAL YEAR 2008-09
BUDGET PREPARATION SCHEDULE

Due Date	Milestone
01/29/08	The Board of Supervisors approves the FY 08/09 budget policy and new ISF rates.
01/31/08	County Executive Office distributes the approved Budget Policy, general fund NCC targets, ISF rates, and budget preparation materials to departments.
03/14/08	Department budgets are due to the Executive Office.
06/02/08	The Board approves the proposed budget and opens budget hearings.
06/24/08	The Board of Supervisors adopts FY 08/09 final budget recommendations.

Economics & Politics, Inc.

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PROPOSITION 172 ESTIMATES RIVERSIDE COUNTY, FY 2007 & FY 2008

SUMMARY

1. **FY 2007 Riverside County government tax revenues accrued from Prop 172 totaled \$143.5 million, up 4.8%.** This figure is *net of the 4.51% of funds paid to other jurisdictions in the county*. It represented \$2.4 million less than the \$145.9 million that Economics & Politics, Inc. predicted last year, an error of -1.6%. The error was due to the fact that the state grew just 0.54% not the 4.7% that had been forecasted by the CA Legislative Analyst's Office.
2. **FY 2008 Riverside County tax revenue accruals from Prop 172 are forecasted at \$146.4 million, up 2.0%.** This is \$12.5 million or 7.9% less than the two year forecast made in January 2007 of \$158.9 million. The state's sales almost came to a halt for a second year instead of the 5.5% growth forecasted by the CA Legislative Analyst's Office.

Riverside County's Prop 172 collections in FY 2008 are expected to rise just 2.0% for two reasons. The county's percent of California's taxable transactions rose a little from 5.2701% in 2005 to 5.3347% (*5.3783% was used in forecasting*). This is the percent used to determine its share of the state FY 2008 Prop 172 pie. The county's gain in share was the smallest since 2000 since its sales increase of 5.5% in 2006 was just a little more than the state's sales gain of 4.2%. This larger share will be applied to a somewhat larger pie as state's sales are forecasted to grow by just 1.05% in FY 2008 due to a decline in real estate activity and high oil prices. In the fiscal year's first quarter, the state's sales fell 1.2%, while the county's Prop 172 receipts fell -0.02% 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 2009 Riverside County tax revenue accruals from Prop 172 are forecasted at \$150.5 million, up 3.3%.**

Riverside County's Prop 172 collections are expected to rise again in FY 2009, up 3.3% for two reasons. First, the increase of California's sales tax collections in FY 2008 are expected to grow 4.01%. This is based upon two facts that the CA Legislative Analyst's Office sees affecting California's retail economy in 2007-2008: a very modest home sales recovery and thus related retail sales and no further rapid increases in energy prices. However, Riverside County will not gain the full benefit as its share of the state's larger total sales will fall. This smaller share will occur as the county's growth will under-performed the state's sales in calendar year 2007. The share is assumed to fall from the 5.3347% applicable to FY 2008 (*based on 2006 share of state sales*) to 5.2847% applicable to FY 2009 (*based on the 2007 share of state sales*). The share is seen as falling 0.50%. This lower share of the state's sales in calendar year 2007 is what will be applied to Prop 172 distributions during FY 2009. Riverside County's government gets 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 2002, Riverside County accounted for 4.4344% of California taxable sales (*net of a small administrative fee*). In calendar year 2003, it grew to 4.7306%. It surged to 5.0537% in 2004 and 5.2701% in 2005 and went on to 5.3347% in 2006 (*forecast: 5.3783%*). These increases occurred because Riverside County's annual sales growth rates have been faster than those of the state. These calendar year figures are used by the California State Controller to determine the share of state Prop 172 accruals that go to Riverside County in the next full fiscal year. The 2006 figure (5.3347%) is used in the formula for FY 2008. The estimated 2007 figure (5.2847%) will be used in FY 2009. It is down from 2006 as Riverside County's sales are expected to grow slower than the state's sales because of the fallout from the slowdown in housing sales.

Exhibit 1.-Riverside County Share of State Taxable Sales, 2002-2007e						
	2002	2003	2004	2005	2006	2007
CA Taxable Sales	\$440,950,094	\$460,096,468	\$500,076,783	536,904,428	\$559,652,237	
Administrative Costs	1,233,000	1,190,000	699,133	738,302	738,302	
California Basis	\$439,717,094	\$458,906,468	\$499,377,650	\$536,166,126	\$558,913,935	
RV County	19,498,994	21,709,135	25,237,048	28,256,491	29,816,237	
RV County Percent	4.4344%	4.7306%	5.0537%	5.2701%	5.3347%	5.2847%

Note: 2007 percent based upon 0.50% of decrease in Riverside County's share of state retail sales in 2007.

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 2007. The level barely rose, up 0.54% over the prior year to **\$2.85 billion**.

Column 2 shows the estimated California sales tax collections for FY 2008 of **\$2.88 billion, up 1.05%**. The forecast is based upon actual changes in state sales collections that were down 1.23% in the first 3-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 be up 1.0% until December 2007, rise to 2.0% in first quarter 2007 and then rise to 2.5% for second quarter 2007. The resulting fiscal increase of 1.05% is well below the normally conservative CA Legislative Analyst's estimate of 3.8%.

FY 2009 state tax collections are estimated to grow **4.01%** to **\$3.00 billion**. This is based upon estimating that sales will rise to growth of 3.0% in third quarter 2008, followed by increases to 3.75% in fourth quarter 2008, 4.25% in first quarter 2009 and 5.0% in second quarter 2009. The resulting annual forecast of 4.01% remains a little weaker than those of the California Legislative Analyst's Office which put the gain at 4.7%.

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 2007 were multiplied by the county's 5.2701% share of state sales from calendar year 2005. The actual accruals were **\$150,301,599**. The

county's Prop 172 revenue accruals were **4.85%** above the prior year. Note, this was far above the 0.54% growth in state receipts because Riverside County's share of state revenues was up from the prior year's 5.0537%.

**Exhibit 2.-Prop. 172 Tax Receipts
Riverside County, FY 2007to FY 2009**

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-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	233,390,617	1.37%	12,299,918	5.71%	11,744,995	5.71%
Nov-06	200,560,474	4.20%	10,569,737	8.66%	10,092,873	8.66%
Dec-06	310,054,990	6.64%	16,340,207	11.21%	15,603,002	11.21%
Jan-07	211,301,416	-2.04%	11,135,796	2.16%	10,633,393	2.16%
Feb-07	188,840,979	-4.71%	9,952,108	-0.63%	9,503,109	-0.63%
Mar-07	256,117,508	-4.33%	13,497,648	-0.24%	12,888,688	-0.24%
Apr-07	225,746,315	1.82%	11,897,056	6.19%	11,360,308	6.19%
May-07	275,225,565	-2.56%	14,504,662	1.62%	13,850,269	1.62%
Jun-07	233,065,350	2.45%	12,282,777	6.84%	11,728,626	6.84%
FY 07	2,851,968,719	0.54%	150,301,599	4.85%	143,520,589	4.85%
Jul-07	221,217,164	-1.68%	11,658,369	2.53%	11,132,390	2.53%
Aug-07	225,778,924	3.47%	11,898,777	7.90%	11,361,951	7.90%
Sep-07	261,817,712	-4.60%	13,798,055	-10.54%	13,175,542	-10.54%
Oct-2007	235,724,523	1.0%	12,575,135	2.24%	12,007,795	2.24%
Nov-07	202,566,079	1.0%	10,806,240	2.24%	10,318,706	2.24%
Dec-07	313,155,540	1.0%	16,705,828	2.24%	15,952,127	2.24%
Jan-2008	215,527,444	2.00%	11,497,687	3.25%	10,978,957	3.25%
Feb-08	192,617,799	2.00%	10,275,532	3.25%	9,811,941	3.25%
Mar-2008	261,239,858	2.00%	13,936,295	3.25%	13,307,545	3.25%
Apr-08	231,389,973	2.50%	12,343,901	3.76%	11,786,993	3.76%
May-08	282,106,204	2.50%	15,049,447	3.76%	14,370,475	3.76%
Jun-08	238,891,984	2.50%	12,744,109	3.76%	12,169,145	3.76%
FY 08	2,882,033,203	1.05%	153,289,374	1.99%	146,373,567	1.99%
Jul-08	227,853,679	3.00%	12,041,324	3.28%	11,439,258	3.28%
Aug-08	232,552,292	3.00%	12,289,631	3.28%	11,675,149	3.28%
Sep-08	269,672,243	3.00%	14,251,299	3.28%	13,538,734	3.28%
Oct-2008	244,564,193	3.75%	12,924,421	2.78%	12,278,200	2.78%
Nov-08	210,162,307	3.75%	11,106,393	2.78%	10,551,073	2.78%
Dec-08	324,898,873	3.75%	17,169,847	2.78%	16,311,354	2.78%
Jan-2009	224,687,361	4.25%	11,873,995	3.27%	11,280,295	3.27%
Feb-09	200,804,055	4.25%	10,611,840	3.27%	10,081,248	3.27%
Mar-09	272,342,552	4.25%	14,392,416	3.27%	13,672,796	3.27%
Apr-09	242,959,472	5.00%	12,839,616	4.02%	12,197,635	4.02%
May-09	296,211,514	5.00%	15,653,813	4.02%	14,871,123	4.02%
Jun-09	250,836,583	5.00%	13,255,896	4.02%	12,593,101	4.02%
FY 09	2,997,545,123	4.01%	158,410,491	3.34%	150,489,967	3.34%

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

- The state's monthly actual & estimated revenue accruals for FY 2008 are multiplied by the county's 5.3347% share from calendar year 2006 to derive Riverside County's estimated annual Prop 172 accruals of \$153,289,374, up 1.99%. The relatively weak forecast is made because California is expected to see a gain of just 1.05% 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 2006, up from the 5.0537% in 2004 and that was a key element of the FY 2006 formula.
- The state's monthly estimated revenue accruals for Fiscal Year 2009 are multiplied by the county's 5.2847% share estimated for calendar year 2007 to derive Riverside County's fiscal year Prop 172 accruals of \$158,410,191, up 3.34%. Growth will be less than the California's estimated 4.01% (step #2) as the county's share of state sales tax revenues will be smaller than the 5.3347% applied to FY 2007 because its retail sales grew slower than those of the state for the first time since 1995 (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 2007, Riverside County government's accruals were \$143,520,489, up 4.85% from the prior fiscal year.
- For FY 2008, Riverside County government's accruals are estimated at \$146,373,567, up 1.99% from the prior fiscal year.
- For FY 2009, Riverside County government's accruals are estimated at \$150,489,967, up 3.34% from the prior fiscal year.

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RIVERSIDE COUNTY TAXABLE SALES

SUMMARY

1. **FY 2007 total taxable transactions in Riverside County were \$29,963,998,000, up 2.0% from the prior fiscal year.** In January 2006, the forecast was for \$30,819,692,000. The forecast was high by \$1,083,989,000, an overestimate of -3.5%. The 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 severity of the housing slowdown.
2. **FY 2008, the county's taxable transactions are estimated at \$29,937,550,000. This would represent growth of 0.8% over FY 2007.** This forecast is a downward adjustment of \$3,908,061,000 (-11.5%) from the two year FY 2008 estimate of \$33,845,610,000 made in January 2006. The difference is anticipated because of the accelerating slowdown in home sales and the associated slowing in population growth.
3. **FY 2009, the county's taxable transactions are estimated at \$30,758,686,000.** This would represent an increase of 2.7% over the FY 2008 estimate. The housing market will still be having difficulties, though less severe, and retail sales will reflect that fact.

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 1995 to FY 2007, these variables led to the prediction that Riverside County's FY 2008 taxable sales would be \$31,223,728,000 $\pm$ \$3,215,445,000 with 99% confidence.

Based upon experience, the actual estimate was made deducting 40% of the lower range or \$1,286,178,000. This was done due to the analyst's view that the slowing of county home sales will decrease population growth and both will slow the rate of retail sales growth in the county. This yielded the FY 2008 forecast of taxable sales at \$29,937,550,000. This would represent only a 0.8% gain over FY 2007.

3. For FY 2009, the correlation was rerun assuming the FY 2008 level in #2. The model led to the forecast that Riverside County's Taxable Retail Sales would be \$31,235,368,000 $\pm$ \$3,177,881,000 with 99% confidence.

The analyst is of the opinion that in FY 2009, the county will see the end of the housing crisis in sight. For this reason, just 15% of the lower range or \$476,682,000 was deducted to arrive at the FY 2009 forecast of \$30,758,686,000. This would represent a 2.7% increase over the forecast for FY 2008.

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 20076 (*July 1, 2006 to June 30, 2007*) are affected by sales activity from April 1, 2006 to March 31, 2007, etc. Riverside County retail sales for FY 1991 through FY 2007 were compiled using data for these months (*Exhibit 3*).

Exhibit 3.-Taxable Retail Sales, Riverside County (000), FY 1991 to 2007									
Quarter	Taxable Sales	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	2006-2	\$7,715,947
1990-3	2,276,545	1994-3	2,374,585	1998-3	3,178,162	2002-3	4,760,280	2006-3	7,257,754
1990-4	2,477,026	1994-4	2,659,445	1998-4	3,601,126	2002-4	5,282,191	2006-4	7,652,024
1991-1	2,130,354	1995-1	2,423,798	1999-1	3,464,547	2003-1	4,977,368	2007-1	7,068,273
FY 91	9,315,506	FY 95	9,900,413	FY 99	13,531,780	FY 2003	19,916,373	FY 2007	29,693,998
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	2005-1	6,339,661		
FY 93	9,250,638	FY 97	11,270,626	FY 2001	17,255,779	FY 2005	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	7,190,512		
FY 94	9,397,359	FY 98	12,197,397	FY 2002	18,497,072	FY 2006	29,107,342		

Note: 1. FY 07 applies to 2nd Quarter-06 to 1st Quarter-07 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 97.9% over the 13 years including FY 1995 to FY 2007 (*Exhibit 5*). To be very specific, the equation that resulted from this work was:

$$\text{Taxable Sales (000)}_{(t)} = (-22,519,539,000) + 41.64 * \text{Employment}_{(t-1)}$$

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

For FY 2008, the result was \$31,223,728,000 with 99% confidence at plus or minus 3,215,445,000.

