

COUNTY OF
RIVERSIDE
STATE OF CALIFORNIA



COUNTY EXECUTIVE OFFICER'S

FY 2008-09
MIDYEAR
BUDGET REPORT

February 3, 2009

Presented by

Bill Luna
County Executive Officer

3.30



Bill Luna
County Executive Officer

Jay E. Orr
Assistant County Executive Officer

Executive Office, County of Riverside

January 29, 2009

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 08/09 Midyear Budget Report

Board members:

As of this midyear report, good news is scarce as we begin weathering very tough economic conditions. However, we have accepted the challenge and developed plans to adjust to the most dramatic economic downturn in recent times. It is important that we understand the economic environment we face and respond decisively. We have a multiple-year strategy to correct our budget losses, and maintain consistency with our policy goals. Our success depends on the economy stabilizing and all departments adjusting to reduced budget targets.

Signals indicate that the state will look to us immediately to help solve its problems through delayed cash reimbursements, and we must account for that as well. I recommend that the Board adopt a policy position that will protect the county against backfilling state funded programs when it would force the county into a negative cash position.

Our first challenge locally is to correct current-year budget overruns. If not curtailed, current-year spending will exhaust funds in contingency and force premature draws on reserves that will jeopardize our planned soft landing. Therefore, because we expect further revenue declines, we cannot let current-year problems compound what we know will be an abysmal budget next year. With this in mind, I have listed all expected current-year overruns and adjustments so that contingency planning can be precise. A few departments, including Animal Control, EDA, California Children's Services, Assessor-Clerk-Recorder, Detention Health, Public Health, TLMA and Human Resources will reduce staff this year to cut shortfalls.

The rapidly deteriorating economy and expected department overruns described in this report will place an unexpectedly large burden on the general fund this year. As part of our efforts to control costs, I recommend additional restrictions on expenditures for services and supplies and capital assets. This action will compliment the plan already in place to control personnel expenditures – our single largest cost – by imposing the maximum fill rate.

FISCAL PROGRAMS APPROVED
ROBERT E. BYRD, AUDITOR-CONTROLLER
BY Clayton D. Manua
TANYA S. HARRIS

Our next challenge will be to construct a budget for next fiscal year that balances the need to meet service demands with our shrinking resources. It is necessary to reduce FY 09/10 general fund allocations by 10 percent, as reported to you in the first-quarter budget report. Departments were asked to draft plans adhering to this cut. A summary of those plans is attached to this report (Attachment B). Department heads made a number of assumptions as they created their budget plans; should these assumptions not come true, additional adjustments might be necessary.

Some departments requested additional funding to support on board staff before taking reductions, however, adherence to cost cutting is necessary. At my most recent department head meeting on January 20, 2009, department heads were directed to prepare to execute plans for cost-cutting as the budget process proceeds.

Planned cuts will include staff reductions in FY 09/10 of one percent of payroll, approximately 150-200 positions. While harder to quantify, department plans also include the expected attrition of perhaps several hundred other employees. Should this attrition not occur, the number of layoffs next year could increase by another 1-2 percent of payroll. Finally, approximately 300 employees, another 1-2 percent of payroll, are expected to take advantage of the early retirement offer this year.

I have updated the budget policy (Attachment E) to reflect our fiscal situation. I also plan to present the budget on May 4, 2009, one month ahead of schedule. My proposed budget will support only core county functions. In accordance with our maximum fill rate, departments will be asked to fund only filled positions. Given the severe budget conditions, I recommend suspending add-back requests for reinstated funding and/or enhanced services.

We have continued to pursue other cost-cutting measures since the first five were proposed to you in the fall. Those new measures will include reducing vehicle use, financial reengineering of our PERS obligations, and reducing payroll expenses by expanding furlough program and staff reductions. By your action, your Board is documenting that furloughs of exempt employees are budget-required. Management compensation has already been curtailed by restricting the payoff of management leave for three years. We should integrate these as well as any new measures directed by the Board and evaluate their impact to restore a structurally balanced budget. In order to sustain priority service levels, it will be necessary to draw down reserves and reduce other discretionary general-fund programs, such as the community improvement designation. Reserves should be drawn down as necessary to soften the payout impact of early retirements.

Elsewhere on today's agenda we have a State of the County report prepared by this office that provides context about progress made and the challenges that lie ahead as we begin to see service declines. Attached to this report is a summary of departmental budget plans for FY 09/10 (Attachment B) that provides a preview of what county government will look like next year. Also attached is our annual economic forecast from economist John Husing (Attachment F). We recently commissioned a macroeconomic forecast from a Southern California economist to validate our assumptions on long-range budget planning. That report will be available during budget hearings.

In summary, as of midyear, our updated analysis reflects the need to reduce this year's discretionary revenue about \$10 million to compensate for lost revenue from property taxes, sales taxes, and fines and penalties. I recommend backfilling these losses from contingency. We are drawing down Board designations by about \$21 million to cover expected budget overruns. Should all the overruns identified be realized, additional draws on reserves will be necessary.

The effect of recent and recommended activity on contingency is summarized below:

| <u>\$ Millions</u> | |
|--------------------|---|
| 38.2 | First quarter ending balance |
| (0.8) | Second-quarter activity |
| <u>6.8</u> | Aggregate of actions recommended in this report |
| 44.2 | Interim balance |

Included attachments:

- ATTACHMENT A Recommended budget adjustment summary
- ATTACHMENT B FY 09/10 General Budget Plans
- ATTACHMENT C Human Resource's recruitment and vacancy report
- ATTACHMENT D Auditor-Controller's internal audit plan update
- ATTACHMENT E Budget policy and schedule
- ATTACHMENT F Economic report from John Husing, Economic & Politics, Inc.

IT IS RECOMMENDED that the Board of Supervisors: 1) receive and file this report and all its attachments; 2) approve the recommendations and associated budget adjustments in Attachment A; 3) approve the budget policies in Attachment E; 4) adopt the policy position not to backfill state funded programs when it would jeopardize the county's financial position; and 5) direct all general fund departments to limit spending in appropriation classes 2 and 4 to essential purposes only, and direct the Executive Office to report back within 30 days on additional cost control measures.

Respectfully submitted,



BILL LUNA
County Executive Officer

**COUNTY OF RIVERSIDE
EXECUTIVE OFFICE
FY 08/09
MIDYEAR BUDGET REPORT
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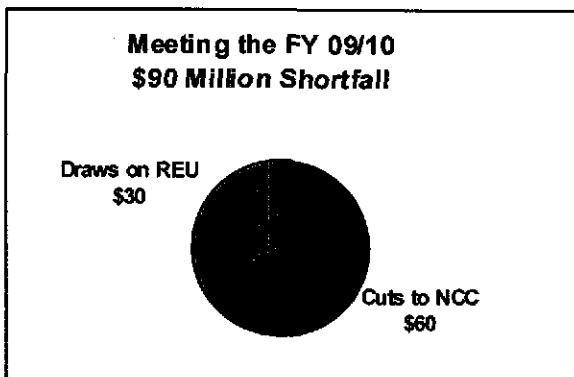
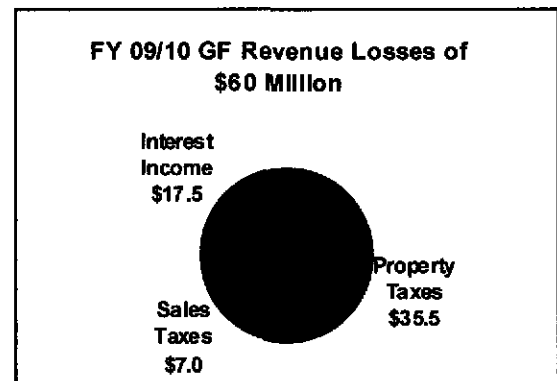
A. EXECUTIVE SUMMARY

Overall, the economy continues to recede. We are diligently looking for the end to this downside, but that end is not yet in sight. Unemployment rates for the nation and the state, as well as the county, are all on the rise. The U.S. government is considering the largest economic stimulus package since the 1940's. This stimulus effort could profoundly affect the local economy, but given its uncertainty, it is too soon to speculate on any local relief.

County discretionary dollars are declining. To date revenue is down about 1.7 percent (\$12.7 million). Additional revenue losses this fiscal year are still possible. **Of greatest concern is the apparent inability of several departments to meet current year budget targets.** If current spending patterns are not curtailed, we will exhaust all of our appropriations within contingency (\$44.2 million) and be forced to take an unplanned \$11 million hit on our reserve for economic uncertainty.

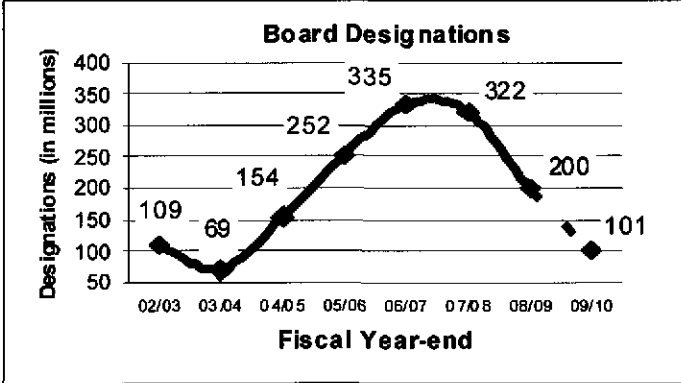
The Executive Office is working with those departments expecting shortfalls to identify steps which can be taken this year to close the budget gaps. It should be noted that a handful of departments will be initiating layoffs immediately in order to meet budget targets. A total of approximately 50 layoffs is expected before the end of FY 08/09.

We expect that the greatest one-year impact on local revenue – outside of potential state directed impacts – will be in FY 09/10. The loss of property related taxes, sales taxes, and interest income is expected to total \$60 million next year. Additionally, public safety departments can **expect losses in Proposition 172 (public safety sales tax) revenue totaling about \$23 million.**

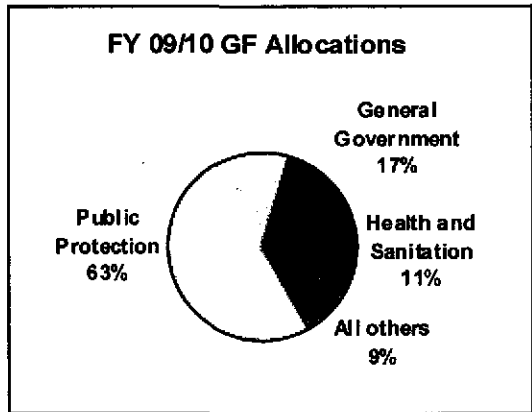


With the expected need to reestablish appropriations for contingency next year (\$30 million), the FY 09/10 budget gap is expected to total \$90 million. **The gap will be filled by reducing general fund costs \$60 million and drawing down \$30 million from the reserve for economic uncertainty.**

Between planned expenditures and draws on reserves, Board designations will total about \$101 million by the end of FY 09/10. The balance in the reserve for economic uncertainty will be down to about \$70 million. **At the current pace, our ability to use reserves to cushion the impacts of cuts will be limited.**



Our fiscal predicament can only be rectified through shared solutions. Compliance with cost cutting measures across the county is vital to our fiscal stability. Cuts should be made across the board, even within public safety departments. **Were public safety to be held exempt, cuts to other areas would represent nearly two-thirds of their county funding levels.** Without question, cuts of that magnitude would keep many department heads from performing their core functions.



The good news is that with cooperation from all parties to achieve across the board spending cuts and prudent use of reserves, we will be well positioned to manage through the downturn.

B. ECONOMIC OUTLOOK

If the national recession continues past the spring, as many economists predict, it will be the most prolonged since the Great Depression. Given the fast-changing economy, diffident financial markets, and the uncertain courses Congress and President Obama *might* take, predicting the economy's future is particularly difficult. USA Today reported in late December that some economists believe the proposed massive federal stimulus combined with aggressive Federal Reserve action might improve the national economy by late 2009.

Economist John Husing of Economics & Politics, Inc. expects our local recovery to lag behind any national recovery. According to Husing, the region's high unemployment level will end when the local economic base replaces losses suffered in the construction, manufacturing and logistics sectors. That is not likely to occur until 2011 or 2012. Husing emphasizes that there are still several hurdles to overcome: some portion of the local mortgage crisis still lies ahead due to pending interest-rate adjustments, the volume of foreclosures must reduce, and the construction industry must revitalize. The U.S. government is considering the largest economic stimulus package since the huge deficits of World War II. This stimulus effort should profoundly affect the local economy; however, it is still too early to quantify those impacts.

Attached is Husing's budget forecast for the county (Attachment F). That forecast projects further discretionary revenue declines through next fiscal year. Assessed property values in FY 09/10 are projected to decrease 5.7 percent; internal county calculations reflect a slightly better outcome. Husing projects motor vehicle license fee revenue will decline about 5.7 percent in FY 09/10, with sales tax revenue likely to decline about 4.5 percent.

Southern California Budget Issues

All of our neighboring counties are being buffeted by the same economic forces that are affecting our local economy. Property values are down on average (as evidenced by the median home price) 35% year over year, translating to reduced or relatively flat property tax revenues. Sales tax revenues are reduced across the region. Los Angeles, Orange, San Bernardino and San Diego counties have all announced substantial budget deficits for the coming year. San Diego has announced the need for layoffs in the coming year and Orange County has already laid off 210 social workers and announced mandatory furloughs for its remaining 4,000 social service workers. Los Angeles County has announced that it will draw \$29 million in reserves to balance the current year's budget.

C. COUNTY OUTLOOK

1. OPERATIONAL TRENDS

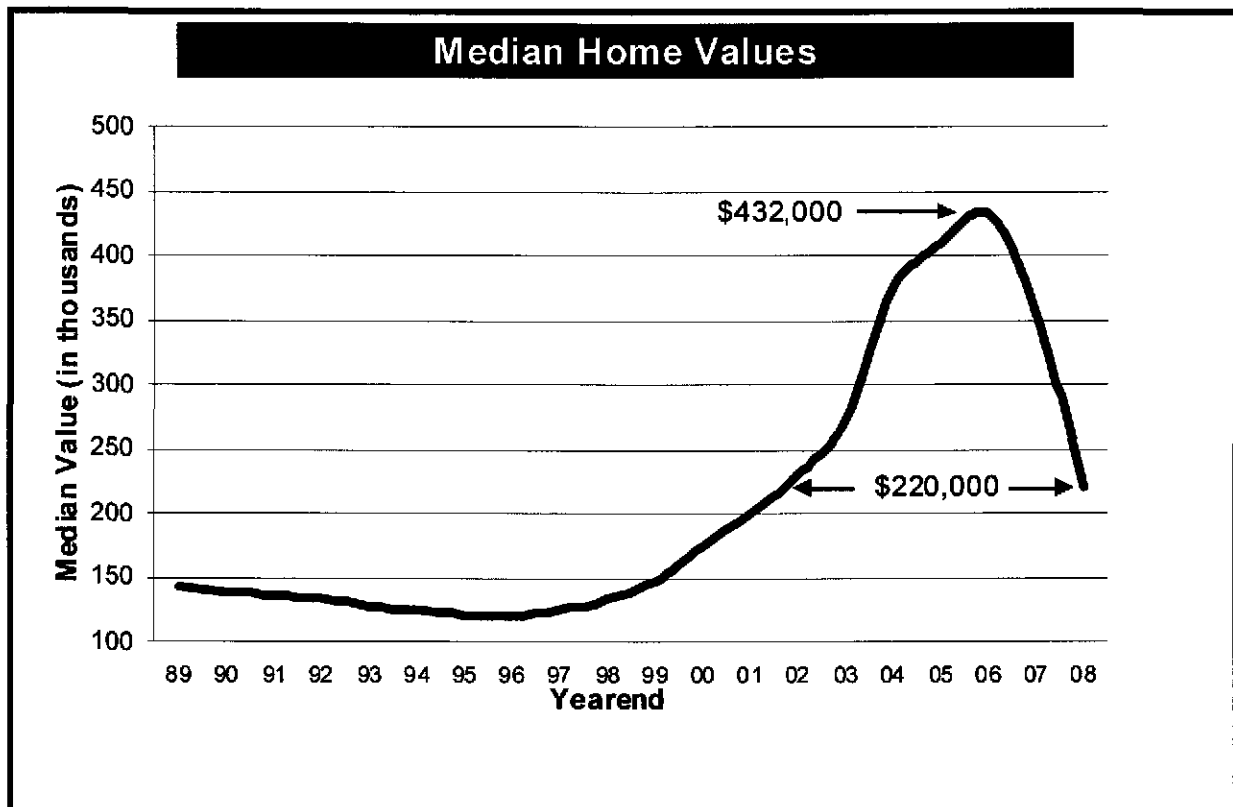
Real estate declines continue to affect the County Clerk-Recorder's operations. Document recordings during the first two quarters of FY 08/09 dropped by five percent compared to the first two quarters of FY 07/08. Using the same time frame, the number of pages recorded decreased by 24 percent in FY 08/09. Compared to FY 06/07, document recordings in the first two quarters have fallen 32 percent and page recordings dropped 59 percent this year. The Assessor expects the trend to continue at least through FY 08/09.

Permit volume continues to decrease in Building and Safety. During the first half of FY 08/09, permit volume was down 43 percent compared to the same period in the previous year. Development applications are down 38 percent this year in the Planning Department and major planning applications have fallen 54 percent. If the trend continues, new applications will have dropped 70 percent since the fiscal year began. The number of customers coming to the Riverside, south county, and desert permit assistance centers has declined 32 percent.

National financial markets remain in flux while home foreclosures and unemployment continue to rise. In the Inland Empire, unemployment is above 10 percent, while the state's unemployment rate of 9.3 percent continues to climb. The national unemployment rate increased in December to 7.2 percent.

Federal intervention has helped stabilize the fragile U.S. financial system and additional aid designed to forestall a deeper recession is likely. A key component has been the Federal Open Market Committee's rate cuts. The Treasurer-Tax Collector anticipates that further purchases of Treasury and agency securities by the Federal Open Market Operations of the Federal Reserve will continue for the foreseeable future and will dampen expectations of investing in higher-interest earning securities.

As the economy recedes, median home values continue to decline in Riverside County. Restrictive lending practices and the county's abundance of foreclosures has reduced median values to levels seen about six years ago. Home values will likely continue to decline and the gravity of this downturn is still unknown. The following chart reflects end-of-year median home values in Riverside County since 1989.



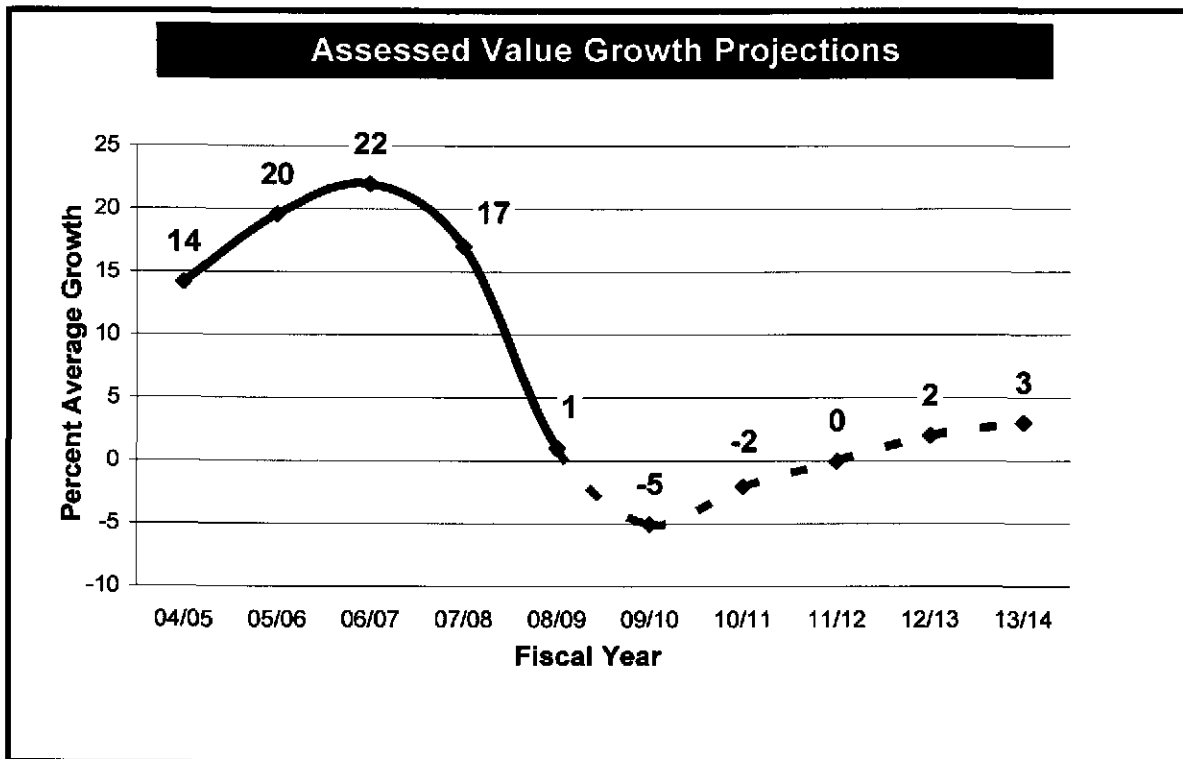
2. REVENUE TRENDS

Assessed Value

The county's current budget plan anticipates a further five percent reduction in property values for FY 09/10. The Assessor and John Husing validate the figure, though Husing predicts a slightly worse scenario. Declining assessed values directly affect both property taxes and motor vehicle license fees. Together, those two sources represent 75 percent of the county's total general-fund discretionary revenue.

In an average year, county assessed value grows by 4-7 percent. The chart below represents the unusual growth that occurred since FY 00/01 and the decline that started in FY 07/08. The duration of our fiscal decline and recovery is difficult to predict. Nevertheless, we expect FY 9/10 to be the worst of the downturn, with smaller losses occurring in FY 10/11. We expect to see some leveling-off in FY 11/12 as reductions and growth equalize, before growth resumes starting in FY 12/13.

In monetary terms, a one percent reduction in assessed value equates to about a \$5.5 million loss in related discretionary revenue. The county's FY 09/10 loss of discretionary revenue from assessed value is expected to be about \$27 million, with a further \$11 million loss expected in FY 10/11.



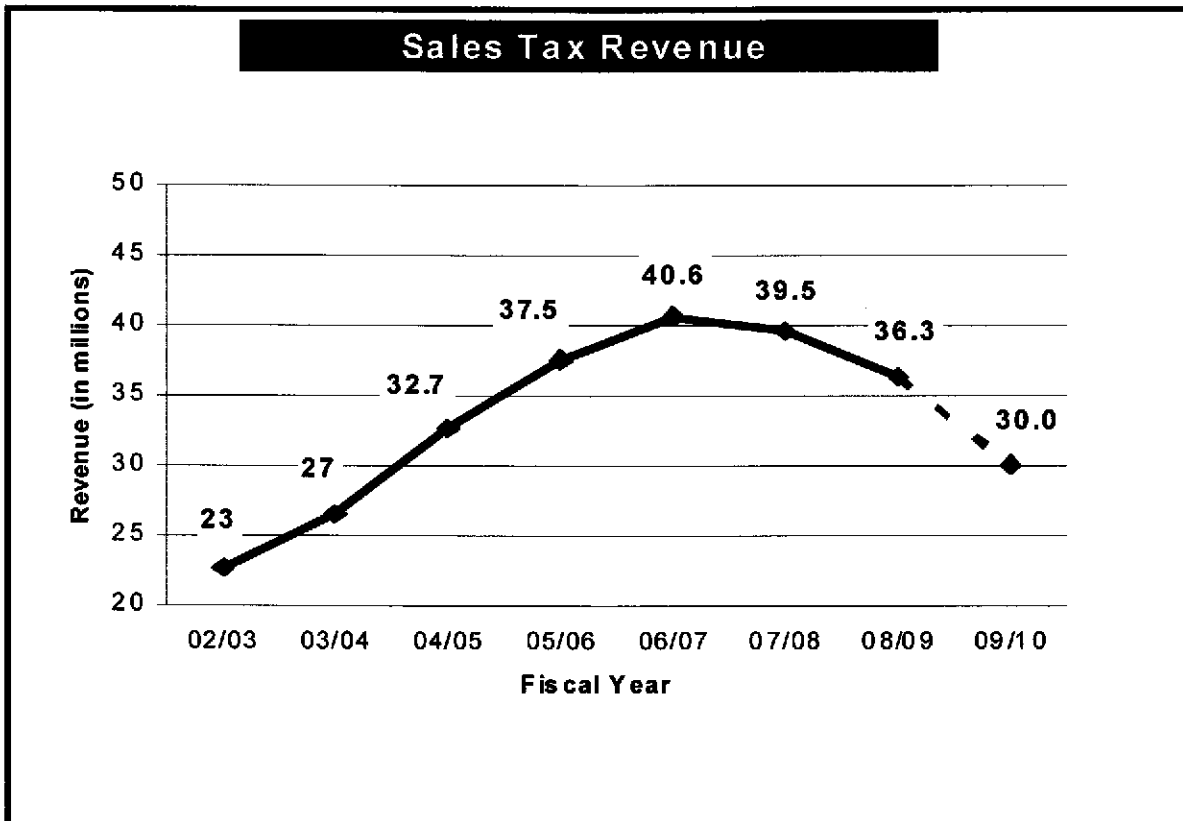
Sales Taxes

Statewide, sales-and-use tax revenue has declined for five consecutive quarters. Because of these declines and the likelihood that more reductions are to come, most of the state's economic recovery bonds were recently down graded by Fitch Ratings. The state's current forecast indicates a six percent decline projected in 2009, with some growth returning in 2010. Fitch believes that continued economic weakening will prompt the state to adjust its expectations downward.

Locally, we can expect sales tax collections to decline this year and next. Taxable sales within the county, including its cities, are down almost 10 percent from the same quarter a year ago. HdL Companies, the county's sales-tax consultant, reports that decreased sales from contractors, discount department stores, lumber and building materials, and trailers (RV's) are partially responsible for the decrease. Onetime receipts helped the county meet last year's budget target, but will inflate the year-to-year loss.

A \$1.4 million downward adjustment to estimated sales tax revenue is recommended within this report. It is possible that the revised target might need further adjustment before year-end. The Auditor-Controller is monitoring sales tax collections and will recommend an adjustment in the third quarter if necessary.

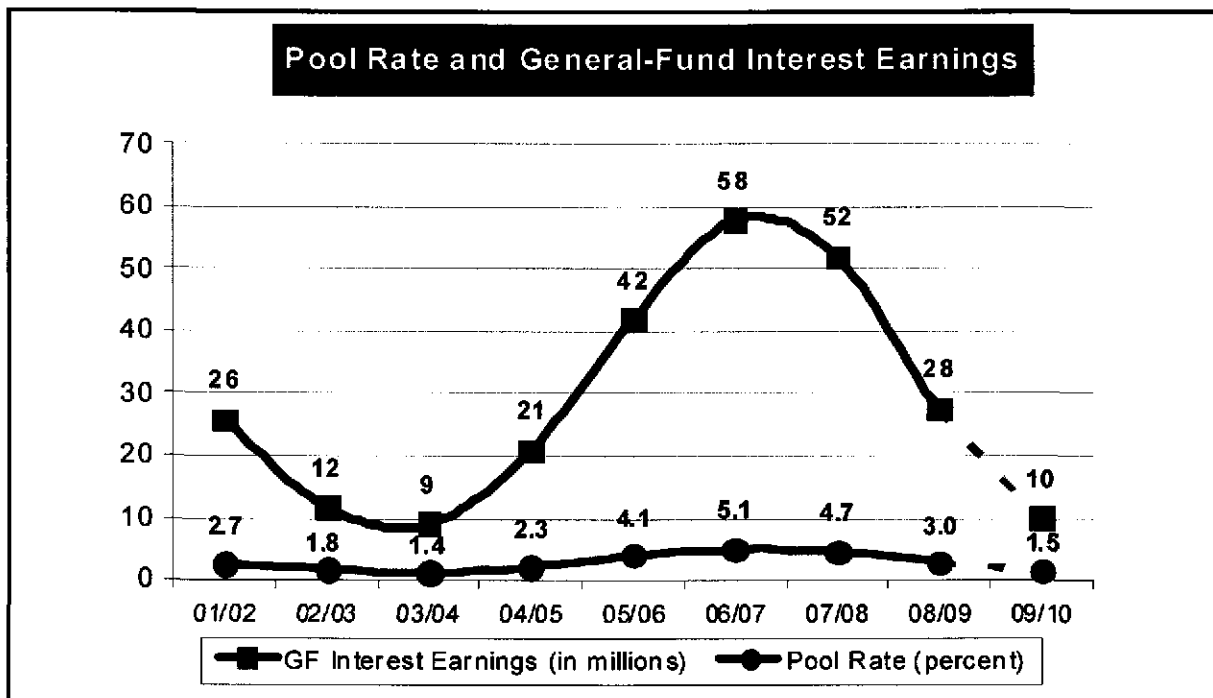
The chart below reflects the growth in sales tax revenue before FY 07/08 and the decline afterward. In addition to losses associated with the recession, a portion of Riverside County's sales-tax receipts will be shifted to the newly incorporated cities of Menifee and Wildomar. FY 09/10 sales tax revenue is expected to drop \$6.6 million, to \$30 million.



Interest Earnings

The Treasurer-Tax Collector expects to meet current year general-fund earnings targets unless interest rates fall more than expected or cash balances are reduced because of delayed payments from the state. The Treasurer and Executive Office are coordinating monitoring efforts and will recommend budget adjustments if necessary. Given all the economic uncertainties, the Treasurer-Tax Collector will remain cautious during this fiscal year and the next. He deems capital preservation as his top priority in managing the Treasurer's pooled investment fund.

Multiple cuts in the Fed funds rate as well as draw downs of county reserves invested in the county pool have reduced interest earnings by half over the past three years, from \$58 million to \$28 million. The Treasurer will continue to monitor the trends and update the Board in the third-quarter budget report. In FY 09/10 these same factors will likely reduce interest income to its lowest level in six years, about \$10 million. Delayed payments from the state could drive next year's earnings even lower. The following graph illustrates the relationship between the pool rate and interest revenue, and depicts next year's anticipated fall.



3. MULTIPLE-YEAR BUDGET PLANNING

The county has relied on a rolling five-year budget projection to evaluate major financial and policy decisions. We have updated our projection with new budget principles, strategies, and cost-saving measures to clarify the process. What is clear is that our success is dependent upon a shared solution.

Key Principles:

- Preserve core services
- Maintain high credit ratings
- Shared sacrifice across all county functions
- No backfilling of outside revenue funding reductions

Key Strategies:

- Frontload necessary budget cuts (10%, 6.6%, 3.3%)
- Partial draw down of reserves to "soften" the impacts
- Maintain reserve capacity to respond to state impacts
- Adjust hub jail staffing plan to correlate to construction schedule

Key Measures to Produce Savings

- Cap on staffing
- Early retirement incentive
- Cap on management leave buy down
- Mandatory and voluntary furloughs
- Financial re-engineering
- Various expense reductions

A growing number of employees are participating in the voluntary furlough program, and mandatory furloughs may also be necessary. By your action, your Board is documenting that furloughs are budget-required. In such cases, exempt employees whose pay is reduced for absences due to a budget-required furlough shall not lose their exempt status except for the workweek in which the furlough occurs, in conformance with federal regulations.

Vehicles

Riverside County's vehicle fleet is among the largest in the state and represents a reasonable target for savings. With one car for every five employees, there is an opportunity to tighten the requirements for vehicle use, to increase shared use, improve enforcement of Board policies and improve the fleet's fuel mileage.

Employees take home about 600 vehicles nightly. In some cases there is ample justification: the vehicle is a marked county safety vehicle (Sheriff, Animal Control and Fire) and the operator is on call; or employees have a car as a part of their employment contract. However, in many cases, the justification is acceptable, but weaker: for safety or service responders who are not first line; for critical but very rare service needs; or to keep equipment safe. With the economy so poor and the budget outlook so bleak, it is recommended that the Board allow vehicles to be taken home at night only in the most critical situations.

