

MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



3-20

On motion of Supervisor Stone, seconded by Supervisor Ashley and duly carried, IT WAS ORDERED that the recommendation from the Executive Office regarding Receive and File of the 2012/2013 First Quarter Budget Report; and Approval of the recommendations and budget adjustments contained in attachment A is approved as recommended.

Roll Call:

Ayes: Jeffries, Tavaglione, Stone and Ashley
Nays: None
Absent: Benoit

I hereby certify that the foregoing is a full true, and correct copy of an order made and entered on May 7, 2013 of Supervisors Minutes.

WITNESS my hand and the seal of the Board of Supervisors
Dated: May 7, 2013
Kecia Harper-Ihem, Clerk of the Board of Supervisors, in
and for the County of Riverside, State of California.

(seal)

By:  Deputy

AGENDA NO.
3-20

xc: EO, Auditor

COUNTY OF
RIVERSIDE
STATE OF CALIFORNIA



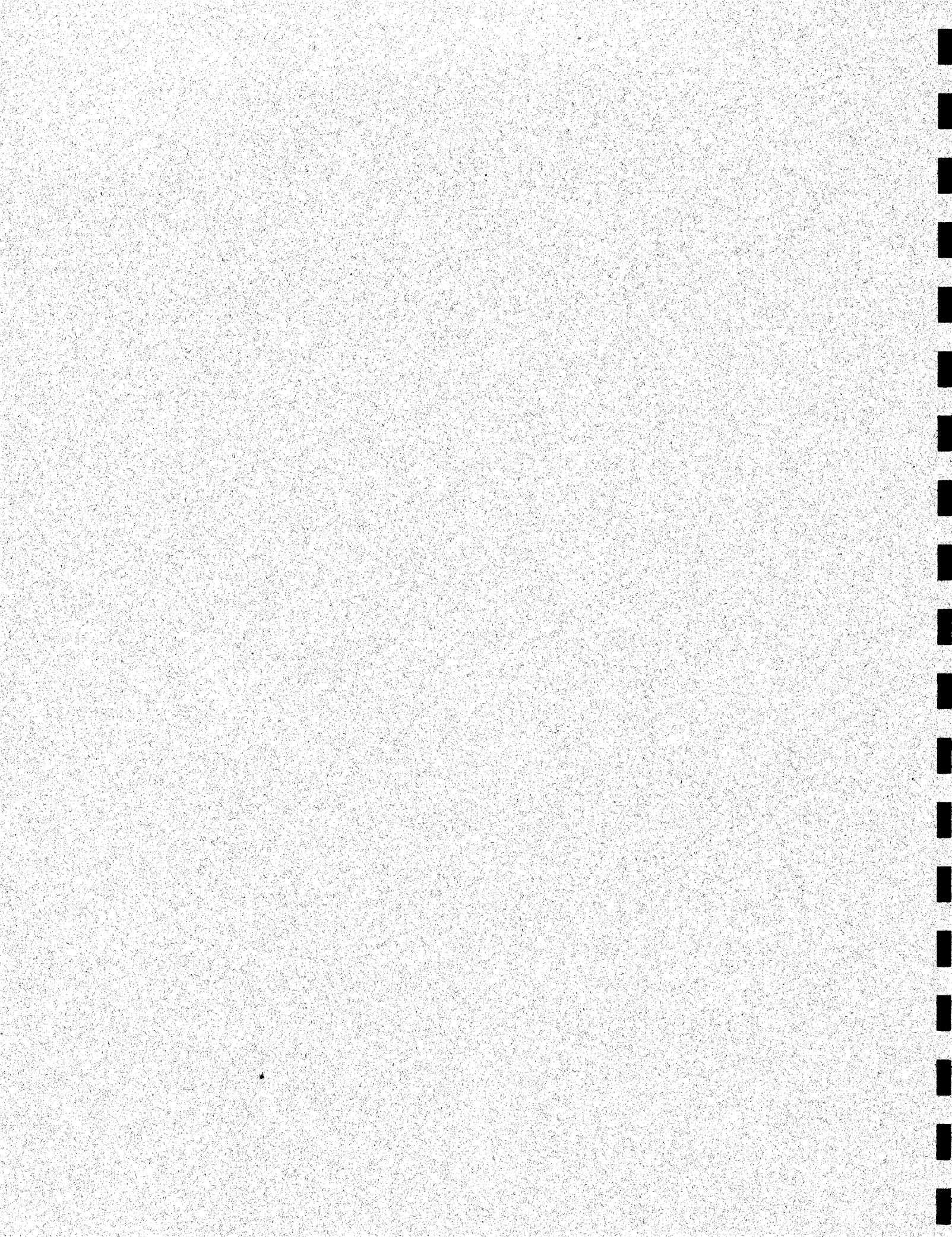
COUNTY EXECUTIVE OFFICER'S

FY 2012-13
THIRD QUARTER
BUDGET REPORT

Presented by

Jay E. Orr
County Executive Officer

3-20





JAY E. ORR
COUNTY EXECUTIVE OFFICER

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CHIEF ASSISTANT COUNTY EXECUTIVE OFFICER

ROB FIELD
ASSISTANT COUNTY EXECUTIVE OFFICER
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HUMAN RESOURCES

ED CORSER
COUNTY FINANCE DIRECTOR

CHRISTOPHER HANS
CHIEF DEPUTY COUNTY EXECUTIVE OFFICER

May 1, 2013

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 12/13 Third Quarter Budget Report

Board members:

At the end of the third quarter, we evaluate our position in the current fiscal year, and look toward preparing a balanced budget for next fiscal year. County economic consultants warned previously that tax gains may wane in the first half of 2013, and that concern about national and international budget and debt issues might dampen economic activity. Factoring out unique, one-time revenue receipts, general fund discretionary revenues have in fact fallen short of estimates.

Complicating the picture, an economic report from economists at California State University, Fullerton, projects discretionary revenues will begin to grow next year, while other financial experts anticipate recessionary effects may re-emerge. That leaves the county with major obstacles to overcome, as discretionary revenues remain uncertain while payroll costs are set to increase and the county outlines a course to manage mandates for affordable health care.

The District Attorney and his staff continued making progress and expect to bring his office's budget in under target this year. Likewise, the Sheriff anticipates possibly closing his budget gap and coming in on target as well. The Fire Chief currently projects a \$4.9 million shortfall, down from the original projection of \$5.7 million. Fire continues diligent efforts to contain costs, despite these challenges.

Most county departments are reducing projected deficits and remain within budget this fiscal year. The Executive Office continues working toward solutions with departments that face serious budget difficulties, and exploring opportunities to reduce costs through technology, consolidation and other mechanisms.

While property values show signs of stabilizing, employment is picking up, and discretionary revenues are forecast to increase, our regional economy remains fragile.

Consequently, we continue to anticipate growth in discretionary revenue that will not entirely offset our considerable fiscal challenges in the immediate future.

Sizeable labor and pension costs increases will take effect in FY 13/14. A recent court ruling cut \$2.4 million from the property tax administration fee revenue on which the Auditor-Controller, Treasurer-Tax Collector, and the Assessor-County Clerk-Recorder relied. It also imposed a settlement for back-payments due to cities. The new public safety enterprise communications system will become operational this summer, and will likely require general fund support above the current level. In addition, we continue ramping up toward construction and operation of new jail facilities. We must also begin the forward planning necessary to address long-deferred capital equipment and facilities replacement.

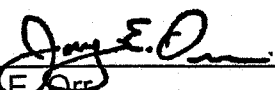
In addition, the Riverside County Regional Medical Center continues grappling with a structural operating deficit projected at \$33 million by this year-end, and a current cash deficit of \$48 million as of this writing. In their requested budget for next fiscal year, the medical center presented a structural deficit of over \$50 million, and a negative year-end cash position of \$84 million.

Looking at the encouraging economic forecasts beyond FY 13/14, it may be easy to lose focus. However, we must continue with the conservative fiscal principles we have observed from 2008. Even with the revenue increases forecast, balancing the budget will continue to require taking the long view with prudence and restraint. We must remain grounded and pragmatic, guarding against the trap of once again building on a bubble.

At the opening of the budget process, I instructed departments to prepare their budget submittals assuming they must absorb the costs of wage increases and pension obligations. In some cases, this will entail layoffs and/or service reductions. It will be difficult, but necessary. Achieving structural balance to the County's general fund budget within cautious revenue assumptions is essential to laying a sound foundation for the county's future.

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 contained in Attachment A.

Respectfully,



Jay E. Orr
County Executive Officer

TABLE OF CONTENTS

A. EXECUTIVE SUMMARY.....1

B. ECONOMIC OUTLOOK.....2

 GENERAL OUTLOOK.....2

 LOCAL OUTLOOK.....2

 Assessed Value3

 Recordation Activity.....3

 BUILDING PERMITS.....4

 FEDERAL BUDGET UPDATE4

 Sequestration.....4

 STATE BUDGET UPDATE5

 State Revenue.....5

 State Budget Activities6

C. MULTIYEAR BUDGET OUTLOOK.....6

 LONG-RANGE PLAN.....6

 FUTURE RISKS TO A STRUCTURALLY BALANCED BUDGET8

 Riverside County Regional Medical Center8

 AB109 Revenue and Costs8

 SB90 Reimbursements10

D. FIRST QUARTER ACTIVITY10

 DISCRETIONARY REVENUE10

 Property Taxes.....10

 Redevelopment Dissolution Related Revenue.....11

 Teeter Tax Losses Reserve Fund (TLRF) Overflow11

 Sales and Use Taxes11

 Interest Earnings13

 Revenue Summary13

 GENERAL FUND COMMITMENTS AND DESIGNATIONS.....14

 APPROPRIATIONS FOR CONTINGENCY.....14

E. DEPARTMENTAL STATUS.....15

 INTERDEPARTMENTAL AND CAPITAL PROJECTS15

 Capital Improvement Program (CIP).....15

 Public Safety Enterprise Communication System (PSEC)16

 GENERAL GOVERNMENT18

 Executive Office.....18

 Clerk of the Board20

 Assessor-County Clerk-Recorder.....21

 Auditor-Controller21

 Treasurer-Tax Collector.....21

 Human Resources (HR)22

 Registrar of Voters (ROV).....23

 Economic Development Agency/Facilities Management (EDA/FM).....24

 PUBLIC PROTECTION.....24

 Fire24

 Sheriff25

<i>District Attorney</i>	27
<i>Department of Child Support Services</i>	27
<i>Court Facilities</i>	27
<i>Law Office of the Public Defender</i>	27
<i>Probation Department</i>	28
<i>Department of Animal Services</i>	28
<i>Agricultural Commissioner</i>	28
PUBLIC WAYS AND FACILITIES	28
<i>Transportation Land Management Agency (TLMA)</i>	28
HEALTH AND SANITATION	29
<i>Department of Public Health</i>	29
<i>Department of Environmental Health</i>	29
<i>Riverside County Regional Medical Center General Fund Programs</i>	29
<i>Low Income Health Program (LIHP)</i>	30
<i>Department of Mental Health</i>	30
PUBLIC ASSISTANCE	31
<i>Department of Public Social Services (DPSS)</i>	31
<i>Riverside County Children and Families Commission (RCCFC)</i>	33
<i>Community Action Partnership (CAP)</i>	33
<i>Veterans' Services</i>	33
EDUCATION, RECREATION, AND CULTURE	33
<i>Edward Dean Museum</i>	33
<i>Cooperative Extension</i>	33
ENTERPRISE FUNDS	34
<i>Waste Management</i>	34
INTERNAL SERVICE FUNDS	34
<i>Facilities Management</i>	34
<i>Records Management and Archives Program (RMAP)</i>	35
<i>Fleet Services</i>	35
<i>Printing Services</i>	36
<i>Supply Services</i>	36
<i>Central Mail</i>	37
<i>Riverside County Information Technology (RCIT)</i>	37
SPECIAL DISTRICTS	38
<i>Flood Control and Water Conservation District</i>	38
<i>National Pollutant Discharge Elimination System (NPDES)</i>	38
<i>Regional Parks and Open Space District</i>	38
<i>County Service Areas (CSAs)</i>	40
Attachment A Summary of Recommendations	
Attachment B Additional AB109 Information	
Attachment C Sales and Use Tax Update	
Attachment D Quarterly Fleet Vehicle Report	
Attachment E Beacon Economics Report	
Attachment F California State University, Fullerton, Economic Update	

A. EXECUTIVE SUMMARY

Departments continue working to close budget gaps and deliver service within ongoing resources. Two general fund departments began the fiscal year projecting budget shortfalls: the Fire Department and Sheriff's Department. At the beginning of the year, the Sheriff projected having a \$9.2 million shortfall. At this time, with the addition from contingency of \$1.125 million for court security administration, the Sheriff anticipates ending the year within target, barring any unforeseen emergency situations. The Sheriff has accomplished closing this gap through cost containment efforts, in spite of substantial increased demands. The Fire Chief has contained costs so far without closing fire stations, but continues to project a \$4.9 million shortfall. The District Attorney anticipates ending the current year under target.

The Riverside County Regional Medical Center has a current cash deficit of \$48 million and an operating deficit of \$10 million. Hospital staff projects a \$33 million year-end operating deficit. My staff worked with the Department of Public Social Services, Mental Health, and the Medically Indigent Services Program to identify revenue to defray portions of this deficit, and the medical center has identified some cost savings. The medical center's capital projects also are being examined to determine whether a modified financing approach might reduce the short-term demand for working capital. However, these efforts leave a projected gap remaining at year-end. The Executive Office is working to identify opportunities for greater efficiency and effectiveness, to strengthen the medical center's fiscal footing, and prepare to implement the Affordable Care Act. The consultant the Executive Office has retained to assist with this effort will begin work in early May.

The Parks and Open Space District is requesting a \$1 million cash flow loan within its own funds to provide recreation operations working capital for the aquatic centers while use of those facilities ramps up. The district faces financial challenges with those operations, as revenue from the Jurupa Aquatic Center continues falling short of expectations.

Factoring out one-time events, discretionary revenues overall are falling short of estimates in the adopted budget. Sales and use taxes will exceed estimates due to increasing fuel prices and \$2.55 million in one-time revenue from solar construction projects. Apportionment of county's redevelopment pass-through revenue under the new requirements under ABX1 26 that dissolved redevelopment agencies statewide appears to be going relatively smoothly. Pass-through allocations, however, are somewhat short of expectation and this matter is being researched. Distributing residual low- to moderate-income housing set-aside assets from dissolved redevelopment agencies around the county generated a one-time windfall of \$11.63 million applied toward budget stabilization. The Executive Office continues watching revenue trends closely, and does not recommend further revisions to budgeted revenue estimates at this time.

Significant challenges loom as we look toward the FY 13/14 budget. Our economists at California State University, Fullerton, project robust growth in assessed value under a

positive economic scenario. The County Assessor anticipates applying the maximum 2 percent inflation factor allowed under Prop. 13 to the assessment roll, which will help offset continued Prop. 8 reductions. Despite losing significant sales and use tax revenue due to recent incorporations and economic forces, those revenues now appear poised to grow modestly over the next few years as unemployment falls, job growth returns, and fuel prices rise. Long-term, the Executive Office now cautiously anticipates acceleration in revenue growth.

As we prepare the FY 13/14 recommended budget, the county confronts steeply escalating costs. Negotiated labor costs are projected to increase over current-year costs by \$64 million in FY 13/14, of which \$13.8 million is not supported by departmental revenue. County contributions to PERS will increase by 1.5 percent for miscellaneous employees and by 0.9 percent for public safety employees. These costs are associated with the smoothing policy CalPERS adopted to help agencies manage increasing costs.

The new public safety enterprise communication (PSEC) system implementation has been delayed by Motorola due to technical issues. Keeping the PSEC project team in place longer than anticipated while these issues are resolved has increased costs. The Executive Office recommends recovering unexpected costs resulting from this delay from Motorola. Ongoing, the operating budget for PSEC will likely require general fund support above current levels.

B. ECONOMIC OUTLOOK

GENERAL OUTLOOK

As of February, non-farm payroll employment had grown 2.1 percent on a year-over-year basis statewide, and 1.5 percent nationally. Employment improved in seven major industry sectors through the current year and worsened in four.

Through February, the state had regained 556,500 of the jobs lost during the recession. The largest job gains came in construction; information; financial activities; professional and business services; educational and health services; and leisure and hospitality sectors. Jobs were lost in trade, transportation and utilities; government; manufacturing; and mining and logging. The state's unemployment rate was 9.4 percent in March, the lowest in over four years. The national unemployment rate in March had decreased to 7.6 percent. Across the state, unemployment ranged from a low of 5.2 percent in Marin County to a high of 23.9 percent in Imperial County.

Statewide, home sales slowed in February for the second consecutive month. Existing home prices rose 24 percent above the previous year and the unsold inventory index fell to 3.6 months, down from 5.4 months the February before.

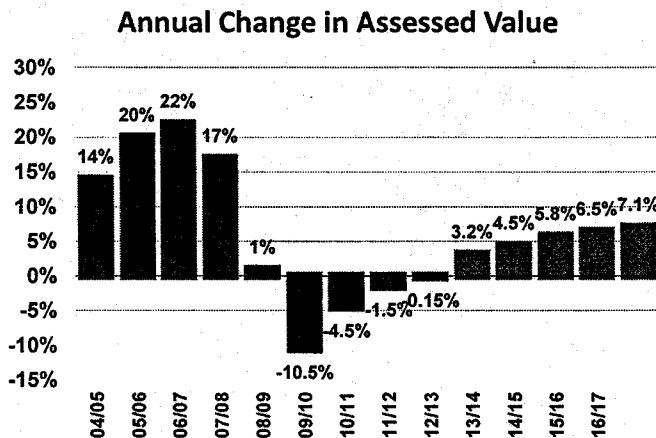
LOCAL OUTLOOK

Since our last quarterly report, Riverside County's unemployment rate edged down to 10.5 percent from 12.4 percent the year before. The leisure and hospitality sector

generated a significant majority of the job growth in the Riverside-San Bernardino-Ontario statistical area. That category was led by lodging and food services, which accounted for 60 percent of the sector's job growth. On a year-over-year basis, the government sector cut 3,300 area jobs, with nearly 70 percent of those job losses in local government.

