



**Bill Luna**  
County Executive Officer

**Jay E. Orr**  
Assistant County Executive Officer

*Executive Office, County of Riverside*

*April 23, 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**

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***SUBJECT: FY 08/09 Third Quarter Budget Report***

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Board members:

As of the third quarter, our fiscal resources continue to deteriorate in tandem with the local economy. Spiraling revenue losses once again require that we draw down reserves and contingency funds in order to backfill our diminishing discretionary revenue, though current-quarter draw downs are moderate.

With year-end just a few months away, we have a clearer picture of how much some departments are struggling to meet this year's five percent cut, and of next year's revenue expectations.

Most departments have reduced overruns they projected at midyear through steps that include Board-approved measures such as the maximum fill rate and the early retirement option. Nonetheless, the remaining overruns will likely exceed our contingency budget. This report therefore includes recommendations to draw down reserves and budget additional funds in contingency.

This report sets the stage for FY 09/10 budget hearings, scheduled for May 4. We now project that losses to next year's discretionary general fund revenue and public safety sales tax funding will total about \$130 million.

It is important to understand the economic environment we face and to respond decisively. Our multi-year strategy is needed to correct budget losses and remain consistent with the Board's policy goals. Success depends on the economy stabilizing and all departments adjusting to meet reduced budget targets.

Of great uncertainty is how state budget actions will affect county resources. If the state borrows eight percent of our property tax revenue, as is allowed under the suspension of Prop. 1A, our discretionary revenue would immediately fall by \$45 million. It is therefore prudent that we hold at least \$45 million in our reserve for economic uncertainty, as a hedge against this potential event.

3.36

The upcoming budget process will present difficult choices. A loss of more than \$130 million to support discretionary general fund activities means the proposed budget will include substantial service cuts. On May 4, the Board will hold a public hearing required under state law to discuss a proposed \$5 million cut in public health programs.

The bulk of next year's proposed cuts affects the Sheriff's Department. The alternative is challenging for two reasons; first, the magnitude of the effects will be huge for departments that already have cut budgets by 10 percent and second, the NCC budget outside of public protection is relatively small, so some difficult decisions are ahead.

In summary, as of the end of the third quarter, our updated analysis reflects the need to reduce this year's discretionary revenue about \$3.7 million to compensate for lost revenue from property taxes and sales taxes.

Departments have communicated about \$49 million in budget overruns and revenue shortfalls. Budget adjustments to draw down reserves covering these overruns are included in my budget report. A summary of the overruns can be found on page 13. The net effect of recent and recommended activity on contingency is summarized below.

\$ Millions

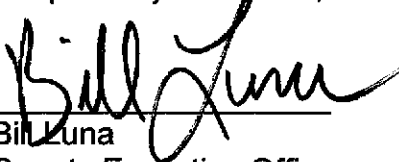
49.1	Midyear ending balance
(0.3)	Third-quarter activity
<u>9.5</u>	Aggregate of actions recommended in this report
58.3	Interim balance


Included attachments:

ATTACHMENT A Recommended budget adjustment summary  
ATTACHMENT B Human Resource's recruitment and vacancy report  
ATTACHMENT C Auditor-Controller's internal audit plan update  
ATTACHMENT D Summary of FY 09/10 department plans

**IT IS RECOMMENDED** that the Board of Supervisors: 1) receive and file this report and all its attachments; and 2) approve the recommendations and associated budget adjustments in Attachment A.

Respectfully submitted,

  
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Bill Luna  
County Executive Officer

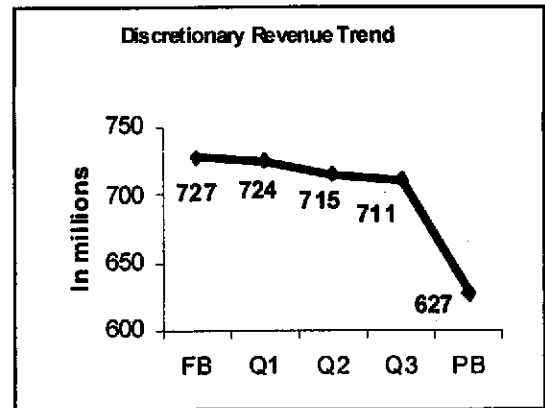
FISCAL PROCEDURES APPROVED  
ROBERT E. BYRD, AUDITOR-CONTROLLER  
BY:   
TANYA S. HARRIS

**COUNTY OF RIVERSIDE  
EXECUTIVE OFFICE  
FY 08/09  
THIRD-QUARTER BUDGET REPORT  
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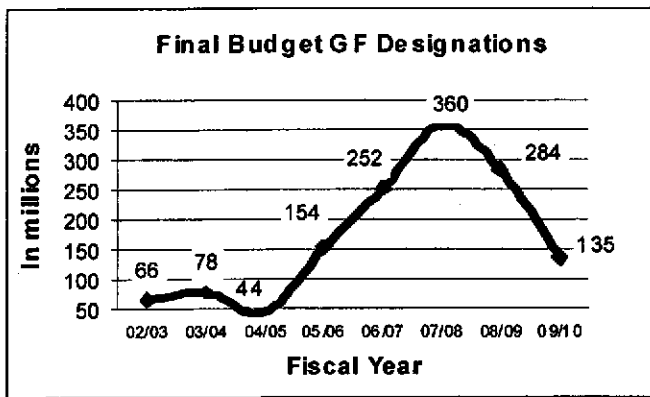
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## A. EXECUTIVE SUMMARY

The third quarter of FY 08/09 is reminiscent of the previous two. Discretionary revenue continues to decline and county departments continue to implement cost cutting efforts to meet current-year spending targets, which were reduced five percent this year. Discretionary revenue is down \$3.7 million this quarter for a cumulative decline of \$16.4 million for the year. As we look forward, our discretionary revenue estimate for the FY 9/10 proposed budget is expected to be \$627 million, a year-to-year decline of \$100 million. Revenue is trending down and the end of the downturn is yet to be seen. The chart to the right reflects the one-year change in discretionary revenue from the FY 08/09 final budget to the FY 09/10 proposed budget.

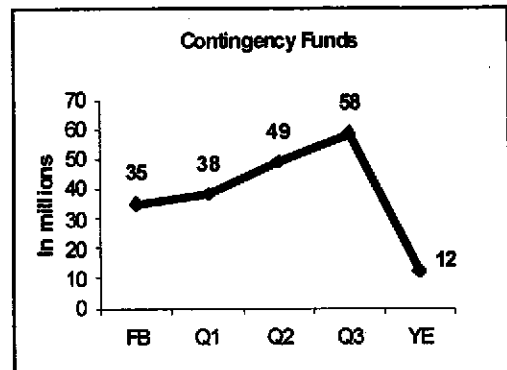


We continue to draw down reserves to backfill lost revenue, thereby mitigating impacts on already strained county service levels. By the end of this year, we expect to have drawn down reserves by \$44 million.



Since the first quarter, four board designations: Prop. 172, SB 90, budget savings, and corrections staffing have been liquidated to cover shortfalls in discretionary revenue and expected department overruns. The single largest element of our FY 08/09 deficit – a shortfall of over \$30 million in safety sales tax revenue – is outside department control. At this point, we expect to exhaust contingency and be forced to take an unplanned \$11 million hit on our reserve for economic uncertainty. We expect the state to suspend Prop. 1A in FY 09/10, forcing us to draw down reserves by an additional \$45 million.

Contingency is currently funded at \$58 million, but department overruns total about \$49 million. Funds remaining in contingency at year-end are utilized to reestablish contingency in the following year's budget. We are building next year's budget on the expectation of having \$10 million unspent and unobligated at the end of the fiscal year. By having an equal amount in the contingency budget, we safeguard these funds for FY 09/10. It is likely that some individual general fund departments could end the year with savings, but the total of those amounts is not yet known. Any additional departmental savings will roll forward and be recognized in the FY 09/10 first quarter budget report.



## **B. FY 09/10 BUDGET OUTLOOK**

The Executive Office will submit a balanced budget for Board consideration on May 4. We continue to expect that the greatest one-year impact on local revenue will occur in FY 09/10. Considering the most recent Assessor's report, the loss of property-related taxes, sales taxes, and interest income is expected to total \$100 million next year. To fill this gap, we will reduce general fund allocations by 10 percent, which should net about \$60 million in reduced department spending, and eliminate ongoing funding for new capital projects (\$20 million). We will also need to draw down reserves about \$30 million to ultimately balance the county budget. Only about \$20 million of that draw on reserves is needed to support ongoing programs and thus will represent the county's structural budget deficit. Additionally, public safety departments can expect losses in Prop. 172 (public safety sales tax) revenue totaling about \$30 million.

In order to produce a balanced budget, public safety operations will not be backfilled. Most departments have pursued reductions this year, following through on Board-imposed cuts of five percent. However, the Sheriff's Department's current-year overrun is expected to be in excess of \$30 million. In the absence of any departmental restructuring efforts, next year's Sheriff's overrun could be \$70 million over the FY 09/10 budget target. Funding to abridge this overrun is not available next year, so it is not possible – without substantial additional cuts to reserves and other county functions – to relieve the Sheriff's Department of this financial responsibility and still produce a balanced budget.

Given the complications faced by the Board this coming year, budget hearings will begin two months before the new fiscal year. The additional time will be used to incorporate final budget changes by reallocating existing resources to higher priority functions or drawing down additional reserves, as the Board determines necessary.

While the Board should expect to have about \$135 million in discretionary reserves for FY 09/10, much of that is earmarked for specific county functions, such as replacing the county's property tax system (\$9.6 million) and implementing the 800 MHz public safety communications project (\$27 million), both of which are currently in progress. With the high likelihood that the state – through the suspension of Prop. 1A or some other state revenue shift – will seize at least \$45 million from the county, it is prudent to retain this amount in the reserve for economic uncertainty. This would leave about \$23 million in the reserve for economic uncertainty to draw upon if the Board so desires. However, draws on reserves in support of ongoing functions, such as staff, will increase the county's budget deficit and in the absence of new discretionary revenue will postpone fiscal impacts.

The county relies on a rolling five-year budget projection to evaluate the monetary impact of 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.

## **C. ECONOMIC OUTLOOK**

Even the most optimistic forecasters still expect the economy to shed jobs for the remainder of this year. The UCLA Anderson Forecast projects a shrinking economy through year-end, with the national unemployment rate peaking at 10 percent in the middle of 2010.

The outlook for California is less sanguine because of our greater reliance on international trade and the construction industry. The state's budget difficulties only serve to exacerbate

the downturn. The UCLA Anderson forecast expects the state's unemployment rate to reach 12 percent in 2010. The most recent data has Riverside County's unemployment rate at 13.2 percent. Even with a projected recovery in 2011, job growth is expected to be slow, keeping California's unemployment rate in double digits until at least 2012.

Counties across the state are being hit hard by declining property values and reduced economic activity. Virtually all will be forced to adjust to lower sales tax, public safety sales tax, property tax, and interest revenue. The cuts required to achieve balance will be substantial. For example, Contra Costa County laid off 56 sheriff deputies and about 20 district attorney prosecutor and non emergency healthcare workers earlier this month. Sacramento County forecasts a \$187 million deficit and is pursuing employee furloughs, reduced working hours, and the forfeiture of cost-of-living allowances. San Diego County projects a \$74 million reduction in public safety funding and has plans to eliminate 411 workers. Closer to home, San Bernardino County supervisors directed staff to propose a plan to lay off up to 900 employees in order to address a \$131 million budget deficit over the next two years. In Redlands, both miscellaneous as well as public safety employees have agreed to furloughs in order to avoid layoffs.

Unemployment rates for the nation and the state, as well as the county, are all on the rise. The U.S. government has put in place 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, and we would not see such relief until FY 10/11.

## **D. COUNTY OUTLOOK**

### **1. OPERATIONAL TRENDS**

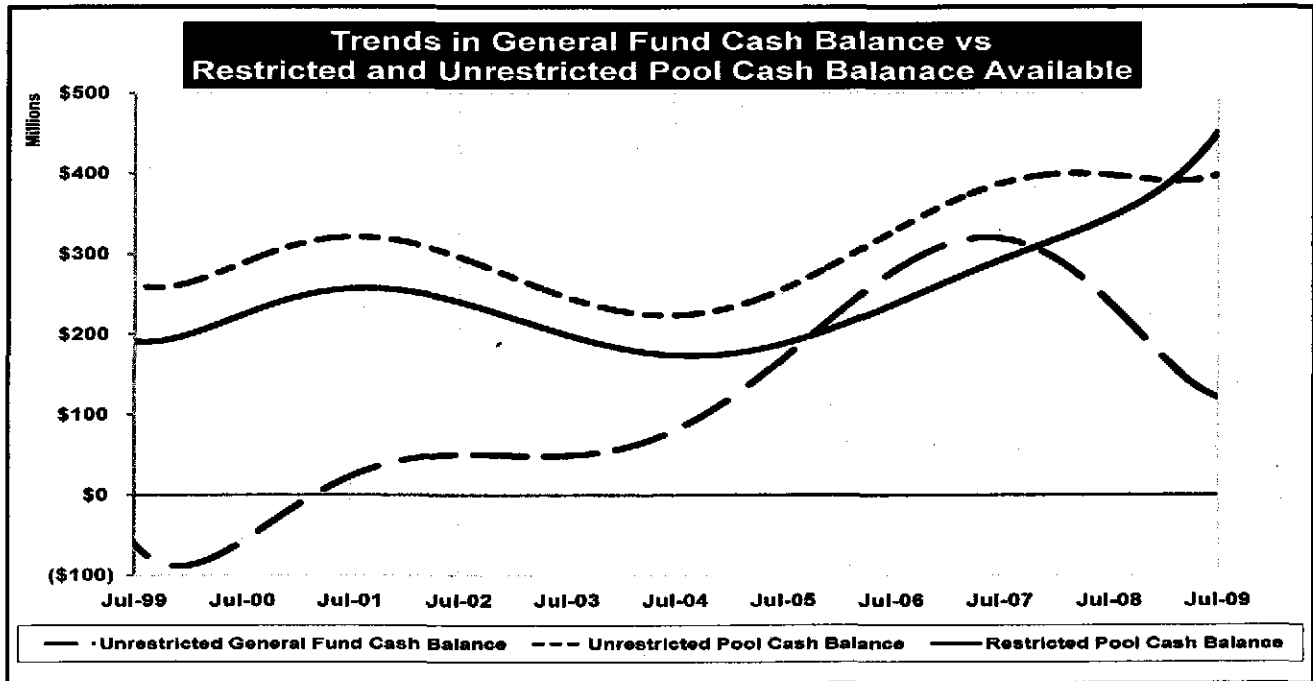
The Assessor-Clerk-Recorder now projects a 10 percent assessment roll value reduction for assessment year 2009-2010. The Assessor's Office reports that residential market values have continued to decline. Although sales volume has seen some increase in recent months, median prices of homes have declined to values equivalent with March 2002 levels. Minimal new construction activity in both the commercial and residential sectors continues throughout the county. The Assessor is beginning his proactive reviews of residential property values, which will involve about 350,000 residential properties. Preliminary estimates indicate that over 280,000 residential properties will receive value reductions as a result of this review. The Assessor-Clerk-Recorder also reports that when compared with the past few years, document recordings are down. Based on current projections, this trend is expected to continue through the rest of the fiscal year.