There are additional opportunities to save. Departments should be encouraged to improve efficiency by increasing the use of the county motor pool or a department motor pool. Each vehicle assigned to a department can be analyzed to determine if it is driven enough to warrant the cost. Wherever reasonable, vehicles with poor mileage could be replaced with higher-mileage vehicles. Wherever reasonable, vehicles beyond their useful lives or with excessive maintenance costs could be replaced with newer vehicles.

Recommended Motion: That the Board of Supervisors: 1) direct the Executive Office and Fleet Services to review and update the Board's vehicle policy and return within 30 days; 2) direct all department heads to provide all vehicle information requested by the Executive Office; and, 3) that the new policy, with rare exceptions, limit overnight retention to first responders and cars tied to employee contracts.

Cash

We don't know yet how the state's cash crisis will affect the county. The Executive Office recommends taking steps to position the county cash pool to withstand any extended interruption in cash flow from the state. The Executive Office will look closely at cash-management practices and current cash policies and report back to the Board in the third quarter.

The Multiple Year Projection

The multiyear projection displayed on the next page incorporates expected declines in discretionary revenue this year and next. That trend requires a 10 percent budget cut in FY 09/10, a 6.3 percent cut in FY 10/11 and a 3.3 percent cut in FY 11/12. We expect that the greatest one-year impact on local revenue – outside of potential state directed impacts – will be in FY 9/10. Losses of property related taxes, sales taxes, and interest income is expected to total \$60 million next year.

Normally, funds remaining in contingency at year-end are utilized to reestablish those appropriations in the following year. This year, contingency funds could be completely drained, requiring next year's contingency to be funded from reserves. The Board's policy is to fund contingency at 4 percent of expected discretionary revenue. Based on current calculations, appropriations for contingency should be about \$30 million.

Hub Jail

We have adjusted the hub jail staffing plan to more accurately reflect the construction schedule. This action will allow us to suspend our need for \$15 million in additional discretionary revenue for FY 09/10. In order to stay on schedule, it will be necessary to set aside \$10 million in FY 10/11. With no new revenue expected, cuts in general fund support are necessary to redirect these dollars to the jail.

Capital Projects

Major projects underway (including the downtown law building, the northwest animal shelter, the San Jacinto shelter, and others), together with the commitment for the French Valley office complex represent an ongoing claim of approximately \$20 million. That commitment on the capital project fund effectively accounts for all of the available capacity for the foreseeable future, with the exception of modest balances not budgeted over the next couple of years. There is no general fund capacity for new projects.

Public Protection

Public protection services utilize about 63 percent of all discretionary dollars, over \$450 million a year. Compliance with cost cutting measures across the county is vital to our fiscal stability. Cuts should be made within public safety departments. Were public safety to be held exempt, cuts to other areas would represent nearly two-thirds of their current county funding levels. Exempting the Sheriff's Department alone would require non public protective functions to absorb a 20 percent reduction in general fund support – double what is currently planned.

The following chart reflects the \$90 million budget deficit expected in FY 09/10. The gap is to be bridged by \$60 million in cuts and \$30 million taken from the reserve for economic uncertainty. The plan is only viable if departments adhere to their approved net county cost targets. Once we draw on reserves, we will need to plan to reestablish the reserve for economic uncertainty in order to protect against future unexpected economic shocks, and to prevent a ratings-agency downgrade.

| General Fund Multiple-year Projection (in millions) | | | | | | |
|--|-----------------|------------------|-------|-------|-------|-------|
| | FINAL BUDGET | PROJECTED ACTUAL | | | | |
| | 08/09 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
| <u>RESOURCES:</u> | | | | | | |
| Adjusted fund balance | 38 | 46 | 19 | 28 | 28 | 28 |
| Ongoing discretionary revenue | 725 | 712 | 667 | 649 | 649 | 668 |
| Use of reserves (to balance budget) | 50 | 71 | 30 | 6 | 6 | 3 |
| Misc. one-time revenue | 3 | 3 | 0 | 0 | 0 | 0 |
| | 815 | 832 | 716 | 683 | 683 | 699 |
| <u>APPROPRIATIONS:</u> | | | | | | |
| Misc. ongoing NCC | 695 | 698 | 684 | 641 | 635 | 656 |
| Contingency funding | 35 | 44 | 28 | 28 | 28 | 28 |
| Misc. one-time costs | 0 | 2 | 0 | 0 | 0 | 0 |
| New jail staffing | 30 | 30 | 0 | 10 | 10 | 12 |
| Public safety COLA's | 14 | 14 | 0 | 0 | 0 | 0 |
| 800 MHz debt service | 5 | 5 | 0 | 0 | 7 | 0 |
| Sheriff unincorporated 1.2:1000 staffing | 2 | 2 | 0 | 0 | 0 | 0 |
| Capital project funding | 20 | 20 | 0 | 0 | 0 | 0 |
| Hospital subsidy | 10 | 10 | 0 | 0 | 0 | 0 |
| Added to reserves | 5 | 8 | 4 | 4 | 4 | 4 |
| | 815 | 832 | 716 | 683 | 684 | 700 |
| Available for budget needs | 0 | 0 | 0 | 0 | 0 | 0 |
| Discretionary reserve totals | 284 | 200 | 101 | 95 | 89 | 86 |
| <i>Note: Departments to absorb retirement benefit costs and cost-of-living allowances.</i> | | | | | | |

4. BOND RATINGS AND BENCHMARKS

The county's issuer ratings are at AA levels: Moody's (Aa3), S&P (AA) and Fitch (AA). Those ratings validate the budget benchmarks and the financial controls we created, and our adherence to those controls. To retain our high credit ratings and maintain strong financial controls, we must develop plans to restore reserve levels and structural balance.

| Riverside County's Budget Health Benchmarks | | | | | | | |
|---|--------|-------|-------|-------|-------|-------|-----|
| | Target | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | Now |
| Reserve for Economic Uncertainty | 15% | 10% | 3% | 20% | 15% | 15% | 15% |
| Contingency | 4% | 3% | 4% | 4% | 5% | 4% | 4% |
| Structural Deficit | 0 | 3% | 6% | 1% | 0% | 0% | 2% |
| 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. STATE BUDGET UPDATE

The state budget remains the largest and potentially most devastating unresolved budget issue facing Riverside County. The governor has met with legislative leaders frequently since early January. But as of late January there is no agreement for addressing a state budget deficit estimated at \$40 billion over the next 17 months.

The governor has proposed deferrals that, by the end of the calendar year, could preempt more than \$100 million in state payments that Riverside County needs for social services. Gas-tax deferrals would exceed \$30 million. Statewide, deferrals tally \$1.8 billion in social-services payments, \$700 million in gas-tax revenues, \$270 million in Prop. 42 transportation payments and \$92 million in mental-health cash advances to counties.

Without a budget, the state controller intends to delay payments in order to preserve cash flow and protect payments earmarked for education and outstanding debts. The controller would issue IOUs for the first time since 1992. All told, the controller would delay about \$3.7 billion worth of checks due in February unless a budget deal is in place by February 1.

California's deteriorating cash position is so dire that, even with a quick (if unlikely) budget resolution, there would be a significant lag before the state develops a reasonably healthy cash balance. So the question remains: where and when will the state find the money to make good on the deferrals?

Should Riverside County choose to cover the deferrals for too long, it would damage our credit ratings. The resulting increased borrowing costs would exacerbate cash shortages and deplete reserves, forcing the county to cut services and jobs. State actions could push the county to the same precipice where state officials already hang by their fingernails.

On another front, the Unemployment Insurance Trust Fund is running out of money. To fund unemployment benefits (roughly \$34 million per day), the state plans to borrow \$1.84 billion from the federal government to pay benefits through March.

Amid all the uncertainty one fact remains: each day that passes without a budget increases the size of the hole that the state is trying to plug.

E. MIDYEAR ACTIVITY

1. QUARTERLY DISCRETIONARY REVENUE UPDATE

The property-tax revenue projection needs to be reduced by \$4.6 million. Sales-tax revenue is also dropping, requiring a \$1.4 million adjustment. As a partial offset, we can expect an additional \$1.1 million in federal in-lieu revenue made available through the Emergency Economic Stabilization Act of 2008. The act authorized the Department of the Interior to increase payments to local jurisdictions under the Payment in Lieu of Taxes program. For the first time since 1994 the county will receive its full entitlement of almost \$3 million, which is about \$1.1 more than budgeted. The act authorizes full payment through 2012. Overall, there is a net loss of all discretionary revenue totaling \$4.9 million. It will be necessary to reduce appropriations for contingency in order to offset this loss.

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

| | | |
|-----------------------------|-------------------------------------|------------------|
| Increase estimated revenue: | | |
| 10000-1300100000-764500 | Federal In-lieu taxes | \$1,142,956 |
| 10000-1300100000-705000 | Property tax – prior supplemental | 860,000 |
| 10000-1300100000-701020 | Property tax – current unsecured | <u>800,000</u> |
| | Total | \$2,802,956 |
| Decrease estimated revenue: | | |
| 10000-1300100000-700020 | Property tax – current secured | \$3,880,000 |
| 10000-1300100000-704000 | Property tax – current supplemental | 2,400,000 |
| 10000-1300100000-710020 | Sales and use taxes | <u>1,400,000</u> |
| | Total | \$7,680,000 |
| Decrease appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$4,877,044 |

Trial Court Funding

The county's trial court funding responsibility for FY 08/09 is an estimated \$34.1 million, including \$24.9 million in maintenance-of-effort requirements, \$6.5 million in realignment payments to the state and \$2.7 million for a memorandum-of-understanding obligation to the local courts. Most funding for maintenance of effort comes from fines and penalties which are recognized as county discretionary revenue. That revenue is declining and is expected to be

\$4.9 million under budget. Because the county's contractual obligation does not lessen as revenue declines, contingency funds are needed to cover the loss.

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

| | | |
|-----------------------------|--------------------------------|----------------|
| Decrease estimated revenue: | | |
| 10000-1100900000-730020 | Fee – POC transaction | \$80,000 |
| 10000-1100900000-730040 | Fine – traffic motor vehicle | 400,000 |
| 10000-1100900000-731020 | Health and safety fees | 35,000 |
| 10000-1100900000-731180 | Fine – traffic school | 20,000 |
| 10000-1100900000-731200 | AB233 realignment | 4,080,000 |
| 10000-1100900000-772850 | Superior Court fees | <u>285,000</u> |
| | Total | \$4,900,000 |
| Decrease appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$4,900,000 |

Public Safety Sales Tax (Proposition 172)

Safety sales tax is a dedicated funding source for many public safety departments, tied to local taxable-sale transactions. To protect public safety, safety sales-tax estimates were maintained at FY 07/08 levels despite evidence that revenue was falling. Projections now indicate safety sales tax revenue could fall \$23 million under target. The Board established a \$12 million reserve to cover a potential shortfall. Next year there will neither be a reserve nor additional revenue available to backfill public safety sales tax shortfalls, therefore safety departments will be expected to adjust future budgets accordingly.

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

| | | |
|--------------------------|--------------------------------|--------------|
| Decrease designations: | | |
| 10000-1000100000-320134 | DFB – Prop. 172 revenue | \$12,161,684 |
| Increase appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$12,161,684 |

State Mandate Reimbursement (SB 90)

The state has notified counties of its intention to discontinue the current practice of timely payment of 75 percent of each SB 90 claim. This delay will result in an expected \$6,365,909 revenue shortfall this year. The Board established a reserve to cover losses like this.

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

| | | |
|--------------------------|--------------------------------|-------------|
| Decrease designations: | | |
| 10000-1100100000-320133 | DFB – SB 90 reimbursement | \$6,365,909 |
| Increase appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$6,365,909 |

Following is a chart reflecting the county's discretionary revenue.

| Summary of FY 08/09 General-Fund Discretionary Revenue (in millions) | | | |
|---|--------------------------------|-------------------|-------------------------|
| Source | Original Budget Estimate | Midyear Update | Variance from Budget |
| Property Taxes | 337.6 | 328.5 | (9.1) |
| Motor Vehicle In Lieu | 220.8 | 221.6 | 0.8 |
| Interest | 27.5 | 27.5 | 0.0 |
| Sales Tax * | 38.0 | 36.6 | (1.4) |
| Fines and Penalties | 29.3 | 24.4 | (4.9) |
| Documentary Transfer Tax | 9.0 | 9.8 | 0.8 |
| Tax Loss Reserve Fund-Overflow | 45.0 | 45.0 | 0.0 |
| Franchise Tax | 7.6 | 7.6 | 0.0 |
| Other (Prior Year & Miscellaneous) | 7.3 | 7.3 | 0.0 |
| Federal In-Lieu Taxes | 1.8 | 2.9 | 1.1 |
| Tipping Fees | 1.8 | 1.8 | 0.0 |
| Transient Occupancy Tax | 1.6 | 1.6 | 0.0 |
| TOTALS | 727.4 | 714.6 | (12.7) |

** Does not include public safety sales tax revenue*

2. BOARD DESIGNATIONS

Based on recommendations in this report, the chart on the next page lists the \$222 million in general-fund designations established by the Board. About \$38 million is being held for capital construction projects and land banking. Another \$109 million remains set aside to protect against looming adverse state budget actions and economic downturns. The remaining \$75 million is earmarked for specific needs.

Optimistic projections have all designations falling from a recent high of \$335 million to \$101 million within about two years. Without departmental spending restraint, designations could feasibly be reduced to zero within two years.

With the economy worsening and the state expected to defer cash reimbursements, the Executive Office will likely be forced to recommend using some of the reserve for economic uncertainty to balance the FY 9/10 budget. The estimated need for \$30 million is included in the chart below. The number will be refined during the budget process. The \$30 million is in addition to the \$14.5 million draw that could be needed to cover budget overruns this year, as reflected in the contingency section of this report on page 17.

Many Board designations are earmarked for projects already under way and will be drawn down as they move ahead. The capital projects designation is funding the Smith Correctional Facility expansion (\$63 million in addition to the \$16 million already appropriated) and the First

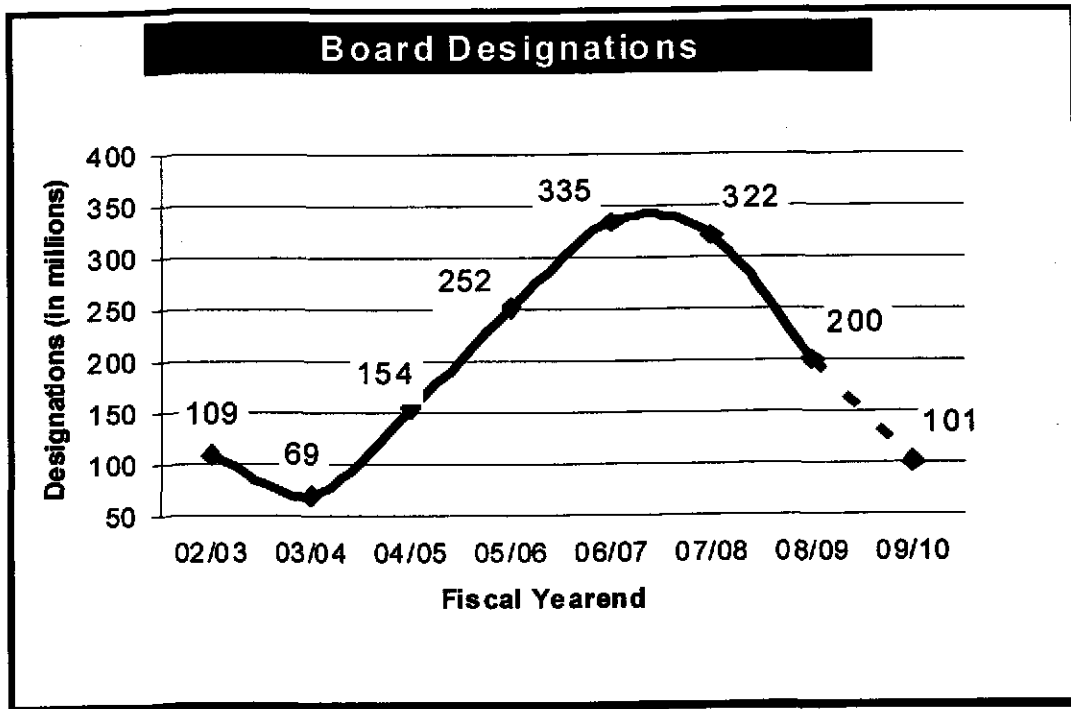
American Title Co. purchase (\$6.5 million). Designations for PSEC and the property-tax system will be exhausted during the several years needed to design and implement these critical projects.

| Board Designations (in millions) | | | | | |
|---|------------------|----------------------------|-----------------------|--------------------------|-----------------------|
| | Previous Balance | Second Quarter Adjustments | Balance Upon Approval | Expected Yearend Balance | Expected FY 09/10 Use |
| Economic uncertainty | 108.7 | 0.0 | 108.7 | 97.7 | 30.0 |
| Capital projects | 75.3 | (36.9) | 38.3 | 38.3 | 32.6 |
| PSEC - 800 MHz | 27.1 | 0.0 | 27.1 | 27.1 | |
| Property tax system | 9.6 | 0.0 | 9.6 | 9.6 | 9.6 |
| SB90 deferred state revenue | 10.0 | (6.4) | 3.6 | 3.6 | 3.6 |
| Prop 172 - safety sales tax | 12.2 | (12.2) | 0.0 | 0.0 | |
| DPSS - CalWorks incentive | 8.2 | 0.0 | 8.2 | 8.2 | 8.2 |
| DPSS - realignment growth | 6.9 | 0.0 | 6.9 | 6.9 | 6.9 |
| Probation | 4.3 | (0.4) | 3.9 | 1.7 | 1.7 |
| Correctional staffing | 11.0 | (5.7) | 5.3 | 5.3 | 5.3 |
| Community improvement | 3.9 | (1.0) | 2.9 | 0.0 | |
| Budget savings | 3.0 | 3.0 | 6.0 | 0.0 | |
| CAC maintenance | 1.2 | 0.0 | 1.2 | 1.2 | 1.2 |
| TOTAL | 281.3 | (59.6) | 221.8 | 199.6 | 99.1 |

Other designations were set up to mitigate likely losses involving state-mandated services (\$10 million) and public safety sales tax (\$12.2 million). Both these designations will be drawn down to help compensate for falling revenue. Some designations were set up to support vital services or capital expansion. These designations – for DPSS (\$15.1 million), Probation (\$4.38 million), and correctional staffing (\$11 million) – will be used for their intended purposes over the next two years.

Should expected draws hold true, the Board's designations will fall from \$222 million to about \$196 million when this fiscal year ends. Over the next year-and-a-half, \$99 million is expected to be drawn out of designations. The graph that follows depicts the increase to designations that occurred beginning in FY 04/05 and expected balances at the end of FY 09/10. Not shown in either designation chart is the \$290 million received from tobacco securitization, which is segregated in its own fund.

The following chart shows recent changes to Board designated reserves.



3. APPROPRIATIONS FOR CONTINGENCY

The Board-approved contingency target is four percent of ongoing discretionary revenue. Current-year general fund discretionary revenue is estimated at \$712 million. This dictates a contingency target just under \$28.5 million. The target adjusts as revenue estimates change.

Departments were directed to reduce their FY 08/09 reliance on general-fund support by five percent. Some are struggling to meet that directive either because they were unable to implement cost-cutting strategies as early as expected, or they assumed funding relief would be available at year-end. Throughout this report, these departments have communicated their expectations to draw upon contingency to fund current-year needs. Those draws would exceed available funds by about \$11 million. The Executive Office has taken an aggressive step, empowering departments to implement all cost-cutting measures within their authority. If layoffs are the only feasible option, departments have been directed to exercise that option. Without new revenue, it might be necessary to backfill contingency with funds from the reserve for economic uncertainty. Adjustments, if necessary, will be incorporated into the third-quarter budget report.

Departments with shortfalls have been directed to identify, by the end of February, those steps which will be necessary to end the year in balance. Each also will provide an explanation and proof as to how FY 09/10 balance will be achieved in light of the current year imbalance. These reports will be evaluated and brought forward to the Board for approval, as needed.

Sheriff's Department staff has been working closely with the Executive Office to reduce its projected budget overrun. Progress has been made, but current projections show the overrun

will be \$16.5 million. More aggressive steps will be required in order to close the gap and position the department to meet FY 09/10 budget targets, which will be reduced from FY 08/09, both because of a cut to net county cost, and falling public safety sales tax (Prop. 172) revenue. These steps might include a hard freeze on hiring and a redeployment of resources to eliminate all overtime costs.

Considering that new revenue will not be available to backfill contingency next fiscal year, funds from the reserve for economic uncertainty will be needed to reestablish contingency at the Board-approved target. This draw could be as much as \$30 million.

| FY 08/09 USE OF CONTINGENCY | | | | | |
|---|------|--------------|---------------------|---------------------|-----------------------|
| | Cost | Adjust. | Revenue Adjust. | Total Adjust. | Contingency Status |
| First quarter ending balance: | | | | | \$38,182,268 |
| Second quarter adjustments: | | | | | |
| Item 3.11 on 10/07/08 Menifee augmentation | | \$830,444 | \$0 | (\$830,444) | \$37,351,824 |
| Item 3.13 on 12/16/08 Cash short/over | | \$26 | \$0 | (\$26) | \$37,351,798 |
| Actions recommended in this report: | | | | | |
| Discretionary revenue reductions (page 12) | | \$4,900,000 | \$0 | (\$4,900,000) | \$32,451,798 |
| Release Prop. 172 designation (page 13) | | | \$12,161,684 | \$12,161,684 | \$44,613,482 |
| Trial Court Funding (page 13) | | \$4,900,000 | \$0 | (\$4,900,000) | \$39,713,482 |
| SB90 designated funds (page 13) | | \$0 | \$6,365,909 | \$6,365,909 | \$46,079,391 |
| Release budget savings designation (page 24) | | \$0 | \$3,000,000 | \$3,000,000 | \$49,079,391 |
| Contingency balance upon approval of this report = | | | | | \$49,079,391 |
| Pending actions that will affect contingency: | | | | | |
| Animal Control (page 26) | | \$1,300,000 | \$0 | (\$1,300,000) | \$47,779,391 |
| Legislation and Admin (page 23) | | \$200,000 | \$0 | (\$200,000) | \$47,579,391 |
| Indigent Defense (page 27) | | \$444,000 | \$0 | (\$444,000) | \$47,135,391 |
| Proposition 172 - District Attorney | | \$3,923,733 | \$0 | (\$3,923,733) | \$43,211,658 |
| Proposition 172 - Fire | | \$1,148,152 | \$0 | (\$1,148,152) | \$42,063,506 |
| Proposition 172 - Probation | | \$3,775,513 | \$0 | (\$3,775,513) | \$38,287,993 |
| Proposition 172 - Sheriff's Department | | \$14,022,682 | \$0 | (\$14,022,682) | \$24,265,311 |
| Public Defender (page 28) | | \$1,232,000 | \$0 | (\$1,232,000) | \$23,033,311 |
| Human Resources (page 25) | | \$1,400,000 | \$0 | (\$1,400,000) | \$21,633,311 |
| FM - Energy Management (page 24) | | \$2,000,000 | \$0 | (\$2,000,000) | \$19,633,311 |
| SB-90 mandated services (page 13) | | \$6,365,909 | \$0 | (\$6,365,909) | \$13,267,402 |
| Registrar of Voters (page 25) | | \$256,691 | \$0 | (\$256,691) | \$13,010,711 |
| Auditor-Controller (page 21) | | \$500,000 | \$0 | (\$500,000) | \$12,510,711 |
| Fire operations (page 27) | | \$2,000,000 | \$0 | (\$2,000,000) | \$10,510,711 |
| Community Health Agency (page 31) | | \$3,500,000 | \$0 | (\$3,500,000) | \$7,010,711 |
| Detention Health (page 32) | | \$1,300,000 | \$0 | (\$1,300,000) | \$5,710,711 |
| County Counsel (page 22) | | \$200,000 | \$0 | (\$200,000) | \$5,510,711 |
| Sheriff's Department (page 29) | | \$16,500,000 | \$0 | (\$16,500,000) | (\$10,989,289) |
| Reserve for Economic Uncertainty | | \$0 | \$10,989,289 | \$10,989,289 | \$0 |
| Projected year-ending contingency = | | | | | \$0 |

This report recommends using contingency funds to backfill \$4.9 million in lost discretionary revenue so that services are not affected, and backfilling \$4.9 million in lost fines and penalties revenue in order to meet court funding obligations. Also recommended is a \$12.2 million increase using designations to cover part of the expected loss of public safety sales tax revenue, discussed in more detail on page 13; a \$6.4 million increase using designations to cover deferred state mandated reimbursement payments; and a \$3 million increase using designations to partially offset potential year-end budget overruns.

F. FY 08/09 DEPARTMENTAL STATUS

1. INTERDEPARTMENTAL AND CAPITAL PROJECTS

On November 4, 2008, the Board of Supervisors directed the Executive Office to submit a funding application for an employee childcare project to First Five Riverside. Since then, the Childcare Pilot Project Exploratory Committee has met and discussed such a proposal, but has not developed one. Knowing that a strong proposal would include a mechanism for continued funding, and being unable to identify one, the committee suggests that the concept be suspended. At such time as county finances improve and enhancing employee benefits is an option, the committee could resume its mission. In the meantime, as childcare remains an issue for many employees, the Human Resources Department will continue to disseminate information about flexible spending accounts for childcare and discounts for employees.

a) Capital Finance Administration

The county has assumed the responsibility of administering the Riverside County Palm Desert Financing Authority (RCPDFA) bond issues. Administration includes payments of the bond debt service. The following budget adjustment is needed to make interest and principal debt service payments. All payments will be made with money received from RCPDFA.

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

| | | |
|-----------------------------|-------------------------------|----------------|
| Increase appropriations: | | |
| 35900-925001-533020 | Bonds – interest | \$1,646,522 |
| 35900-925001-531900 | Bonds – principal | <u>585,000</u> |
| | Total | \$2,231,522 |
| Increase estimated revenue: | | |
| 35900-925001-781560 | Contributions from non-county | \$2,231,522 |

b) Capital Improvement Program

Due to the economic downturn and resulting revenue shortfalls, the capital improvement program (CIP) did not recommend new projects and is working instead to complete approved projects. The total value of requests involving 213 unfunded projects exceeds \$1.87 billion. The economy's effect on capital projects will be discussed in a workshop, planned for April, as part of the FY 09/10 budget process.

On Nov. 18, 2008 (Item 3.30), the Board approved a professional-services agreement to prepare a 20-year countywide strategic plan for the Riverside County Fire Department. The

plan will be completed by November 2009. A budget adjustment is needed to reimburse the department from CIP funds.

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

| | | |
|--------------------------|--------------------------|-----------|
| Increase appropriations: | | |
| 30700-1104200000-525440 | Professional services | \$208,700 |
| Expected offset: | | |
| 30700-1104200000-309100 | Reserve for construction | \$208,700 |

The Board approved the architectural agreement for the TLMA 2nd floor renovation at the Riverside County CAC on Jan. 13, 2009 (Item 3.24). This first phase will be paid with CIP funds. Phase two can move forward only after additional funding is identified.

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

| | | |
|--------------------------|--------------------------------------|-----------|
| Increase appropriations: | | |
| 30700-1104200000-536780 | Interfund expense – capital projects | \$374,380 |
| Expected offset: | | |
| 30700-1104200000-309100 | Reserve for construction | \$374,380 |

c) Developer Agreement Program

On Aug. 28, 2007 (Item 3.54), the Board approved a commitment of developer agreement funds for the Riverside County Fairgrounds pavement project in Indio. A budget adjustment is needed to reimburse the Economic Development Agency for construction costs.

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

| | | |
|-----------------------------|-------------------------------------|-----------|
| Increase appropriations: | | |
| 30500-1103500000-551100 | Contributions to other county funds | \$480,000 |
| Increase estimated revenue: | | |
| 30500-1103500000-777170 | Development mitigation fees | \$480,000 |

d) Tobacco Tax Securitization

On Feb. 5, 2008 (Item 3.20), the Board awarded a construction contract for the Larry D. Smith Correctional Facility expansion. Funding for this project comes from tobacco-tax securitization proceeds, which are to be reimbursed by the general fund. The recommended motion provides the spending authority for expenses anticipated for the remainder of the fiscal year, and also authorizes moving money out of the capital project designation.

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

| | | |
|-----------------------------|----------------------------------|--------------|
| Decrease designations: | | |
| 10000-1100100000-320109 | DFB – capital projects | \$30,400,000 |
| Increase appropriations: | | |
| 10000-1101000000-551000 | Operating transfer out | \$30,400,000 |
| Increase estimated revenue: | | |
| 30120-1105100000-790500 | Operating transfer in | \$30,400,000 |
| Increase appropriations: | | |
| 30120-1105100000-536780 | Interfund exp – capital projects | \$30,400,000 |

e) Bob Buster Library

The capital anticipation notes (CANs) purchased by the county pool to build the Woodcrest Library were extended for an additional 18 months. The CANs will be repaid from the next county financing, except for interest due, which is payable from the library fund. A budget adjustment is needed to cover the interest payment.

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

| | | |
|-----------------------------|---------------------------|-----------|
| Increase appropriations; | | |
| 32750-1100100000-534000 | Interest notes – warrants | \$310,390 |
| Increase estimated revenue: | | |
| 32750-1100100000-778390 | Interfund rent – CORAL | \$310,390 |

2. GENERAL GOVERNMENT

a) Auditor Controller

The Auditor-Controller is diligently cutting costs to meet this year's and next year's budget targets. The department is mostly funded by the general fund (64 percent) and reports that it cannot pay internal custodial, maintenance and data-processing charges. In an effort to mitigate an expected \$1.1 million budget overrun, the Auditor is limiting costs in the internal audit unit, which will reduce the overrun by about \$360,000. This savings needs to be transferred in order to fund essential obligations within the operations department. Budget adjustments moving the general fund savings are therefore requested. Also, the Auditor has identified \$208,831 in new revenue that will help cover the budget overrun. The department will be working with the Executive Office to identify ways to cover the remaining \$500,000 overrun.

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

Decrease appropriations:

| | | |
|-------------------------|------------------|-----------|
| 10000-1300200000-510040 | Regular salaries | \$360,000 |
|-------------------------|------------------|-----------|

Increase appropriations:

| | | |
|-------------------------|-----------------------------------|---------------|
| 10000-1300100000-520820 | Janitorial services | \$158,000 |
| 10000-1300100000-522310 | Maintenance/building improvements | 113,000 |
| 10000-1300100000-523240 | Non-county agency expense | 24,000 |
| 10000-1300100000-524760 | Data processing services | 89,000 |
| 10000-1300100000-525340 | Temporary help services | 85,000 |
| 10000-1300100000-525440 | Professional services | <u>31,167</u> |
| | Total | \$500,167 |

Increase estimated revenue:

| | | |
|-------------------------|------------------------------|---------------|
| 10000-1300100000-752700 | CA – disaster | \$78,100 |
| 10000-1300100000-753360 | CA – mandated reimbursements | 5,519 |
| 10000-1300100000-770500 | Auditor accounting fees | 17,305 |
| 10000-1300100000-772830 | Collection charges | 16,332 |
| 10000-1300100000-780180 | Sales of books | 1,500 |
| 10000-1300100000-781360 | Other miscellaneous revenue | <u>90,075</u> |
| | Total | \$208,831 |

Decrease estimated revenue:

| | | |
|-------------------------|---------------------------|---------------|
| 10000-1300100000-770020 | Fixed charges | \$19,674 |
| 10000-1300100000-770030 | Property tax – collection | 12,728 |
| 10000-1300100000-770070 | Supplemental charges | <u>36,262</u> |
| | Total | \$68,664 |

Internal Audit Unit

The Internal Audit Unit is currently staffed with 16 of its authorized 22 positions. The Auditor is purposely keeping six positions vacant to minimize the effects of budget cuts on core auditor functions. Savings will be used to sustain payroll, vendor payments, tax allocation and county accounting support services. In an additional cost cutting effort, the auditing unit will be relocated this fiscal year, saving the department \$286,000 in lease costs.