Assessed Value

Riverside County property values continue to strengthen and rebound toward a normalized real estate market. Stabilizing factors include a reduction in foreclosure related activity, significant increases in year-over-year median sales prices for residential property, and some improvement among certain commercial property types.



Source of forward projections: California State University, Fullerton

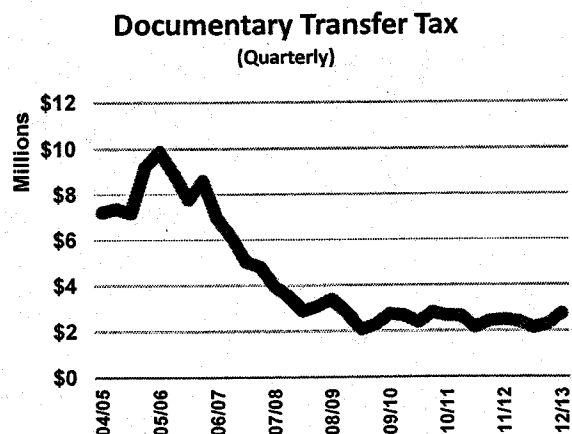
The Prop. 13 inflation factor will be at the maximum 2 percent, which will positively affect the assessment roll. Conversely, the substantial number of commercial appeals that still need to be defended may negatively impact the assessment roll. New construction has begun to show tentative signs of recovery, although this sector's recovery remains uncertain. The net result is expected to be a 3.5 percent increase to the assessment roll over last year.

Prop. 8 assessment reductions, pressed the county's assessed value lower in each of the last four years, and continue to result in loss of property taxes this fiscal year. Last year's projected assessed roll value reflected a decrease that was less than one quarter of one percent. The Assessor's early FY 12/13 projection reflects a 3.5 percent increase over the prior year. The Executive Office will work with the Assessor, California State University, Fullerton, and Beacon Economics to refine the projections.

Assessment appeals, together with

Recordation Activity

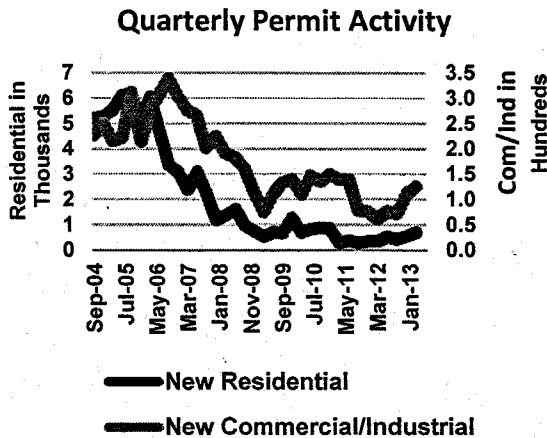
The County Recorder continues to report positive activity for the third quarter, which can be a leading indicator of housing and development activity. Compared to the previous year's third quarter, document recordings are up about 2 percent and page count is up about 7 percent. County Clerk-Recorder revenue is up 24 percent and documentary transfer tax is up about 14 percent to date this fiscal year (compared to the same period of FY 11/12). Notice of default recordings were down 60 percent



during the fiscal year's third quarter. While these are all positive signs for the Recorder, document recordings are still down over 40 percent from peak activity in 2006.

BUILDING PERMITS

During the first eight months of FY 12/13, Building and Safety accepted 6,546 new applications, up 26 percent from the 5,212 for the same period last fiscal year.



New applications brought \$3.4 million in receipts compared to \$2.2 million for the same period last fiscal year, a 57 percent increase. In addition to the increase in solar activity, the department is now seeing an uptick in tract and commercial activity.

Planning applications for July through February increased to 445 compared to 360 for the same period last year, an increase of 24 percent. Of these, 82 were major cases and 363 were minor, compared to 64 major cases and 296 minor

in the first eight months of the prior fiscal year. Customer counts at TLMA's two regional offices declined 23 percent in the first eight months compared to the same period last fiscal year.

FEDERAL BUDGET UPDATE

Sequestration

Sequestration is the process of applying automatic, across-the-board spending reductions evenly divided between defense and non-defense functions such as mandatory/entitlement funding and annual discretionary funding. This process serves as the model for the process to be used during implementation of the Federal Budget Control Act of 2011. Sequestration became a part of the FY 2013 federal appropriations process and cuts began March 1, 2013. Impacts to county departments will affect their budgets for the last quarter of FY 12/13 and the first quarter of FY 13/14.

As of March 15, 2013, departments reported their impacts below. These numbers continue to be refined. The reductions are expected to be implemented in the current fiscal year and additional cuts are likely next fiscal year. Impacts of the 2014 federal budget continue to be evaluated, and the Executive Office will monitor and provide updates as appropriate.

Dept.	Program	FY 12/13 Federal Revenue	FY 12/13 Anticipated Loss	FY 13/14 Anticipated Loss
Office on Aging	Senior Nutrition	\$ 7,169,231	\$161,000	\$339,000
RCRMC	Medicare	28,200,000	150,000	600,000

Dept.	Program	FY 12/13 Federal Revenue	FY 12/13 Anticipated Loss	FY 13/14 Anticipated Loss
Housing	Section 8	6,504,156	546,349	TBD
Public Housing	Housing	1,576,868	32,457	TBD
HOPWA	Housing	1,129,503	90,361	TBD
Capital Fund	Housing	566,759	47,607	TBD
HOME	Housing	1,653,678	138,909	TBD
Workforce Development	Employment Training	19,870,597	993,530	TBD
CDBG	Community Invest	6,476,285	531,055	TBD
FAA	Airports	4,303,000	TBD	TBD

NOTE: Office on Aging Memo regarding Sequestration/Five Year Cuts; EDA/Housing Authority continues to refine their sequestration numbers; CEO will continue to monitor the issue and provide periodic updates to the Board.

STATE BUDGET UPDATE

The state's economy continues to show signs of strength highlighted by multiple areas of growth. In addition to voter-approved tax increases, the state shows some signs of restraint on the spending side, which helps narrow the deficit. Job growth has been strong and is outperforming the nation.

State Revenue

The state controller has recently reported that March revenues are 7.2 percent above budget projections for the month. Total revenues for the fiscal year through the end of March were \$4.7 billion ahead of the governor's estimates. While the first nine months of revenue far exceeded expectations, income tax deposits over the next two weeks will show whether that uptick is solid or fleeting, according to John Chiang, state controller. "The Governor and lawmakers have exercised discipline by waiting to make spending decisions until we can explain whether this surge reflects economic growth, or simply means that taxpayers paid their taxes earlier than usual."

Although the state's dependence on personal income tax makes the California's fiscal condition particularly vulnerable to economic downturns, income tax receipts are now driving California's positive revenue numbers. In March, personal income taxes came in 14.8 percent above monthly estimates, while corporate taxes for March were 5.8 percent above monthly estimates. State sales tax receipts were 8 percent below estimates. Despite an increase in the sales tax rate, revenues lagged, possibly due to the effect on consumer spending of the January 1, 2013, federal payroll tax increase.

The fiscal year looks to be in better balance than projected last July. The nine-month cash deficit now stands at \$5.6 billion versus the \$11.4 billion projection contained in the most recent estimates, and the \$13.4 billion shortfall recorded during the first nine months of the prior fiscal year. Because of the \$9.6 billion deficit carried forward from June 30, 2012, the state still has to cover a midyear cash borrowing of \$15.2 billion. Still, this is down substantially from the \$21.5 billion borrowing required a year ago.

For the first three quarters of the current fiscal year, total receipts surpassed estimates of \$5 billion, or 8 percent. Spending is running \$873 million, or 1.2 percent below

estimates. The final three months of the fiscal year give reason for both optimism and caution.

State Budget Activities

The governor called a special legislative session on health reform in January to address Medi-Cal expansion. The county has been heavily involved in reviewing this vitally important program, scheduled to take effect January 1, 2014.

The budget includes significant Health and Human Services expansion. Medi-Cal's expansion includes two proposed options: state-based expansion and county-based expansion. Most counties are supportive of the state-based option, although the governor has linked Medi-Cal expansion with realignment funding. The California State Association of Counties, our lobbyists, and many legislators are advising the governor's office to delay the realignment discussion until 2017. Medi-Cal expansion indicates that caseload growth without Healthy Families is estimated to be 1 percent; growth with Healthy Families is 5.9 percent. The Coordinated Care Initiative is anticipated to be implemented no sooner than October 1, 2013. Riverside County's implementation would be phased in over 12 months.

Few substantive legislative hearings have been held to address next year's budget and the legislature has shown some restraint in pursuing spending proposals. The May Revise will provide a better view of the governor's plans for the upcoming year and provide additional details in key programmatic areas for the county's component units. The county's legislative advocates continue to closely monitor state budgetary activity and will actively engage on our behalf as more state budget details are known.

The legislature also has taken up the issue of reforming the California Environmental Quality Act (CEQA). Multiple organizations support recommendations to update and streamline the 40 year old law. The urgency to revise CEQA slowed with the lead author recently leaving the legislature. The county continues to monitor this issue and provide input.

C. MULTIYEAR BUDGET OUTLOOK

LONG-RANGE PLAN

The county's multi-year budget plan incorporates projected expenditures and revenue four years ahead, with revisions made as more information becomes available. At the beginning of the fiscal year, the Executive Office estimated total discretionary revenue of \$570 million, a \$215 million decrease from the peak of \$785 million in FY 06/07. The long-range projection for discretionary revenue continues to anticipate modest growth, consistent with economists' forecasts of slow economic recovery.

The County already has held an impact hearing for the FY 13/14 budget. At the hearing, all general fund departments were asked to present balanced budgets. The Sheriff and Fire Department presented budgets that needed additional resources and all other departments presented balanced budgets. The balanced budgets absorbed all

additional costs, including salaries and benefit increases. To fund the various departments' needs, the county elected at midyear to set aside funding for budget stabilization. This funding contains additional resources received in FY 12/13 from one-time revenues and additional fund balance from prior year. At the end of FY 12/13, the county projects having an additional \$34.7 million of these one-time resources available for FY 13/14. In addition, in FY 13/14, property tax is expected to grow by 3.5 percent. Sales and use tax and Prop. 172 receipts also are expected to grow. Using these additional ongoing discretionary revenues and the set-aside for budget stabilization, the Executive Office expects presenting a recommended general fund budget balanced without using reserves.

The Board of Supervisors authorized the Sheriff to increase his patrol ratio to 1.0 at the beginning of FY 12/13, and the Sheriff will reach that target in FY 13/14. Reinforcing its commitment to public safety, the Board adopted the "1.2 Doctrine – a Roadmap for Public Safety" on March 26, 2013. This doctrine directs the Sheriff to increase his per capita patrol ratio of deputies to population from 1.0 per 1,000 to 1.2 per 1000 in the county unincorporated area. The Sheriff already has begun this process and expects to reach this goal within the next five years. This initiative will increase costs in the Sheriff's budget, and as part of the budget impact hearing the Sheriff requested additional resources. The county expects to provide sufficient resources as the Sheriff builds up to this ratio.

The county also is building the East County Detention Center (ECDC) in Indio to increase jail capacity. This facility will be built with an AB900 grant from the state and with bond proceeds. The ECDC is expected to open in October 2016. To prepare for facility operations and maintenance, the county adopted a policy of setting aside the growth in Prop. 172 funds. This growth, \$30-40 million over the next three years, will build a reserve to supplement operation and maintenance while ongoing revenues ramp up to meet costs. The Executive Office is working with all public safety departments to develop five year plans that will be presented in June with the recommended budget.

The Fire Department also requested additional resources to purchase equipment and offset costs related to unfunded coverage of the City of Jurupa Valley. The county intends to finance the equipment and continue to provide funding for coverage of the City of Jurupa Valley.

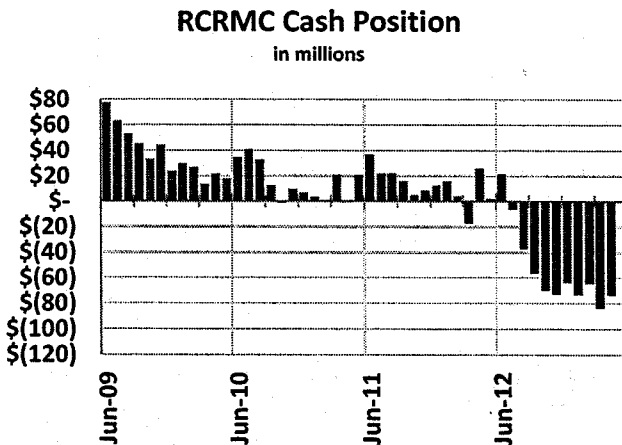
Property tax revenue is budgeted at approximately \$268 million for FY 13/14, and represents approximately 46 percent of the county's discretionary revenue. Preliminary indications from the County Assessor assume a potential increase in assessed valuation in FY 13/14 of approximately 3 percent to 3.5 percent compared to FY 12/13. The potential increase comes primarily from increasing property values, which increases assessed valuation. For budgetary purposes, assessed valuation is assumed to increase 3.5 percent in FY 13/14, compared to the 0.15 percent decrease in FY 12/13. In July 2013, the County Assessor will finalize the FY 13/14 assessment roll.

FUTURE RISKS TO A STRUCTURALLY BALANCED BUDGET

The county is making every effort to anticipate and address future fiscal impacts. While several potential impacts are identified for coming fiscal years, some associated costs cannot yet be accurately quantified. In addressing these budget challenges, we must identify ongoing funding sources or offsetting cost reductions. Major issues are discussed in more detail below.

Riverside County Regional Medical Center

The Riverside County Regional Medical Center (RCRMC) estimates that it will end the year with a negative cash balance of nearly \$33 million. The department continues to estimate a budget shortfall, but has identified one-time funds, additional revenue and cost savings that reduce the shortfall to less than \$10 million. RCRMC continues to look for other funding opportunities.



A request for proposals was released in late January to develop a strategic plan that will identify the future direction of the Riverside County health and mental health delivery system. In addition, the plan will identify business models to sustain the

long-term financial viability and achieve a strong market position in the new health reform environment. It is anticipated that the evaluation and negotiation process will be completed and a vendor selected by early May.

AB109 Revenue and Costs

Realignment of the California criminal justice system dramatically alters county-level practices and in Riverside County has led to jail overcrowding, early releases, and the development of community-based programs and services to effectively supervise offenders. For example, the Sheriff expanded the electronic monitoring program and entered into an agreement with the state to send qualified jail inmates to work in fire camps. Probation extended successful evidence-based practices to encompass supervision of all inmates released from state prison after completing their sentences. Probation opened a day reporting center to help offenders integrate back into the community. In addition, Probation took over pre-trial services from the courts and added a community supervision component to ensure safety.

Effective October 1, 2011, counties assumed supervision of state prisoners released after completing their terms if their most recent offense was determined to be non-violent, non-serious, and non-high risk sex offender (“non, non, non” or “N3”). Judges began sending newly convicted N3 offenders to local jails instead of state prison. Judges also have a hybrid sentence option that includes a combination of jail and a period of supervision after inmates are released from custody. Riverside Superior Court

judges order these split sentences nearly 65 percent of the time for convicted N3 offenders. Lower risk parole violators are kept in county jails instead of being sent to state prison, and beginning July 1, 2013, parole revocation hearings and revocation incarcerations will also be at the county level. Although realignment helps the state meet its federal directive to reduce prison overcrowding, realignment also provides major opportunities for county government to utilize best practices and to more effectively manage the N3 population. Realignment also is expediting the need for additional jail beds and alternative community-based services.

Reduced recidivism is the announced focus of the criminal justice realignment legislation. In Penal Code §17.5, AB109 declares that *“California must reinvest its criminal justice resources to support community-based corrections programs and evidence-based practices that will achieve improved public safety returns on [the] state’s substantial investment in its criminal justice system.”* It further directs that: *“Fiscal policy and correctional practices should align to promote a justice reinvestment strategy that fits each county.”* The purpose of any justice reinvestment effort is to increase public safety while reducing costs for managing the identified population. Realignment assumes that there are better county-level alternatives for low-level offenders than options found in state prison or from state parole.

Riverside County’s share of realignment funding from FY 11/12 through FY 13/14 is \$124.9 million. This includes an allocation to the county for all realignment services, and direct allocations to the District Attorney, the Public Defender and the Superior Court. The Community Corrections Partnership Executive Committee (CCPEC) directs the realignment efforts and distributes funding; the Probation Department is the county’s administrator for the funding and CCPEC members provided information for the three-year distribution chart that follows. Data submitted by the Sheriff, District Attorney, Public Defender, Mental Health (including medical services through RCRMC), and Probation all indicate that, so far, realignment allocations have been sufficient to provide planned services. Department heads have not reported any general fund impacts. Departments indicate, however, that there is the potential for impact to the general fund, for instance if the Sheriff purchases beds in another county.

**Public Safety Realignment Funding
Community Corrections Partnership Executive Committee (CCP)**

Three Year Funding Summary

	FY 11/12	FY 12/13	FY 13/14 Estimated	Total
State Allocation	24,178,938	44,580,594	56,180,373	\$ 124,939,905
Contingency		737,606	3,073,862	
Carried Forward		8,808,627	8,287,013	
<i>Total</i>	24,178,938	54,126,827	67,541,248	

Note: FY 13/14 includes FY 12/13 sales tax growth of 3.6 million.

Future statewide funding is expected to exceed \$1 billion by FY14/15 when the permanent funding formula is in place. Additional funding would then depend on growth

in public safety sales tax revenue and its allocation. While funding to this point has been sufficient, it is critical to remember that since October 2011 departments have been phasing in their implementations while additional staff was hired and programs expanded or implemented. There is a strong possibility that continued funding will be insufficient to serve the population of N3 offenders, particularly those sentenced to three or more years in county jail. Concerns as departments move forward include:

1. Future growth is capped at sales tax increases.
2. The allocation formula will be fixed by FY 14/15 and could adversely impact Riverside County.
3. Departments are nearly at full operation and may well need additional funding to expand alternative, community-based programs and services.
4. Sentenced N3 offenders are likely to increase requiring construction of additional beds and expansion of both inmate services and post-release programs.