The permit volume decrease in Building and Safety appears to be stabilizing. During the first eight months of FY 08/09, total permit volume was down 42 percent compared to the same period last year. This is close to the 43 percent decline reported in the second quarter report. Planning applications continue to decline with a 51 percent downturn in the total number of applications compared to the same time period last year, and a 70 percent decline in the number of major planning applications. Counter Services has experienced a 50 percent drop in the number of customers coming to the permit assistance centers.

In response to reduced case activity resulting from the incorporations of Wildomar and Menifee and overall reduced economic activity, the Transportation and Land Management Agency (TLMA) recently closed the South County public permit counter.

## 2. FINANCIAL RESTRUCTURING

As part of ongoing monitoring of the county's cash position, the Executive Office tracks both restricted and unrestricted cash in the county pool. As seen in the graph below, over the last two years as the unrestricted non-general fund portion of the cash pool leveled off and the general fund portion of the pool dropped precipitously, the restricted portion of the cash pool has risen steadily. This pattern typically occurs during tough budget cycles as departments stockpile program-specific departmental revenues and spend down general fund discretionary allocations.



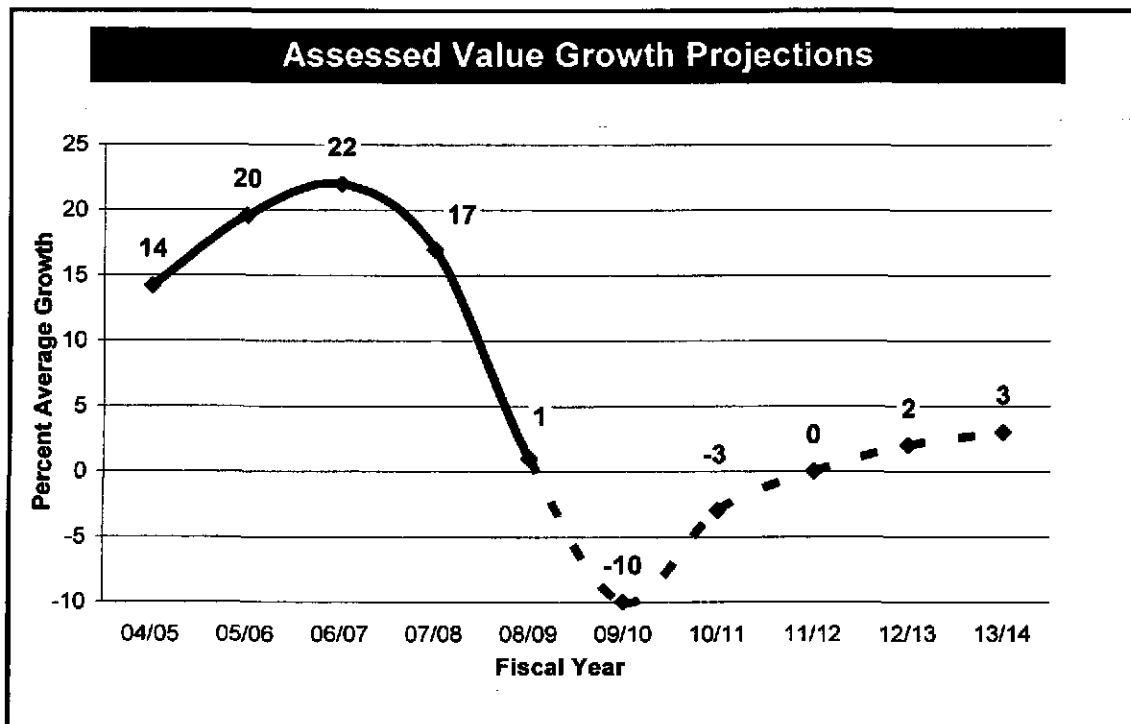
As part of our ongoing effort in financial restructuring, we are examining the use and necessity of the general fund's sub-funds and other restricted and non-restricted funds which shelter such revenue sources. The specific focus will be to work with departments to identify funds not currently mandated either by law, regulation or practical necessity, and in which revenue tends to accumulate, as well as to identify other trends such as the growth in receivables. Those funds or sub-funds deemed obsolete or no longer necessary by the Executive Office will be closed and the assets liquidated appropriately. Accumulated balances in funds and sub-funds deemed necessary will be scrutinized and recommendations made to the Board as appropriate regarding their use. Should any funds be available, they should be considered one-time and not a solution to the ongoing budget deficit. Departments showing a large growth in receivables will be directed to propose solutions.

## 3. REVENUE TRENDS

### Assessed Value

The county's budget plan now anticipates a 10 percent reduction in property values for FY 09/10. Declining assessed values directly affect both property taxes and motor vehicle license fees. Together, those two sources comprise 75 percent of the county's total general fund discretionary revenue. In an average year, county assessed value grows by 4 to 7 percent. The chart below shows the unusual growth that began in 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 in FY 12/13.

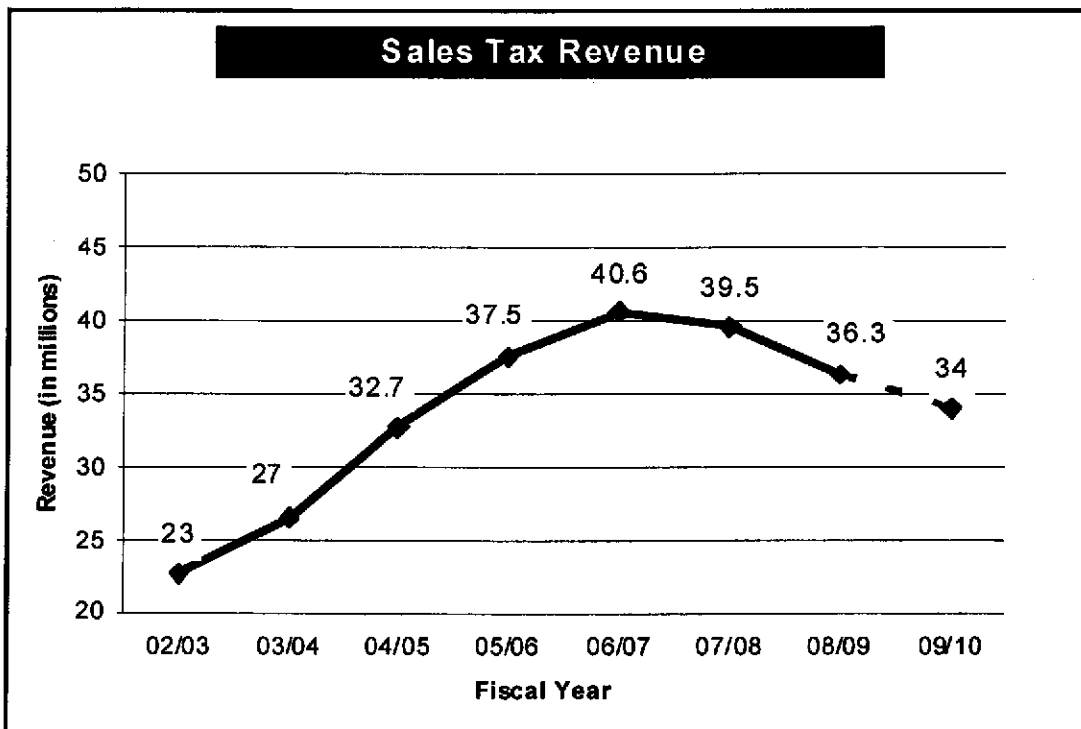


In monetary terms, a one percent reduction in assessed value equates to about a \$5 million loss in related discretionary revenue. The county's FY 09/10 loss of discretionary revenue from assessed value is expected to be about \$50 million, with a further \$15 million loss expected in FY 10/11.

**Sales Taxes**

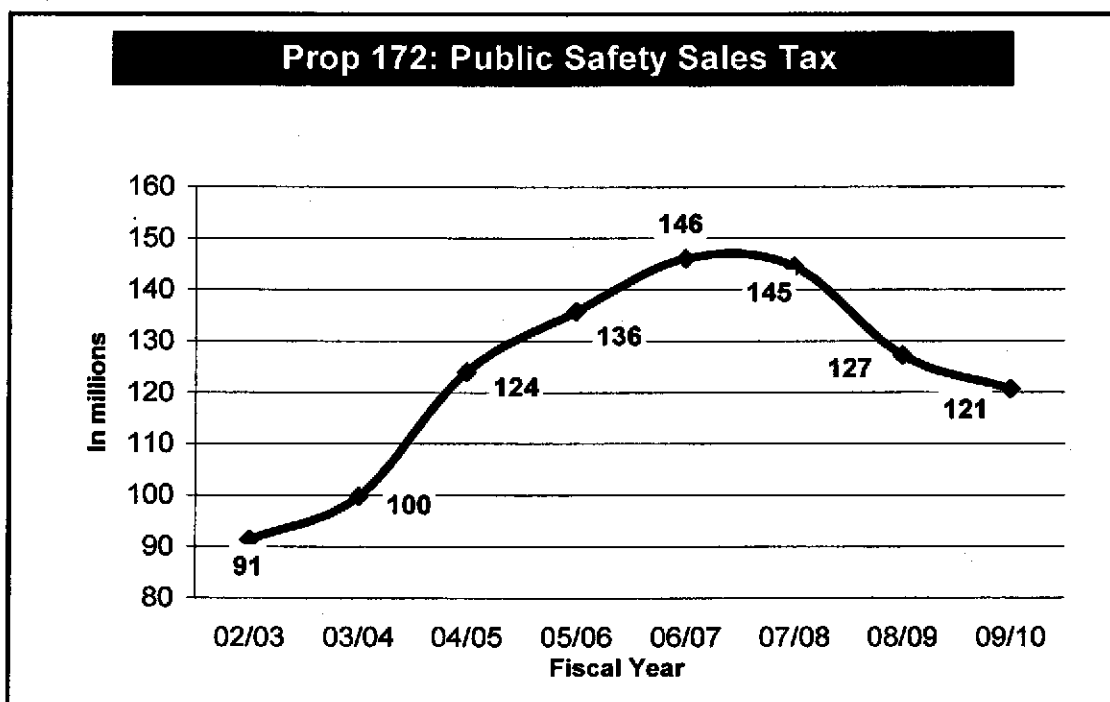
Statewide, sales and use tax revenue declined 13.1 percent on a year-over-year basis. Locally, we expect sales tax collections to continue declining this year and next. Point-of-sale receipts within the county, including its cities, are down 18 percent from the same quarter a year ago. HdL Companies, the county's sales tax consultant, reports year-over-year countywide declines in the autos and transportation, building and construction business and industry, fuel and service stations, general consumer goods, and restaurants and hotels sectors. Only the food and drugs sector shows a modest increase. Within the unincorporated area alone, the autos and transportation, building and construction, business and industry, and restaurants and hotels sectors are all in significant decline, while food and drugs, fuel and service stations, and general consumer goods are holding steady.

The following chart reflects the growth in sales tax revenue before FY 07/08 and the decline since. 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 at least 4.1 percent, although we expect revising this estimate downward as anticipated information on the most recent receipts become available.



#### Public Safety Sales Tax

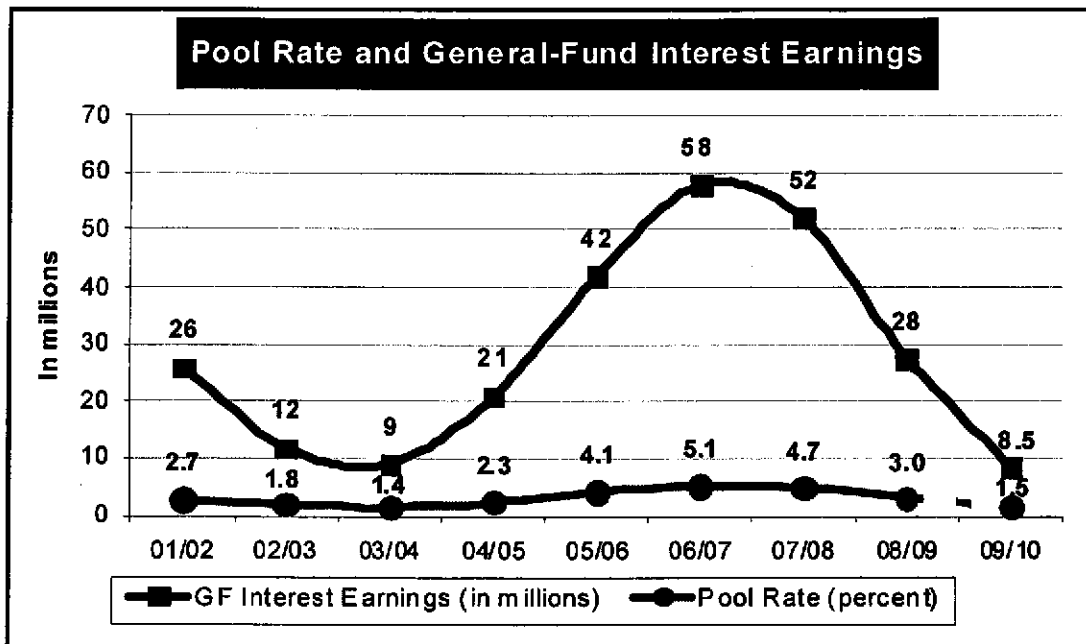
Safety sales tax is a dedicated funding source for many public safety departments, tied to local taxable-sale transactions. This funding has grown to be an important component of the public safety budget picture. In fact, for FY 07/08 Prop. 172 represented 21 percent of the combined budgets of the departmental units receiving the allocation within: Fire, Sheriff, District Attorney, and Probation. With the decline in this revenue, departments have looked to the general fund to backfill their losses. Projections now indicate safety sales tax revenue could fall \$30 million next year and there will be neither a reserve nor additional revenue to backfill public safety sales tax shortfalls. Safety departments will be expected to adjust future budgets accordingly.



### Interest Earnings

The Treasurer-Tax Collector reports that he expects to meet the FY 08/09 general fund interest earnings target of \$27.5 million. However, due to plummeting interest rates as a result of what is now a global economic recession, the general fund's lower projected balances, and multi-year low share of total pool interest earnings, estimates for FY 09/10 will be \$8.5 million. Additionally, he cautions that the delinquency rate of the secured property tax roll will continue to rise to 10 percent or greater. Due to these unprecedented economic uncertainties, the Treasurer-Tax Collector regards capital preservation and adequate liquidity as his top priorities in managing the assets of Treasurer's pooled investment fund.