The Board requested quarterly updates on the status of the Auditor-Controller's audit work plan. A summary of the full report (Attachment D) follows:

| | | |
|-----------------------|-------------------------------|------------------------|
| Reports issued = 0 | Reports in process = 12 | Audits in process = 10 |
| Audits scheduled = 13 | Audits not yet scheduled = 21 | Audits cancelled = 0 |

This fiscal year, the auditing unit has completed 13 audits not reflected in the chart above because they were carried over from the previous fiscal year. Because of the implementation of budget cuts, the Auditor expects that 21 audit projects will likely have to be deferred.

b) County Counsel

Due to a recent high-level retirement, the department expects a budget shortfall of approximately \$200,000. The department will monitor the budget and, if possible, use salary savings to lessen the shortfall.

c) Executive Office

This office anticipates receiving additional administrative revenues from Indian gaming, the tobacco-tax securitization program and debt financing. These funds will be used to cover the former CEO's leave payout and to offset budgeted but unrealized salary savings. The budget adjustments below will appropriate the new revenues.

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

| | | |
|-----------------------------|----------------------------|----------------|
| Increase appropriations: | | |
| 10000-1100100000-510040 | Regular salaries | \$23,000 |
| 10000-1100100000-510200 | Payoff | <u>290,000</u> |
| | Total | \$313,000 |
| Increase estimated revenue: | | |
| 10000-1100100000-777520 | Reimbursement for services | \$233,000 |
| 10000-1100100000-778200 | Interfund – miscellaneous | <u>80,000</u> |
| | Total | \$313,000 |

Legislation and Administration

The expense of the Registrar of Voters' operational review was not anticipated and will affect this budget unit. The review's scope was expanded to maintain transparency and will likely exceed the original \$165,000 contract. In addition, the services of an economist are needed and were not budgeted this year (\$35,000). Continued monitoring of this budget will determine if an adjustment is necessary after the third quarter.

d) Economic Development Agency

Thermal Construction & Land

The Thermal Construction & Land division requests a budget adjustment to reflect revenue received from the Redevelopment Agency for capital projects at Jacqueline Cochran Regional Airport.

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

| | | |
|-----------------------------|-----------------------------------|---------------|
| Increase appropriations: | | |
| 22350-1910200000-537180 | Interfund expense – salary reimb. | \$25,000 |
| 22350-1910200000-542040 | Buildings – capital projects | <u>50,000</u> |
| | Total | \$75,000 |
| Increase estimated revenue: | | |
| 22350-1910200000-778200 | Interfund - miscellaneous | \$75,000 |

e) Facilities Management

Facilities Management Capital Construction Fund Review

On Oct. 7, 2008 (Item 3.09), the Board received the results of an internal review that Facilities Management conducted of its capital construction fund. The Board recommended that the Executive Office and Facilities conduct another thorough review and report back in the mid-year report with findings and recommendations. Additionally, the Board approved setting aside \$3 million in designations pending the outcome of the investigation.

The Executive Office, with assistance from the Auditor-Controller and with Facilities Management's full cooperation, has completed the review. The analysis tested a statistically significant sample of the thousands of accounting entries made to this fund between July 2002 and November 2009.

Also, fund physical records were reviewed and department staff was interviewed. It was determined that Facilities' original review was reasonably accurate. However, the original report focused on lifetime fund losses while the Executive Office analysis focused on current fund condition. The bottom line is that the fund has all the resources it needs to make accounts payable current, and for payments due to other funds. Some projects, especially deferred maintenance, may need to be rescheduled. The fund needs no outside assistance. The \$3 million set aside for this fund can be redirected for other county needs.

The report makes a number of recommendations designed to improve the financial management of the fund. A copy of the report along with the recommendations has been given to Facilities Management. It is recommended that the department work with the Auditor-Controller and Executive Office to determine the best way to implement those recommendations.

Recommended Motion: that the Board of Supervisors: approve and direct Facilities Management to create and implement a plan to improve management of its capital construction fund and report back to the Executive Office within 90 days; and approve and direct the Auditor-Controller to adjust designations and appropriations as follows:

| | | |
|--------------------------|--------------------------------|-------------|
| Decrease designations: | | |
| 10000-1000100000-320146 | DFB – budget savings retention | \$3,000,000 |
| Increase appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$3,000,000 |

Energy Management

Facilities Management anticipates a \$2 million budget overrun in the energy division as a result of rising energy costs. In addition, salaries and benefits for the division's energy manager were not budgeted, adding approximately \$180,000 in costs. Finally, utilities costs for the facilities transferred to the courts are to be paid by Facilities Management and reimbursed by the state. The department requests a budget adjustment to increase appropriations and estimated revenue for these transactions. The department will continue monitoring energy costs, implementing cost savings where possible and will report back to the Board in the third-quarter report.

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

| | | |
|-----------------------------|-----------|-----------|
| Increase appropriations: | | |
| 10000-7200600000-529540 | Utilities | \$402,111 |
| Increase estimated revenue: | | |
| 10000-7200600000-777610 | Utilities | \$402,111 |

Capital Projects

The department proposes reprogramming the following deferred maintenance projects as a result of project completions 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 are completed or had a scope change:

| <u>Building#</u> | <u>Project Description</u> | <u>Budget</u> |
|------------------|---|-----------------|
| 904 | CJB-upgrade elevators | \$(200,000) |
| 5006 | Academy of Justice-parking lots stripe & slurry | (47,462) |
| 702 | Indio Jail-HVAC duct cleaning | <u>(60,000)</u> |
| | Total | \$(307,462) |

Additional Funding is requested for the following projects:

| <u>Building#</u> | <u>Project Description</u> | <u>Budget</u> |
|------------------|--|----------------|
| 1207 | BCTC-facility asphalt and mechanical repairs | \$6,590 |
| 1307 | SWJC-reseal/restripe parking lots | 371 |
| 602-603 | Hemet CAC-install new exterior doors | 2,912 |
| 703-704 | Indio Court Annex-install fire alarm system | 2,613 |
| 316 | Blythe-Reseal / restripe parking lots | 2,314 |
| 701 | Indio MH generator & chiller replacement | 33,126 |
| | Various emergency maintenance | <u>259,536</u> |
| | TOTAL | \$307,462 |

f) Human Resources

The Board recently approved an early retirement incentive which the department did not anticipate. The total number of employees expected to exercise this option is unknown. Additionally, revenue is substantially less than anticipated. In order to compensate, 29 employees have been laid off, most of whom were temporary or probationary. Department functions have been consolidated, and training and travel are suspended; however, a \$1.4 million shortfall is still anticipated. The Executive Office will monitor the situation and report back at the end of the third quarter.

Unemployment Insurance

Although a rate change was approved by the Board on 10/27/09 (Item 3.46), potential layoffs could substantially impact the fund. Human Resources and the Executive Office will monitor this fund and report back to the Board at the third quarter.

g) Registrar of Voters (ROV)

The first-quarter report noted that the Registrar anticipated exceeding its FY 08/09 budget as a result of costs associated with the November general election. A \$600,000 budget increase was approved in the first-quarter report. Presently, the Registrar projects another \$256,691 is needed to cover election expenses. The Executive Office will work with the department to identify other ways to reduce costs without using funds from contingency. The department will update the Board on its progress in the third-quarter report.

The department received unanticipated revenue from the general election and requests a budget adjustment.

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

Increase appropriations:

| | | |
|-------------------------|----------------|-----------|
| 10000-1700100000-523800 | Printing | \$308,004 |
| 10000-1700100000-525340 | Temporary help | 83,649 |
| | Total | \$391,653 |

Increase estimated revenue:

| | | |
|-------------------------|--------------------------------------|-----------|
| 10000-1700100000-753300 | CA-election reimbursement Sec. State | \$67,247 |
| 10000-1700100000-771210 | School election service | 68,803 |
| 10000-1700100000-771220 | Special district election service | 199,806 |
| 10000-1700100000-771230 | City election service | 55,797 |
| | Total | \$391,653 |

3. PUBLIC PROTECTION

a) Animal Services – Community Health Agency

The department continues to generate less revenue than projected from animal adoptions and license fees, and is experiencing delays in receiving contract revenue from cities. The department has been proactive by decreasing expenditures, but expects to exceed net county cost by \$1.3 million. Cost savings, including possible layoffs, have been submitted and if approved are expected to reduce the need for general funds.

Construction has begun on new animal shelters in Blythe, San Jacinto and Riverside. The department anticipates that additional staff will be needed to support these facilities.

b) Clerk-Recorder

The slowing real-estate market has reduced departmental revenue. In combination with modernizing its operations and reducing expenses, the department is relying on reserve funds

collected in prior years to maintain current service levels. If the reserves diminish by June 30, 2012 and recording revenue fails to recover, significant reductions in service levels will result. If the recession persists, it is possible the department will eventually need to request general-fund support. The department will remain vigilant and continue to monitor operations and inform the Executive Office as changes occur.

c) District Attorney

The District Attorney reported in the first-quarter report that certain state and federal revenues could come in below target. This loss, if realized, will lead to budget shortfalls by year-end. The department and the Executive Office will monitor revenue and recommend budget adjustments in the third-quarter report, if necessary.

Also, the department requests authorization to purchase a surveillance van with funding from an auto-insurance fraud grant. In addition, the department requests authorization to obtain five vehicles, which were budgeted but erroneously not ratified within the budget document. The Executive Office recommends deferring this request 30 days, while the vehicle policy is reviewed and updated.

d) Fire Department

The Fire Department anticipates a deficit of approximately \$2 million for FY 08/09 due to a shortfall in tax revenue. The department is not requesting additional appropriations and has initiated several measures to reduce this deficit. In light of the worsening economy, the department expects further declines in tax revenue next year along with the planned 10 percent cut of general-fund support. Given the circumstances, the county might need to negotiate reduced contract services with Cal Fire to be implemented in FY 09/10.

During the budget process the Fire Department erroneously included additional revenue in its construction and land-acquisition budget, intending to use fund balance. In order to correct this error the following budget adjustment is requested.

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

| | | |
|-----------------------------|------------------------------------|-------------|
| Decrease appropriations: | | |
| 30300-2700100000-536780 | Interfnd – capital projects | \$656,207 |
| Decrease estimated revenue: | | |
| 30300-2700100000-779000 | Fire Department mitigation project | \$5,000,000 |
| Expected offset: | | |
| 30300-2700100000-309100 | Reserved for construction | \$4,343,793 |

e) Indigent Defense

Conflict counsel has been appointed for 29 of 51 indigent defendants accused in the county's 42 open death-penalty cases. With two defense attorneys assigned to each client, the financial liability to this budget unit is conservatively estimated at \$4 million. These cases are slow to resolve so the billings are spread over many years. In the first half of FY 08/09,

\$221,652 has been paid. It seems likely that the remainder of the year also will bring additional invoices of approximately the same amount. This is an unpredictable, unbudgeted expense that is best addressed at year-end.

f) Probation Department

The department reports that expenditures will be within appropriations and net-county-cost targets at year-end. The Board set aside just over \$5.7 million from Probation's budget savings at year-end to fund various high-priority safety projects. A memorandum of understanding with Facilities Management has been ratified to document these projects. Facilities Management billed one-time charges of \$441,507 for security projects incurred for the Riverside Juvenile Hall. As a result, the department is requesting that \$441,507 be released from the designation to offset these current expenditures.

Also, vacancies in regular full-time positions make it necessary to use 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.

Recommended Motion: that the Board of Supervisors authorize employment of the temporary employees listed below for more than 1,000 hours each, for FY 08/09, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

| <u>EID#</u> | <u>Position/Title</u> | <u>Hire Date</u> | <u>EID#</u> | <u>Position/Title</u> | <u>Hire Date</u> |
|-------------|-----------------------|------------------|-------------|-----------------------|------------------|
| 186152 | Correctional Cook | 9/27/2007 | 219125 | CSFSW | 5/24/2007 |
| 221219 | CSFSW | 11/8/2007 | 205206 | GC I | 1/9/2003 |
| 222606 | GC I | 3/27/2008 | 211257 | GC I | 8/4/2005 |
| 128944 | GC I | 8/4/2005 | 222659 | GC I | 3/27/2008 |
| 203061 | GC I | 8/4/2005 | 139586 | GC I | 9/23/1999 |
| 211099 | GC I | 9/29/2005 | 104184 | GC I | 8/4/2005 |
| 190696 | GC I | 8/5/2004 | 209404 | GC I | 10/28/2004 |
| 201710 | GC I | 8/5/2004 | 175036 | GC I | 12/26/2001 |
| 223127 | GC I | 5/22/2008 | 212291 | GC I | 8/3/2006 |
| 207421 | GC I | 7/31/2008 | 212878 | GC II | 9/13/2007 |
| 147923 | GC II | 10/9/2008 | 218401 | GC II | 7/3/2008 |
| 211569 | GC II | 5/22/2008 | 183401 | GC II | 8/18/2005 |
| 203493 | GC II | 9/13/2007 | 206001 | GC O | 8/4/2005 |
| 185448 | Laundry Worker | 9/6/2001 | | | |

Decrease designations:

| | | |
|-------------------------|-----------------|-----------|
| 10000-1000100000-320107 | DFB – Probation | \$441,507 |
|-------------------------|-----------------|-----------|

Increase appropriations:

| | | |
|-------------------------|-------------------------------|-----------|
| 10000-2600100000-537040 | Interfund expense maintenance | \$441,507 |
|-------------------------|-------------------------------|-----------|

g) Public Defender

The Public Defender assumed a 10 percent salary savings in order to meet this year's five percent net-county-cost target. Although many positions have been kept vacant, the office can no longer meet its legal mandates with this reduced staffing level, so some vacancies will be filled to avoid paying the cost of court appointed private attorneys. In addition, a number of employees will accept the early retirement incentive, leading to unbudgeted payout costs.

Moreover, invoices for office space that was added, renovated and expanded during more prosperous years are now coming due. The department has also incurred higher costs for expert services related to a high volume of death-penalty cases. The Executive Office will monitor the situation and recommend any additional adjustments after the third quarter.

h) Sheriff's Department

With support from the Board and the Executive Office, the Sheriff's Department has experienced substantial growth for jail expansion. The department has partnered with Human Resources to assist with recruiting efforts. As discussed in the first-quarter report, the budget outlook was a shortfall of 10-15 percent of the department's net-county-cost allocation. Key contributing factors include: the mandated five percent net-county-cost cut, expansion at the Ben Clark Training Center, shortfalls in contract revenue from cities that reduced service levels, overtime costs, safety sales-tax shortfalls, and rate increases for building maintenance and janitorial services.

The department now reports some success in reducing the shortfall. By implementing stringent overtime guidelines, reducing costs, slowing down recruiting efforts to parallel jail expansion, reducing academies, adjusting staffing schedules to obtain maximum efficiencies, and reducing training and capital outlays to a minimum, the department saved approximately \$3.7 million. The department remains committed to seeking additional solutions to help mitigate the projected shortfall. The department will continue to develop other measures to close the budget gap and will update the board in the third-quarter report.

Ben Clark Public Safety Training Center

The training center launched a major facility expansion late in FY 07/08. At the time, funding was deferred until the project's aggregate cost was fully measured. The department now requests funding for the Ben Clark Training Center expansion projects.

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

Decrease designations:

| | | |
|-------------------------|-----------------------------|-------------|
| 10000-1000100000-320147 | DFB – correctional staffing | \$5,714,102 |
|-------------------------|-----------------------------|-------------|

Increase appropriations:

| | | |
|-------------------------|---|-----------|
| 10000-2500700000-520250 | Communications equip. and installations | \$230,887 |
| 10000-2500700000-520820 | Janitorial services | 926,746 |
| 10000-2500700000-522310 | Maintenance – buildings and improve. | 1,696,445 |
| 10000-2500700000-523600 | Audiovisual expense | 7,300 |
| 10000-2500700000-523640 | Computer equipment – non-fixed asset | 280,508 |

| | | |
|-------------------------|------------------------------------|----------------|
| 10000-2500700000-523680 | Office equipment – non-fixed asset | 1,368,405 |
| 10000-2500700000-526530 | Equipment rental/lease | 75,000 |
| 10000-2500700000-526700 | Buildings rent/lease | 738,184 |
| 10000-2500700000-526940 | Locks and keys | 13,527 |
| 10000-2500700000-527100 | Fuel – diesel | 24,800 |
| 10000-2500700000-527460 | Firearm equipment and supplies | 30,000 |
| 10000-2500700000-527680 | Public signs | 6,000 |
| 10000-2500700000-527860 | Training materials | 89,000 |
| 10000-2500700000-529540 | Utilities | 88,000 |
| 10000-2500700000-546140 | Equipment – office | 39,300 |
| 10000-2500700000-546160 | Equipment – other | <u>100,000</u> |
| | Total | \$5,714,102 |

This year, court civil process revenue is projected to exceed budget by \$275,000. Also, communication services revenue is projected to exceed budget by \$225,000. The department requests a budget adjustment to support the planned floor renovations to the Criminal Justice Building.

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

Increase appropriations:

| | | |
|-------------------------|---------------------------------------|-----------|
| 10000-2500100000-537320 | Interfund Exp – building improvements | \$500,000 |
|-------------------------|---------------------------------------|-----------|

Increase estimated revenue:

| | | |
|-------------------------|------------------------|----------------|
| 10000-2500500000-772700 | Civil Process Fees | \$275,000 |
| 10000-2500200000-770830 | Communication services | <u>225,000</u> |
| | Total | \$500,000 |

4. PUBLIC WAYS AND FACILITIES

a) Transportation and Land Management Agency (TLMA)

Case activity has declined as a result of the Wildomar and Menifee incorporations and overall economic activity. In response, the Transportation and Land Management Agency (TLMA) recently closed the south county public permit counter. With the assistance of the Human Resources Department, TLMA has worked to reduce the impact of this downturn by reassigning staff and keeping certain positions vacant. TLMA will continue to monitor permit activity and report to the Board on a quarterly basis.

Other major TLMA activities during this period include the establishment of a one-stop shop at the second-floor counter, with the inclusion of Flood and Fire staff. In February 2009, the Board will receive a full Building Industry Association/Riverside County Streamlining Strike Force report highlighting advancements in land development programs that have improved transparency, predictability, cost savings and enhanced customer service.

The state suspended transportation gas-tax payments from April through August 2008. In September 2008, Transportation received full payment of the suspended amounts. Due to the

state budget crisis, the state might again suspend gas-tax payments sometime this spring. For projects funded by Proposition 1B, it is expected that the state won't allocate funds until a new budget is in place. The state is also considering deferring fourth quarter Proposition 42 distributions, due in June. If Proposition 1B or Proposition 42 funds are deferred by the state, separately or together, it could cause delays in capital road construction projects funded by these sources.

Environmental Programs

The Environmental Programs Department is implementing the Coachella Valley Multi-Species Habitat Conservation Plan with CVAG and is continuously working to make the habitat plan succeed.

Code Enforcement

General case activity continues at a strong pace, and the department is particularly busy implementing an enforcement and registration program that targets abandoned and distressed residential properties. The program was spurred on by large-scale foreclosures in Riverside County.

Agency Administration

The agency requests authority to purchase an imaging system, which several TLMA departments will use. This system will reduce space needed to store documents and allow faster document retrieval. There are sufficient funds in fund balance to cover the costs.

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

| | | |
|--------------------------|-------------------------|-----------|
| Increase appropriations: | | |
| 20200-3100200000-546280 | Capitalized software | \$300,000 |
| Expected offset: | | |
| 20200-3100200000-325100 | Unreserved fund balance | \$300,000 |

5. HEALTH AND SANITATION

a) Community Health Agency (CHA)

Although the agency has adjusted the current budget to cover anticipated revenue reductions, recent projections indicate that its net county cost could run \$3-4 million over target. If proposed cost-saving measures are approved and implemented, the expected overrun could ease. Costs associated with early retirement payouts are not reimbursable through grants and are estimated to be \$600,000. The Community Health Agency has requested Executive Office approval to transfer staff within the agency to allow greater flexibility in managing its maximum fill rate.

State budget issues have delayed an estimated \$15 million in payments to the agency through December 2008. The agency will monitor this situation closely and update the Executive Office as necessary.

Public Health

Public Health requested that the Rubidoux clinic receive federally qualified health clinic rates retroactive to March 2007. The state approved the rates retroactive to July 2007. The department reports that collecting approximately \$800,000 in prior-year rate reimbursements from the state is unlikely due to the current economic situation.

California Children's Services (CCS)

The department anticipates a 10 percent decrease in realignment revenue from the state as a result of decreased sales tax revenue. However, the department has implemented cost saving measures and expects to stay within its approved budget. CCS is looking at potential impacts should the state discontinue payments to providers.

Environmental Health

The department reported in the first quarter that revenue budgeted in FY 08/09 was overstated by approximately \$682,000; this has been reevaluated and reduced to \$491,000. Early retirement payouts are now estimated to be over \$400,000. The department has implemented cost saving measures, but does not anticipate being able to cover the entire estimated shortfall of \$891,000.

The department received grant funding and approval to purchase one chemical detector and one carrying case and now requests Board approval to purchase the equipment.

Recommended Motion: that the Board of Supervisors approve the purchase of one chemical detector and one carrying case, and approve and direct the Auditor-Controller to adjust appropriations as follows:

| | | |
|--------------------------|--------------------|-----------------|
| Increase appropriations: | | |
| 10000-4200400000-546160 | Equipment – other | \$31,000 |
| 10000-4200400000-572300 | Intrafund – health | <u>(31,000)</u> |
| | Total | \$0 |

b) Detention Health Services (DHS) – RCRMC

The department reported in the first quarter that it might exceed its net county cost by over \$1 million; the projection has now increased to \$1.3 million. The department has reduced staffing, however overtime increases have prevented an overall reduction in expenses. It is recommended that the department work closely with the Executive Office to monitor expenditures and report back to the Board on measures implemented to minimize effects on services for inmates and to minimize the need for additional general fund support.

It is recommended that the department participate in jail expansion meetings and provide staffing recommendations regarding the Banning jail expansion and the hub jail project.

c) Mental Health

The state's delayed payments have created a significant cash flow shortage for the department. Revenue from some sources such as Medi-Cal, realignment and SB90 was received later than usual or has not yet been received at all.

The department recently submitted cost saving measures, which if implemented will allow the department to meet its net county cost targets. The department will continue to develop and implement strategies to stay within budget and to mitigate effects on services. The department will continue to monitor the situation and report back in the third quarter.

Mental Health Detention

The department expects it will need additional staff as a result of the jail expansion in Banning. It currently takes six to nine months to recruit and complete background checks on potential hires. The department will need sufficient time to have staff on board to provide inmate services once jail occupancy increases. The department reports that 12 new staff will be needed next fiscal year, with an annual general fund cost of approximately \$1.4 million.

6. PUBLIC ASSISTANCE

a) Department of Public Social Services (DPSS)

DPSS reported that realignment revenue was down by \$1.5 million in FY 07/08 and expected a similar drop for FY 08/09. Recent sales tax revenue projections indicate that the decrease could be closer to \$3.8 million. DPSS continues to evaluate and implement cost saving measures in an effort to conserve. The decrease in budgeted realignment revenue will affect the savings realized in the current year.

The department proposes that any unused realignment and CalWORKs funds allocated this fiscal year be returned to the designations. This will ensure that sufficient funds are available to sustain program operations in future years until state funds are available to fund caseload growth.

The department is preparing a plan for using funds held in the designations.

The state allocation for child care was higher than originally estimated and the department requests approval for a budget adjustment to better reflect current revenue and expenditures.

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

| | | |
|-----------------------------|------------------------------------|-------------|
| Increase appropriations: | | |
| 10000-5100100000-530420 | Child-care services | \$3,500,000 |
| Increase estimated revenue: | | |
| 10000-5100100000-760000 | Federal – public assistance admin. | \$3,500,000 |

Mandated Client Services

Total hours of service provided by in-home supportive services caregivers continues to increase while contracted payments are projected to decrease. The department will continue to monitor the situation and provide an update in the third-quarter report.

Categorical Aid

The department expects caseloads to grow by 19 percent in the CalWORKs program. The increase requires additional appropriations to cover expenditures for the remainder of the

fiscal year. No additional county funds are required. DPSS requests a budget adjustment to properly align appropriations and estimated revenue.

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 | \$3,500,000 |
| Increase estimated revenue: | | |
| 10000-5100300000-761000 | Fed – public assistance | \$1,000,000 |
| 10000-5100300000-750700 | CA – public assistance | <u>2,500,000</u> |
| | Total | \$3,500,000 |

b) Office on Aging

In the governor’s approved state budget of October 2008, the Office on Aging contract with the California Department on Aging for FY 08/09 was amended to reduce state matching funds for some department programs.

Office on Aging’s programs were cut by the following amounts:

| | |
|---------------------------|---------------|
| Senior employment program | \$160,929 |
| Ombudsman program | 162,801 |
| Congregate meals program | 7,784 |
| Home delivered meals | 15,560 |
| Disease prevention | 4,419 |
| Elder abuse | 1,174 |
| Supportive services | <u>60,046</u> |
| Total | \$412,713 |

A state policy change for one-time-only funds in the current fiscal year allowed “backfilling” of cuts in all programs with the exception of the senior employment program. Because of this exception, the agency was forced to reduced participants’ training hours to balance the budget in the senior employment program.

The governor’s midyear budget proposal does not include additional cuts to the Department of Aging. The department anticipates being able to maintain current service levels to the community for the remainder of the fiscal year. At this time, the Office on Aging does not anticipate any cuts in its federal revenue sources and will continue to closely monitor budget impacts and report back in the third-quarter report.

7. EDUCATION, RECREATION, AND CULTURE

Nothing to report.

8. ENTERPRISE FUNDS

a) Riverside County Regional Medical Center (RCRMC)

RCRMC reports that expenditures and revenue are in line with budget projections as of midyear. The hospital is working with the Executive Office to explore financing alternatives for several capital projects that would reduce the use of reserve funds.

9. INTERNAL SERVICE FUNDS

a) Central Mail Services

The Auditor Controller's Office recently observed that Central Mail has more than 60 days of operating cash. This is due to leasing rather than purchasing vehicles for cash. Central Mail requests a budget adjustment to pay down a portion of its lease obligation.

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

Increase appropriations:

| | | |
|-------------------------|------------------------------------|----------|
| 45620-7300600000-532600 | Capital lease – purchase principal | \$72,000 |
|-------------------------|------------------------------------|----------|

Expected offset:

| | | |
|-------------------------|-------------------------|----------|
| 45620-7300600000-380100 | Unrestricted net assets | \$72,000 |
|-------------------------|-------------------------|----------|

b) Printing Services

The Auditor Controller recently observed that Printing Services has more than 60 days of operating cash. This is due to leasing rather than purchasing quick print equipment for cash. Printing Services requests a budget adjustment to pay down a portion of its lease obligation.

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

Increase appropriations:

| | | |
|-------------------------|------------------------------------|-----------|
| 45600-7300400000-532600 | Capital lease – purchase principal | \$560,000 |
|-------------------------|------------------------------------|-----------|

Expected offset:

| | | |
|-------------------------|-------------------------|-----------|
| 45600-7300400000-380100 | Unrestricted net assets | \$560,000 |
|-------------------------|-------------------------|-----------|

c) Record Management and Archives (RMAP)

Currently, the number of items newly stored exceeds the number of items being destroyed. With shelving capacity already at its maximum, additional storage capability is needed. Demand for additional storage will bring in new revenue, which will offset the cost of new shelving. Also, RMAP's document scanning and electronic delivery service, implemented in the first quarter, is in demand. The department requests permission to obtain additional document scanning equipment to meet "image on demand" requests. Fund balance is available to acquire the equipment and software needed for this expansion. Revenue is not expected until FY 9/10.

Recommended Motion: that the Board of Supervisors approve the purchase of two document scanners, scanning software, and record storage shelving; and, direct the Auditor-Controller to adjust appropriations as follows:

| | | |
|--------------------------|-------------------------|---------------|
| Increase appropriations: | | |
| 45100-1200300000-521560 | Maintenance – other | \$2,000 |
| 45100-1200300000-521640 | Maintenance – software | 9,900 |
| 45100-1200300000-546160 | Equipment – other | <u>69,000</u> |
| | Total | \$80,900 |
| Expected offset: | | |
| 45100-1200300000-380100 | Unrestricted net assets | \$80,900 |

10. SPECIAL DISTRICTS

a) Regional Parks and Open Space District

Various Departments

Due to errors during the budget process, two district departments received appropriations and revenue meant for four separate budget units. The Executive Office and the Auditor-Controller's Office, working in conjunction with the district, have determined that budget adjustments to correctly post the budgets are warranted and require Board approval. The following adjustments correct and align expenditures as intended in the original budget. These adjustments have no impact on the general fund.

