

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



3-65

On motion of Supervisor Tavaglione, seconded by Supervisor Ashley and duly carried, IT WAS ORDERED that the recommendation from Executive Office regarding Receive and File of the 2013/2014 First Quarter Budget Report; Approval of the Recommendations and Budget Adjustments; and Adoption of Resolution 440-8949, 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 November 5, 2013 of Supervisors Minutes.

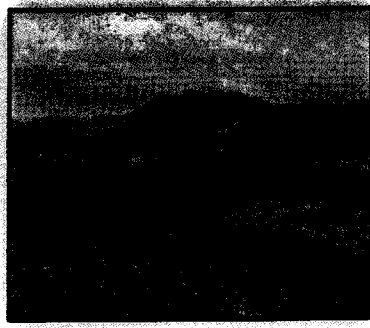
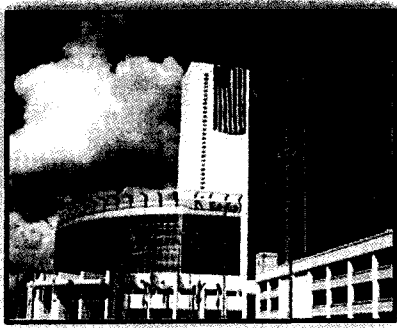
WITNESS my hand and the seal of the Board of Supervisors
Dated: November 5, 2013
Kecia Harper-Ihem, Clerk of the Board of Supervisors, in
and for the County of Riverside, State of California.

(seal)

By:  Deputy

AGENDA NO.
3-65

xc: EO, HR



COUNTY OF RIVERSIDE

STATE OF CALIFORNIA

FISCAL YEAR 2013/14
FIRST QUARTER BUDGET REPORT



PREPARED BY
Jay E. Orr
County Executive Officer

3-65



JAY E. ORR
COUNTY EXECUTIVE OFFICER

GEORGE A. JOHNSON
CHIEF ASSISTANT COUNTY EXECUTIVE OFFICER

ROB FIELD
ASSISTANT COUNTY EXECUTIVE OFFICER
ECONOMIC DEVELOPMENT AGENCY

BARBARA OLIVIER
ASSISTANT COUNTY EXECUTIVE OFFICER
HUMAN RESOURCES

ED CORSER
COUNTY FINANCE DIRECTOR

CHRISTOPHER HANS
CHIEF DEPUTY COUNTY EXECUTIVE OFFICER

November 5, 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 13/14 First Quarter Budget Report

Board members:

In a still-fragile economy, the county faces significant challenges. Discretionary revenue growth will likely lag behind increases in costs for payroll, new public safety operations, and a financially struggling medical center. The Riverside County Regional Medical Center, which continues grappling with a structural operating deficit of \$54 million, had a current cash shortage of \$86.1 million as of this writing.

In addition, sizeable labor and pension cost increases take effect in FY 13/14. The new public safety enterprise communications system will become operational in January and will likely require general fund support above current levels. We continue planning to construct and operate new jail facilities, which will add considerably to ongoing operations costs.

As economic forecasts beyond FY 13/14 become encouraging, we cannot lose focus. Achieving Board objectives in a manner that is fiscally sound and sustainable requires taking the long view with prudence and restraint. We must keep focus on long-range planning to cover existing Board commitments. Achieving structural balance within cautious revenue assumptions is essential to laying a sound foundation for the county's future.

Consequently, non-public safety departments are expected to absorb current and future labor cost increases. Efficiencies must continue to be pursued and costs of providing internal services must be reduced to lessen the overhead burden on these departments.

As we move toward midyear, my office already is laying the groundwork for the FY 14/15 budget guidance, which we will bring to the Board in the midyear report. The Sheriff currently reports a potential shortfall of \$39 million for the year.

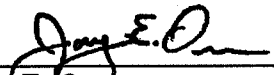
Since his office saved \$3.7 million last year, we continue to remain watchful and work collaboratively with the Sheriff's department regarding its budget needs.

At this time, my office recommends providing the Riverside County Information Technology department a \$2.5 million cash flow loan from the general fund to front the costs of the technology initiatives with which they are tasked. The department plans to repay this loan over the subsequent three years from the cost savings the initiatives will generate.

Pending certification of the county's financial audit, it appears the general fund achieved \$3.8 million more in year-end fund balance last year than was factored into the current-year budget. I will provide a recommendation on that one-time resource at midyear, once the audit has been finalized. In addition, we received \$3 million in unclaimed property and reimbursements from the state. Consistent with my recommendations to move toward structural balance, I recommend placing these one-time resources in the budget stabilization account. Since we remain cautious regarding economic activity and revenue projections, I do not recommend any other adjustments to discretionary revenue at this time.

IT IS RECOMMENDED that the Board of Supervisors: 1) receive and file this report and all its attachments; 2) approve the recommendations and associated budget adjustments contained in Attachment A; and 3) approve Resolution No. 440-8949 amending Ordinance No. 440 contained in Attachment B.

Respectfully,



Jay E. Orr
County Executive Officer

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A. EXECUTIVE SUMMARY

Near term, our most immediate concern is the rapidly deteriorating financial condition of the Riverside County Regional Medical Center (RCRMC). RCRMC ended FY 12/13 with a negative cash balance of nearly \$27 million, and projects an additional cash shortage of \$57 million occurring in FY 13/14, for a cumulative year-end negative cash position of \$84 million expected at the end of June 2014. As of October 30, RCRMC had a cash deficit of \$86.1 million. In addition, RCRMC's budgeted expenditures continue to exceed estimated revenue by over \$54 million.

On May 7, 2013, the Executive Office initiated a recommendation to engage Huron Consulting to review the medical center's operations and finances. A report of its findings was presented to the Board of Supervisors on September 23, 2013. Corrective actions being taken in response to their findings include a change of medical center management, the hiring of an interim medical center director specializing in hospital turnarounds, and engaging a management team from Huron for a full year to assist the interim director with implementation of their recommendations.

Looking out five years, other significant budget challenges loom in FY 13/14 and beyond. At third quarter, economists at California State University, Fullerton, projected robust growth in assessed value under a positive economic scenario. The County Assessor applied the maximum 2 percent inflation factor allowed under Prop. 13 to the assessment roll, in part offsetting ongoing Prop. 8 reductions, and allowing for a projected overall rise in enrolled assessed valuation of 3.95 percent this fiscal year. As unemployment falls, job growth returns, and fuel prices rise, resulting sales and use tax revenues appear poised to grow sufficiently over the next few years to offset losses to recent city incorporations. Long-term, the Executive Office cautiously anticipates accelerated revenue growth.

The county still confronts escalating labor costs and other financial challenges likely to outpace revenue growth. Negotiated labor costs will increase by \$64 million in FY 13/14. Of that, \$13.8 million is not supported by departmental revenue. County contributions to CalPERS increased 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 the cost increases caused by CalPERS' losses during the recession. Since all discretionary revenue growth foreseeable over the next few years already is committed to public safety, non-public safety departments are expected to absorb these labor increases.

The new public safety enterprise communication (PSEC) system implementation was delayed by Motorola due to technical issues. Project costs increased because the project team remained in place longer than anticipated while the issues were resolved. To compensate for these costs, the county negotiated \$9 million in concessions from Motorola that reduce the first-year cost of Motorola's maintenance agreement. However, the ongoing operating budget for PSEC will likely require general fund support above current levels.

B. ECONOMIC OUTLOOK

GENERAL OUTLOOK

The state's unemployment rate was 8.7 percent in July, with a year-over-year drop of 1.9 percent. The national unemployment rate in July had nudged back up slightly to 7.7 percent. Across the state, unemployment ranged from a low of 5.0 percent in Marin County to a high of 26.3 percent in Imperial County.

Statewide, home sales continued to show signs of recovery through July. Existing home prices continued to rise on a year-over-year basis, but are still 27 percent below the pre-recession peak. From June through July the unsold inventory index remained unchanged at 2.9 months, down from the 3.6 months reported last quarter.

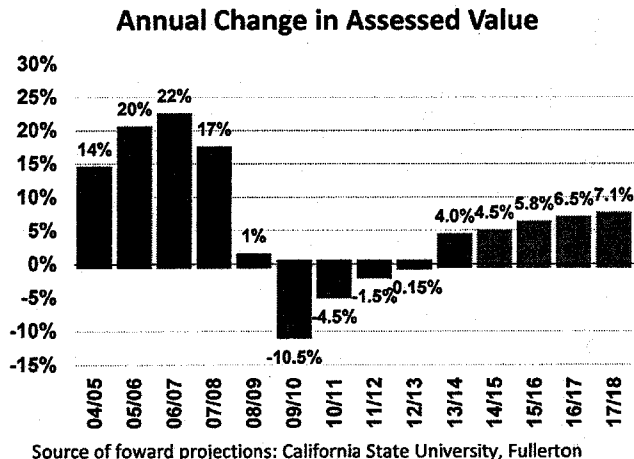
LOCAL OUTLOOK

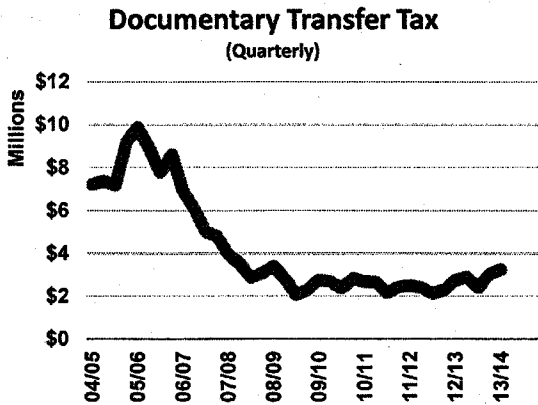
Since our last quarterly report, Riverside County's unemployment rate edged up again to 10.8 percent. The trade, transportation and utilities sector added the most nonfarm job growth in the Riverside-San Bernardino-Ontario statistical area on a year-over-year basis, led by increases in retail trade, transportation, and warehousing. The leisure and hospitality sector also continued to add jobs, as did education and health services. However, five of the nonfarm sectors lost jobs, the most notable being in construction and manufacturing, with government continuing to shed jobs at all levels.

Assessed Value

Significant reductions in foreclosure-related activity, increases in year-over-year median sales prices for residential property, and improvement within the commercial property market continue to function as stabilizing factors for the rebound of the local real estate market. In contrast, a substantial number of outstanding commercial appeals continue to negatively affect the assessment roll. New construction activity reflects signs of recovery, but the longevity of this activity remains uncertain.

Median sale prices of residential properties in Riverside County have increased approximately 25 percent and sales volume is up 6 percent year-over-year for August. However, the annual California Consumer Price Index used to compute the Prop. 13 inflationary factor remains unchanged. Accordingly, per the Assessor, properties that have not been affected by Prop. 8 assessment reductions are not expected to increase by the traditional 2 percent for the 14/15 tax year.





Recordation Activity

Document recording activity through the first quarter of this fiscal year was 1 percent higher compared to the same period last year. Revenues from documentary transfer tax, County Recorder fees, and County Clerk fees are on target with budget projections.

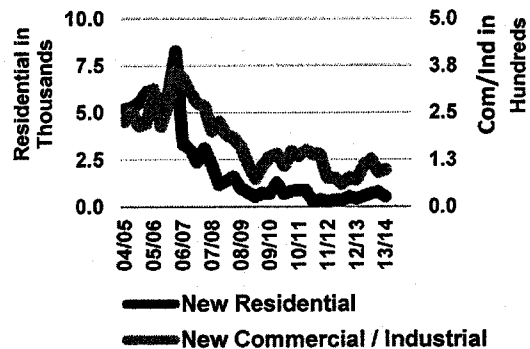
BUILDING PERMITS

During the first two months of FY 13/14, Building and Safety accepted 2,122 new applications, up 64 percent from 1,292 for

the same period last fiscal year. New applications brought \$1.4 million in receipts compared to \$1.3 million for the same period last fiscal year, an 8 percent increase. This increase was mainly due to the flat fee receipts in residential solar projects. Overall, the quarterly building permit activity for both new residential and commercial/industrial continues to remain relatively flat.

Planning applications for July and August decreased to 112 compared to 125 for the same period last year, a 10 percent drop. This reflects a reduction by 16 major cases and an increase by three minor cases over the same period in the prior fiscal year. Customer counts at TLMA's two regional offices remained the same at around 3,800 in the first two months compared to the same period last fiscal year.

Quarterly Permit Activity



FEDERAL UPDATE

Federal Government Shut Down

Congress failed to enact a stopgap spending measure before October 1, 2013, resulting in a shutdown of the federal government. The shutdown, which lasted 16 days, affected all non-essential discretionary functions. Essential services (especially those related to public safety) continued, as did mandatory spending programs such as Social Security and Medicare.