The following graph illustrates the relationship between the pool rate and interest revenue, and depicts next year's anticipated revenue fall.



#### **4. MULTIPLE-YEAR BUDGET PLANNING**

The multiyear projection displayed on the next page incorporates expected discretionary revenue declines this year and next. That trend requires a 10 percent budget cut in FY 09/10, another 10 percent cut in FY 10/11 and the possibility of another 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 \$100 million next year.

The multiyear chart also reflects the \$20 million budget deficit expected in FY 09/10. The gap is to be bridged from the reserve for economic uncertainty. The overall plan is only viable if departments adhere to their reduced (by 10 percent) net county cost targets. Once we deplete 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
<b><u>RESOURCES:</u></b>						
Adjusted fund balance	38	46	10	15	30	30
Ongoing discretionary revenue	725	711	627	609	609	627
Use of reserves (to balance budget)	50	20	29	4	13	25
Misc. one-time revenue	3	89	35	0	0	0
	815	866	701	628	652	682
<b><u>APPROPRIATIONS:</u></b>						
Misc. ongoing NCC	695	684	647	582	590	612
<b><u>Cost Adjustments</u></b>						
Contingency funding	35	58	15	30	30	30
Misc. one-time costs	0	37	0	0	0	0
New jail staffing (Corrections, MH, DH)	30	30	1	3	15	15
Public safety COLA's	14	14	0	0	0	0
Animal Control Services	0	0	0	5	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	35	0	0	15
Hospital subsidy	10	9	0	0	0	0
Added to reserves	5	7	4	8	10	10
	815	866	701	628	652	682
Available for budget needs	0	0	0	0	0	0
Reserve for economic uncertainty			68	64	51	26
Other discretionary reserves	284	198	67	23	23	23

*Notes: Departments to absorb retirement benefit costs and cost-of-living allowances.*

*Retirement costs are expected to spike in FY 11/12.*

*Hub jail staffing plan is subject to change with the construction schedule and available financing.*

### 5. BOND RATINGS AND BENCHMARKS

The county's issuer ratings remain 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%	14%
Contingency	4%	3%	4%	4%	5%	4%	8%
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-

### E. STATE BUDGET UPDATE

California lawmakers only recently adopted a budget plan that envisioned closing what had been billed as \$42 billion gap for FY's 08/09 and 09/10. Now it seems they might be looking for ways to close a new shortfall projected to be at least \$8 billion in 2010. That number could grow substantially if voters defeat ballot measures set for the May 19 special election. The extent of the added shortfall, if any, depends on the outcome of the individual ballot measures. It should be noted, however, that up to \$2 billion of the anticipated deficit could be eliminated if cash reserves included in the recently approved budget agreement are expended to help reduce the shortfall. Of course, various state emergencies (e.g., multiple, widespread wildfires) could significantly reduce reserves.

Various tax proposals floated during budget negotiations could be revisited, although it is highly unlikely that a single Republican legislator would support any further increase or expansion of taxes. The extent of the deficit and the avenues for addressing it must wait until the governor releases his budget revision proposals, likely sometime in late May or early June.

#### Stimulus Package

California will receive a greater share of federal stimulus dollars than any other state \$14.5 billion. The state is the first to receive an infusion of cash directed at public schools – some \$2.6 billion, nearly \$413 per student. The University of California and the California State University systems will split another \$537 million. Both K-12 and higher-education administrators have indicated that the new federal dollars will not solve their ongoing fiscal problems. In addition, on April 17, the governor announced that nearly \$1 billion in federal stimulus funds had been received for public safety-related programs.

#### Build America Bonds

The state treasurer will begin selling the first round of Building America Bonds this week. The bonds are partially funded with stimulus-related dollars. Under the program, states can choose to sell taxable bonds for public works projects and apply to the federal government to fund 35 percent of the annual interest expense associated with the bonds. In addition, State Treasurer Lockyer is requesting that the federal government back billions of dollars in

short-term loans the state will seek in July. The state routinely borrows money at the start of the fiscal year by issuing interest-bearing revenue anticipation notes (RANs). However, the amount of desired infusion – at least \$13 billion – could make the borrowing plan impossible because of the state’s plummeting credit rating and the ongoing economic downturn.

Mr. Lockyer and leaders from other states have proposed to Congress that RAN purchasers be allowed to resell them to the federal government or have the federal government provide guarantees via some form of bond insurance. Apparently, the governor is supporting Mr. Lockyer’s endeavors in this arena.

**F. THIRD QUARTER ACTIVITY**

**1. QUARTERLY DISCRETIONARY REVENUE UPDATE**

The property tax revenue projection needs to be reduced by \$1.3 million. While redevelopment taxes are trending higher than expected, those gains are offset by current-year supplemental tax refunds. Sales tax revenue is also dropping, requiring a \$2.6 million adjustment. As a partial offset, we can expect an additional \$200,000 in document transfer tax. Overall, there is a net loss of all discretionary revenue totaling \$3.7 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:		
10000-1300100000-781000	Contractual redevelopment	\$6,000,000
10000-1300100000-705000	Property tax – prior supplemental	1,240,000
10000-1200200000-712000	Documentary transfer tax	<u>200,000</u>
	Total	\$7,440,000
Decrease estimated revenue:		
10000-1300100000-704000	Property tax – current supplemental	8,500,000
10000-1300100000-710020	Sales and use taxes	<u>2,600,000</u>
	Total	\$11,100,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$3,660,000

Following is a chart reflecting the cumulative change in county’s discretionary revenue since the beginning of the fiscal year.

<b>Summary of FY 08/09</b>			
<b>General-Fund Discretionary Revenue (in millions)</b>			
Source	Original Budget Estimate	Third- Quarter Update	Variance from Budget
Property Taxes	337.6	327.2	(10.4)
Motor Vehicle In Lieu	220.8	221.6	0.8
Interest	27.5	27.5	0.0
Sales Tax *	38.0	34.0	(4.0)
Fines and Penalties	29.3	24.4	(4.9)
Documentary Transfer Tax	9.0	10.0	1.0
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
<b>TOTALS</b>	<b>727.4</b>	<b>710.9</b>	<b>(16.4)</b>

*\* Does not include public safety sales tax revenue*

## 2. BOARD DESIGNATIONS

Based on recommendations in this report, the table on the next page lists the \$198 million in general fund designations established by the Board. About \$38 million is being held for new construction at the Smith Correctional Facility. Another \$98 million remains set aside to protect against looming adverse state budget actions and economic downturns. The remaining \$62 million is earmarked for specific needs, including \$27 million for the new safety radio system and \$10 million for the new property tax system.

Optimistic projections have all designations falling from a recent high of \$335 million to below \$135 million before the end of next year. Without departmental spending restraint, designations could easily 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 \$11 million draw that will be needed to cover budget overruns this year, as reflected in the following section: Appropriations for Contingency.

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. 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)

	Midyear Balance	Third Quarter Adjustments	Balance Upon Approval	Expected FY 09/10 Use	Expected FY 09/10 Balance
Economic uncertainty	108.7	(11.0)	97.7	30.0	68.4
Capital projects	38.3		38.3	32.6	5.7
PSEC - 800 MHz	27.1		27.1		27.1
Property tax system	9.6		9.6		6.9
SB90 deferred state revenue	3.6		3.6		3.6
Prop 172 - safety sales tax	0.0		0.0		0.0
DPSS - CalWorks incentive	8.2		8.2		8.2
DPSS - realignment growth	6.9		6.9		9.6
Probation	3.9	(1.3)	2.6	2.3	0.0
Correctional staffing	5.3	(5.3)	0.0		0.0
Community improvement	2.4		2.9		4.0
CAC maintenance	1.2		1.2		1.2
<b>TOTAL</b>	<b>215.2</b>	<b>(17.6)</b>	<b>198.1</b>	<b>64.9</b>	<b>134.7</b>

Not shown in the table above is the \$290 million received from tobacco securitization, which is segregated in its own fund and restricted by law to capital expenditures only. Approximately \$200 million is earmarked in the fund to pay for critical capital projects (downtown lay building, new animal control shelters, others) until improved economic conditions allow for CORAL financing.

### 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 \$711 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. As reported at mid-year, some struggled 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. Most departments have been able to improve their projected overruns; however, a substantial contingency need remains. Updated estimates are that 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.

## FY 08/09 USE OF CONTINGENCY

	Cost	Adjust.	Revenue	Adjust.	Total	Contingency
						Status
<b>Midyear ending balance:</b>						<b>\$49,102,347</b>
<b>Third- quarter adjustments:</b>						
Item 16.3 on 3/03/09 Ballot Operational Review	\$315,000		\$0		(\$315,000)	\$48,787,347
<b>Actions recommended in this report:</b>						
Discretionary revenue losses (page 10)	\$3,660,000		\$0		(\$3,660,000)	\$45,127,347
Capital outlay (page 14)	\$395,000		\$0		(\$395,000)	\$44,732,347
Trial Court Funding (page 20)	\$45,000		\$0		(\$45,000)	\$44,687,347
Indigent Defense (page 22)	\$1,492,000		\$0		(\$1,492,000)	\$43,195,347
Public Defender (page 21)	\$1,124,865		\$0		(\$1,124,865)	\$42,070,482
Reserve for Economic Uncertainty (page 12)	\$0		\$11,000,000		\$11,000,000	\$53,070,482
Correctional Staffing (page 12)	\$0		\$5,267,539		\$5,267,539	\$58,338,021
<b>Contingency balance upon approval of this report =</b>						<b>\$58,338,021</b>
<b>Pending actions that will affect contingency:</b>						
Animal Control (page 20)	\$1,500,000		\$0		(\$1,500,000)	\$56,838,021
Proposition 172 - shortfall	\$19,372,655		\$0		(\$19,372,655)	\$37,465,366
Public Defender (page 21)	\$700,000		\$0		(\$700,000)	\$36,765,366
Human Resources (page 19)	\$200,000		\$0		(\$200,000)	\$36,565,366
SB-90 deferrals	\$6,395,909		\$0		(\$6,395,909)	\$30,169,457
Environmental Health (page 25)	\$541,000		\$0		(\$541,000)	\$29,628,457
Registrar of Voters (page 19)	\$2,500,000		\$0		(\$2,500,000)	\$27,128,457
Auditor-Controller (page 16)	\$200,000		\$0		(\$200,000)	\$26,928,457
Fire operations (page 21)	\$1,000,000		\$0		(\$1,000,000)	\$25,928,457
Public Health (page 24)	\$1,600,000		\$0		(\$1,600,000)	\$24,328,457
Detention Health (page 25)	\$900,000		\$0		(\$900,000)	\$23,428,457
County Counsel (page 17)	\$360,000		\$0		(\$360,000)	\$23,068,457
Sheriff's Department (page 23)	\$11,000,000		\$0		(\$11,000,000)	\$12,068,457
<b>Projected year-ending contingency =</b>						<b>\$12,068,457</b>

Normally, funds remaining in contingency at year-end are utilized to reestablish contingency in the following year. Absent draws on reserves, contingency funds could be completely drained by year-end, requiring that next year's contingency be funded from reserves. Considering that new revenue will not be available to backfill contingency next fiscal year, about \$10 million should be unobligated at year-end to reestablish contingency for FY 09/10. It is therefore recommended that reserves be drawn down to fund expected departmental overruns and to sufficiently fund contingency in preparation of next year's budget.

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

**Decrease designations:**

10000-1000100000-320147	DFB – correctional staffing	\$5,267,539
10000-1100100000-320110	DFB – economic uncertainty	11,000,000
	<b>Total</b>	<b>\$16,267,539</b>

Increase appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$16,267,539

**G. FY 08/09 DEPARTMENTAL STATUS**

**1. INTERDEPARTMENTAL AND CAPITAL PROJECTS**

**a) Accumulative Capital Outlay**

In accordance with a tax sharing agreement, the county has contributed \$200,000 in sales tax revenue to Flood Control annually, for ten years, toward the costs of constructing the San Savaine Channel. In FY 07/08, this payment was missed. A budget adjustment is requested to allow payment of the prior year amount due. It is necessary to use contingency to cover this one-time cost.

In addition, the Board executed a five year revenue sharing agreement effective July 1, 2007, with the March Joint Powers Authority that requires the county to contribute to the JPA the sales and use tax, franchise fees, and transient occupancy tax generated within the JPA reuse territory. The Executive Office is working with the authority to isolate the revenue sources to fulfill this obligation. The cumulative amount of sales tax estimated to be owed by year end is approximately \$195,000. The Executive Office continues to work on isolating revenue from franchise fees and transient occupancy tax generated within the reuse territory. It is recommended the amount due be funded through the use of contingency.

**Recommended Motion:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments in appropriations and estimated revenue in the Accumulative Capital Outlay Fund and Contingency by \$395,000, as follows:

Increase appropriations:		
30000-1100300000-536240	Other contract agencies	\$395,000

Increase estimated revenue:		
30000-1100300000-790600	Contribution from other funds	\$395,000

Increase appropriations:		
10000-1101000000-551100	Contributions to other county funds	\$395,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$395,000

**b) Capital Improvement Program**

**Capital Projects**

The Board's FY 08/09 budget commitment to the capital improvement program (CIP) is \$20 million. Major projects underway (including the downtown law building, the northwest animal shelter, the San Jacinto shelter, and others), represent an ongoing claim of approximately \$15 million. Falling general fund revenue and unstable financial markets make this a poor time to undertake new capital projects. The CIP report before the Board on today's agenda will recommend no new general fund projects together with the delay of some previously-approved projects. Therefore, all of the Board's CIP budget commitment should be redirected first to satisfy the \$15 million claim mentioned above and then the general budget needs.

Due to the downturn in the economy and revenue shortfalls, the Capital Improvement Program team did not recommend any new projects, and instead is working to fund Board approved projects. There are currently 72 approved projects representing a funding commitment of \$1.1 billion and another \$211 million in high-priority projects that remain unfunded. The downturn in the economy and its impacts on capital projects will be discussed on the afternoon agenda.

Current market conditions do not favor the sale of municipal bonds, so it is recommended that the next CORAL bond financing be delayed. In order to move forward on the San Jacinto Animal Shelter project, the Executive Office requests a budget adjustment to use cash acquired from the securitization of Tobacco funds. Once the CORAL financing is complete, bond proceeds will be used to reimburse withdraws from the Tobacco fund.

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

Increase appropriations:

30120-1105100000-536780	Capital projects	\$19,188,400
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Expected offset:

30120-1105100000-309100	Reserve for construction	\$19,188,400
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**c) Palm Desert Redevelopment Pass-Through**

Fullenwider Auditorium

The Fullenwider Auditorium is a 33,080 square foot multipurpose exhibit building located within the Date Festival grounds in Indio. Since 1995, the Economic Development Agency (EDA) has paid the debt service on this facility by utilizing proceeds from the annual National Date Festival. EDA has identified a number of capital improvement projects needed within the festival's grounds. The Executive Office recommends that the use of Palm Desert Redevelopment pass through funds to pay the annual debt service for this facility thereby freeing up Date Festival revenue for the much needed improvements.