Exhibit 4.-Taxable Sales Forecast, Riverside County, FY 2008-FY 2009 Forecast							
R squared 97.9%		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
FY 1990	702,467	\$9,315,506	FY91	2.3%			
FY 1991	739,517	8,973,397	FY92	-3.7%			
FY 1992	743,642	9,250,638	FY93	3.1%			
FY 1993	752,250	9,397,359	FY94	1.6%			
FY 1994	757,558	9,900,413	FY95	5.4%	\$9,026,006	(\$874,407)	-8.8%
FY 1995	780,967	10,613,650	FY96	7.2%	10,000,769	(612,881)	-5.8%
FY 1996	807,858	11,270,626	FY97	6.2%	11,120,539	(150,087)	-1.3%
FY 1997	832,700	12,197,397	FY98	8.2%	12,154,986	(42,411)	-0.3%
FY 1998	870,925	13,531,780	FY99	10.9%	13,746,717	214,937	1.6%
FY 1999	916,692	15,630,540	FY 2000	15.5%	15,652,490	21,950	0.1%
FY 2000	975,158	17,255,779	FY 2001	10.4%	18,087,105	831,326	4.8%
FY 2001	1,021,258	18,497,072	FY 2002	7.2%	20,006,759	1,509,687	8.2%
FY 2002	1,057,342	19,916,373	FY 2003	7.7%	21,509,308	1,592,935	8.0%
FY 2003	1,093,683	22,550,296	FY 2004	13.2%	23,022,614	472,318	2.1%
FY 2004	1,131,417	25,758,280	FY 2005	14.2%	24,593,871	(1,164,409)	-4.5%
FY 2005	1,194,967	29,107,342	FY 2006	13.0%	27,240,161	(1,867,181)	-6.4%
FY 2006	1,255,533	29,693,998	FY 2007	2.0%	29,762,222	68,224	0.2%
FY 2007	1,290,631	29,937,550	FY 2008e	0.8%			
FY 2008	1,299,665	30,758,686	FY 2009e	2.7%			

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 2008 estimates. It yielded:

$$\text{Taxable Sales (000)}_{(t)} = (-21,705,160,000) + 40.73 * \text{Employment}_{(t-1)}$$

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

For FY 2009, the result: \$31,235,368,000 with 99% confidence, plus or minus \$3,177,881,000.

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 2008 & FY 2009?

At the bottom of Block #2 of Exhibit 4, estimates are shown for taxable sales in FY 2008 at **\$29,937,550,000** and FY 2009 at **\$30,758,686,000**. They were derived as follows:

1. In FY 2008, the model yielded an estimate of Riverside County retail sales at \$31,223,728,000 ± \$3,215,445,000. As indicated above, the county's housing sales and

population growth are slowing and will likely have a commensurate impact on retail sales. Thus, the actual estimate was made deducting 40% of the lower range or \$1,286,178,000. This yielded the forecast of **\$29,937,550,000** for FY 2008 Riverside County's taxable sales, a very low 0.8% gain over FY 2007.

TECHNICAL DATA ON MODEL

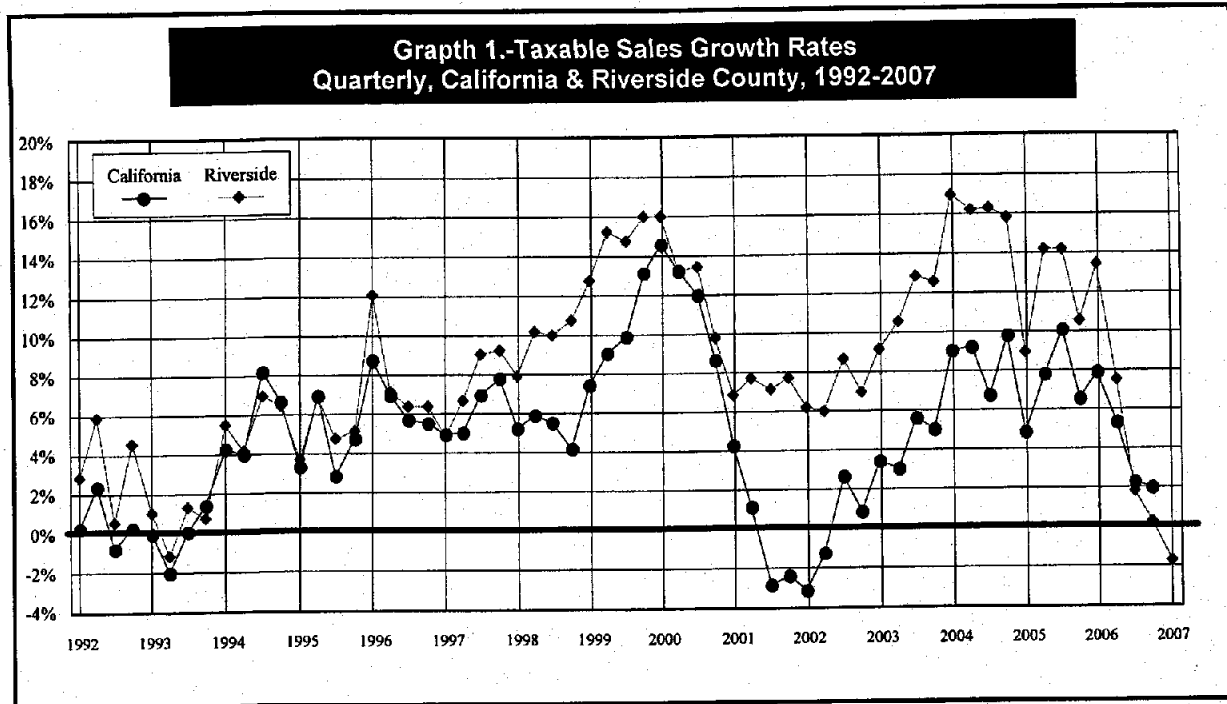
The R^2 was 97.9%. Using the t-statistic, with 11 degrees of freedom, there was a 99% chance that employment lagged one year was statistically significant in predicting the retail sales level. An F test showed the correlation was very highly significant (*0.1% level*). With a standard error of \$1,035,237,000, and 11 degrees of freedom, 99% confidence was found at $\pm \$3,215,445,000$ using a student t value of 3.106.

2. In FY 2009, the model was rerun assuming the accuracy of the FY 2008 estimate. It yielded an estimate of \$31,235,368,000 $\pm$ \$3,177,881,000. The analyst believes that by FY 2009, the county will be seeing the end of the housing crisis in sight. For this reason, 15% of the lower range or \$476,682,000 was deducted. This yielded the forecast of **\$30,758,686,000** for FY 2009 Riverside County taxable sales, a 2.7% increase over the FY 2008 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 2008 for Riverside County. The California Legislative Analyst's Office estimates that a 3.8% state growth rate is likely for the year based upon returns they have seen. Meanwhile, Graph 1 shows that Riverside County can no longer expect to outperform the state (*Graph 1*):

- In 2nd quarter 2006: California's growth was 5.4%; Riverside County's rate was 7.5%, a 2.1% county advantage.
- In 3rd quarter 2006: California's growth was 2.3%; the county's rate was 1.8%; a -0.5% county disadvantage.



- In 4th quarter 2006: California's growth was 2.1%, the county's rate was 0.3%; a -1.8% county disadvantage.
- In 1st quarter 2007, California's growth is not known while the county's rate was -1.7% according to a release by the Riverside County Transportation Commission.

The recent weak performance by the county reflects the impact of the housing sector's difficulties spinning into the rest of economy. The difficulty will continue for an extended period.

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 2008 and FY 2009. 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. They had grown much faster than countywide growth in recent years (*Exhibit 5*). However, this reversed in FY 2007 as the housing lull had a disproportionately strong impact on unincorporated area retail sales primarily due to the loss of building material sales.

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
FY 07	2.0%	-0.8%	2.8%	-0.38

Source: CA Board of Equalization, Hinderliter de Llamas

ATTACHMENT D

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. This convention is used for the county government forecasts of retail sales revenue growth of 0.8% for FY 2008 and 2.7% for FY 2009 (*footnotes: Exhibit 7, next section*).

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UNINCORPORATED RIVERSIDE COUNTY SALES TAX REVENUE, FY 2008 & FY 2009

SUMMARY

1. **FY 2007 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, was \$34,659,684, down -0.8% from FY 2006.** The forecast was for \$38,915,273. The forecast error was -\$4,255,589 (-10.9%). *Another \$3,946,701 came from county & state pools. The estimate was \$4,475,256.* These errors were almost entirely the result of steep cutbacks instead of growth in sales tax revenue from building material sales from contractors and building material suppliers located in Riverside County's unincorporated areas (-\$1,103,228) as well as manufacturers of electrical equipment (-\$478 million). They had grown sharply in the first quarter for the year, for which data had been available for the forecast, but plunged after it was made.
2. **FY 2008 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, is forecasted to be \$34,936,692, up 0.8%.** The original long term estimate for the fiscal year was \$44,646,402. The much lower anticipated FY 2008 revenues is the result of the expectation of a continuation of the difficulties in the residential construction sector that are affecting the entire retail economy. The growth rate is estimated to equal the anticipated countywide growth of 0.8% in FY 2008. *Another \$4,017,751 is forecasted for the county & state pools which have recently averaged 11.5% of county revenues.*
3. **FY 2009 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, is forecasted to be \$35,880,260, up 2.7%.** The estimate is equal to the anticipated countywide growth of 2.7% in FY 2009. *Another \$4,126,230 can be expected from the county & state pools which have averaged 11.5% of county revenues.* This is expected to be the period in which the end of the current housing downturn will start to come to an end. However, recovery from a severe event like this is always cautious.

ANALYSIS

These conclusions were developed based upon the following considerations:

HOW HAS UNINCORPORATED RIVERSIDE COUNTY'S SALES TAX REVENUE CHANGED SINCE FY 2000?

Exhibit 6 shows unincorporated Riverside County's sales tax revenue since FY 2000, 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 2007 is made up of Quarters 3-4 of 2006 and Quarters 1-2 of 2007. However, since taxes are not collected until the quarter after sales occur, the actual period of sales for FY 2007 are Quarters 2-3-4 of 2006 and Quarter 1 of 2007 (*April 1, 2006-March 31, 2007*).

Exhibit 6.-Taxable Sales Revenue, Riverside Co. Unincorporated, Fiscal Years 00-07

Retail Sector	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 06-07	Change
Apparel Stores	1,688,657	1,721,934	1,776,000	1,994,910	2,387,037	2,928,941	3,038,506	3,432,941	394,435	13.0%
Gn. Merchandise	574,985	635,677	642,437	729,304	903,557	1,468,671	1,300,278	1,368,047	67,770	5.2%
Specialty Stores	829,786	898,210	902,009	1,027,465	1,002,307	1,312,344	1,459,304	1,592,810	133,506	9.1%
Food Stores	1,522,086	1,692,639	1,774,434	2,020,845	1,977,572	2,156,264	2,485,178	2,669,047	183,868	7.4%
Eating & Drink	1,179,344	1,381,903	1,504,414	1,534,785	1,764,595	2,034,384	2,339,949	2,398,640	58,691	2.5%
Building Related	4,950,260	5,032,261	4,983,595	5,434,705	6,588,940	9,261,554	11,239,690	10,136,462	(1,103,228)	-9.8%
Vehicle	3,305,357	4,284,236	4,115,319	4,731,408	5,410,138	6,355,287	7,970,182	8,301,568	331,386	4.2%
Personal Service	782,718	825,903	827,154	867,458	999,789	1,168,119	1,352,097	1,686,067	333,970	24.7%
Industrial	1,545,540	1,689,199	1,946,801	2,009,383	2,104,447	2,155,667	2,557,138	2,588,813	31,675	1.2%
Other	242,299	359,191	300,351	220,404	843,963	214,423	1,092,385	448,564	(643,821)	-58.9%
Part Time	72,809	59,476	55,313	51,628	47,049	48,855	46,930	36,724	(10,206)	-21.7%
State Adjust.	28,364	50,603	74,286	(26,794)	(2,523)	1,066	40,741	0	(40,741)	-100.0%
TOTAL	\$16,722,205	\$18,631,230	\$18,902,114	\$20,595,502	\$24,026,870	\$29,105,575	\$34,922,379	\$34,659,684	(262,694)	-0.8%
Unincorporated¹	12.5%	11.4%	1.5%	9.0%	16.7%	21.1%	20.0%	-0.8%		
Full County	15.5%	10.4%	7.2%	7.7%	12.0%	16.3%	11.2%	2.0%		

Notes: 1. Forecast at percentages of Riverside Co. growth forecasts:

100.0%

0.8%

100.0%

2.7%

2. Forecasts:

FY 2008:

\$34,936,962

0.8%

FY 2009:

\$35,880,260

2.7%

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

WHAT ARE THE FY 08 & FY 09 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 08 & FY 09. The growth is assumed to occur at the same rate as countywide retail sales taxes. Thus, the rates are: **FY 08 = 0.8%** and **FY 09 = 2.7%**. For a while, the county government's sales taxes had outgrown the countywide retail sales rate because the types of outlets in unincorporated property were particularly geared to supporting the housing boom. However, going forward that advantage has been lost.