Roughly two weeks after the federal government shut down, and just before the deadline to raise the debt ceiling to avoid a potentially disastrous default, Senate and House legislators passed a measure that temporarily addresses both issues. The bipartisan measure, approved on October 16 by both the Senate and the House, funds the government through January 15, 2014, and raises the debt limit through February 7,

2014. Following passage, the president quickly signed the measure.

Impacts to Riverside County

While the 2014 federal budget has been funded for 90 days, another stalemate in mid-January is highly likely. The Executive Office and affected department heads continue to evaluate the potential impacts and develop contingency plans, where feasible.

During the federal shutdown, the Executive Office coordinated with departments to determine the potential impact on the county. Most federal programs, such as Medicaid, are "forward funded" one quarter in advance and other programs are paid a month in advance, so short-term impacts to those programs were minimal. If the federal shutdown had extended into the month of November, however, the county could have experienced resulting cash flow issues.

STATE UPDATE

The state's fiscal condition continues to show incremental improvement in almost all sectors. Economic indicators continue to show positive growth, albeit job growth has lagged. While fiscal conditions within the state have stabilized somewhat, the governor continues to pursue ways to reduce state costs and shift fiscal obligations elsewhere, usually to local government.

State Revenue

The State Controller recently reported that September revenues are well ahead of projections by \$427 million, or 5.3 percent. This was welcome news, as the prior two months reported shortfalls in anticipated revenue of \$300 million. With spending holding in line with estimates, California ended the first quarter of its fiscal year on track with estimates contained within its FY 13/14 budget.

Personal income taxes, which are California's dominant revenue source, lurched past monthly projections by 9.5 percent, coming in at \$460.9 million. Estimated taxes were much higher than anticipated, as higher-income households recognized capital gains and other income increases. Sales taxes were above projections by 5.6 percent, while corporation taxes were down 8.8 percent. The drop in corporate taxes could reflect some of the slowing in profit growth that has taken place this year.

The state ended its FY 12/13 with a cash deficit of \$2.4 billion. The state's current-year cash deficit on September 30 totaled \$14.7 billion. This deficit is the difference between disbursements and tax receipts which occur annually, and is caused by a lag in timing between expenditures and receipt of tax payments at different points over the year. The cash deficit is being covered with \$9.2 billion in internal borrowing between various state special funds and \$5.5 billion in external borrowing.

C. MULTIYEAR BUDGET OUTLOOK

LONG-RANGE PLAN

An effective budget strategy keeps spending levels consistent with anticipated changes in ongoing resources. We estimate total discretionary revenue of \$590.8 million for the county this fiscal year. Our long-range projection for discretionary revenue anticipates modest growth, consistent with forecasts of slow economic recovery in the county.

On September 23, 2013, the Executive Office held a workshop and presented the five-year public safety plan and the increased cost of debt service. As the table below reflects, the plan outlines the cumulative fiscal effect of Board-approved initiatives over the next five years weighed against projected revenue growth. The plan also shows additional, as-yet unfunded public safety requests. Other additional requests include actions necessary to increase reserves and ramp down current reliance on fund balance.

As part of the workshop, the Executive Office promised to update this information quarterly. The only change reflected in the table below is reduced District Attorney costs. Departments had been requested to pick up the salaries and benefits for current employees, so the additional cost request for the District Attorney indicated below is for new employees only. A second change is the potential early need of the Fire Department to rehire staff. A line has been added to show that change. The Executive Office will continue to present the updated plan quarterly as part of our multi-year outlook.

Five-Year Public Safety Master Plan

(cumulative amounts – dollars in millions)

	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
<u>PROJECTED REVENUES</u>					
Discretionary Revenues	-	\$44.2	\$69.4	\$95.8	\$123.9
Prop 172 Offset	-	19.3	29.0	36.0	50.0
ACES Apportionment	-	-	-	11.8	11.8
TOTAL PROJECTED REVENUES	\$0.0	\$63.5	\$98.4	\$143.6	\$185.7

BOARD COMMITMENTS

Operational Costs

Sheriff

	Pos	Amt	Pos	Amt	Pos	Amt	Pos	Amt	Pos	Amt
Patrol	36	\$4.8	64	\$8.8	92	\$13.0	120	\$17.2	148	\$21.4
Corrections										
Sheriff	-	-	207	19.3	406	37.9	406	37.9	406	37.9
Detention Health	-	-	-	-	52	6.4	52	6.4	52	6.4
Mental Health	-	-	-	-	39	3.2	39	6.4	39	6.4
Equipment	-	-	-	-	-	-	3.5	-	-	-
ECDC Contingency	-	-	-	-	-	-	-	-	-	15.0
Sheriff Salaries & Benefits	-	-	17.7	-	28.3	-	(1)33.3	-	(1)38.3	-

Five-Year Public Safety Master Plan

(cumulative amounts – dollars in millions)

	FY 13/14		FY 14/15		FY 15/16		FY 16/17		FY 17/18	
Probation										
Van Horn Youth Treatment	0	-	76	3.5	76	3.7	86	4.0	86	4.4
Prison Rape Elimination Act	0	-	0	-	0	-	82	2.8	82	3.0
Total Labor Costs	36	\$4.8	347	\$49.3	665	\$92.5	785	\$111.4	813	\$132.7
Capital Costs										
ECDC		-		-		-		11.8		11.8
Fire Equipment Lease		-		1.9		3.0		4.0		5.1
Debt Service		1.3		4.5		6.2		9.7		9.7
Total Capital Costs		1.3		6.3		9.2		25.5		26.6
TOTAL COMMITMENTS		\$6.1		\$55.6		\$101.6		\$136.9		\$159.3
BALANCE/(DEFICIT)		(\$6.1)		\$7.9		(\$3.2)		\$6.7		\$26.5

ADDITIONAL DEPARTMENTAL REQUESTS

	Pos	Amt	Pos	Amt	Pos	Amt	Pos	Amt	Pos	Amt
Sheriff Labor Costs @ 3%		-		-		-		10.8		21.6
District Attorney (2)	16	2.5	36	5.2	58	8.1	82	11.5	108	15.1
Fire										
Operations	4	0.4	22	3.4	46	6.3	61	8.5	78	11.6
Rehires	18	1.4	18	2.8	18	2.8	18	2.8	18	2.8
Probation										
Institutional Staffing	15	0.4	15	0.5	15	0.5	15	0.6	15	0.6
Other	6	0.3	6	1.9	6	2.0	6	2.1	6	2.2
Public Defender	9	1.5	20	3.4	33	5.5	47	7.7	62	10.2
Increase to Reserves		-		5.0		10.0		15.0		20.0
Reduce Reliance on Fund Balance(3)		-		5.0		10.0		15.0		20.0
TOTAL REQUESTS	50	\$6.4	117	\$27.1	176	\$45.2	229	\$74.0	287	\$104.1
BALANCE/(DEFICIT)		(\$12.5)		(\$19.1)		(\$48.4)		(\$67.3)		(\$77.7)

(1) Pension Increases due to change in actuarial assumptions.

(2) Reflects department absorbing salary and benefit increases.

(3) The FY 13/14 budget includes use of \$30 million in fund balance to balance the general fund. To maintain positive credit ratings, the Executive Office recommends ramping down over five years the use of fund balance to cover ongoing operations.

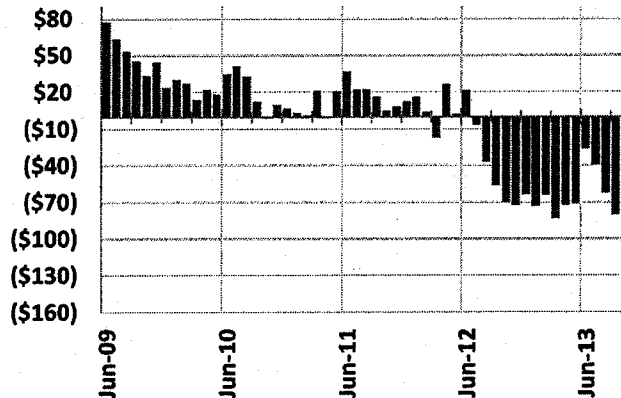
FUTURE RISKS TO A STRUCTURALLY BALANCED BUDGET

While the county is anticipating future fiscal impacts, some associated costs cannot yet be accurately quantified. In addressing these 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) ended FY 12/13 with a negative cash balance of nearly \$27 million. The medical center projects an additional cash shortage of \$57 million occurring in FY 13/14, for a cumulative year-end negative cash position of \$84 million expected by the end of June 2014. In addition, budgeted expenditures exceed estimated revenue by over \$54 million. On May 7, 2013, the Board approved an agreement with Huron Consulting, LLC, to develop a strategic plan for the future direction of Riverside County’s health and mental health delivery system. In addition, Huron evaluated the medical center’s financial and operational performance.

RCRMC Cash Position
in millions



Huron focused on numerous areas in its assessment, including revenue cycle, labor and non-labor costs, and clinic operations. Huron determined the medical center needs to improve operational procedures to be more efficient and increase net revenue. The analysis indicates that with the proposed changes the medical center could increase revenue and cut losses by \$45 million to \$66 million after the first full year of implementation.

On September 23, 2013, the Board approved a bridge agreement, and directed staff to negotiate with Huron Consulting Group and return with a proposed implementation agreement for Board consideration. Negotiations are proceeding and staff anticipates returning November 5, 2013, with the proposed agreement.

Based on Board direction, the Health Care Governance Committee and RCRMC filed a report with the Board of Supervisors on October 22, 2013, which included a financial update. The reports will be updated monthly, and track both the cash position and budget projections for the fiscal year.

D. FIRST QUARTER ACTIVITY

FUND BALANCE

Based on information from departments during the third quarter, the FY 13/14 general fund beginning fund balance was an estimated \$33 million. That amount reflected anticipated departmental savings, discretionary revenue, and draws on contingency for the duration of last fiscal year. Based on current FY 12/13 financial information, the actual balance carried over into FY 13/14 is \$33.8 million. The final audited fund balance will be provided in the midyear budget report along with recommendations for the use of the estimated \$3 million that exceeds the \$30 million budgeted for use in the

current fiscal year.

DISCRETIONARY REVENUE

Property Taxes

Property tax revenue was budgeted at \$269.6 million based on a forecasted 4 percent increase in assessed values. The Auditor-Controller projects property tax revenue will remain relatively unchanged from the original forecast. The Executive Office continues monitoring revenue closely and will make additional recommendations when more data is available.

Redevelopment Dissolution Related Revenue

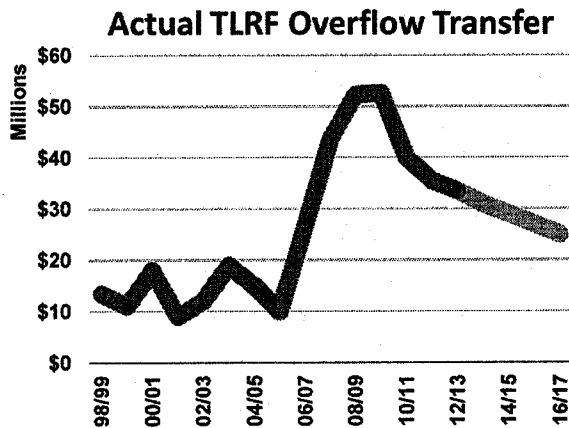
In 2011, the governor signed ABX1 26, dissolving redevelopment agencies throughout the state, and the courts upheld the law. Consequently, redevelopment agencies statewide were dissolved February 1, 2012. Under ABX1 26, redevelopment agencies' assets not essential to meet enforceable obligations must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

In September, the Sacramento Superior Court ruled in favor of an order by the California Department of Finance requiring the City of La Quinta to relinquish to the Riverside County Auditor-Controller's Office \$41.4 million the city had transferred from its former redevelopment agency to the city before dissolving its redevelopment agency. In October, the La Quinta City Council authorized its city manager to comply with this order and make the transfer. In our midyear report, the Executive Office will report to the Board the county's share of this one-time distribution and make a recommendation regarding its use.

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 financing costs and necessary tax loss reserve is discretionary revenue released to the general fund.