The annual debt service payment going forward is estimated to be an average of \$292,000 in principal plus interest at a variable rate. The interest rate is currently at less than one percent. The bonds will mature in 2015.

**Recommended Motion:** *That the Board of Supervisor authorize the use of Palm Desert Redevelopment Pass-Through Funds to pay the annual debt service for the Fullenwider Auditorium through the end of calendar year 2015.*

Fund Transfer

On February 26, 2008 (Item 3.81), the Board authorized the transfer of \$5.3 million in Palm Desert Redevelopment pass-through funds to the TLMA (Transportation Department) for road and infrastructure improvements within the unincorporated community of Bermuda Dunes. The advance was made to fund improvements prior to the bond issuance. In December 2008, bonds were issued by the Riverside County Palm Desert Financing Authority before the balance of the loan was utilized. Budget adjustments are requested to return unused funds (\$3.2 million) to the Capital Improvement Program fund.

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

Increase appropriations:		
20000-3130500000-551100	Contributions to other funds	\$3,217,598
Expected offset:		
20000-3130500000-325100	Unreserved fund balance	\$3,217,598
Increase estimated revenue:		
30700-1104200000-790600	Contributions from other funds	\$3,217,598
Expected offset:		
30700-1104200000-325100	Unreserved fund balance	\$3,217,598

**Debt Service Reserve Fund**

The Palm Desert Financing Authority issued Series A Lease Revenue Bonds in December 2008. Annual debt service payments are scheduled through June 2022. A financial analysis has revealed the need to reserve a portion of the Authority's revenue each year to insure that sufficient funds are available to cover future debt service payments.

The Executive Office recommends isolating funds for this obligation because of the limit on the total pass-through revenue available. Although the financial analysis indicates there is enough capacity to pay for all future debt service obligations, there is no certainty that annual revenue will meet the annual obligation. Growth in the amount of annual pass-through funds will result in the cap being reached before 2022. A new fund will allow the Executive Office to isolate funds for either buying back the bonds to shorten the period of the debt, or making future debt service payments after the cap is reached.

**Recommended Motion:** That the Board of Supervisors approve and direct the Auditor-Controller to create a new fund to manage future Palm Desert Financing Authority debt service payments.

**2. GENERAL GOVERNMENT**

**a) Auditor Controller**

As of the third quarter, the Auditor-Controller has reduced his projected budget overrun by more than 80 percent, to about \$200,000. Additional cost cutting measures implemented midyear will not completely cover internal custodial and maintenance costs. The Auditor requests that contingency funds be utilized to cover the remaining \$200,000 overrun. The Executive Office will continue to work with the Auditor to further decrease the overrun and will request budget adjustments as part of the year-end cleanup form 11 as necessary.

**Internal Audit Unit**

This division is being restructured and audit plans are being reprioritized due to reductions in funding and staff. The division intends to operate with 14 staff for the remainder of the year and throughout FY 09/10. To date, audit work is complete for 21 audits. Final reports have been issued for five, and the issuance is pending for 16.

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

Reports issued = 5  
Audits scheduled = 3

Reports in process = 16  
Audits deferred = 22

Audits in process = 10  
Audits cancelled = 0

**b) Board of Supervisors**

Assessment Appeals

Department staff has been monitoring several areas of concern within the Assessment Appeals division. The increased workload from processing record numbers of appeals requests has driven costs higher than budgeted levels. In addition, the purchase of two scanners is requested to speed the processing of assessment appeals documents, decreasing the time a property owner waits for a hearing. Department revenue is coming in higher than originally budgeted and is able to completely defray the increased costs mentioned above.

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

Increase appropriations:

10000-1000200000-525340	Temporary help services	\$20,000
10000-1000200000-523680	Office equip non fixed assets	2,900
10000-1000200000-524500	Administrative support direct	25,000
10000-1000200000-532600	Capital lease-purchase principal	<u>6,100</u>
	Total	\$54,000

Increase estimated revenue:

10000-1000200000-770030	Property tax collection and admin	\$52,000
10000-1000200000-777520	Reimbursement for services	<u>2,000</u>
	Total	\$54,000

**c) County Counsel**

Retirement payouts for several high level staff are driving salary costs \$360,000 over budget. The department request funds from contingency to cover this overrun. The Executive Office will continue to work with Counsel to find other cost-cutting opportunities and will request budget adjustments as part of the year-end cleanup form 11 as necessary.

**d) Economic Development Agency**

EDA Administration

The department received a Neighborhood Stabilization Program grant and requests budget adjustments for increased staffing and expenses. In addition, a budget adjustment is requested to cover increases in salary costs associated with early retirement payouts.

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

Increase appropriations:

21100-1900100000-510040	Regular salaries	\$650,000
21100-1900100000-527780	Special program expense	400,000
21100-1900100000-536920	Interfund-general office expense	<u>100,000</u>
	Total	\$1,150,000

Increase estimated revenue:		
21100-1900100000-778330	Interfund-salary reimbursement	\$650,000
21100-1900100000-778220	Interfund-office expense	<u>500,000</u>
	Total	\$1,150,000

**EDA Workforce Development**

Workforce Development requests a budget adjustment to reflect increased Federal Workforce Investment Act revenue, including stimulus grants, to provide additional services for the county's growing unemployed population.

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

Increase appropriations:		
21550-1900300000-523680	Office equipment non-fixed asset	\$160,000
21550-1900300000-527840	Training, education, tuition	61,332
21550-1900300000-530440	Client services	<u>385,000</u>
	Total	\$606,332
Increase estimated revenue:		
21550-1900300000-765000	Fed-WIA	\$606,332

**EDA Desert Expo**

A budget adjustment is requested to cover the costs of early retirement payouts and an unexpected payment to the state. The State Board of Equalization conducted an audit of sales tax revenue, for the period 2003-2005. Based on findings from that audit, \$40,000 in additional sales tax revenue is due. The department is refuting the audit findings and anticipates that this sales tax payment to be returned, but must make the payment now while the case is in review. A portion of the requested budget adjustments will be offset by additional unbudgeted revenue, while the rest will be offset by unreserved 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:		
22200-1920100000-510200	Payoff-permanent	\$30,000
22200-1920100000-537180	Interfund-salary reimbursement	<u>120,000</u>
	Total	\$150,000
Increase estimated revenue:		
22200-1920100000-778200	Interfund-miscellaneous revenue	\$97,000
Expected offset:		
22200-1920100000-325100	Unreserved fund balance	\$53,000

**e) Facilities Management**

**Custodial**

The Custodial division requests a budget adjustment for new services provided at Ben Clark Training Center.

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

Increase appropriations:		
10000-7200200000-520815	Custodial cleaning supplies	\$200,000
Increase estimated revenue:		
10000-7200200000-777150	Custodial revenue	\$200,000

**Energy Management**

At midyear, the Energy division reported a \$2 million budget shortfall. Due to a combination of conservation efforts and a milder climate, the division now expects to meet its net county cost target; however, actual costs could fluctuate with any significant temperature changes. In addition, the division requests budget adjustments to reflect increased utility rates and the offsetting reimbursement.

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

Increase appropriations:		
10000-7200600000-529540	Utilities	\$1,800,000
10000-7200600000-573800	Intrafund-utilities	<u>(1,800,000)</u>
	Total	\$0

**f) Human Resources**

Human Resources expects a potential revenue shortfall at year-end of approximately \$200,000. The department has made substantial reductions to staff levels in order to reduce payroll costs. The leave payout for those who retired early or were laid off is at \$494,949. This amount, plus unanticipated rent at Riverside Center because the remodeling of the seventh floor of the CAC is incomplete continues to strain the budget. Many employees have begun to participate in the voluntary furlough program saving the department \$51,000; however, additional cuts are anticipated before the end of the fiscal year. The Executive Office will continue to work with Human Resources to find other cost-cutting opportunities and will request budget adjustments as part of the year-end cleanup form 11 as necessary.

**g) Purchasing Services**

The Purchasing Department receives revenue from county departments ratified through Memorandum's of Understanding (MOU). Each MOU stipulates the number of purchasing staff dedicated to that department. The recent cancellation of MOU's is forcing Purchasing to either absorb salary costs or implement layoffs. The additional cost totals about \$321,000. The Executive Office will continue to work with Purchasing to find cost-cutting opportunities and expects that the department will be able to make up this shortfall by year-end.

**h) Registrar of Voters (ROV)**

Governor Schwarzenegger called a special measure election through approval of Senate Bill 19. The measure was approved with the understanding that the Legislature will reimburse counties for election costs as soon as possible; however, the Legislature has not taken action to allocate these funds. The Executive office recommends that the ROV budget for this revenue, with the expectation of backfilling the revenue with funds from

contingency if the Legislature does not authorize reimbursement or if because of timing, the funds can not to be accrued at year-end.

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

Increase appropriations:

10000-1700100000-510340	Seasonal salaries	\$175,000
10000-1700100000-510420	Overtime	180,000
10000-1700100000-523760	Postage	350,000
10000-1700100000-523800	Printing	725,000
10000-1700100000-525340	Temporary help services	500,000
10000-1700100000-527380	Elections	400,000
10000-1700100000-529120	Transportation	<u>170,000</u>
	Total	\$2,500,000

Increase estimated revenue:

10000-1700100000-753300	CA - Election Reimbursement	\$2,500,000
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### 3. PUBLIC PROTECTION

#### a) Animal Services – Community Health Agency

The department continues to generate less revenue from animal adoptions and license fees in both the incorporated and the unincorporated areas of the county. Although the department has implemented layoffs, the salary savings is not expected to offset revenue losses. The department projects that by year-end, its revenue shortfall will total \$1.5 million. The Executive Office will continue to work with the department towards renegotiating contracts that properly recover service cost.

Construction has begun on new animal shelters in Blythe, San Jacinto and Riverside. The Blythe Shelter is a replacement facility and should open in December 2009. The department estimates that this shelter will need operational funding and three new staff, totaling about \$400,000. The San Jacinto Shelter is a new facility, which should be operational by February 2010. This shelter will need operational funding and 61 new staff, expected to total \$6.5 million. The Riverside Shelter is a replacement facility and should open around March of 2010. While staff will be transferred, this facility is much larger than its predecessor and will need operational funding and 15 additional staff at an estimated cost of \$2 million.

#### b) Contributions to Trial Court Funding

These funds support confidential investigations in death penalty cases. Historically the fund has been underutilized; however, this fiscal year the budget for medical evaluations and laboratory services has been depleted. In order to pay the last request from the court, funds were temporarily transferred from another fund and those funds now need to be returned.

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

Increase appropriations:

10000-1100900000-536200	Contributions to other non-county	\$45,000
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Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$45,000

**c) Fire Department**

The Fire Department indicated in the midyear report that there would likely be a deficit of approximately \$2 million for FY 08/09 due to a shortfall in tax revenue. The department has initiated cost cutting measures to reduce that deficit and has revised its deficit projection down to \$1 million. The department continues to pursue new revenue sources and additional cost cutting measures, which could further reduce the overrun by year-end. The Executive Office will continue to work with Fire to find other cost-cutting opportunities and will request budget adjustments as part of the year-end cleanup form 11 as necessary.

The Fire Department will have an increase in contract services costs of about \$1.5 million. This service increase will be offset with new unbudgeted contract revenue. Budget adjustments are requested to account for this service change.

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

Increase appropriations:		
10000-2700400000-525440	Professional services	\$1,460,000
Increase estimated revenue:		
10000-2700400000-779050	Fire protection	\$1,460,000

**d) Probation Department**

The department reports that expenditures will be within target at year-end. The Board has set aside \$3.9 million for various high-priority probation related safety capital projects. A memorandum of understanding with Facilities Management has been ratified to emphasize the importance of these projects. This quarter, Facilities Management billings created the need to drawn down \$1,283,493 from the reserve for the Riverside Juvenile Hall detention facility. The department requests that these funds be released and appropriated to cover costs incurred.

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

Decrease designations:		
10000-1000100000-320107	DFB-Probation	\$1,283,493
Increase appropriations:		
10000-2600100000-537040	Interfund expense maintenance	\$15,746
10000-2600100000-522310	Maintenance-building improvements	<u>1,267,747</u>
	Total	\$1,283,493

**e) Public Defender**

The Public Defender is 14 positions below the hiring cap (MFR) established in November, but, as a result of taking the five percent NCC cut this year, still anticipates exceeding appropriations in both personnel and non-personnel areas. Increased facility costs (leases,

maintenance and renovations) are the main cause of the overage, with many of these obligations carrying over from last fiscal year. In response, plans to relocate some offices have been canceled, resulting in some minor savings. With so many vacancies, the Public Defender has been forced to declare "unavailable" in about 10 percent of the new cases assigned. These cases are currently being handled by the conflicts panels, generally resulting in a higher per-case cost. While this is a cautious approach for the short term, a detailed analysis can determine the most appropriate strategy for the future. Should prosecution trends continue, a more cost-effective approach to public defense is likely to be the hiring of more deputy public defenders. In addition, costs of providing expert witnesses in death penalty cases are rising dramatically. At this time, the department requests budget adjustments to pay both internal and external service providers. In addition, the department expects that leave payouts due to early retirements might result in a \$700,000 overage in salaries at year-end.

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

Increase appropriations:

10000-2400100000-520250	Communication equip. - installation	\$35,000
10000-2400100000-520820	Janitorial services	125,000
10000-2400100000-521180	Witness - miscellaneous	10,865
10000-2400100000-522310	Maintenance – bldg. and improvement	75,000
10000-2400100000-523680	Office equip. non-fixed assets	309,000
10000-2400100000-525030	Legal services – death penalty	150,000
10000-2400100000-525120	Micrographic services	105,000
10000-2400100000-525340	Temp help services	85,000
10000-2400100000-525420	Transcripts	10,000
10000-2400100000-525440	Professional services	100,000
10000-2400100000-526700	Rent/Lease buildings	<u>120,000</u>
	<b>Total</b>	<b>\$1,124,865</b>

Decrease appropriations:

10000-1109000000-581000	Contingency	\$1,124,865
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**f) Indigent Defense**

Court-appointed lawyers were paid \$575,821 for death penalty representation during the first nine months of this year, and more invoices are pending. It seems likely that the total payments on these cases could exceed \$750,000 by year-end. Due to its unpredictability (last year's cost was \$202,176, and the prior fiscal year was zero), no budget was established for this expense, but \$600,000 was set aside in contingency. The budget adjustment below is recommended to ensure there are sufficient appropriations to pay this mandated cost.

In addition, costs have also risen from an increase in the court-approved hourly rate for investigators, more attorneys being appointed for indigent conservatees, and the panels taking more cases in which the Public Defender has declared "unavailable." These cases totaled about \$170,000 in March and are expected to continue at this level. Budget adjustments are recommended to address these issues also.