1. The county government sales tax revenue estimate for FY 2008 is thus forecasted as **0.8%** more than the \$34,659,684 in FY 2007, or **\$34,936,692**. In addition, the county will receive an estimated \$4,017,751 in county and state pool funds for a total of \$38,954,712. These pools have normally run at 11.5% of its locally generated funds.
2. The county government sales tax revenue estimate for FY 2009 is forecasted as **2.7%** more than the \$34,936,692 estimated for FY 2008 or **\$35,880,260**. In addition, the county will receive an estimated \$4,126,230 in county and state pool funds for a total of \$40,006,490.

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 2007, while county retail tax revenue was down -0.8%, the table shows that quarterly growth were mostly below the same quarters of the prior year:

1. In the first quarter relevant to FY 2007 (*April 1, 2006 to June 30, 2006*), unincorporated sales tax revenues fell -2.8% from the same period of FY 2006.

2. In FY 2007's second relevant quarter (*July 1, 2006 to September 30, 2006*), revenues grew **fell -3.6%** from that quarter of 2006.
3. In FY 2007's third relevant quarter (*October 1, 2006 to December 31, 2006*), unincorporated sales tax revenues were also below that period of the prior year at **-2.9%**.
4. Interestingly, in FY 2007's fourth relevant quarter (*January 1, 2007 to March 31, 2007*), unincorporated retail sales tax revenues were **7.0%** above that period of the prior year.

Note that towards the end of the fiscal year, the growth of unincorporated sales tax revenues was picking up. This continued in the early part of FY 2008:

5. In the first quarter relevant to FY 2008 (*April 1, 2007 to June 30, 2007*), unincorporated sales tax revenues were up **2.9%** from the same period of FY 2007.

The last two quarters might lead to more optimism about FY 2008 that has been assumed in the forecast. However, given the depths of the housing downturn and its unknown path of recovery, caution seems appropriate.

Exhibit 7.-Taxable Retail Sales Revenue, FY 2007 – FY 2008 Riverside County Unincorporated, By Quarter						
When Sales Occurred:	1-06	FY 2007				FY 2008
		2-06	3-06	4-06	1-07	2-07
When Revenues Affected:	2nd	3rd	4th	1st	2nd	3rd
Apparel Stores Group	676,196	693,902	944,857	836,248	957,934	820,419
General Merchandise Group	297,050	291,201	406,793	333,499	336,555	574,499
Specialty Stores Group	337,684	333,636	458,512	375,618	425,044	922,088
Food Stores	536,176	702,318	484,958	783,663	698,108	800,247
Eating & Drinking Group	603,113	568,298	608,081	618,018	604,243	601,749
Building Related Group	2,768,023	2,993,083	2,372,731	2,356,521	2,414,128	2,308,134
Vehicle Group	1,949,302	2,107,948	2,123,083	2,028,778	2,041,759	1,996,955
Personal Service Group	332,634	391,473	441,342	415,688	437,564	384,983
Industrial Group	612,323	670,424	615,063	605,062	698,264	620,005
Other	51,017	116,461	90,797	121,316	119,990	100,779
Part Time Permittees	9,701	8,860	10,352	8,438	9,074	7,237
State Adjust & Rounding	267	0	0	0	0	0
TOTAL	8,173,485	8,877,604	8,556,569	8,482,849	8,742,662	9,137,095
% Change from prior FY	11.3%	-2.8%	-3.6%	-2.9%	7.0%	2.9%

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

Economics & Politics, Inc.

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**ASSESSED VALUATION ESTIMATE
 RIVERSIDE COUNTY, FY 2009**

By John E. Husing, Ph.D.

SUMMARY

1. Riverside County Fiscal Year 2008 assessed valuation was **\$231.1 billion**, up **\$33.3 billion** from \$197.8 billion in FY 2007 (16.9%). Economics & Politics, Inc.'s estimate for FY 2008 was \$228.4 billion (15.5%). The forecast error was -\$2.7 billion or -1.2%. The underestimate occurred because the change in existing valuation after the mid-year was a little greater than forecasted. *(Note: These estimates do not include changes in the personal property portion of the roll. The FY 2008 increase was 16.6% with that included).*
2. **FY 2009 assessed valuation is forecasted at \$246.7 billion, up \$9.3 billion from FY 2008 or 4.0%.**

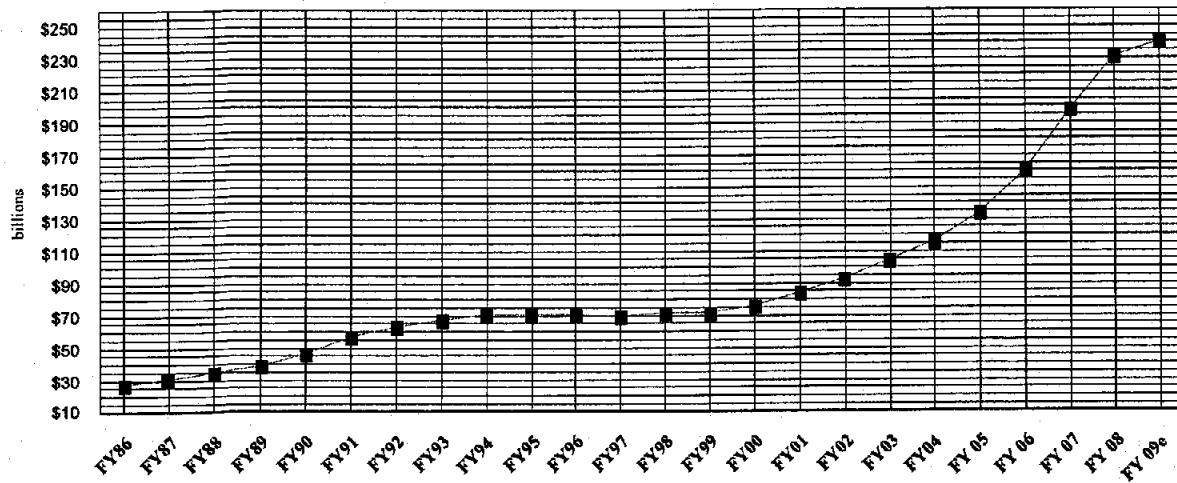
Riverside County's real estate markets have weakened considerably due to the downturn occurring in the housing industry. Residential sales have weakened and home values have begun to decline. Industrial leasing and construction are continuing. Office market leasing and construction have continued to be strong. Business sales and employment are up but not a great deal. Firms thus seem hesitant to invest in plant and equipment.

This forecast was made assuming about 63% of the reappraisal and new valuation work to be put on the books was there by December 6, 2007. The actual figure was an estimated 61.1%, but a decline in prices is allowed for by choosing the higher figure. Last year, by December 31, 2006, 49% of this work had been completed. Thus, the remaining value to be placed on the books after December 6th was estimated to be relatively small. Last year, at mid-year, the assessment roll had increased \$14.3 billion by mid-year from these two sources with \$16.7 billion added from the additional appraisal work. This year, at mid-year, it had increased \$8.3 billion from these two sources with just \$4.9 billion anticipated from the additional appraisal work. **Meanwhile, it was assumed that the downturn would cause Prop 8 revaluations of \$7.0 billion.** 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 2009, Riverside County's assessed valuation is forecasted to change by **\$9,327,343,987** (6.7%) to reach **\$240,474,532,533**. As a result, assessed valuation will have the lowest percentage rise since FY 1999 (0.9%). It will be the smallest largest absolute increase since FY 2002 (\$8.9 billion) (Exhibits 8-9). *[Note: This does not include the personal property change which is annually a small part of the shift.]*

**Exhibit 14.-Assessed Valuation, FY 86 to FY 2009e
Riverside County, Fiscal Year**



Source: Riverside County Assessor's Data, Economics & Political Analysis, Inc.

This outcome is forecasted based upon gains from 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, no change in business fixtures valuations, and a \$7.0 billion upward shift in the Prop 8 adjustment. The detailed calculations are outlined below.

Exhibit 9.-Assessed Valuation Growth, FY 1986 TO FY 2009e

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%
FY2006	07/01/05	52,383,421,211	108,106,474,744	160,489,895,955	26,963,545,581	20.2%
FY2007	07/01/2006	66,060,463,091	131,747,869,869	197,808,332,960	37,318,437,005	23.3%
FY2008	07/01/2007	76,838,721,323	154,308,467,223	231,147,188,546	33,338,855,586	16.9%
FY2009e	07/01/2008			240,474,532,533	9,327,343,987	4.0%

1. Riverside County's prior year assessed valuation, FY 2008, was **\$231,147,188,546**. This amount is divided into valuation categories in Exhibit 10.

Exhibit 10.-Assessed Valuation by Category Riverside County, FY 2008	
Type of Property	Assessed Value
Land	\$76,838,721,323
Structures	153,331,490,703
Business Fixtures	901,300,558
Trees & Vines	75,675,962
TOTAL FY 2008	\$231,147,188,546

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 (*Exhibit 11*):
- A. The business fixture assessment is deducted. The entire amount is re-estimated during the spring of the next calendar year. This deduction was \$901,300,558.
 - B. Prior Fiscal Year's remaining Prop 8 deduction is added back into the base. This was \$610,000,000.
 - C. 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 assumed involved. The 2% increase is estimated at \$3,074,668,166.

The starting point for estimating the FY 2009 assessed valuation is **\$233,930,556,154**.

Exhibit 11.-Initial Adjustments to Assessed Valuation Riverside County, FY 2009	
Adjustments	Assessed Value
FY 2008 Assessed Value	231,147,188,546
<i>Deduct Fixtures</i>	<u>901,300,558</u>
	230,245,887,988
<i>Add back Cumulative Prop 8</i>	<u>610,000,000</u>
	230,855,887,988
<i>Add Prop 13 (67% of parcels)</i>	<u>3,074,668,166</u>
FY 2008 Initial Valuation	233,930,556,154

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 December 6, 2007, this work had caused the Riverside County assessment roll to rise above its starting point. Excluding business fixtures (\$110,960), valuation went from **\$233,930,556,154** in Exhibit 11 to **\$242,279,741,921**, a change of **\$8,349,185,767**. When all work is completed, FY 2009 reappraisals are expected to rise another **\$4,903,490,054** with the total gain from this source over the FY 2008 level at **\$13,252,675,821**. The logic behind this prediction is:
- A. According to Exhibit 12, it is estimated that the FY 2009 assessed valuation will be impacted by 78,000 reappraisals due to ownership changes, down 19.5% from FY

2008. Of these, 48,022 or **61.6%** were completed as of December 6th. Last year, 51.3% was completed by December 31st (*see Exhibit 16*).

FY 2009				FY 2008			
Report Date	Estimated Annual	Year to Date	Percent Complete	Report Date	Estimated Annual	Year to Date	Percent Complete
	78,000			07/22/2005	96,919	3,852	3.97%
	78,000			08/18/2006	96,919	7,449	7.69%
	78,000			09/22/2006	96,919	15,670	16.17%
	78,000			10/20/2006	96,919	23,910	24.67%
	78,000			11/17/2006	96,919	37,923	39.13%
12/06/2006	78,000	48,022	61.57%	12/22/2006	96,919	49,731	51.31%

- B. According to Exhibit 13, it is estimated that the FY 2009 assessed valuation will be impacted by 32,000 reappraisals due to *new construction or refurbishing*, down 36.1% from FY 2008. Of these, 19,187 were completed as of December 6th or **60.0%**. Last year, 45.0% were completed by December 31st.

FY 2009				FY 2008			
Report Date	Estimated Annual	Year to Date	Percent Complete	Report Date	Estimated Annual	Year to Date	Percent Complete
	32,000			07/22/2005	50,113	2,828	5.64%
	32,000			08/18/2006	50,113	5,666	11.31%
	32,000			09/22/2006	50,113	9,769	19.49%
	32,000			10/20/2006	50,113	13,206	26.35%
	32,000			11/20/2006	50,113	18,120	36.16%
12/06/2006	32,000	19,187	59.96%	12/22/2006	50,113	22,543	44.98%

- C. Combining Exhibits 12 & 13, Riverside County expected that the FY 2009 assessed valuation to be impacted by the reappraisal of 110,000 parcels with either ownership changes or new construction. The figure last year was 147,032 so the estimated number represents a 25.2% downward adjustment in the volume of parcels to be considered. Given that estimate, Steps #A and #B showed that 67,209 or 61.1% were completed by December 6th (*last year the figure was 49.2% by December 31st*).
- D. With an estimated 61.1% of the work on reappraisals completed, Riverside County's FY 2009 assessed valuation base increased by **\$8,349,185,767**.
- E. With 61.1% of the reappraisal work completed, it is estimated that that 38.9% of new valuation for FY 2009 remains to be put on the books. A lower 37% figure is used however, because Riverside County's market is seeing home prices decline which should have a downward impact on the remaining revaluations (*Exhibit 17*).
- F. A important caveat is that the 61.1% completion is based upon an estimate of the completed workload. If the total falls short of the estimated 110,000 parcels to be changed, it would be an underestimate of what has been completed. Similarly, if price changes have a greater downward impact than anticipated, then the 37% esti-

mate of the work remaining to be done is too high. In either cases, if these contingencies occurred, the remaining valuation would be an overestimate.

- G. Using the 37% figure, the estimated amount to be put on to the roll from December 6th to June 30th of 2008 from reappraisals and new construction is **\$4,903,490,054**. This will bring the total change in valuation to **\$13,252,675,821** (*Exhibit 14, line 2*).