Additional information is included in Attachment B.

Recommendation 1: That the Board of Supervisors request that the Community Corrections Partnership Executive Committee include the expenditure of general fund dollars to support realignment efforts as part of their annual report to the Board.

SB90 Reimbursements

Previously, the Board asked the Executive Office to explore available options to recover outstanding SB90 reimbursements owed by the state, which at this time total \$42.6 million. In FY 13/14, the state will dedicate \$4.2 billion to repay a portion of its SB90 obligations, and it plans to pay off the obligation by FY 16/17. The county will receive an unknown share of that amount. As far as legal recourse, in *County of San Diego v. State of California* (2008) 164 Cal.App.5th 580, the appellate district court ruled the court could not compel a legislative appropriation, and that the county's recourse is to take action to suspend the mandate or service. Since Riverside County has chosen not to suspend any of the mandated activities, the county's only remaining option is to receive payments through the state's scheduled repayment plan through FY 16/17.

D. FIRST QUARTER ACTIVITY

DISCRETIONARY REVENUE

Property Taxes

Property tax revenue was budgeted at \$259.2 million based on a forecasted 0.15 percent drop in assessed values. The Auditor-Controller currently projects property tax revenue down by \$2.7 million from that estimate, due primarily to decreased contractual revenue related to dissolved redevelopment agencies. The Executive Office continues monitoring revenue closely and will make additional recommendations when more data is available.

Redevelopment Dissolution Related Revenue

In 2011, the governor signed ABX1 26, dissolving redevelopment agencies throughout the state and the law was upheld in court. Consequently, redevelopment agencies statewide were dissolved February 1, 2012. Under ABX1 26, redevelopment agencies' assets that are not essential to meet enforceable obligations must be liquidated and distributed to taxing entities, such as the county.

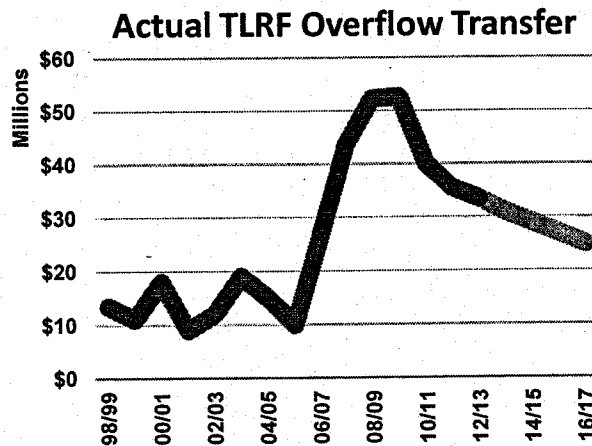
As of April 2013, the Auditor-Controller has distributed \$12.6 million in unencumbered low- and moderate-income housing set-aside assets formerly held by redevelopment agencies throughout the county. In the FY 12/13 midyear budget report, the Board of Supervisors earmarked \$11.6 million of this discretionary revenue as a one-time distribution to stabilize the budget.

Teeter Tax Losses Reserve Fund (TLRF) Overflow

Under the California Teeter plan, the county advances participating local agencies their property tax revenues based on enrolled assessed valuation. In return, the county collects and retains taxes due, including any penalties and interest on delinquent taxes. The tax losses reserve fund manages revenues and expenditures associated with the program. Revenue exceeding the cost of the financing and necessary tax loss reserve is discretionary revenue released to the general fund.

The rise in assessed value together with a spike in property tax delinquency rates significantly increased Teeter plan overflow for several years, peaking at more than \$52 million in FY 09/10. However, as delinquency rates decline, we continue to project the associated overflow to be \$33.5 million this fiscal year.

As the real estate market stabilizes over the next several years, this revenue will continue to erode, as projected in the chart at left.



Sales and Use Taxes

Total sales and use tax receipts from the most recent quarter rose 9 percent from the same quarter a year ago for all jurisdictions in the county, according to Hinderliter de Llamas & Associates (HdL), Riverside County's sales tax consultant. This increase is higher than receipts reported among most counties in the region. This is attributable to the 54 percent increase over the same quarter a year ago experienced by the Riverside County's sales and use tax allocation from the unincorporated area. The state's overall growth rate was 6.1 percent compared to the same quarter a year ago.

Riverside County's sizeable increase is due primarily to taxable sales attributable directly to construction of the Desert Sunlight and Genesis solar power plant projects

and strong holiday sales at the Desert Hills Factory Outlet stores. Although the Desert Sunlight solar project began construction in fall 2011, sales and use taxes from that project are only now being allocated correctly to the unincorporated county. This accounts for \$1.35 million of the jump in current-year sales tax receipts to date. In addition, the Board of Equalization confirms there will be a one-time corrective reallocation of \$1.2 million in the Riverside County's favor related to this project before year-end. Riverside County's increased share relative to the sales tax generated by all jurisdictions within the county is also temporarily increasing Riverside County's share of the pooled use tax allocated within the county, and Riverside County's allocation factor for Prop. 172. While significant in size, these construction-related sales and use tax receipts from solar projects will be short lived. Consequently, the Executive Office continues tracking them closely to avoid unsustainable spending.

Recent statewide sales numbers continue to be driven predominantly by rising auto sales, which accounted for one-fourth of the state's increased sales tax receipts. As the backlog of demand created by the tsunami that suspended production in Japan finally plays out, HdL predicts this rise in auto sales has crested and will return to more normal sales rates in the coming quarters. Restaurant sales posted an increase of 5.1 percent statewide last quarter, primarily in the high end luxury market and quick-service operations, with the mid-range restaurants continuing to suffer as middle income households remain distressed. Fuel prices remain elevated compared to the same quarter the previous year. While this increases sales taxes from that sector, higher fuel prices also further squeeze consumer spending in other sectors. Taken overall, per capita taxable sales in the county lag significantly behind the other six counties in the region, including Imperial County.

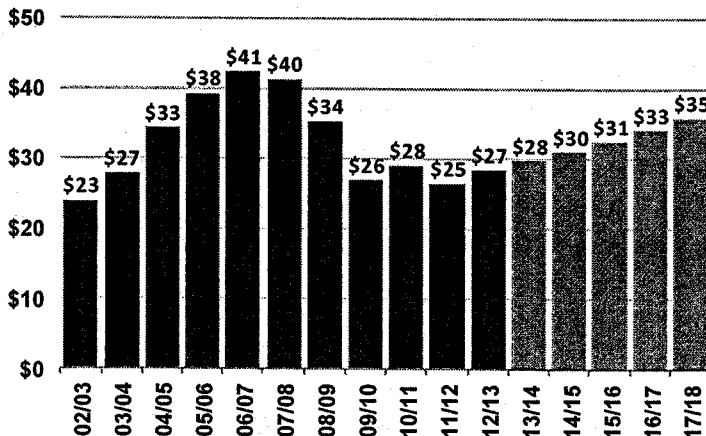
At midyear HdL cautioned that gains in the first half of 2013 would likely be lower than in previous quarters. Uncertainty over the way Congress handled the "fiscal cliff" also created lingering doubts about postponed actions on the debt ceiling, and the weakening economies in Europe and China continue to dampen economic activity.

While middle class tax cuts were made permanent, the payroll tax cuts were allowed to lapse, and the effect on consumer spending remains to be seen. At this time, HdL anticipates recessionary effects may begin to re-emerge in coming quarters.

The county's FY 12/13 budgeted estimate for sales and use tax revenue is \$21 million. The county has been allocated nearly that amount to date and HdL has increased its FY 12/13 projection to \$27.1 million based on current receipts and known factors,

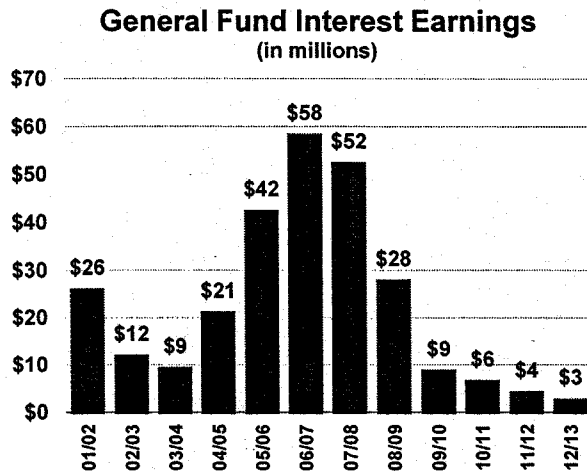
Sales Tax Revenue

(in millions)



Source of forward projections: HdL Companies

excluding the additional \$2.5 million anticipated from the Desert Sunlight solar project. HdL's projection for FY 13/14 remains relatively flat at \$28.4 million. Additional economic detail from HdL is contained in Attachment C.



Interest Earnings

General fund interest earnings are a product of two factors: cash on hand and the rate interest is earned in the Treasurer's pooled investment fund. Both have been significantly reduced in the last few years. As fund balance and interest rates increased, interest earnings grew substantially. However, as general fund reserves were drawn down and interest rates fell, interest earnings fell significantly.

The Treasurer now estimates \$2.64 million in interest earnings for the fiscal year. The forecast is contingent upon no additional deterioration in interest rates or further declines in fund balances. The projection reflects persistently low interest rates due to historical Federal Open Market Committee intervention and from the announcement last December of another round of quantitative easing, QE4, which authorizes up to \$85 billion per month in Treasury and agency bond purchases in the open market.

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The Federal Reserve also has elected, at its most recent meeting in April 2013, to keep the target range for the federal funds rate at 0 to .25 percent. It is anticipated that this exceptionally low range for the federal funds rate will be appropriate as long as the unemployment rate remains above 6.5 percent, inflation does not exceed a half percentage point above the Federal Reserve's long-range goal, and long-term inflation expectations continue to be well anchored. The Treasurer will continue to provide updates if there are any material changes.

Revenue Summary

While certain discretionary general fund revenues show signs of improving, others continue to decline. Expected losses in property taxes and revenue related to fines and penalties may be offset by increased sales tax and use

**General Fund
Projected Discretionary Revenue**
(in millions)

	Budgeted Estimate	3rd Quarter Estimate	Variance
Property Taxes	\$259.2	\$256.5	(\$2.7)
RDA Residual Assets	0.0	12.6	12.6
Motor Vehicle In Lieu	187.5	187.3	(0.2)
Tax Loss Reserve	33.5	33.5	0.0
Fines and Penalties	26.8	23.5	(3.3)
Sales & Use Taxes *	21.0	28.4	7.4
Tobacco Tax	10.0	10.0	0.0
Documentary Transfer	9.7	10.6	0.9
Franchise Fees	5.0	5.0	0.0
Interest Earnings	3.1	2.6	(0.5)
Misc. Federal and State	5.0	6.5	1.5
Other (Prior Year & Misc.)	8.5	10.1	1.6
Total	\$569.3	\$586.6	\$17.3

* Does not include public safety sales tax revenue

tax revenue, one-time revenue from property sales and unclaimed property tax overpayments.

The chart summarizes the county's currently projected discretionary revenue estimates. Overall, it appears net general fund discretionary revenue will likely be \$17.3 million higher than originally estimated, due primarily to one-time receipts of \$12.6 million in residual redevelopment assets. The Board approved using most of these funds to stabilize the budget. The Executive Office does not recommend adjusting other discretionary revenue estimates at this time.

GENERAL FUND COMMITMENTS AND DESIGNATIONS

The county maintains a number of Board-established general fund commitments and fund balance designations. The following table lists these commitments and designations, taking into account the recommendations in this report.

General Fund Commitments and Designations

(in millions)

	FY 11/12 Ending Balances	Adjustments for Budget Use	FY 12/13 Beginning Balances	Adjustments through Third Quarter	Balance Upon Approval
Economic uncertainty	\$124.7	\$0.0	\$124.7	\$0.0	\$124.7
Budget Stabilization	\$0.0	\$0.0	\$0.0	\$34.7	34.7
Disaster relief	15.0	0.0	15.0	0.0	15.0
Property tax system	11.4	(5.3)	6.1	0.0	6.1
SB90 deferral	1.4	0.0	1.4	0.0	1.4
Historic courthouse remodel	0.5	0.0	0.5	0.0	0.5
CAC remodel	0.5	0.0	0.5	0.0	0.5
Community improvement	0.3	2.3	2.6	(2.0)	0.6
ACO internal audits unit	0.1	0.0	0.1	0.0	0.1
DPSS realignment growth	2.8	(2.0)	0.8	3.5	4.3
Solar power plant program	0.4	0.0	0.4	(0.4)	0.0
Legal Liabilities	3.7	0.0	3.7	0.0	3.7
TOTAL	\$160.8	(\$5.0)	\$155.8	\$35.8	\$191.6

APPROPRIATIONS FOR CONTINGENCY

Appropriations for contingency are intended to cover urgent, unforeseeable events such as discretionary revenue shortfalls, unanticipated expenditures, uncorrectable departmental budget overruns and other mission-critical issues at the Board's discretion. Currently, the Board-approved contingency target is \$20 million or approximately 3.5 percent of ongoing discretionary revenue.

Two major draws on contingency occurred during the third quarter: backfilling \$6 million owed by the City of Jurupa Valley for Sheriff services and \$2.4 million owed under court judgment regarding the property tax administration fees (PTAF). This report recommends three major draws: \$3.5 million to cover appropriations required by Fire to

meet essential obligations before year-end, \$303,000 for NPDES, and \$1.126 million for Sheriff court security administration. In total, \$13.6 million has been drawn from contingency to date, leaving a current balance of \$6.4 million. Unexpended contingency at year-end will be used to re-establish the appropriations for contingency next year.

	Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Beginning Balance:				\$20,000,000
Adjustments to date:				
07/03/12 Legal Services (Item 3-4)	\$ 91,000		\$ (91,000)	
09/25/12 Stale dated warrant (Item 3-11)	28		(28)	
11/06/12 Stale dated warrant (Item 3-19)	1,160		(1,160)	
02/26/13 Jurupa Valley Cost Deferral (Item 3-75)	6,019,496		(6,019,496)	
2nd Qtr Rpt NPDES Budget Adjustment	163,052		(163,052)	
03/26/13 PTAF Settlements (Item 3-4)	2,404,739		(2,404,739)	
	8,679,475	-	(8,679,475)	
Actions recommended in this report:				
3rd Qtr Rpt Fire Department	3,889,220	389,220	(3,500,000)	
3rd Qtr Rpt NPDES	303,000	-	(303,000)	
3rd Qtr Rpt Sheriff court security administration	1,125,295		(1,125,295)	
3rd Qtr Rpt Clerk of the Board	8,800		(8,800)	
	5,326,315	389,220	(4,937,095)	

Contingency balance upon approval of this report = \$ 6,383,430

E. DEPARTMENTAL STATUS

INTERDEPARTMENTAL AND CAPITAL PROJECTS

Capital Improvement Program (CIP)

Tobacco Master Settlement

The tobacco master settlement agreement (MSA) was an agreement between the largest U.S. tobacco companies and the attorneys general of 46 states. The agreement settled each state's Medicaid lawsuits against the tobacco industry and exempted the industry from future liability for the harm caused by tobacco use and the related health care costs. The companies agreed to restrict tobacco marketing practices and annually compensate states with payments for smoking-related medical costs. A dispute arose from the MSA regarding payment adjustments made by the tobacco companies. Some companies withheld a portion of their payment, claiming they were entitled to a downward non-participating manufacturers (NPM) adjustment to the payments because they lost market share to companies that did not enter into the MSA. A recent settlement resolved this long standing dispute for sales between 2003 and 2012.

In August 2007, the county securitized the tobacco payments by issuing bonds to be repaid from proceeds of the MSA. The portion of the recent settlement associated with the years prior to 2007, estimated to be \$3.2 million, would be returned to the county general fund and may be used as a one-time source of revenue. The Executive Office

recommends using \$2.2 million of these funds for Van Horn Youth Center construction and setting aside \$1 million for budget stabilization.

Recommendation 2: *That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations estimated revenue, and fund balance pertaining to allocation of tobacco settlement revenue \$3,200,000 million, as follows:*

Increase estimated revenue:		
10000-1101000000-782000	Tobacco tax settlement	\$3,200,000
Increase appropriations:		
10000-1101000000-551000	Operating transfers – out	2,200,000
Increase unassigned fund balance:		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	1,000,000
Increase estimated revenue:		
30700-1104200000-790500	Operating transfers – in	2,200,000
Increase appropriations:		
30700-1104200000-536780	Interfund expense – capital project	2,200,000

Release for Budget Stabilization

The Executive Office recommends re-programming \$2.2 million in inactive project commitments for the San Jacinto Valley Animal Shelter and Lake Mathews Fire Station projects to make general fund resources available for budget stabilization. The capital improvement program continues to monitor projects under way for potential savings.

Recommendation 3: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance in the capital improvement fund and increasing estimated revenue and unassigned fund balance for budget stabilization in the amount of \$2,200,000, as follows:*

Increase appropriations:		
30121-1105100000-551100	Contributions to county funds	\$2,200,000
Decrease assigned fund balance:		
30121-1105100000-350203	Assigned fund balance for capital project sub-funds	2,200,000
Increase estimated revenue:		
10000-1101000000-790600	Contributions from county funds	2,200,000
Increase unassigned fund balance:		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	2,200,000

Public Safety Enterprise Communication System (PSEC)

The public safety enterprise communication system (PSEC) project team continues to work on implementing the new radio system, with a go-live date in June for non-public

safety departments and mid-July for public safety. The delay is a result of Motorola technical issues. Preserving the PSEC project team, consisting of Sheriff, Fire and Riverside County Information Technology (RCIT) staff, is essential for a successful project completion. However, this will increase personnel costs for the project through implementation.

Also, because of the delay, subscribers are not yet paying the new rates to support the 76-site voice and data infrastructure. However, voice and data sites are operational and the county already is incurring additional costs associated with support of the larger system's infrastructure.

The PSEC steering committee is aware of the increased costs as a result of the Motorola delay, and the County will seek restitution for them. In the interim, appropriation increases for project team personnel costs and contributions to the operating fund are needed. There is sufficient fund balance to cover these actions.