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

| | | |
|--------------------------|----------------------|--------|
| Decrease appropriations: | | |
| 25400-931104-523800 | Printing and binding | \$5000 |

| | | |
|-----------------------------|-------------------------------------|------------|
| Decrease estimated revenue: | | |
| 25400-931104-740020 | Interest | \$630 |
| 25400-931104-781560 | Contribution from non-county agency | <u>600</u> |
| | Total | \$1,230 |

Historical Commission

| | | |
|--------------------------|----------------------|---------|
| Increase appropriations: | | |
| 25400-931111-523800 | Printing and binding | \$5,000 |

| | | |
|-----------------------------|---------------|------------|
| Increase estimated revenue: | | |
| 25400-931111-740020 | Interest | \$630 |
| 25400-931111-780180 | Sale of books | <u>600</u> |
| | Total | \$1,230 |

Arundo Removal SARR:

| | | |
|--------------------------|------------------------|----------|
| Increase appropriations: | | |
| 25520-931120-520010 | Herbicide | \$30,000 |
| 25520-931120-520320 | Telephone service | 450 |
| 25520-931120-520330 | Communication services | 500 |
| 25520-931120-520845 | Trash | 1,000 |

| | | |
|-----------------------------|--|-----------|
| 25520-931120-520930 | Insurance – liability | 2,992 |
| 25520-931120-520945 | Insurance – property | 1,559 |
| 25520-931120-521420 | Maintenance – field equipment | 10,000 |
| 25520-931120-521500 | Maintenance – motor vehicles | 2,500 |
| 25520-931120-521760 | Maintenance – tires | 1,000 |
| 25520-931120-523220 | License and permits | 800 |
| 25520-931120-523700 | Office supplies | 500 |
| 25520-931120-523760 | Postage | 120 |
| 25520-931120-524560 | Auditing and accounting | 323 |
| 25520-931120-524660 | Consultants | 8,500 |
| 25520-931120-525080 | Temporary assistance | 15,000 |
| 25520-931120-525300 | OASIS processing – financials | 2,390 |
| 25520-931120-525310 | OASIS processing – HRMS | 395 |
| 25520-931120-526910 | Field equipment – non-fixed asset | 2,500 |
| 25520-931120-526940 | Locks and keys | 250 |
| 25520-931120-526960 | Small tools and instruments | 2,500 |
| 25520-931120-527100 | Fuel | 500 |
| 25520-931120-527140 | Welding supplies | 250 |
| 25520-931120-527680 | Public signs | 750 |
| 25520-931120-527720 | Safety – security supplies | 500 |
| 25520-931120-528920 | Carpool expenses | 30,000 |
| 25520-931120-529520 | Sewer system | 1,250 |
| 25520-931120-529550 | Water | 1,000 |
| 25520-931120-536840 | Interfund expense – county support svcs | 1,311 |
| 25520-931120-536890 | Interfund expense – equipment | 600 |
| 25520-931120-536900 | Interfund expense – fire service | 3,000 |
| 25520-931120-537180 | Interfund expense – salary reimbursement | 42,000 |
| | Total | \$164,440 |
| Increase estimated revenue: | | |
| 25520-931120-777520 | Reimbursement for services | \$164,440 |

Off Road Vehicle Management

Increase appropriations:

| | | |
|---------------------|-------------------------|-----------|
| 25520-931160-551000 | Operating transfers out | \$101,932 |
|---------------------|-------------------------|-----------|

Increase estimated revenue:

| | | |
|---------------------|----------------------|-----------|
| 25520-931160-740020 | Interest | \$24,216 |
| 25520-931160-755190 | Off-highway vehicles | 101,932 |
| | Total | \$126,148 |

Habitat and Open Space Management

Increase appropriations:

| | | |
|---------------------|------------------------|-------|
| 25520-931170-520010 | Herbicide | \$500 |
| 25520-931170-520115 | Uniforms – replacement | 1,400 |
| 25520-931170-520230 | Cellular phones | 30 |
| 25520-931170-520320 | Telephone service | 2,400 |
| 25520-931170-520330 | Communication services | 1,200 |
| 25520-931170-520845 | Trash | 1,500 |

| | | |
|---------------------|--|---------------|
| 25520-931170-520930 | Insurance – liability | 2,992 |
| 25520-931170-521420 | Maintenance – field equipment | 500 |
| 25520-931170-521500 | Maintenance – motor vehicles | 2,080 |
| 25520-931170-521760 | Maintenance – tires | 500 |
| 25520-931170-522320 | Maintenance – grounds | 15,000 |
| 25520-931170-523700 | Office supplies | 350 |
| 25520-931170-523760 | Postage | 30 |
| 25520-931170-523840 | Computer equipment – non-fixed asset | 1,500 |
| 25520-931170-524560 | Auditing and accounting | 528 |
| 25520-931170-525300 | OASIS processing – financials | 495 |
| 25520-931170-525310 | OASIS processing – HRMS | 1,053 |
| 25520-931170-526910 | Field equipment – non asset | 1,500 |
| 25520-931170-526960 | Small tools and instruments | 500 |
| 25520-931170-527100 | Fuel | 600 |
| 25520-931170-527680 | Public signs | 800 |
| 25520-931170-527720 | Safety – security supplies | 600 |
| 25520-931170-527840 | Training, education, tuition | 1,500 |
| 25520-931170-527940 | Weed abatement | 8,000 |
| 25520-931170-528140 | Conference and registration fees | 200 |
| 25520-931170-528260 | Field supplies | 2,000 |
| 25520-931170-528900 | Air transportation | 200 |
| 25520-931170-528920 | Carpool expenses | 43,200 |
| 25520-931170-528960 | Lodging | 300 |
| 25520-931170-528980 | Meals | 200 |
| 25520-931170-536840 | Interfund expense – county support svcs | 2,244 |
| 25520-931170-537090 | Interfund expense – personnel services | 1,700 |
| 25520-931170-537180 | Interfund expense – salary reimbursement | 253,330 |
| 25520-931170-546160 | Equipment – other | <u>18,000</u> |
| | Total | \$366,932 |

Increase estimated revenue:

| | | |
|---------------------|------------------------|----------------|
| 25520-931170-740020 | Interest | \$5,000 |
| 25520-931170-790500 | Operating transfers in | <u>361,932</u> |
| | Total | \$366,932 |

Arundo Trust Fund:

Decrease appropriations:

| | | |
|---------------------|-------------------------------|----------|
| 25520-931107-520010 | Herbicide | \$30,500 |
| 25520-931107-520115 | Uniforms – replacement | 1,400 |
| 25520-931107-520230 | Cellular phones | 30 |
| 25520-931107-520320 | Telephone service | 2,850 |
| 25520-931107-520330 | Communication services | 1,700 |
| 25520-931107-520845 | Trash | 2,500 |
| 25520-931107-520930 | Insurance – liability | 5,984 |
| 25520-931107-520945 | Insurance – property | 1,559 |
| 25520-931107-521420 | Maintenance – field equipment | 10,500 |
| 25520-931107-521500 | Maintenance – motor vehicles | 4,580 |
| 25520-931107-521760 | Maintenance – tires | 1,500 |
| 25520-931107-523220 | License and permits | 800 |
| 25520-931107-522320 | Maintenance – grounds | 15,000 |

| | | |
|-----------------------------|--|----------------|
| 25520-931107-523700 | Office supplies | 850 |
| 25520-931107-523760 | Postage | 150 |
| 25520-931107-523840 | Computer equipment – non-fixed asset | 1,500 |
| 25520-931107-524560 | Auditing and accounting | 851 |
| 25520-931107-524660 | Consultants | 8,500 |
| 25520-931107-525080 | Temporary assistance | 15,000 |
| 25520-931107-525300 | OASIS processing – financials | 2,885 |
| 25520-931107-525310 | OASIS processing – HRMS | 1,448 |
| 25520-931107-526910 | Field equipment – non asset | 4,000 |
| 25520-931107-526940 | Locks and keys | 250 |
| 25520-931107-526960 | Small tools and instruments | 3,000 |
| 25520-931107-527100 | Fuel | 1,100 |
| 25520-931107-527140 | Welding supplies | 250 |
| 25520-931107-527680 | Public signs | 1,550 |
| 25520-931107-527720 | Safety – security supplies | 1,100 |
| 25520-931107-527840 | Training, education, tuition | 1,500 |
| 25520-931107-527940 | Weed abatement | 8,000 |
| 25520-931107-528140 | Conference and registration fees | 200 |
| 25520-931107-528260 | Field supplies | 2,000 |
| 25520-931107-528900 | Air transportation | 200 |
| 25520-931107-528920 | Carpool expenses | 73,200 |
| 25520-931107-528960 | Lodging | 300 |
| 25520-931107-528980 | Meals | 200 |
| 25520-931107-529520 | Sewer system | 1,250 |
| 25520-931107-529550 | Water | 1,000 |
| 25520-931107-536840 | Interfund expense – county support svcs | 3,555 |
| 25520-931107-536890 | Interfund expense – equipment | 600 |
| 25520-931107-536900 | Interfund expense – fire service | 3,000 |
| 25520-931107-537090 | Interfund expense – personnel services | 1,700 |
| 25520-931107-537180 | Interfund expense – salary reimbursement | 295,330 |
| 25520-931107-546160 | Equipment – other | 18,000 |
| 25520-931107-551000 | Operating transfers out | <u>101,932</u> |
| | Total | \$633,304 |
| Decrease estimated revenue: | | |
| 25520-931107-740020 | Interest | \$29,216 |
| 25520-931107-755190 | Off-highway vehicles | 101,932 |
| 25520-931107-777520 | Reimbursement for services | 164,440 |
| 25520-931107-790500 | Operating transfers in | <u>361,932</u> |
| | Total | \$657,520 |

Regional Parks & Open Space District

The recent economic downturn has resulted in the need to adjust property tax revenue downward by \$260,769. Internal salary reimbursements need to be adjusted as well due to decreases in interfund transfers. Also, the district needs to increase appropriations for an unanticipated \$120,000 expense by the Auditor-Controller's Office. The costs and the reduction in revenue will be offset with existing fund balance.

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

| | | |
|-----------------------------|--|----------------|
| Increase appropriations: | | |
| 25400-931104-536760 | Interfund expense – auditing and acct. | \$120,000 |
| 25400-931104-551100 | Contributions to other county funds | <u>100,000</u> |
| | Total | \$220,000 |
| Increase estimated revenue: | | |
| 25400-931104-701020 | Property tax – current unsecured | \$49,000 |
| Decrease estimated revenue: | | |
| 25400-931104-700020 | Property tax – current secured | \$229,769 |
| 25400-931104-704000 | Property tax – current supplemental | 20,000 |
| 25400-931104-705000 | Property tax – prior supplemental | 60,000 |
| 25400-931104-778330 | Interfund – salary reimbursement | <u>335,743</u> |
| | Total | \$645,512 |
| Expected offset: | | |
| 25400-931104-320100 | Designated fund balance | \$816,512 |

Recreational Services

The Board recently authorized the district’s oversight of the Jurupa Valley Boxing Club and a separate budget unit will be established to track costs for these new services. It is anticipated that additional services will come on line in the future and the recreation fund will assist to separate the district’s park operations from local community venues.

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

| | | |
|-----------------------------|---------------------------------------|---------------|
| Increase appropriations: | | |
| 25420-931180-520330 | Communications services | \$2,500 |
| 25420-931180-520845 | Trash and waste services | 3,000 |
| 25420-931180-522310 | Maintenance – building and improve. | 8,000 |
| 25420-931180-523350 | Administrative expense | 6,900 |
| 25420-931180-529500 | Electricity | 9,600 |
| 25420-931180-537080 | Interfund – miscellaneous services | <u>10,000</u> |
| | Total | \$40,000 |
| Increase estimated revenue: | | |
| 25420-931180-790600 | Contributions from other county funds | \$40,000 |

Natural Resources Education

The district is able to pursue natural resources educational opportunities using interest earnings on Wildlands Conservancy grant funds. There is no established budget for this fund to provide for the operations and maintenance at two nature centers bordering the Santa Ana River.

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

| | | |
|-----------------------------|--------------------------------------|---------------|
| Increase appropriations: | | |
| 25535-931130-522310 | Maintenance – buildings and improve. | \$40,000 |
| 25535-931130-525440 | Professional services | 20,000 |
| 25535-931130-527780 | Special program expense | 40,000 |
| 25535-931130-537180 | Interfund – salary reimbursement | 80,000 |
| 25535-931130-537200 | Interfund – supportive services | <u>20,000</u> |
| | Total | \$200,000 |
| Increase estimated revenue: | | |
| 25535-931130-790500 | Operating Transfer-In | \$200,000 |

b) County Services Areas

For various county service areas, actual operating expenses are expected to exceed previous budget estimates due to changes that occurred after the budget was submitted. Changes include staff reassignments, increased energy costs and unanticipated replacement of fences and shrubs. Budget adjustments are requested to provide sufficient appropriations to pay for these additional operating costs. No general-fund impact will result from these budget adjustments, which will be funded from operating reserves.

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

| | | |
|--------------------------|-------------------------|---------|
| Increase appropriations: | | |
| 40420-906202-535540 | Depreciation – building | \$4,000 |

| | | |
|-----------------------------|-----------------------------|---------|
| Increase estimated revenue: | | |
| 40420-906202-781360 | Other miscellaneous revenue | \$4,000 |

| | | |
|--------------------------|------------------|----------|
| Increase appropriations: | | |
| 23850-908501-510040 | Regular salaries | \$25,000 |

| | | |
|-----------------------------|-----------------------------|----------|
| Increase estimated revenue: | | |
| 23850-908501-781360 | Other miscellaneous revenue | \$25,000 |

| | | |
|--------------------------|--------------|----------|
| Increase appropriations: | | |
| 23925-908901-529530 | Streetlights | \$10,000 |

| | | |
|-----------------------------|-----------------------------|----------|
| Increase estimated revenue: | | |
| 23925-908901-781360 | Other miscellaneous revenue | \$10,000 |

| | | |
|--------------------------|------------------|---------------|
| Increase appropriations: | | |
| 24075-910301-510040 | Regular salaries | \$15,000 |
| 24075-910301-529530 | Streetlights | <u>25,000</u> |
| | | \$40,000 |

| | | |
|-----------------------------|-----------------------------|----------|
| Increase estimated revenue: | | |
| 24075-910301-781360 | Other miscellaneous revenue | \$40,000 |

| | | |
|--|-----------------------------|----------|
| Increase appropriations: 24325-912601-510040 | Regular salaries | \$25,000 |
| Increase estimated revenue: 24325-912601-781360 | Other miscellaneous revenue | \$25,000 |
| Increase appropriations: 24825-914901-522320 | Maintenance – grounds | \$20,000 |
| Increase estimated revenue: 24825-914901-781360 | Other miscellaneous revenue | \$20,000 |

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 and all its attachments; 2) approve the recommendations and associated budget adjustments in Attachment A; 3) approve the budget policies in Attachment E; 4) adopt the policy position not to backfill state funded programs when it would jeopardize the county's financial position; and 5) direct all general fund departments to limit spending in appropriation classes 2 and 4 to essential purposes only, and direct the Executive Office to report back within 30 days on additional cost control measures.

Vehicles

Recommended Motion: That the Board of Supervisors: 1) direct the Executive Office and Fleet Services to review and update the Board's vehicle policy and return within 30 days; 2) direct all department heads to provide all vehicle information requested by the Executive Office; and, 3) that the new policy, with rare exceptions, limit overnight retention to first responders and cars tied to employee contracts.

Quarterly Discretionary Revenue Update

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

| | | |
|-----------------------------|-------------------------------------|------------------|
| Increase estimated revenue: | | |
| 10000-1300100000-764500 | Federal In-lieu taxes | \$1,142,956 |
| 10000-1300100000-705000 | Property tax – prior supplemental | 860,000 |
| 10000-1300100000-701020 | Property tax – current unsecured | <u>800,000</u> |
| | Total | \$2,802,956 |
| Decrease estimated revenue: | | |
| 10000-1300100000-700020 | Property tax – current secured | \$3,880,000 |
| 10000-1300100000-704000 | Property tax – current supplemental | 2,400,000 |
| 10000-1300100000-710020 | Sales and use taxes | <u>1,400,000</u> |
| | Total | \$7,680,000 |
| Decrease appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$4,877,044 |

Trial Court Funding

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

| | | |
|-----------------------------|------------------------------|-----------|
| Decrease estimated revenue: | | |
| 10000-1100900000-730020 | Fee – POC transaction | \$80,000 |
| 10000-1100900000-730040 | Fine – traffic motor vehicle | 400,000 |
| 10000-1100900000-731020 | Health and safety fees | 35,000 |
| 10000-1100900000-731180 | Fine – traffic school | 20,000 |
| 10000-1100900000-731200 | AB233 realignment | 4,080,000 |

| | | |
|--------------------------|--------------------------------|----------------|
| 10000-1100900000-772850 | Superior Court fees | <u>285,000</u> |
| | Total | \$4,900,000 |
| Decrease appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$4,900,000 |

Public Safety Sales Tax (Proposition 172)

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

| | | |
|--------------------------|--------------------------------|--------------|
| Decrease designations: | | |
| 10000-1000100000-320134 | DFB – Prop. 172 revenue | \$12,161,684 |
| Increase appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$12,161,684 |

State Mandate Reimbursement (SB 90)

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

| | | |
|--------------------------|--------------------------------|-------------|
| Decrease designations: | | |
| 10000-1100100000-320133 | DFB – SB 90 reimbursement | \$6,365,909 |
| Increase appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$6,365,909 |

FY 08/09 DEPARTMENTAL STATUS
INTERDEPARTMENTAL and CAPITAL PROJECTS

Capital Finance Administration

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

| | | |
|-----------------------------|-------------------------------|----------------|
| Increase appropriations: | | |
| 35900-925001-533020 | Bonds – interest | \$1,646,522 |
| 35900-925001-531900 | Bonds – principal | <u>585,000</u> |
| | Total | \$2,231,522 |
| Increase estimated revenue: | | |
| 35900-925001-781560 | Contributions from non-county | \$2,231,522 |

Capital Improvement Program

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

| | | |
|--------------------------|--------------------------|-----------|
| Increase appropriations: | | |
| 30700-1104200000-525440 | Professional services | \$208,700 |
| Expected offset: | | |
| 30700-1104200000-309100 | Reserve for construction | \$208,700 |

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

| | | |
|--------------------------|--------------------------------------|-----------|
| Increase appropriations: | | |
| 30700-1104200000-536780 | Interfund expense – capital projects | \$374,380 |
| Expected offset: | | |
| 30700-1104200000-309100 | Reserve for construction | \$374,380 |

Developer Agreement Program

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

| | | |
|-----------------------------|-------------------------------------|-----------|
| Increase appropriations: | | |
| 30500-1103500000-551100 | Contributions to other county funds | \$480,000 |
| Increase estimated revenue: | | |
| 30500-1103500000-777170 | Development mitigation fees | \$480,000 |

Tobacco Tax Securitization

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

| | | |
|-----------------------------|----------------------------------|--------------|
| Decrease designations: | | |
| 10000-1100100000-320109 | DFB – capital projects | \$30,400,000 |
| Increase appropriations: | | |
| 10000-1101000000-551000 | Operating transfer out | \$30,400,000 |
| Increase estimated revenue: | | |
| 30120-1105100000-790500 | Operating transfer in | \$30,400,000 |
| Increase appropriations: | | |
| 30120-1105100000-536780 | Interfund exp – capital projects | \$30,400,000 |

Bob Buster Library

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

| | | |
|-----------------------------|---------------------------|-----------|
| Increase appropriations; | | |
| 32750-1100100000-534000 | Interest notes – warrants | \$310,390 |
| Increase estimated revenue: | | |
| 32750-1100100000-778390 | Interfund rent – CORAL | \$310,390 |

GENERAL GOVERNMENT

Auditor Controller

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

| | | |
|--------------------------|------------------|-----------|
| Decrease appropriations: | | |
| 10000-1300200000-510040 | Regular salaries | \$360,000 |

| | | |
|--------------------------|-----------------------------------|---------------|
| Increase appropriations: | | |
| 10000-1300100000-520820 | Janitorial services | \$158,000 |
| 10000-1300100000-522310 | Maintenance/building improvements | 113,000 |
| 10000-1300100000-523240 | Non-county agency expense | 24,000 |
| 10000-1300100000-524760 | Data processing services | 89,000 |
| 10000-1300100000-525340 | Temporary help services | 85,000 |
| 10000-1300100000-525440 | Professional services | <u>31,167</u> |
| | Total | \$500,167 |

| | | |
|-----------------------------|------------------------------|---------------|
| Increase estimated revenue: | | |
| 10000-1300100000-752700 | CA – disaster | \$78,100 |
| 10000-1300100000-753360 | CA – mandated reimbursements | 5,519 |
| 10000-1300100000-770500 | Auditor accounting fees | 17,305 |
| 10000-1300100000-772830 | Collection charges | 16,332 |
| 10000-1300100000-780180 | Sales of books | 1,500 |
| 10000-1300100000-781360 | Other miscellaneous revenue | <u>90,075</u> |
| | Total | \$208,831 |

| | | |
|-----------------------------|---------------------------|---------------|
| Decrease estimated revenue: | | |
| 10000-1300100000-770020 | Fixed charges | \$19,674 |
| 10000-1300100000-770030 | Property tax – collection | 12,728 |
| 10000-1300100000-770070 | Supplemental charges | <u>36,262</u> |
| | Total | \$68,664 |

Executive Office

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

| | | |
|--------------------------|------------------|----------------|
| Increase appropriations: | | |
| 10000-1100100000-510040 | Regular salaries | \$23,000 |
| 10000-1100100000-510200 | Payoff | <u>290,000</u> |
| | Total | \$313,000 |

| | | |
|-----------------------------|----------------------------|---------------|
| Increase estimated revenue: | | |
| 10000-1100100000-777520 | Reimbursement for services | \$233,000 |
| 10000-1100100000-778200 | Interfund – miscellaneous | <u>80,000</u> |
| | Total | \$313,000 |

Economic Development Agency

Thermal Construction & Land

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

| | | |
|-----------------------------|-----------------------------------|---------------|
| Increase appropriations: | | |
| 22350-1910200000-537180 | Interfund expense – salary reimb. | \$25,000 |
| 22350-1910200000-542040 | Buildings – capital projects | <u>50,000</u> |
| | Total | \$75,000 |
| Increase estimated revenue: | | |
| 22350-1910200000-778200 | Interfund - miscellaneous | \$75,000 |

Facilities Management

Facilities Management Capital Construction Fund Review

Recommended Motion: that the Board of Supervisors: approve and direct Facilities Management to create and implement a plan to improve management of its capital construction fund and report back to the Executive Office within 90 days; and approve and direct the Auditor-Controller to adjust designations and appropriations as follows:

| | | |
|--------------------------|--------------------------------|-------------|
| Decrease designations: | | |
| 10000-1000100000-320146 | DFB – budget savings retention | \$3,000,000 |
| Increase appropriations: | | |
| 10000-1109000000-581000 | Appropriations for contingency | \$3,000,000 |

Energy Management

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

| | | |
|-----------------------------|-----------|-----------|
| Increase appropriations: | | |
| 10000-7200600000-529540 | Utilities | \$402,111 |
| Increase estimated revenue: | | |
| 10000-7200600000-777610 | Utilities | \$402,111 |

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 are completed or had a scope change:

| <u>Building#</u> | <u>Project Description</u> | <u>Budget</u> |
|------------------|---|-----------------|
| 904 | CJB-upgrade elevators | \$(200,000) |
| 5006 | Academy of Justice-parking lots stripe & slurry | (47,462) |
| 702 | Indio Jail-HVAC duct cleaning | <u>(60,000)</u> |
| | Total | \$(307,462) |

Additional Funding is requested for the following projects:

| <u>Building#</u> | <u>Project Description</u> | <u>Budget</u> |
|------------------|--|------------------|
| 1207 | BCTC-facility asphalt and mechanical repairs | \$6,590 |
| 1307 | SWJC-reseal/restripe parking lots | 371 |
| 602-603 | Hemet CAC-install new exterior doors | 2,912 |
| 703-704 | Indio Court Annex-install fire alarm system | 2,613 |
| 316 | Blythe-Reseal / restripe parking lots | 2,314 |
| 701 | Indio MH generator & chiller replacement | 33,126 |
| | Various emergency maintenance | <u>259,536</u> |
| | TOTAL | \$307,462 |

Registrar of Voters (ROV)

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

Increase appropriations:

| | | |
|-------------------------|----------------|------------------|
| 10000-1700100000-523800 | Printing | \$308,004 |
| 10000-1700100000-525340 | Temporary help | 83,649 |
| | Total | \$391,653 |

Increase estimated revenue:

| | | |
|-------------------------|--------------------------------------|------------------|
| 10000-1700100000-753300 | CA-election reimbursement Sec. State | \$67,247 |
| 10000-1700100000-771210 | School election service | 68,803 |
| 10000-1700100000-771220 | Special district election service | 199,806 |
| 10000-1700100000-771230 | City election service | <u>55,797</u> |
| | Total | \$391,653 |

PUBLIC PROTECTION

Fire Department

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

Decrease appropriations:

| | | |
|-------------------------|-----------------------------|-----------|
| 30300-2700100000-536780 | Interfnd – capital projects | \$656,207 |
|-------------------------|-----------------------------|-----------|

Decrease estimated revenue:

| | | |
|-------------------------|------------------------------------|-------------|
| 30300-2700100000-779000 | Fire Department mitigation project | \$5,000,000 |
|-------------------------|------------------------------------|-------------|

Expected offset:

| | | |
|-------------------------|---------------------------|-------------|
| 30300-2700100000-309100 | Reserved for construction | \$4,343,793 |
|-------------------------|---------------------------|-------------|

Probation Department

Recommended Motion: that the Board of Supervisors authorize employment of the temporary employees listed below for more than 1,000 hours each, for FY 08/09, and approve and direct the Auditor-Controller to decrease designations and adjust appropriations as follows:

| <u>EID#</u> | <u>Position/Title</u> | <u>Hire Date</u> | <u>EID#</u> | <u>Position/Title</u> | <u>Hire Date</u> |
|-------------|-----------------------|------------------|-------------|-----------------------|------------------|
| 186152 | Correctional Cook | 9/27/2007 | 219125 | CSFSW | 5/24/2007 |
| 221219 | CSFSW | 11/8/2007 | 205206 | GC I | 1/9/2003 |
| 222606 | GC I | 3/27/2008 | 211257 | GC I | 8/4/2005 |
| 128944 | GC I | 8/4/2005 | 222659 | GC I | 3/27/2008 |
| 203061 | GC I | 8/4/2005 | 139586 | GC I | 9/23/1999 |
| 211099 | GC I | 9/29/2005 | 104184 | GC I | 8/4/2005 |
| 190696 | GC I | 8/5/2004 | 209404 | GC I | 10/28/2004 |
| 201710 | GC I | 8/5/2004 | 175036 | GC I | 12/26/2001 |
| 223127 | GC I | 5/22/2008 | 212291 | GC I | 8/3/2006 |
| 207421 | GC I | 7/31/2008 | 212878 | GC II | 9/13/2007 |
| 147923 | GC II | 10/9/2008 | 218401 | GC II | 7/3/2008 |
| 211569 | GC II | 5/22/2008 | 183401 | GC II | 8/18/2005 |
| 203493 | GC II | 9/13/2007 | 206001 | GC O | 8/4/2005 |
| 185448 | Laundry Worker | 9/6/2001 | | | |

Decrease designations:

| | | |
|-------------------------|-----------------|-----------|
| 10000-1000100000-320107 | DFB – Probation | \$441,507 |
|-------------------------|-----------------|-----------|

Increase appropriations:

| | | |
|-------------------------|-------------------------------|-----------|
| 10000-2600100000-537040 | Interfund expense maintenance | \$441,507 |
|-------------------------|-------------------------------|-----------|

Ben Clark Public Safety Training Center

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

Decrease designations:

| | | |
|-------------------------|-----------------------------|-------------|
| 10000-1000100000-320147 | DFB – correctional staffing | \$5,714,102 |
|-------------------------|-----------------------------|-------------|

Increase appropriations:

| | | |
|-------------------------|---|-------------|
| 10000-2500700000-520250 | Communications equip. and installations | \$230,887 |
| 10000-2500700000-520820 | Janitorial services | 926,746 |
| 10000-2500700000-522310 | Maintenance – buildings and improve. | 1,696,445 |
| 10000-2500700000-523600 | Audiovisual expense | 7,300 |
| 10000-2500700000-523640 | Computer equipment – non-fixed asset | 280,508 |
| 10000-2500700000-523680 | Office equipment – non-fixed asset | 1,368,405 |
| 10000-2500700000-526530 | Equipment rental/lease | 75,000 |
| 10000-2500700000-526700 | Buildings rent/lease | 738,184 |
| 10000-2500700000-526940 | Locks and keys | 13,527 |
| 10000-2500700000-527100 | Fuel – diesel | 24,800 |
| 10000-2500700000-527460 | Firearm equipment and supplies | 30,000 |
| 10000-2500700000-527680 | Public signs | 6,000 |
| 10000-2500700000-527860 | Training materials | 89,000 |
| 10000-2500700000-529540 | Utilities | 88,000 |
| 10000-2500700000-546140 | Equipment – office | 39,300 |
| 10000-2500700000-546160 | Equipment – other | 100,000 |
| | Total | \$5,714,102 |

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

| | | |
|-----------------------------|---------------------------------------|----------------|
| Increase appropriations: | | |
| 10000-2500100000-537320 | Interfund Exp – building improvements | \$500,000 |
| Increase estimated revenue: | | |
| 10000-2500500000-772700 | Civil Process Fees | \$275,000 |
| 10000-2500200000-770830 | Communication services | <u>225,000</u> |
| | Total | \$500,000 |

PUBLIC WAYS AND FACILITIES

Agency Administration

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

| | | |
|--------------------------|-------------------------|-----------|
| Increase appropriations: | | |
| 20200-3100200000-546280 | Capitalized software | \$300,000 |
| Expected offset: | | |
| 20200-3100200000-325100 | Unreserved fund balance | \$300,000 |

HEALTH and SANITATION

Environmental Health

Recommended Motion: that the Board of Supervisors approve the purchase of one chemical detector and one carrying case, and approve and direct the Auditor-Controller to adjust appropriations as follows:

| | | |
|--------------------------|--------------------|-----------------|
| Increase appropriations: | | |
| 10000-4200400000-546160 | Equipment – other | \$31,000 |
| 10000-4200400000-572300 | Intrafund – health | <u>(31,000)</u> |
| | Total | \$0 |

PUBLIC ASSISTANCE

Department of Public Social Services (DPSS)

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 | \$3,500,000 |
| Increase estimated revenue: | | |
| 10000-5100100000-760000 | Federal – public assistance admin. | \$3,500,000 |

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 | \$3,500,000 |

| | | |
|-----------------------------|-------------------------|------------------|
| Increase estimated revenue: | | |
| 10000-5100300000-761000 | Fed – public assistance | \$1,000,000 |
| 10000-5100300000-750700 | CA – public assistance | <u>2,500,000</u> |
| | Total | \$3,500,000 |

INTERNAL SERVICE FUNDS

Central Mail Services

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

| | | |
|--------------------------|------------------------------------|----------|
| Increase appropriations: | | |
| 45620-7300600000-532600 | Capital lease – purchase principal | \$72,000 |
| Expected offset: | | |
| 45620-7300600000-380100 | Unrestricted net assets | \$72,000 |

Printing Services

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

| | | |
|--------------------------|------------------------------------|-----------|
| Increase appropriations: | | |
| 45600-7300400000-532600 | Capital lease – purchase principal | \$560,000 |
| Expected offset: | | |
| 45600-7300400000-380100 | Unrestricted net assets | \$560,000 |

Record Management and Archives (RMAP)

Recommended Motion: that the Board of Supervisors approve the purchase of two document scanners, scanning software, and record storage shelving; and, direct the Auditor-Controller to adjust appropriations as follows:

| | | |
|--------------------------|-------------------------|---------------|
| Increase appropriations: | | |
| 45100-1200300000-521560 | Maintenance – other | \$2,000 |
| 45100-1200300000-521640 | Maintenance – software | 9,900 |
| 45100-1200300000-546160 | Equipment – other | <u>69,000</u> |
| | Total | \$80,900 |
| Expected offset: | | |
| 45100-1200300000-380100 | Unrestricted net assets | \$80,900 |

SPECIAL DISTRICTS

Regional Parks and Open Space District

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

| | | |
|--------------------------|----------------------|--------|
| Decrease appropriations: | | |
| 25400-931104-523800 | Printing and binding | \$5000 |

Decrease estimated revenue:

| | | |
|---------------------|-------------------------------------|------------|
| 25400-931104-740020 | Interest | \$630 |
| 25400-931104-781560 | Contribution from non-county agency | <u>600</u> |
| | Total | \$1,230 |

Historical Commission

Increase appropriations:

| | | |
|---------------------|----------------------|---------|
| 25400-931111-523800 | Printing and binding | \$5,000 |
|---------------------|----------------------|---------|

Increase estimated revenue:

| | | |
|---------------------|---------------|------------|
| 25400-931111-740020 | Interest | \$630 |
| 25400-931111-780180 | Sale of books | <u>600</u> |
| | Total | \$1,230 |

Arundo Removal SARR:

Increase appropriations:

| | | |
|---------------------|--|---------------|
| 25520-931120-520010 | Herbicide | \$30,000 |
| 25520-931120-520320 | Telephone service | 450 |
| 25520-931120-520330 | Communication services | 500 |
| 25520-931120-520845 | Trash | 1,000 |
| 25520-931120-520930 | Insurance – liability | 2,992 |
| 25520-931120-520945 | Insurance – property | 1,559 |
| 25520-931120-521420 | Maintenance – field equipment | 10,000 |
| 25520-931120-521500 | Maintenance – motor vehicles | 2,500 |
| 25520-931120-521760 | Maintenance – tires | 1,000 |
| 25520-931120-523220 | License and permits | 800 |
| 25520-931120-523700 | Office supplies | 500 |
| 25520-931120-523760 | Postage | 120 |
| 25520-931120-524560 | Auditing and accounting | 323 |
| 25520-931120-524660 | Consultants | 8,500 |
| 25520-931120-525080 | Temporary assistance | 15,000 |
| 25520-931120-525300 | OASIS processing – financials | 2,390 |
| 25520-931120-525310 | OASIS processing – HRMS | 395 |
| 25520-931120-526910 | Field equipment – non-fixed asset | 2,500 |
| 25520-931120-526940 | Locks and keys | 250 |
| 25520-931120-526960 | Small tools and instruments | 2,500 |
| 25520-931120-527100 | Fuel | 500 |
| 25520-931120-527140 | Welding supplies | 250 |
| 25520-931120-527680 | Public signs | 750 |
| 25520-931120-527720 | Safety – security supplies | 500 |
| 25520-931120-528920 | Carpool expenses | 30,000 |
| 25520-931120-529520 | Sewer system | 1,250 |
| 25520-931120-529550 | Water | 1,000 |
| 25520-931120-536840 | Interfund expense – county support svcs | 1,311 |
| 25520-931120-536890 | Interfund expense – equipment | 600 |
| 25520-931120-536900 | Interfund expense – fire service | 3,000 |
| 25520-931120-537180 | Interfund expense – salary reimbursement | <u>42,000</u> |
| | Total | \$164,440 |