Rising valuations and 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 \$31 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

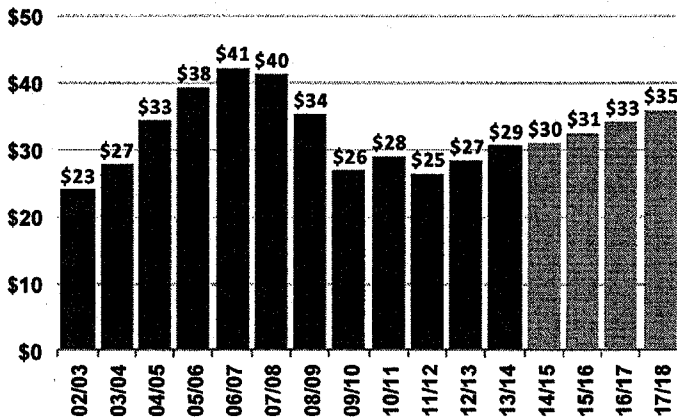
Total sales and use tax receipts from the most recent quarter rose 5.7 percent from the same quarter a year ago for all jurisdictions in the county, according to Hinderliter de Llamas & Associates (HdL), Riverside County's sales tax consultant. This increase is just slightly higher than receipts reported among other counties in the region. This is buoyed by the 20.3 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 6.7 percent over 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 continued strength in sales at the factory outlet stores in Cabazon. Sales and use tax revenue from solar projects accounts for \$2.04 million of current-year sales tax receipts to date. 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.

Sales Tax Revenue

(in millions)



Source of foward projections: HdL Companies

Recent statewide sales tax numbers continue to be driven predominantly by rising auto sales, which accounted for one-fourth of the state's increased sales tax receipts. Restaurant sales increased 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.

The county's FY 13/14 budgeted estimate for sales and use tax revenue is \$29.3 million, which assumes some continued receipts from solar projects as well as growth in other sales sources. The significant expansion of the factory outlets in Cabazon is expected to substantially increase sales tax revenue. On the other hand, a prolonged federal government shutdown may trigger recessionary forces with local effects just as

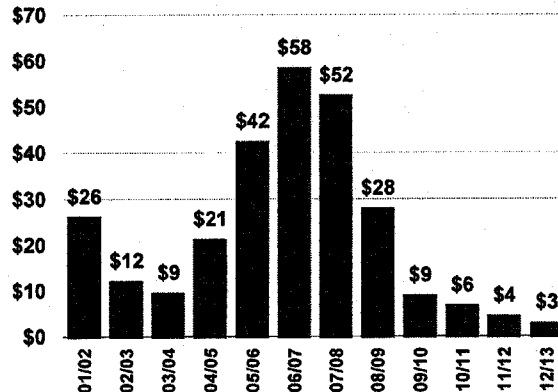
the holiday shopping season begins. HdL's projection for FY 13/14 net of solar remains relatively flat at \$28.2 million. Additional economic detail from HdL is contained in Attachment C.

Interest Earnings

The Treasurer's estimate for general fund interest earnings remains unchanged and reflects the low interest rates that continue due to Federal Reserve monetary and quantitative easing policies. Uncertainty about the decline of open market bond purchases remains as the federal government shutdown's impacts remain unknown at this time.

The Treasurer views the recently announced presidential nomination of Janet Yellen for chairwoman of the Federal Reserve as a sign that current policies to foster maximum employment and price stability will continue. Updates will be forthcoming if there are any material impacts to the county general fund.

General Fund Interest Earnings
(in millions)



Revenue Summary

Current estimates for ongoing revenue appear relatively unchanged. To date, the county has received unbudgeted one-time revenue totaling \$3 million for unclaimed property and mandated reimbursements from the state. The Executive Office recommends transferring this one-time revenue to the general fund budget stabilization account.

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

	Budgeted Estimate	1st Quarter Estimate	Variance
Property Taxes	\$269.6	\$269.6	\$0.0
RDA Residual Assets	2.0	2.0	0.0
Motor Vehicle In Lieu	193.6	193.6	0.0
Tax Loss Reserve	31.0	31.0	0.0
Fines and Penalties	24.0	24.0	0.0
Sales & Use Taxes *	29.3	29.3	0.0
Tobacco Tax	10.0	10.0	0.0
Documentary Transfer	11.5	11.5	0.0
Franchise Fees	5.0	5.0	0.0
Interest Earnings	2.6	2.6	0.0
Misc. Federal and State	4.9	6.7	1.8
Other (Prior Year & Misc.)	7.3	8.5	1.2
Total	\$590.8	\$593.8	\$3.0

The Executive Office will continue to monitor discretionary revenue closely and will recommend budget adjustments at midyear if necessary. The chart summarizes the county's currently projected discretionary revenues.

Recommendation 1: That the Board approve the transfer of \$3 million to general fund unassigned fund balance for budget stabilization, as follows:

* Does not include public safety sales tax revenue

Decrease unassigned fund balance:
 10000-1000100000-370100 Unassigned fund balance \$3,000,000

Increase unassigned fund balance:
 10000-1000100000-370106 Unassigned fund balance – budget stabilization 3,000,000

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 12/13 Ending Balances	Adjustments for Budget Use	FY 13/14 Beginning Balances	Adjustments through First Quarter	Balance Upon Approval
Economic uncertainty	\$124.7	\$0.0	\$124.7	\$0.0	\$124.7
Budget Stabilization	34.1	(13.7)	20.4	4.0	24.4
Disaster relief	15.0	0.0	15.0	0.0	15.0
Property tax system	6.1	(6.1)	0.0	0.0	0.0
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	0.0	2.3	2.3	0.0	2.3
ACO internal audits unit	0.1	0.0	0.1	0.0	0.1
DPSS realignment growth	4.3	(2.0)	2.3	0.0	2.3
Legal Liabilities	3.7	0.0	3.7	0.0	3.7
TOTAL	\$190.4	(\$19.5)	\$170.9	\$4.0	\$174.9

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 \$24.1 million or approximately 4.1 percent of ongoing discretionary revenue.

	Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Beginning Balance:				\$24,060,882
Adjustments to date:				
No Adjustments to date				
Actions recommended in this report:				

Contingency balance upon approval of this report = \$24,060,882

E. DEPARTMENTAL STATUS

INTERDEPARTMENTAL AND CAPITAL PROJECTS

Capital Finance Administration

On May 14, 2013, (Item 3-7) the Board of Supervisors approved issuance of the County of Riverside Asset Leasing Corporation Series 2013A Lease Revenue Bonds to finance renovation of the offices of the County’s Public Defender and Probation Department, and acquisition of a building for Information Technology Department. The \$66 million bond financing closed on July 17, 2013, and the first debt service payment is due on November 1, 2013. The Executive Office requests a budget adjustment to cover additional expense for payment of debt service offset by revenue from department lease payments.

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for capital finance administration in the amount of \$2,579,026, as follows:*

Increase estimated revenue:		
35900-925001-778390	Interfund – rent CORAL	\$2,579,026
Increase appropriations:		
35900-925001-533040	CORAL – interest	2,579,026

Capital Improvement Program (CIP)

On March 26, 2013 (Item 3-5), the Board approved Resolution No. 2013-080 that provided for reimbursement from CORAL bond proceeds for costs incurred on behalf of the Riverside Public Defender/Probation Department building remodel. The CIP fund has been reimbursed for the amounts expended on the building remodel, totaling \$1,249,429. Of that, the Board approved \$213,833 on September 24, 2013, (item 3-58) to open the San Jacinto Animal Shelter. The Executive Office recommends transferring the remaining \$1,035,596 to the general fund budget stabilization account.

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenue, and assigned fund balance in order to transfer \$1,035,596 from the capital improvement fund to the general fund budget stabilization account, as follows:*

Increase estimated revenue:		
30700-1104200000-781120	Rebates and refunds	\$1,249,429
Increase appropriations:		
30700-1104200000-551100	Contributions to county funds	1,035,596
Increase assigned fund balance:		
30700-1104200000-350200	AFB for construction/capital projects	213,833

Increase estimated revenue:
 10000-1101000000-790600 Contribution from other county funds 1,035,596

Increase unassigned fund balance:
 10000-1000100000-370106 Unassigned fund balance – budget stabilization 1,035,596

On July 30, 2013, (item 12-1C) the Board approved a \$24 million “bridge loan” from the Waste Management Enterprise Fund to the county general fund for projects related to the East County Detention Center (ECDC) in advance of CORAL financing more than a year away. Of this, \$20 million will be utilized for ECDC related projects, and \$4 million will be used for county departments’ moving expenses. A budget adjustment is needed to increase appropriations for expenditure of \$11 million of these funds for ECDC project costs anticipated during the current fiscal year.

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and decreasing unassigned fund balance in the amount of \$11,000,000 for projects related to the East County Detention Center, as follows:*

Increase appropriations:
 30700-1104200000-536780 Interfund expense – capital projects \$11,000,000

Decrease unassigned fund balance:
 30700-1104200000-350200 Assigned fund balance for construction/capital proj. 11,000,000

Public Safety Enterprise Communication System (PSEC)

The public safety enterprise communication system (PSEC) project team continues work to implement a new reliable, secure, and interoperable voice and data communication system. Implementation is currently ramping up incrementally and full go-live is projected for January 2014, with final acceptance scheduled for March 2014.

The project encountered delays due to technical issues that could have affected the core system functionality. However, Motorola applied and tested required corrections, and completed the coverage acceptance testing milestone. At this time, 75 tower sites are operational. The Fire Department is approximately 25 percent complete and the Sheriff’s Department approximately 20 percent complete with data implementation. Countywide voice coverage testing must be completed prior to final acceptance of the modified voice system.

Pursuant to Board direction in the FY 12/13 third quarter report, PSEC sought compensation from Motorola for costs associated with the delay. Motorola offered the County approximately \$9 million in modifications, hardware, and services, which the Board approved on October 22, 2013.

GENERAL GOVERNMENT

Executive Office

On May 21, 2013, (Item 3-3) the Board directed that administration of the successor agency to the Redevelopment Agency (successor agency) be shifted to the Executive Office, and on June 18, 2013, (Item 3-6) the Board of Supervisors adopted Resolution No. 2013-138 formally delegating the administrative functions of the successor agency to the Executive Office effective July 1, 2013. Since the Executive Office took on administration of the successor agency, a budget adjustment is needed to cover the costs of agency staff and other successor agency related activity that transferred into the Executive Office.

The Executive Office also requests a budget adjustment to cover professional services for special projects. These increases in appropriations will be offset by revenue received from administration fees.

Recommendation 5: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue in the amount of \$756,886 for the Executive Office, as follows:

Increase estimated revenue:		
10000-1100100000-777540	Reimbursement for salaries	\$506,886
10000-1100100000-777480	Reimbursement of cost	<u>250,000</u>
	Total	756,886
Increase appropriations:		
10000-1100100000-510040	Regular salaries	349,576
10000-1100100000-518100	Benefits	157,310
10000-1100100000-525440	Professional services	<u>250,000</u>
	Total	756,886

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. The indigent defense budget is currently within target for FY 13/14.

Human Resources (HR)

Human Resources has experienced higher demand for personnel services from departments. The recent surge in services requires further review of department rates. The department projects exceeding budgeted payroll costs by approximately \$820,305, which will be offset by department reimbursements based on additional service agreements. With this exception, the department expects to end the year within budget and will closely monitor its expenditures.

Recommendation 6: That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for Human Resources, as follows:

Increase appropriations:		
10000-1130100000-510040	Regular salaries	\$546,870
10000-1130100000-518100	Budgeted benefits	273,435
10000-1130100000-572900	Intra-fund expense – personnel	<u>(820,305)</u>
	Total	0

Registrar of Voters (ROV)

The Registrar of Voters (ROV) currently expects to meet its net county cost target for FY13/14, unless additional elections are added to the schedule. The department continues to submit SB 90 reimbursements to the state; however, receipt of reimbursement is not anticipated in the current year. At this time, the county does not expect to receive reimbursement for prior-year SB 90 claims until 2021.

The current budget assumes four mandated elections this fiscal year. Two are major elections: the November 2013 consolidated general election and the June 2014 gubernatorial primary election. In addition, three recall petitions currently in circulation could result in additional, unplanned elections this fiscal year. The department is monitoring its budget closely and will report any additional spending needs after the November 2013 election is certified. If additional elections occur, the department may need to request additional general fund support in the fourth quarter.

The ROV is in the process of purchasing two refurbished ballot-counting scanners to expedite election night ballot counting. Ballot scanners are no longer being manufactured; therefore it is vital to purchase these remaining two while they can be obtained. The ROV can absorb the \$120,000 purchase at this time.

Economic Development Agency/Facilities Management (EDA/FM)

Economic Development Agency Administration

The Economic Development Agency (EDA) requests approval to release and transfer committed fund balance from the EDA administration fund to maintain ongoing operations of the divisions of economic development, marketing, business intelligence, office of foreign trade, and Salton Sea.