Recommendation 4: *That the Board direct Riverside County Information Technology to seek compensation from Motorola for costs associated with the recent public safety enterprise communication system delay.*

Recommendation 5: *That the Board approve: 1) releasing commitment of fund balance for radio replacement in sub-fund 11069 and increasing appropriations in Contributions to Other Funds in the amount of \$3,668,068; 2) increasing appropriations and estimated revenue for Fund 33500, PSEC 800 MHz Radio Project, in the net amount of \$822,983; and, 3) increasing appropriations and estimated revenue for Fund 45520, RCIT PSEC Operations, in the amount of \$2,845,085, as follows:*

Release committed fund balance:		
11069-1103800000-330100	Committed fund balance	\$3,668,068
Increase appropriations:		
10000-1103800000-551100	Contribution to other funds	3,668,068
Increase estimated revenue:		
33500-7400300000-790600	Contribution from other funds	822,983
Increase appropriations:		
33500-7400300000-510040	Regular salaries	714,848
33500-7400300000-518100	Budgeted benefits	292,836
33500-7400300000-537120	Interfund – professional services	<u>139,323</u>
	Total	1,147,007
Decrease appropriations:		
33500-7400300000-525440	Professional services	150,000
33500-7400300000-522310	Maintenance – building improvements	75,000
33500-7400300000-529540	Utilities	<u>99,024</u>
	Total	324,024
Increase estimated revenue:		
45520-7400600000-790600	Contribution from other funds	2,845,085

Increase unrestricted net assets		
45520-7400600000-380100	Unrestricted net assets	2,845,085

GENERAL GOVERNMENT

Executive Office

Indigent Defense

In April 2013, the Board of Supervisors directed that indigent defense administration be transferred to the Executive Office to avoid a conflict with the new Public Defender and one of the indigent defense contracts. Due to savings generated by a new contract for juvenile defense services, the budget unit should meet its net cost target. This will ultimately depend on the volume of cases the courts send to indigent defense counsel.

Health and Juvenile Services Fund

Pursuant to the terms of the settlement and release of claims approved by the Board of Supervisors on March 26, 2013 (Agenda Item 3-35), the City of Palm Desert paid to the County back due pass-through revenue in the amount of \$2,675,800 owed to the County's health and juvenile services fund pursuant to Section 11 of the 1992 Cooperative Agreement between the County, City of Palm Desert, and the former Palm Desert Redevelopment Agency. Pass-through received under Section 11 of that agreement is calculated based on certain sales tax received by the city, and the past due balance arose from a calculation error connected to the Triple Flip, a state-adopted revenue swap involving vehicle license fees.

Under a separate agreement with the Regional Access Project Foundation, Inc., (RAP) the county provides the revenue received from this pass-through to the RAP to fulfill the pass-through's purpose of funding health and juvenile services in eastern Riverside County. Had the calculation error not occurred, the back due revenue would have been paid quarterly to RAP since the Triple Flip legislation went into effect. Consequently, the Executive Office recommends appropriating 100 percent of this settlement amount for transfer to RAP at this time.

The Executive Office anticipates the current-year amount of this pass-through revenue will be \$63,009 higher than previously estimated, and should be increased at this time. In addition, a nominal amount of interest earnings has accrued on this fund, which the Executive Office recommends be applied to defraying a portion of the administrative expenses associated with recovering the back due pass-through.

Recommendation 6: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the health and juvenile services fund in the amount of \$2,739,609, as follows:*

Increase estimated revenue:		
22430-1100100000-781000	Contractual revenue – RDV	\$2,738,809
22430-1100100000-740020	Interest on invested funds	800
	Total	<u>2,739,609</u>

Increase appropriations:		
22430-1100100000-536200	Contribution to non-county agency	2,738,809
22430-1100100000-537080	Interfund – miscellaneous	800
	Total	<u>2,739,809</u>

RDA Capital Improvement Fund

The RDA capital improvement fund captures certain pass-through revenue received from city successor agencies under the terms of various redevelopment pass-through agreements with stipulated restrictions. The Executive Office disburses this revenue to pay debt service on various facilities, to reimburse costs of various capital projects, and other expenses.

Subsequent to submittal of the recommended budget, the Board of Supervisors approved an amended agreement with the University of California, Riverside, medical school in which the county is to pay a double installment during FY 12/13. Consequently, the Executive Office requests increasing current-year appropriations for this donation from \$1.5 million to \$3 million. This will be paid from available fund balance.

Recommendation 7: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations in the RDA capital improvement fund in the amount of \$1,500,000, as follows:*

Increase appropriations:		
31540-1100100000-536200	Contribution to non-county agency	\$1,500,000
Use of fund balance:		
31540-1100100000-321158	Restricted for RDA Capital Improvements	1,500,000

Previously, the Executive Office recommended and the Board approved reserving a portion of the tax increment already received from the former Moreno Valley Redevelopment Agency toward the Board's commitment to support start-up of the University of California, Riverside, medical school. At this time, the Executive Office recommends using up to \$645,253 of that committed amount to ensure coverage for the consultant engaged to assess the Riverside County Regional Medical Center. The Executive Office is working with other related departments on securing alternative sources of funding to offset a portion of this cost.

Recommendation 8: *That the Board approve: 1) transferring \$645,253 in committed fund balance from the RDA capital improvement fund to the Moreno Valley redevelopment project sub-fund; and, 2) direct the Auditor-Controller to make adjustments releasing committed fund balance and increasing appropriations in the amount of \$645,253 for costs of engaging a consultant to assess the Riverside County Regional Medical Center, as follows:*

Decrease committed fund balance:		
31540-1100100000-330108	Committed fund balance – deficit reserve	\$645,253

Increase committed fund balance:		
31542-1100100000-330108	Committed fund balance – deficit reserve	645,253
Decrease committed fund balance:		
31542-1100100000-330108	Committed fund balance – deficit reserve	645,253
Increase appropriations:		
31542-1100100000-524660	Consultants	645,253

Solar Program

In the FY 11/12 third quarter report, the Executive Office estimated a net remainder of \$357,690 between estimated solar franchise revenue and projected solar program expenses that year. The funds were committed at that time. After the FY 11/12 year-end actuals closed, it was determined the actual remainder was \$607,729, a difference of \$250,039. The Executive Office recommends committing this additional revenue at this time. Furthermore, to provide enhance ability to account for and report on receipt and disbursement of this revenue stream, the Executive Office recommends transferring this fund balance from the general fund to the accumulative capital outlay fund, and to budget any future-year disbursements of solar program revenue from that fund.

Recommendation 9: *That the Board approve and direct the Auditor-Controller to make adjustments releasing unassigned and committed fund balance from unexpended FY 11/12 solar franchise revenue and increasing appropriations in the general fund in the amount of \$607,729 and increasing estimated revenue and committed fund balance in the accumulative capital outlay fund in the amount of \$607,729, as follows:*

Decrease unassigned fund balance:		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	\$250,039
Decrease committed fund balance:		
10000-1102900000-330100	Committed fund balance	357,690
Increase appropriations:		
10000-1102900000-551100	Contribution to other funds	607,729
Increase estimated revenue:		
30000-1100300000-790600	Contribution from other county funds	607,729
Increase committed fund balance:		
30000-1100300000-330100	Committed fund balance	607,729

Clerk of the Board

On April 11, 2006 (Item 3.4), the Board of Supervisors approved the use of \$10,000 the Fourth District community improvement designation (CID) to community councils for expenses related to conducting community meetings and special events. Due to an accounting error, those funds were never taken out of the Fourth District CID account – though most of the money was expended. The resulting year-end CID surplus was

returned to the general fund. The error was recently uncovered, and the department requests a budget adjustment to make the correction.

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to increase appropriations for the Clerk of the Board and decreasing appropriations for contingency in the amount of \$8,800 as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$8,800
Increase appropriations:		
10000-1000100000-523230	Miscellaneous expense	8,800

Assessor-County Clerk-Recorder

The Assessor-County Clerk-Recorder anticipates a \$1.5 million shortfall by year-end, \$700,000 of which will likely require additional general fund support. The shortfall results primarily from the recent California Supreme Court decision regarding the calculation of the property tax administration fee, which will reduce expected revenue by \$1.4 million. The department will continue to reduce its costs to offset the lost revenue and will work with the Executive Office to reassess its need for additional general fund support at year-end.

Auditor-Controller

The Auditor-Controller reports the e-payables program is consuming more resources than anticipated and that revenue generated by the program has not been at the level originally forecast. Despite this shortfall, the Auditor-Controller anticipates his department will meet its net county cost target for FY 12/13 with a surplus of about \$590,000. Various cost measures, including attrition, give rise to the year-end budget savings.

Following Board approval for transfer of \$1.3 million in unclaimed property tax payments to the general fund, the Auditor-Controller determined the total transferred included money legally mandated to remain in the original property tax funds, and that money must be returned.

Recommendation 11: *That the Board approve and direct the Auditor-Controller to make reversing entries in the amount of \$1,137 for unclaimed property tax overpayments transferred to the general fund in error.*

Treasurer-Tax Collector

Due to various cost-saving measures, including elimination of two positions and attrition, the Treasurer-Tax Collector anticipates meeting his net county cost target for FY 12/13 with a net surplus of about \$1.4 million.

Human Resources (HR)

Human Resources' general fund budget unit expects to have a net budget shortage of \$570,365. The need exists in salaries and benefits and supplies and services. Some of these costs will be offset by additional revenues from departments; however the balance of \$570,000 remaining is needed from the budget stabilization account. Over the last four years, arbitration charges have increased from \$562,000 to \$1,415,000. This is a direct result of greater arbitration activity with the unions. As a result of these additional costs, greater funding is needed.

In addition, certain internal service funds need adjustments to accommodate service levels. The increases in appropriations will be offset by new revenues or use of net assets. Reimbursement agreements are in place for the increased services to departments. The Executive Office recommends adjusting appropriations for Human Resources' budget units, as follows:

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for the Human Resources department budget, as follows:*

Increase appropriations:		
10000-1130100000-518100	Budgeted benefits	\$255,000
10000-1130100000-525440	Professional services	54,000
10000-1130100000-525480	Arbitration services	500,000
10000-1130100000-572800	Intrafund transfer – miscellaneous	<u>(56,000)</u>
	Total	753,000
Increase estimated revenue:		
10000-1130100000-777030	Personnel services	183,000
Use of unassigned fund balance		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	570,000
Increase appropriations:		
46100-1130800000-510040	Salaries	400,000
46100-1130800000-518100	Budgeted benefits	<u>200,000</u>
	Total	600,000
Increase estimated revenue:		
46100-1130800000-777010	Stop loss reimbursement	600,000
Increase appropriations:		
45800-1132000000-510040	Salaries	150,000
45800-1132000000-518100	Budgeted benefits	50,000
45800-1132000000-520940	Insurance – other	250,000
45800-1132000000-522890	Pharmaceuticals	110,000
45800-1132000000-525440	Professional services	350,000
45800-1132000000-527780	Special program expense	640,000
45800-1132000000-534500	Hospital care service claims	<u>3,600,000</u>
	Total	5,150,000
Increase estimated revenue:		
45800-1132000000-781220	Contributions and donations	5,150,000

Increase appropriations:		
45960-1131000000-551100	Contrib. to other county fund	175,000
Increase estimated revenue:		
45960-1131000000-781360	Other miscellaneous revenue	175,000
Increase appropriations:		
46120-1132900000-525100	Medical – lab services	250,000
46120-1132900000-527780	Special program expense	<u>350,000</u>
	Total	600,000
Increase estimated revenue:		
46120-1132900000-774500	Health services	200,000
46120-1132900000-775010	Wellness incentive	200,000
46120-1132900000-781220	Contributions and donations	<u>200,000</u>
	Total	600,000
Increase appropriations:		
47000-1131800000-518100	Budgeted benefits	255,000
Use of unrestricted net assets:		
47000-1131800000-380100	Unrestricted net assets	255,000

Registrar of Voters (ROV)

In the midyear report, the Registrar of Voters expected to exceed its FY 12/13 net county cost target by \$600,000 to \$900,000. Of this, \$300,000 was due to increased voter participation in the November 2012 presidential election. These costs are expected to be recovered by the end of the year. The additional \$300,000 to \$600,000 was expected to provide election services for the March 12, 2013, special primary election to fill a vacancy in the 40th Senate District, as well as a possible runoff election in May 2013. A majority vote occurred during the primary election, so a special general election was not needed. It has now been determined that the primary election cost \$300,000. To cover this cost the department requests to use unanticipated revenue received for jurisdiction and school election services. The department expects to exceed its budget in May 2013. At this time, the Executive Office recommends increasing estimated revenue and expenditures by \$300,000.

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Registrar of Voters totaling \$300,000, as follows:*

Increase appropriations:		
10000-1700100000-523800	Printing/binding	\$300,000
Increase estimated revenue:		
10000-1700100000-771220	Special district elections	7,421
10000-1700100000-771210	School election services	199,085
10000-1700100000-781340	Postage	<u>93,494</u>
	Total	300,000

Economic Development Agency/Facilities Management (EDA/FM)

Desert Expo

Desert Expo requests a budget adjustment to reduce estimated revenues as a result of declining receipts for special event parking. The department will use assigned fund balance to offset the revenue shortfall.

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing estimated revenue and increasing use of assigned fund balance for the Desert Expo in the amount of \$35,445, as follows:

Decrease estimated revenues:		
22200-1920100000-741380	Parking	\$35,445
Release assigned fund balance:		
22200-1920100000-350100	Assigned fund balance for program money	35,445

Community Centers

The Economic Development Agency's community centers division requests a budget adjustment to reduce estimated revenue from community development block grant and community improvement designation funds, which will not be fully received this fiscal year. The department requests use of restricted fund balance to cover appropriations.

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing estimated revenues and increasing use of restricted fund balance for Community Centers in the amount of \$276,162, as follows:

Decrease estimated revenues:		
21140-1900800000-778200	Interfund – miscellaneous	\$ 85,409
21140-1900800000-778280	Interfund expense – reimbursement for services	<u>166,253</u>
	Total	251,662
Use of restricted fund balance:		
21140-1900800000-321101	Restricted program money	251,662

PUBLIC PROTECTION

Fire

Although the Fire Department has reduced its deficit from \$10.2 million to \$4.9 million through several measures, a budget adjustment is necessary for Fire to pay its obligations. Specifically, the department needs a \$3.5 million budget adjustment to cover the fourth quarter estimated invoice owed per the cooperative agreement with the California Department of Forestry. An additional adjustment of \$425,575 is also needed for reimbursement of the narrow-banding project previously approved by the Board on October 19, 2010 (Agenda Item 3.41), as part of the PSEC project. The department anticipates expending the remainder of that approved allocation in FY 13/14.

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Fire in the amount of \$3,925,575, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$3,500,000
Increase to estimated revenue:		
10000-2700200000-778200	Interfund miscellaneous	425,575
Increase appropriations:		
10000-2700200000-520240	Communications equipment	362,036
10000-2700200000-520250	Communications equipment installation	11,260
10000-2700200000-525440	Professional services	3,500,000
10000-2700200000-527400	Electronic and radio supplies	<u>52,279</u>
	Total	<u>3,925,575</u>

Sheriff

The department is trending toward a balanced budget by year-end absent an emergency situation. The Sheriff has faced significant budgetary challenges beginning with an adopted budget that included a \$9.2 million structural deficit. Reasons for this deficit included PSEC operation previously scheduled for January 2013; Board direction for the Sheriff to hire deputies to return unincorporated-area patrol staffing to the level of one sworn officer per 1,000 residents, retirement payouts, ratified labor agreement provisions, and insufficient state funding to provide the required level of court security services. Additionally, the Sheriff cautioned the Board and Executive Office that overtime to deliver AB109-related services, and overtime in patrol to support the Board request for coverage until sufficient deputies can be hired, strain the budget. Intense oversight of every budget unit, cost cutting, and deferred spending wherever possible have been hallmarks of the Sheriff's budget-balancing effort. Those efforts are complemented by the Sheriff's continued commitment as a strong partner while the county continues to struggle with economic uncertainty.

The Sheriff reports that although the Corrections division has begun restoring the system back to previously approved levels, the impact of AB109 public safety realignment on the general fund is not fully known. Current allocations from the state have allowed for the initial implementation of realignment, but the cost to fully implement this mandate has been drastically underestimated by the state.

Gov. Brown requested, and the legislature approved, transfer of court security funding from the superior courts to the counties as part of the realignment of public safety in order to save the courts \$200 million. AB118 provides the funding and SB1021 implements necessary statutory changes. The law requires that the Sheriff, with the Board's approval, enter into an agreement with the superior court to provide an agreed-upon, minimum service level. This effort is under way. One critical change in the realignment bill is that court security administration cannot be supported with the funding; the responsibility now falls to counties. Consequently, the Sheriff has notified

the Executive Office that a budget adjustment is critical in order to provide essential support and administrative services this fiscal year.

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing appropriations and estimated revenue for the Sheriff's Department totaling \$1,125,295, as follows:

Decrease estimated revenue:		
10000-2500100000-773690	Trial court funding – unallowable	175,295
10000-2500500000-773690	Trial court funding – unallowable	900,000
10000-2500700000-773690	Trial court funding – unallowable	<u>50,000</u>
	Total	1,125,295
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$1,125,295

On January 8, 2013, agenda item 3-32 was approved to accept a grant. The grant was inadvertently coded for Sheriff Support; however, it should have been attributed to the Ben Clark Training Center. The correction below makes the change.

Recommendation 18: That the Board of Supervisors approve and direct the Auditor-Controller to make corrective adjustments to appropriations and estimated revenue for the Sheriff totaling \$104,000, as follows:

Decrease estimated revenue:		
10000-2500200000-767220	Federal – other operating grants	\$104,000
Decrease appropriations:		
10000-2500200000-510420	Overtime	37,500
10000-2500200000-524940	Instructors – trainers	43,400
10000-2500200000-527880	Training other	<u>23,100</u>
	Total	104,000
Increase estimated revenue:		
10000-2500700000-767220	Federal – other operating grants	104,000
Increase appropriations:		
10000-2500700000-510420	Overtime	37,500
10000-2500700000-524940	Instructors-trainers	43,400
10000-2500700000-527880	Training – other	<u>23,100</u>
	Total	104,000

On March 14, 2013, a donation in the amount of \$40,000 was received for the K9 team. This donation was for the Cabazon Station K9.