Exhibit 14.- Assessed Valuation Calculation Riverside County, FY 2009	
Adjustments	Assessed Value
FY 2008 Valuation	231,147,188,546
<i>add</i> Change from Reappraisals	13,252,675,821
	244,399,864,367
<i>add</i> Prop 13 (<i>deduction made: 2.0% allowed</i>)	3,074,668,166
	247,474,532,533
<i>add</i> Change in Business Fixture Valuation (2.5%)	0
	247,474,532,533
<i>add</i> decrease in Prop 8	(7,000,000,000)
FY 2009 Assessed Valuation (estimate)	246,724,532,533
FY 2008 Assessed Valuation	240,474,188,546
Change	9,327,343,987
Percent Change	4.0%

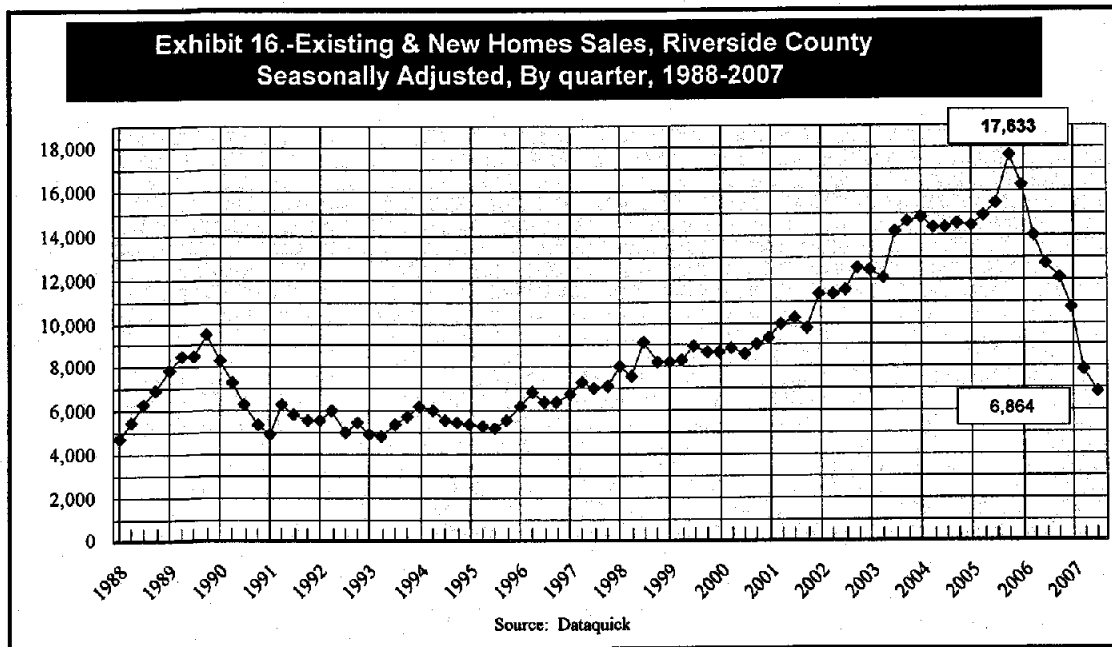
- For FY 2009, Riverside County's assessed valuation figure will not require a second adjustment due to California's inflation rate. In 2007, prices in California rose far over the 2.0% pace that is the upward limit for adjusting property values under Proposition 13. The full **\$3,074,668,166** estimated increase in the roll will thus apply to FY 2009.
- Riverside County's assessed valuation has not been helped by changes in its fixture valuation. In FY 2008, the fixture valuation went from \$981,004,882 to \$901,300,558, a decrease of \$79,704,324 or -9.5%. For FY 2009, it is assumed that the number will stay at \$901,300,358, or **\$0 change** in the fixture valuation.
- Finally, it is estimated that by the beginning of FY 2009, the increase in Prop 8 reappraisals in Riverside County will be **\$7,000,000,000**, as the housing market is in a serious lull. This is based on the assessor's estimate of 180,000 of the homes put on the assessment roll in FY 004, FY 2005 and FY 2006 falling 10% in value.

Exhibit 15.- Elements of Assessed Valuation Change, FY 2009			
Categories		Adjustments	Share
Reappraisals		\$13,252,675,821	85.1%
Prop 13 (2%)	3,074,668,166		
<i>deduct</i> Prop 13 under 2%	0		
Net Prop 13 Increase		3,074,668,166	19.7%
Fixture Valuation Change		0	0.0%
Prop 8 Change (shrinkage)		(7,00,000,000)	-75.0%
FY 2009 Net Change		\$9,327,343,987	100.0%

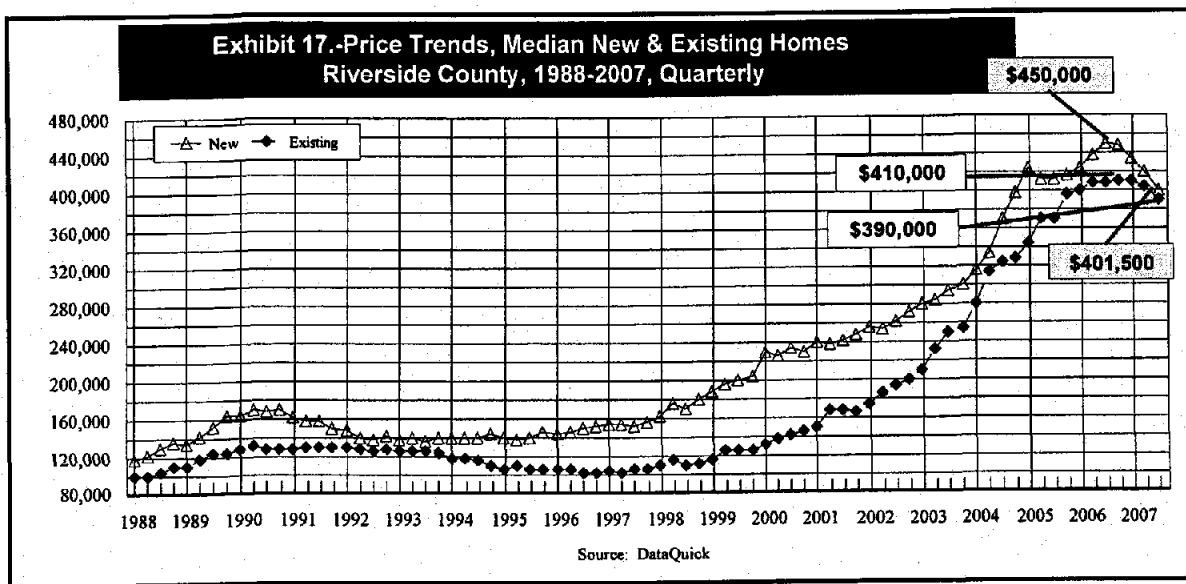
7. In Exhibit 14, it is estimated that the assumptions outlined above will result in a FY 2009 assessed valuation of \$240,4744,532,533, a change of \$9,327,343,987 (4.0%) from FY 2008. Growth of 4.0% is well below the 16.9% of FY 2008.
8. In Exhibit 15, the range of factors that resulted in the \$9,327,343,987 (4.0%) change in valuation between FY 2008 and FY 2009 are detailed.

SECONDARY INFORMATION

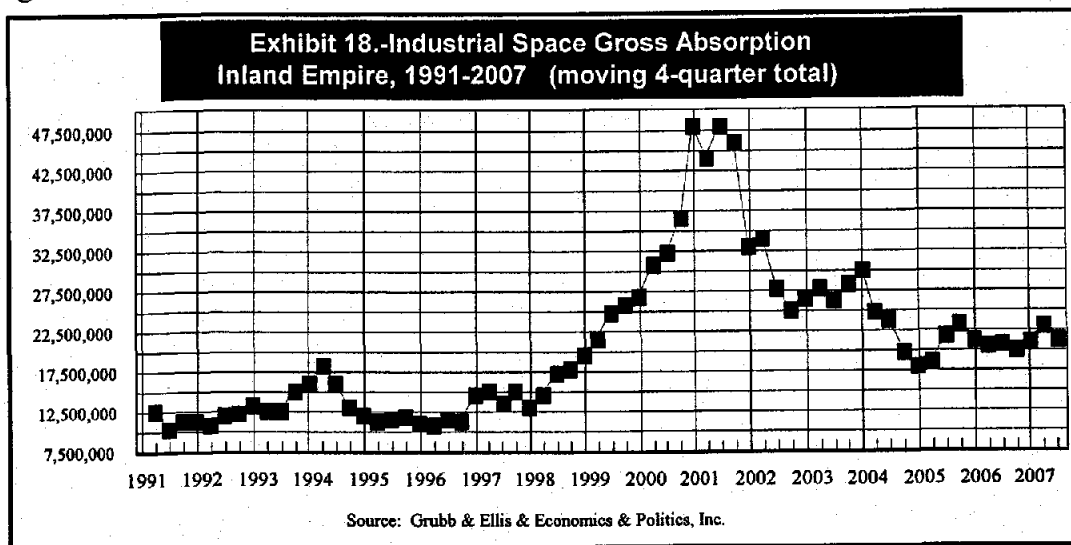
Riverside County's net Assessed Valuation change in FY 2009 is estimated at \$15,577,343,987 (4.0%) over FY 2008. The absolute increase will be the lowest since FY 2002 and the rate of increase of 4.0% will be the lowest since FY 1999. Secondary information on Riverside County's real estate supports this forecast.



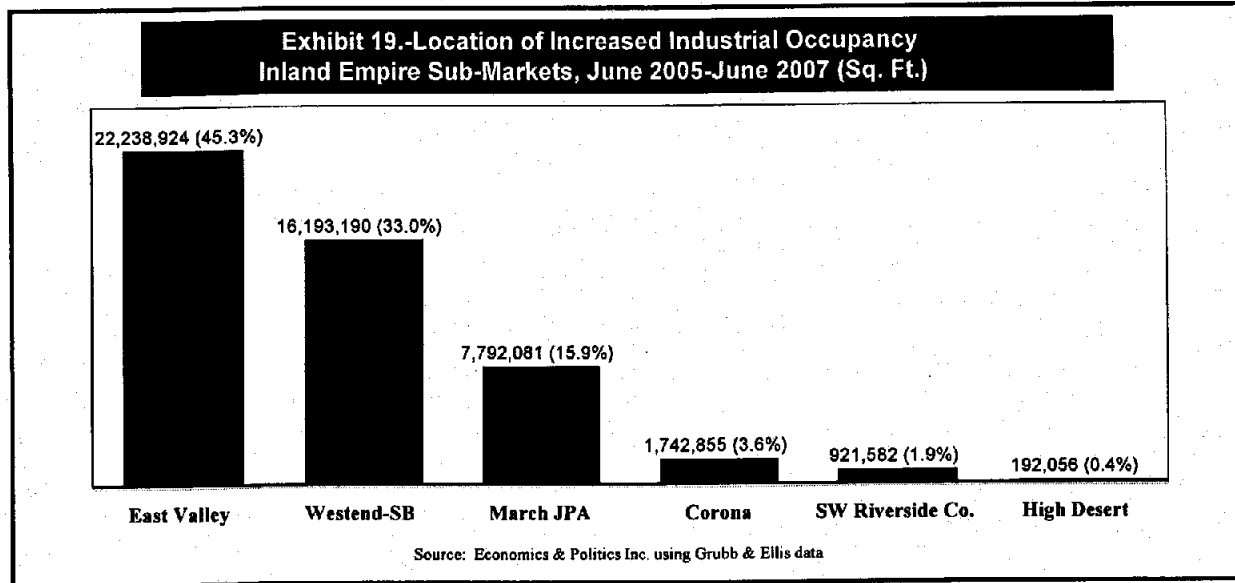
- A. **Slowing Home Sales.** Riverside County's new and existing home sales were a seasonally adjusted record of 17,663 units in 4th quarter 2005. They began slowing at the beginning 2006 and have subsequently plunged as buyers have essentially gone on strike. In 3rd quarter 2007, volume was down to 6,864 units, off 61% from the high. Volume of this level was last recorded in 1997 (*Exhibit 16*). This is reducing the parcels to be reappraised beyond the 2% factor for Proposition 13. It also means fewer new homes are going on to the assessment roll.
- B. **Home Prices Rising.** Riverside County's existing homes reached a median price of \$410,000 in 1st quarter 2007 but fell to \$390,000 by 3rd quarter 2007. Prices were down 4.9% in this period (*Exhibit 17*). The median new home price was \$450,000 in 3rd quarter 2006 but fell to \$401,500 by 3rd quarter 2007, off 10.8%. With new homes still be added to the assessment roll, though less than in prior years, and some existing home sales still occurring, assessed valuation has risen but slower than in FY 2008. That slowdown is partially the result of the fact that prices are now declining.