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and releasing committed fund balance for the Economic Development Agency in the amount of \$2,268,029, as follows:

Increase appropriations:		
21100-1900500000-551100	Contribution to other funds	\$2,268,029

Decrease committed fund balance:		
21109-1900500000-330100	Committed fund balance	2,268,029

Facilities Management Administration

The FY 13/14 budget consolidated the Economic Development Agency and Facilities Management's administrative budgets. Subsequently, the Board authorized the agency to continue operating under its previous, separate structure. Consequently, the department requests a budget adjustment to break out the Facilities Management administrative budget from EDA administration.

Recommendation 8: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Facilities Management administration, as follows:

Increase estimated revenue:		
10000-7200100000-777540	Reimbursement of salaries	\$92,009

Decrease estimated revenue:		
10000-7200100000-740020	Interest – invested funds	300
10000-7200100000-771420	Housing Authority reimbursements	670,499
10000-7200100000-778200	Interfund – miscellaneous	154,412
10000-7200100000-778220	Interfund – office expenses	2,650,930
10000-7200100000-778330	Interfund – salary reimbursement	2,196,985
10000-7200100000-781360	Other miscellaneous revenue	<u>7,000</u>
	Total	5,680,126

Increase appropriations:		
10000-7200100000-572800	Intrafund – miscellaneous	608,259

Decrease appropriations:		
10000-7200100000-510040	Regular salaries	1,885,704
10000-7200100000-510200	Payoff permanent-seasonal	86,463
10000-7200100000-510320	Temporary salaries	78,300
10000-7200100000-515260	Unemployment insurance	49,712
10000-7200100000-517000	Workers compensation insurance	31,870
10000-7200100000-518100	Budgeted benefits	946,549
10000-7200100000-518160	Educational support program	25,000
10000-7200100000-520200	Communications	439,298
10000-7200100000-520230	Cellular phone	54,686
10000-7200100000-520250	Communication equipment installation	116,795
10000-7200100000-520260	Computer lines	568
10000-7200100000-520270	County delivery services	1,201
10000-7200100000-520320	Telephone service	92,022
10000-7200100000-520330	Communication services	18,200
10000-7200100000-520930	Insurance – liability	30,782
10000-7200100000-520945	Insurance – property	6,351
10000-7200100000-521340	Maintenance – communications equip	2,166
10000-7200100000-521540	Maintenance – office equipment	27,500
10000-7200100000-521640	Maintenance – software	1,417
10000-7200100000-522310	Maintenance – building and improvement	30,755
10000-7200100000-523100	Memberships	980

10000-7200100000-523640	Computer equip non fixed assets	12,493
10000-7200100000-523680	Office equip non fixed assets	30,898
10000-7200100000-523700	Office supplies	51,871
10000-7200100000-523760	Postage-mailing	21,672
10000-7200100000-523800	Printing/binding	389
10000-7200100000-523820	Subscriptions	500
10000-7200100000-524560	Auditing and accounting	10,084
10000-7200100000-524740	COWCAP	295,134
10000-7200100000-524820	Engineering services	327,433
10000-7200100000-525020	Legal fees	28,000
10000-7200100000-525080	Temp assist pool services	9,815
10000-7200100000-525140	Personnel services	52,600
10000-7200100000-525300	Oasis processing – financials	120,686
10000-7200100000-525310	Oasis processing – HRMS	76,895
10000-7200100000-525330	RMAP	12,400
10000-7200100000-525340	Temporary help services	5,000
10000-7200100000-525440	Professional services	196,247
10000-7200100000-526420	Advertising	2,000
10000-7200100000-526700	Rent-lease buildings	583,293
10000-7200100000-527780	Special program expense	106,367
10000-7200100000-528140	Conference-registration fees	2,000
10000-7200100000-528900	Air transportation	1,092
10000-7200100000-528920	Car pool expense	86,891
10000-7200100000-529040	Private mileage reimbursement	8,846
10000-7200100000-536920	Interfund expense-general office expense	25,000
10000-7200100000-537080	Interfund – miscellaneous	4,475
10000-7200100000-537180	Interfund expense – salary reimbursement	105,967
10000-7200100000-573900	Intrafund – payroll distribution	<u>92,009</u>
	Total	6,196,376

Energy

In accordance with Board Policy H-32 (Countywide Utilities), the Riverside County Regional Medical Center and Riverside County Information Technology department have elected to turn over utilities management to the Facilities Management energy division effective October 2013. The energy division requests a budget adjustment to enable payment of these two departments' utility invoices, with reimbursement provided by the departments.

Recommendation 9: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Energy in the amount of \$3,663,230, as follows:

Increase estimated revenue:		
10000-7200600000-778350	Interfund – utilities	\$3,663,230
Increase appropriations:		
10000-7200600000-529500	Electricity	2,480,470
10000-7200600000-529510	Heating fuel	346,010
10000-7200600000-529520	Sewer system	533,980
10000-7200600000-529550	Water	<u>302,770</u>

Total 3,663,230

Workforce Development

As a result of the temporary suspension of federal government services, there has been a delay in receipt of funding for the Workforce Investment Act adult and dislocated worker program. Normally, these allotments are made annually on October 1. This payment delay may affect the department's cash flow during the second quarter; however, the department is working to minimize that impact.

Project Management Office

The project management office (PMO) is reporting a potential year-end deficit of \$143,017. Although the PMO laid off 22 staff last fiscal year, the decline in departmental revenue is outpacing the reduced budget. The department will continue monitoring the situation and update the Board in the midyear report on the corrective measures taken to bring spending in line with revenues.

Aviation

Aviation requests a budget adjustment for installation of a fence at the Chiriaco Summit Airport and unanticipated charges for both the Hemet Ryan Airshow and staffing. These costs will be offset by income from new leases.

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Aviation in the amount of \$30,721, as follows:*

Increase estimated revenue:		
22100-1910700000-741500	Temporary use lease	\$30,721
Increase appropriations:		
22100-1910700000-510040	Regular salaries	6,696
22100-1910700000-523270	Special events	2,025
22100-1910700000-542080	Improvements – leasehold buildings	<u>22,000</u>
	Total	30,721

PUBLIC PROTECTION

Sheriff

The Sheriff's FY 12/13 budget savings of \$3.7 million (October 1, 2013, Item 3-1) was achieved through attrition in the unincorporated patrol force to a patrol ratio of 0.75:1000, and limiting general fund supported overtime. Other budgetary reductions were made across all divisions in order to achieve the surplus for a fiscal year that began with a recognized \$9.2 million structural deficit.

The department continues to have difficulty hiring individuals for the positions of deputy sheriff and correctional officer. Many candidates apply, but are unable to meet the department's standards. Efforts will be made over the next three quarters to increase

hiring activities to meet the Board's directive to return the unincorporated patrol ratio to 1.2:1000 by the end of FY 17/18, and to fully staff the East County Detention Center by the middle of FY 16/17.

At the end of the first quarter, the Sheriff projects a \$39 million deficit at year-end. At his April 1, 2013, budget presentation, the Sheriff outlined a budget shortfall of approximately \$54 million. The Board increased the Sheriff's public safety enterprise communication (PSEC) appropriation by \$10 million, and added \$5 million to fully support the 50 deputies initially added with a COPS hiring grant. This leaves a \$39 million structural deficit, including \$12 million in unfunded increases contained in labor agreements that went into effect in FY 12/13, and an additional \$20 million in unfunded labor increases in FY 13/14. The correctional system remains impacted by public safety realignment, which also left court security services unfunded. However, 90 percent of the projected shortfall is attributable to patrol and corrections.

- *Patrol:* A projected \$21 million deficit in the patrol budget is the result of unfunded bargaining agreement increases, and the Board's direction to add staff to reach a patrol ratio of 1:1000 by the end of calendar year 2013 and 1.04:1000 by the end of this fiscal year.
- *Corrections:* A \$14.7 million projected deficit in the corrections budget is the result of terms in the bargaining agreement, as well as variable costs for services and supplies. Corrections also continues to be impacted by realignment overcrowding.
- *Court Services:* The approved memorandum of understanding with the superior court requires maintenance of service levels established in FY 94/95, when the courts transferred to the state. Unfortunately, realignment funding will not cover these services and, due to the budget reductions taken by the courts statewide, the local court has no resources to contribute. At third quarter last fiscal year, the Board approved \$1.1 million to mitigate the shortfall. At this time, the Sheriff requests general fund support to cover the projected current-year deficit in court services of \$1.2 million. The Executive Office will review available funding at midyear and request approval for a budget increase for the Sheriff's court services, if needed at that time.

District Attorney

At the end of the first quarter the District Attorney's office (DA) is on track to meet its budget target. This is in spite of the continuing challenges presented by safety realignment, including the July 1, 2013 requirement that parole hearings be handled in the local court, increased labor costs and uncertainty of grant support during the federal shutdown.

The DA has staffed the real estate fraud prosecution unit to combat fraud that has become more prevalent due to the economic downturn. The DA also obtained approval of an increase in the real estate fraud recording fee after the FY13/14 budget was submitted to support this effort. The department now requests adding 13 vehicles with the increased revenue. These vehicles will be fully paid for with revenue from real

estate fraud prosecution, and will not affect the general fund. The department contacted Purchasing to request that the department also make necessary appropriation adjustment.

Recommendation 11: That the Board of Supervisors approve and direct: 1) Purchasing Agent to purchase 13 vehicles; and, 2) the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the District Attorney totaling \$91,400, as follows:

Increase estimated revenue:		
10000-2200100000-777050	Real estate fraud prosecution	\$91,400
Increase appropriations:		
10000-2200100000-521500	Maintenance motor vehicles	32,000
10000-2200100000-521580	Maintenance – radio electric equipment	5,400
10000-2200100000-528920	Carpool expense	<u>54,000</u>
	Total	<u>91,400</u>

Law Office of the Public Defender

The Law Office of the Public Defender expects to be within budget. The new Public Defender is working diligently to run an efficient office. The office is currently in the process of creating a paperless environment, which will create savings in supplies and staff time. In July 2013, \$19 million in renovation costs were debt financed to renovate the former District Attorney building on Main Street in Riverside for the Public Defender and Probation’s use. Construction has begun, with an expected project completion date of fall 2014.

Alternate Public Defender

The Alternate Public Defender/Capital Defender’s Office expects to remain within budget for FY 13/14. The department is in the process of dissolving the Alternate Public Defender/Capital Defender Office and later this year will transfer administration of conflict panels for death penalty cases to the Executive Office. Staff and a proportionate amount of the budget will be absorbed into the Law Offices of the Public Defender.

Probation Department

Institutionalization of cost saving measures implemented in previous fiscal years gave Probation a \$121,425 savings in the first quarter, and there is every indication the department will meet budget targets at year-end. Additional organizational restructuring will provide the opportunity to further support grant funded programs by adding one senior probation officer. The position will be fully funded through SB678. Administrative responsibilities at juvenile institutions will be streamlined with the addition of two office assistant III positions and the deletion of two office assistant II positions. The office assistant III positions will require no additional general fund support, as the cost increase will be supported with salary savings. Despite continuous recruitment efforts, the department has many vacant funded positions.

Recommendation 12: That the Board of Supervisors approve amending Ordinance No. 440 to 1) add one (1) senior probation officer and two (2) office assistants III; and, 2) delete two (2) office assistant II positions.

The Juvenile Justice Crime Prevention Act (JJCPA) created a funding source for local juvenile justice programs that have proven effective in curbing crime and delinquency among at-risk youth and young offenders (Government Code Section 30061 et seq.). Since JJCPA inception, Riverside County has supported school-based youth accountability teams (YAT). The countywide middle and high school YATs include probation and law enforcement officers, deputy district attorneys, and contract community-based paraprofessional counselors. YAT focus is delinquency prevention through early intervention.

The Riverside Unified School District YAT began this fiscal year. To support this effort, the department requests approval to purchase two vehicles to be assigned to the JJCPA program. The estimate for each is \$25,000. No additional general fund support is required, as the purchases will be funded entirely by the grant allocation.

The department also requests replacement of two additional vehicles in the current fleet. These vehicles are used to supervise probationers, including home visits, court duties and other appointments throughout the county. There is no additional county cost associated with the budget adjustment due to sufficient current-year salary savings.