Increase estimated revenue:

| | | |
|---------------------|----------------------------|-----------|
| 25520-931120-777520 | Reimbursement for services | \$164,440 |
|---------------------|----------------------------|-----------|

Off Road Vehicle Management

Increase appropriations:

25520-931160-551000 Operating transfers out \$101,932

Increase estimated revenue:

25520-931160-740020 Interest \$24,216
25520-931160-755190 Off-highway vehicles 101,932
Total \$126,148

Habitat and Open Space Management

Increase appropriations:

25520-931170-520010 Herbicide \$500
25520-931170-520115 Uniforms – replacement 1,400
25520-931170-520230 Cellular phones 30
25520-931170-520320 Telephone service 2,400
25520-931170-520330 Communication services 1,200
25520-931170-520845 Trash 1,500
25520-931170-520930 Insurance – liability 2,992
25520-931170-521420 Maintenance – field equipment 500
25520-931170-521500 Maintenance – motor vehicles 2,080
25520-931170-521760 Maintenance – tires 500
25520-931170-522320 Maintenance – grounds 15,000
25520-931170-523700 Office supplies 350
25520-931170-523760 Postage 30
25520-931170-523840 Computer equipment – non-fixed asset 1,500
25520-931170-524560 Auditing and accounting 528
25520-931170-525300 OASIS processing – financials 495
25520-931170-525310 OASIS processing – HRMS 1,053
25520-931170-526910 Field equipment – non asset 1,500
25520-931170-526960 Small tools and instruments 500
25520-931170-527100 Fuel 600
25520-931170-527680 Public signs 800
25520-931170-527720 Safety – security supplies 600
25520-931170-527840 Training, education, tuition 1,500
25520-931170-527940 Weed abatement 8,000
25520-931170-528140 Conference and registration fees 200
25520-931170-528260 Field supplies 2,000
25520-931170-528900 Air transportation 200
25520-931170-528920 Carpool expenses 43,200
25520-931170-528960 Lodging 300
25520-931170-528980 Meals 200
25520-931170-536840 Interfund expense – county support svcs 2,244
25520-931170-537090 Interfund expense – personnel services 1,700
25520-931170-537180 Interfund expense – salary reimbursement 253,330
25520-931170-546160 Equipment – other 18,000
Total \$366,932

Increase estimated revenue:

| | | |
|---------------------|------------------------|----------------|
| 25520-931170-740020 | Interest | \$5,000 |
| 25520-931170-790500 | Operating transfers in | <u>361,932</u> |
| | Total | \$366,932 |

Arundo Trust Fund:

Decrease appropriations:

| | | |
|---------------------|--|----------|
| 25520-931107-520010 | Herbicide | \$30,500 |
| 25520-931107-520115 | Uniforms – replacement | 1,400 |
| 25520-931107-520230 | Cellular phones | 30 |
| 25520-931107-520320 | Telephone service | 2,850 |
| 25520-931107-520330 | Communication services | 1,700 |
| 25520-931107-520845 | Trash | 2,500 |
| 25520-931107-520930 | Insurance – liability | 5,984 |
| 25520-931107-520945 | Insurance – property | 1,559 |
| 25520-931107-521420 | Maintenance – field equipment | 10,500 |
| 25520-931107-521500 | Maintenance – motor vehicles | 4,580 |
| 25520-931107-521760 | Maintenance – tires | 1,500 |
| 25520-931107-523220 | License and permits | 800 |
| 25520-931107-522320 | Maintenance – grounds | 15,000 |
| 25520-931107-523700 | Office supplies | 850 |
| 25520-931107-523760 | Postage | 150 |
| 25520-931107-523840 | Computer equipment – non-fixed asset | 1,500 |
| 25520-931107-524560 | Auditing and accounting | 851 |
| 25520-931107-524660 | Consultants | 8,500 |
| 25520-931107-525080 | Temporary assistance | 15,000 |
| 25520-931107-525300 | OASIS processing – financials | 2,885 |
| 25520-931107-525310 | OASIS processing – HRMS | 1,448 |
| 25520-931107-526910 | Field equipment – non asset | 4,000 |
| 25520-931107-526940 | Locks and keys | 250 |
| 25520-931107-526960 | Small tools and instruments | 3,000 |
| 25520-931107-527100 | Fuel | 1,100 |
| 25520-931107-527140 | Welding supplies | 250 |
| 25520-931107-527680 | Public signs | 1,550 |
| 25520-931107-527720 | Safety – security supplies | 1,100 |
| 25520-931107-527840 | Training, education, tuition | 1,500 |
| 25520-931107-527940 | Weed abatement | 8,000 |
| 25520-931107-528140 | Conference and registration fees | 200 |
| 25520-931107-528260 | Field supplies | 2,000 |
| 25520-931107-528900 | Air transportation | 200 |
| 25520-931107-528920 | Carpool expenses | 73,200 |
| 25520-931107-528960 | Lodging | 300 |
| 25520-931107-528980 | Meals | 200 |
| 25520-931107-529520 | Sewer system | 1,250 |
| 25520-931107-529550 | Water | 1,000 |
| 25520-931107-536840 | Interfund expense – county support svcs | 3,555 |
| 25520-931107-536890 | Interfund expense – equipment | 600 |
| 25520-931107-536900 | Interfund expense – fire service | 3,000 |
| 25520-931107-537090 | Interfund expense – personnel services | 1,700 |
| 25520-931107-537180 | Interfund expense – salary reimbursement | 295,330 |

| | | |
|-----------------------------|----------------------------|----------------|
| 25520-931107-546160 | Equipment – other | 18,000 |
| 25520-931107-551000 | Operating transfers out | <u>101,932</u> |
| | Total | \$633,304 |
| Decrease estimated revenue: | | |
| 25520-931107-740020 | Interest | \$29,216 |
| 25520-931107-755190 | Off-highway vehicles | 101,932 |
| 25520-931107-777520 | Reimbursement for services | 164,440 |
| 25520-931107-790500 | Operating transfers in | <u>361,932</u> |
| | Total | \$657,520 |

Regional Parks & Open Space District

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

| | | |
|-----------------------------|--|----------------|
| Increase appropriations: | | |
| 25400-931104-536760 | Interfund expense – auditing and acct. | \$120,000 |
| 25400-931104-551100 | Contributions to other county funds | <u>100,000</u> |
| | Total | \$220,000 |
| Increase estimated revenue: | | |
| 25400-931104-701020 | Property tax – current unsecured | \$49,000 |
| Decrease estimated revenue: | | |
| 25400-931104-700020 | Property tax – current secured | \$229,769 |
| 25400-931104-704000 | Property tax – current supplemental | 20,000 |
| 25400-931104-705000 | Property tax – prior supplemental | 60,000 |
| 25400-931104-778330 | Interfund – salary reimbursement | <u>335,743</u> |
| | Total | \$645,512 |
| Expected offset: | | |
| 25400-931104-320100 | Designated fund balance | \$816,512 |

Recreational Services

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

| | | |
|-----------------------------|---------------------------------------|---------------|
| Increase appropriations: | | |
| 25420-931180-520330 | Communications services | \$2,500 |
| 25420-931180-520845 | Trash and waste services | 3,000 |
| 25420-931180-522310 | Maintenance – building and improve. | 8,000 |
| 25420-931180-523350 | Administrative expense | 6,900 |
| 25420-931180-529500 | Electricity | 9,600 |
| 25420-931180-537080 | Interfund – miscellaneous services | <u>10,000</u> |
| | Total | \$40,000 |
| Increase estimated revenue: | | |
| 25420-931180-790600 | Contributions from other county funds | \$40,000 |

Natural Resources Education

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

| | | |
|-----------------------------|--------------------------------------|---------------|
| Increase appropriations: | | |
| 25535-931130-522310 | Maintenance – buildings and improve. | \$40,000 |
| 25535-931130-525440 | Professional services | 20,000 |
| 25535-931130-527780 | Special program expense | 40,000 |
| 25535-931130-537180 | Interfund – salary reimbursement | 80,000 |
| 25535-931130-537200 | Interfund – supportive services | <u>20,000</u> |
| | Total | \$200,000 |
| Increase estimated revenue: | | |
| 25535-931130-790500 | Operating Transfer-In | \$200,000 |

County Services Areas

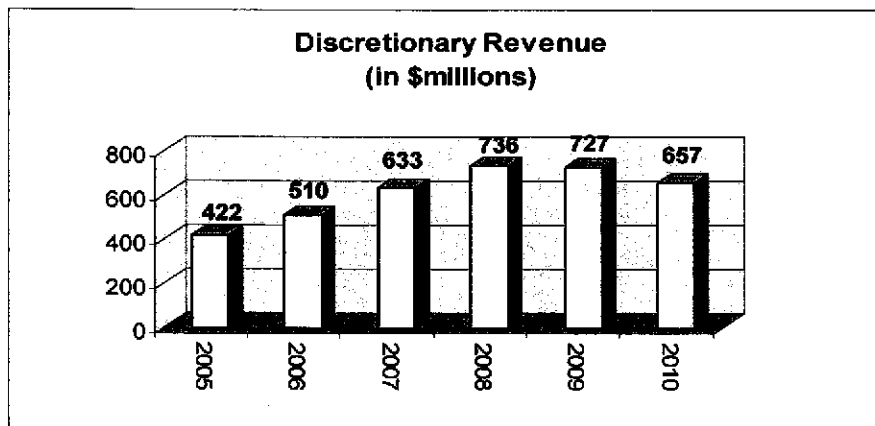
Recommended Motion: that the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:

| | | |
|-----------------------------|-----------------------------|---------------|
| Increase appropriations: | | |
| 40420-906202-535540 | Depreciation – building | \$4,000 |
| Increase estimated revenue: | | |
| 40420-906202-781360 | Other miscellaneous revenue | \$4,000 |
| Increase appropriations: | | |
| 23850-908501-510040 | Regular salaries | \$25,000 |
| Increase estimated revenue: | | |
| 23850-908501-781360 | Other miscellaneous revenue | \$25,000 |
| Increase appropriations: | | |
| 23925-908901-529530 | Streetlights | \$10,000 |
| Increase estimated revenue: | | |
| 23925-908901-781360 | Other miscellaneous revenue | \$10,000 |
| Increase appropriations: | | |
| 24075-910301-510040 | Regular salaries | \$15,000 |
| 24075-910301-529530 | Streetlights | <u>25,000</u> |
| | | \$40,000 |
| Increase estimated revenue: | | |
| 24075-910301-781360 | Other miscellaneous revenue | \$40,000 |
| Increase appropriations: | | |
| 24325-912601-510040 | Regular salaries | \$25,000 |

| | | |
|--|-----------------------------|----------|
| Increase estimated revenue: 24325-912601-781360 | Other miscellaneous revenue | \$25,000 |
| Increase appropriations: 24825-914901-522320 | Maintenance – grounds | \$20,000 |
| Increase estimated revenue: 24825-914901-781360 | Other miscellaneous revenue | \$20,000 |

Department Heads' Plans for Fiscal Year 2009/2010 Summarized by Riverside County Executive Office

The County of Riverside faces falling discretionary revenues for the first time in many years (see chart below).

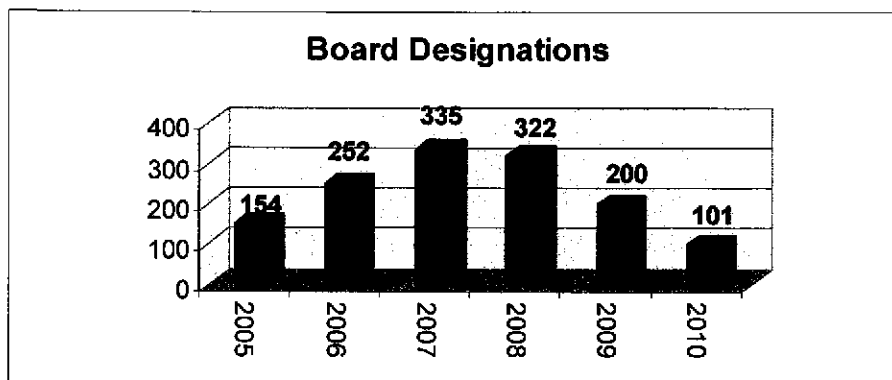


In this year's first quarter budget report, the Board of Supervisors directed that department heads report back to the Executive Office with advance budget plans for Fiscal Year 09/10. The plans were to be fairly general in nature and were to touch on several main topics, especially: 1) departments' core services; and 2) steps necessary - including service curtailment or staff reductions - to compensate for a 10 percent net county cost (NCC) cut and any likely revenue losses.

This report summarizes the Department Heads' perspectives and adds some early thoughts on what form our county government will take next year.

It is important to keep in mind the worsening economic situation that forces cuts. Details in the mid-year report reveal that revenue targets are still being downgraded and prospects for a near-term rebound remain minimal. Should the latest projections hold true, contingency will be completely exhausted by the end of this fiscal year; also, this county could – for the first time – be forced to use up a large portion of its reserve for economic uncertainty.

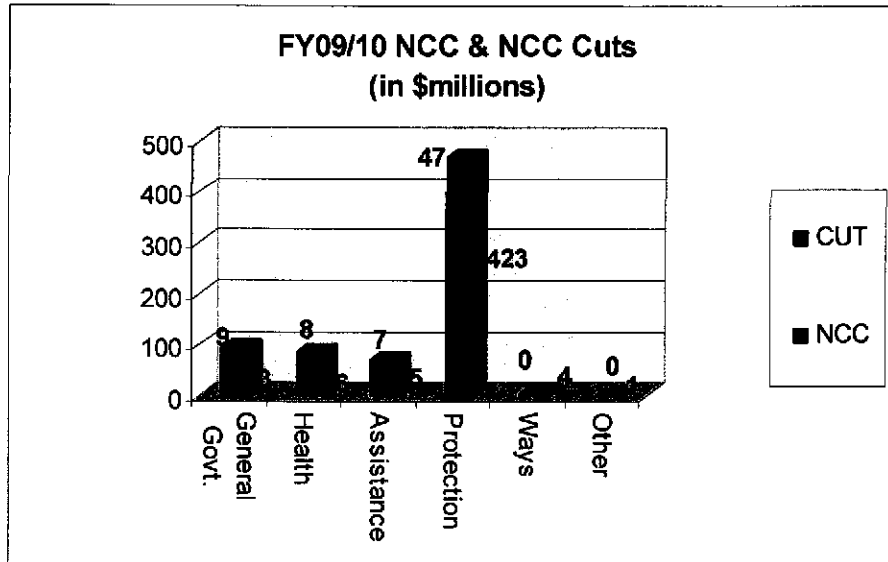
Optimistic projections have all designations falling from a recent high of \$335 million to \$101 million within about two years (see chart below). Without departmental spending restraint, designations could feasibly be reduced to zero within two years.



While it is true that all departments are affected by the current economic downturn, the amount of the effect varies. Some departments have relatively stable revenue streams and will be able to make it through next year with minimal changes. The Flood Control District is a good example of such a department. Other departments are dependent, at least in part, on revenue streams that are shrinking. These departments will be forced to cut their costs. Every effort will be made to preserve essential services and personnel, but where deep budget cuts are required, some departments are projecting service cuts or layoffs. Most general fund and some other departments fit into this group. A third group of departments is most vulnerable and could face the most severe cuts. Departments in this group, DPSS for example, are almost completely dependent on state revenue to support their critical services. With the state facing its most challenging budget crisis in decades, there is a very real possibility that it will dramatically curtail support.

All departments will see their net county cost (NCC) cut 10 percent. The dollar amount of the cut to each department is tied to the department's current NCC. Since, as a group, public protection receives the majority of support, it will also receive the biggest cut.

The chart below shows the expected FY 09/10 cuts.



Department heads have used their vast managerial expertise to realistically plan for next year. Together they signal the need for 150-200 layoffs (approximately one percent of our workforce), and the slowing or cutting of a wide-reaching group of services. While harder to quantify, department plans include the expected attrition of perhaps several hundred other employees – should this attrition not occur, the number of layoffs could increase dramatically. The chart below shows expected FY 09/10 layoffs. This is an early estimate and could change as we go through the budget process. The Board will be given regular updates.

| Department | Expected Layoffs |
|------------------------|------------------|
| Animal Control | 15 |
| Assessor | 13 |
| Auditor-Controller | 6 |
| Building & Safety | 9 |
| Ca Children's Services | 7 |
| Child Support Services | 19 |
| Clerk-Recorder | 10 |
| Cooperative Extension | 1 |
| Office on Aging | 6 |
| Planning | 12 |
| Public Health | 50 |
| TLMA Administration | 1 |

Given what we know at this time, department plans seem reasonably likely to both preserve core services and meet expected targets. Further economic deterioration could lead to the need for further service cuts or layoffs. Our best hope is in leaving department heads wide latitude to make adjustments where necessary.

Department Heads' expected adjustments are grouped below into broad categories, so that the Board can appreciate where government programs will be most heavily impacted.

General Government

Many general government services are quite vulnerable because the departments that provide them tend to rely heavily on general fund support. A 10 percent cut to some of these departments, such as the Auditor-Controller (AC) and the Registrar of Voters (ROV), could possibly lead to cuts to core services. Likely layoffs or attrition:

- Some departments, such as the Assessor-Clerk Recorder (ACR), Human Resources (HR), and Auditor-Controller signal the need for a total of 41 layoffs.
- Other departments, especially the Registrar of Voters and Facilities Management (FM), project layoffs unless significant numbers of employees decide voluntarily to retire or resign.

All departments in this group will need to cut costs, typically by decreasing supplies and services and by leaving vacant positions unfilled. For some departments, the cuts to personnel and supplies are so substantial that important services will suffer:

- HR began layoffs in FY 08/09; generally, service times will slow, however some services – for example assessment center, Livescan, resume verification, and cyclical classification studies - will be drastically curtailed.
- The ACR's changes are mostly driven by falling workloads; also the department might need to reduce public hours or close a satellite office.
- The AC will broadly limit the activities of the internal audits group.
- The ROV will close on Saturdays, and remove many public services including training, public outreach, and mall voting.
- FM will be unable to maintain buildings properly and expects more system failures and increasing emergency maintenance costs.

Public Protection

As with general government, many public protection services are quite vulnerable when the departments that provide them rely heavily on general fund support. To exacerbate the problem, critical department revenue (Proposition 172) is declining quickly. A 10 percent cut to some of these departments, like the Sheriff and District Attorney, would be unprecedented. Likely layoffs or attrition:

- Some departments, including Child Support, Building & Safety, Planning, and Animal Services are signaling the need for a total of 80 layoffs.
- Other departments, including the Sheriff, District Attorney, and Public Defender have requested exemption from cuts. These departments' budget plans can only be considered realistic if the request for exemption from cuts is granted – without exemptions attrition is likely.

All departments in this group do plan to cut costs, typically by decreasing supplies and services and by leaving vacant positions unfilled. For some departments, the cuts to personnel and supplies are so substantial that important services will suffer:

The Sheriff might lower the patrol ratio, suspend the ICE program, and slow hiring for the jail expansions.

- If the Public Defender receives the same cut as all other departments, it will need to lay off up to 66 employees.
- Probation might be able to avoid extensive cuts, but only if the census remains low and if allowed to use available one time money.
- Mental Health Public Guardian will have resources for court-referred cases, but not adult protective service or family referrals.
- Animal Services will restrict or eliminate various public services including enhanced animal adoption, spay/neuter promotions, and the phone center.
- Planning and Building & Safety have plans for layoffs because declining development means there is so little or no work for these employees.

Public Ways and Facilities

Departments in this group tend to have little reliance on general fund support. Many are highly reliant on revenue from development activities and must be prepared to expand or contract along with development trends. All departments in this group do plan to cut costs, typically by decreasing supplies and services and by leaving vacant positions unfilled.

- Only one department within TLMA anticipates the need for 3 layoffs.

In most cases departments have already adjusted to the economic slowdown with cost cuts or staff reductions.

- No additional severe cuts are anticipated at this time.

Health and Sanitation

Like general government, many health and sanitation services are vulnerable because the departments that provide them rely on general fund support. These departments also tend to get a large portion of their revenue from the state. It is typical for a department in this group to face cuts both from the county and the state. Likely layoffs or attrition:

- Some departments, including Public Health and California Children's Services are signaling the need for a total of 57 layoffs.
- Other departments, especially Mental Health Treatment, Detention Health, and Community Health Agency (CHA) Administration will have layoffs unless significant numbers of employees decide voluntarily to retire or resign.

All departments in this group do plan to cut costs, typically by decreasing supplies and services and by leaving vacant positions unfilled. For some departments, the cuts to personnel and supplies are so substantial that important services will suffer:

- Mental Health proposes the closure of three facilities along with the suspension of adult services at two clinics.
- Health and mental health services provided to inmates at correctional facilities will be reduced and non-emergency cases will experience increased wait times.

- Public Health will eliminate 25% of immunization outreach events and proposes the elimination of some evening and weekend services.
- Environmental Health would suspend its illegal food program.
- Case processing and services will be slowed for children with special health needs.

Public Assistance

Like health and sanitation, many public assistance services are vulnerable because the departments that provide them rely on general fund support. However, many of these departments get much of their revenue from the state and federal governments. It is typical for a department in this group to face a small cut from the county and a huge one from the state. EDA is the exception as it is supported primarily by the general fund and federal revenue. Some departments, including most under the DPSS umbrella could face dramatic cuts and many layoffs if the state decides to make unexpectedly large cuts. On the other hand, DPSS will be able to minimize service and personnel cuts should the state follow through with current plans. Likely layoffs or attrition:

- One department reports the likely need to reduce staff by 6.
- Based on a projected five percent state reduction, DPSS expects to meet staff reduction targets through attrition of 140 or more existing employees.

All departments in this group do plan to cut costs, typically by decreasing supplies and services and by leaving vacant positions unfilled. For some departments, the cuts to personnel and supplies are so substantial that important services will suffer:

- The changes anticipated by DPSS could reasonably be described as a restructuring. This department will make sweeping changes in its effort to control costs. Further, it is taking the steps necessary to prepare for massive service or staff curtailment should state actions make these steps necessary.
- Office on Aging will see the senior employment program cut by up to a third and a reduced ombudsman service.
- EDA does not expect to cut services or staff.

Recreation and Culture

- One layoff, in Cooperative Extension is likely.
- Changes to services or personnel in this group will be quite minor.

Others including Internal Service Funds, Enterprise Funds, and Special Districts

- There are no expected layoffs.
- Changes to services or personnel in this group will be quite minor.

At about the same time the Board is reviewing this report, the FY 09/10 budget process will officially begin. Departments will spend the subsequent five weeks refining their preliminary plans into official budget requests using updated information. It is everyone's hope that the final budget requests will be no worse than the plans summarized here. The budget requests will be presented to the Board during budget hearings, now scheduled for May 4, 2009.

**FY 2008 – 2009
2nd Quarter Budget Update
Vacancy Report**

In response to the economic downturn, hiring activity in the County has slowed due to departments' requirements to stay within their required Maximum Fill Rate. While this has slowed hiring activity from our former rate of 4,000 hires per year, recruiting activity in some areas has continued in order to keep pace with attrition and anticipated future hiring needs. Human Resources has taken a proactive approach to keep the County's talent pipeline full during this time, in order to remain responsive when economic conditions become more favorable. Examples of this work included continued college recruiting efforts, as well as recruiting efforts that focus on social media such as Twitter and LinkedIn.

Some recruiting activity continues, but is focused on filling mission critical positions such as key management or technical positions, and healthcare-related positions such as nurses and medical professionals for the Riverside County Regional Medical Center and the Community Health Agency. Another area with active hiring is in the Sheriff's Department, where recruiting and hiring continues for Deputy Sheriff and Correctional Deputy vacancies at a rate sufficient to backfill attrition and maintain staffing levels in the department. Hiring activity for the Sheriff's department is focused on the desert region. Two Deputy Sheriff Academies are to be held, one in January and one at the start of the next fiscal year; Correctional Deputy academies are not scheduled currently.

In these difficult economic times, there has been a benefit to the County in that we have been able to focus on quality hiring of select candidates who may have lost positions with other employers due to the economy. It is a favorable recruiting climate for the County in that some available talent may not have considered opportunities with the County, and now find employment with the County very attractive. This environment makes for conditions where it pays not to halt recruiting in response to economic conditions that are cyclical.

During the second quarter, the County's employee population contracted from 21,093 per diem, regular, seasonal, and temporary employees (as of November 19, 2008, Maximum Fill Rate levels) to 20,774 at the start of the third quarter, a net decrease of 319 employees.

The Human Resources Department remains committed to keeping pace with the County's hiring demands, and to positioning the County as a premier employer in our region for the future.

2nd Quarter Budget Update
Vacancy Report

| Budget Unit | Dept/Descriptor | Reg/Temp/Seasonal | MFR N 9/00 | Filled Positions 07/06/03 | Available Positions | Vacancy | Active Reaching | Pending Start | End |
|-------------|---|-------------------|---------------|---------------------------------|------------------------|---------|--------------------|------------------|-----|
| 915201 | CSA 152 NPDES | R | 23 | 23 | 0 | 0.0% | 3 | | |
| | | T | 2 | 2 | 0 | 0.0% | | | |
| 931104 | Regional Parks & Open-Space Dist | R | 96 | 94 | 2 | 2.1% | 1 | 1 | 6 |
| | | S | 15 | 16 | -1 | -6.7% | 1 | 2 | 8 |
| | | T | 3 | 3 | 0 | 0.0% | | | 1 |
| 935200 | Regional Conservation Auth - Ops | R | 9 | 10 | -1 | -11.1% | | | |
| 943001 | WRMD Operating | R | 53 | 53 | 0 | 0.0% | | | |
| 947200 | Flood Control | R | 237 | 237 | 0 | 0.0% | 15 | | 1 |
| 985101 | Public Authority - Admin | R | 28 | 27 | 1 | 3.6% | | | |
| 1000100000 | Board of Supervisors | R | 54 | 54 | 0 | 0.0% | | 1 | |
| | | T | 2 | 2 | 0 | 0.0% | | | |
| 1000200000 | Assessment Appeals Board | R | 5 | 5 | 0 | 0.0% | | | |
| 1100100000 | Executive Office | R | 29 | 29 | 0 | 0.0% | | | |
| 1101500000 | County Free Library | R | 1 | 1 | 0 | 0.0% | | | |
| 1105000000 | Nat'l Pollutant Discharge Elmn Sys | R | 2 | 2 | 0 | 0.0% | | | |
| 1109200000 | OASIS Financials | R | 43 | 43 | 0 | 0.0% | | | |
| 1109300000 | OASIS HRMS | R | 20 | 20 | 0 | 0.0% | | | |
| 1130100000 | Human Resources | R | 220 | 202 | 18 | 8.2% | | | |
| 1130300000 | HR - Air Quality Division | R | 3 | 3 | 0 | 0.0% | | | |
| 1130700000 | HR - Property Insurance | R | 1 | 1 | 0 | 0.0% | | | |
| 1130800000 | HR - Workers Compensation | R | 51 | 52 | -1 | -2.0% | | | |
| 1130900000 | HR - Malpractice Insurance | R | 2 | 2 | 0 | 0.0% | | | |
| 1131000000 | HR - Liability Insurance | R | 33 | 32 | 1 | 3.0% | | | 3 |
| 1131200000 | HR - STD Disability Insurance | R | 1 | 1 | 0 | 0.0% | | | |
| 1131300000 | HR - Safety Loss Control | R | 18 | 18 | 0 | 0.0% | | | |
| 1131800000 | HR - TAP - Temp Asst Pool | P | 613 | 624 | -11 | -1.8% | | | |
| | | R | 49 | 28 | 21 | 42.9% | | | |
| | | T | 948 | 788 | 160 | 16.9% | | | |
| 1132000000 | HR - Exclusive Provider Option | R | 30 | 30 | 0 | 0.0% | 1 | | |
| 1132200000 | HR - Employee Assistance Program | P | 0 | 0 | 0 | | | | |
| | | R | 7 | 6 | 1 | 14.3% | | 2 | 1 |
| 1132900000 | HR - Occupational Health & Wellness | R | 28 | 26 | 2 | 7.1% | | | |
| 1150100000 | CFD/Assessment Dist Admin | R | 5 | 5 | 0 | 0.0% | | | |
| 1200100000 | Assessor | R | 238 | 236 | 2 | 0.8% | | 1 | |
| | | T | 0 | 0 | 0 | | | | |
| 1200200000 | County Clerk - Recorder | R | 185 | 183 | 2 | 1.1% | | | |
| 1200300000 | AC Recorder Center Div | R | 27 | 27 | 0 | 0.0% | | | |
| | | T | 0 | 0 | 0 | | | | |
| 1200400000 | Integrated Property Tax Management System | R | 10 | 10 | 0 | 0.0% | | | |
| 1300100000 | Auditor - Controller | R | 100 | 100 | 0 | 0.0% | | 2 | |
| 1300200000 | Internal Audits | R | 17 | 17 | 0 | 0.0% | | | |
| 1400100000 | Treasurer -Tax Collector | R | 118 | 116 | 2 | 1.7% | | | 1 |
| 1500100000 | County Counsel | R | 73 | 74 | -1 | -1.4% | | | |
| 1700100000 | Registrar of Voters | R | 35 | 35 | 0 | 0.0% | 1 | 1 | |
| | | S | 6 | 6 | 0 | 0.0% | | | |
| 1900100000 | EDA Administration | R | 166 | 167 | -1 | -0.6% | 6 | 6 | |
| 1900300000 | EDA Workforce Development | R | 90 | 91 | -1 | -1.1% | 3 | 6 | |
| | | T | 8 | 8 | 0 | 0.0% | | | |
| 1900400000 | EDA HOUSING AUTHORITY | R | 92 | 90 | 2 | 2.2% | 15 | | 1 |
| 1910700000 | County Airports | R | 10 | 10 | 0 | 0.0% | 1 | | |
| 1920100000 | Fair & Nat'l Date Festival | R | 12 | 12 | 0 | 0.0% | | | 1 |
| | | T | 9 | 9 | 0 | 0.0% | | | |
| 1930100000 | Edward Dean Museum | R | 2 | 2 | 0 | 0.0% | | | |
| | | T | 1 | 1 | 0 | 0.0% | | | |
| 2200100000 | District Attorney | R | 818 | 844 | -26 | -3.2% | 42 | 7 | |
| 2300100000 | Child Support Services | R | 393 | 350 | 43 | 10.9% | | | |
| | | T | 5 | 5 | 0 | 0.0% | | | |