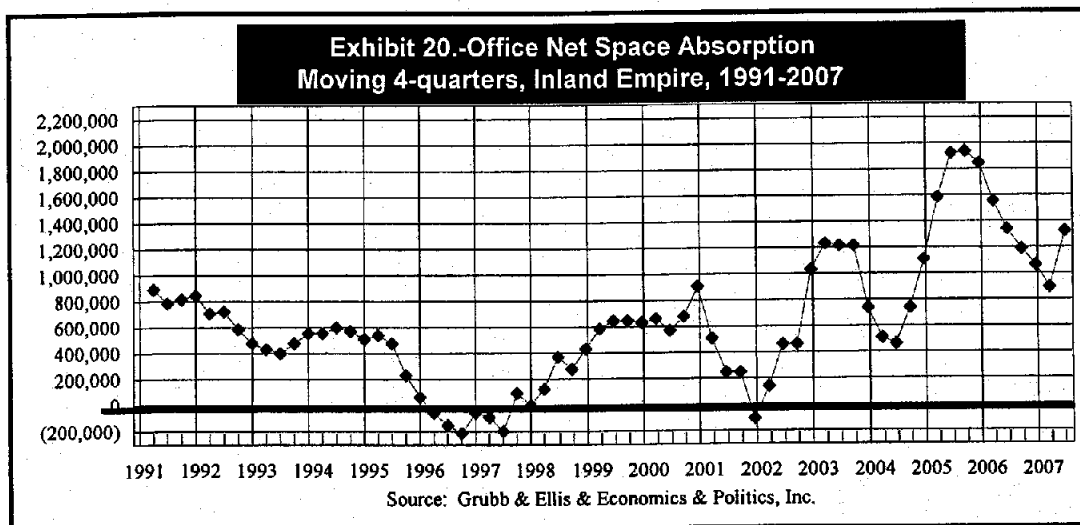
- C. Industrial Real Estate.** While the Inland Empire's industrial markets have come down from the extraordinary peaks of 2000-2001, they are at a very high plateau with gross absorption stabilized at about 20.0 million square feet (*Exhibit 18*). The slowing has occurred because land has become less available in the Westend and the supply has not grown to match continuing demand resulting in an extraordinary low 4.9% 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 33% with more and more of the industrial space ending up in Riverside County's March Joint Powers Authority (15.9%), Corona (3.6%) and southwestern markets (1.9%) (*Exhibit 19*). Industrial lease rates have remained relatively constant going from \$4.79 a square foot per year in September 2005 to \$5.16 in September 2007, up 7.7% in two years. The higher inventory of space plus the higher prices should positively impact the county's assessed valuation both through having more space worth more per square foot and via increases in the value of business fixtures.

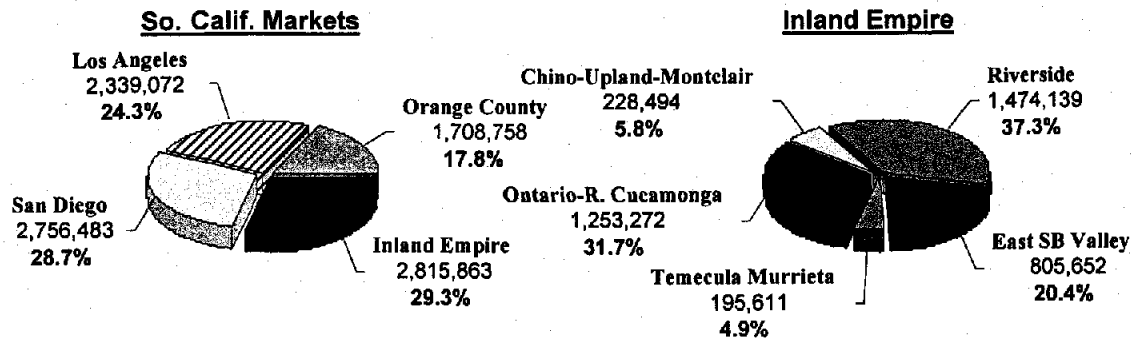


D. Commercial Real Estate. The Inland Empire's office market has become much stronger in 2007 and that strength is expected to continue now that firms in Orange, Los Angeles and San Diego counties realize that it is very difficult to serve inland clients from coastal locations. The strength is seen in net space absorption that has run at annual rates of over 1.0 million feet for ten of the past eleven quarters (*Exhibit 20*).



As a result, the Inland Empire represented 29.3% of office space under construction in Southern California in September 2007. Within Riverside County, this showed up with the Riverside-Corona area representing 37.3% of the space being built in the inland market and Temecula-Murrieta at 4.9% (*Exhibit 21*). In this market, annual lease rates have gone from \$23.50 per square foot in September 2005 to \$26.20 per square foot a year in September 2007, up 11.5% in two years. These conditions mean that the office sector is now beginning to add value to the assessment roll.

**Exhibit 21.-Office Space Under Construction
Southern California Markets, September 2007**



Sources: Grubb & Ellis

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DMV MOTOR VEHICLE LICENSE FEE SUBVENTION: FY 2007 TO FY 2009

Starting in FY 2005, the conventional Motor Vehicle License Fee (MVLFF) 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 MVLFF. 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 payments **grow at the same rate as its assessed valuation growth.**

FY 2006-2007

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

- 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**

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 **16.85%**
- Additional Base: \$187,559,010 X 16.85% = **\$31,611,422**
- FY 2007-2008 Payment Due **\$219,170,432**

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

- January 31, 2008 **\$109,585,216**
- May 31, 2008 **\$109,585,216**

Estimate Made in January 2006:	<u>\$216,598,879</u>
Error	<u>-\$2,571,553</u>
Error Percentage	<u>-1.19%</u>
Error made as Assessed Valuation increase was more than forecasted:	<u>15.48%</u>

FY 2008-2009

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

- FY 2006-2007 Payment Basis **\$219,170,432**

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

- Percent Change **4.0%**
- Additional Base: $\$219,170,432 \times 4.0\% =$ **\$8,844,053**
- FY 2007-2008 Payment Due **\$228,014,485**

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

- January 31, 2008 **\$114,007,243**
- May 31, 2008 **\$114,007,243**

**HUMAN RESOURCES
HIRING TRENDS AND VACANCY RATES
2nd Quarter 07/08**

The second quarter of the 2007/2008 Budget Year continues to be active in recruiting candidates for vacancies throughout the County. Hiring activity during the second quarter remained vigorous in all departments with 835 new hires and rehires into the County.

During this time, two key events were held that highlighted the County as an employer where work opportunities are soaring for candidates. The Human Resources Department launched the newly branded Employee Referral Program (ERP) resulting in an increase of 448 candidate referrals in the 2nd. Twenty three participants received a referral bonus for attracting successful candidates to The County. The Human Resources Department partnered with the EDA Workforce Development Center to conduct a job fair in the City of Hemet aimed at reaching out to employees hit by layoffs from several Inland Empire area employers. The response from this job fair resulted in 300 applicants in the banking, light industrial, clerical and entry level fields. The Human Resources Department recognizes the value of a coordinated effort with the Workforce Development Center and will continue to unite on upcoming opportunities to showcase the County as the employer of choice in Southern California.

The Human Resources Department continues to offer successful opportunities for County departments to quickly staff their vacancies with its One Day Hiring Event. This event streamlines the hiring process for clerical vacancies by linking hiring managers with candidates and facilitating same day job offers. The October and November events resulted in 21 offers made for 38 open positions. Countywide, departments are excited about the effectiveness of the One Day Hiring Event.

We are also pleased to report that while the job market is highly competitive, we are enjoying a significantly higher volume of candidates submitting resumes to the County than in previous years. In fact, resumes received in the second quarter, September to December 2007, were 70% higher (36,139) than the same period of the previous year (21,214). We attribute this to our stepped up recruiting efforts, including more strategic advertising, an increasing number of departments utilizing the Educational Support Program to attract new employees, and promotion of our employment branding efforts, all in an effort to position the County as the premier employer in our region.

In addition, as a result of internal promotions and executive recruitment efforts many key positions were filled during the second quarter which include the Assistant Chief Flood Engineer, Deputy Auditor-Controller (Internal Audits and Payroll Division), Director of Senior Services Systems, Director of Veterans Services, Fire Department Deputy Director - OES, Deputy Director of Environmental Services, DPSS Chief of Investigations-B, and Deputy Director of Code Enforcement.

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

2nd Quarter Budget Update Vacancy Report

Department	Filled	Active Recruiting	No Current Plan to Fill	Pending Start	Using TAP	Vacant Total	Total Positions**	Vacancy Total %***
Agricultural Commissioner	54	1				1	55	1.8%
Assessor-Clerk Recorder	496	94	30		3	97	623	15.6%
Auditor-Controller	120	3	1			3	124	2.4%
Board of Supervisors	13		2			0	15	0.0%
BOS - Assessment Appeals	5		1			0	6	0.0%
CHA	352	98				98	450	21.8%
CHA - Animal Control	202	44	14			44	260	16.9%
CHA - CA Children's Services	171	28				28	199	14.1%
CHA - Public Health	737	264				264	1001	26.4%
Child Support Services	400	40	13			40	453	8.8%
Children & Families First Comm.	26	7	5	1		7	39	17.9%
Clerk of the Board	13		2			0	15	0.0%
Community Facility Districts	6		1			0	7	0.0%
Cooperative Extension	5			1		0	6	0.0%
County Counsel	70	1				1	71	1.4%
CSAs	22		15			0	37	0.0%
District Attorney	790	86	13	1	1	87	891	9.8%
DPSS	3204	378	698	1		378	4281	8.8%
Economic Development Agency	274	17	55		1	18	347	5.2%
Economic Development Agency - Housing	94	17	7			17	118	14.4%
Executive Office	29	1	11			1	41	2.4%
Executive Office - OASIS	61					0	61	0.0%
Facilities Management	100	18	7		2	20	127	15.7%
Facilities Management - Custodial	189	9			30	39	228	17.1%
Facilities Management - Maintenance Svcs.	205	10	15		1	11	231	4.8%

* Vacant Total = Active Recruiting + Using TAP

** Total Positions = Filled + Active Recruiting + No Plan to Fill + Pending Start + Using TAP

*** Vacancy Total % = Vacant Total + Total Positions

2nd Quarter Budget Update Vacancy Report

Department	Filled	Active Recruiting	No Current Plan to Fill	Pending Start	Using TAP	Vacant Total*	Total Positions**	Vacancy Total %
Fire	194	45	5	31	7	52	282	18.4%
Flood Control	229	16	53			16	298	5.4%
Human Resources	245	8	11		1	9	265	3.4%
Human Resources - Exclusive Care	29		2			0	31	0.0%
Human Resources - TAP Regular Staff	36	2	2			2	40	5.0%
Human Resources - Workers' Comp/Risk/Safety	99	6	11			6	116	5.2%
Information Technology	189	4	21		3	7	217	3.2%
Local Agency Formation Commission	5		1			0	6	0.0%
Local Initiative Admin. DCA	36		7			0	43	0.0%
Mental Health	343	75	25	18		75	461	16.3%
Mental Health - Treatment	638	149	59	35		149	881	16.9%
Office on Aging - Title III	147	21	1			21	169	12.4%
Parks	106	29	9	1		29	145	20.0%
Probation	943	204	54			204	1201	17.0%
Public Authority	23	2	4			2	29	6.9%
Public Defender	284	47	1		1	48	333	14.4%
Purchasing-Fleet Services	131	22	25		9	31	187	16.6%
RCA Ops	9	1	8	1		1	19	5.3%
RCRMC	2033	339	179	33	2	341	2586	13.2%
RCRMC - Detention Health	110	9	2	4		9	125	7.2%
RCRMC - ITF	117	24		1		24	142	16.9%
Registrar of Voters	42	9	1			9	52	17.3%
Salton Sea Authority	1		5			0	6	0.0%
Sheriff	705	155	3		4	159	867	18.3%
Sheriff - Corrections	1146	259				259	1405	18.4%
Sheriff - Patrol	1786	228				228	2014	11.3%
TLMA	134	7	38	3		7	182	3.8%
TLMA - Building & Safety	98		41			0	139	0.0%
TLMA - Code Enforcement	135	4	12			4	151	2.6%

* Vacant Total = Active Recruiting + Using TAP

** Total Positions = Filled + Active Recruiting + No Plan to Fill + Pending Start + Using TAP

*** Vacancy Total % = Vacant Total + Total Positions

2nd Quarter Budget Update Vacancy Report

Department	Filled	Active Recruiting	No Current Plan to Fill	Pending Start	Using TAP	Vacant Total	Total Positions	Vacancy Total %
TLMA - Planning	81	9	12			9	102	8.8%
TLMA - Transportation	416	28	62	1		28	507	5.5%
Treasurer-Tax Collector	126	2	3			2	131	1.5%
Veterans Services	14		1			0	15	0.0%
Waste Management	257	14	97	1		14	369	3.8%
Grand Total	18749	2834	1645	133	65	2899	26177	11.1%

* Vacant Total = Active Recruiting + Using TAP

** Total Positions = Filled + Active Recruiting + No Plan to Fill + Pending Start + Using TAP

*** Vacancy Total % = Vacant Total + Total Positions

Internal Audit Division - Workplan Status Report

Audit Assignment Number	Audit Project	Status as of December 31, 2007	Notes
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✓ = Report Issued = U = In Process → = Scheduled ■ = Not Scheduled ✕ = Cancelled