Recommendation 13: That the Board of Supervisors approve and direct 1) the Purchasing Agent to purchase four (4) vehicles; and 2) the Auditor-Controller to make adjustments to appropriations for the Probation Department totaling \$100,000, as follows:

Decrease appropriations:		
10000-2600200000-510040	Regular salaries	\$100,000
Increase appropriations:		
10000-2600200000-528920	Carpool expense	100,000

Department of Animal Services

On September 24, 2013, the Department of Animal Services requested Board approval to open the San Jacinto Valley Animal Campus. Staff will now be located at the facility and limited services provided to the public. The department was able to open the facility using a combination of one-time resources, capital improvement project revenue, and Third District community improvement designation funds. The department anticipates reducing the need for ongoing general fund support by \$250,000 in future fiscal years through municipal partnerships and other revenue enhancements. The department requests a budget adjustment to reprogram appropriations.

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Department of Animal Services totaling \$106,000, as follows:

Decrease appropriations:		
10000-4200600000-522310	Maintenance – building and improvement	\$106,000
Increase appropriations:		
10000-4200600000-537040	Interfund expense maintenance	106,000

On July 2, 2013, (Item 3-6), the Board approved an agreement for the department to provide animal field and shelter services to the City of Indio. At that time, the purchase of three vehicles with animal boxes was approved. The department now requests a budget adjustment to cover the cost of the vehicles and the animal boxes.

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Animal Services totaling \$115,000, as follows:*

Increase estimated revenue:		
10000-4200600000-790500	Operating transfer in	\$115,000
Increase appropriations:		
10000-4200600000-528920	Carpool expense	100,000
10000-4200600000-546160	Equipment other	15,000

The department continues to await 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 a settlement, it might require additional general fund support to cover such cost.

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)

Survey

The Transportation and Land Management Agency requests a budget adjustment in the amount of \$85,000 for the Survey Department to pay for equipment included last year in the FY 12/13 budget, but not expensed due to a delay in the purchasing process. However, the equipment has now been received and the department needs current-year appropriations to pay the vendor. There is sufficient fund balance carried over to pay for this equipment.

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and decreasing restricted fund balance for the Survey Department in the amount of \$85,000, as follows:*

Increase appropriations:		
20260-3130200000-546160	Equipment – other	\$85,000
Decrease restricted fund balance:		
20260-3130200000-321101	Restricted program money	85,000

HEALTH AND SANITATION

Department of Public Health

The Department of Public Health reports that activities are typical for this time of year. The department received changes in grant revenue for several programs and requests a budget adjustment to reflect this additional funding. In addition, the department requests approval to purchase a utility van to replace a vehicle that has reached the end of its useful life.

Recommendation 17: That the Board of Supervisors 1) approve the purchase of one (1) utility van; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Public Health by a net total of \$37,478, as follows:

Decrease estimated revenue:		
10000-4200100000-751680	CA – state grant revenue	\$625,000
Increase estimated revenue		
10000-4200100000-754000	CA – Tobacco Tax Prop 10	5,131
10000-4200100000-754010	CA – Tobacco Tax Prop 99	32,347
10000-4200100000-767220	Fed – Other operating grants	<u>625,000</u>
	Total	662,478
Increase appropriations:		
10000-4200100000-510040	Regular salaries	21,500
10000-4200100000-518100	Budgeted benefits	9,478
10000-4200100000-523100	Memberships	1,000
10000-4200100000-525320	Security guard service	500
10000-4200100000-526420	Advertising	2,500
10000-4200100000-528920	Car pool expense	1,000
10000-4200100000-528960	Lodging	500
10000-4200100000-529040	Private mileage reimbursement	<u>1,000</u>
	Total	37,478

Funding for California Children's Services fluctuates significantly from year to year. The department is exploring alternatives to reduce the budget impact and will work with the Executive Office to determine the best solutions available.

The department also requests a budget adjustment and authorization to purchase two (2) electric pallet stackers due to changes in grant budgets. The equipment will allow supplies to be stored and retrieved efficiently in the event of an emergency.

Recommendation 18: That the Board of Supervisors 1) approve purchase of two (2) electric pallet stackers; and, 2) approve and direct the Auditor-Controller to make

budget adjustments increasing appropriations and estimated revenue for the Department of Public Health in the net amount of \$126,701, as follows:

Increase estimated revenue:		
21760-4200100000-767220	Fed – other operating grants	\$126,701
Decrease appropriations:		
21760-4200100000-525440	Professional services	29,000
21760-4200100000-527180	Operational supplies	<u>20,000</u>
	Total	49,000
Increase appropriations:		
21760-4200100000-524500	Administrative support – direct	82,289
21760-4200100000-546160	Equipment – other	<u>93,412</u>
	Total	175,701

Department of Environmental Health

The Department of Environmental Health continues to exercise fiscal prudence in line with Board budget policies. Current-year revenue and expenditures are within budget and tracking as projected through the first quarter of FY 13/14.

Riverside County Regional Medical Center General Fund Programs

Ambulatory Care – Family Care Clinics

The department anticipates meeting FY 13/14 budget targets.

Medically Indigent Services Program (MISP)

The Medically Indigent Services Program (MISP) anticipates meeting FY 13/14 budget targets.

Detention Health

The department continues to make progress in filling vacant positions to meet the needs of inmates in county correctional facilities. In addition, temporary staff are filling in as needed. The department anticipates meeting FY 13/14 budget targets, but is not anticipating a budget surplus at year-end.

The department requests Board approval to replace the current x-ray machine at the Robert Presley Detention Center (RPDC). The equipment was manufactured in 1989, has reached the end of its useful life, and is unusable at this time. Currently, inmates at RPDC requiring x-rays are transported by the Sheriff's Office to Southwest Detention Center for examinations. Sufficient appropriations were included in the budget.

Recommendation 19: *That the Board of Supervisors approve the purchase of one (1) x-ray machine for the Detention Health Services Program.*

PUBLIC ASSISTANCE**Department of Public Social Services (DPSS)**

The Department of Public Social Services closely monitored the potential impacts of the federal budget crisis. An initial analysis identified impacts on various program sources potentially resulting from a prolonged shutdown that could total over \$18 million per month. DPSS is exploring contingency options to utilize Realignment 2011 funding to temporarily mitigate such potential impacts on child welfare services programs should such measures become necessary in the future. Discussions are also taking place with the state to identify any funding that may be available to mitigate similar impacts to CalWORKs programs funded by the Temporary Assistance for Needy Families program. Lack of congressional approval of ongoing federal appropriations could also impact issuance of benefits for CalFresh/SNAP (formerly known as food stamps). The department will continue to monitor federal budget deliberations and provide further updates, as events warrant.

The department reports that the demand for Medi-Cal and CalFresh self-sufficiency program services continues to increase. The In-Home Supportive Services (IHSS) and adoptions programs 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 caseworkers and support staff. In addition, staff have also been hired to fill recent vacancies in child welfare and adult service programs to help manage caseloads.

IHSS Individual Provider (IP) hours are projected to increase 1.6 percent over prior-year levels, while IHSS contracted service hours are projected to decrease 2.3 percent. The IHSS county share is now included in the maintenance of effort agreement, and requires no additional general fund support.

The department worked diligently to prepare for the implementing the Affordable Care Act and assist residents of the county with enrollment in affordable, quality health care coverage. In June 2013, recruitment to add staff to the existing call center facility began. Initial efforts focused on shifting existing eligibility staff through internal transfers, with the remaining need filled through the recruitment of new staff. A combination of 9/80, 4/10, and 5/40 work schedules were offered to meet the call center's extended hours of operation.

Department-wide training began in August 2013 in preparation for the October 1, 2013, open enrollment period. The training included an overview of the Affordable Care Act, customer service, and training on CalHEERS, the new automated system that supports Covered California's programs.

On October 1, 2013, the department launched the new regional call center to support enrollment for Covered California health coverage and the Medi-Cal expansion. Officials project 108,000 county residents to be newly eligible for Medi-Cal, and an

estimated 181,000 eligible for health care subsidies under Covered California. The department reports that within the first two weeks it enrolled 7,908 clients for Medi-Cal, and 970 for CalHEERS.

There are many avenues for applicants and ongoing clients to access services, including in person, over the phone, online through C4Yourself, through Covered California, or through a community-based navigator, assister or broker. In addition, referrals to other programs and services for which the customer may be eligible will be integrated throughout these avenues to access health care coverage.

During the federal shutdown, the department noted the risk that county cash flow could be impacted if the department became unable to draw down federal funds that support the county's homeless shelters. The department monitored this on a daily basis during the shutdown, and will continue to monitor events moving forward as federal budget deliberations continue.

The department identified the need to increase contracted levels with two homeless shelter providers by \$150,000. Funding for the increases will come from the homeless program fund balance. On October 8, 2013, (Item 3-11), the Board approved amendments to the agreements and directed the Auditor-Controller to make the necessary budget adjustments at that time.

In addition, the department has partnered with the Economic Development Agency (EDA) to provide funding assistance for the Mecca Comfort Station, operated by the Desert Alliance for Community Empowerment (DACE). The comfort station provides restroom, shower, laundry, and parking facilities for migrant farm workers in the eastern Coachella Valley. The amount of the support provided by the department is \$106,500, and made possible by reducing contracted services by \$66,000 and use of homeless program fund balance of \$40,500. The department requests a budget adjustment to reflect reprogramming available funds.

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue and restricted fund balance for the Department of Public Social Services for a net total of \$40,500, as follows:*

Decrease appropriations:		
21300-5100600000-530360	Home/shelter services	\$66,000
Increase appropriations:		
21300-5100600000-551100	Contribution to other funds	106,500
Decrease restricted fund balance:		
21300-5100600000-321101	Restricted program money	40,500

The Public Authority (PA) has assumed responsibility for managing the IHSS call center, which previously was managed at DPSS. The call center responds to daily calls from IHSS providers on inquiries related to processing time sheets for services provided

to consumers. The call center and associated staff will be relocated to the PA facility. The department requests the following budget adjustment to cover the required building modifications necessary to accommodate the additional staff and functions. The PA is included in the IHSS maintenance of effort agreement; therefore, there is no county general fund impact.

Recommendation 21: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Public Social Services totaling \$500,000, as follows:*

Increase estimated revenue:		
22800-985101-750300	CA – public assistance administration	\$260,000
22800-985101-760000	Fed – public assistance administration	<u>240,000</u>
	Total	500,000
Increase appropriations:		
22800-985101-522310	Maintenance – building and improvement	500,000

Community Action Partnership (CAP)

The Community Action Partnership (CAP) is within its net county cost target for FY 13/14. CAP continues to work with the state to address issues identified in monitoring reports. The department will provide updates to the Executive Office as necessary.

Veterans' Services

Veterans' Services is on target to meet its FY 13/14 net county costs.

Office on Aging

Given that Congress did not approve the federal year 2014 budget by the September 30, 2013, deadline, the California Department of Aging has not received its 2014 Older Americans Act program grant and cannot make payments or advances of those federal funds. This specifically impacts the Title III, Title VII, and Nutrition Services Incentive (NSIP) programs for the area plan contract. The Office on Aging therefore anticipates higher than normal negative cash flow. as a result of Congress's failure to approve the 2014 budget on time. Consequently, the department plans to request a cash flow loan to provide necessary operating capital during the federal government shutdown.

The Office on Aging reports other revenues received were less than anticipated in the first quarter due to the state's reimbursement process, which is averaging 45-60 days to deliver payment. However, the department expects receipt of these outstanding revenues by mid-November. The department will continue to monitor carefully its revenues and expenses, as well as processing of state reimbursements. In addition, it will monitor federal activity and the impact of sequestration on the department, and will provide an update as necessary in the midyear report.

EDUCATION, RECREATION, AND CULTURE

Library

The Library requests a budget adjustment for Palm Desert Library construction costs, hiring additional branch security guards, unanticipated payment processing expenses, book purchases, bookmobile maintenance expenses, and increased salaries and benefits costs. These expenses will be offset by reimbursement of personnel costs from other EDA divisions and the decreasing restricted fund balance.

Recommendation 22: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue, and decreasing restricted fund balance for the Library totaling \$863,605, as follows:

Increase estimated revenue:		
21200-1900700000-778330	Interfund – salaries	\$300,000
Increase appropriations:		
21200-1900700000-510040	Regular salaries	287,420
21200-1900700000-510320	Temporary salaries	34,500
21200-1900700000-518100	Budgeted benefits	147,180
21200-1900700000-521500	Maintenance-motor vehicles	7,020
21200-1900700000-523620	Books/publications	50,000
21200-1900700000-525300	OASIS processing – financials	6,950
21200-1900700000-525310	OASIS processing – HRMS	3,360
21200-1900700000-525320	Security guard services	25,000
21200-1900700000-537320	Interfund expense – building improvements	<u>302,175</u>
	Total	863,605
Decrease restricted fund balance:		
21200-1900700000-321101	Restricted program money	563,605

Cooperative Extension

Cooperative Extension continues to exercise fiscal prudence in line with Board budget policies. Current-year expenditures are within budget and tracking as projected through the first quarter of FY 13/14.