2nd Quarter Budget Update
Vacancy Report

| Budget Unit | Dept. Description | Reg. (ann. Seasonal) | MFR 11/12/08 | Filed Positions 10/06/09 | Available Positions | Vacancy | Active Recruitings | Pending Start | Using TAP |
|-------------|--------------------------------------|----------------------|--------------|--------------------------|---------------------|---------|--------------------|---------------|-----------|
| 2400100000 | Public Defender | R | 306 | 298 | 8 | 2.6% | 24 | 1 | |
| 2500100000 | Sheriff - Administration | R | 54 | 53 | 1 | 1.9% | 8 | 1 | |
| | | T | 0 | 0 | 0 | | | | |
| 2500200000 | Sheriff - Support | R | 369 | 358 | 11 | 3.0% | 20 | 1 | |
| | | T | 2 | 1 | 1 | 50.0% | 1 | | |
| 2500300000 | Sheriff - Patrol | R | 1922 | 1916 | 6 | 0.3% | 85 | 9 | |
| | | T | 1 | 1 | 0 | 0.0% | 3 | | |
| 2500400000 | Sheriff - Corrections | R | 1383 | 1372 | 11 | 0.8% | 180 | 4 | |
| | | T | 0 | 0 | 0 | | 3 | | |
| 2500500000 | Sheriff - Court Services | R | 182 | 180 | 2 | 1.1% | 14 | | |
| | | T | 9 | 9 | 0 | 0.0% | | | |
| 2500600000 | Sheriff - CAC Security | R | 3 | 3 | 0 | 0.0% | | | |
| 2500700000 | Sheriff - Ben Clark Training Center | R | 68 | 67 | 1 | 1.5% | 10 | | |
| | | T | 0 | 0 | 0 | | | | |
| 2500800000 | Sheriff - RAID | R | 1 | 1 | 0 | 0.0% | | | |
| 2501000000 | Sheriff - Coroner | R | 56 | 56 | 0 | 0.0% | | | |
| | | T | 0 | 0 | 0 | | | | |
| 2501100000 | Public Administrator | R | 17 | 17 | 0 | 0.0% | | | |
| | | T | 0 | | 0 | | | | |
| 2505100000 | Sheriff - Cal ID | R | 30 | 29 | 1 | 3.3% | | | |
| 2600100000 | Probation - Juvenile Hall | R | 441 | 437 | 4 | 0.9% | 1 | 6 | |
| | | T | 47 | 46 | 1 | 2.1% | | 1 | |
| 2600200000 | Probation | R | 385 | 384 | 1 | 0.3% | | 5 | |
| | | T | 20 | 20 | 0 | 0.0% | | | |
| 2600700000 | Probation Administration | R | 60 | 59 | 1 | 1.7% | | 2 | |
| | | T | 3 | 3 | 0 | 0.0% | | 1 | |
| 2700200000 | Fire Protection - Forest | R | 167 | 175 | -8 | -4.8% | | | |
| | | T | 2 | 2 | 0 | 0.0% | | | |
| 2700400000 | Fire Protection - Contract Svc | R | 22 | 22 | 0 | 0.0% | | | |
| 2800100000 | Agricultural Commissioner | R | 55 | 55 | 0 | 0.0% | | | |
| 2900100000 | Local Agency Formation Commission | R | 5 | 5 | 0 | 0.0% | | | |
| 3100100000 | TLMA - GIS | R | 23 | 23 | 0 | 0.0% | | | |
| 3100200000 | TLMA - Administration | R | 67 | 70 | -3 | -4.5% | 2 | | |
| 3100300000 | TLMA - Consolidated Counter Services | R | 21 | 21 | 0 | 0.0% | | | |
| 3100500000 | TLMA - Environmental Programs | R | 15 | 15 | 0 | 0.0% | | | |
| 3110100000 | TLMA - Building & Safety | R | 59 | 60 | -1 | -1.7% | 2 | | |
| | | T | 0 | | 0 | | | | |
| 3120100000 | TLMA - Planning | R | 73 | 69 | 4 | 5.5% | | | |
| 3130100000 | TLMA - Transportation | R | 343 | 343 | 0 | 0.0% | 1 | 1 | 2 |
| | | T | 1 | 1 | 0 | 0.0% | | | 1 |
| 3130200000 | TLMA - Surveyor | R | 39 | 39 | 0 | 0.0% | | | |
| 3130300000 | TLMA - Crossing Guard | R | 1 | | 1 | 100.0% | | | 1 |
| | | S | 51 | 48 | 3 | 5.9% | | | |
| 3130700000 | TLMA - Transportation Equipment ISF | R | 27 | 27 | 0 | 0.0% | | | 1 |
| 3140100000 | TLMA - Code Enforcement | R | 135 | 134 | 1 | 0.7% | | | 5 |
| 4100100000 | Mental Health - Public Guardian | R | 36 | 35 | 1 | 2.8% | | | 1 |
| 4100200000 | Mental Health - Treatment | P | 43 | 45 | -2 | -4.7% | | | |
| | | R | 626 | 621 | 5 | 0.8% | 15 | 2 | 1 |
| | | T | 0 | 0 | 0 | | | | |
| 4100300000 | Mental Health - Detention | P | 10 | 9 | 1 | 10.0% | | | |
| | | R | 47 | 45 | 2 | 4.3% | | | 3 |
| 4100400000 | Mental Health - Administration | P | 2 | 2 | 0 | 0.0% | | | |
| | | R | 163 | 161 | 2 | 1.2% | 5 | | 3 |
| 4100500000 | Mental Health - Substance Abuse | R | 108 | 107 | 1 | 0.9% | | | 12 |
| | | T | 5 | 5 | 0 | 0.0% | | | 1 |
| 4200100000 | Public Health | R | 753 | 757 | -4 | -0.5% | 6 | 1 | 50 |
| | | T | 2 | 2 | 0 | 0.0% | | | |

2nd Quarter Budget Update
Vacancy Report

| Budget Unit | Dep. Description | Reg. Term/Seasonal | MFR 07/08 | Fill. Positions 07/08/09 | Available Positions | Vacancy % | Active Recruits | Pending Staff | Open VAP |
|-------------|--|--------------------|-----------|--------------------------|---------------------|-----------|-----------------|---------------|----------|
| 4200200000 | CHA - CA Childrens Services | R | 170 | 158 | 12 | 7.1% | | | |
| 4200300000 | CHA - Admin | R | 184 | 182 | 2 | 1.1% | 1 | | 2 |
| 4200400000 | CHA - Environmental Health | R | 186 | 185 | 1 | 0.5% | | | |
| 4200600000 | CHA - Animal Control | R | 238 | 236 | 2 | 0.8% | | | 18 |
| 4300100000 | RCRMC | R | 2212 | 2217 | -5 | -0.2% | 196 | 24 | |
| 4300200000 | RCRMC - Med Indigent Services Program | R | 32 | 32 | 0 | 0.0% | 1 | | |
| 4300300000 | RCRMC - Detention Health Systems | R | 110 | 99 | 11 | 10.0% | 0 | | |
| 4500100000 | Waste Management | R | 234 | 222 | 12 | 5.1% | | 2 | 2 |
| | | T | 0 | 0 | 0 | | | | 1 |
| 5100100000 | DPSS Administration | R | 3323 | 3305 | 18 | 0.5% | 16 | | |
| | | T | 7 | 6 | 1 | 14.3% | | | |
| 5200100000 | Local Initiative Admin DCA | R | 21 | 22 | -1 | -4.8% | | | |
| 5200200000 | DCA - Local Initiative Program | R | 14 | 14 | 0 | 0.0% | | | |
| 5200300000 | DCA - Other Programs | R | 1 | 1 | 0 | 0.0% | | | |
| 5300100000 | Office On Aging - Title III | R | 68 | 68 | 0 | 0.0% | | | |
| | | T | 87 | 85 | 2 | 2.3% | | | |
| 5400100000 | Veterans Services | R | 12 | 12 | 0 | 0.0% | | | |
| 6300100000 | Cooperative Extension | R | 5 | 5 | 0 | 0.0% | | | |
| 7200100000 | Facilities Management - Administration | R | 69 | 68 | 1 | 1.4% | | | |
| 7200200000 | Facilities Management - Custodial | R | 217 | 213 | 4 | 1.8% | 1 | 2 | 16 |
| 7200300000 | Facilities Management - Maintenance | R | 176 | 175 | 1 | 0.6% | 3 | 3 | |
| 7200400000 | Facilities Management - Real Estate | R | 24 | 24 | 0 | 0.0% | | | |
| 7200500000 | Facilities Management - Design & Construction | R | 31 | 30 | 1 | 3.2% | | | |
| 7200700000 | Facilities Management - Parking | R | 21 | 21 | 0 | 0.0% | | | |
| 7201100000 | Facilities Management - Project Group | R | 12 | 12 | 0 | 0.0% | | | |
| 7300100000 | Purchasing | R | 24 | 25 | -1 | -4.2% | | | |
| 7300300000 | Purchasing - Printing Services - ISF | R | 25 | 24 | 1 | 4.0% | | | |
| 7300400000 | Purchasing - Supply Services | R | 17 | 16 | 1 | 5.9% | | | |
| 7300500000 | Fleet Services | R | 66 | 67 | -1 | -1.5% | | | 1 |
| 7300600000 | Central Mail Services | R | 9 | 10 | -1 | -11.1% | | | |
| 7400100000 | Information Technology | R | 179 | 187 | -8 | -4.5% | 4 | | |
| 7400300000 | Information Technology - 800 MHz Radio Project | R | 13 | 13 | 0 | 0.0% | 1 | | |
| Grand Total | | | 21093 | 20774 | 319 | | 692 | 98 | 141 |

Internal Audit - Workplan Status Report

"Attachment D"

| Audit Assignment Number | Audit Project | Notes | Status as of December 31, 2008 |
|-------------------------|---------------|-------|--------------------------------|
|-------------------------|---------------|-------|--------------------------------|

✓ = Complete = U = In Process → = Scheduled ■ = Not Scheduled
 x = Cancelled ▲ = Deferred

| | | | |
|----------|--------------------------------------|--|---|
| 2009-303 | District Attorney-Follow-up | Audit work completed, Final report in review process. | U |
| 2008-026 | Sub-recipient - Home Investment | Audit work completed, Final report in review process. | U |
| 2008-027 | Sub-recipient - Workforce Invest | Audit work completed, Final report in review process. | U |
| 2008-011 | RCRMC - Professional Services | Audit work completed, draft report in review process. | U |
| 2008-012 | RCRMC - Pharmacy | Audit work completed, draft report in review process. | U |
| 2008-013 | RCRMC - Operating Room-Purchasing | Audit work completed, draft report in review process. | U |
| 2008-014 | Cash Handling-Sheriff | Audit work completed, draft report in review process. | U |
| 2008-015 | Cash Handling-Assessor | Audit work completed, draft report in review process. | U |
| 2009-101 | Treasurer-Tax Collector (1Q) | Audit work completed, draft report in review process. | U |
| 2008-017 | Countywide Overnight Vehicle | Audit work completed, draft reports in review process. | U |
| 2008-023 | Malpractice Insurance | Audit work completed, draft report in review process. | U |
| 2009-304 | DPSS - Foster Care-Follow-up | Audit work completed, draft report in review process. | U |
| 2008-024 | RCRMC Arlington Facility | In process | U |
| 2009-003 | County Counsel | In process | U |
| 2008-020 | Cash Handling-TLMA | In process | U |
| 2008-018 | Countywide Rate Review | In process | U |
| 2008-022 | STD Disability Insurance | In process | U |
| 2009-305 | Facilities Management-Follow-up | In process | U |
| 2009-102 | Treasurer-Tax Collector (2Q) | In process | U |
| 2009-017 | Public Defender | In process | U |
| 2009-302 | Credit Card (CW)-Follow-up | In process | U |
| 2009-018 | Purchasing Fleet Services | In process | U |
| 2008-307 | Patient Charges Follow-up | Scheduled | → |
| 2009-103 | Treasurer-Tax Collector (3Q) | Scheduled | → |
| 2008-019 | Cash Handling-RCRMC | Scheduled | → |
| 2009-301 | Fire Protection-Non Forest-Follow-up | Scheduled | → |
| 2008-025 | Mental Health - Western Region | Scheduled | → |
| 2009015 | Purchasing Supply Services | Scheduled | → |
| 2009-024 | Countywide Contract Administration | Scheduled | → |
| 2009-025 | Purchasing GPO's/Discounts | Scheduled | → |
| 2009-026 | Contract Rates Fire Department | Scheduled | → |
| 2009-27 | Contract Rates Law Enforcement | Scheduled | → |
| 2009-028 | Wildomar-Elsinore Cemetery Districts | Scheduled | → |

Internal Audit - Workplan Status Report

"Attachment D"

| Audit Assignment Number | Audit Project | Notes | Status as of December 31, 2008 |
|-------------------------|---------------|-------|--------------------------------|
|-------------------------|---------------|-------|--------------------------------|

✓ = Complete = U = In Process → = Scheduled ■ = Not Scheduled
 x = Cancelled ▲ = Deferred

| | | | |
|----------|---|-----------|---|
| 2009-005 | DPSS (8 homes) | Scheduled | → |
| 2009-006 | DPSS (8 homes) | Scheduled | → |
| 2009-004 | DCSS | Deferred | ▲ |
| 2009-009 | Community Action-Grants | Deferred | ▲ |
| 2009-011 | Medical Assistance Grants-CHA/DPSS/OA | Deferred | ▲ |
| 2009-012 | Human Resources-Property Insurance | Deferred | ▲ |
| 2009-002 | Assessor-Clerk Recorder | Deferred | ▲ |
| 2009-013 | Information Technology | Deferred | ▲ |
| 2009-012 | Human Resources-Property Insurance | Deferred | ▲ |
| 2009-014 | Trans and Land Mgmt Agency-Code Enforcement | Deferred | ▲ |
| 2009-016 | Probation-Juvenile Hall | Deferred | ▲ |
| 2009-007 | DPSS (8 homes) | Deferred | ▲ |
| 2009-008 | DPSS (8 homes) | Deferred | ▲ |
| 2009-001 | Agricultural Commissioner & Follow up | Deferred | ▲ |
| 2008-028 | Facilities Management-Capital Projects | Deferred | ▲ |
| 2009-019 | RCRMC-Detention Health Services | Deferred | ▲ |
| 2009-010 | Accounts Recievable follow-up | Deferred | ▲ |
| 2009-020 | RCRMC-Asset Management | Deferred | ▲ |
| 2009-021 | Registrar Of Voters | Deferred | ▲ |
| 2009-022 | Trans and Land Mgmt Agency-Building&Safety | Deferred | ▲ |
| 2009-023 | Waste Management | Deferred | ▲ |
| 2009-401 | Auditor-Controller-CSA | Deferred | ▲ |
| 2009-402 | RCRMC-CSA | Deferred | ▲ |

FY 09/10 BUDGET POLICY and SCHEDULE

The FY 09/10 budget will be developed in accordance with the following standard policies:

- 1) **Net County Cost (NCC):** Ongoing discretionary funds authorized to general fund departments by the Board in FY 08/09's final budget, **reduced ten percent**, will be the basis for developing FY 09/10 proposed budget NCC allocations. There is one exception to this general rule: NCC will be increased for budget units in which Form 11's permanently modified ongoing costs. All general-fund budget requests will be submitted within the net county cost target as issued by the Executive Office. Budget requests that exceed NCC targets may be returned by the Executive Office to department heads for adjustment or will be modified by the Executive Office to adhere to the prescribed NCC target.
- 2) **Cost of Living Allowances (COLAs):** All departments will absorb cost of living increases.
- 3) **Priorities in Budget Construction:** 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 and services. Finally, departments will budget for non-essential costs, such as subscriptions, memberships and redecoration.
- 4) **Addbacks and Budget Hearings:** In the event a department cannot provide core services within its allocated NCC, the department will have the option to address the Board of Supervisors during budget hearings, scheduled to start on May 4, 2009. Addback requests are not to be submitted with budgets due to shortfalls in available resources.
- 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. No department should assume year-end cost savings or excess revenue to be departmental resources for future-year budgeting.
- 6) **Department Revenue:** Revenue shortfalls will not be backfilled by the general fund. Departments should adjust their budgets accordingly for expected reductions in all outside revenue including, but not limited to property tax, grant funds, state funding, public safety sales tax, and federal funding.
- 7) **Funding Salaries and Benefits:** Departments will budget for filled positions only. Unfunded positions should be frozen in the Human

Resource Management System. Departments are not to budget any salary savings.

- 8) **Submittal Deadlines:** All departments will submit their FY 09/10 budget requests to the Executive Office no later than **March 09, 2009**. To be considered on time, budget requests must be complete and in accordance with these budget policies.

FISCAL YEAR 2009-2010
BUDGET PREPARATION SCHEDULE

| Due Date | Milestone |
|-----------------|---|
| 01/30/09 | County Executive Office distributes the budget policy, general fund NCC targets, proposed ISF rates, and budget preparation materials to departments. |
| 02/03/09 | The Board of Supervisors approves the FY 09/10 budget policy and new ISF rates. |
| 03/09/09 | Department budgets are due to the Executive Office. |
| 05/04/09 | The Board of Supervisors approves the proposed budget and opens budget hearings. |
| 06/30/09 | The Board of Supervisors adopts the FY 09/10 final budget recommendations. |

County of Riverside Budget Forecast Elements

FY 2009 and Beyond



Prepared by

**John Husing, Ph.D.
Economics & Politics, Inc.**

961 Creek View Lane
Redlands, CA 92373
(909) 307-9444 Phone
john@johnhusing.com
www.johnhusing.com

Economics & Politics, Inc.

961 Creek View Lane
Redlands, CA 92373
(909) 307-9444 Phone
john@johnhusing.com

PROPOSITION 172 ESTIMATES RIVERSIDE COUNTY, FY 2008, FY 2009, FY 2010

SUMMARY

1. **FY 2008 Riverside County government tax revenues accrued from Prop 172 totaled \$142.8 million, down **-0.49%**.** This figure is *net of the 4.51% of funds paid to other jurisdictions in the county*. It represented \$3.7 million less than the \$146.4 million that Economics & Politics, Inc. predicted last year, an error of -2.4%. The error was due to the fact that the state grew fell -1.70% in FY 2008. It did not grow the 1.05% anticipated by this analyst, which was a reduction from the CA Legislative Analyst's Office estimates.
2. **FY 2009 Riverside County tax revenue accruals from Prop 172 are forecasted at \$131.0 million, down **-8.3%**.** This is \$19.5 million or 13.0% less than the two year forecast made in January 2008 of \$150.5 million. The state's sales are expected to fall -5.5% instead of the +4.7% growth forecasted by the CA Legislative Analyst's Office.

Riverside County's Prop 172 collections in FY 2009 are expected fall -8.3% for two reasons. The county's percent of California's taxable transactions fell from 5.3348% in 2006 to 5.1783% in 2007 (*a decline to 5.2218% was used in forecasting*). The lower percent is used to determine its share of the state FY 2009 Prop 172 pie. The county's decline in share occurred because the county's 2007 sales fell -2.7% while state's sales grew 0.2%. The smaller share will be applied to a smaller pie. Thus, the CA Legislative Analyst's Office had expected California's retail sales to rise 4.7% in FY 2009 as they anticipated a modest residential recovery and related retail sales. The reverse is now anticipated. They forecast a fall of -4.6%. This analyst estimates the decline at **-5.5%** in FY 2009 as the state and U.S. recessions deepen. Thus, in the FY 2009's first four months, the state's collections were off -4.5%, with the situation worsening. Sales were down -7.4% in the October accrual received in December 2008. The county's Prop 172 receipts were off -6.4% for these four months due to its reduced share of the state's declining receipts. Riverside County's government receives 95.49% of county receipts.

3. **FY 2010 Riverside County tax revenue accruals from Prop 172 are forecasted at \$124.3 million, down **-5.1%**.**

Riverside County's Prop 172 collections are expected to fall again in FY 2010, off -5.1%. The CA Legislative Analyst's Office sees California's retail sales increasing in FY 2010 by **2.8%**. However, this analyst believes that a retail recovery starting in the second half of the current year is highly unlikely. A state retail slowdown of -1.70% is thus used in the forecast. Again, Riverside County will be hit with a double whammy as the extreme difficulties in the Inland Empire's economy will shrink its 2008 share of the state pie, based upon its very weak sales. The share is assumed to fall from the 5.1783% based on 2007 sales to 4.9983% based on 2008 sales. That share will be applicable to FY 2010. That is a -1.800% loss of share (*115% of the -0.1565 loss the prior year*). Applying that to the lower California sales estimated for 2010, yields the -5.1% reduction in the county's Prop 172 receipts. Again, 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 2003, Riverside County accounted for 4.7306% of California taxable sales (*net of a small administrative fee*). It surged to 5.0537% in calendar year 2004 and 5.2701% in 2005 before reaching 5.3348% in 2006. These increases occurred because Riverside County's annual sales growth rates were faster than those of the state. In 2007, the situation reversed with county sales down -2.7% while the state's sales were up 0.3%. As a result, the county's 2007 share of state sales fell by -0.1565% to 5.1783%. That figure is being used to determine the share of state Prop 172 accruals that go to Riverside County in the 2009 fiscal year. A figure of 4.9983% is estimated for the 2008 share. It is used in calculating FY 2010 Prop 172 receipts. It was estimated by taking 110% of the prior year's reduction of -0.1565% (-0.1800%) to create the 4.9983% figure. This assumption was made due to the county's falling retail sales in 2008.

| Exhibit 1.-Riverside County Share of State Taxable Sales, 2002-2008e | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008e |
| CA Taxable Sales | \$460,096,468 | \$500,076,783 | 536,904,448 | \$559,652,237 | \$561,050,149 | |
| Administrative Costs | 1,190,000 | 699,133 | 738,302 | 756,000 | 560,000 | |
| California Basis | \$458,906,468 | \$499,377,650 | \$536,166,146 | \$558,896,237 | \$560,490,149 | |
| RV County | 21,709,135 | 25,237,048 | 28,256,491 | 29,816,237 | 29,023,609 | |
| RV County Percent | 4.7306% | 5.0537% | 5.2701% | 5.3348% | 5.1783% | 4.9983% |

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 2008. The level was *down* -1.70% over the prior year to **\$2.80 billion**.

Column 2 shows the estimated California sales tax collections for FY 2009 of **\$2.65 billion, down -5.52%**. This forecast is based upon actual changes in state sales collections that were down -4.51% during the first 4-months of the fiscal year. The October 2008 accruals received in December were off -7.41% indicating a worsening situation. The resulting decline for FY 2009 of -5.52% is thus used. It is a deeper drop than the -4.6% estimated by the normally conservative CA Legislative Analyst's Office.

FY 2010 state tax collections are estimated to slow another -1.7% to **\$2.60 billion**. Again, this forecast is weaker than that of the California Legislative Analyst's Office (+2.8%). Unlike that office, this analyst does not believe that the state will be seeing positive growth in the last two quarters of calendar year 2009 and also anticipates there will be a slight decline in first quarter of 2010 as well. The forecast is thus more conservative than that being used in Sacramento.

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 2008 were multiplied by the county's 5.3348% share of state sales from calendar year 2006. The actual accruals were **\$149,567,813**. The county's Prop

172 revenue accruals were -0.49% below the prior year. Note, this was above the -1.70% decline in state receipts because Riverside County's share of state revenues was up from the prior year's 5.2701%.

| Exhibit 2.-Prop. 172 Tax Receipts Riverside County, FY 2008 to FY 2010 | | | | | | |
|---|------------------------|---------------|----------------------|---------------|-----------------------|---------------|
| 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-07 | 221,217,164 | -1.68% | 11,658,366 | 2.53% | 11,132,387 | 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-07 | 216,975,162 | -7.03% | 11,575,191 | -5.89% | 11,052,964 | -5.89% |
| Nov-07 | 214,906,911 | 7.15% | 11,923,456 | 12.81% | 11,385,517 | 12.81% |
| Dec-07 | 303,623,643 | -2.07% | 16,197,714 | -0.87% | 15,466,938 | -0.87% |
| Jan-08 | 194,313,175 | -8.04% | 10,366,219 | -6.91% | 9,898,536 | -6.91% |
| Feb-08 | 194,222,619 | 2.85% | 10,361,388 | 4.11% | 9,893,923 | 4.11% |
| Mar-08 | 265,021,978 | 3.48% | 14,138,393 | 4.75% | 13,500,525 | 4.75% |
| Apr-08 | 215,196,599 | -4.67% | 11,480,308 | -3.50% | 10,962,362 | -3.50% |
| May-08 | 264,978,670 | -3.72% | 14,136,082 | -2.54% | 13,498,318 | -2.54% |
| Jun-08 | 225,572,922 | -3.21% | 12,033,864 | -2.03% | 11,490,944 | -2.03% |
| FY 08 | \$2,803,625,479 | -1.70% | \$149,567,813 | -0.49% | \$142,819,908 | -0.49% |
| Jul-08 | 219,082,350 | -0.97% | 11,687,605 | 0.25% | 11,160,307 | 0.25% |
| Aug-08 | 212,270,812 | -5.98% | 11,324,223 | -4.83% | 10,813,319 | -4.83% |
| Sep-08 | 251,799,403 | -3.83% | 13,432,995 | -2.65% | 12,826,952 | -2.65% |
| Oct-08 | 200,906,613 | -7.41% | 9,334,413 | -19.36% | 8,913,281 | -19.36% |
| Nov-08 | 198,991,531 | -7.41% | 10,304,378 | -13.58% | 9,839,486 | -13.58% |
| Dec-08 | 281,138,160 | -7.41% | 14,558,177 | -10.12% | 13,901,370 | -10.12% |
| Jan-09 | 183,625,950 | -5.50% | 9,508,703 | -8.27% | 9,079,708 | -8.27% |
| Feb-09 | 183,540,375 | -5.50% | 9,504,271 | -8.27% | 9,075,476 | -8.27% |
| Mar-09 | 250,445,769 | -5.50% | 12,968,833 | -8.27% | 12,383,731 | -8.27% |
| Apr-09 | 203,360,786 | -5.50% | 10,530,632 | -8.27% | 10,055,531 | -8.27% |
| May-09 | 250,404,843 | -5.50% | 12,966,714 | -8.27% | 12,381,707 | -8.27% |
| Jun-09 | 213,166,411 | -5.50% | 11,038,396 | -8.27% | 10,540,388 | -8.27% |
| FY 09 | \$2,648,733,004 | -5.52% | \$137,159,341 | -8.30% | \$130,971,256 | -8.30% |
| Jul-09 | 210,319,056 | -4.00% | 10,512,326 | -10.06% | 10,038,051 | -10.06% |
| Aug-09 | 203,779,980 | -4.00% | 10,185,485 | -10.06% | 9,725,956 | -10.06% |
| Sep-09 | 241,727,427 | -4.00% | 12,082,203 | -10.06% | 11,537,102 | -10.06% |
| Oct-09 | 196,888,481 | -2.00% | 9,841,029 | 5.43% | 9,397,041 | 5.43% |
| Nov-09 | 195,011,700 | -2.00% | 9,747,222 | -5.41% | 9,307,466 | -5.41% |
| Dec-09 | 275,515,396 | -2.00% | 13,771,019 | -5.41% | 13,149,725 | -5.41% |
| Jan-10 | 180,412,496 | -1.75% | 9,017,514 | -5.17% | 8,610,679 | -5.17% |
| Feb-10 | 180,328,418 | -1.75% | 9,013,311 | -5.17% | 8,606,666 | -5.17% |
| Mar-10 | 246,062,968 | -1.75% | 12,298,905 | -5.17% | 11,744,027 | -5.17% |
| Apr-10 | 205,394,394 | 1.00% | 10,266,178 | -2.51% | 9,803,009 | -2.51% |
| May-10 | 252,908,892 | 1.00% | 12,641,083 | -2.51% | 12,070,768 | -2.51% |
| Jun-10 | 215,298,075 | 1.00% | 10,761,191 | -2.51% | 10,275,689 | -2.51% |
| FY 10 | \$2,603,647,284 | -1.70% | \$30,137,464 | -5.12% | \$124,266,179 | -5.12% |

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

- The state's monthly actual & estimated revenue accruals for FY 2009 are multiplied by the county's 5.1783% share from calendar year 2007 to derive Riverside County's estimated annual Prop 172 accruals of \$137,159,341, down -8.330%. The relatively weak forecast is made because California's sales tax collections (*see step #2*) are expected to decline -5.52%. Also, the county's recent retail sales weakness has reduced its share of state tax collections below the 5.3348% in 2006 (*see step #1*) that had been a key element of the FY 2008 formula.
- The state's monthly estimated revenue accruals for FY 2010 are multiplied by the county's 4.983% share estimated for calendar year 2008 to derive Riverside County's fiscal year Prop 172 accruals of \$124,266,179, down -5.12%. The loss will be more than the California's estimate of -1.70% (*step #2*) as the county's share of state sales tax revenues will be smaller than the 5.1783% applied to FY 2009 because its retail sales are expected to again grow slower than those of the state in 2008 (*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 2008, Riverside County government's accruals were \$142,819,908, down -0.49% from the prior fiscal year.
- For FY 2009, Riverside County government's accruals are estimated at \$130,971,256, down -8.30% from the prior fiscal year.
- For FY 2010, Riverside County government's accruals are estimated at \$124,266,179, down -5.12% from the prior fiscal year.

NOTE: In reviewing the analysis it is important to remember that the U.S. government is considering the largest economic stimulus package since the huge deficit budgets of World War II. If this strategy is successful, it should brighten the picture reviewed here.

Economics & Politics, Inc.

961 Creek View Lane
Redlands, CA 92373
(909) 307-9444 Phone
www.johnhusing.com

RIVERSIDE COUNTY TAXABLE SALES

SUMMARY

1. **FY 2008 total taxable transactions in Riverside County were \$28,156,005,000, down -6.1% from the prior fiscal year.** In January 2007, the forecast was for \$29,937,550,000. The forecast was high by \$1,781,545,000, an overestimate of 6.0%. The difference came about because the housing crisis started driving the economy down more than expected.
2. **FY 2009, the county's taxable transactions are estimated at \$26,089,676,000. This would represent a decline of -7.3% from FY 2008.** This forecast is a downward adjustment of \$4,669,011,000 (-15.2%) from the two year FY 2009 estimate of \$30,758,686,000 made in January 2008. Fiscal year 2009 will likely be the roughest year since the Great Depression, a situation far worse than anyone predicted, making this adjustment necessary.
3. **FY 2010, the county's taxable transactions are estimated at \$24,919,487,000.** This would represent a decrease of -4.5% from the FY 2009 estimate. This should be the last major year of the long downturn anticipated in this severe business contraction. If President Obama's massive stimulus package is a success, this part of the sales tax reduction might be avoided.

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 1984 to FY 2008, these variables led to the prediction that Riverside County's FY 2009 taxable sales would be \$28,670,295,000 ± \$5,162,239 with 99% confidence.

Based upon experience, the actual estimate was made deducting 50% of the lower range or \$2,581,119,000. 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 2009 forecast of taxable sales at \$26,089,676,000. This would represent a -7.3% decline from FY 2008.

3. For FY 2010, the correlation was rerun assuming the FY 2009 level in #2. The model led to the forecast that Riverside County's Taxable Retail Sales would be \$27,004,747,000 ± \$5,213,148,000 with 99% confidence.

The analyst is of the opinion that in FY 2010, the county will still see the housing crisis going on, though with the end in sight. For this reason, 40% of the lower range or \$2,085,259,000 was deducted to arrive at the FY 2010 forecast of \$24,919,487,000. This would represent a further -4.5% decrease from the forecast for FY 2009.