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

Increase appropriations:		
10000-1109900000-525560	Court appointed counsel	\$750,000
10000-1109900000-527760	Special investigation account	60,000
10000-1109900000-525020	Legal services	<u>682,000</u>
	Total	1,492,000
Decrease appropriations:		
10000-1109000000-581000	Contingency	\$1,492,000

**g) Sheriff's Department**

The Sheriff's Department reports that their budget deficit is about \$11 million, nearly a 50 percent improvement since the second-quarter report. With the support of the Board, and in cooperation with the Executive Office, the department has cut back spending for overtime, capital outlay, vehicles, utilities, communication cost, and other discretionary items. In addition, the department has streamlined operations, self-imposed a hiring freeze, redeployed personnel, and revised work schedules.

It is important to note that by the end of the fiscal year, public safety sales tax revenue for the Sheriff is expected to be about \$20 million below budgeted expectations. The Executive office has indicated that it will request that this shortfall be backfilled this fiscal year from contingency, without this action, the Sheriff's budget shortfall will total over \$30 million.

As previously discussed in the first and second quarter reports, the budget shortfall is driven by increases in staff associated with expansions at the Smith Correctional Facility and the Ben Clark Training Center, difficulty adjusting to the five percent cut in general fund support, revenue losses tied to reductions in contract city services, overtime, and rising internal service fees for building maintenance and janitorial services.

The Sheriff's Department remains committed in seeking additional solutions to minimize the budget overrun.

At this time, the department requests appropriation transfers between budget units. This will ensure that adequate funding is available for necessary expenditures.

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

Increase appropriations:		
10000-2500100000-524740	County support services	\$298,210
Decrease appropriations:		
10000-2500500000-510040	Regular salaries	\$208,747
10000-2500500000-518100	Budgeted benefits	<u>89,463</u>
	Total	\$298,210

**4. PUBLIC WAYS AND FACILITIES**

**a) Transportation and Land Management Agency (TLMA)**

Airport Land Use Commission

The current year budget was prepared assuming that Planning staff would move into the Airport Land Use Commission budget unit. Time constraints did not allow this to occur,

which has now resulted in an accounting disparity between where the costs were budgeted and where they are applied. An appropriation transfer is requested to align the budget with actual expenses. The money transferred will be used solely to cover actual personnel costs incurred.

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

Increase appropriations:		
22650-3120100000-537180	Interfund expense – salary reimburse	\$280,083
Decrease appropriations:		
22650-3120100000-510040	Regular salaries	\$189,720
22650-3120100000-518100	Budgeted benefits	<u>90,363</u>
	Total	\$280,083

Trans Equipment (Garage)

Due to increased equipment maintenance costs for particulate matter traps, as required by regulations of the California Air Resources Board, a budget adjustment to cover expenditures is requested. These costs will be offset by new unbudgeted equipment rental charges.

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

Increase appropriations:		
20000-3130700000-521420	Maintenance – field equipment	\$250,000
20000-3130700000-572100	Intrafund equipment rental	<u>(250,000)</u>
	Total	\$0

TLMA: RBBD- Mira Loma

Cantu Galleano Ranch Road project has incurred unexpected costs that cannot be absorbed by any other funding sources, requiring a draw on reserved fund balance. The department requests budget adjustments to fund the project overruns.

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

Increase appropriations:		
31640-3130500000-537280	Interfund expense – misc. project exp.	\$383,709
Expected offset:		
31640-3130500000-325100	Unreserved fund balance	\$383,709

**5. HEALTH AND SANITATION**

**a) Community Health Agency (CHA)**

Although the agency has proactively cut costs, results will not cover all anticipated revenue losses. The latest projection indicates that the agency's cumulative net county cost target will be exceeded by \$3.6 million. Nearly \$1.6 million of the agency's deficit is attributable to

Public Health, where state realignment revenue is expected to be short. A moderate overrun is expected in Environmental Health, as explained below, and the remaining overrun is with Animal Control Services.

California Children's Services (CCS)

Revenue is expected to be less this year due to reductions in county services. Even though the department has implemented cost saving strategies, service levels are falling due to the loss of staff, tied to layoffs and retirements, and reductions in county funding. As future general fund support diminishes, so will state revenue. CCS is also concerned that the new state cap on funding will have harmful impacts on existing service levels.

Environmental Health

At midyear, Environmental Health reported that it expected to exceed its net county cost target by \$891,000. The department is closely monitoring and controlling expenses, and now anticipates its need for additional general funds to be closer to \$541,000. The Executive Office will continue to work with Environmental Health to further decrease these overruns and will request budget adjustments as part of the year-end cleanup form 11 as necessary.

**b) Detention Health Services (DHS) – RCRMC**

Detention Health Services

At midyear, the department reported that net county cost could be exceeded by \$1.3 million. After implementing cost cutting measures, including staff reductions, the need for additional general fund support is expected to be \$900,000. Overtime controls have been implemented but only a slight reduction has been realized. Pharmacy costs continue to remain high but implementation of the 340b program, a discount drug program, is expected to result in decreased costs for pharmaceuticals.

**c) Mental Health**

State realignment revenue generated from sales tax and vehicle license fees continues to decline. The department has implemented cost saving measures, which are expected to compensate for these revenue shortfalls. Also, as reported at midyear, the department continues to experience delays in receipt of payments from the state, which is creating cash flow troubles for the department. The department and the Executive Office will continue to monitor both economic and legislative impacts of revenue.

The department requests approval to purchase video conference equipment already funded in the budget. In addition, the department requests budget adjustments to align expenses and revenue associated with the expected loss in state revenue, and to correct a misappropriated maintenance expense.

**Recommended Motion:** *That the Board of Supervisors approve the purchase of video conference equipment, and approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:*

Increase appropriations:

10000-4100200000-522310	Maintenance and improvements	\$1,100,000
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Decrease appropriations:

10000-4100200000-542060	Improvements - buildings	\$1,100,000
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10000-4100200000-572000	Intrafund - DPSS	<u>2,300,000</u>
	Total	\$3,400,000
Decrease estimated revenue:		
10000-4100200000-751040	CA-Mental Health Services	2,300,000

Mental Health Detention

The department expects that it will need about \$600,000 to fund 12 staff for the last three months of next fiscal year in order to provide services to the additional inmates at the Smith Correctional Facility. Because it takes six to nine months to recruit and complete background checks on potential hires, the department will need to initiate recruitment efforts no later than October. The annual costs, which will hit in FY 10/11, will total \$2.4 million.

**6. PUBLIC ASSISTANCE**

**a) Department of Public Social Services (DPSS)**

DPSS continues to implement cost saving measures in an effort to reduce expenses. The department continues to experience decreases in realignment revenue which will impact the county through reductions in future year's funding.

This year the department drew down \$22.5 million from DPSS general fund designation. The department proposes that any unused funds be returned to the designations to ensure that sufficient funds are available to sustain program operations in future years. The department is preparing a plan on the use of funds held in the designations. To the extent possible, the department continues to leverage county general funds to maximize matching federal and state revenue.

The State Department of Finance has determined that the lower-than-expected revenue from the federal stimulus will trigger impacts to both in home supportive services and CalWORKs assistance programs. The state set a limit on the amount of funds contributed to individual provider wages and reduced CalWORKs grants by four percent. These reductions will occur in FY 09/10.

In April 2004, DPSS applied for a Curtailing Abuse Related to the Elderly (CARE) grant. This year, the funds were received. The department requests Board approval to receive the CARE grant funds.

***Recommended Motion:*** *That the Board of Supervisors approve the receipt of CARE grant funds in the amount of \$10,000.*

Mandated Client Services

As reported at midyear, hours of service provided by in home supportive services caregivers continue to increase while contracted payments are projected to decrease. No budget adjustment is requested at this time. Also, the department anticipates additional federal funds as a result of the federal stimulus package. The funds are retroactive to October 2008, but the timing of distributions has not been determined. In addition, federal assistance is scheduled to sunset in December 2010. It is likely that additional county contribution will be necessary if the county intends to maintain the existing level of service.

Categorical Aid

At midyear, the department projected a 19 percent caseload growth rate in the CalWORKs program. Caseload growth has now increased to 21 percent. The department requests a

budget adjustment to increase appropriations to cover expenditures for the remainder of the fiscal year.

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

Increase appropriations:		
10000-5100300000-530480	Categorical assistance	\$1,300,000
Increase estimated revenue:		
10000-5100300000-761000	Fed-public assistance	\$500,000
10000-5100300000-750700	CA-public assistance	<u>800,000</u>
	Total	\$1,300,000

Other Aid

The department projects county funded foster care expenditures might exceed the approved budget by \$560,000. The department plans to cover the increase with savings generated in categorical aid programs. No budget adjustment is requested at this time.

**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 projections. The hospital continues to work with the Executive Office to explore financing alternatives for several capital projects leaving reserve funds available for other uses.

**b) Waste Resources Management District**

The District has had several employees opt for the early retirement incentive resulting in substantial salary payouts. The net effect of the payouts is projected to result in a District payroll shortfall. Funding for salaries is done via reimbursement from the Waste Management Enterprise Fund. Sufficient appropriations are on hand in the Enterprise Fund to reimburse the District.

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

Increase appropriations:		
40250-943001-518100	Budgeted benefits	\$250,000
Increase estimated revenue:		
40250-943001-781720	Salary reimbursement	\$250,000

**9. INTERNAL SERVICE FUNDS**

**a) Fleet Services**

Due to reduced vehicle use, Fleet Services' revenue is trending below target. In order to avoid operational impacts, the department intends to use reserves. In order to comply with

the Board's request to lower rates, the use of reserves is also expected next fiscal year. Dependent upon reserve levels at year-end, future cost recovery might necessitate the need for higher rates.

**b) Human Resources**

Short Term Disability Insurance

A budget adjustment is requested for unanticipated administrative costs. Claims are on target, but revenue is higher than initially anticipated, so there will be no loss in the confidence level of the fund.

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

Increase appropriations:		
46060-1131200000-510040	Regular salaries	8,000
46060-1131200000-518100	Budgeted benefits	2,000
46060-1131200000-525440	Professional services	244,000
46060-1131200000-534260	Disability claims	<u>175,000</u>
	Total	\$429,000
Increase estimated revenue:		
46060-1131200000-781220	Contributions and donations	\$429,000

Exclusive Provider Option

Claims are exceeding budget estimates. In-home supportive service premiums were increased 21 percent to cover costs incurred. Pharmacy sales reimbursement continues to increase with the popularity of the program. Recently a new service manager and a new medical director have begun to review all claims and have ramped up efforts to reduce costs. Net assets are available to cover these increased costs.

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

Increase appropriations:		
45800-1132000000-522890	Pharmaceuticals	\$1,400,000
45800-1132000000-534440	Psych service claims	100,000
45800-1132000000-534460	Medical service claims	376,000
45800-1132000000-534500	Hosp. care service claims	<u>2,500,000</u>
	Total	\$4,376,000
Increase estimated revenue:		
45800-1132000000-774970	IHSS insurance premiums	\$1,076,000
45800-1132000000-774990	EPO pharmacy	800,000
45800-1132000000-781220	Contributions and donations	<u>1,000,000</u>
	Total	\$2,876,000
Expected offset:		
45800-1132000000-313200	Restricted for self Insurance	\$1,500,000

Local Advantage Blythe

A separate dental program exists for employees living in Blythe. Administrative expenditures and claims are higher than anticipated; however, the premiums collected are sufficient to cover the new costs.

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

Increase appropriations:		
45920-1132500000-523350	Administrative expenses	\$2,900
45920-1132500000-534240	Dental claims	<u>1,600</u>
	Total	\$4,500
Increase estimated revenues:		
45920-1132500000-781320	Insurance proceeds	\$4,500

**Freedom Dental Plan**

Dental claims have been consistently higher than anticipated and administrative costs are slightly higher. Overages can be covered with funds from the reserve account. The confidence level of the fund will not be impacted.

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

Increase appropriations:		
45870-1132800000-523350	Administrative expenses	\$15,500
45870-1132800000-534240	Dental claims	<u>100,000</u>
	Total	\$115,500
Increase estimated revenue:		
45870-1132800000-781320	Insurance proceeds	\$115,500

**Occupational Health and Wellness**

The program budget is in a projected deficit of approximately \$344,000 due to the sharp decline in pre-employment physicals, particularly those for Temporary Assignment Program (TAP) employees. Reductions to staffing and reduced hours for physicians have been implemented by HR to reduce the deficit; however, more cost cutting measures are needed. The program experienced unexpected costs for the countywide Healthy Rewards Program. Exploration of the Workers' Compensation as a source of revenue is presently underway.

**c) Information Technology (RCIT)**

As a result of leasing assets, extending maintenance contracts and purchasing repair parts for current assets, the department requests the following budget adjustments:

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

Increase appropriations:		
45500-7400100000-520320	Telephone service	\$1,000,000
45500-7400100000-535560	Depreciation expense	<u>1,000,000</u>
	Total	\$2,000,000
Decrease appropriations:		
45500-7400100000-546060	Equipment communications	\$2,000,000

**d) Printing Services**

A technical budget adjustment is requested to correct an erroneous budget adjustment in the second-quarter budget report. The requested budget adjustment will reverse the

incorrect entry and post the correct adjustment. In addition, Printing Services requests an increase in appropriations so it may purchase quick-print equipment. The department has unrestricted net assets to cover these costs.

**Recommended Motion:** That the Board of Supervisors approve the purchase of one quick-print printer and direct the Auditor-Controller to adjust appropriations as follows:

Decrease appropriations:		
45600-7300400000-532600	Capital lease-purchase principal	\$560,000
Expected offset:		
45600-7300400000-380100	Unrestricted net assets	\$560,000
Increase appropriations:		
45600-7300300000-546160	Equipment - other	\$260,000
Expected offset:		
45600-7300300000-380100	Unrestricted net assets	\$260,000

**10. SPECIAL DISTRICTS**

**a) EDA Redevelopment Agency**

A budget adjustment is requested to comply with a new state ordinance requiring redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) by May 10, 2009. In addition, the agency requests a budget adjustment to account for greater supplemental tax increment revenue than budgeted.

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

Increase appropriations:		
37100-934001-535220	Taxes and assessments - ERAF	\$6,000,000
37100-934001-536200	Contribution to non-county agency	<u>4,000,000</u>
	Total	\$10,000,000
Increase estimated revenue:		
37100-934001-700020	Property tax – current secured	\$8,998,545
37100-934001-781000	Contractual revenue - RDV	<u>1,001,455</u>
	Total	\$10,000,000

**b) Flood Control and Water Conservation District**

The District has additional professional services costs (related to NPDES Santa Margarita Assessment) that were unanticipated in the current year budget. The district requests budgets adjustments to cover these costs, which will be funded from fund balance.

