



Jay E. Orr
County Executive Officer
Executive Office, County of Riverside

April 24, 2012

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

4/5th Vote

SUBJECT: FY 11/12 Third Quarter Budget Report

Board members:

Across the board, department managers are stepping up to meet the task of closing our current year budget deficit. The Sheriff and District Attorney, who each started the year with structural budget deficits, both report that they will end the year on target. The Department of Public Social Services reports closing their sizeable gap significantly. Even the Fire Department, which the Board directed to cut costs without closing fire stations, is containing costs to the extent possible, although they do request an additional \$1 million at this time to pay the state administration fee. Overall, the county general fund is on target to begin FY 12/13 with the beginning fund balance planned.

Looking out to FY 12/13 and beyond, the county still faces significant challenges. The Assessor currently projects he will reduce the county's assessed valuation next year by at least another 2 percent. Factoring in the losses of sales and use tax revenue to the newly incorporated cities of Eastvale and Jurupa Valley, we estimate reduction in this revenue of 19 percent next year. Looking out to FY 13/14, our economists at California State University, Fullerton, project modest growth, at best, in these and other keystone revenues over the next several years.

At the same time, beginning in FY 13/14, the county again faces escalating costs. Recently negotiated labor costs will begin going into full effect. The county's costs of backfilling pension obligations resulting from shortfalls in the Public Employee Retirement System's investment performance will begin to increase. Costs of operating the new public safety enterprise communications system are currently being analyzed, but we anticipate a greater level of general fund support might be necessary. Finally, the Board recently committed to construction of a new correctional facility, and contemplates further expansion of existing facilities. In addition to the costs of construction, the ongoing costs

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of operating such facilities are quite significant.

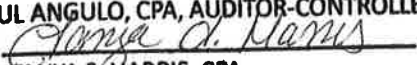
In order to adequately prepare to meet these additional cost burdens in FY 13/14, I intend to take swift action to begin ramping costs down to absorb these additional obligations within the constrained ongoing resources available. I will press for greater operating efficiency across departments, and put all options on the table to achieve more with less. I have advised departments with foreseeable need to downsize staffing further to begin that process now. In June, I will bring forward a recommended FY 12/13 budget that is structurally positioned to resolve existing budget issues and poise the county to address these future challenges.


IT IS RECOMMENDED that the Board of Supervisors: 1) receive and file this report and all its attachments; 2) approve the recommendations and associated budget adjustments contained in Attachment A; and, 3) approve Resolution No. 440-8885 amending Ordinance No. 440 contained in Attachment B.

Respectfully,



Jay E. Orr
County Executive Officer

FISCAL PROCEDURES APPROVED
PAUL ANGULO, CPA, AUDITOR-CONTROLLER
BY 
TANYA S. HARRIS, CPA


Approved by Barbara A. Olivier
Asst. County Executive Officer/
Human Resources Director