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 2008 (*July 1, 2007 to June 30, 2008*) are affected by sales activity from April 1, 2007 to March 31, 2008, etc. Riverside County retail sales for FY 1984 through FY 2008 were compiled using data for these months (*Exhibit 3*).

| Exhibit 3.-Taxable Retail Sales, Riverside County (000), FY 1991 to 2008 | | | | | | | | | | | | | |
|--|------------------|--------------|------------------|--------------|------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|
| Quarter | Sales | Quarter | Sales | Quarter | Sales | Quarter | Sales | Quarter | Sales | Quarter | Sales | Quarter | Sales |
| 1983-2 | 1,004,353 | 1987-2 | 1,705,170 | 1991-2 | 2,237,096 | 1995-2 | 2,611,193 | 1999-2 | 3,787,668 | 2003-2 | 5,414,236 | 2007-2 | 7,445,499 |
| 1983-3 | 992,164 | 1987-3 | 1,593,349 | 1991-3 | 2,175,708 | 1995-3 | 2,488,680 | 1999-3 | 3,647,531 | 2003-3 | 5,371,765 | 2007-3 | 6,856,828 |
| 1983-4 | 1,149,702 | 1987-4 | 1,828,477 | 1991-4 | 2,367,963 | 1995-4 | 2,796,947 | 1999-4 | 4,177,199 | 2003-4 | 5,945,766 | 2007-4 | 7,377,068 |
| 1984-1 | 1,170,466 | 1988-1 | 1,749,817 | 1992-1 | 2,192,630 | 1996-1 | 2,716,830 | 2000-1 | 4,018,142 | 2004-1 | 5,818,529 | 2008-1 | 6,476,610 |
| FY 84 | 4,316,685 | FY 88 | 6,876,813 | FY 92 | 8,973,397 | FY 96 | 10,613,650 | FY 00 | 15,630,540 | FY 04 | 22,550,296 | FY 08 | 28,156,005 |
| 1984-2 | 1,250,522 | 1988-2 | 1,885,874 | 1992-2 | 2,370,201 | 1996-2 | 2,797,788 | 2000-2 | 4,289,030 | 2004-2 | 6,288,751 | 2008-2 | 6,797,588 |
| 1984-3 | 1,136,050 | 1988-3 | 1,807,563 | 1992-3 | 2,188,697 | 1996-3 | 2,648,118 | 2000-3 | 4,087,147 | 2004-3 | 6,245,806 | | |
| 1984-4 | 1,316,908 | 1988-4 | 2,106,627 | 1992-4 | 2,475,905 | 1996-4 | 2,976,125 | 2000-4 | 4,585,130 | 2004-4 | 6,884,062 | | |
| 1985-1 | 1,330,171 | 1989-1 | 2,030,880 | 1993-1 | 2,215,835 | 1997-1 | 2,848,595 | 2001-1 | 4,294,472 | 2005-1 | 6,339,661 | | |
| FY 85 | 5,033,651 | FY 89 | 7,830,944 | FY 93 | 9,250,638 | FY 97 | 11,270,626 | FY 01 | 17,255,779 | FY 05 | 25,758,280 | | |
| 1985-2 | 1,382,156 | 1989-2 | 2,230,560 | 1993-2 | 2,344,444 | 1997-2 | 2,983,676 | 2001-2 | 4,618,996 | 2005-2 | 7,176,851 | | |
| 1985-3 | 1,281,663 | 1989-3 | 2,100,459 | 1993-3 | 2,218,484 | 1997-3 | 2,888,303 | 2001-3 | 4,379,758 | 2005-3 | 7,129,552 | | |
| 1985-4 | 1,408,556 | 1989-4 | 2,434,460 | 1993-4 | 2,496,513 | 1997-4 | 3,251,797 | 2001-4 | 4,938,329 | 2005-4 | 7,610,427 | | |
| 1986-1 | 1,483,880 | 1990-1 | 2,337,479 | 1994-1 | 2,337,918 | 1998-1 | 3,073,621 | 2002-1 | 4,559,989 | 2006-1 | 7,190,512 | | |
| FY 86 | 5,556,255 | FY 90 | 9,102,958 | FY 94 | 9,397,359 | FY 98 | 12,197,397 | FY 02 | 18,497,072 | FY 06 | 29,107,342 | | |
| 1986-2 | 1,424,434 | 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 | | |
| 1986-3 | 1,467,546 | 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 | | |
| 1986-4 | 1,583,026 | 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 | | |
| 1987-1 | 1,613,825 | 1991-1 | 2,130,354 | 1995-1 | 2,423,798 | 1999-1 | 3,464,547 | 2003-1 | 4,977,368 | 2007-1 | 7,344,214 | | |
| FY 87 | 6,088,831 | FY 91 | 9,315,506 | FY 95 | 9,900,413 | FY 99 | 13,531,780 | FY 03 | 19,916,373 | FY 07 | 29,969,939 | | |

Note: 1. FY 08 applies to 2nd Quarter-07 to 1st Quarter-08 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 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 2008 (*Exhibit 5*). To be very specific, the equation that resulted from this work was:

$$\text{Taxable Sales (000)}_{(t)} = (-12,346,260,000) + 31.53 * \text{Employment}_{(t-1)}$$

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

For FY 2009, the result was \$28,670,295,000 plus or minus \$5,162,239 with 99% confidence.

Exhibit 4.-Taxable Sales Forecast, Riverside County, FY 2009-FY 2010 Forecast

| R squared | 95.0% | 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 1983 | 452,767 | 4,316,685 | FY 1984 | | 1,930,766 | (2,385,919) | -55.3% |
| FY 1984 | 472,600 | 5,033,651 | FY 1985 | 16.6% | 2,556,167 | (2,477,484) | -49.2% |
| FY 1985 | 505,883 | 5,556,255 | FY 1986 | 10.4% | 3,605,686 | (1,950,569) | -35.1% |
| FY 1986 | 546,175 | 6,088,831 | FY 1987 | 9.6% | 4,876,197 | (1,212,634) | -19.9% |
| FY 1987 | 583,483 | 6,876,813 | FY 1988 | 12.9% | 6,052,635 | (824,178) | -12.0% |
| FY 1988 | 620,158 | 7,830,944 | FY 1989 | 13.9% | 7,209,103 | (621,841) | -7.9% |
| FY 1989 | 656,267 | 9,102,958 | FY 1990 | 16.2% | 8,347,701 | (755,257) | -8.3% |
| FY 1990 | 702,467 | 9,315,506 | FY 1991 | 2.3% | 9,804,519 | 489,013 | 5.2% |
| FY 1991 | 739,517 | 8,973,397 | FY 1992 | -3.7% | 10,972,811 | 1,999,414 | 22.3% |
| FY 1992 | 743,642 | 9,250,638 | FY 1993 | 3.1% | 11,102,884 | 1,852,246 | 20.0% |
| FY 1993 | 752,250 | 9,397,359 | FY 1994 | 1.6% | 11,374,330 | 1,976,971 | 21.0% |
| FY 1994 | 757,558 | 9,900,413 | FY 1995 | 5.4% | 11,541,717 | 1,641,304 | 16.6% |
| FY 1995 | 780,967 | 10,613,650 | FY 1996 | 7.2% | 12,279,859 | 1,666,209 | 15.7% |
| FY 1996 | 807,858 | 11,270,626 | FY 1997 | 6.2% | 13,127,809 | 1,857,183 | 16.5% |
| FY 1997 | 832,700 | 12,197,397 | FY 1998 | 8.2% | 13,911,148 | 1,713,751 | 14.1% |
| FY 1998 | 870,925 | 13,531,780 | FY 1999 | 10.9% | 15,116,491 | 1,584,711 | 11.7% |
| FY 1999 | 916,692 | 15,630,540 | FY 2000 | 15.5% | 16,559,645 | 929,105 | 5.9% |
| FY 2000 | 975,158 | 17,255,779 | FY 2001 | 10.4% | 18,403,266 | 1,147,487 | 6.6% |
| FY 2001 | 1,021,258 | 18,497,072 | FY 2002 | 7.2% | 19,856,930 | 1,359,858 | 7.4% |
| FY 2002 | 1,057,342 | 19,916,373 | FY 2003 | 7.7% | 20,994,741 | 1,078,368 | 5.4% |
| FY 2003 | 1,093,683 | 22,550,296 | FY 2004 | 13.2% | 22,140,697 | (409,599) | -1.8% |
| FY 2004 | 1,131,417 | 25,758,280 | FY 2005 | 14.2% | 23,330,537 | (2,427,743) | -9.4% |
| FY 2005 | 1,194,967 | 29,107,342 | FY 2006 | 13.0% | 25,334,450 | (3,772,892) | -13.0% |
| FY 2006 | 1,254,933 | 29,969,939 | FY 2007 | 3.0% | 27,225,370 | (2,744,569) | -9.2% |
| FY 2007 | 1,293,550 | 28,156,005 | FY 2008 | -6.1% | 28,443,073 | 287,068 | 1.0% |
| FY 2008 | 1,300,772 | 26,089,676 | FY 2009e | -7.3% | | | |
| FY 2009 | 1,260,279 | 24,919,487 | FY 2010e | -4.5% | | | |

Note: Fiscal Year 08 applies to 2nd Quarter-07 to 1st Quarter-08 due to lag between time of sales and when county revenues affected

As indicated, the analysis was rerun assuming the validity of the FY 2009 estimates. It yielded:

$$\text{Taxable Sales (000)}_{(t)} = (-11,847,808,000) + 30.83 * \text{Employment}_{(t-1)}$$

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

For FY 2010, the result: \$27,004,747,000 plus or minus \$5,213,148,000 with 99% confidence.

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 2009 and FY 2010:

1. Block #1 of Exhibit 4 shows Inland Empire Wage & Salary data. Note each row shows data lagged by one year.
2. Block #2 shows the history of Riverside County taxable sales taken from Exhibit 3.
3. Block #3 shows the annual fiscal year of Riverside County Retail Sales estimates from the model for FY 1984 to FY 2010.

WHAT ARE THE RETAIL SALES FORECASTS FOR FY 2009 & FY 2010?

At the bottom of Block #2 of Exhibit 4, estimates are shown for taxable sales in FY 2009 at **\$26,089,676,000** and FY 2010 at **\$24,919,487,000**. They were derived as follows:

1. As indicated, for FY 2009, the model yielded an estimate of Riverside County 'sretail sales at \$28,670,295,000 ± \$5,162,239,000. As indicated above, the county's deepening recession is having a commensurate impact on retail sales. Thus, the actual estimate was made deducting 50% of the lower range or \$2,581,119,000. This yielded the forecast of **\$26,089,676,000** for FY 2009 Riverside County's taxable sales, a -7.3% decline from FY 2008.

TECHNICAL DATA ON MODEL

The R² was 95.0%. Using the t-statistic, with 24 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 \$1,839,059,000, and 23 degrees of freedom, 99% confidence was found at ± \$5,162,239,000 using a student t value of 2.807.

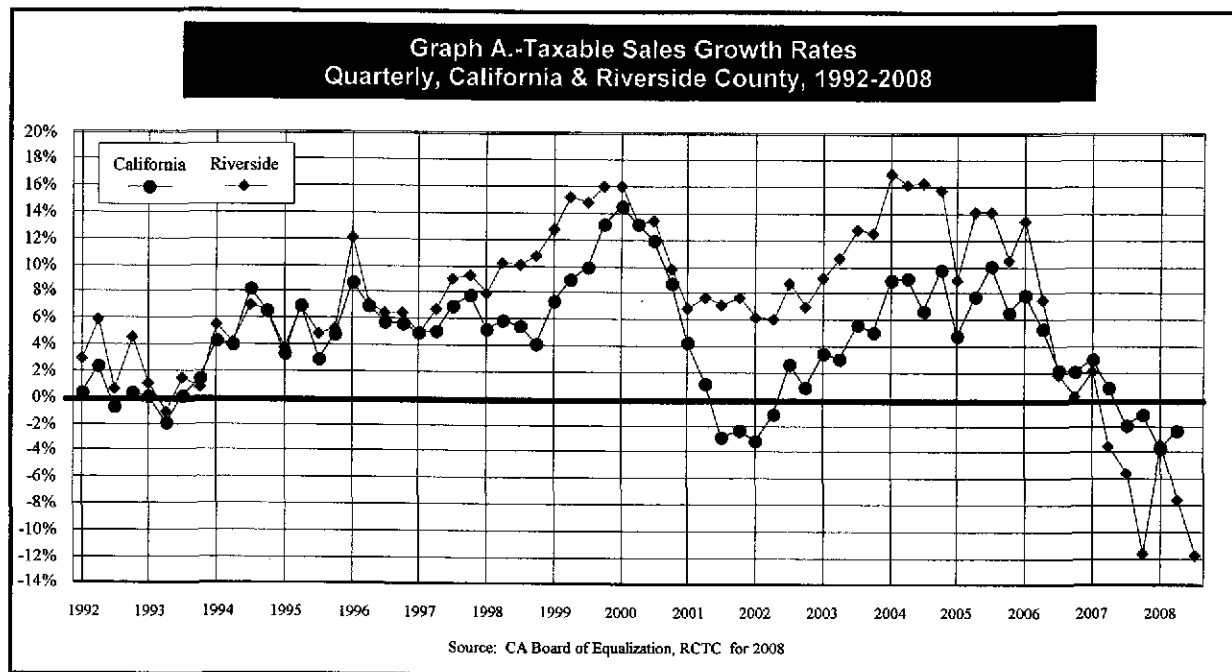
2. In FY 2010, the model was rerun assuming the accuracy of the FY 2009 estimate. It yielded an estimate of \$27,004,747,000 ± \$5,213,148,000. The analyst believes that during FY 2010, the county will be in the housing crisis but with the end in sight. For this reason, 40% of the lower range or \$2,085,259,000 was deducted. This yielded the forecast of **\$24,919,487,000** for FY 2010 Riverside County taxable sales, a -4.5% decrease over the FY 2009 forecast.

DOES DATA EXIST THAT GIVES INSIGHT INTO HOW WELL FY 2008 RIVERSIDE COUNTY TAXABLE SALES MAY PERFORM?

There is, as yet, one quarter's data available on FY 2009 for Riverside County. The Riverside County Transportation Commission shows revenue from that period off -8.7%. Meanwhile, Graph 1 shows that Riverside County can no longer expect to outperform the state (*Graph 1*):

- In 2nd quarter 2007: California's growth was +0.9%; Riverside County's rate was -3.9%.
- In 3rd quarter 2007: California's decline was -1.9%; the county's rate was -5.5%.
- In 4th quarter 2007: California's decline was -1.2%, the county's rate was -11.6% according to data from the Riverside County Transportation Commission.
- In 1st quarter 2008, California's decline was -3.7%; the county's rate was slightly better at -3.4% (*RCTC*).
- In 2nd quarter 2008, California's decline was -2.3%; the county's was -7.6% (*RCTC*).

The recent weak performance by the county reflects the fact that the Inland Empire's economic base is heavily dependent upon construction money flowing into the region.



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 2009 and FY 2010. 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*). 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. However, it reversed again in FY 2008 primarily because very strong merchandise sales in unincorporated Riverside County overcame reductions in building materials and the industrial group.

| Exhibit 5.-Riverside County vs. County Government Sales Taxes, FY 99-FY 08 | | | | | |
|--|------------|-------------------|--------------------|----------|--|
| 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 | |
| FY 08 | -6.1% | 8.9% | 14.7% | 1.46 | |

Source: CA Board of Equalization, Hinderliter de LLamas

Given the wide variation, it has been the practice to assume that the countywide and county government taxable sales growth would be approximately the same. This convention is used for the county government forecasts of retail sales revenue growth of -7.3% for FY 2009 and -4.5% for FY 2010 (*footnotes: Exhibit 7, next section*). Note that FY 2009's first quarter (*second quarter sales in FY 2008*) showed a decline of -9.7% from that period of the prior year.

Economics & Politics, Inc.

961 Creek View Lane
 Redlands, CA 92373
 (909) 307-9444 Phone
 john@johnhusing.com
 www.johnhusing.com

UNINCORPORATED RIVERSIDE COUNTY SALES TAX REVENUE, FY 2009 & FY 2010

SUMMARY

1. **FY 2008 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, was \$37,739,553, up 8.9% from FY 2007.** The forecast was for \$34,936,692. The forecast error was \$2,802,591 (8.0%). *Another \$3,535,450 came from county & state pools. The estimate was \$4,017,751.* The main error occurred because of what appeared to be a one time discount general merchandise stores leap in unincorporated Riverside County from FY 2007-FY 2008. This overcame a steep decline in building material sales (-\$1.4 million) and industrial sales (-\$428 million).
2. **FY 2009 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, is forecasted to be \$32,129,527, down -7.3%.** The original long term estimate for the fiscal year was \$35,880,260. The lower anticipated FY 2009 revenues are the result of the expectation of a continuation of the severe recession now affecting Riverside County. The growth slowdown is estimated to equal the anticipated county-wide reduction of -7.3% in FY 2009. *Another \$3,212,953 is forecasted for the county & state pools which recently dropped from a long term average of 11.5% of county revenues to 9.4%. A 10.0% factor was assumed here.*
3. **FY 2010 revenue from unincorporated area taxable sales, exclusive of county & state pool funds, is forecasted to be \$30,683,699, down -4.5%.** The estimate is equal to the anticipated countywide decline of -4.5% in FY 2010. *Another \$3,068,370 is expected from the county & state pools using the 10.0% factor relative to county revenues.* This weak period is forecasted as the recession is expected to linger. The forecast will need to change if the massive stimulus package proposed by President Obama is effective.

ANALYSIS

These conclusions were developed based upon the considerations below. Again, in reviewing the analysis, it is important to remember that the U.S. government is considering the largest stimulus package since the huge deficit budgets of World War II. If this strategy is successful, it should brighten the picture reviewed here.

HOW HAS UNINCORPORATED RIVERSIDE COUNTY'S SALES TAX REVENUE CHANGED SINCE FY 2001?

Exhibit 6 shows unincorporated Riverside County's sales tax revenue since FY 2001, 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 2008 is made up of Quarters 3-4 of 2007 and Quarters 1-2 of 2008. However, since taxes are not collected until the quarter after sales occur, the actual period of sales for FY 2008 are Quarters 2-3-4 of 2007 and Quarter 1 of 2008 (*April 1, 2007-March 31, 2008*).

| Exhibit 6.-Taxable Sales Revenue, Riverside Co. Unincorporated, Fiscal Years 2001-2008 | | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| Retail Sector | FY 01 | FY 02 | FY 03 | FY 04 | FY 05 | FY 06 | FY 07 | FY 08 | FY 07-08 | Change |
| Apparel Stores | 1,721,934 | 1,776,000 | 1,994,910 | 2,387,037 | 2,928,941 | 3,038,506 | 3,432,941 | 3,680,010 | 247,069 | 7.2% |
| Gn. Merchandise | 635,677 | 642,437 | 729,304 | 903,557 | 1,468,671 | 1,300,278 | 1,368,047 | 5,311,739 | 3,943,692 | 288.3% |
| Specialty Stores | 898,210 | 902,009 | 1,027,465 | 1,002,307 | 1,312,344 | 1,459,304 | 1,592,810 | 1,723,375 | 130,565 | 8.2% |
| Food Stores | 1,692,639 | 1,774,434 | 2,020,845 | 1,977,572 | 2,156,264 | 2,485,178 | 2,669,047 | 3,037,006 | 367,959 | 13.8% |
| Eating & Drink | 1,381,903 | 1,504,414 | 1,534,785 | 1,764,595 | 2,034,384 | 2,339,949 | 2,398,640 | 2,465,593 | 66,953 | 2.8% |
| Building Related | 5,032,261 | 4,983,595 | 5,434,705 | 6,588,940 | 9,261,554 | 11,239,690 | 10,136,462 | 8,655,084 | (1,481,378) | -14.6% |
| Vehicle | 4,284,236 | 4,115,319 | 4,731,408 | 5,410,138 | 6,355,287 | 7,970,182 | 8,301,568 | 8,172,517 | (129,051) | -1.6% |
| Personal Service | 825,903 | 827,154 | 867,458 | 999,789 | 1,168,119 | 1,352,097 | 1,686,067 | 1,518,867 | (167,200) | -9.9% |
| Industrial | 1,689,199 | 1,946,801 | 2,009,383 | 2,104,447 | 2,155,667 | 2,557,138 | 2,588,813 | 2,160,665 | (428,148) | -16.5% |
| Other | 359,191 | 300,351 | 220,404 | 843,963 | 214,423 | 1,092,385 | 448,564 | 979,015 | 530,451 | 118.3% |
| Part Time | 59,476 | 55,313 | 51,628 | 47,049 | 48,855 | 46,930 | 36,724 | 32,540 | (4,185) | -11.4% |
| State Adjust. | 50,603 | 74,286 | (26,794) | (2,523) | 1,066 | 40,741 | 0 | 3,142 | 3,142 | NA |
| TOTAL | \$18,631,230 | \$18,902,114 | \$20,595,502 | \$24,026,870 | \$29,105,575 | \$34,922,379 | \$34,659,684 | \$37,739,553 | \$3,079,869 | 8.9% |
| Unincorporated¹ | 11.4% | 1.5% | 9.0% | 16.7% | 21.1% | 20.0% | -0.8% | 8.9% | | |
| Full County | 10.4% | 7.2% | 7.7% | 12.0% | 16.3% | 11.2% | 2.0% | -6.1% | | |
| Notes: 1. Forecast at percentages of Riverside Co. growth forecasts: | | | | | | 100.0% | -7.3% | | 100.0% | -4.5% |
| 2. Forecasts: | | | | | FY 2009: | \$32,129,527 | -7.3% | FY 2010: | \$30,683,699 | -4.5% |

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 09 & FY 10. The growth is assumed to occur at the same rate as countywide retail sales taxes. Thus, the rates are: **FY 09 = -7.3%** and **FY 10 = -4.5%**. For a while, the county government's sales taxes had tended to outgrow the countywide retail sales rate. However, going forward that advantage is assumed to be lost as the economy sinks deeper into recession.

1. The county government sales tax revenue estimate for FY 2009 is thus forecasted as **-7.3%** below the \$37,739,553 in FY 2008, or **\$32,129,527**. In addition, the county will receive an estimated \$3,212,953 in county and state pool funds for a total of \$35,342,480. These pools had run at 11.5% of locally generated funds but that fell to 9.4% in FY 2008. it is assumed at 10.0% here.
2. County government's sales tax revenue estimate for FY 2010 is forecasted at **-4.5%** below the \$32,129,527 estimated for FY 2009 or **\$30,683,699**. Also at 10%, the county will receive an estimated \$3,068,370 in county and state pool funds for a \$33,372,069 total.

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 2008, while county retail tax revenue was up 8.9%, the table shows that quarterly growth were mostly about equal to the same quarters of the prior year, except for one odd period:

1. In the first quarter relevant to FY 2008 (*April 1, 2007 to June 30, 2007*), unincorporated sales tax revenues grew **2.9%** from the same period of FY 2007.
2. In FY 2008's second relevant quarter (*July 1, 2007 to September 30, 2007*), revenues grew soared 33.1% from that quarter of 2007 due to an odd increase in a single sector.
3. In FY 2008's third relevant quarter (*October 1, 2007 to December 31, 2007*), unincorporated sales tax revenues were below that period of the prior year by -1.1%.
4. Interestingly, in FY 2008's fourth relevant quarter (*January 1, 2008 to March 31, 2008*), unincorporated retail sales tax revenues were 0.9% above that period of the prior year.

Importantly, in the early part of FY 2009, the county's retail collections slowed:

5. In the first quarter relevant to FY 2009 (*April 1, 2008 to June 30, 2008*), unincorporated sales tax revenues were **-9.7%** below the same period of FY 2008.

| Exhibit 7.-Taxable Retail Sales Revenue, FY 2008 – FY 2009 Riverside County Unincorporated, By Quarter | | | | | | |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|
| When Sales Occurred: | 1-07 | FY 2008 | | | | FY 2009 |
| | | 2-07 | 3-07 | 4-07 | 1-08 | 2-08 |
| When Revenues Affected: | 2nd | 3rd | 4th | 1st | 2nd | 3rd |
| Apparel Stores Group | 957,934 | 820,629 | 1,106,083 | 841,376 | 911,922 | 836,149 |
| General Merchandise Group | 336,555 | 574,502 | 3,534,066 | 570,933 | 632,238 | 579,370 |
| Specialty Stores Group | 425,044 | 449,832 | 452,248 | 399,660 | 421,635 | 484,788 |
| Food Stores | 698,108 | 769,767 | 614,306 | 782,769 | 870,164 | 774,110 |
| Eating & Drinking Group | 604,243 | 601,749 | 597,327 | 635,321 | 631,195 | 757,076 |
| Building Related Group | 2,414,128 | 2,401,348 | 2,133,006 | 2,156,393 | 1,984,337 | 1,753,838 |
| Vehicle Group | 2,041,759 | 2,022,687 | 1,858,415 | 2,073,292 | 2,218,122 | 2,023,376 |
| Personal Service Group | 437,564 | 384,123 | 342,355 | 345,029 | 447,360 | 321,494 |
| Industrial Group | 698,264 | 572,022 | 523,377 | 470,601 | 594,665 | 579,063 |
| Other | 119,990 | 532,843 | 214,848 | 105,672 | 125,652 | 135,614 |
| Part Time Permittees | 9,074 | 7,237 | 11,134 | 6,717 | 7,451 | 6,914 |
| State Adjust & Rounding | 0 | 355 | 1,616 | 1,024 | 148 | 493 |
| TOTAL | 8,742,662 | 9,137,095 | 11,388,781 | 8,388,788 | 8,824,889 | 8,252,285 |
| % Change from prior FY | 7.0% | 2.9% | 33.1% | -1.1% | 0.9% | -9.7% |

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

Economics & Politics, Inc.

961 Creek View Lane
 Redlands, CA 92373
 (909) 307-9444 Phone
 john@johnhusing.com
 www.johnhusing.com

ASSESSED VALUATION ESTIMATE RIVERSIDE COUNTY, FY 2010

By John E. Husing, Ph.D.

SUMMARY

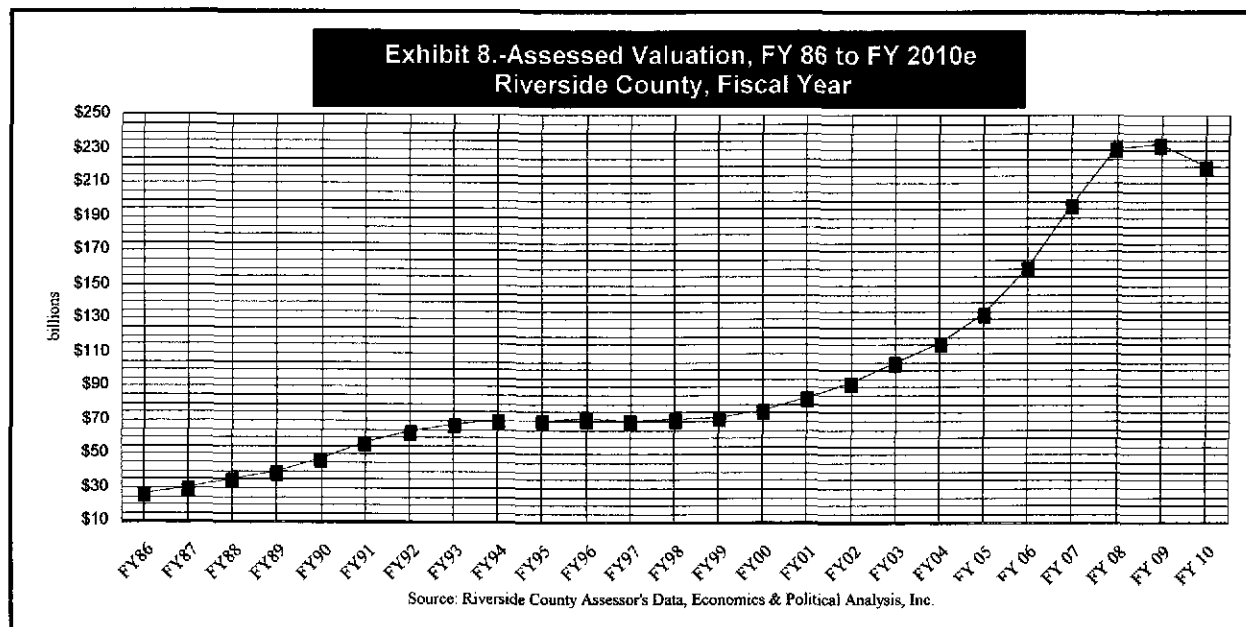
1. Riverside County Fiscal Year 2009 assessed valuation was **\$233.7 billion**, up **\$2.6 billion** from \$231.1 billion in FY 2008 (*1.1%*). Economics & Politics, Inc.'s estimate for FY 2008 was \$240.5 billion (*4.0%*). The forecast error was \$6.8 billion too high or 2.8%. Fundamentally, the overestimate occurred because the deduction for Proposition 8 was estimated at \$7.0 billion when the actual deduction was \$16.2 billion as the market deteriorated substantially after the estimates were made.
2. **FY 2010 assessed valuation is forecasted at \$220.4 billion, down **-\$13.3 billion** from FY 2009 or **-5.7%**.**

Riverside County's real estate markets have weakened considerably due to the severe downturn occurring in the housing industry. Residential sales have weakened and home values have decline substantially. Industrial leasing has also fallen with the decline in import activities at the ports of Los Angeles and Long Beach. Office market leasing has begun to decline with the withdrawal of escrow, title, home insurance and construction headquarters operations.

This forecast was made assuming about 66% of an estimated 100,000 reappraisal and 29% of 14,000 newly permitted work was put on the books by December 24, 2008. Last year, by December 22, 2007, those figures were respectively 60% of 80,000 and 67% of 28,000. Thus, the number of properties to be revalued after December 24th is roughly the same as last year. Last year, at mid-year, the assessment roll had increased \$8.3 billion by mid-year from these two sources with \$6.8 billion added afterward. This year, at mid-year, it had decreased \$1.0 billion from these two sources with an addition decrease of \$1.0 billion anticipated from the additional appraisal work. **Meanwhile, it was assumed that the downturn would cause Prop 8 revaluations of an additional \$14.3 billion taking the cumulative total to \$30.5 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 2010, Riverside County's assessed valuation is forecasted to change by **\$13,319,367,088** (*-5.7%*) to reach **\$220,386,781,619**. As a result, assessed valuation will have only the second percentage decline since 1986, the other being in FY 1997 (*-0.9%*) (*Exhibits 8-9*). [Note: This does not include the personal property change which is annually a small part of the shift.]



This outcome is forecasted based upon the 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 \$14.2 billion upward shift in the Prop 8 adjustment to \$30.5 billion. Below, the detailed calculations are outlined.

| Exhibit 9.-Assessed Valuation Growth, FY 1986 TO FY 2010e | | | | | | |
|--|------------|----------------|-----------------|------------------|------------------|---------|
| Fiscal Year | Date | Land | Structures | Total | Change | %Change |
| FY86 | 07/01/85 | 10,370,679,230 | 16,617,241,727 | \$26,987,920,957 | \$3,191,571,000 | 13.4% |
| FY87 | 07/01/86 | 11,519,495,788 | 18,765,081,988 | 30,284,577,776 | 3,296,656,819 | 12.2% |
| FY88 | 07/01/87 | 13,219,728,694 | 21,786,972,156 | 35,006,700,850 | 4,722,123,074 | 15.6% |
| FY89 | 07/01/88 | 15,002,752,216 | 24,515,246,334 | 39,517,998,550 | 4,511,297,700 | 12.9% |
| FY90 | 07/01/89 | 17,609,382,949 | 29,302,126,908 | 46,911,509,857 | 7,393,511,307 | 18.7% |
| FY91 | 07/01/90 | 21,820,061,995 | 34,945,187,611 | 56,765,249,606 | 9,853,739,749 | 21.0% |
| FY92 | 07/01/91 | 24,639,885,741 | 39,091,910,429 | 63,731,796,170 | 6,966,546,564 | 12.3% |
| FY93 | 07/01/92 | 26,111,965,577 | 41,716,605,229 | 67,828,570,806 | 4,096,774,636 | 6.4% |
| FY94 | 07/01/93 | 27,091,217,872 | 43,217,810,618 | 70,309,028,490 | 2,480,457,684 | 3.7% |
| FY95 | 07/01/94 | 7,156,125,625 | 43,352,238,815 | 70,508,364,440 | 199,335,950 | 0.3% |
| FY96 | 07/01/95 | 27,028,211,924 | 43,599,485,755 | 70,627,697,679 | 119,333,239 | 0.2% |
| FY97 | 07/01/96 | 26,539,556,675 | 43,435,107,342 | 69,974,664,017 | (653,033,662) | -0.9% |
| FY98 | 07/01/97 | 26,604,125,285 | 44,580,146,245 | 71,184,271,530 | 1,209,607,513 | 1.7% |
| FY99 | 07/01/98 | 26,354,678,254 | 45,502,640,195 | 71,857,318,449 | 673,046,919 | 0.9% |
| FY2000 | 07/01/99 | 27,570,773,518 | 48,622,740,269 | 76,193,513,787 | 4,336,195,338 | 6.0% |
| FY2001 | 07/01/00 | 29,652,573,690 | 54,510,507,750 | 84,163,081,440 | 7,969,567,653 | 10.5% |
| FY2002 | 07/01/01 | 32,043,484,668 | 61,013,239,173 | 93,056,723,841 | 8,893,642,401 | 10.6% |
| FY2003 | 07/01/02 | 35,014,544,283 | 69,219,621,221 | 104,234,165,504 | 11,177,441,663 | 12.0% |
| FY2004 | 07/01/03 | 38,469,436,701 | 78,067,384,039 | 116,536,820,740 | 12,302,655,236 | 11.8% |
| FY2005 | 07/01/04 | 43,783,094,202 | 89,743,256,172 | 133,526,350,374 | 16,989,529,634 | 14.6% |
| FY 2006 | 07/01/05 | 52,383,421,211 | 108,106,474,744 | 160,489,895,955 | 26,963,545,581 | 20.2% |
| FY 2007 | 07/01/2006 | 66,060,463,091 | 131,747,869,869 | 197,808,332,960 | 37,318,437,005 | 23.3% |
| FY 2008 | 07/01/2007 | 76,838,721,323 | 154,308,467,223 | 231,147,188,546 | 33,338,855,586 | 16.9% |
| FY 2009 | 07/01/2008 | 82,800,159,346 | 150,905,989,361 | 233,706,148,707 | 2,558,960,161 | 1.1% |
| FY 2010e | | | | 220,386,781,619 | (13,319,367,088) | -5.7% |

1. Riverside County's prior year assessed valuation, FY 2009, was **\$233,706,148,707**. This amount is divided into valuation categories in Exhibit 10.

| Exhibit 10.-Assessed Valuation by Category Riverside County, FY 2009 | |
|---|------------------------|
| Type of Property | Assessed Value |
| Land | 149,933,153,647 |
| Structures | 898,037,635 |
| Business Fixtures | 74,798,079 |
| Trees & Vines | 150,905,989,361 |
| TOTAL FY 2009 | 233,706,148,707 |

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*):
- The business fixture assessment is deducted. The entire amount is re-estimated during the spring of the next calendar year. This deduction was \$898,037,635.
 - Prior Fiscal Year's remaining Prop 8 deduction is added back into the base. This was \$16,245,114,324.
 - 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 \$3,108,883,699.