2007-015	Economic Development Agency - HUD-CDBG Home Grants	✓	Audit completed and filed with the Board on December 18 - Agenda Item 2.41
2007-104	4th Quarter Treasury Verification	✓	Audit Completed and filed with the Clerk of the Board on November 1, 2007.
2007-311	Follow-up - Community Health Agency, Animal Control	✓	Audit completed and filed with the Board on October 16 - Agenda Item 2.11.
2008-001	Orange County Peer Review	✓	Final report issued to Orange County on August 27, 2007.
2008-301	Second Follow-up - Information Technology	✓	Audit completed and filed with the Board on September 4 - Agenda Item 2.4.
2007-016	Transportation Garage	U	Audit work completed, awaiting management's responses to the draft report.
2007-011	Department of Public Social Services - Foster Care Program	U	Audit work completed, awaiting the results of EO discussion with management and response from the State Controller's Office.
2008-008	RCRMC - Purchasing and Contracting	U	Audit work completed, draft report in review process.
2007-018	Sheriff's Department - Ben Clark Training Center	U	Audit work completed, draft report in review process.
2008-002	Countywide-Franchise Fees and Contract Revenue	U	Audit work completed, draft report in review process.
2008-003	Countywide Travel Reimbursement	U	Audit work completed, draft report in review process.
2007-013	Department of Public Social Services - Purchasing & Warehousing	U	Audit work completed, final report in review process.
2007-014	TLMA - Accounts Receivable	U	Audit work completed, final report in review process.
2007-317	Follow-up - Waste Management	U	Audit work completed, final report in review process.
2007-005	Countywide Credit Card	U	Audit work completed, final report with the EO.
2007-008	Community Health Agency - Department of Health	U	In process
2008-004	Countywide - Disposal of Computer and Related Equipment	U	In process
2008-005	Countywide - Revolving Funds	U	In process
2008-006	EDA- Edward-Dean Museum and Gardens	U	In process
2008-007	PC 987.9 County Expenses for Death Penalty Cases	U	In process
2008-008	Probation - Administration & Support & Follow-Up	U	In process
2008-009	Employee Assistance Program	U	In process
2008-010	Housing Authority	U	In process
2008-011	RCRMC - Professional Services	U	In process
2008-012	RCRMC - Pharmacy	U	In process
2008-013	RCRMC - Operating Room-Purchasing	U	In process
2008-101	1st Quarter Treasury Verification	U	In process
2008-102	2nd Quarter Treasury Verification	U	In process
	3rd Quarter Treasury Verification	→	Scheduled
	4th Quarter Treasury Verification	→	Scheduled
	Assessor-County Clerk-Recorder	→	Scheduled
	Building & Safety	→	Scheduled
	CHA - Public Health	→	Scheduled
	Countywide - Annual Employee Evaluations (C-1)	→	Scheduled
	Countywide - Cash Handling	→	Scheduled

Internal Audit Division - Workplan Status Report

Audit Assignment Number	Audit Project	Status as of December 31, 2007	Notes
	Countywide - Cash Handling	→	Scheduled
	Countywide - Cash Handling	→	Scheduled
	Countywide - Cash Handling	→	Scheduled
	Countywide - Overnight Vehicle usage (D-10)	→	Scheduled
	Countywide Rate Review	→	Scheduled
	Detention Health Systems	→	Scheduled
	Facilities Management - Projects	→	Scheduled
	Follow-Up Agricultural Commissioner	→	Scheduled
	Follow-Up CHA - Animal Services	→	Scheduled
	Follow-Up EDA - Fair & National Date Festival	→	Scheduled
	Follow-Up Facilities Management	→	Scheduled
	Follow-Up Fire Dept	→	Scheduled
	Follow-Up Mental Health - Public Guardian	→	Scheduled
	Follow-Up Nursing Fees	→	Scheduled
	Malpractice Insurance	→	Scheduled
	Medical Assistance Grant (CHA, DPSS, OOA)	→	Scheduled
	Mental Health - Western Region	→	Scheduled
	RCRMC - Asset Management	→	Scheduled
	RCRMC - Cafeteria	→	Scheduled
	RCRMC and Mental Health - Arlington Facility	→	Scheduled
	STD Disability Insurance	→	Scheduled
	Sub-recipient Monitoring of Home Investment	→	Scheduled
	Sub-recipient Monitoring of Workforce Investment	→	Scheduled
	TLMA - Planning	→	Scheduled
	Warrant Special Handling & Pickup	→	Scheduled
	County Airports	■	Not Scheduled
	Countywide - Cellular Phones	■	Not Scheduled
	Fleet Services	■	Not Scheduled
	Follow-Up County Credit Card	■	Not Scheduled
	Follow-Up DPSS Foster Care/Group Homes	■	Not Scheduled
	Follow-Up RCRMC - Patient Charges	■	Not Scheduled
	Property Insurance	■	Not Scheduled
	Registrar of Voters	■	Not Scheduled
	Sheriff	■	Not Scheduled
	Sub-recipient Monitoring of EDA - Community Services	■	Not Scheduled
	Sub-recipient Monitoring of Group Homes	■	Not Scheduled
	Sub-recipient Monitoring of Group Homes	■	Not Scheduled
	Sub-recipient Monitoring of Group Homes	■	Not Scheduled
	TLMA - Accounts Receivable Follow-Up	■	Not Scheduled
	Sub-recipient Monitoring of Substance Abuse Grants	✕	Included in Single Audit
	Sub-recipient Monitoring of Office on Aging Title 3	✕	Included in an audit by the State Audit

County Growth Analysis Report

Executive Summary

Background

During the last ten years, the County of Riverside's population has grown by more than 42%. Predictably, our County has also experienced an increase in consumer related expenditures as well as an increase in county programs and facilities, predominately in the functions of criminal justice and public safety. It is not surprising that the County general fund has more than doubled since Fiscal Year 1998-99.

With the adoption of the current fiscal year's budget, Supervisor Roy Wilson expressed a need to compile data relevant to the County's growth in a manner that would allow a more meaningful analysis of budget requests for public safety and protection program expansion and prioritization of facility needs in the near future. In response to Supervisor Wilson's request, the Executive Office has prepared a report that analyzes the County's growth as it relates to public safety and protection.

Objectives

Our objective was to provide the members of the Board of Supervisors with information that might assist them in evaluating and prioritizing budget requests as well as effectively managing any growth in future years. Topics addressed in the report include:

- A comparison of the County's overall growth in comparison to other counties (See Page G-3).
- A synopsis of changes in the focus and level of county funding for criminal justice and public safety over the last ten fiscal years (See Page G-5).
- A synopsis of the impact of outside funding sources on public safety and protection growth over the last ten fiscal years (See Page G-7).
- An assessment of the County's criminal justice and public safety funding patterns in comparison to those of other counties (See Page G-9).
- An assessment of future trends and related costs for current criminal justice and public safety objectives and programs (See Page G-10).

Methodology

To accomplish our objectives, we:

- Conducted research on the Internet related to county crime rates, statistics, and other information relevant to public safety and protection.
- Reviewed approved budget plans for the counties of Riverside, Alameda, Kern, Los Angeles, Orange, Sacramento, San Bernardino, San Diego, and Santa Clara.
- Performed an analysis of Riverside County budget information from July 1, 1997 through June 30, 2008 and other county budget information from July 1, 2001 through June 30, 2008 (earlier data was not readily available).

Scope

Our analysis was limited to budget units that carried out public safety and protection functions over the last ten fiscal years (July 1, 1998 through June 30, 2008). Budget units included in our analysis were:

- Animal Control (Community Health Agency)

- District Attorney – Criminal Division and Forensic Tests,
- Indigent Defense,
- Probation,
- Public Defender, and
- Sheriff – Patrol, Detention and Correction, Coroner, and Public Administrator

Several budget units associated with these functions were not included in our analysis due to unique organizational structures that prevented a uniform comparison to other units. Examples of units not included in the analysis were Child Support Services, Fire Protection, and the Transportation and Land Management Agency's Code Enforcement Department.

Our analysis limited the comparison of Riverside County growth data to eight other California counties: Alameda, Kern, Los Angeles, Orange, Sacramento, San Bernardino, San Diego, and Santa Clara. Although every attempt was made to ensure the comparison was uniform, it should be noted that some counties may configure budget and expenditure categories in a manner that prevents complete uniformity. Additionally, each county had programs with expenditures and funding unique to its public safety and protection function. For example, the distribution of public safety sales tax (a significant revenue source) differs from county to county.

Conclusion

Based upon the results of our analysis, we determined that Riverside County is experiencing a remarkable rate of growth. There is the growth in population, jobs, and budgeted dollar per member of the population.

The county has also experienced a growth in funding for criminal justice and public safety that is more than twice the rate of growth in the county's population. In spite of this growth, the percentage of Net County Cost related to these functions has remained relatively consistent, with the Animal Control and the District Attorney units experiencing the largest increases in allocations. The proportion of criminal justice and public safety financing obtained from external sources has remained consistent although there has been a steady increase in the dollars obtained from sources other than the county general fund.

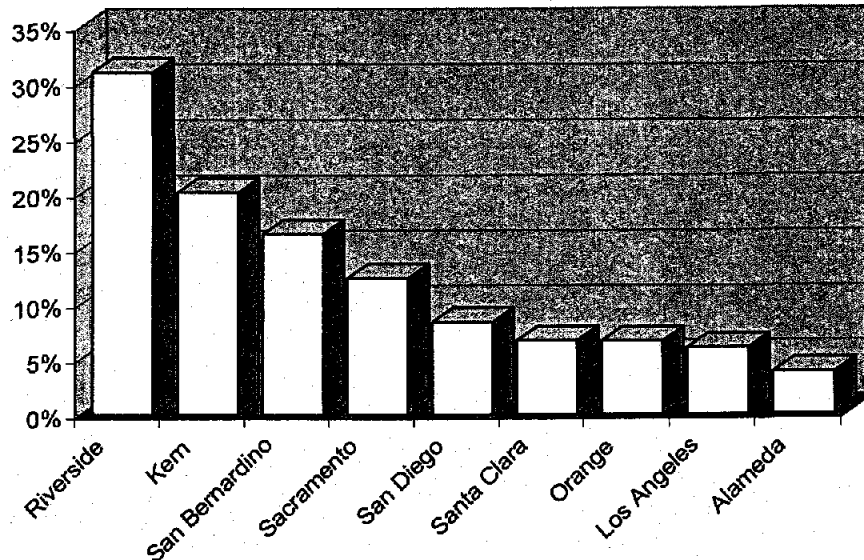
Carefully considering the full impact of all budget requests will help ensure that future growth is maintained at levels that promote the stability of the county's budget and balance growth among the criminal justice and public safety budget units.

Analysis Results

Overall County Growth Comparison

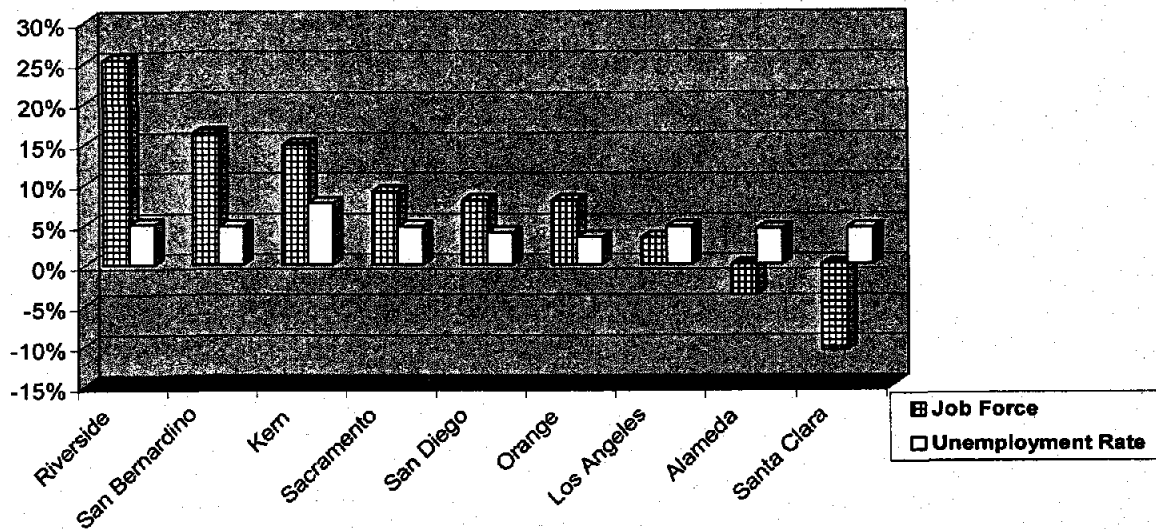
Among the counties that have been included in this comparison (Alameda, Kern, Los Angeles, Orange, Sacramento, San Bernardino, San Diego, and Santa Clara), Riverside County is ranked fourth in population size and first in the percentage change in population size between fiscal years 2001-02 and 2007-08*.