Recommendation 19: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Sheriff in the amount of \$40,000, as follows:

Increase estimated revenue:		
10000-2500300000-781220	Contributions & donations	\$40,000

Increase appropriations:
 10000-2500300000-527300 Canine expense 40,000

District Attorney

The department continues to aggressively enhance revenue and implement cost savings with the goal not only of a balanced budget, but an estimated \$1 million net cost savings at year-end.

Department of Child Support Services

The department has been notified of an anticipated one-time \$824,474 state reduction. The department will use salary savings to balance the budget and there are no plans to request any county assistance.

Court Facilities

At midyear, the Executive Office reported that additional funding likely would be needed to support payments for court facility maintenance, utilities and improvements. At the end of the third quarter, it appears that, barring unanticipated expenditures, the fund will not exceed the budget at year-end. The department will continue to monitor expenditures and report back as necessary.

Law Office of the Public Defender

The Law Office of the Public Defender has achieved significant cost savings, and expects to remain within budget. Renovation of the former District Attorney's building for the Public Defender's use will begin in the summer of 2013, with completion expected in fall 2014. The project's cost is now estimated to be \$19.6 million.

Alternate Public Defender

The Alternate Public Defender/Capital Defender's Office requests a \$450,000 budget adjustment, to be offset by a portion of the savings achieved by the Law Offices of the Public Defender. The gap results from budget cuts taken at the beginning of the year that could not be absorbed while maintaining essential service levels.

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing appropriations for the Law Office of the Public Defender and increasing appropriations for the Alternate Public Defender by \$450,000, as follows:*

Decrease appropriations:		
10000-2400100000-510040	Salaries	\$450,000
Increase appropriations:		
10000-2401300000-510040	Salaries	450,000

Probation Department

The department continues to hire for AB109 criminal justice realignment and pretrial services as well filling vacancies at juvenile institutions and for in-field services. On March 26, 2013 (Agenda Item 3-12), the Board of Supervisors approved six probation specialist positions for a pilot collection program to ensure incarceration costs are charged appropriately in misdemeanor cases. While the department hopes collections will eventually pay for staffing, initial months will be supported by previously expected fund balance. The current year-end balance is now approximately \$94,775.

Funds for counties implementing SB678, evidence-based practices, are being reduced from \$138.9 million statewide to \$35.8 million, due in large measure to implementation of public safety realignment. Riverside County Probation's award will drop from \$10.6 million to \$1.86 million. While it's possible the governor could recommend an increase in his May Revise, the department proactively designated the funding for this program in order to continue present efforts for at least two years.

Department of Animal Services

The Department of Animal Services awaits resolution of a seven-year-old personnel case being negotiated by Human Resources that could result in a settlement of up to \$325,000. While the department would make every effort to absorb this unbudgeted cost, it might require additional general fund support.

Agricultural Commissioner

The Agricultural Commissioner anticipates ending the year within budget through a combination of spending restraint and modest increases in departmental revenue.

PUBLIC WAYS AND FACILITIES

Transportation Land Management Agency (TLMA)

Transportation

Due to scheduling delays, costs for several capital improvement projects originally budgeted for FY 11/12, such as the River Road bridge and Rancho California Road, were paid out of the budget this fiscal year. A \$1.5 million budget adjustment is needed to cover these costs in the current year. Sufficient unexpended development impact fee revenue remains available to cover these costs.

Recommendation 21: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Transportation in the amount of \$1,500,000, as follows:*

Increase appropriations:		
31650-3130500000-537280	Interfund expense – misc. project expense	\$1,500,000
Increase to estimated revenue:		
31650-313050000-790600	Contribution from other county funds	1,500,000

Counter Services

TLMA requires a \$75,000 budget adjustment to cover the additional costs of moving its ombudsman into counter services to provide experienced, management-level counter coverage and back-up to the Regional Office Manager, because the department's only Regional Office Manager covers both the desert and the Riverside offices. The agency also requires \$325,000 to cover phase-one costs of the Riverside County Administrative Center second floor remodeling project to improve public counter service.

Recommendation 22: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of fund balance for TLMA Counter Services in the amount of \$400,000, as follows:*

Increase appropriations:		
20200-3100300000-510040	Regular salaries	\$ 75,000
20200-3100300000-537320	Interfund expense – building improvements	<u>325,000</u>
	Total	400,000
Use of fund balance:		
20200-3100300000-350100	Assigned fund balance for program money	400,000

HEALTH AND SANITATION

Department of Public Health

The Department of Public Health anticipates meeting FY 12/13 budget targets. As previously reported, 1991 realignment sales tax revenue for California Children's Services is tracking higher than budgeted. The department will continue to monitor and work with the Executive Office in the event additional revenue is received. The department continues to await resolution to a long-standing payment issue with the state. At this time, any potential budget impacts are unknown.

Department of Environmental Health

At present, the Department of Environmental Health is within its FY 12/13 budget target and will continue to exercise prudent budget practices. No variances are anticipated at this time for the remainder of FY 12/13.

Riverside County Regional Medical Center General Fund Programs

Ambulatory Care – Family Care Clinics

At midyear, the department reported revenue was trending less than budgeted by nearly \$4 million. The department implemented cost savings and operational improvements expected to reduce the need for general fund support to \$1.6 million. The department will continue efforts to further reduce the need for general fund support.

Medically Indigent Services Program (MISP)

The Medically Indigent Services Program anticipates that funding from the low income health program will likely decrease the need for general fund support from \$2.2 million

to zero. The department will continue to monitor and work with the Executive Office to prepare any necessary year-end transactions.

Detention Health

The department continues to make progress in filling vacant positions to meet the needs of inmates in county correctional facilities. Savings on salaries and other costs will be available to offset most of the projected increase in pharmaceutical costs. The department reports that expenditures may exceed budget targets by approximately \$100,000, but will continue to reduce the amount by year-end.

Low Income Health Program (LIHP)

The county received approval to implement the low income health program (LIHP) beginning in January 2012. Revenue received in this fund is used to pay out-of-network service providers; and, as a pass-through fund for partial reimbursement to county departments for services provided to members. As enrollment in the LIHP increases and members seek services, expenditures and revenue projections for the LIHP are adjusted based on actual costs. A budget adjustment is requested now to reflect the estimated revenue and expenditures anticipated for the remainder of this fiscal year.

Recommendation 23: *That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue for the Low Income Health Plan by \$2,000,000, as follows:*

Increase estimated revenue:		
10000-1106000000-751190	CA – Low Income Health Program	\$2,000,000
Increase appropriations:		
10000-1106000000-530260	Medical services	750,000
10000-1106000000-530320	Physician care services	250,000
10000-1106000000-530340	Hospital care services	<u>1,000,000</u>
	Total	<u>2,000,000</u>

Department of Mental Health

Mental Health Treatment

The Department of Mental Health continues to prepare for health care reform changes created by the Affordable Care Act that become fully operational on January 1, 2014. Starting in January 2012, the department began enrolling and serving clients through the Riverside County Healthcare program, and to date more than 1,700 individuals have been seen. Two of the department’s biggest challenges have been inadequate staffing and a shortage of clinic space. Since working with Human Resources (HR) to enhance recruitment efforts, hiring is improving. The department also is expanding clinics in underserved areas.

Realignment efforts, supported through an AB109/118 allocation, are successful. While staffing is only at 59 percent permanent funded positions, overtime allows the department to provide service at 86 percent. One candidate is in background check

and the remaining six are being recruited. Mental Health anticipates expanded community-based services next fiscal year when Probation expands the Riverside day reporting center and additional facilities are opened in other areas of the county.

Detention Mental Health

Mental Health jail expansion positions are currently 83 percent filled with permanent staff. Overtime worked during the third quarter, however, increased service capacity to 94 percent, thus meeting a critical need in the county's jail system. A candidate is currently in background check and HR is actively recruiting the remaining six positions.

PUBLIC ASSISTANCE

Department of Public Social Services (DPSS)

The Department of Public Social Services reports that the demand for Medi-Cal and CalFresh self-sufficiency program services continues to increase. Other program areas such as In-Home Supportive Services (IHSS) and adoptions have also increased, while other program caseloads remain relatively flat.

In response to continued caseload growth in CalFresh and in preparation for Medi-Cal expansion related to health care reform, DPSS continues to hire eligibility staff and plans are in place for additional hiring prior to the end of FY 12/13. Moreover, staff also have been hired to fill recent vacancies in Children's Services, and to maximize 2011 realignment funding. The additional staffing will help keep caseloads more manageable.

IHSS individual provider (IP) hours are projected to increase seven percent over prior-year levels while IHSS contracted service hours are projected to decrease nearly six percent, resulting in a projected increase of \$4.3 million in net county cost. This increase is mitigated by the IHSS maintenance of effort (MOE) and Community First Choice Option (CFCO) savings identified below.

In January 2012, the governor announced the Coordinated Care Initiative (CCI) focusing on enhancing health outcomes for low income seniors and people with disabilities. Included in the CCI is a duals demonstration project focusing on people eligible for Medicare and Medi-Cal. The IHSS program coordinates the care efforts with local managed health care plans. Recently, the state received federal approval to proceed with implementing CCI with a few modifications to the scope of the pilot and an effective implementation date no sooner than October 1, 2013.

As part of the CCI, an IHSS maintenance of effort level was established for administrative costs, provider services, and the IHSS Public Authority. The FY 12/13 IHSS memorandum was established at \$42.4 million, resulting in \$2.2 million net county cost savings from the projected need. The memorandum has an annual 3.5 percent inflator effective July 2014 that will increase the FY 14/15 net county cost need by approximately \$1.5 million.

In addition, the federal medical assistance percentage (FMAP) rate was retroactively increased back to December 2011, due to the implementation of the federal CFCO. The CFCO is an amendment to the Medi-Cal State Plan that provides home and community-based attendant services and support benefits to individuals who meet the state's nursing facility clinical eligibility standards.

The retroactive net county cost savings related to CFCO is \$2.9 million, and will offset the need resulting from caseload growth. The department requests a budget adjustment reflecting these changes in appropriations and estimated revenue.

Recommendation 24: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Department of Public Social Services totaling \$1,500,000, as follows:*

Increase estimated revenue:		
10000-5100200000-750300	CA-Public Assistance Admin	\$ 90,000
10000-5100200000-760000	Fed-Public Assistance Admin	1,400,000
10000-5100200000-774970	IHSS Insurance Premiums	<u>10,000</u>
	Total	1,500,000
Increase appropriations:		
10000-5100200000-530440	Client Services	1,500,000

Apart from these changes, the state recently settled a lawsuit related to the state's proposed 20 percent reduction in service hours for IHSS recipients. The settlement results in a temporary eight percent across-the-board cut effective July 1, 2013. Given the existing maintenance of effort requirement, this will not impact the county share of cost. However, based on language in the agreement, it is anticipated there may be a significant increase in workload, as IHSS recipients will have an opportunity to request a reassessment to seek additional authorized hours to mitigate the anticipated cut.

Categorical aid programs such as CalWorks assistance, foster care, emergency assistance and adoptions assistance require a specified county share of cost depending on the program. While CalWorks and emergency assistance program caseloads have decreased slightly, growing caseloads in adoptions assistance and foster care increased costs by an estimated \$1 million. However, growth in realignment funding and net cost savings in county-funded foster care will offset these increases. DPSS requests a budget adjustment to reflect these changes in appropriations and estimated revenue.

Recommendation 25: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Department of Public Social Services in the amount of \$1,500,000, as follows:*

Decrease appropriations:		
10000-5100400000-530520	County funded assistance	\$ 400,000
Increase estimated revenue:		
10000-5100300000-750700	CA-Public assistance programs	500,000

10000-5100300000-750740	CA-realignment-DPSS	<u>600,000</u>
	Total	1,100,000
Increase appropriations:		
10000-5100300000-530480	Categorical assistance	1,500,000

Riverside County Children and Families Commission (RCCFC)

The Riverside County Children and Families Commission projects a year-end fund balance of approximately \$41 million, nearly all of which is obligated to future-year services, long-term commitments, and possible capital acquisitions. Commission expenditures are expected to be within budget.

Community Action Partnership (CAP)

The Community Action Partnership (CAP) will meet its net county cost target for FY 12/13. CAP continues to work with the state to address concerns identified in monitoring reports. The Department will provide updates to the Executive Office as necessary.

Veterans' Services

Veterans' Services remains on target to meet its FY 12/13 net county costs.

EDUCATION, RECREATION, AND CULTURE

Edward Dean Museum

The Edward Dean Museum requests a budget adjustment for a curatorial project to properly store and protect museum artifacts and to reimburse the library for staff costs. Use of prior-year gala and golf tournament proceeds will offset these costs.

Recommendation 26: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Edward Dean Museum, in the amount of \$107,045, as follows:*

Increase estimated revenue:		
10000-1930100000-778200	Interfund-miscellaneous	\$107,045
Increase appropriations:		
10000-1930100000-522310	Maintenance – building & improvement	31,194
10000-1930100000-537180	Interfund – salary reimbursement	<u>75,851</u>
	Total	107,045

Cooperative Extension

At present, Cooperative Extension is within its FY 12/13 budget target and will continue to exercise prudent budget practices. No variances are anticipated at this time for the remainder of FY 12/13.

ENTERPRISE FUNDS

Waste Management

The department proposes a budget adjustment that will allow staff to track revenue sharing to the newly created revenue distribution expense account 523380, and also ensure revenue for the fiscal year is not understated. This adjustment will help clearly show what portion of the revenue is distributed to other county departments and government agencies, while also presenting an accurate total revenue amount for the fiscal year.

Recommendation 27: *That the Board of Supervisors approve and direct the Auditor Controller to make adjustments increasing appropriations and use of net assets for Waste Management in the amount of \$9,350,417 as follows:*

Increase appropriations:		
40200-4500100000-523380	Revenue distribution expense	\$9,350,417
Use of fund balance:		
40200-4500100000-380100	Unrestricted net assets	9,350,417

INTERNAL SERVICE FUNDS

Facilities Management

In the midyear budget report, Facilities Management reported the likelihood that Custodial and Maintenance divisions will fail to meet FY 12/13 budgeted revenue estimates. The Custodial division reported a revenue shortfall of \$571,600, which has been revised to \$648,077. The Maintenance division shortfall, projected at \$1,054,000, has been revised to \$785,828. Factors contributing to these issues include:

1. Productive hours trending low by roughly 103 hours per billable custodial employee and by 42 hours per billable maintenance employee;
2. Eight to 12 Custodial staff on paid medical leave and productive hours unable to be billed/reimbursed;
3. Loss of redevelopment funds for graffiti abatement services;
4. Unfunded environmental compliance requirements; and,
5. Year-end expenditures are anticipated to be below budget by six percent and two percent, respectively.

The department plans to cover these short-falls using cash on hand from a general fund loan.

Records Management and Archives Program (RMAP)

The county's records management and archives program (RMAP) reports its revenue and expenditures are within budget targets, with no significant variances for FY 12/13.

Fleet Services

A total of 5,004 vehicles are in the inventory of county vehicles as of March 31, 2013. Based on vehicle inventories supplied by county departments, a complete inventory of vehicle assets was compiled by the Auditor-Controller's Office at the end of 2011. This inventory is the basis for ongoing vehicle usage reporting for IRS taxation purposes. Vehicle additions and deletions are tracked monthly by the Auditor-Controller's payroll division. The vehicle inventory consists of Sheriff patrol, Sheriff non-patrol, and all other passenger vehicles. Specialty vehicles, utility trucks, or city-owned vehicles are not included in this inventory.

To date, \$458,817 in vehicle sales proceeds were collected for 337 vehicles sold after FY 09/10. Two-hundred-forty-five underutilized non-sheriff vehicles were identified by Fleet Services in the beginning of FY 12/13. Fleet Services defines underutilized vehicles are those driven less than 250 miles per month or 3,000 miles a year.

The inventory of county vehicles for each fiscal year shows a modest decrease in non-sheriff passenger vehicles over the last four years. While decreases in fuel purchases and mileage driven have reduced department costs over time, departments' fleets continue to age. Vehicles are reaching the end of their useful life and purchases of replacement vehicles are increasing.

As previously discussed in the FY 12/13 midyear budget report, fuel consumption is increasing by 10 percent due to the opening of the Thermal fueling station and a shift away from commercial gas stations. The Board authorized a budget adjustment in the midyear report to increase the quantity of fuel by 294,800 gallons; however, this amount was based on lower fuel costs than current costs, which is 15 cents per gallon higher. Fuel consumption is expected to reach 3.2 million gallons this fiscal year.

Recommendation 28: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Fleet Services in the amount of \$44,220, as follows:*

Increase estimated revenue:		
45300-7300500000-777070	Fuel sales	\$44,220
Increase appropriations:		
45300-7300500000-527100	Fuel	44,220

In an ongoing effort to improve air quality, a diesel particulate trap must be installed on a utility box truck at a cost of \$13,000.

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of net assets, as follows:

Increase appropriations:		
45300-7300500000-546300	Vehicles – buses/trucks	\$13,000
Use of net assets:		
45300-7300500000-380100	Unrestricted net assets	13,000

Printing Services

When Printing Services cannot cost-effectively produce certain print work or products, it is brokered to outside wholesale vendors. Approximately 75 percent of all brokered work is to assemble packets for DPSS. A budget adjustment of \$101,044 is requested for additional sales of brokered work. Higher use of carbonless paper is being used in DPSS packet work. Printing Services requests an additional \$51,807 to cover the cost differential between bond and carbonless paper. Depreciation for equipment added in FY 11/12 was not included in the FY 12/13 requested budget. A budget adjustment of \$54,891 is requested to expense depreciation.

Recommendation 30: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Printing Services in the amount of \$207,742, as follows:

Increase appropriations:		
45600-7300300000-527600	ISF – indirect materials – sublet	\$101,044
45600-7300300000-527650	Paper and envelopes	51,807
45600-7300300000-535560	Depreciation – equipment	<u>54,891</u>
	Total	207,742
Increase estimated revenue:		
45600-7300300000-777670	Printing services county departments	152,851
Use of net assets:		
45600-7300300000-380100	Unrestricted net assets	54,891

Supply Services

Actual sales of systems furniture through March exceed the current budget, and there are 65 pending purchase orders for 10 departments to purchase additional systems furniture valued at \$1,759,121 for Mental Health, Facilities/EDA, Sheriff, and DPSS. Supply Services anticipates that all furniture on order will be received in FY 12/013. In addition, Supply Services anticipates sale of \$250,000 in systems furniture for orders not currently placed.