The starting point for estimating the FY 2010 assessed valuation is **\$252,162,109,095**.

| Exhibit 11.-Initial Adjustments to Assessed Valuation Riverside County, FY 2010 | |
|--|------------------------|
| Adjustments | Assessed Value |
| FY 2009 Assessed Value | 233,706,148,707 |
| <i>Deduct</i> Fixtures | 898,037,635 |
| | 232,808,111,072 |
| <i>Add back</i> Cumulative Prop 8 | 16,245,114,324 |
| | 249,053,225,396 |
| <i>Add</i> Prop 13 (67% of parcels) | 3,108,883,699 |
| FY 2010 Initial Valuation | 252,162,109,095 |

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 31, 2007, this work had caused the Riverside County assessment roll to rise above its starting point. Excluding business fixtures (\$37,480), valuation went from \$252,162,109,095 in Exhibit 11 to \$251,120,368,421 (*not shown*), a change of **-\$1,041,780,674**. When all work is completed, FY 2010 reappraisals are expected to fall an equal amount with the total reduction from this source from the FY 2009 level of **-\$2,083,561,347**. The logic behind this prediction is:
- According to Exhibit 12, it is estimated that the FY 2010 assessed valuation will be impacted by 100,000 reappraisals due to ownership changes, up 23.8% from FY 2009. Of these, 66,000 or **66%** were completed as of December 31st. Last year, 59.5% was completed by December 6th (*see Exhibit 12*).

| Exhibit 12.-Change Of Ownership Reappraisal Work Completed For FY 2009 | | | | | | | |
|--|------------------|--------------|------------------|-------------|------------------|--------------|------------------|
| FY 2009 | | | | FY 2008 | | | |
| Report Date | Estimated Annual | Year to Date | Percent Complete | Report Date | Estimated Annual | Year to Date | Percent Complete |
| | 100,000 | | | | 80,769 | | |
| 11/21/2008 | 100,000 | 48,022 | 48.0% | | 80,769 | | |
| 12/24/2008 | 100,000 | 66,000 | 66.0% | 12/06/2007 | 80,769 | 48,022 | 59.5% |

- B. According to Exhibit 13, it is estimated that the FY 2010 assessed valuation will be impacted by just 14,000 reappraisals due to *new construction or refurbishing*, down 50.6% from FY 2009. Of these, 4,060 were completed as of December 24th or 29%. Last year, 67.7% were completed by December 6th.

| Exhibit 13.-New Construction & Refurbishing Reappraisals Completed For FY 2009 | | | | | | | |
|--|------------------|--------------|------------------|-------------|------------------|--------------|------------------|
| FY 2009 | | | | FY 2008 | | | |
| Report Date | Estimated Annual | Year to Date | Percent Complete | Report Date | Estimated Annual | Year to Date | Percent Complete |
| | 14,000 | | | | 28,352 | | |
| 11/21/2008 | 14,000 | | | | 28,352 | | |
| 12/24/2008 | 14,000 | 4,060 | 29.0% | 12/06/2007 | 28,352 | 19,187 | 67.7% |

- C. Combining Exhibits 12 & 13, Riverside County expected that the FY 2009 assessed valuation to be impacted by the reappraisal of 114,000 parcels with either ownership changes or new construction. The figure last year was 109,121 so the estimated number represents a -4.5% downward adjustment in the volume of parcels to be considered. Given that estimate, Steps #A and #B showed that 70,060 or 61.5% were completed by December 24, 2008 (*last year the figure was 61.6% by December 6th*).
- D. With an estimated 61.5% of the work on reappraisals completed, Riverside County's FY 2010 assessed valuation base decreased by **-\$1,041,780,674**.
- E. With 61.5% of the reappraisal work completed, there is 38.5% left to be completed for FY 2010. If the valuation continued changing in proportion to what had been done, it would decrease another 38.5% or \$653,380,571,559. However, it is assumed here that the continuing decline in property values will cause the figure to be another decline of **-\$1,041,780,674** (*Exhibit 14*). That conservative assumption is in keeping with the recent tendency for calculations to underestimate the size of shifts in the second half of the assessment work.
- F. This would bring the total change in valuation to - **\$2,083,561,347** (*Exhibit 14 line 2*).

| Exhibit 14.-Assessed Valuation Calculation Riverside County, FY 2010 | |
|---|-------------------|
| Adjustments | Assessed Value |
| FY 2009 Valuation | 233,706,148,707 |
| add Change from Reappraisals | (\$2,083,561,347) |
| | 231,622,587,360 |
| add Prop 13 (deduction made: 2.0% allowed) | 3,108,883,699 |
| | 234,731,471,058 |
| add Change in Business Fixture Valuation (2.5%) | (89,803,764) |
| | 234,641,667,295 |
| decrease from additional Prop 8 | (14,254,885,676) |
| FY 2010 Assessed Valuation (estimate) | 220,386,781,619 |
| FY 2009 Assessed Valuation | 233,706,148,707 |
| Change | (13,319,367,088) |
| Percent Change | -5.7% |

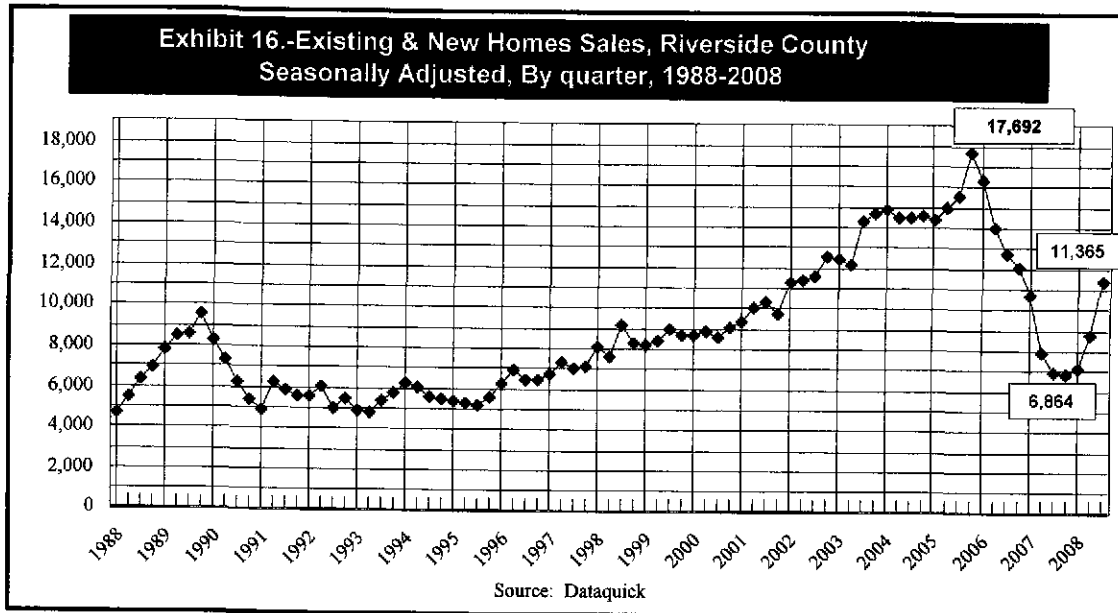
4. For FY 2010, Riverside County's assessed valuation figure will not require a second adjustment due to California's inflation rate. In 2008, prices in California rose far over the 2.0% pace that is the upward limit for adjusting property values under Proposition 13. The full \$3,108,883,699 estimated increase in the roll will thus apply to FY 2010.
5. Riverside County's assessed valuation has not been helped by changes in its fixture valuation. In FY 2009, the fixture valuation went from \$901,300,558 to \$898,037,635, a decrease of \$3,262,923 or -0.4%. For FY 2010, it is assumed that the number will fall by -10.% to \$808,233,872, or -\$89,803,764 change in the fixture valuation.
6. Finally, it is estimated that by the beginning of FY 2010, the increase in Prop 8 reappraisals in Riverside County will be \$14,254,885,676, the deduction for this change is the result of the housing market's serious difficulties due to foreclosures dominating sales.
7. In Exhibit 14, it is estimated that the assumptions outlined above will result in a FY 2010 assessed valuation of \$220,386,781,619, a change of -\$13,319,367,088 (-5.7%) from FY 2009. This is the worst performance for assessed valuation prior to 1980.

| Exhibit 15.- Elements of Assessed Valuation Change, FY 2009 | | | |
|---|---------------|---------------------------|---------------|
| Categories | | Adjustments | Share |
| Reappraisals | | (2,083,561,347) | 15.6% |
| Prop 13 (2%) | 3,108,883,699 | | |
| deduct Prop 13 under 2% | 0 | | |
| Net Prop 13 Increase | | 3,108,883,699 | -23.3% |
| Fixture Valuation Change | | (89,803,764) | 0.7% |
| Prop 8 Change (shrinkage) | | (14,254,885,676) | 107.0% |
| FY 2009 Net Change | | <u>(\$13,319,367,088)</u> | <u>100.0%</u> |

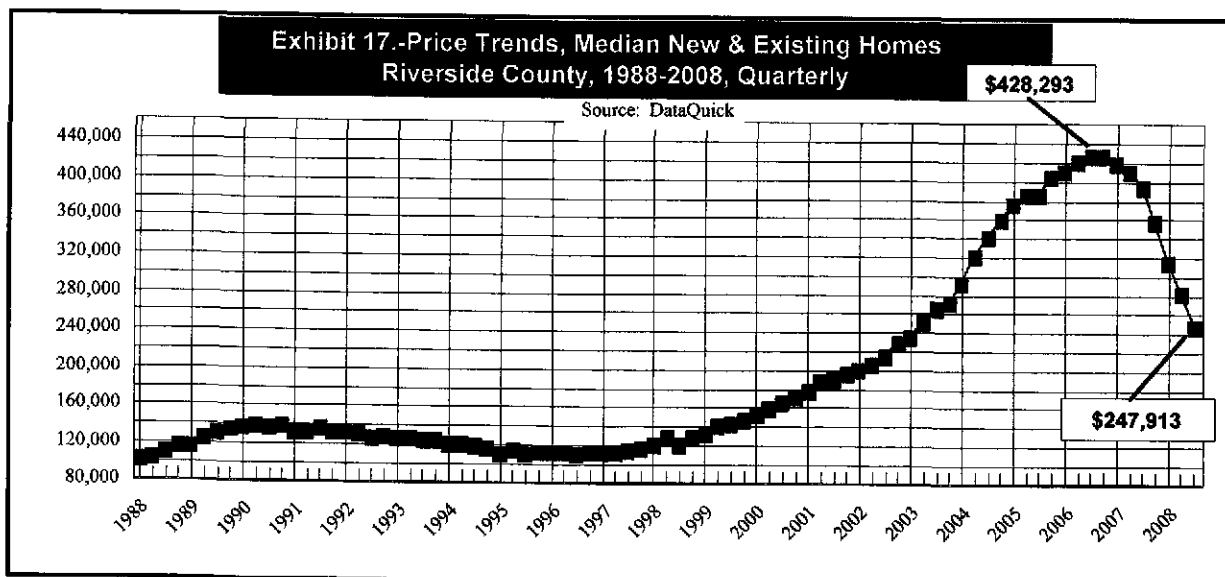
8. In Exhibit 15, the range of factors that resulted in the -\$13,319,367,088 (-5.7%) change in valuation between FY 2009 and FY 2010 are detailed.

SECONDARY INFORMATION

Riverside County's net Assessed Valuation change in FY 2010 is estimated at **-\$13,319,367,088 (-5.7%)** over FY 2009. The absolute decrease will be likely the highest in the county's history. The rate of decrease of -5.7% will be first time since 1980, the other being FY 1997 (-0.9%), that the assessed valuation has fallen. Secondary information on Riverside County's real estate supports this forecast.

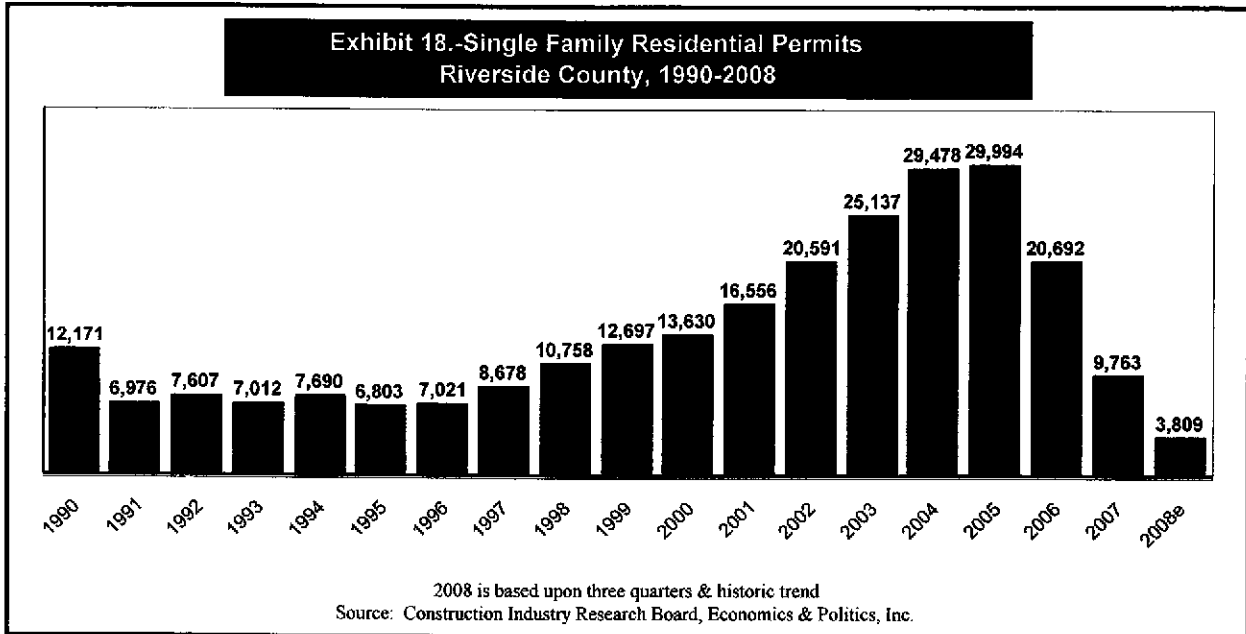


- A. Home Sales.** Riverside County's new and existing home sales were a seasonally adjusted record of 17,692 units in 4th quarter 2005. They began plunging, reaching a low of 6,864 units in 4th quarter 2007. At that point, foreclosure sales began in earnest causing volume to jump, reaching 11,365 seasonally adjusted units by 3rd quarter 2008 (*Exhibit 16*). However, 65% to 70% of those sales were foreclosure sales. This is bringing down the comparables used for assessing homes and causing Prop 8 adjustments to soar.

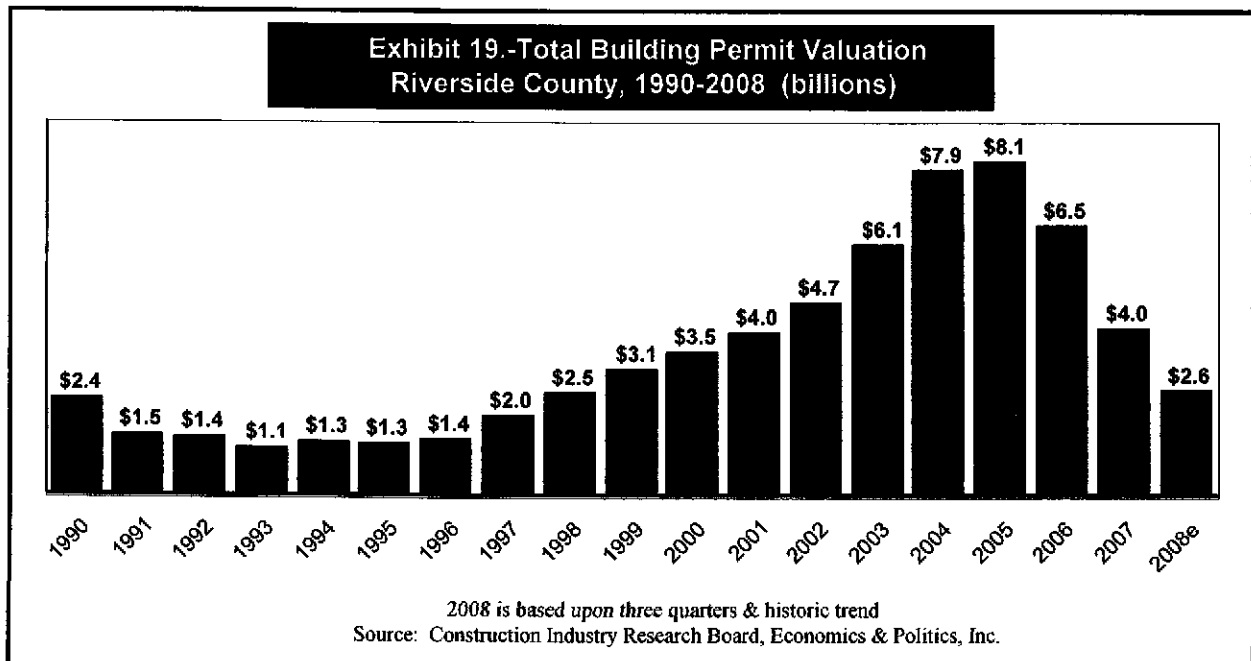


- B. Home Prices.** Riverside County's new and existing homes reached a median price of \$428,293 in 3rd quarter 2006. Since then, the median fell to \$247,913 by 3rd quarter 2008.

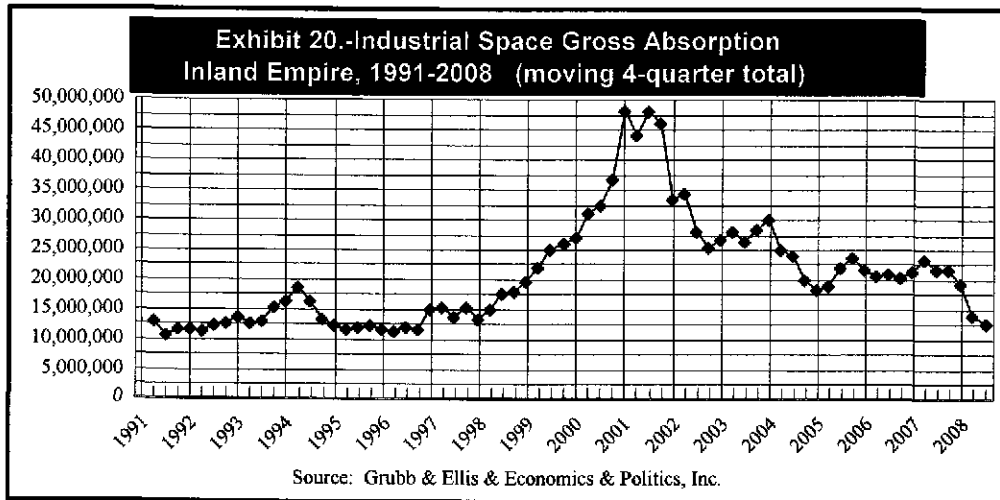
Prices were down 42.1% in this two year period (*Exhibit 17*). The median new home price was \$318,250 in 3rd quarter 2008 with volume of just 1,857 units. As these new homes were added to the assessment roll, they caused it to rise but by much less per unit than in recent years. Existing homes were at a median of \$235,000 in third quarter 2008. With foreclosures making up over 65% of these units, they are the comparables that are causing the Prop 8 downward adjustment to the county's assessed valuation roll.



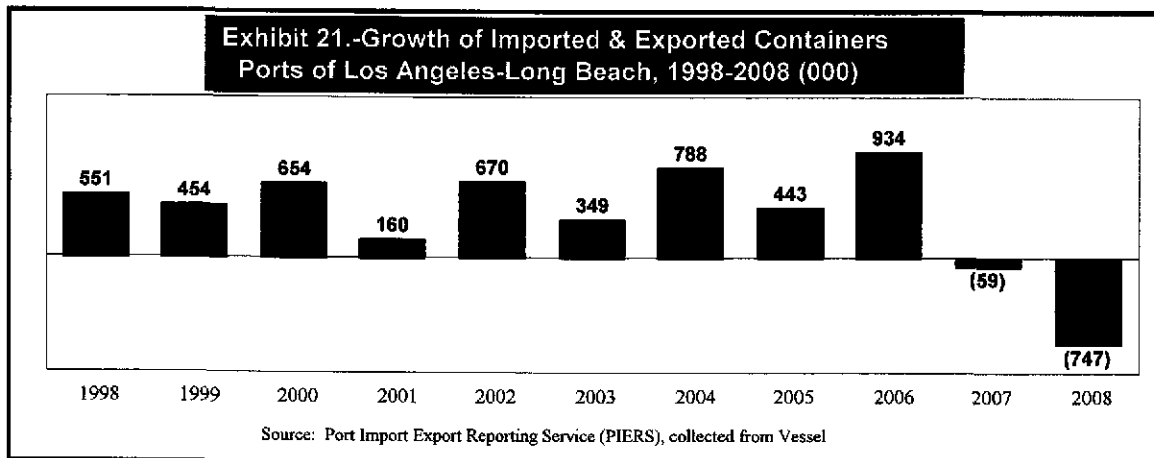
C. **Permits.** Looking ahead, single family permits in Riverside County have plunged from a high of 29,994 in 2005 to just 3,809 in 2008, down -87.3% (*Exhibit 18*). Essentially, the new home market is shutting down and new value put onto the roll from new units is evaporating. At the same time, total value of both residential and non-residential permits fell from \$8.1 billion in 2005 to \$2.6 billion in 2008, down -\$5.5 billion or -68.2% (*Exhibit 19*). The slowdown is extending beyond just the residential sector.



D. Industrial Real Estate. For several consecutive quarters, the Inland Empire's industrial markets have seen gross absorption stabilized at about 20.0 million square feet. However by third quarter 2008, that has fallen to 12.6 million square feet (*Exhibit 20*).



The slowing has occurred because import volumes at the ports of Los Angeles and Long Beach have fallen dramatically. Where imports grew by 934,000 containers in 2006, they fell by -59,000 in 2007 and -747,000 in 2008. This impacts Riverside County's industrial market as most of its industrial growth is from handling imported containers (*Exhibit 21*).



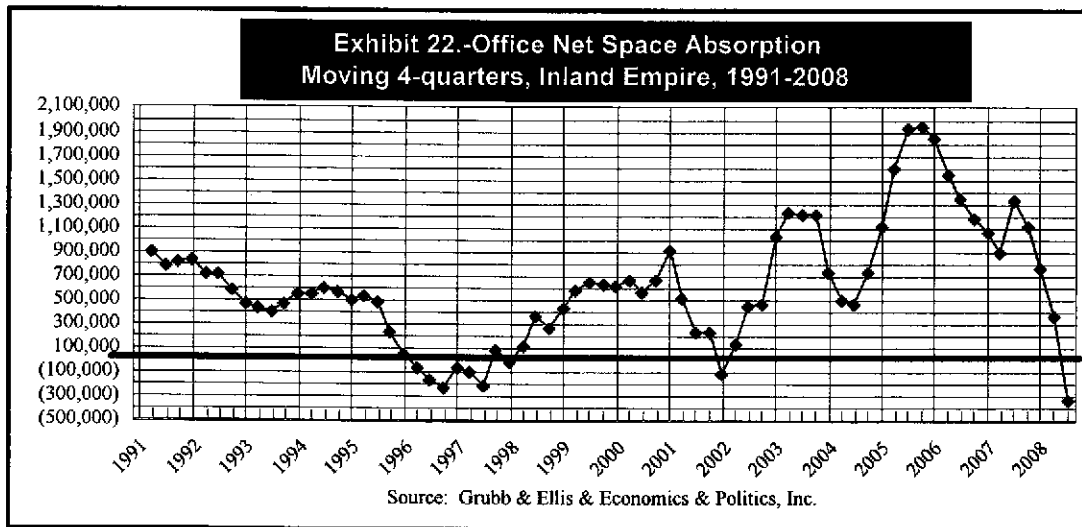
Inland industrial construction is still occurring (*12.6 million square feet in September 2008*) and Riverside County's share will add to its assessed valuation. However, lease rates and values of all industrial property will fall because vacancy rates are rising:

- The Inland Empire's vacancy rate reached 8.6% in September 2008, up from 2.8% in first quarter 2006. It will go higher with lease rates falling and affecting the value of industrial real estate in the region.
- In the March JPA area, where Riverside County's newest activity is occurring, the rate reached 23.0% in third quarter 2008. This is the space that will have the greatest problem in the next one or two years.

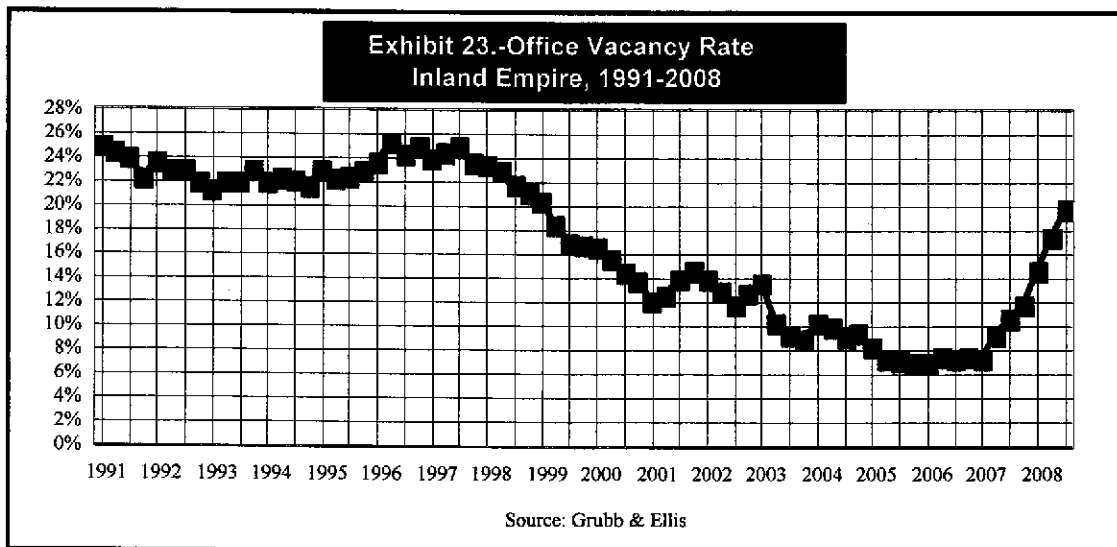
There are three difficulties driving this problem. First, the U.S. recession has slowed imports. Second, the dollar is worth 17.2% less versus international currencies today than at its peak in 2002. This means imports are more expensive for us. Third, the Clean Truck

Program at the ports has morphed into an attempt by the Teamsters to organize port drivers. Los Angeles Mayor Villaraigosa is supporting that effort by requiring drivers to the Port of Los Angeles to be employees of trucking companies so they can be organized. The increased fees and that effort at the ports are causing shipping firms to reduce the cargo that they are bringing to Southern California.

E. Office Real Estate. The Inland Empire's office market has weakened dramatically in 2008. While firms are finding it difficult to serve inland clients from their coastal locations, the affect of their migration inland has been more than blunted by the loss of demand for office space by firms related to the construction industry. This includes firms involved in housing finance, escrow, title and insurance as well as development firms. The sudden weakness is seen in the dramatic plunge in net space absorption that peaked at just under 2.0 million square feet in late 2005 but had fallen to an annual rate of -327,883 square feet by third quarter 2008 (*Exhibit 22*).



As a result, the Inland Empire's vacancy rate has reached 19.9%. In early 2007, it was 7.3%, third lowest in the U.S. The absorption slowdown along with accelerated new construction created this change with 1.6 million square feet still being built in 3rd quarter 2008 with vacancies potentially reaching 25%. Riverside County's share of this space will add to its assessed valuation. However, the value of all office space will likely fall as lease rates decline.



Economics & Politics, Inc.

961 Creek View Lane
 Redlands, CA 92373
 (909) 307-9444 Phone
 (909) 748-0620 Fax
john@johnhusing.com
www.johnhusing.com

DMV MOTOR VEHICLE LICENSE FEE SUBVENTION: FY 2008 TO FY 2010

Starting in FY 2005, the conventional Motor Vehicle License Fee (*MVLF*) program no longer exists for counties. It has been replaced by the "triple flip". In this process, the state authorizes county auditors to pay counties from the property tax funds flowing into the Educational Revenue Augmentation Fund (*ERAF*) by an amount equal to what counties would be due under the 2% formula for the *MVLF*. The payments are due on January 31st and May 31st. In exchange, the state will pay the equivalent amount to the school districts to make up for this amount. Since FY 2006, the county payments are mandated to **grow or shrink at the same rate as its assessed valuation growth**. This is anticipated at -5.7% in FY 2010.

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 | -\$2,571,553 |
| Error Percentage | -1.19% |
| Payment each \$109,585,216 NOT the forecasted \$108,299,438 | |
| Error made as Assessed Valuation increase was more than forecast of 15.48% | |

FY 2008-2009

In FY 2009, the starting point for the basis for Riverside County's payments will be:

- FY 2007-2008 Payment Basis **\$219,170,432**

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

- Percent Change **1.1%**
- Additional Base: \$219,170,432 X 1.1% = **\$2,426,369**
- FY 2008-2009 Payment Due **\$221,596,801**

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

- January 31, 2009 **\$110,798,401**
- May 31, 2009 **\$110,798,401**

| | |
|--|-----------------------------|
| Estimate Made in January 2007: | <u>\$228,014,485</u> |
| Error | <u>-\$6,417,684</u> |
| Error Percentage | <u>-2.81%</u> |
| Payment each \$110,798,401 NOT the forecasted \$114,007,243 | |
| Error made as Assessed Valuation increase was less than forecast of 4.00% | |

FY 2009-2010

In FY 2010, the starting point for the basis for Riverside County's payments will be

- FY 2008-2009 Payment Basis **\$221,596,801**

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

- Percent Change **-5.7%**
- Additional Base: \$219,170,432 X -5.7% = **-\$12,629,232**
- FY 2009-2010 Payment Due **\$208,967,570**

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

- January 31, 2010 **\$104,483,785**
- May 31, 2010 **\$104,483,785**