INTERNAL SERVICE FUNDS

Facilities Management

Custodial Services

In the FY 12/13 midyear and third quarter budget reports, Custodial Services reported that revenue estimates were unlikely to be achieved as a result of productive hours trending low and a number of custodial staff on medical leave. At year-end, the department fully depleted available cash reserves to balance the revenue shortfall. In FY 13/14, the department is reporting another anticipated year-end budget deficit of \$1,553,224. The department is working to develop strategies for addressing the budget

concerns.

Custodial Services requests a budget adjustment to increase operating expenses associated with cleaning an additional 260,000 square feet of county facilities. Eighteen new custodian positions were recently added to perform this service. The department anticipates this will reduce its budget deficit by \$400,000 to \$500,000 through income generated by the additional work.

Recommendation 23: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Facilities Management's Custodial Services division in the amount of \$647,739, as follows:

Increase estimated revenue:		
47200-7200200000-777480	Reimbursement of cost – administrative overhead	\$647,739
Increase appropriations:		
47200-7200200000-520815	Cleaning & custodial supplies	519,739
47200-7200200000-528020	Inventory stores	<u>128,000</u>
	Total	<u>647,739</u>

Maintenance

In the FY 12/13 midyear and third quarter budget reports, Facilities Management's Maintenance division reported that revenue estimates were unlikely to be achieved as a result of productive hours trending low, the loss of redevelopment funds that covered the costs of graffiti abatement, and unfunded environmental compliance requirements. At year-end, the department used cash reserves to balance the revenue shortfall.

In FY 13/14, the department is reporting another anticipated year-end budget deficit of \$1,921,715. In addition, the graffiti abatement program is anticipated to cost \$415,000, with only \$100,000 in revenue currently identified. Funding is also needed to maintain vacant space estimated to cost \$372,000. Finally, cash reserves will be fully expended by January 2014. The department is working to develop strategies for addressing these budget concerns.

Maintenance requests a budget adjustment to increase operating expenses associated with maintaining an additional 300,000 square feet of county facilities. Seventeen new positions were recently added to perform this service. The department anticipates this will reduce its budget deficit by \$250,000 to \$350,000 through income generated by the additional work. A budget adjustment is needed to cover the costs for parts, service contracts, maintenance of fire equipment, and other small projects required for existing space.

Recommendation 24: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Facilities Management's Maintenance division in the amount of \$1,504,831, as follows:

Increase estimated revenue:		
47210-7200300000-777540	Reimbursement of salaries	\$ 119,435
47210-7200300000-777520	Reimbursement of services	<u>1,385,396</u>
	Total	1,504,831

Increase appropriations:		
47210-7200300000-521560	Maintenance – other	75,000
47210-7200300000-521680	Maintenance – underground tanks	6,000
47210-7200300000-521720	Maintenance – fire equipment	265,724
47210-7200300000-521740	Maintenance – parts	496,672
47210-7200300000-522300	Maintenance – elevators	81,000
47210-7200300000-522310	Maintenance – building & improvements	60,000
47210-7200300000-522320	Maintenance – grounds	100,000
47210-7200300000-527980	Contracts	181,000
47210-7200300000-528500	Project cost expense	119,435
47210-7200300000-528920	Car pool expense	<u>120,000</u>
	Total	1,504,831

Real Estate

Facilities Management's Real Estate division requests a budget adjustment for operating expenses associated with new leases and tenant improvements. These costs will be off-set with income from the leases and tenant improvements.

Recommendation 25: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Real Estate, in the amount of \$4,755,675, as follows:

Increase estimated revenue:		
47220-7200400000-781360	Other miscellaneous revenue	\$1,465,035
47220-7200400000-777330	Leasing services	969,189
47220-7200400000-790600	Contribution from other county funds	<u>2,321,451</u>
	Total	4,755,675

Increase appropriations:		
47220-7200400000-522410	Tenant improvements	2,944,209
47220-7200400000-526700	Rent-lease buildings	1,453,366
47220-7200400000-523230	Miscellaneous expense	<u>358,100</u>
	Total	4,755,675

Fleet Services

Fleet Services gradually continues to liquidate aged county vehicles. Between April 1 and September 30, 2013, the department retired 59 patrol and 110 general use vehicles, a total of 169 vehicles, which are now pending sale. During the same period, 132 previously retired vehicles were sold, 46 patrol and 86 general use, recovering \$146,900 from the sales. As a result, county departments saved \$125,827 in mileage charges and fuel costs during the last two quarters. Attachment D includes a table with additional detail.

The Board of Supervisors authorized the purchase of three vehicles and a related

budget increase for Animal Services on July 2, 2013, (agenda item 3.6). Fleet Services will purchase the vehicles and request reimbursement from Animal Services. Therefore, Fleet Services requests a budget adjustment to make the capital payments these vehicles.

Fleet Services also wishes to upgrade the motor pool by replacing aging vehicles. Twelve replacement vehicles were previously approved for FY 13/14. Fleet Services also wishes to replace four additional aging, high mileage cargo vans with smaller vans more appropriate for current motor pool customers. The District Attorney wishes to replace 13 vehicles in FY 13/14 for its real estate fraud division in addition to the 37 vehicles approved in the FY 13/14 adopted budget, and the Probation Department wishes to purchase four vehicles for cash using AB 109 grant funds. Fleet Services will recover the costs of these vehicles from the respective user departments.

Fleet Services is replacing the existing fuel system, integrating a new fuel system with existing fleet management software, and upgrading controllers at twelve fuel islands. This project was approved and appropriations increased for \$406,568 on February 26, 2013 (Agenda Item 3.73). However, due to delays in infrastructure upgrades, the overall project was delayed. Fleet Services requests funding be re-appropriated in FY 13/14 in order to complete the project.

Recommendation 26: That the Board 1) authorize the purchase of four (4) vehicles for the Fleet Services motor pool; and approved and authorize the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue and decreasing net assets for Fleet Services in totaling \$714,990, as follows:

Increase appropriations:		
45300-7300500000-532600	Capital lease-purchase principal	\$ 70,650
45300-7300500000-533720	Capital lease-purchase interest	8,564
45300-7300500000-535515	Amortization – vehicle	55,723
45300-7300500000-535560	Depreciation – equipment	12,500
45300-7300500000-535561	Depreciation – computer	60,985
45300-7300500000-546280	Capitalized software	406,568
45300-7300500000-546320	Vehicles – cars/light trucks	<u>100,000</u>
	Total	714,990
Increase estimated revenue:		
45300-7300500000-777620	Vehicle cost recovery	163,008
Decrease unrestricted net assets:		
45300-7300500000-380100	Unrestricted Net Assets	551,982

Riverside County Information Technology (RCIT)

RCIT is in the process of implementing several new initiatives that are expected to provide significant cost savings to the county as these initiatives are completed. To minimize the need for an initial increase in charges to user departments to fund the up-front costs of these new initiatives, the Executive Office recommends \$2.5 million dollar general fund loan to RCIT to be repaid by RCIT's savings by the end of the third fiscal year.

Recommendation 27: That, pursuant to the provisions of Government code 25252 and consistent with Resolution No. 2010-205, the Board of Supervisors approve, authorize and direct the Auditor-Controller to make a cash loan of \$2.5 million from the county general fund to the Riverside County Information Technology enterprise fund for the purpose of providing working capital during implementation of new initiatives, to be repaid by the Riverside County Information Technology department as savings from consolidation are achieved over the subsequent three fiscal years, and no later than June 30, 2017.

Occupational Health and Wellness

Occupational Health needs to increase staffing to handle additional pre-employment services driven by increased hiring. The department has a projected surplus in health services revenue and sufficient unrestricted net assets to cover these increased payroll costs.

Recommendation 28: That the Board of Supervisors 1) approve amending Ordinance No. 440 to add one (1) Office Assistant III-C position, one (1) LVN II-C position, and one (1) RN IV-C position; and 2) approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations, estimated revenue, and decreasing unrestricted net assets, as follows:

Increase estimated revenue:		
46120-1132900000-774500	Health services	\$376,460
Increase appropriations:		
46120-1132900000-510040	Regular salaries	366,666
46120-1132900000-518100	Budgeted benefits	<u>183,334</u>
	Total	550,000
Decrease unrestricted net assets:		
46120-1132900000-380100	Unrestricted net assets	173,540

SPECIAL DISTRICTS

Flood Control and Water Conservation District

The Flood Control District continues to practice fiscal prudence. Revenue and expenditures are in line through the first quarter of the approved FY13/14 budget.

Regional Parks and Open Space District

The Regional Parks and Open Space District's operating fund covers expenditures for major programs including park operations, planning, and interpretation. District management has identified several unexpected expenditures required for repairs, maintenance, and additional workload.

Parks Program

At Lake Skinner, aging sewer pump equipment needs to be replaced at a cost of

\$50,000, and the oxidation basin is due for a required 10-year maintenance at a cost of \$25,000. The park at Lake Cahuilla incurred \$2,320 in unanticipated costs for cleanup from summer flash floods. Several interpretive sites and nature centers need \$8,500 in repairs for air conditioning units, siding, and kitchen equipment.

Planning Program

The district is contracting with the county Planning Department to process plan reviews. The amount budgeted is not sufficient to cover the existing caseload, so the district requests an increase in appropriations of \$14,400, and an increase of \$28,000 for the total amount of reimbursement revenue, which was not originally budgeted.

Interpretive Program

The Sheriff's Department and the Park District have agreed to share equally the cost of hiring a temporary curator for historic preservation purposes. The district will incur the entire \$19,000 cost of the curator, and the Sheriff's Department will reimburse the district \$9,500.

Program Revenues

KaBOOM! and Dr. Pepper Snapple Group awarded the District a \$750 grant for its Let's Play program, a new revenue source for the program that was not budgeted.

Park operations has already earned 30 percent of its projected annual revenue for this fiscal year. At the end of the first quarter, revenue is approximately \$283,000 higher than the same time last year. In addition, interpretive program revenues are approximately \$16,000 higher than the same time last year. These unanticipated revenues will help offset additional expenditures requested.

Recommendation 29: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Park District in the amount of \$109,720, as follows:*

Increase appropriations:		
25400-931104-510320	Temporary salaries	\$ 19,000
25400-931104-525440	Professional services	14,400
25400-931104-521600	Maintenance – service contracts	50,000
25400-931104-521560	Maintenance – other	33,500
25400-931104-522320	Maintenance – grounds	<u>2,320</u>
	Total	119,220
Increase estimated revenue:		
25400-931104-776740	Recreation fees	80,970
25400-931104-777540	Reimbursement for salaries	9,500
25400-931104-778240	Interfund – plan check	28,000
25400-931104-781850	Grants – non-governmental agencies	<u>750</u>
	Total	119,220

The district's Off-Highway Vehicle Management fund accounts for expenses related to

the State of California Off-Highway Vehicle maintenance program. The district recently began using an outside consultant to advise on matters relating to its Off-Highway Vehicle Management program, and will utilize OHV funds for the expenditures.

Recommendation 30: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing unassigned fund balance for the Park District in the amount of \$20,000, as follows:*

Increase appropriations:		
25440-931160-525440	Professional services	\$20,000
Decrease unassigned fund balance:		
25440-931160-370100	Unassigned fund balance	20,000

The district's Hidden Valley Nature Center needs interior and exterior painting to protect against damage from the elements and prolong the life of the building.

Recommendation 31: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing committed fund balance for the Park District in the amount of \$1,500, as follows:*

Increase appropriations:		
25520-931107-521560	Maintenance – other	\$1,500
Decrease committed fund balance:		
25520-931107-330100	Committed fund balance	1,500

The District's Multi-Species Habitat Conservation Program Reserve Management fund accounts for a fully reimbursable contract with the Regional Conservation Authority (RCA) to maintain various open space land throughout the county. The RCA has approved the addition of a full-time permanent Natural Resources Specialist position to the District's program, at an annual cost of \$57,264.

Recommendation 32: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenues for the Park District in the amount of \$57,264, as follows:*

Increase appropriations:		
25590-931150-510040	Regular salaries	\$57,264
Increase estimated revenues:		
25590-931150-777540	Reimbursement for salaries	57,264

County Service Area Maintenance

On May 21, 2013, the Board of Supervisors voted to transfer responsibility for maintenance of the county service area (CSA) parks from the Economic Development Agency (EDA) to the Park District. EDA and the District have agreed that EDA will reimburse the district \$285,121 for management and park maintenance services for

November 1, 2013, through June 30, 2014. In future fiscal years, the district will invoice EDA for reimbursement of the actual cost of operations. The district has established a new special revenue fund for CSA park maintenance and operations to account for these services to the CSAs, and at this time requests approval to establish a budget for estimated revenues and appropriations for these services.