Recommendation 31: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for systems furniture for Supply Services in the amount of \$2,337,835, as follows:

Increase appropriations:
 45700-7300400000-527600 Indirect materials \$2,337,835

Increase estimated revenue:
 45700-7300400000-781600 Systems furniture 2,337,835

Central Mail

In March, a special mailing for the Treasurer-Tax Collector required postage of \$73,839 that was not included in Central Mail's budget. Consequently, Central Mail requests a budget adjustment to increase postage by \$87,746.

Recommendation 32: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Central Mail by \$87,746, as follows:

Increase estimated revenue:
 45620-7300600000-781340 Postage \$87,746

Increase Appropriations:
 45620-7300600000-523760 Postage/mailing 87,746

Riverside County Information Technology (RCIT)

Geographical Information System

On July 19, 2012, the Board approved an appropriation adjustment in the main Riverside County Information Technology (RCIT) operating fund for positions that provide service to the county's Geographical Information Systems (GIS). However, GIS has its own positions and budget in fund 22570. The department requests approval to move the appropriations to the correct fund.

Recommendation 33: That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Riverside County Geographical Information Systems (GIS) in the amount of \$200,000, as follows:

Decrease appropriations:
 45500-7400100000-510040 Regular salaries \$200,000

Increase appropriations:
 22570-7400900000-510040 Regular salaries 200,000

Enterprise Solutions

Riverside County Information Technology will incur additional unexpected lease and depreciation expenses. The department requests additional appropriations, to come from available net assets, so that these obligations can be met.

Recommendation 34: That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of unrestricted net assets for

Riverside County Information Technology - Enterprise Solutions in the amount of \$350,000, as follows:

Increase appropriations:		
45420-7400500000-532600	Capital lease-purchase – principal	\$350,000
Use of net assets:		
45420-7400500000-380100	Unrestricted net assets	350,000

SPECIAL DISTRICTS

Flood Control and Water Conservation District

At present, the Flood Control district is within its FY 12/13 budget target and will continue to exercise prudent budget practices. No variances are anticipated at this time for the remainder of FY 12/13.

National Pollutant Discharge Elimination System (NPDES)

An inadvertent error readjusted the NPDES program budget in FY 12/13. As a result of the contingency replenishment strategy, the program has a funding shortfall for Board-approved obligations related to the Santa Ana, Santa Margarita, and Whitewater municipal storm water permit implementation agreements. The Executive Office recommends a budget adjustment at this time to cover these obligations.

Recommendation 35: That the Board approve and direct the Auditor-Controller to make budget adjustments to appropriations for contingency and NPDES in the amount of \$303,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$303,000
Increase appropriations:		
10000-1105000000-524660	Consultants	303,000

Regional Parks and Open Space District

Recreation

Fund 25420 accounts for the activities of the Parks District's recreation operations. Since the Jurupa Aquatic Center is only open May through September, maintaining adequate cash flow to maintain the facilities throughout the year without an operating reserve of working capital has been challenging. The upcoming addition of the Perris Aquatic Center will increase the need for working capital to sustain operations during the off-season until both aquatic centers generate sufficient positive cash flow to be self-sustaining year round.

Parks' capital projects fund 33110 currently has a cash balance of approximately \$1.4 million. All park capital improvement projects accounted for in this fund are complete, and a financial review is under way to close out the project budgets. Pending that

analysis, there is no immediate need for cash in this capital project fund. Parks requests approval for a cash flow loan of \$1 million from fund 33110 to provide fund 25420 a working capital reserve.

In addition, the district requests appropriations to cover unanticipated expenditures this fiscal year necessary to prepare for the upcoming grand opening of the Perris Aquatic Center.

Recommendation 36: That the Board of Supervisors approve and direct the Auditor Controller to: 1) make a cash flow loan from Fund 33110 to Fund 25420 in the amount of \$1,000,000; and, 2) make adjustments increasing appropriations, estimated revenue, and restricted fund balance for Parks operations in the amount of \$110,000, as follows:

Increase appropriations:		
33110-931121-551100	Contributions to other funds	\$110,000
Use of restricted fund balance:		
33110-931121-322100	Restricted for construction/capital projects	110,000
Increase estimated revenue:		
25420-931180-790600	Contribution from other county funds	110,000
Increase appropriations:		
25420-931180-510040	Regular salaries	55,000
25420-931180-523270	Special events	35,000
25420-931180-537080	Interfund expense – miscellaneous	<u>20,000</u>
	Total	110,000

Park Acquisition and Development

Expenditures for the district's arundo removal program are higher than anticipated for the fiscal year, and they need to increase appropriations accommodate program costs, which can be covered by available unassigned fund balance

Recommendation 37: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to release committed fund balance and increase appropriations for Parks acquisition and development in the amount of \$55,000, as follows:

Increase appropriations:		
25520-931107-510040	Regular salaries	\$40,000
25520-931107-523270	Special events	<u>15,000</u>
	Total	55,000
Release committed fund balance:		
25520-931107-330100	Committed fund balance	55,000

A previously requested adjustment to estimated revenue for work on the Santa Ana River Trail Green River segment project was posted to an incorrect budget unit. Parks requests a correction to estimate the revenue in the correct fund.

Recommendation 38: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to estimated revenue for Parks in the amount of \$431,937, as follows:

Increase estimated revenue:		
33170-931126-751680	CA – grant revenue	\$431,937
Decrease estimated revenue:		
25522-931126-751680	CA – grant revenue	431,937

County Service Areas (CSAs)

County Service Area 51

County Service Area 51 requests a budget adjustment to cover emergency well repairs and administrative charges applied to unanticipated revenue.

Recommendation 39: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and use of restricted fund balance for CSA 51 in the amount of \$75,000, as follows:

Increase appropriations:		
23525-905102-527780	Special program expense	\$20,000
23525-905102-537180	Interfund expense – salary reimbursement	55,000
	Total	75,000
Use of fund balance:		
23525-905102-321101	Restricted program money	75,000

County Service Area 60

County Service Area 60 requests a budget adjustment to remodel the recently rehabilitated Pinyon volunteer fire station.

Recommendation 40: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and use of restricted fund balance for CSA 60 in the amount of \$25,000, as follows:

Increase appropriations:		
23625-906001-522310	Maintenance – building & improvement	\$25,000
Use of fund balance:		
23625-906001-321101	Restricted program money	25,000

County Service Area 132

County Service Area 132 requests a budget adjustment to cover increased streetlighting charges.

Recommendation 41: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and use of restricted fund balance for CSA 132 in the amount of \$35,000, as follows:

Increase appropriations:		
24400-913201-529530	Streetlights	\$35,000

Use of fund balance:		
24400-913201-321101	Restricted program money	35,000

County Service Area 152B

County Service Area 152B requests a budget adjustment to enable completion of required rehabilitation work.

Recommendation 42: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and use of restricted fund balance for CSA 152B in the amount of \$25,000, as follows:*

Increase appropriations:		
31570-915201-525440	Professional services	\$25,000

Use of fund balance:		
31570-915201-322100	Restricted for construction/capital projects	25,000

Attachment A Summary of Recommendations

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

Recommendation 1: *That the Board of Supervisors request that the Community Corrections Partnership Executive Committee include the expenditure of general fund dollars to support realignment efforts as part of their annual report to the Board.*

Recommendation 2: *That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations estimated revenue, and fund balance pertaining to allocation of tobacco settlement revenue \$3,200,000 million, as follows:*

Increase estimated revenue:		
10000-1101000000-782000	Tobacco tax settlement	\$3,200,000
Increase appropriations:		
10000-1101000000-551000	Operating transfers – out	2,200,000
Increase unassigned fund balance:		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	1,000,000
Increase estimated revenue:		
30700-1104200000-790500	Operating transfers – in	2,200,000
Increase appropriations:		
30700-1104200000-536780	Interfund expense – capital project	2,200,000

Recommendation 3: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance in the capital improvement fund and increasing estimated revenue and unassigned fund balance for budget stabilization in the amount of \$2,200,000, as follows:*

Increase appropriations:		
30121-1105100000-551100	Contributions to county funds	\$2,200,000
Decrease assigned fund balance:		
30121-1105100000-350203	Assigned fund balance for capital project sub-funds	2,200,000
Increase estimated revenue:		
10000-1101000000-790600	Contributions from county funds	2,200,000
Increase unassigned fund balance:		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	2,200,000

Recommendation 4: *That the Board direct Riverside County Information Technology to seek compensation from Motorola for costs associated with the recent public safety enterprise communication system delay.*

Recommendation 5: That the Board approve: 1) releasing commitment of fund balance for radio replacement in sub-fund 11069 and increasing appropriations in Contributions to Other Funds in the amount of \$3,668,068; 2) increasing appropriations and estimated revenue for Fund 33500, PSEC 800 MHz Radio Project, in the net amount of \$822,983; and, 3) increasing appropriations and estimated revenue for Fund 45520, RCIT PSEC Operations, in the amount of \$2,845,085, as follows:

Release committed fund balance:		
11069-1103800000-330100	Committed fund balance	\$3,668,068
Increase appropriations:		
10000-1103800000-551100	Contribution to other funds	3,668,068
Increase estimated revenue:		
33500-7400300000-790600	Contribution from other funds	822,983
Increase appropriations:		
33500-7400300000-510040	Regular salaries	714,848
33500-7400300000-518100	Budgeted benefits	292,836
33500-7400300000-537120	Interfund – professional services	<u>139,323</u>
	Total	1,147,007
Decrease appropriations:		
33500-7400300000-525440	Professional services	150,000
33500-7400300000-522310	Maintenance – building improvements	75,000
33500-7400300000-529540	Utilities	<u>99,024</u>
	Total	324,024
Increase estimated revenue:		
45520-7400600000-790600	Contribution from other funds	2,845,085
Increase unrestricted net assets		
45520-7400600000-380100	Unrestricted net assets	2,845,085

Recommendation 6: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the health and juvenile services fund in the amount of \$2,739,609, as follows:

Increase estimated revenue:		
22430-1100100000-781000	Contractual revenue – RDV	\$2,738,809
22430-1100100000-740020	Interest on invested funds	<u>800</u>
	Total	2,739,609
Increase appropriations:		
22430-1100100000-536200	Contribution to non-county agency	2,738,809
22430-1100100000-537080	Interfund – miscellaneous	<u>800</u>
	Total	2,739,609

Recommendation 7: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations in the RDA capital improvement fund in the amount of \$1,500,000, as follows:

Increase appropriations:		
31540-1100100000-536200	Contribution to non-county agency	\$1,500,000
Use of fund balance:		
31540-1100100000-321158	Restricted for RDA Capital Improvements	1,500,000

Recommendation 8: That the Board approve: 1) transferring \$645,253 in committed fund balance from the RDA capital improvement fund to the Moreno Valley redevelopment project sub-fund; and, 2) direct the Auditor-Controller to make adjustments releasing committed fund balance and increasing appropriations in the amount of \$645,253 for costs of engaging a consultant to assess the Riverside County Regional Medical Center, as follows:

Decrease committed fund balance:		
31540-1100100000-330108	Committed fund balance – deficit reserve	\$645,253
Increase committed fund balance:		
31542-1100100000-330108	Committed fund balance – deficit reserve	645,253
Decrease committed fund balance:		
31542-1100100000-330108	Committed fund balance – deficit reserve	645,253
Increase appropriations:		
31542-1100100000-524660	Consultants	645,253

Recommendation 9: That the Board approve and direct the Auditor-Controller to make adjustments releasing unassigned and committed fund balance from unexpended FY 11/12 solar franchise revenue and increasing appropriations in the general fund in the amount of \$607,729 and increasing estimated revenue and committed fund balance in the accumulative capital outlay fund in the amount of \$607,729, as follows:

Decrease unassigned fund balance:		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	\$250,039
Decrease committed fund balance:		
10000-1102900000-330100	Committed fund balance	357,690
Increase appropriations:		
10000-1102900000-551100	Contribution to other funds	607,729
Increase estimated revenue:		
30000-1100300000-790600	Contribution from other county funds	607,729
Increase committed fund balance:		
30000-1100300000-330100	Committed fund balance	607,729

Recommendation 10: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to increase appropriations for the Clerk of the

Board and decreasing appropriations for contingency in the amount of \$8,800 as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$8,800
Increase appropriations:		
10000-1000100000-523230	Miscellaneous expense	8,800

Recommendation 11: That the Board approve and direct the Auditor-Controller to make reversing entries in the amount of \$1,137 for unclaimed property tax overpayments transferred to the general fund in error.

Recommendation 12: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for the Human Resources department budget, as follows:

Increase appropriations:		
10000-1130100000-518100	Budgeted benefits	\$255,000
10000-1130100000-525440	Professional services	54,000
10000-1130100000-525480	Arbitration services	500,000
10000-1130100000-572800	Intrafund transfer – miscellaneous	<u>(56,000)</u>
	Total	753,000
Increase estimated revenue:		
10000-1130100000-777030	Personnel services	183,000
Use of unassigned fund balance		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	570,000
Increase appropriations:		
46100-1130800000-510040	Salaries	400,000
46100-1130800000-518100	Budgeted benefits	<u>200,000</u>
	Total	600,000
Increase estimated revenue:		
46100-1130800000-777010	Stop loss reimbursement	600,000
Increase appropriations:		
45800-1132000000-510040	Salaries	150,000
45800-1132000000-518100	Budgeted benefits	50,000
45800-1132000000-520940	Insurance – other	250,000
45800-1132000000-522890	Pharmaceuticals	110,000
45800-1132000000-525440	Professional services	350,000
45800-1132000000-527780	Special program expense	640,000
45800-1132000000-534500	Hospital care service claims	<u>3,600,000</u>
	Total	5,150,000
Increase estimated revenue:		
45800-1132000000-781220	Contributions and donations	5,150,000

Increase appropriations:		
45960-1131000000-551100	Contrib. to other county fund	175,000
Increase estimated revenue:		
45960-1131000000-781360	Other miscellaneous revenue	175,000
Increase appropriations:		
46120-1132900000-525100	Medical – lab services	250,000
46120-1132900000-527780	Special program expense	<u>350,000</u>
	Total	600,000
Increase estimated revenue:		
46120-1132900000-774500	Health services	200,000
46120-1132900000-775010	Wellness incentive	200,000
46120-1132900000-781220	Contributions and donations	<u>200,000</u>
	Total	600,000
Increase appropriations:		
47000-1131800000-518100	Budgeted benefits	255,000
Use of unrestricted net assets:		
47000-1131800000-380100	Unrestricted net assets	255,000

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Registrar of Voters totaling \$300,000, as follows:

Increase appropriations:		
10000-1700100000-523800	Printing/binding	\$300,000
Increase estimated revenue:		
10000-1700100000-771220	Special district elections	7,421
10000-1700100000-771210	School election services	199,085
10000-1700100000-781340	Postage	<u>93,494</u>
	Total	300,000

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing estimated revenue and increasing use of assigned fund balance for the Desert Expo in the amount of \$35,445, as follows:

Decrease estimated revenues:		
22200-1920100000-741380	Parking	\$35,445
Release assigned fund balance:		
22200-1920100000-350100	Assigned fund balance for program money	35,445

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing estimated revenues and increasing use of restricted fund balance for Community Centers in the amount of \$276,162, as follows:

Decrease estimated revenues:		
21140-1900800000-778200	Interfund – miscellaneous	\$ 85,409
21140-1900800000-778280	Interfund expense – reimbursement for services	<u>166,253</u>
	Total	251,662
Use of restricted fund balance:		
21140-1900800000-321101	Restricted program money	251,662

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Fire in the amount of \$3,925,575, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$3,500,000
Increase to estimated revenue:		
10000-2700200000-778200	Interfund miscellaneous	425,575
Increase appropriations:		
10000-2700200000-520240	Communications equipment	362,036
10000-2700200000-520250	Communications equipment installation	11,260
10000-2700200000-525440	Professional services	3,500,000
10000-2700200000-527400	Electronic and radio supplies	<u>52,279</u>
	Total	3,925,575

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing appropriations and estimated revenue for the Sheriff's Department totaling \$1,125,295, as follows:

Decrease estimated revenue:		
10000-2500100000-773690	Trial court funding – unallowable	175,295
10000-2500500000-773690	Trial court funding – unallowable	900,000
10000-2500700000-773690	Trial court funding – unallowable	<u>50,000</u>
	Total	1,125,295
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$1,125,295

Recommendation 18: That the Board of Supervisors approve and direct the Auditor-Controller to make corrective adjustments to appropriations and estimated revenue for the Sheriff totaling \$104,000, as follows:

Decrease estimated revenue:		
10000-2500200000-767220	Federal – other operating grants	\$104,000
Decrease appropriations:		
10000-2500200000-510420	Overtime	37,500
10000-2500200000-524940	Instructors – trainers	43,400
10000-2500200000-527880	Training other	<u>23,100</u>
	Total	104,000

Increase estimated revenue:		
10000-2500700000-767220	Federal – other operating grants	104,000
Increase appropriations:		
10000-2500700000-510420	Overtime	37,500
10000-2500700000-524940	Instructors-trainers	43,400
10000-2500700000-527880	Training – other	<u>23,100</u>
	Total	104,000

Recommendation 19: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Sheriff in the amount of \$40,000, as follows:

Increase estimated revenue:		
10000-2500300000-781220	Contributions & donations	\$40,000
Increase appropriations:		
10000-2500300000-527300	Canine expense	40,000

Recommendation 20: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing appropriations for the Law Office of the Public Defender and increasing appropriations for the Alternate Public Defender by \$450,000, as follows:

Decrease appropriations:		
10000-2400100000-510040	Salaries	\$450,000
Increase appropriations:		
10000-2401300000-510040	Salaries	450,000

Recommendation 21: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Transportation in the amount of \$1,500,000, as follows:

Increase appropriations:		
31650-3130500000-537280	Interfund expense – misc. project expense	\$1,500,000
Increase to estimated revenue:		
31650-3130500000-790600	Contribution from other county funds	1,500,000

Recommendation 22: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of fund balance for TLMA Counter Services in the amount of \$400,000, as follows:

Increase appropriations:		
20200-3100300000-510040	Regular salaries	\$ 75,000
20200-3100300000-537320	Interfund expense – building improvements	<u>325,000</u>
	Total	400,000

Use of fund balance:

20200-3100300000-350100	Assigned fund balance for program money	400,000
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Recommendation 23: That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue for the Low Income Health Plan by \$2,000,000, as follows:

Increase estimated revenue:

10000-1106000000-751190	CA – Low Income Health Program	\$2,000,000
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Increase appropriations:

10000-1106000000-530260	Medical services	750,000
10000-1106000000-530320	Physician care services	250,000
10000-1106000000-530340	Hospital care services	<u>1,000,000</u>
	Total	2,000,000

Recommendation 24: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Department of Public Social Services totaling \$1,500,000, as follows:

Increase estimated revenue:

10000-5100200000-750300	CA-Public Assistance Admin	\$ 90,000
10000-5100200000-760000	Fed-Public Assistance Admin	1,400,000
10000-5100200000-774970	IHSS Insurance Premiums	<u>10,000</u>
	Total	1,500,000

Increase appropriations:

10000-5100200000-530440	Client Services	1,500,000
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Recommendation 25: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Department of Public Social Services in the amount of \$1,500,000, as follows:

Decrease appropriations:

10000-5100400000-530520	County funded assistance	\$ 400,000
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Increase estimated revenue:

10000-5100300000-750700	CA-Public assistance programs	500,000
10000-5100300000-750740	CA-realignment-DPSS	<u>600,000</u>
	Total	1,100,000

Increase appropriations:

10000-5100300000-530480	Categorical assistance	1,500,000
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Recommendation 26: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Edward Dean Museum, in the amount of \$107,045, as follows:

Increase estimated revenue:

10000-1930100000-778200	Interfund-miscellaneous	\$107,045
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Increase appropriations:		
10000-1930100000-522310	Maintenance – building & improvement	31,194
10000-1930100000-537180	Interfund – salary reimbursement	<u>75,851</u>
	Total	107,045

Recommendation 27: That the Board of Supervisors approve and direct the Auditor Controller to make adjustments increasing appropriations and use of net assets for Waste Management in the amount of \$9,350,417 as follows:

Increase appropriations:		
40200-4500100000-523380	Revenue distribution expense	\$9,350,417
Use of fund balance:		
40200-4500100000-380100	Unrestricted net assets	9,350,417

Recommendation 28: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Fleet Services in the amount of \$44,220, as follows:

Increase estimated revenue:		
45300-7300500000-777070	Fuel sales	\$44,220
Increase appropriations:		
45300-7300500000-527100	Fuel	44,220

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of net assets, as follows:

Increase appropriations:		
45300-7300500000-546300	Vehicles – buses/trucks	\$13,000
Use of net assets:		
45300-7300500000-380100	Unrestricted net assets	13,000

Recommendation 30: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Printing Services in the amount of \$207,742, as follows:

Increase appropriations:		
45600-7300300000-527600	ISF – indirect materials – sublet	\$101,044
45600-7300300000-527650	Paper and envelopes	51,807
45600-7300300000-535560	Depreciation – equipment	<u>54,891</u>
	Total	207,742
Increase estimated revenue:		
45600-7300300000-777670	Printing services county departments	152,851
Use of net assets:		
45600-7300300000-380100	Unrestricted net assets	54,891

Recommendation 31: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for systems furniture for Supply Services in the amount of \$2,337,835, as follows:

Increase appropriations:		
45700-7300400000-527600	Indirect materials	\$2,337,835
Increase estimated revenue:		
45700-7300400000-781600	Systems furniture	2,337,835

Recommendation 32: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Central Mail by \$87,746, as follows:

Increase estimated revenue:		
45620-7300600000-781340	Postage	\$87,746
Increase Appropriations:		
45620-7300600000-523760	Postage/mailing	87,746

Recommendation 33: That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Riverside County Geographical Information Systems (GIS) in the amount of \$200,000, as follows:

Decrease appropriations:		
45500-7400100000-510040	Regular salaries	\$200,000
Increase appropriations:		
22570-7400900000-510040	Regular salaries	200,000

Recommendation 34: That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of unrestricted net assets for Riverside County Information Technology - Enterprise Solutions in the amount of \$350,000, as follows:

Increase appropriations:		
45420-7400500000-532600	Capital lease-purchase – principal	\$350,000
Use of net assets:		
45420-7400500000-380100	Unrestricted net assets	350,000

Recommendation 35: That the Board approve and direct the Auditor-Controller to make budget adjustments to appropriations for contingency and NPDES in the amount of \$303,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$303,000

Increase appropriations		
10000-1105000000-524660	Consultants	303,000

Recommendation 36: That the Board of Supervisors approve and direct the Auditor Controller to: 1) make a cash flow loan from Fund 33110 to Fund 25420 in the amount of \$1,000,000; and, 2) make adjustments increasing appropriations, estimated revenue, and restricted fund balance for Parks operations in the amount of \$110,000, as follows:

Increase appropriations:		
33110-931121-551100	Contributions to other funds	\$110,000

Use of restricted fund balance:		
33110-931121-322100	Restricted for construction/capital projects	110,000

Increase estimated revenue:		
25420-931180-790600	Contribution from other county funds	110,000

Increase appropriations:		
25420-931180-510040	Regular salaries	55,000
25420-931180-523270	Special events	35,000
25420-931180-537080	Interfund expense – miscellaneous	<u>20,000</u>
	Total	110,000

Recommendation 37: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to release committed fund balance and increase appropriations for Parks acquisition and development in the amount of \$55,000, as follows:

Increase appropriations:		
25520-931107-510040	Regular salaries	\$40,000
25520-931107-523270	Special events	<u>15,000</u>
	Total	55,000

Release committed fund balance:		
25520-931107-330100	Committed fund balance	55,000

Recommendation 38: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to estimated revenue for Parks in the amount of \$431,937, as follows:

Increase estimated revenue:		
33170-931126-751680	CA – grant revenue	\$431,937

Decrease estimated revenue:		
25522-931126-751680	CA – grant revenue	431,937

Recommendation 39: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and use of restricted fund balance for CSA 51 in the amount of \$75,000, as follows:

Increase appropriations:		
23525-905102-527780	Special program expense	\$20,000
23525-905102-537180	Interfund expense – salary reimbursement	<u>55,000</u>
	Total	75,000
Use of fund balance:		
23525-905102-321101	Restricted program money	75,000

Recommendation 40: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and use of restricted fund balance for CSA 60 in the amount of \$25,000, as follows:

Increase appropriations:		
23625-906001-522310	Maintenance – building & improvement	\$25,000
Use of fund balance:		
23625-906001-321101	Restricted program money	25,000

Recommendation 41: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and use of restricted fund balance for CSA 132 in the amount of \$35,000, as follows:

Increase appropriations:		
24400-913201-529530	Streetlights	\$35,000
Use of fund balance:		
24400-913201-321101	Restricted program money	35,000

Recommendation 42: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and use of restricted fund balance for CSA 152B in the amount of \$25,000, as follows:

Increase appropriations:		
31570-915201-525440	Professional services	\$25,000
Use of fund balance:		
31570-915201-322100	Restricted for construction/capital projects	25,000

**Public Safety Realignment Funding
Community Corrections Partnership Executive Committee (CCPEC)**

Three Year Funding Summary

	FY 2011/12	FY 2012/13	Estimated FY 2013/14	Total
CCPEC Oper Funds	\$ 21,074,467	\$ 43,183,181	\$ 51,243,570	\$ 115,501,218
CCPEC One Time	\$ 1,487,050	\$ -	\$ -	\$ 1,487,050
CCPEC Growth*			\$ 3,628,643	\$ 3,628,643
District Attorney/ Public Defender	\$ 755,421	\$ 852,762	\$ 1,004,480	\$ 2,612,663
DA/PPD Growth**			\$ 303,680	\$ 303,680
Superior Court	\$ 662,000	\$ 344,651		\$ 1,006,651
CCPEC Training	\$ 200,000	\$ 200,000		\$ 400,000
Total	\$ 24,178,938	\$ 44,580,594	\$ 56,180,373	\$ 124,939,905

* Note: FY 2013/14 includes FY 2011/12 sales tax growth of \$3.6M

**Note: FY 2013/14 includes FY 2011/12 sales tax growth of \$0.3M

Summary of FY 2011/12 Awards (CCPEC Oper Funds and One-Time Funds)

Department	FY 2011/12 Allocation	Contingency @ 3.5%	One-Time Funds	Final Allocation	Percent	Carryover Funds
Probation	\$ 5,638,441	\$ (197,345)	\$ 397,858	\$ 5,838,955	27%	\$ 1,824,761
Sheriff	\$ 9,700,000	\$ (339,500)	\$ 684,448	\$ 10,044,948	46%	\$ 3,462,103
District Attorney	\$ 570,109	\$ (19,954)	\$ 40,228	\$ 590,383	3%	\$ 304,453
Public Defender	\$ 435,917	\$ (15,257)	\$ 30,759	\$ 451,419	2%	\$ 438,188
Mental Health	\$ 4,000,000	\$ (140,000)	\$ 282,247	\$ 4,142,247	19%	\$ 2,441,407
Police	\$ 730,000	\$ (25,550)	\$ 51,510	\$ 755,960	3%	\$ 337,715
Total	\$ 21,074,467	\$ (737,606)	\$ 1,487,050	\$ 21,823,911	100%	\$ 8,808,627

Notes: DA/PPD split an additional allocation of \$755,421, fully spent as of June 30, 2012

Superior Court had a separate state allocation of \$662,000

CCPEC received \$200,000 for planning, \$40,129 spent on County Counsel and CCPEC training; \$159,871 remains.

Summary of FY 2012/13 Awards (CCPEC Oper Funds)

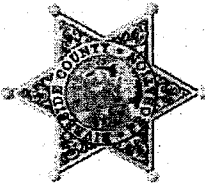
Department	FY 2012/13 Allocation	FY 2011/12 Contingency Carry Forward	FY 2011/12 Carry Forward	Final Allocation	Percent	Estimated Carry Forward (1)
Probation	\$ 10,350,000	\$ 197,345	\$ 1,824,761	\$ 12,372,106	23%	\$ 1,317,500
Sheriff	\$ 17,952,137	\$ 339,500	\$ 3,462,103	\$ 21,753,740	41%	\$ -
District Attorney	\$ 797,863	\$ 19,954	\$ 304,453	\$ 1,122,270	2%	TBD
Public Defender	\$ -	\$ 15,257	\$ 438,188	\$ 453,445	1%	\$ 43,806
Mental Health	\$ 9,952,644	\$ 140,000	\$ 2,441,407	\$ 12,534,051	24%	\$ 3,851,845
Police	\$ 1,056,675	\$ 25,550	\$ 337,715	\$ 1,419,940	3%	\$ -
Contingency	\$ 3,073,862			\$ 3,073,862	6%	\$ 3,073,862
Total	\$ 43,183,181	\$ 737,606	\$ 8,808,627	\$ 52,729,414	100%	\$ 8,287,013

(1) Estimated FY 2012/13 c/f \$8.3M will be added to FY 2013/14 \$51.2M + \$3.6M = \$54.8M, Total available funding \$63.1M.

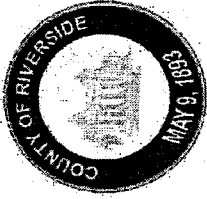
Notes: DA/PPD split an additional allocation of \$852,462, projected to be fully spent as of June 30, 2013

Superior Court has a separate state allocation of \$344,651

CCPEC received \$200,000 for planning and CCPEC training, plus \$159,871 c/f, total available \$359,871

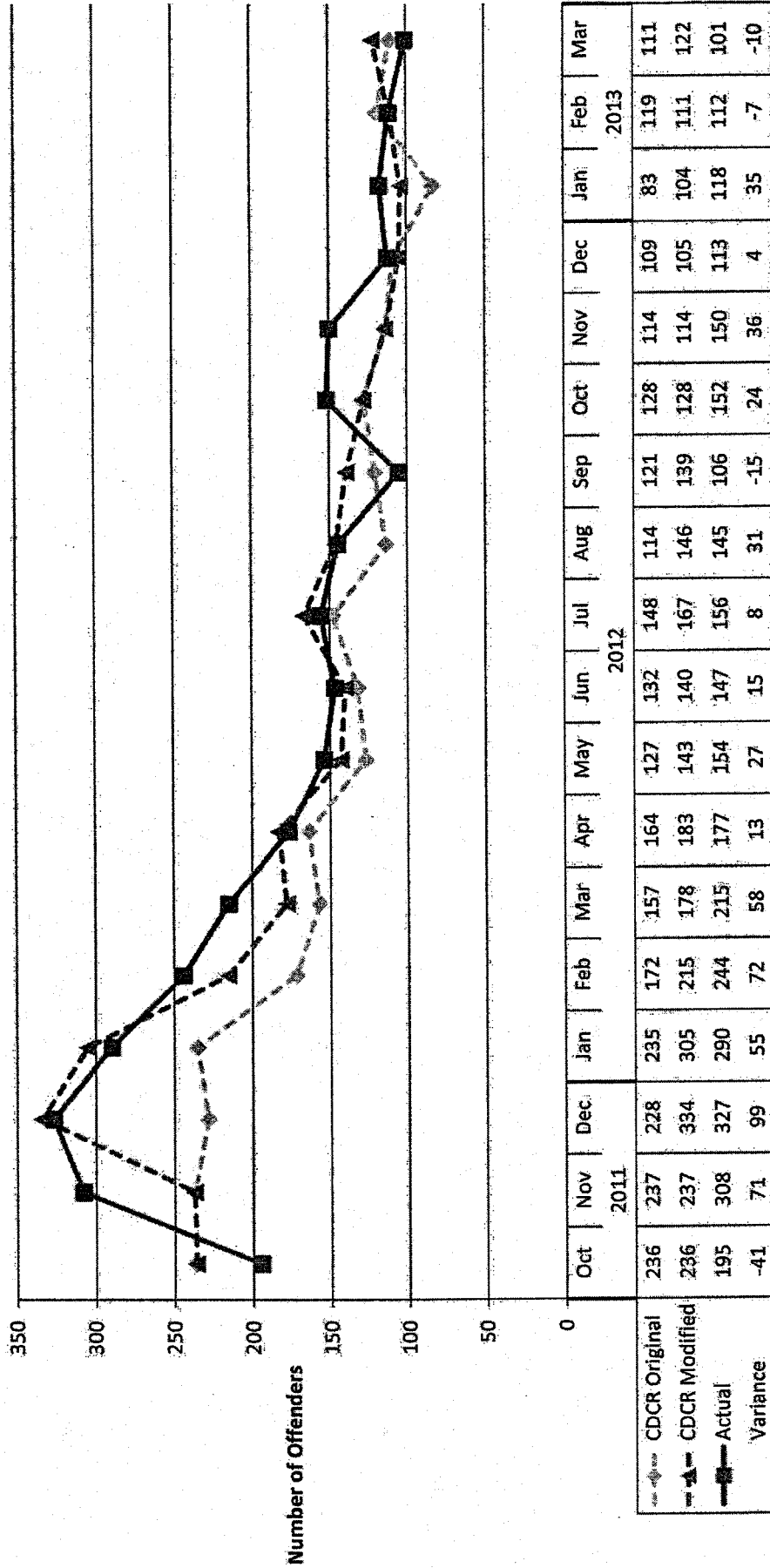


RIVERSIDE COUNTY PROBATION DEPARTMENT

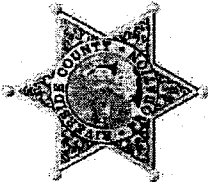


MARK A. HAKE
INTERIM CHIEF PROBATION OFFICER

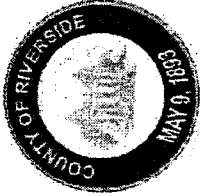
Post-Release Community Supervision Population by Month



This is the CDCR original and modified projections and the actual Post-Release Community Supervision (PRCS) population released to the Probation Department in each month from October 2011 to March 2013. The data table also shows the variance between the CDCR original projection and the actual releases, and all totals. CDCR original projections for February and March 2013 slightly over-estimate actual PRCS releases. The total number of actual releases through March 2013 is 3,210, which is 475 or 17% more than the original CDCR projection. This is 3 percentage points less than the 20% discrepancy after November 2012.