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

Increase appropriations:		
25200-947580-525440	Professional services	\$75,000

Expected offset:		
25200-947580-320114	DFB - Flood	\$75,000

**c) Regional Parks and Open Space District**

The Parks District has proactively removed dead or dying branches or trees in order to minimize hazards to guests of the parks. This effort has been more extensive than originally planned and additional costs have been incurred, requiring a budget adjustment. In addition, the district has received unanticipated direct billings from the Auditor Controller requiring an adjustment. Both unbudgeted costs can be covered with designated 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:		
25400-931104-522320	Maintenance grounds	\$100,000
25400-931104-536760	Interfund expense – auditing and acct.	<u>60,000</u>
	Total	\$160,000
Decrease estimated revenue:		
25400-931104-776760	Reservation fees	\$70,717
Expected offset:		
25400-931104-320100	Designated fund balance	\$230,717

**d) County Services Areas (CSA)**

For several CSA's, operating expenses are expected to exceed previous estimates due to staff reassignments that occurred after the budget was submitted. Budget adjustments are necessary to provide sufficient appropriations to pay for the increase in salaries and benefits. 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 adjust appropriations and estimated revenue as follows:

Increase appropriations:		
23525-905102-537180	Interfund exp – salary reimbursement	\$20,000
Increase estimated revenue:		
23525-905102-781360	Other miscellaneous revenue	\$20,000
Increase appropriations:		
40440-906203-510040	Regular salaries	\$35,000
Increase estimated revenue:		
40440-906203-781360	Other miscellaneous revenue	\$35,000
Increase appropriations:		
23850-908501-537180	Interfund exp – salary reimbursement	\$25,000

Increase estimated revenue: 23850-908501-781360	Other miscellaneous revenue	\$25,000
Increase appropriations: 24325-912601-510040 24325-912601-537180	Regular salaries Interfund exp – salary reimbursement Total	\$5,000 <u>10,000</u> \$15,000
Increase estimated revenue: 24325-912601-781360	Other miscellaneous revenue	\$15,000
Increase appropriations: 24825-914901-537180	Interfund exp – salary reimbursement	\$10,000
Increase estimated revenue: 24825-914901-781360	Other miscellaneous revenue	\$10,000
Increase appropriations: 23850-908501-546160 23850-908501-523270	Equipment – other Special events Total	\$70,000 <u>30,000</u> \$100,000
Increase estimated revenue: 23850-908501-781560	Contributions from non-county	\$100,000

## 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; and 2) approve the recommendations and associated budget adjustments in Attachment A.

### 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:		
10000-1300100000-781000	Contractual redevelopment	\$6,000,000
10000-1300100000-705000	Property tax – prior supplemental	1,240,000
10000-1200200000-712000	Documentary transfer tax	<u>200,000</u>
	Total	\$7,440,000
Decrease estimated revenue:		
10000-1300100000-704000	Property tax – current supplemental	8,500,000
10000-1300100000-710020	Sales and use taxes	<u>2,600,000</u>
	Total	\$11,100,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$3,660,000

### Contingency

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

Decrease designations:		
10000-1000100000-320147	DFB – correctional staffing	\$5,267,539
10000-1100100000-320110	DFB – economic uncertainty	<u>11,000,000</u>
	Total	\$15,267,539
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$15,267,539

## INTERDEPARTMENTAL AND CAPITAL PROJECTS

### Accumulative Capital Outlay

**Recommended Motion:** *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments in appropriations and estimated revenue in the Accumulative Capital Outlay Fund and Contingency by \$395,000, as follows:*

Increase appropriations:		
30000-1100300000-536240	Other contract agencies	\$395,000
Increase estimated revenue:		
30000-1100300000-790600	Contribution from other funds	\$395,000

Increase appropriations:		
10000-1101000000-551100	Contributions to other county funds	\$395,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$395,000

Capital Improvement Program

Capital Projects

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

Increase appropriations:		
30120-1105100000-536780	Capital projects	\$19,188,400

Expected offset:		
30120-1105100000-309100	Reserve for construction	\$19,188,400

Palm Desert Redevelopment Pass-Through

Fullenwider Auditorium

**Recommended Motion:** That the Board of Supervisor authorize the use of Palm Desert Redevelopment Pass-Through Funds to pay the annual debt service for the Fullenwider Auditorium through the end of calendar year 2015.

Fund Transfer

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

Increase appropriations:		
20000-3130500000-551100	Contributions to other funds	\$3,217,598

Expected offset:		
20000-3130500000-325100	Unreserved fund balance	\$3,217,598

Increase estimated revenue:		
30700-1104200000-790600	Contributions from other funds	\$3,217,598

Expected offset:		
30700-1104200000-325100	Unreserved fund balance	\$3,217,598

Debt Service Reserve Fund

**Recommended Motion:** That the Board of Supervisors approve and direct the Auditor-Controller to create a new fund to manage future Palm Desert Financing Authority debt service payments.

GENERAL GOVERNMENT

Board of Supervisors

Assessment Appeals

**Recommended Motion:** That the Board of Supervisors approve the purchase of two scanners; and approve and direct the Auditor-Controller to make the following budget adjustments:

Increase appropriations:		
10000-1000200000-525340	Temporary help services	\$20,000
10000-1000200000-523680	Office equip non fixed assets	2,900
10000-1000200000-524500	Administrative support direct	25,000
10000-1000200000-532600	Capital lease-purchase principal	<u>6,100</u>
	Total	\$54,000
Increase estimated revenue:		
10000-1000200000-770030	Property tax collection and admin	\$52,000
10000-1000200000-777520	Reimbursement for services	<u>2,000</u>
	Total	\$54,000

Economic Development Agency

EDA Administration

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

Increase appropriations:		
21100-1900100000-510040	Regular salaries	\$650,000
21100-1900100000-527780	Special program expense	400,000
21100-1900100000-536920	Interfund-general office expense	<u>100,000</u>
	Total	\$1,150,000
Increase estimated revenue:		
21100-1900100000-778330	Interfund-salary reimbursement	\$650,000
21100-1900100000-778220	Interfund-office expense	<u>500,000</u>
	Total	\$1,150,000

EDA Workforce Development

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

Increase appropriations:		
21550-1900300000-523680	Office equipment non-fixed asset	\$160,000
21550-1900300000-527840	Training, education, tuition	61,332
21550-1900300000-530440	Client services	<u>385,000</u>
	Total	\$606,332
Increase estimated revenue:		
21550-1900300000-765000	Fed-WIA	\$606,332

EDA Desert Expo

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

Increase appropriations:		
22200-1920100000-510200	Payoff-permanent	\$30,000

22200-1920100000-537180	Interfund-salary reimbursement	<u>120,000</u>
	Total	\$150,000
Increase estimated revenue:		
22200-1920100000-778200	Interfund-miscellaneous revenue	\$97,000
Expected offset:		
22200-1920100000-325100	Unreserved fund balance	\$53,000

Facilities Management

Custodial

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

Increase appropriations:		
10000-7200200000-520815	Custodial cleaning supplies	\$200,000
Increase estimated revenue:		
10000-7200200000-777150	Custodial revenue	\$200,000

Energy Management

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

Increase appropriations:		
10000-7200600000-529540	Utilities	\$1,800,000
10000-7200600000-573800	Intrafund-utilities	<u>(1,800,000)</u>
	Total	\$0

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:		
10000-1700100000-510340	Seasonal salaries	\$175,000
10000-1700100000-510420	Overtime	180,000
10000-1700100000-523760	Postage	350,000
10000-1700100000-523800	Printing	725,000
10000-1700100000-525340	Temporary help services	500,000
10000-1700100000-527380	Elections	400,000
10000-1700100000-529120	Transportation	<u>170,000</u>
	Total	\$2,500,000
Increase estimated revenue:		
10000-1700100000-753300	CA - Election Reimbursement	\$2,500,000

PUBLIC PROTECTION

Contributions to Trial Court Funding

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

Increase appropriations:		
10000-1100900000-525440	Professional services	\$45,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$45,000

Fire Department

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

Increase appropriations:		
10000-2700400000-525440	Professional services	\$1,460,000

Increase estimated revenue:		
10000-2700400000-779050	Fire protection	\$1,460,000

Indigent Defense

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

Increase appropriations:		
10000-1109900000-525560	Court appointed counsel	\$750,000
10000-1109900000-527760	Special investigation account	60,000
10000-1109900000-525020	Legal services	<u>682,000</u>
	Total	1,492,000

Decrease appropriations:		
10000-1109000000-581000	Contingency	\$1,492,000

Probation Department

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

Decrease designations:		
10000-1000100000-320107	DFB-Probation	\$1,283,493

Increase appropriations:		
10000-2600100000-537040	Interfund expense maintenance	\$15,746
10000-2600100000-522310	Maintenance-building improvements	<u>1,267,747</u>
	Total	\$1,283,493

Public Defender

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

Increase appropriations:		
10000-2400100000-520250	Communication equip. - installation	\$35,000
10000-2400100000-520820	Janitorial services	125,000
10000-2400100000-521180	Witness - miscellaneous	10,865
10000-2400100000-522310	Maintenance – bldg. and improvement	75,000

10000-2400100000-523680	Office equip. non-fixed assets	309,000
10000-2400100000-525030	Legal Services – death penalty	150,000
10000-2400100000-525120	Micrographic services	105,000
10000-2400100000-525340	Temp help services	85,000
10000-2400100000-525420	Transcripts	10,000
10000-2400100000-525440	Professional services	100,000
10000-2400100000-526700	Rent/Lease buildings	<u>120,000</u>
	Total	\$1,124,865
Decrease appropriations:		
10000-1109000000-581000	Contingency	\$1,124,865

Sheriff's Department

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

Increase appropriations:		
10000-2500100000-524740	County support services	\$298,210
Decrease appropriations:		
10000-2500500000-510040	Regular salaries	\$208,747
10000-2500500000-518100	Budgeted benefits	<u>89,463</u>
	Total	\$298,210

PUBLIC WAYS AND FACILITIES

Transportation and Land Management Agency (TLMA)

Airport Land Use Commission

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

Increase appropriations:		
22650-3120100000-537180	Interfnd expense – salary reimburse	\$280,083
Decrease appropriations:		
22650-3120100000-510040	Regular salaries	\$189,720
22650-3120100000-518100	Budgeted benefits	<u>90,363</u>
	Total	\$280,083

Trans Equipment (Garage)

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

Increase appropriations:		
20000-3130700000-521420	Maintenance – field equipment	\$250,000
20000-3130700000-572100	Intrafund equipment rental	<u>(250,000)</u>
	Total	\$0

TLMA: RBBD- Mira Loma

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

Increase appropriations:		
31640-3130500000-537280	Interfund expense – misc. project exp.	\$383,709

Expected offset:		
31640-3130500000-325100	Unreserved fund balance	\$383,709

HEALTH AND SANITATION

Mental Health

**Recommended Motion:** That the Board of Supervisors approve the purchase of video conference equipment, and approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:

Increase appropriations:		
10000-4100200000-522310	Maintenance and improvements	\$1,100,000

Decrease appropriations:		
10000-4100200000-542060	Improvements - buildings	\$1,100,000
10000-4100200000-572000	Intrafund - DPSS	<u>2,300,000</u>
	Total	\$3,400,000

Decrease estimated revenue:		
10000-4100200000-751040	CA-Mental Health Services	2,300,000

PUBLIC ASSISTANCE

Department of Public Social Services (DPSS)

**Recommended Motion:** That the Board of Supervisors approve the receipt the CARE grant funds in the amount of \$10,000.

Categorical Aid

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

Increase appropriations:		
10000-5100300000-530480	Categorical assistance	\$1,300,000

Increase estimated revenue:		
10000-5100300000-761000	Fed-public assistance	\$500,000
10000-5100300000-750700	CA-public assistance	<u>800,000</u>
	Total	\$1,300,000

ENTERPRISE FUNDS

Waste Resources Management District

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

Increase appropriations:		
40250-943001-518100	Budgeted benefits	\$250,000

Increase estimated revenue:		
40250-943001-781720	Salary reimbursement	\$250,000

**INTERNAL SERVICE FUNDS**

Human Resources

Short Term Disability Insurance

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

Increase appropriations:		
46060-1131200000-510040	Regular salaries	8,000
46060-1131200000-518100	Budgeted benefits	2,000
46060-1131200000-525440	Professional services	244,000
46060-1131200000-534260	Disability claims	<u>175,000</u>
	Total	\$429,000

Increase estimated revenue:		
46060-1131200000-781220	Contributions and donations	\$429,000

Exclusive Provider Option

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

Increase appropriations:		
45800-1132000000-522890	Pharmaceuticals	\$1,400,000
45800-1132000000-534440	Psych service claims	100,000
45800-1132000000-534460	Medical service claims	376,000
45800-1132000000-534500	Hosp. care service claims	<u>2,500,000</u>
	Total	\$4,376,000

Increase estimated revenue:		
45800-1132000000-774970	IHSS insurance premiums	\$1,076,000
45800-1132000000-774990	EPO pharmacy	800,000
45800-1132000000-781220	Contributions and donations	<u>1,000,000</u>
	Total	\$2,876,000

Expected offset:		
45800-1132000000-313200	Restricted for self Insurance	\$1,500,000

Local Advantage Blythe

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

Increase appropriations:		
45920-1132500000-523350	Administrative expenses	\$2,900
45920-1132500000-534240	Dental claims	<u>1,600</u>
	Total	\$4,500

Increase estimated revenues:		
45920-1132500000-781320	Insurance proceeds	\$4,500

Freedom Dental Plan

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

Increase appropriations:		
45870-1132800000-523350	Administrative expenses	\$15,500
45870-1132800000-534240	Dental claims	<u>100,000</u>
	Total	\$115,500
Increase estimated revenue:		
45870-1132800000-781320	Insurance proceeds	\$115,500

Information Technology (RCIT)

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

Increase appropriations:		
45500-7400100000-520320	Telephone service	\$1,000,000
45500-7400100000-535560	Depreciation expense	<u>1,000,000</u>
	Total	\$2,000,000
Decrease appropriations:		
45500-7400100000-546060	Equipment communications	\$2,000,000

Printing Services

**Recommended Motion:** That the Board of Supervisors approve the purchase of one quick-print printer and direct the Auditor-Controller to adjust appropriations as follows:

Decrease appropriations:		
45600-7300400000-532600	Capital lease-purchase principal	\$560,000
Expected offset:		
45600-7300400000-380100	Unrestricted net assets	\$560,000
Increase appropriations:		
45600-7300300000-546160	Equipment - other	\$260,000
Expected offset:		
45600-7300300000-380100	Unrestricted net assets	\$260,000

SPECIAL DISTRICTS

EDA Redevelopment Agency

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

Increase appropriations:		
37100-934001-535220	Taxes and assessments - ERAF	\$6,000,000
37100-934001-536200	Contribution to non-county agency	<u>4,000,000</u>
	Total	\$10,000,000