Population Growth, Percentage Change FYs 2002-2008



Since 2001, Riverside County has experienced job growth at a rate much greater than other counties while maintaining an unemployment rate that is similar to rates among the other counties.†

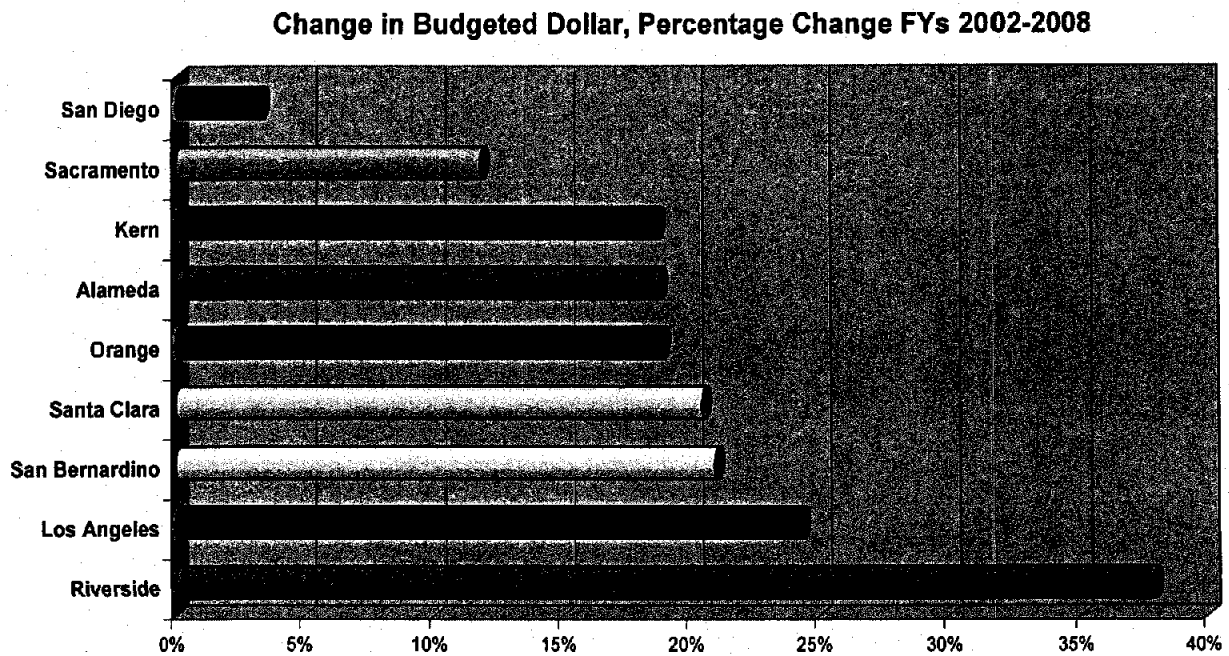
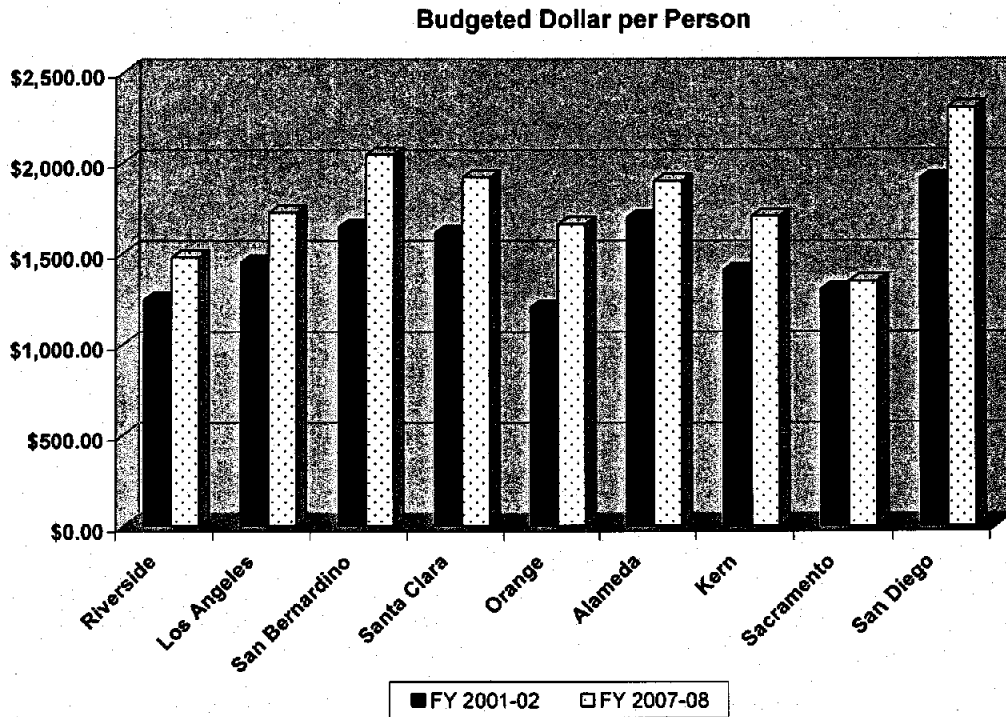
Job Growth



* Data from United States Census Bureau

† Data from the State of California Economic Development Department

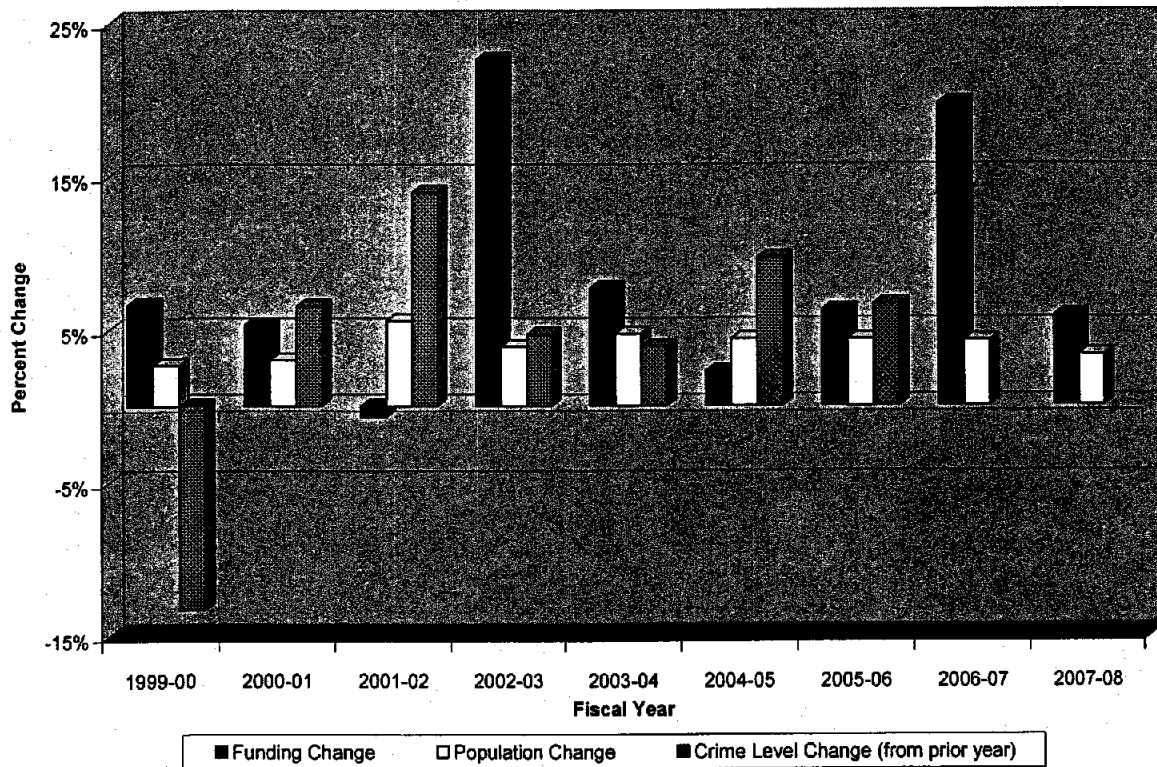
When comparing the amounts of each county's operating budgets, Riverside County experienced the greatest percentage growth amongst the counties in terms of dollar budgeted per person, although Riverside had the lowest budgeted dollar per member of the population. In other words, our county budget includes fewer dollars per person than others (perhaps due to a lower cost of living here, and the number of incorporated cities), but considerably more than it did six years ago.



Synopsis of County Funding Changes

Over the past 10 years, Riverside County has seen a dramatic increase in the amount of Net County Cost (NCC) allocated to criminal justice and public safety. The discretionary funding budgeted for these functions have grown to \$319 million during the current fiscal year. This is a 97% increase from the \$157.2 million budgeted during fiscal year 1998-99. The growth in the funding for criminal justice and public safety is more than twice the rate of growth in the county's population which is estimated to be about 40% over the last ten years.

Net County Cost vs. Change in Population and Crime⁺

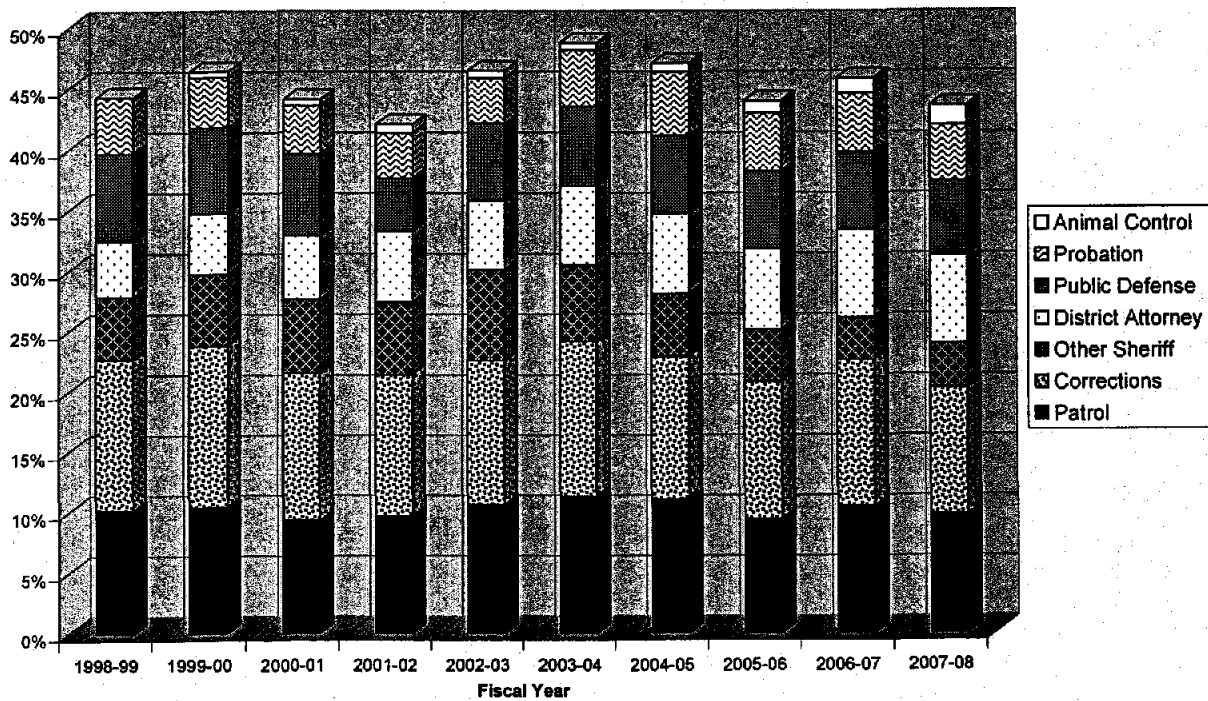


This growth is attributed to the change in the level of attention the County has placed on patrol, corrections, and criminal justice.

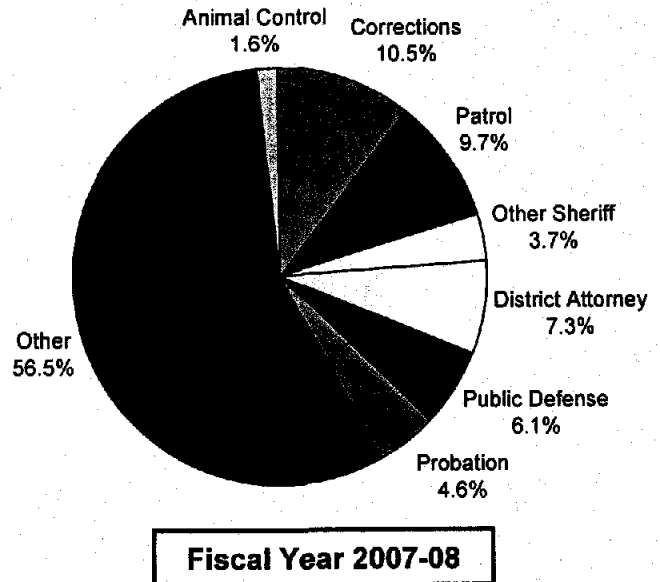
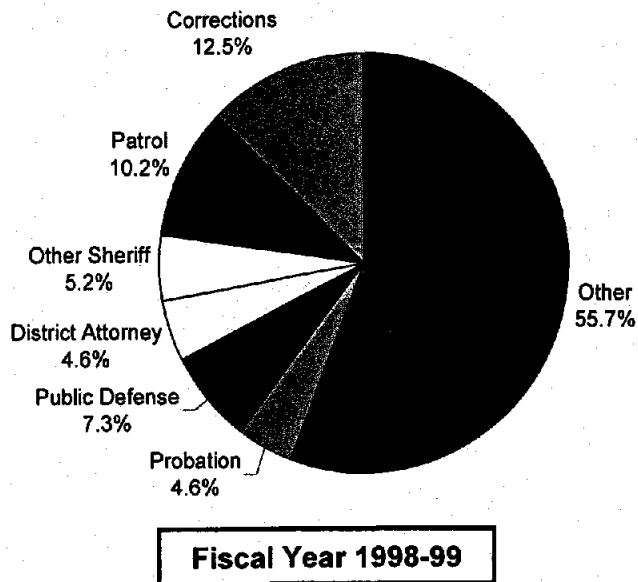
Although there has been a significant increase in the amount of funding for criminal justice and public safety the percentage of NCC dedicated to public safety has remained relatively stable over the last 10 years. The highest allocation of these costs was 48.7% in fiscal year 2003-04 and the lowest was 43.5% in fiscal year 2007-08. Fluctuations in other portions of the budget "pie" (including contingency and debt financing) account for some of the change.

⁺ Homicide, forcible rape, robbery, aggravated assault, burglary, motor vehicle theft, larceny-theft and arson are included in the crime data for Riverside County (including incorporated areas). Data was not yet available for 2006 and 2007.