Recommendation 33: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenues for the Park District in the amount of \$285,121, as follows:

Increase estimated revenues:		
25600-931155-790600	Contribution from other county funds	\$285,121
Increase appropriations:		
25600-931155-510040	Regular salaries	219,121
25600-931155-520115	Uniforms – replacement clothing	300
25600-931155-520230	Cellular phone	200
25600-931155-526960	Small tools & instruments	6,000
25600-931155-521560	Maintenance – other	56,000
25600-931155-537080	Interfund expense – miscellaneous	<u>3,500</u>
	Total	285,121

East County DIF – Parks

The district's development impact fee (DIF) fund accounts for park-related capital improvement projects, and includes four component budget units. The district requests realigning \$600,000 in appropriations and estimated revenue from the east county budget unit to the east county trails budget unit for proper accounting purposes.

Recommendation 34: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Park District in the amount of \$600,000, as follows :

Decrease appropriations:		
33120-931123-540060	Improvements – land	\$600,000
Decrease estimated revenues:		
33120-931123-790600	Contributions from other county funds	600,000
Increase appropriations:		
33120-931125-540060	Improvements – land	600,000
Increase estimated revenues:		
33120-931125-790600	Contributions from other county funds	600,000

County Service Areas (CSAs)

County Service Area Administration requests a budget adjustment to process refunds for assessments paid for the Wildomar Landscape Maintenance District.

Recommendation 35: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA Administration totaling \$430,458, as follows:

Increase appropriations:		
23010-915202-523250	Refunds	\$427,607
23010-915202-537280	Interfund expense – miscellaneous project expense	<u>2,851</u>
	Total	430,458
Decrease restricted fund balance:		
23010-915202-321101	Restricted program money	430,458

County Service Area 36

County Service Area 36 requests a budget adjustment for increased utilities, street lighting and administrative expenses, an unanticipated special event, storage and recreation expenses, and for an agreement with the Regional Park and Open Space District for park maintenance.

Recommendation 36: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 36 in the amount of \$145,000, as follows:

Increase appropriations:		
23375-903601-523270	Special events	\$ 15,000
23375-903601-526720	Rent-lease storage	1,000
23375-903601-527700	Recreation supplies	80,000
23375-903601-527780	Special program expense	11,000
23375-903601-529530	Street lights	3,000
23375-903601-529540	Utilities	15,000
23375-903601-537080	Interfund expense – miscellaneous	<u>20,000</u>
	Total	145,000
Decrease restricted fund balance:		
23375-903601-321101	Restricted program money	145,000

County Service Area 51

County Service Area 51 requests a budget adjustment for increased costs of utilities and grounds maintenance, and to more accurately reflect revenue for water service.

Recommendation 37: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenue, and decreasing restricted fund balance for CSA 51 totaling \$250,000, as follows:

Increase appropriations:		
23525-905102-522320	Maintenance – grounds	\$ 90,000
23525-905102-529540	Utilities	<u>160,000</u>
	Total	250,000

Increase estimated revenue:		
23525-905102-777190	Domestic water service	105,000

Decrease restricted fund balance:		
23525-905102-321101	Restricted program money	145,000

County Service Area 62

County Service Area 62 requests a budget adjustment for increased cost of utilities and to more accurately reflect depreciation.

Recommendation 38: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenue, and decreasing unrestricted net assets for CSA 62 totaling \$100,576, as follows:

Increase appropriations:		
40440-906203-529540	Utilities	\$ 97,576
40440-906203-535541	Depreciation – structure	3,000
	Total	<u>100,576</u>

Increase estimated revenue:		
40440-906203-777190	Domestic water service	31,000

Decrease unrestricted net assets:		
40440-906203-380100	Unrestricted net assets	69,576

County Service Area 69

County Service Area 69 requests a budget adjustment for increased street lighting expenses.

Recommendation 39: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 69 in the amount of \$50,000, as follows:

Increase appropriations:		
23675-906901-529530	Streetlights	\$50,000

Decrease restricted fund balance:		
23675-906901-321101	Restricted program money	50,000

County Service Area 85

County Service Area 85 requests a budget adjustment for an agreement with Regional Park and Open Space District for park maintenance.

Recommendation 40: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 85 in the amount of \$25,661, as follows:

Increase appropriations:
 23850-908501-537280 Interfund expense – miscellaneous project expense \$25,661

Decrease restricted fund balance:
 23850-908501-321101 Restricted program money 25,661

County Service Area 94

County Service Area 94 requests a budget adjustment for increased street lighting expenses.

Recommendation 41: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 94 in the amount of \$1,000, as follows:*

Increase appropriations:
 24025-909401-529530 Street lights \$1,000

Decrease restricted fund balance:
 24025-909401-321101 Restricted program money 1,000

County Service Area 104

County Service Area 104 requests a budget adjustment for increased road maintenance work.

Recommendation 42: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 104 in the amount of \$150,000, as follows:*

Increase appropriations:
 24100-910401-537160 Interfund expense – road maintenance \$150,000

Decrease restricted fund balance:
 24100-910401-321101 Restricted program money 150,000

County Service Area 105

County Service Area 105 requests a budget adjustment for increased road maintenance work.

Recommendation 43: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 105 in the amount of \$100,000, as follows:*

Increase appropriations:
 24125-910501-537160 Interfund expense – road maintenance \$100,000

Decrease restricted fund balance:
 24125-910501-321101 Restricted program money 100,000

County Service Area 108

County Service Area 108 requests a budget adjustment for increased road maintenance work.

Recommendation 44: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 108 in the amount of \$55,000, as follows:*

Increase appropriations:		
24150-910801-537160	Interfund expense – road maintenance	\$55,000
Decrease restricted fund balance:		
24150-910801-321101	Restricted program money	55,000

County Service Area 115

County Service Area 115 requests a budget adjustment for increased road maintenance work.

Recommendation 45: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increase appropriations and decreasing restricted fund balance for CSA 115 in the amount of \$25,000, as follows:*

Increase appropriations:		
24200-911501-537160	Interfund expense – road maintenance	\$25,000
Decrease restricted fund balance:		
24200-911501-321101	Restricted program money	25,000

County Service Area 122

County Service Area 122 requests a budget adjustment to more accurately reflect the benefits expense and for increased street lighting and water treatment charges.

Recommendation 46: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenue, and decreasing restricted net assets for CSA 122 in the amount of \$95,917, as follows:*

Increase appropriations:		
40400-912211-518100	Budgeted benefits	\$62,417
40400-912211-522400	Maintenance – improve water	26,500
40400-912211-529530	Street lights	<u>7,000</u>
	Total	95,917
Increase estimated revenue:		
40400-912211-777190	Domestic water service	50,517
Decrease restricted net assets:		
40400-912211-313300	Restricted net assets	45,400

County Service Area 126

County Service Area 126 requests a budget adjustment for an agreement with the Regional Park and Open Space District for park maintenance.

Recommendation 47: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 126 in the amount of \$25,661, as follows:*

Increase appropriations:		
24325-912601-537280	Interfund expense – miscellaneous project expense	\$25,661
Decrease restricted fund balance:		
24325-912601-321101	Restricted program money	25,661

County Service Area 128E

County Service Area 128E requests a budget adjustment for increased road maintenance work.

Recommendation 48: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 128E in the amount of \$225,000, as follows:*

Increase appropriations:		
24350-912801-537160	Interfund expense – road maintenance	\$225,000
Decrease restricted fund balance:		
24350-912801-321101	Restricted program money	225,000

County Service Area 128W

County Service Area 128W requests a budget adjustment for increased road maintenance work.

Recommendation 49: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 128W in the amount of \$1,495, as follows:*

Increase appropriations:		
24375-912801-537160	Interfund expense – road maintenance	\$1,495
Decrease restricted fund balance:		
24375-912801-321101	Restricted program money	1,495

County Service Area 132

County Service Area 132 requests a budget adjustment for increased street lighting expenses.

Recommendation 50: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increase appropriations, estimated revenue, and decreasing restricted fund balance for CSA 132 totaling \$50,000, as follows:

Increase appropriations:		
24400-913201-529530	Street lights	\$50,000
Increase estimated revenue:		
24400-913201-781360	Other miscellaneous revenue	8,000
Decrease restricted fund balance:		
24400-913201-321101	Restricted program money	42,000

County Service Area 134

County Service Area 134 requests a budget adjustment for increased grounds maintenance and water service, unanticipated special events and recreation expenses, and an agreement with the Regional Park and Open Space District for park maintenance.

Recommendation 51: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 134 in the amount of \$323,049, as follows:

Increase appropriations:		
24425-913401-522320	Maintenance – grounds	\$ 85,000
24425-913401-523270	Special events	30,000
24425-913401-527700	Recreational supplies	9,000
24425-913401-529550	Water	85,000
24425-913401-537280	Interfund expense – miscellaneous project expense	<u>114,049</u>
	Total	323,049
Decrease restricted fund balance:		
24425-913401-321101	Restricted program money	323,049

County Service Area 143

County Service Area 143 requests a budget adjustment for unanticipated special events and recreation expenses, and for an agreement with Regional Park and Open Space District for park maintenance.

Recommendation 52: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 143 in the amount of \$142,995, as follows:

Increase appropriations:		
24550-914301-523270	Special events	\$ 30,000
24550-914301-527700	Recreational supplies	7,500
24550-914301-537280	Interfund expense – miscellaneous project expense	<u>105,495</u>
	Total	142,995

Decrease restricted fund balance:
 24550-914301-321101 Restricted program money 142,995

County Service Area 149

County Service Area 149 requests a budget adjustment for increased road maintenance work.

Recommendation 53: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 149 in the amount of \$870,000, as follows:*

Increase appropriations:
 24600-914901-537160 Interfund expense – road maintenance \$870,000

Decrease restricted fund balance:
 24600-914901-321101 Restricted program money 870,000

County Service Area 152 Parks

County Service Area 152 Parks requests a budget adjustment for an agreement with the Regional Park and Open Space District for park maintenance.

Recommendation 54: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 152Parks in the amount of \$11,405, as follows:*

Increase appropriations:
 33200-915201-537280 Interfund expense – miscellaneous project expense \$11,405

Decrease restricted fund balance:
 33200-915201-321101 Restricted program money 11,405

County Service Area 152SF

County Service Area 152SF requests a budget adjustment for increased grounds maintenance, water service and administrative expenses.

Recommendation 55: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increase appropriations and decreasing restricted fund balance for CSA 152SF totaling \$275,000, as follows:*

Increase appropriations:		
24875-915201-522320	Maintenance – grounds	\$160,000
24875-915201-529550	Water	100,000
24875-915201-537080	Interfund expense – miscellaneous	<u>15,000</u>
	Total	<u>275,000</u>

Decrease restricted fund balance:
 24875-915201-321101 Restricted program money 275,000

County Service Area 126Q

County Service Area 126Q requests a budget adjustment for increased park improvement expenses.

Recommendation 56: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increase appropriations and decreasing restricted fund balance for CSA 126Q in the amount of \$70,000, as follows:

Increase appropriations:		
32720-912601-540060	Improvements – land	\$70,000
Decrease restricted fund balance:		
32720-912601-322100	Restricted for construction/capital projects	70,000

County Service Area 152B

County Service Area 152B requests a budget adjustment for increased park improvement and grounds maintenance expenses.