Increase estimated revenue:		
37100-934001-700020	Property tax – current secured	\$8,998,545
37100-934001-781000	Contractual revenue - RDV	<u>1,001,455</u>
	Total	\$10,000,000

Flood Control and Water Conservation District

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

Increase appropriations:		
25200-947580-525440	Professional services	\$75,000
Expected offset:		
25200-947580-320114	DFB - Flood	\$75,000

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:

Increase appropriations:		
25400-931104-522320	Maintenance grounds	\$100,000
25400-931104-536760	Interfund expense – auditing and acct.	<u>60,000</u>
	Total	\$160,000
Decrease estimated revenue:		
25400-931104-776760	Reservation fees	\$70,717
Expected offset:		
25400-931104-320100	Designated fund balance	\$230,717

County Services Areas (CSA)

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

Increase appropriations:		
23525-905102-537180	Interfund exp – salary reimbursement	\$20,000
Increase estimated revenue:		
23525-905102-781360	Other miscellaneous revenue	\$20,000
Increase appropriations:		
40440-906203-510040	Regular salaries	\$35,000
Increase estimated revenue:		
40440-906203-781360	Other miscellaneous revenue	\$35,000
Increase appropriations:		
23850-908501-537180	Interfund exp – salary reimbursement	\$25,000

Increase estimated revenue: 23850-908501-781360	Other miscellaneous revenue	\$25,000
Increase appropriations: 24325-912601-510040	Regular salaries	\$5,000
24325-912601-537180	Interfund exp – salary reimbursement	<u>10,000</u>
	Total	\$15,000
Increase estimated revenue: 24325-912601-781360	Other miscellaneous revenue	\$15,000
Increase appropriations: 24825-914901-537180	Interfund exp – salary reimbursement	\$10,000
Increase estimated revenue: 24825-914901-781360	Other miscellaneous revenue	\$10,000
Increase appropriations: 23850-908501-546160	Equipment – other	\$70,000
23850-908501-523270	Special events	<u>30,000</u>
	Total	\$100,000
Increase estimated revenue: 23850-908501-781560	Contributions from non-county	\$100,000

**FY 2008 – 2009  
3<sup>rd</sup> Quarter Budget Update  
Vacancy Report**

The economic downturn continues to slow hiring activity in the County due to departments' requirements to stay within their required Maximum Fill Rate during the third quarter. Despite this, however, hiring activity remains steady in certain departments such as RCRMC, in order to keep pace with attrition and anticipated future hiring needs in the highly competitive healthcare market. Hiring activity has also increased in the Economic Development Agency related to positions resulting from the Obama stimulus plan. In the Sheriff's department, recruiting activity continues to be focused on the desert regions in order to maintain an interested candidate pool in this region.

During the third quarter, the County's employee population contracted from 20,774 at the start of the third quarter to 19,880 regular, per diem, seasonal, and temporary employees. This was a net decrease of 894 employees, primarily attributed to the success of the early retirement incentive offered to employees in the miscellaneous retirement plan.

At the close of the third quarter, with the implementation of the Countywide hiring freeze on April 7th, we anticipate that recruiting activity will continue to be held at low levels, with the exception of key positions. The recruiting marketplace continues to be favorable to the County due to many qualified people who have been laid off by other employers and find County opportunities more attractive.

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.

## HR's Recruitment and Vacancy Report

Budget Unit	Dept Description	Reg/Temp	Current MFR	Positions as of 04/15/09	Available Positions	Vacancy %	Active Recruiting	Pending Start	Using TAP
915201	CSA 152 NPDES	R	23	23	0	0%	0	0	0
		T	2	2	0	0%	0	0	0
931104	Regional Parks & Open-Space Dist	R	100	91	9	9%	0	0	0
		S	18	18	0	0%	0	0	0
		T	3	1	2	67%	0	0	0
935200	Regional Conservation Auth - Ops	R	9	10	-1	-11%	0	0	0
938001	First Five Commission	R		27		0%	0	0	0
943001	WRMD Operating	R	49	47	2	4%	0	0	0
947200	Flood Control	R	242	233	9	4%	1	0	1
985101	Public Authority - Admin	R	28	24	4	14%	0	0	0
1000100000	Board of Supervisors	R	54	52	2	4%	0	0	0
		T	2	2	0	0%	0	0	0
1000200000	Assessment Appeals Board	R	5	5	0	0%	0	0	0
1100100000	Executive Office	R	29	29	0	0%	0	0	0
1101500000	County Free Library	R	1	1	0	0%	0	0	0
1105000000	Nat'l Pollutant Discharge Elmn Sys	R	2	2	0	0%	0	0	0
1109200000	OASIS Financials	R	43	42	1	2%	0	0	0
1109300000	OASIS HRMS	R	20	19	1	5%	0	0	0
1130100000	Human Resources	R	217	179	38	18%	0	0	0
1130300000	HR - Air Quality Division	R	3	3	0	0%	0	0	0
1130700000	HR - Property Insurance	R	1	1	0	0%	0	0	0
1130800000	HR - Workers Compensation	R	51	53	-2	-4%	0	0	0
1130900000	HR - Malpractice Insurance	R	2	2	0	0%	0	0	0
1131000000	HR - Liability Insurance	R	33	32	1	3%	0	0	0
1131200000	HR - STD Disability Insurance	R	1	1	0	0%	0	0	0
1131300000	HR - Safety Loss Control	R	18	18	0	0%	0	0	0
1131800000	HR - TAP - Temp Asst Pool	P	613	584	29	5%	0	0	0
		R	49	21	28	57%	0	0	0
		T	948	586	362	38%	0	0	0
1132000000	HR - Exclusive Provider Option	R	30	31	-1	-3%	2	0	0
1132200000	HR - Employee Assistance Program	R	7	7	0	0%	0	0	0
1132900000	HR - Occupational Health & Wellness	R	27	24	3	11%	0	0	0
1150100000	CFD/Assessment Dist Admin	R	5	5	0	0%	0	0	0
1200100000	Assessor	R	233	208	25	11%	1	1	0
1200200000	County Clerk - Recorder	R	185	174	11	6%	0	0	0
1200300000	AC Recorder Center Div	R	27	25	2	7%	0	0	0
1200400000	Integrated Property Tax Mgmt Sys.	R	10	9	1	10%	0	0	0
1300100000	Auditor - Controller	R	99	91	8	8%	0	0	0
1300200000	Internal Audits	R	17	14	3	18%	0	0	0
1400100000	Treasurer -Tax Collector	R	116	110	6	5%	0	0	0
1500100000	County Counsel	R	74	69	5	7%	2	0	0
1700100000	Registrar of Voters	R	35	35	0	0%	0	0	0
		S	6	6	0	0%	0	0	0
1900100000	EDA Administration	R	182	163	19	10%	0	0	0
1900300000	EDA Workforce Development	R	172	98	74	43%	0	0	0
		T	8	9	-1	-13%	0	0	0
1900400000	EDA HOUSING AUTHORITY	R	116	91	25	22%	0	0	0
1910700000	County Airports	R	10	10	0	0%	0	0	0
1920100000	Fair & Nat'l Date Festival	R	12	11	1	8%	0	0	0
		T	9	9	0	0%	0	0	0
1930100000	Edward Dean Museum	R	2	2	0	0%	0	0	0
		T	1	1	0	0%	0	0	0
2200100000	District Attorney	R	840	827	13	2%	1	3	0
2300100000	Child Support Services	R	391	368	23	6%	5	1	0
		T	5	1	4	80%	0	0	0
2400100000	Public Defender	R	304	293	11	4%	0	0	0

## HR's Recruitment and Vacancy Report

Budget Unit	Dept Description	Reg/ Temp	Current MFR	Positions as of 04/15/09	Available Positions	Vacancy %	Active Recruiting	Pending Start	Using TAP
2500100000	Sheriff - Administration	R	54	54	0	0%	0	0	0
2500200000	Sheriff - Support	R	368	364	4	1%	0	0	0
		T	2	1	1	50%	0	0	0
2500300000	Sheriff - Patrol	R	1915	1894	21	1%	0	0	0
		T	1	2	-1	-100%	0	0	0
2500400000	Sheriff - Corrections	R	1382	1384	-2	0%	0	0	0
2500500000	Sheriff - Court Services	R	182	186	-4	-2%	0	0	0
		T	9	9	0	0%	0	0	0
2500600000	Sheriff - CAC Security	R	3	3	0	0%	0	0	0
2500700000	Sheriff - Ben Clark Training Center	R	68	62	6	9%	0	0	0
2500800000	Sheriff - RAID	R	1	1	0	0%	0	0	0
2501000000	Sheriff - Coroner	R	56	55	1	2%	0	0	0
2501100000	Public Administrator	R	17	17	0	0%	0	0	0
2505100000	Sheriff - Cal ID	R	30	29	1	3%	0	0	0
2600100000	Probation - Juvenile Hall	R	441	428	13	3%	4	3	3
		T	47	41	6	13%	0	0	0
2600200000	Probation	R	385	371	14	4%	1	1	1
		T	20	20	0	0%	0	0	0
2600700000	Probation Administration	R	60	55	5	8%	3	8	1
		T	3	3	0	0%	0	0	0
2700200000	Fire Protection - Forest	R	166	168	-2	-1%	2	0	0
		T	2	2	0	0%	0	0	0
2700400000	Fire Protection - Contract Svc	R	22	21	1	5%	0	0	0
2800100000	Agricultural Commissioner	R	55	52	3	5%	0	0	0
2900100000	Local Agency Formation Commission	R	5	5	0	0%	0	0	0
3100100000	TLMA - GIS	R	23	22	1	4%	0	0	0
3100200000	TLMA - Administration	R	67	67	0	0%	0	0	0
3100300000	TLMA - Consolidated Counter Svcs	R	19	19	0	0%	0	0	0
3100500000	TLMA - Environmental Programs	R	15	15	0	0%	0	0	0
3110100000	TLMA - Building & Safety	R	60	46	14	23%	4	4	1
3120100000	TLMA - Planning	R	73	56	17	23%	0	0	3
3130100000	TLMA - Transportation	R	351	331	20	6%	0	4	7
		T	1	0	1	100%	0	0	0
3130200000	TLMA - Surveyor	R	41	36	5	12%	0	0	0
3130300000	TLMA - Crossing Guard	R	1	1	0	0%	8	0	0
		S	51	48	3	6%	0	0	0
3130700000	TLMA - Transportation Equipment ISF	R	28	25	3	11%	0	0	0
3140100000	TLMA - Code Enforcement	R	139	134	5	4%	0	1	7
4100100000	Mental Health - Public Guardian	R	33	32	1	3%	0	0	0
4100200000	Mental Health - Treatment	P	45	46	-1	-2%	0	0	0
		R	623	585	38	6%	0	0	0
4100300000	Mental Health - Detention	P	10	9	1	10%	0	0	0
		R	47	45	2	4%	0	0	0
4100400000	Mental Health - Administration	P	1	2	-1	-100%	0	0	0
		R	167	149	18	11%	0	0	0
4100500000	Mental Health - Substance Abuse	R	108	109	-1	-1%	0	0	0
		T	6	5	1	17%	0	0	0
4200100000	Public Health	R	775	695	80	10%	0	0	36
		T	2	2	0	0%	0	0	0
4200200000	CHA - CA Children's Services	R	176	152	24	14%	0	0	0
4200300000	CHA - Admin	R	180	170	10	6%	0	0	0
4200400000	CHA - Environmental Health	R	180	166	14	8%	0	0	1
4200600000	CHA - Animal Control	R	238	219	19	8%	0	0	1
4300100000	RCRMC	R	2250	2150	100	4%	78	22	0
4300200000	RCRMC - Med Indigent Services Prog.	R	32	28	4	13%	4	0	0
4300300000	RCRMC - Detention Health Systems	R	106	87	19	18%	18	1	0

## HR's Recruitment and Vacancy Report

Budget Unit	Dept Description	Reg/Temp	Current MFR	Positions as of 04/15/09	Available Positions	Vacancy %	Active Recruiting	Pending Start	Using TAP
4500100000	Waste Management	R	223	211	12	5%	3	0	8
5100100000	DPSS Administration	R	3303	3149	154	5%	0	0	0
		T	7	6	1	14%	0	0	0
5200100000	Local Initiative Admin DCA	R	22	19	3	14%	0	0	0
5200200000	DCA - Local Initiative Program	R	15	15	0	0%	0	0	0
5200300000	DCA - Other Programs	R	1	1	0	0%	0	0	0
5300100000	Office On Aging - Title III	R	68	65	3	4%	0	0	0
		T	87	80	7	8%	0	0	0
5400100000	Veterans Services	R	12	12	0	0%	0	0	0
6300100000	Cooperative Extension	R	5	5	0	0%	0	0	0
7200100000	Facilities Management - Administration	R	69	61	8	12%	0	0	0
7200200000	Facilities Management - Custodial	R	217	204	13	6%	0	0	0
7200300000	Facilities Management - Maintenance	R	177	164	13	7%	0	0	0
7200400000	Facilities Management - Real Estate	R	24	23	1	4%	0	0	0
7200500000	Facilities Management - Design & Const.	R	32	30	2	6%	0	0	0
7200700000	Facilities Management - Parking	R	21	21	0	0%	0	0	0
7201100000	Facilities Management - Project Group	R	12	12	0	0%	0	0	0
7300100000	Purchasing	R	25	23	2	8%	0	0	0
7300300000	Purchasing - Printing Services - ISF	R	25	22	3	12%	0	1	0
7300400000	Purchasing - Supply Services	R	17	16	1	6%	0	0	0
7300500000	Fleet Services	R	66	61	5	8%	1	0	0
7300600000	Central Mail Services	R	9	10	-1	-11%	0	0	0
7400100000	Information Technology	R	183	181	2	1%	0	1	0
7400300000	IT - PSEC - 800 MHz Radio Project	R	13	12	1	8%	0	0	0
Grand Total			21264	19880	1384	7%	0	0	0

## Internal Audit - Workplan Status Report

Audit Assignment Number	Audit Project	Notes	Status as of March 31, 2009
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✓ = Complete    = U = In Process    → = Scheduled    ■ = Not Scheduled  
 x = Cancelled    ▲ = Deferred