Percentage of Net County Cost

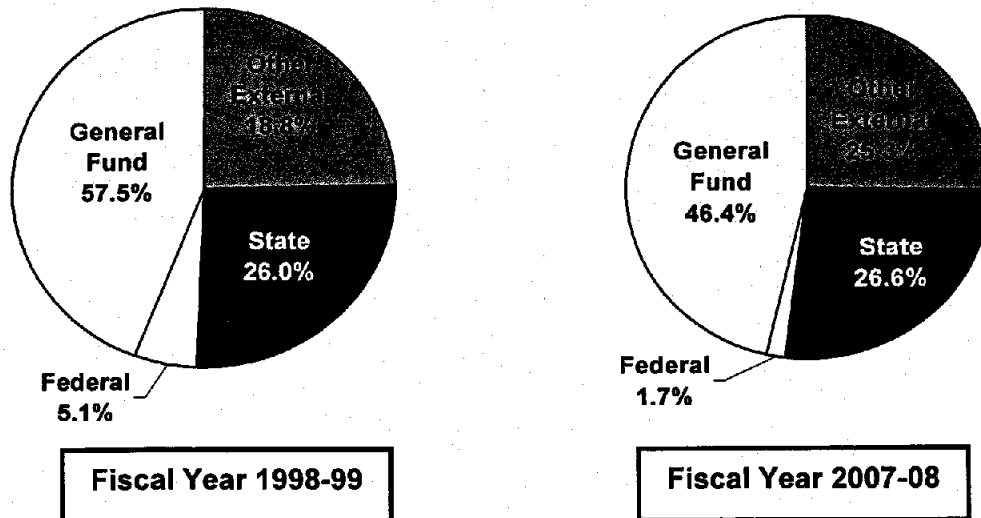


Some of the business units have experienced significant growth in the size of NCC allocations over the last ten fiscal years. Animal Control and District Attorney each had an overall increase of more than 50% while Public Defense (includes Public Defender and Indigent Defense) and Sheriff – Corrections each had a decrease of more than 15% over the same period of time.



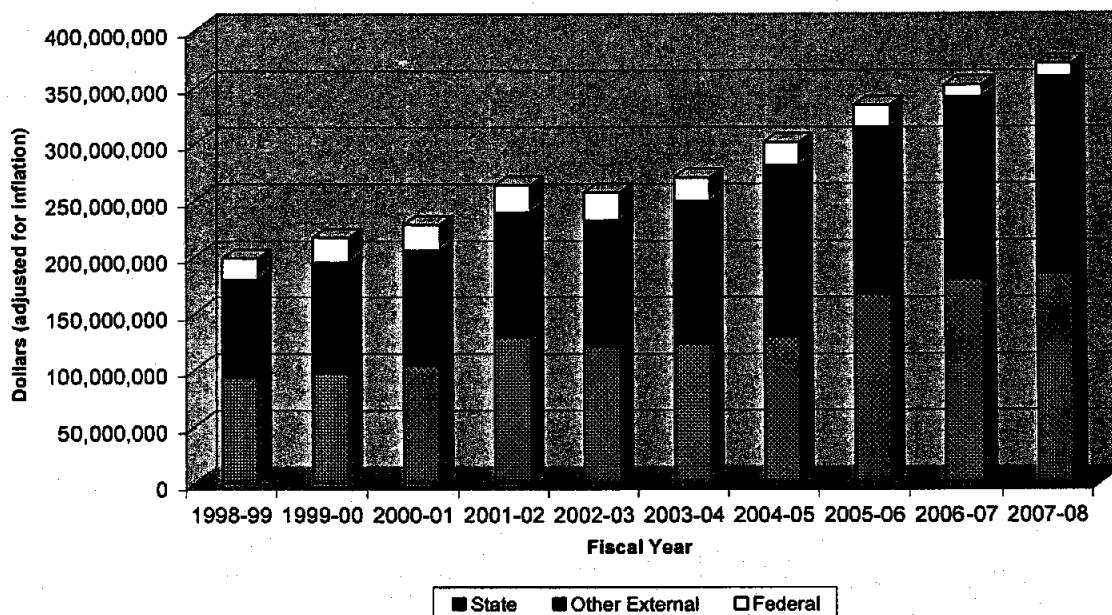
Synopsis of External Financing Source Impact

A significant portion of the financing for the criminal justice and public safety functions was received from sources outside of the county's general fund. The State and Federal government accounted for a large portion of this financing, while other external sources (including fees paid for services and fines) made up the remainder of financing. Over the last ten years, the proportion of public safety financing obtained from external sources has remained consistent, with a reduction in Federal financing:



Although the proportion of financing from external sources has remained constant, there has been a steady increase in the amount of external financing used to fund the criminal justice and public protection function. External financing for these functions has grown to \$369.7 million during the current fiscal year. This is an 87% increase from the \$198.2 million budgeted during fiscal year 1998-99. As noted above, discretionary funding grew 97% during the same period, while population grew 42%.

External Financing Source

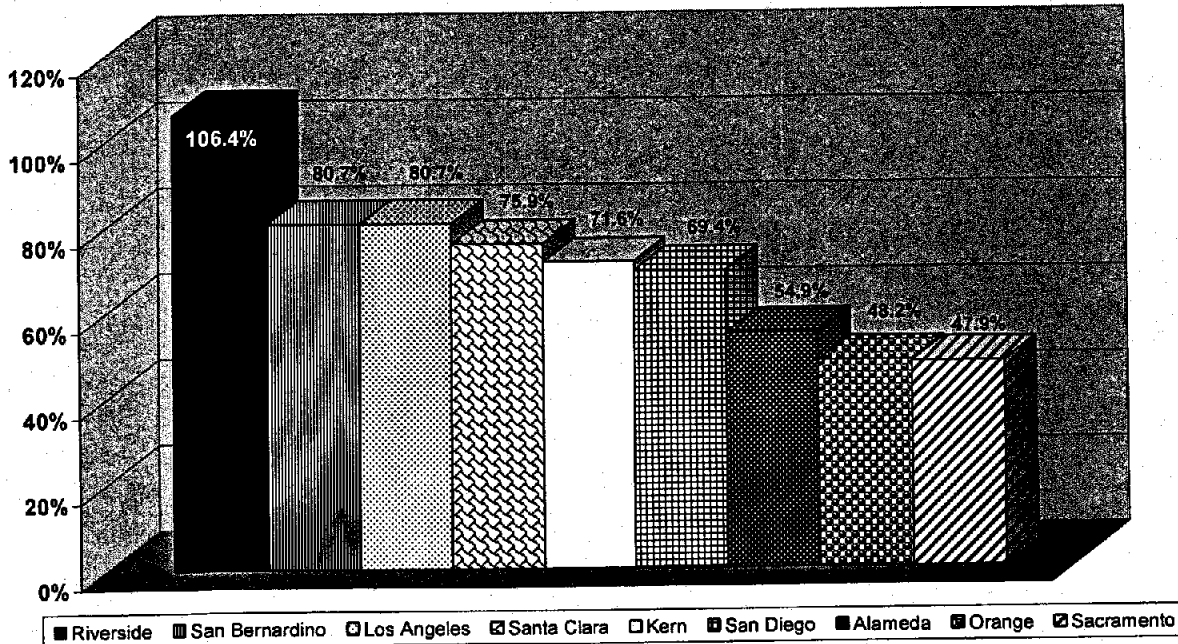


It is difficult to know the extent to which restricted outside funding (such as grants) affects the program priorities of the public safety departments. Presumably, community-oriented policing, vertical defense and prosecution, and homeland security are high priorities even when grants to fund them are not available. To some extent, the priorities of state and federal funding agencies may become local priorities because specialized grants (e.g. Marijuana Suppression, Auto Theft Interdiction) are available to support them.

County Funding Pattern Comparison

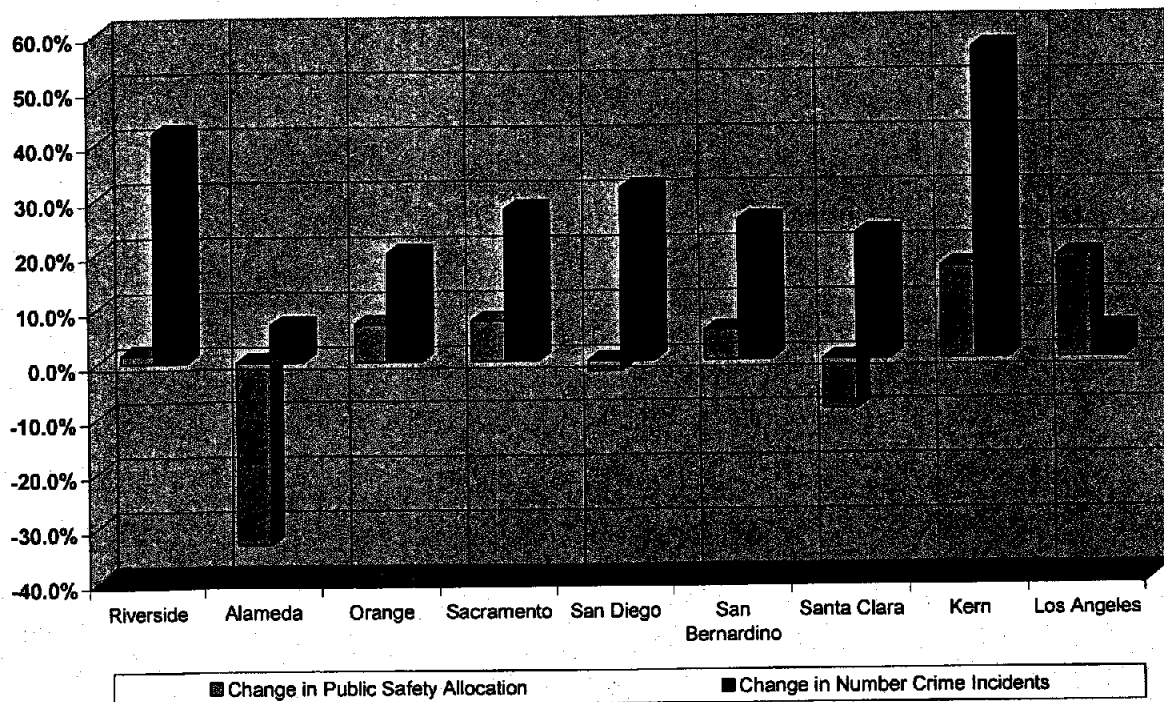
Among the counties included in this analysis, Riverside County has experienced the greatest percentage growth in NCC (more than 106%) between Fiscal years 2001-02 and 2007-08.

Budgeted Net County Cost, Percent Change FYs 2002 and 2008



Although Riverside County had one of the smallest changes in the amount of Net County Cost allocated to public safety and criminal justice, it had one of the greatest increases in incidents of crime between Fiscal years 2001-02 and 2007-08. The rise in crime may be the result of the county's rapid population growth.

Public Safety NCC Allocation, Percentage Change FYs 2002-2008



Future Trends and Related Cost Analysis

Public safety has been, and will most likely continue to be, a high priority with the members of the Board of Supervisors. With the level of importance placed on public safety and the level of population growth within the county, it is reasonable to expect that costs related to criminal justice and public safety will continue to grow. With a less than optimistic outlook on the economy, it is important that this growth be maintained at levels that promote the structural integrity of the county's budget.

When evaluating and prioritizing budget requests, it is important to consider the direct and indirect impact budget decisions for one public safety function has on other functions. Over the long-term, failure to balance spending among functions may undermine the effectiveness of current public safety investments. It is important to consider the following:

- Has the increased/decreased funding improved/weakened the overall performance of the department?
- What financial/non-financial impact has the increased/decreased performance had on other functions? It is important to consider effects that may not be readily identifiable. For example, the District Attorney may experience an increase in costs related to the handling of repeat offenders. A decision to increase funding for the District Attorney without a corresponding adjustment to Sheriff Corrections could result in more imprisonment of criminals prone to repeat crime but could reduce sentences due to an overcrowded/under-staffed facility. The preventive effects of increasing funding in areas such as mental health and code enforcement are also difficult to identify, but can affect public safety.
- Did a negative financial/non-financial impact outweigh the overall benefit to the county?

Carefully considering the full impact of all budget requests will help ensure that growth is maintained at levels that promote the stability of the county's budget and the preservation of public safety investments.

ATTACHMENT H: PROBATION - TEMP HOURS OVER 1,000

Request to allow the following temporary employees to exceed 1,000 working hours.

<u>EID#</u>	<u>Position/Title</u>	<u>Hire Date</u>	<u>Requested</u>
201710	Group Counselor I	08/05/04	1,000
201107	Group Counselor I	09/29/05	1,000
209175	Office Assistant II	05/11/06	1,000
209404	Group Counselor I	10/28/04	1,000
200977	Corr Sr Food Svc Wkr	04/18/02	1,000
200965	Corr Sr Food Svc Wkr	02/17/05	1,000
214249	Group Counselor I	04/13/06	1,000
190696	Group Counselor I	08/05/04	1,000
210152	Corr Sr Food Svc Wkr	03/17/05	1,000
207189	Corr Sr Food Svc Wkr	11/13/03	1,000
211257	Group Counselor I	08/04/05	1,000
203061	Group Counselor I	08/04/05	1,000
104184	Group Counselor I	08/04/05	1,000
128944	Group Counselor I	08/04/05	1,000
206001	Group Counselor I	08/04/05	1,000
207944	Group Counselor I	02/20/03	1,000
201498	Group Counselor I	08/04/05	1,000
211099	Group Counselor I	09/29/05	1,000
209004	Group Counselor I	08/23/01	1,000
158839	Corr Sr Food Svc Wkr	01/19/06	1,000
139586	Group Counselor I	09/23/99	1,000
185448	Laundry Worker	09/06/01	1,000
184667	Group Counselor II	01/22/04	1,000
116304	Deputy Probation Officer II	07/01/98	1,000
100914	Deputy Probation Officer II	02/02/06	1,000
165845	Deputy Probation Officer II	02/06/03	1,000
200485	Supv Probation Officer	07/12/01	1,000