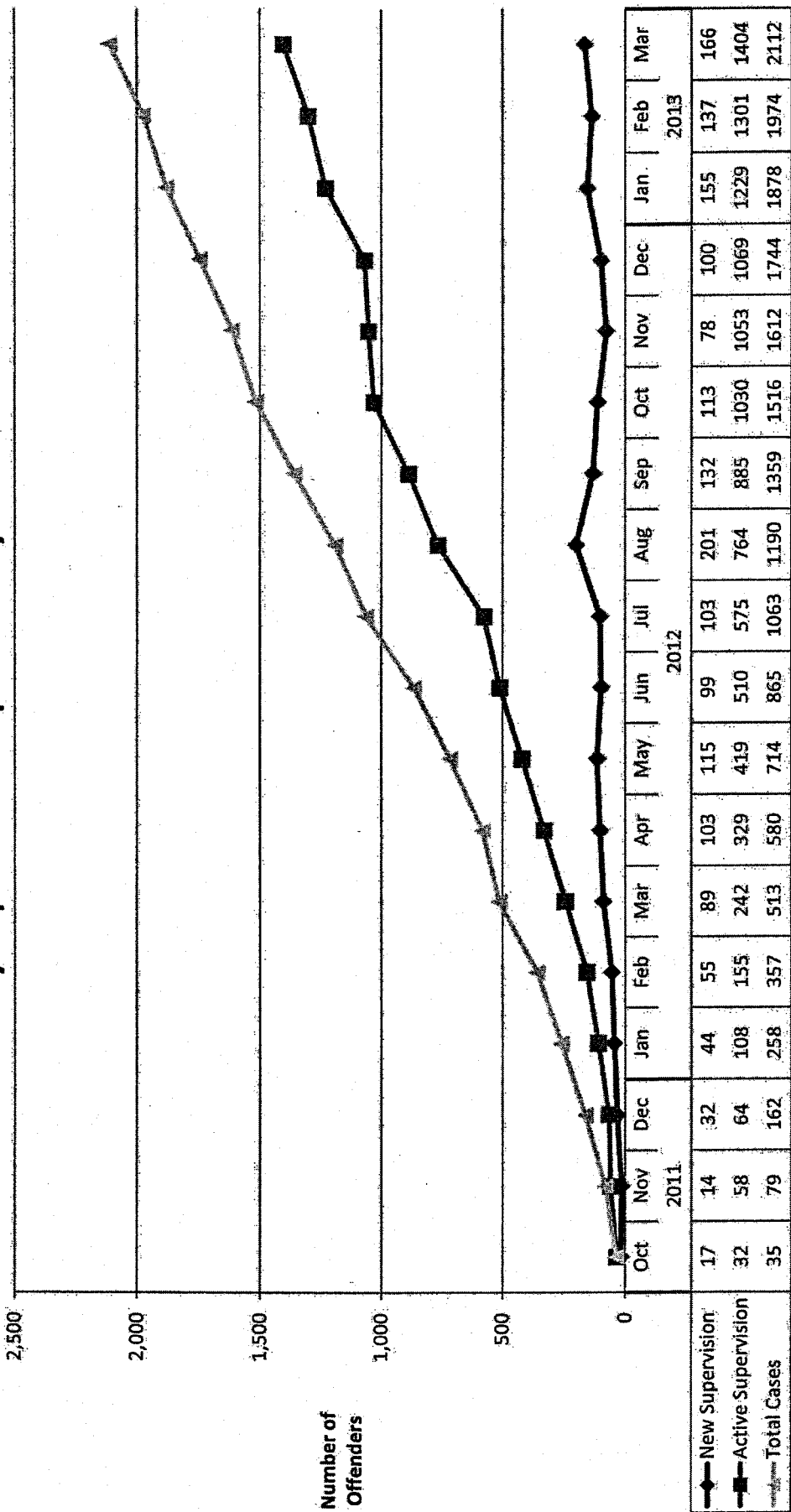


RIVERSIDE COUNTY PROBATION DEPARTMENT



MARK A. HAKE
INTERIM CHIEF PROBATION OFFICER

Mandatory Supervision Population by Month



*Individuals are graphed under their earliest Custody Release Date.

The above chart depicts the Mandatory Supervision population in three ways. New Supervision refers to the number of offenders released on Mandatory Supervision in each month. Active Supervision shows the number of offenders that received Mandatory Supervision services at any point in the month. Total Cases is the cumulative total of offenders ordered to Mandatory Supervision by the court from October 1, 2011 through the last day of each month.

Q4



Riverside County Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Riverside County In Brief

Receipts for fourth quarter sales in the unincorporated area jumped 60.0% compared to the same period one year ago. Actual sales increased 54.0% when accounting anomalies were excluded.

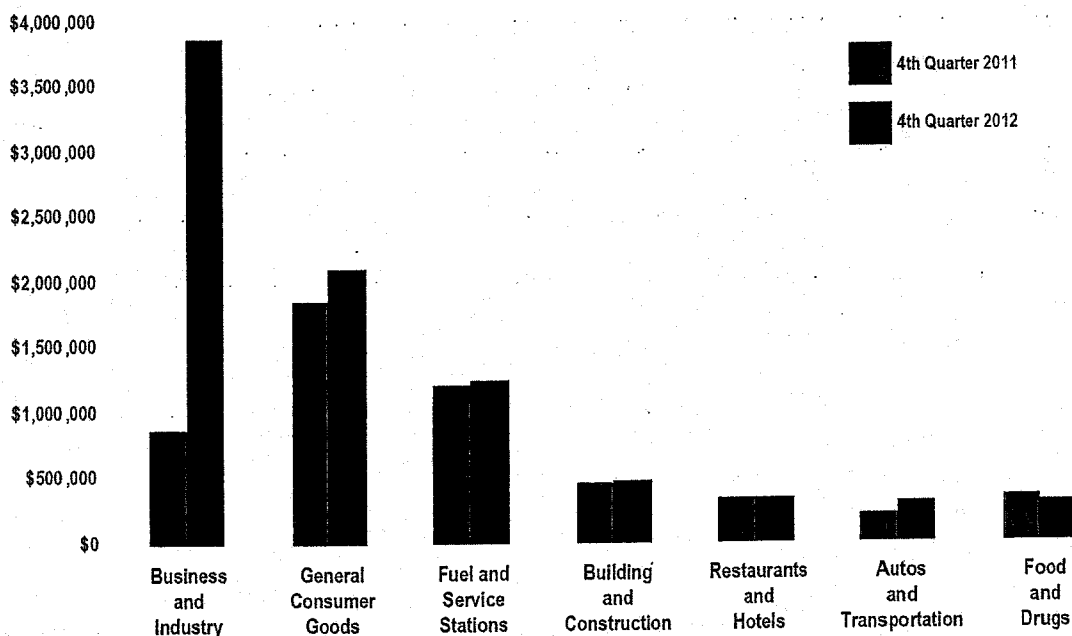
Onetime use tax payments for energy-related construction projects and strong holiday quarter sales of consumer goods at the factory outlets were major factors for the overall gain. The allocation from the county use tax pool was also a factor. Since the businesses located in the unincorporated area generated 13.0% of the total countywide taxable sales for the quarter, the county received 13.0% of the pool.

Accounting events inflated results from the automotive group, light industrial printers, warehouse/farm/ construction equipment, and masked a 4.0% decline in receipts from the service station group.

Payment anomalies and a reporting shift pared grocery-liquor returns while a reporting error temporarily cut proceeds from wineries.

Adjusted for reporting aberrations, sales and use tax receipts for all of Riverside County, including its cities, rose 9.0% over the same period; Southern California regional totals were up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco Travel Zone Center	Ly Gas & Mini Market
Burberry	Marley Cooling Technologies
California Trusframe	McMahons RV
Calvin Klein	Mecca Travel Center Subway
Circle K	Morongo Shell
Coach	Nike
Desert Sunlight	Pilot Travel Center
Dos Lagos Arco	Prada
Essco Palm Desert	Ralph Lauren
General Electric	RDO Equipment
Genesis Solar	Stater Bros
Gucci	Vons Fuel
Liz Claiborne	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$18,363,430	\$21,637,649
County Pool	2,107,696	2,490,442
State Pool	2,149	9,731
Gross Receipts	\$20,473,274	\$24,137,822
Less Triple Flip*	\$(5,118,319)	\$(6,034,456)

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

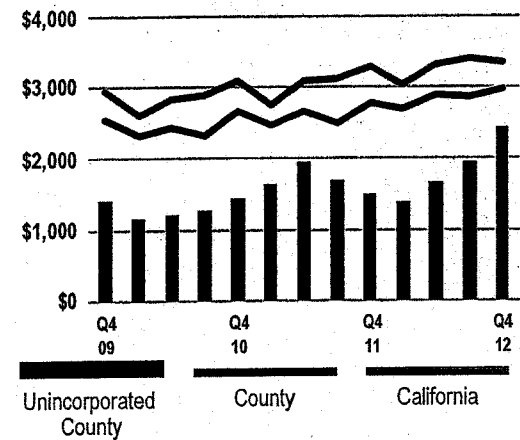
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Sentate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



RIVERSIDE COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q4 '12*	Change	Change	Change
Contractors	351.4	4.6%	16.4%	2.0%
Energy/Utilities	3,071.9	na	665.8%	71.3%
Family Apparel	866.1	13.5%	9.0%	8.4%
Garden/Agricultural Supplies	110.4	7.3%	-4.3%	1.0%
Grocery Stores Liquor	139.6	-22.0%	-25.4%	-17.6%
Light Industrial/Printers	73.0	35.2%	-16.6%	-3.8%
Lumber/Building Materials	81.6	44.6%	-71.2%	-68.1%
Restaurants No Alcohol	230.7	6.7%	5.0%	5.1%
Service Stations	1,235.0	4.3%	2.6%	2.8%
Shoe Stores	227.8	20.0%	13.6%	8.4%
Specialty Stores	176.2	3.8%	-0.5%	-0.6%
Trailers/RVs	116.7	50.9%	33.8%	11.2%
Warehouse/Farm/Const. Equip.	146.9	36.4%	22.1%	8.5%
Wineries	150.9	-16.0%	6.9%	5.6%
Women's Apparel	503.5	16.7%	9.3%	5.4%
Total All Accounts	\$8,678.4	62.5%	7.9%	2.0%
County & State Pool Allocation	1,048.1	42.0%		
Gross Receipts	\$9,726.5	60.0%		

*In thousands



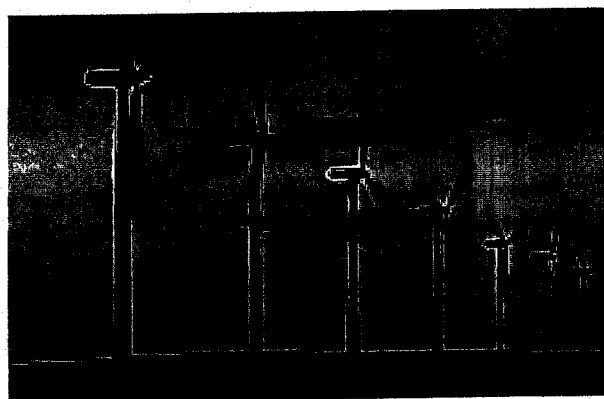
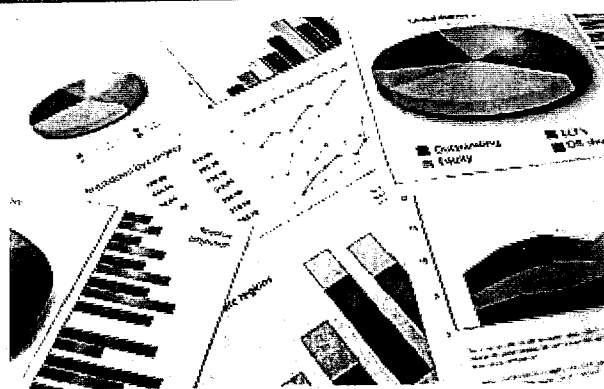
California Forecast: Sales Tax Trends and Economic Drivers

April 2013

HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's Revenue Enhancement Services and Software help clients to maximize revenues.

HdL serves over 350 cities, counties and special districts in California and across the nation.

HdL
COMPANIES





	2012-13	2013-14
Autos/Transportation	12.5%	5.0%
<p>Pent-up demand combined with historically low interest rates and easy credit generated substantial sales gains in 2012. Year-over-year gains are expected to moderate in 2013 as pent-up demand cools and consumers trend toward less expensive, more fuel efficient vehicles. A recovery in business and leisure travel is expanding tax receipts from car rentals.</p>		
Building/Construction	4.8%	5.0%
<p>Home construction is showing signs of recovery in some regions with statewide permit activity 22.5% higher in 2012 than the previous year. Costs of building materials are also beginning to rise although taxes from this group are not expected to reach previous levels for another two years.</p>		
Business/Industry	5.9%	5.5%
<p>Statewide receipts have been inflated by numerous utility and energy related development projects and the trend is expected to continue through 2013 with the one year extension of Federal tax credits for alternative energy development. Capital investment in new technology and labor saving equipment and supplies will continue.</p>		
Food/Drugs	2.9%	2.5%
<p>Heated competition from big-box retailers and online merchants has pushed some drugstore operators to go upscale with outlets featuring cafes, high-end fresh food, specialty cosmetics and vast alcohol selections. The lines between traditional grocers, dollar stores and drug stores continue to blur in a new environment where everyone sells everything. Gains will be moderate as some sales shift to retailers like Walmart and Target.</p>		
Fuel/Service Stations	1.4%	-1.5%
<p>California fuel consumption is dropping at almost twice the rate as the nation as a whole. Refineries have been offsetting this trend by exporting their product to Central and South America. Even so, increased supplies and refinery production coupled with the continued trend toward more fuel efficient vehicles should put downward pressure to stabilize prices in coming quarters.</p>		
General Consumer Goods	4.2%	3.0%
<p>Flush with stock market gains, the wealthy are again spending freely on high-end clothing, jewelry and beauty products while easy credit has created what may be a temporary bubble in new purchases by the middle class. At the lower end, payroll tax increases combined with delays in income tax refunds are resulting in fewer discretionary purchases. Overall gains will be steady but tempered by low inflation and increased price competition.</p>		
Restaurants/Hotels	5.9%	4.5%
<p>Quick-service and high end restaurants are showing strong recovery although mid-priced casual dining chains are continuing to post declines. The growing trend toward eating more meals out and stepped up travel spending are expected to produce additional sales tax growth in coming quarters.</p>		
State and County Pools	8.9%	6.5%
<p>County pool allocations are growing by the receipt of sales and use tax from Amazon and other out-of-state vendors that began collecting taxes in September 2012. Future receipts are uncertain as new in-state distribution facilities may qualify for point of sale status in lieu of pool allocations. Rising private automobile sales, equipment leases and out-of-state purchases of business equipment and supplies are adding to the gains.</p>		
TOTAL	5.3%	3.8%

The Proposition 172 growth projection is 5.2% for Fiscal Year 2012-13. This factor varies from HdL's Bradley-Burns growth rates due to differing collection periods and comparisons to prior year data that include onetime payment aberrations.



2012-13 2013-14

U.S. Real GDP Growth

1.6%

3.2%

Fourth quarter estimates of Real GDP Growth came in at a disappointing 0.1% to finish off 2012. However, this actually represents an upward revision to the preliminary estimate of -0.1%. More importantly, this slowing was caused by two primary factors: a deceleration in inventory accumulation and a large reduction in national defense spending by the U.S. Government. Together, these two components shaved nearly 3% from further quarter GDP Growth—take these volatile components away, and GDP Growth would have come in closer to 3%. Looking forward, growth in consumer spending and business investment will continue to bolster economic growth despite rising taxes and less government spending. As the economy adjusts to these shifts, growth will accelerate in 2014.

U.S. CPI Inflation

-0.5%

0.2%

Congress went over the deadline for the sequestration budget cuts during the first quarter of 2013. And, despite continuing resolutions, which will spare some departments from the deep cuts that were projected, government spending is set to fall during 2013. Our current forecast calls for Government to reduce overall GDP Growth by roughly 0.5% this year and add virtually nothing to the national economy during next fiscal year.

California Total Nonfarm Employment Growth

2.1%

1.7%

Recently revised estimates from California's Employment Development Department show that the State's labor markets are performing much better than initially reported. Through December, California has added back nearly 680,000 nonfarm jobs since hitting bottom in February 2010. That is roughly 123,000 more jobs than previously reported and shows that California has indeed outpaced the nation overall in terms of job growth during the past six months. The Household sector, Professional/Business Services, Construction, Manufacturing and Leisure & Hospitality were all beneficiaries of large upward revisions.

California Unemployment Rate

10.0%

9.4%

California's unemployment rate remained below 10% as we entered 2013. Job growth has accelerated recently, but an influx of residents back into the labor force has kept gains in the unemployment rate modest. With stronger job growth projected for next year, Beacon Economics expects the unemployment rate to dip below 9% by late 2014.

California Existing Home Sales

363,000

392,500

The residential real estate market hit its stride at the end of 2012. Existing home sales were up more than 7.5% in 2012. Sales would have climbed higher but didn't due to a lack of inventory which the California Association of Realtors puts at its lowest level since the peak of the housing bubble in 2005. With only 3.6 months of supply at the current pace of home sales, interest rates hovering near historic lows and an economy that is picking up steam, increasing sales are expected to continue into 2013 and 2014.

California Median Existing Home Prices

\$ 302,750

\$ 355,750

Rising home sales amidst very tight inventory has led to solid price appreciation in recent months. At the end of 2012, the median sales price of an existing single-family home in California was \$296,000—an increase of 33.4% from their trough during the second quarter of 2009. Part of this increase is due to fewer distressed sales in the mix, as well as an imbalance between demand for homes and homes available for sale. Rising incomes, low interest rates, and a labor market that has been accelerating are also driving this improvement. Our current forecast calls for continued growth in home prices for 2013 and 2014, before settling down in 2015.

California Multi-Family Building Permits

65,600

98,000

Residential construction in California has been booming in recent months. According to the U.S. Census Bureau, there have been 4,972 new residential permits issued statewide in January 2013 alone. That represents a 135% increase over the same period last year—driven mainly by a surge in new multi-family permits. Currently, rents outstrip the cost of ownership and, given that home ownership has fallen substantially since the housing collapse, multi-family properties are expected to form a larger share of the overall mix during 2013 and 2014.

HdL

COMPANIES

HdL Companies

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Diamond Bar, California 91765

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California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.



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Beacon Economics, LLC has proven to be one of the most thorough and accurate, economic research/analytical forecasters in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon Economics and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.



"Good information leads to good decisions."

Attachment D Quarterly Fleet Vehicle Report

Units Sold by Departments 01/01/2013 to 03/31/2013	
Name	Total
AGRICULTURAL COMMISSIONER	1
COMMUNITY HEALTH AGENCY	1
DEPT OF COMMUNITY ACTION	2
DPSS	2
EDA-ADMINISTRATION	1
MENTAL HEALTH	1
PROBATION	1
PURCHASING AND FLEET SERVICES	1
RCRMC	2
RIDESHARE VEHICLES	2
SHERIFF	20
Total	34
Units Pending Sale by Departments 01/01/2013 to 03/31/2013	
Name	Total
BUILDING AND SAFETY	1
COUNTY FARM DISPATCH	1
DISTRICT ATTORNEY	6
DPSS	13
EDA-ADMINISTRATION	2
MENTAL HEALTH	9
PUBLIC DEFENDER	1
PURCHASING AND FLEET SERVICES	1
RCRMC	2
RIDESHARE VEHICLES	1
RUBIDOUX DISPATCH	2
SHERIFF	36
Total	75