2008-307	RCRMC Nursing Registry - Follow-up	Audit Completed. Final report issued.	✓
2009-101	Treasurer-Tax Collector (1Q)	Audit Completed. Final report issued.	✓
2009-102	Treasurer-Tax Collector (2Q)	Audit Completed. Final report issued.	✓
2009-303	District Attorney-Follow-up	Audit Completed. Final report issued.	✓
2009-501	Palo Verde Cemetery District	Audit Completed. Final report issued.	✓
2008-027	Sub-recipient - Workforce Invest	Audit work completed, Final report in review process.	U
2009-304	DPSS - Foster Care - Follow-up	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
2008-018	Countywide Rate Review	Audit work completed, draft report in review process.	U
2008-019	Cash Handling-RCRMC	Audit work completed, draft report in review process.	U
2008-023	Malpractice Insurance	Audit work completed, draft report in review process.	U
2008-024	RCRMC Arlington Facility	Audit work completed, draft report in review process.	U
2008-026	Sub-recipient - Home Investment	Audit work completed, draft report in review process.	U
2009-013	Public Defender	Audit work completed, draft report in review process.	U
2009-302	Credit Card - Follow-up	Audit work completed, draft report in review process.	U
2009-305	Facilities Management - Follow-up	Audit work completed, draft report in review process.	U
2008-017	Countywide Overnight Vehicle	Audit work completed, draft report in review process.	U
2008-020	Cash Handling-TLMA	In process	U
2008-022	STD Disability Insurance	In process	U
2008-025	Mental Health - Western Region	In process	U
2009-006	DPSS (8 homes)	In process	U
2009-028	Wildomar-Elsinore Cemetery Districts	In process	U
2009-027	Contract Rates Law Enforcement	In process	U
2009-301	Fire Department - Follow-up	In process	U
2009-502	Department Management Assistance	In process	U
2009-307	EDA - Follow-up	In process	U
2009-103	Treasurer-Tax Collector (3Q)	In process	U
2009-015	Purchasing Supply Services	Scheduled	→

## Internal Audit - Workplan Status Report

Audit Assignment Number	Audit Project	Notes	Status as of March 31, 2009
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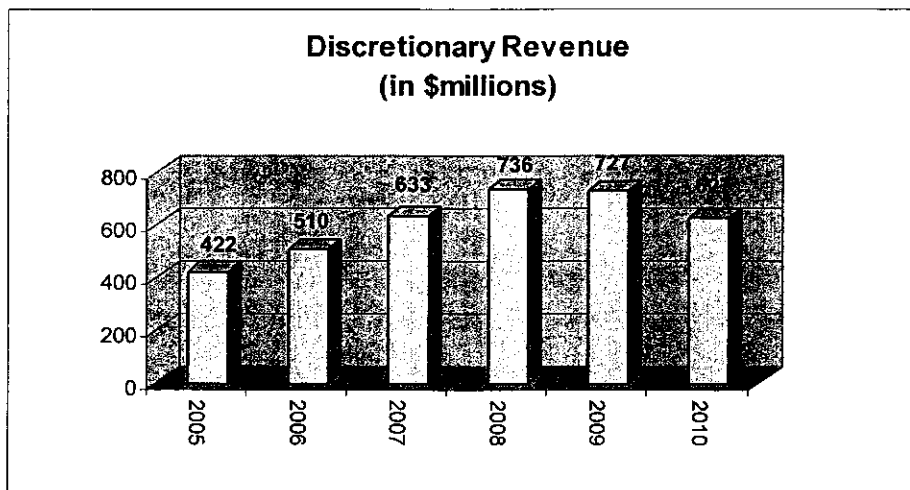
✓ = Complete    = U = In Process    → = Scheduled    ■ = Not Scheduled  
 ✕ = Cancelled    ▲ = Deferred

2009-024	Countywide Professional Services	Scheduled	→
2009-025	Countywide GPO Purchasing	Scheduled	→
2008-028	Facilities Management - Capital Projects	Deferred	▲
2009-001	Agricultural Commissioner	Deferred	▲
2009-002	Assessor-Clerk Recorder	Deferred	▲
2009-004	DCSS	Deferred	▲
2009-007	DPSS (8 homes)	Deferred	▲
2009-008	DPSS (8 homes)	Deferred	▲
2009-009	Community Action Grants	Deferred	▲
2009-010	Accounts Receivable follow-up	Deferred	▲
2009-011	Medical Assistance Grants	Deferred	▲
2009-012	Human Resources - Property Insurance	Deferred	▲
2009-014	Trans and Land Mgmt Agency-Code Enforcement	Deferred	▲
2009-016	Probation - Juvenile Hall	Deferred	▲
2009-017	Registrar Of Voters	Deferred	▲
2009-019	RCRMC-Detention Health Services	Deferred	▲
2009-020	RCRMC-Asset Management	Deferred	▲
2009-022	Trans and Land Mgmt Agency-Building&Safety	Deferred	▲
2009-023	Waste Management	Deferred	▲
2009-401	Auditor-Controller - Control Self Assessment	Deferred	▲
2009-402	RCRMC-Control Self Assessment	Deferred	▲
2009-003	County Counsel	Deferred	▲
2009-005	DPSS (8 homes)	Deferred	▲
2009-306	RCRMC Patient Charges - Follow-up	Deferred	▲

## Department Heads' Plans for FY 09/10 Summarized by Riverside County Executive Office

Although tidbits of good news about the economy have surfaced, there is little chance for improvement that will significantly help the budget outlook. The assessment roll is expected to fall 10 percent next year, so our single largest revenue source will be down by \$75 million. Sales tax projections foresee a 10 percent drop as well. The third-quarter budget report details the many challenges we must face before the current year closes. Contingency could be exhausted. Over \$40 million in reserves already have been tapped to cover revenue shortfalls, and more could be needed to cover department overruns within the next two months.

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



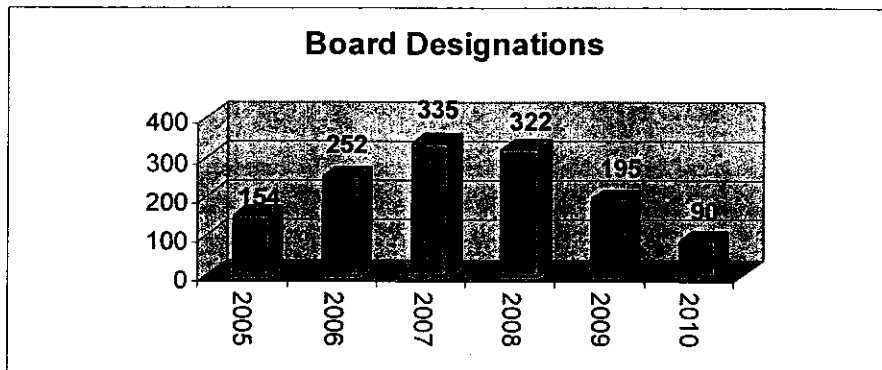
In this year's mid-year budget report, the Executive Office summarized departments' advance budget plans for FY 09/10. These preliminary and general plans focused on departments' core services and steps necessary to compensate for a 10 percent cut in net county cost (NCC) and any likely revenue losses.

This report provides an update using budget requests submitted by department heads and incorporated into the proposed budget, scheduled for Board review on May 4, 2009.

The proposed budget was constructed assuming a modest \$10 million beginning balance, a striking reversal from recent budgets. Also, it was necessary to use about \$30 million from the reserve for economic uncertainty to cover current operations and replenish contingency. It is very likely the state will suspend \$45 million in Riverside County property tax to correct its own budget deficit, forcing us to siphon another \$45 million from economic uncertainty.

Discretionary revenue is near 2003 levels and likely to rebound modestly in future years, but reserves are being depleted rapidly.

Optimistic projections have all Board designations – which includes the reserve for economic uncertainty - falling from a recent high of \$335 million to \$90 million within about 14 months. Without departmental spending restraint, designations might be reduced to zero within two years and reserves could be completely consumed during FY 09/10.



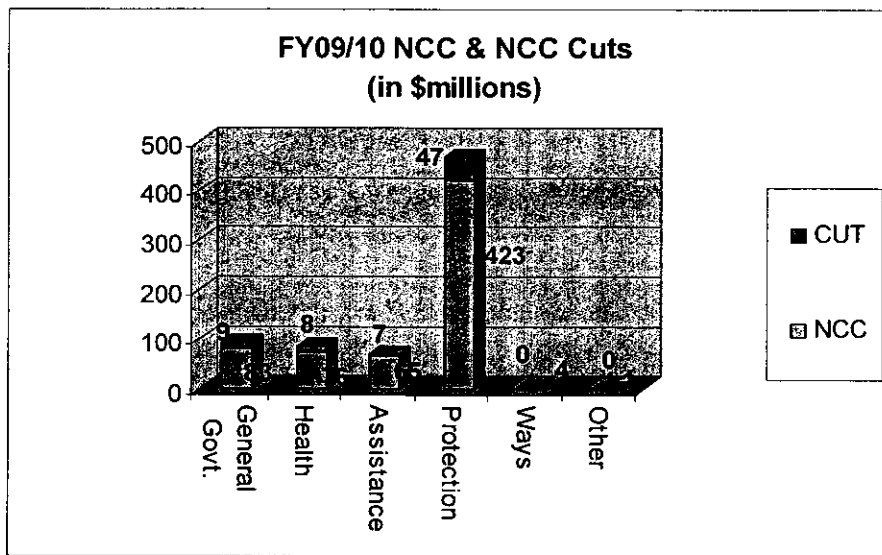
The economic downturn affects all departments but those effects vary.

- Public-protection departments dependent largely on the general fund and its shrinking discretionary revenue for support. Additionally, four departments (Sheriff, District Attorney, Fire, and Probation) budgeted almost \$160 million in public safety sales-tax revenue in FY 08/09. The county expects to receive less than \$140 million this year and less than \$130 million next in FY 09/10.
- 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 depend, at least in part, on revenue streams that are shrinking and have been forced to cut costs. Animal Services, Building and Safety, and Planning already have implemented layoffs. 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 departments and some outside the general fund 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, depend almost completely on state or federal 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.

Departments had their net county cost (NCC) cut 10 percent. 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 also received the biggest cut.

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



Department heads in March turned in budget requests that will be presented to the Board on May 4. Beyond public protection, the need for service cuts and layoffs appears slightly more moderate than foreseen in the mid-year report. Current-year cost cuts, early retirements and some layoffs have allowed most departments to prepare for a fairly smooth transition to the new year. Details of service cuts and layoffs follow later in this report.

Public protection as a group has a poor budget outlook compared to the rest of the county. Projected service cuts (closing fire stations and one jail for example) are extreme and projected layoffs (over 850) are unprecedented.

<u>Department</u>	<u>Expected Layoffs</u>
Animal Control	15
Ca Children's Services	5
Child Support Services	19
Cooperative Extension	1
District Attorney	110
Fire	89
Human Resources-All	14
Mental Health	48
Office on Aging	4
Planning	24
Public Defender	31
Public Health	25
Sheriff	<u>588</u>
TOTAL	973

Given what we know at this time, most departments seem reasonably poised to preserve core services and meet expected targets. The same can't be said of several public protection departments. Sheriff, District Attorney and Fire will be forced to cut core services unless Board-approved budget targets are adjusted. Further economic deterioration could require further service cuts or layoffs. Our best hope is to leave 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 affected. It should be noted again that cost-containment measures implemented during FY 08/09, have moderated the need for layoffs or severe cuts in most departments.

### **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, Human Resources and the Registrar of Voters could lead to cuts in core services. Likely layoffs or important service cuts:

- Limiting County Counsel staff might force the county to contract out for new legal services.
- Staff and budget limitations in HR will reduce or eliminate services such as the classification unit, the job-match team, media production and general wellness.
- The Registrar of Voters will cut or eliminate volunteer training, voter outreach, remote early voting and extended hours.

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

- The Assessor/Clerk-Recorder's changes, including reduced staff levels are mostly driven by falling workloads; the department might need to reduce public hours or close a satellite office.
- The Auditor Controller will broadly limit the activities of the internal audits group.
- Facilities Management 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. Worsening the problem, critical department revenue (Prop. 172 money) is declining quickly. A 10 percent cut to some of these departments, such as the Sheriff and District Attorney, would be unprecedented. Likely layoffs or important service cuts:

- Some other departments, including Child Support, Planning, Public Guardian, and Animal Services are signaling the need for a total of 60 layoffs.
- Advanced planning and other non-fee-generating activities will effectively cease, including general plan updates and development ordinance revisions.
- In order to hit the Board's approved target, the Sheriff has signaled the need to lay off 588 staff, decrease the patrol ratio, shrink various special units and close the Smith Correctional Facility.
- The District Attorney will need to lay off an estimated 110 staff to meet its target.
- The Fire Department has indicated it needs to lay off 89 staff and close seven fire stations and cut or eliminate a variety of services to meet target.
- The Public Defender's office indicates the need to lay off 31 staff and declare the office unavailable on about 40 percent of its cases.

All departments in this group 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:

- Probation might be able to avoid extensive cuts if the juvenile hall census remains low and if the department is allowed to use available one-time money.
- Mental Health and Public Guardian will have resources for court-referred cases, but not adult-protective services or family referrals.
- Animal Services will restrict or eliminate various public services including enhanced animal adoption, spay/neuter promotions, and the phone center.
- The Planning Department anticipates 24 layoffs due to the elimination of general fund support for general plan activity, and the reduction of overhead generated in deposit base fee revenue, all advance planning and other non-fee generating activities will effectively cease, including, but not limited to: General Plan Update; Development Ordinance revisions; Review of adjacent Community Projects, Neighborhood Preservation Overlays, Legislative review/comment,

program development for statutory revisions, etc., Twenty-four positions will be eliminated due to the loss of funding for these activities.

### **Public Ways and Facilities**

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

- No department within this group anticipates the need for 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**

As with general government, many health and sanitation services are vulnerable because departments 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 from both the county and the state. Likely layoffs or important service cuts:

- Some departments, including Mental Health, Public Health and California Children's Services are signaling the need for a total of 76 layoffs.
- The cuts and elimination of mental health services will be widespread and severe. They include closing a Cathedral City clinic, suspending programs in Temecula and Perris clinics, cancelling or reducing various contract services, and increasing the waiting time for treatment in jail and juvenile facilities.
- The cuts and elimination of Community Health services will be widespread and severe. Public Health will eliminate 25 percent of immunization outreach events and proposes eliminating some evening and weekend services, Environmental Health will suspend its illegal-food program. Case processing and services will be slowed for children with special health needs.

All departments in this group 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:

### **Public Assistance**

As with health and sanitation, many public assistance services are vulnerable because the departments rely on the general fund for support. However, many 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 state cut. The Economic Development Agency (EDA) is the exception, supported primarily by the general fund and federal revenue. Some departments, including most under the DPSS umbrella, could face dramatic cuts and layoffs if the state makes 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 important service cuts:

- One department, Office on Aging, reports the likely need to reduce staff by four.
- Based on a projected 5 percent state reduction, DPSS expects to meet staff reduction targets through attrition of 140 or more existing employees.

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

- Changes anticipated by DPSS could reasonably be described as a restructuring. The department could be forced to make sweeping changes 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**

- The HR insurance division expects to lay off 9 internal service fund employees.
- Changes to services or personnel in this group are generally tied to a decreased demand for services.

One week after the Board reviews this report, the FY 09/10 budget hearings will officially begin. It is expected that the Board – with the concerted effort of department heads, elected officials, employee groups, and the Executive Office – will list improvements to the proposed budget. The intent of those changes will be to protect the county's current and future viability, spread necessary cuts across the county and protect vital services (sometimes at the expense of important ones).