Recommendation 57: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 152B in the amount of \$340,000, as follows:

Increase appropriations:		
31570-915201-522320	Maintenance – grounds	\$ 40,000
31570-915201-540060	Improvements – land	<u>300,000</u>
	Total	340,000
Decrease restricted fund balance:		
31570-915201-322100	Restricted for construction/capital projects	340,000

Attachment A Summary of Recommendations

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 approve the transfer of \$3 million to general fund unassigned fund balance for budget stabilization, as follows:*

Decrease unassigned fund balance:		
10000-1000100000-370100	Unassigned fund balance	\$3,000,000

Increase unassigned fund balance:		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	3,000,000

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for capital finance administration in the amount of \$2,579,026, as follows:*

Increase estimated revenue:		
35900-925001-778390	Interfund – rent CORAL	\$2,579,026

Increase appropriations:		
35900-925001-533040	CORAL – interest	2,579,026

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenue, and assigned fund balance in order to transfer \$1,035,596 from the capital improvement fund to the general fund budget stabilization account, as follows:*

Increase estimated revenue:		
30700-1104200000-781120	Rebates and refunds	\$1,249,429

Increase appropriations:		
30700-1104200000-551100	Contributions to county funds	1,035,596

Increase assigned fund balance:		
30700-1104200000-350200	AFB for construction/capital projects	213,833

Increase estimated revenue:		
10000-1101000000-790600	Contribution from other county funds	1,035,596

Increase unassigned fund balance:		
10000-1000100000-370106	Unassigned fund balance – budget stabilization	1,035,596

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and decreasing unassigned fund balance in the amount of \$11,000,000 for projects related to the East County Detention Center, as follows:*

10000-7200100000-771420	Housing Authority reimbursements	670,499
10000-7200100000-778200	Interfund – miscellaneous	154,412
10000-7200100000-778220	Interfund – office expenses	2,650,930
10000-7200100000-778330	Interfund – salary reimbursement	2,196,985
10000-7200100000-781360	Other miscellaneous revenue	7,000
	Total	5,680,126
Increase appropriations:		
10000-7200100000-572800	Intrafund – miscellaneous	608,259
Decrease appropriations:		
10000-7200100000-510040	Regular salaries	1,885,704
10000-7200100000-510200	Payoff permanent-seasonal	86,463
10000-7200100000-510320	Temporary salaries	78,300
10000-7200100000-515260	Unemployment insurance	49,712
10000-7200100000-517000	Workers compensation insurance	31,870
10000-7200100000-518100	Budgeted benefits	946,549
10000-7200100000-518160	Educational support program	25,000
10000-7200100000-520200	Communications	439,298
10000-7200100000-520230	Cellular phone	54,686
10000-7200100000-520250	Communication equipment installation	116,795
10000-7200100000-520260	Computer lines	568
10000-7200100000-520270	County delivery services	1,201
10000-7200100000-520320	Telephone service	92,022
10000-7200100000-520330	Communication services	18,200
10000-7200100000-520930	Insurance – liability	30,782
10000-7200100000-520945	Insurance – property	6,351
10000-7200100000-521340	Maintenance – communications equip	2,166
10000-7200100000-521540	Maintenance – office equipment	27,500
10000-7200100000-521640	Maintenance – software	1,417
10000-7200100000-522310	Maintenance – building and improvement	30,755
10000-7200100000-523100	Memberships	980
10000-7200100000-523640	Computer equip non fixed assets	12,493
10000-7200100000-523680	Office equip non fixed assets	30,898
10000-7200100000-523700	Office supplies	51,871
10000-7200100000-523760	Postage-mailing	21,672
10000-7200100000-523800	Printing/binding	389
10000-7200100000-523820	Subscriptions	500
10000-7200100000-524560	Auditing and accounting	10,084
10000-7200100000-524740	COWCAP	295,134
10000-7200100000-524820	Engineering services	327,433
10000-7200100000-525020	Legal fees	28,000
10000-7200100000-525080	Temp assist pool services	9,815
10000-7200100000-525140	Personnel services	52,600
10000-7200100000-525300	Oasis processing – financials	120,686
10000-7200100000-525310	Oasis processing – HRMS	76,895
10000-7200100000-525330	RMAP	12,400
10000-7200100000-525340	Temporary help services	5,000
10000-7200100000-525440	Professional services	196,247
10000-7200100000-526420	Advertising	2,000
10000-7200100000-526700	Rent-lease buildings	583,293
10000-7200100000-527780	Special program expense	106,367

10000-7200100000-528140	Conference-registration fees	2,000
10000-7200100000-528900	Air transportation	1,092
10000-7200100000-528920	Car pool expense	86,891
10000-7200100000-529040	Private mileage reimbursement	8,846
10000-7200100000-536920	Interfund expense-general office expense	25,000
10000-7200100000-537080	Interfund – miscellaneous	4,475
10000-7200100000-537180	Interfund expense – salary reimbursement	105,967
10000-7200100000-573900	Intrafund – payroll distribution	<u>92,009</u>
	Total	6,196,376

Recommendation 9: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Energy in the amount of \$3,663,230, as follows:

Increase estimated revenue:		
10000-7200600000-778350	Interfund – utilities	\$3,663,230
Increase appropriations:		
10000-7200600000-529500	Electricity	2,480,470
10000-7200600000-529510	Heating fuel	346,010
10000-7200600000-529520	Sewer system	533,980
10000-7200600000-529550	Water	<u>302,770</u>
	Total	3,663,230

Recommendation 10: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Aviation in the amount of \$30,721, as follows:

Increase estimated revenue:		
22100-1910700000-741500	Temporary use lease	\$30,721
Increase appropriations:		
22100-1910700000-510040	Regular salaries	6,696
22100-1910700000-523270	Special events	2,025
22100-1910700000-542080	Improvements – leasehold buildings	<u>22,000</u>
	Total	30,721

Recommendation 11: That the Board of Supervisors approve and direct: 1) Purchasing Agent to purchase 13 vehicles; and, 2) the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the District Attorney totaling \$91,400, as follows:

Increase estimated revenue:		
10000-2200100000-777050	Real estate fraud prosecution	\$91,400
Increase appropriations:		
10000-2200100000-521500	Maintenance motor vehicles	32,000
10000-2200100000-521580	Maintenance – radio electric equipment	5,400
10000-2200100000-528920	Carpool expense	<u>54,000</u>
	Total	91,400

Recommendation 12: That the Board of Supervisors approve amending Ordinance No. 440 to 1) add one (1) senior probation officer and two (2) office assistants III; and, 2) delete two (2) office assistant II positions.

Recommendation 13: That the Board of Supervisors approve and direct 1) the Purchasing Agent to purchase four (4) vehicles; and 2) the Auditor-Controller to make adjustments to appropriations for the Probation Department totaling \$100,000, as follows:

Decrease appropriations:		
10000-2600200000-510040	Regular salaries	\$100,000
Increase appropriations:		
10000-2600200000-528920	Carpool expense	100,000

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Department of Animal Services totaling \$106,000, as follows:

Decrease appropriations:		
10000-4200600000-522310	Maintenance – building and improvement	\$106,000
Increase appropriations:		
10000-4200600000-537040	Interfund expense maintenance	106,000

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Animal Services totaling \$115,000, as follows:

Increase estimated revenue:		
10000-4200600000-790500	Operating transfer in	\$115,000
Increase appropriations:		
10000-4200600000-528920	Carpool expense	100,000
10000-4200600000-546160	Equipment other	15,000

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and decreasing restricted fund balance for the Survey Department in the amount of \$85,000, as follows:

Increase appropriations:		
20260-3130200000-546160	Equipment – other	\$85,000
Decrease restricted fund balance:		
20260-3130200000-321101	Restricted program money	85,000

Recommendation 17: That the Board of Supervisors 1) approve the purchase of one (1) utility van; and, 2) approve and direct the Auditor-Controller to make budget

adjustments increasing appropriations and estimated revenue for the Department of Public Health by a net total of \$37,478, as follows:

Decrease estimated revenue:		
10000-4200100000-751680	CA – state grant revenue	\$625,000
Increase estimated revenue		
10000-4200100000-754000	CA – Tobacco Tax Prop 10	5,131
10000-4200100000-754010	CA – Tobacco Tax Prop 99	32,347
10000-4200100000-767220	Fed – Other operating grants	<u>625,000</u>
	Total	<u>662,478</u>
Increase appropriations:		
10000-4200100000-510040	Regular salaries	21,500
10000-4200100000-518100	Budgeted benefits	9,478
10000-4200100000-523100	Memberships	1,000
10000-4200100000-525320	Security guard service	500
10000-4200100000-526420	Advertising	2,500
10000-4200100000-528920	Car pool expense	1,000
10000-4200100000-528960	Lodging	500
10000-4200100000-529040	Private mileage reimbursement	<u>1,000</u>
	Total	<u>37,478</u>

Recommendation 18: *That the Board of Supervisors 1) approve purchase of two (2) electric pallet stackers; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Public Health in the net amount of \$126,701, as follows:*

Increase estimated revenue:		
21760-4200100000-767220	Fed – other operating grants	\$126,701
Decrease appropriations:		
21760-4200100000-525440	Professional services	29,000
21760-4200100000-527180	Operational supplies	<u>20,000</u>
	Total	49,000
Increase appropriations:		
21760-4200100000-524500	Administrative support – direct	82,289
21760-4200100000-546160	Equipment – other	<u>93,412</u>
	Total	175,701

Recommendation 19: *That the Board of Supervisors approve the purchase of one (1) x-ray machine for the Detention Health Services Program.*

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue and restricted fund balance for the Department of Public Social Services for a net total of \$40,500, as follows:*

Decrease appropriations:		
21300-5100600000-530360	Home/shelter services	\$66,000

Increase appropriations:		
21300-5100600000-551100	Contribution to other funds	106,500

Decrease restricted fund balance:		
21300-5100600000-321101	Restricted program money	40,500

Recommendation 21: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Public Social Services totaling \$500,000, as follows:

Increase estimated revenue:		
22800-985101-750300	CA – public assistance administration	\$260,000
22800-985101-760000	Fed – public assistance administration	<u>240,000</u>
	Total	500,000

Increase appropriations:		
22800-985101-522310	Maintenance – building and improvement	500,000

Recommendation 22: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue, and decreasing restricted fund balance for the Library totaling \$863,605, as follows:

Increase estimated revenue:		
21200-1900700000-778330	Interfund – salaries	\$300,000

Increase appropriations:		
21200-1900700000-510040	Regular salaries	287,420
21200-1900700000-510320	Temporary salaries	34,500
21200-1900700000-518100	Budgeted benefits	147,180
21200-1900700000-521500	Maintenance-motor vehicles	7,020
21200-1900700000-523620	Books/publications	50,000
21200-1900700000-525300	OASIS processing – financials	6,950
21200-1900700000-525310	OASIS processing – HRMS	3,360
21200-1900700000-525320	Security guard services	25,000
21200-1900700000-537320	Interfund expense – building improvements	<u>302,175</u>
	Total	863,605

Decrease restricted fund balance:		
21200-1900700000-321101	Restricted program money	563,605

Recommendation 23: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Facilities Management's Custodial Services division in the amount of \$647,739, as follows:

Increase estimated revenue:		
47200-7200200000-777480	Reimbursement of cost – administrative overhead	\$647,739

Increase appropriations:		
47200-7200200000-520815	Cleaning & custodial supplies	519,739
47200-7200200000-528020	Inventory stores	<u>128,000</u>

Total 647,739

Recommendation 24: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Facilities Management's Maintenance division in the amount of \$1,504,831, as follows:

Increase estimated revenue:		
47210-7200300000-777540	Reimbursement of salaries	\$ 119,435
47210-7200300000-777520	Reimbursement of services	1,385,396
	Total	<u>1,504,831</u>

Increase appropriations:		
47210-7200300000-521560	Maintenance – other	75,000
47210-7200300000-521680	Maintenance – underground tanks	6,000
47210-7200300000-521720	Maintenance – fire equipment	265,724
47210-7200300000-521740	Maintenance – parts	496,672
47210-7200300000-522300	Maintenance – elevators	81,000
47210-7200300000-522310	Maintenance – building & improvements	60,000
47210-7200300000-522320	Maintenance – grounds	100,000
47210-7200300000-527980	Contracts	181,000
47210-7200300000-528500	Project cost expense	119,435
47210-7200300000-528920	Car pool expense	120,000
	Total	<u>1,504,831</u>

Recommendation 25: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Real Estate, in the amount of \$4,755,675, as follows:

Increase estimated revenue:		
47220-7200400000-781360	Other miscellaneous revenue	\$1,465,035
47220-7200400000-777330	Leasing services	969,189
47220-7200400000-790600	Contribution from other county funds	<u>2,321,451</u>
	Total	4,755,675

Increase appropriations:		
47220-7200400000-522410	Tenant improvements	2,944,209
47220-7200400000-526700	Rent-lease buildings	1,453,366
47220-7200400000-523230	Miscellaneous expense	<u>358,100</u>
	Total	4,755,675

Recommendation 26: That the Board 1) authorize the purchase of four (4) vehicles for the Fleet Services motor pool; and approved and authorize the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue and decreasing net assets for Fleet Services in totaling \$714,990, as follows:

Increase appropriations:		
45300-7300500000-532600	Capital lease-purchase principal	\$ 70,650
45300-7300500000-533720	Capital lease-purchase interest	8,564
45300-7300500000-535515	Amortization – vehicle	55,723
45300-7300500000-535560	Depreciation – equipment	12,500

45300-7300500000-535561	Depreciation – computer	60,985
45300-7300500000-546280	Capitalized software	406,568
45300-7300500000-546320	Vehicles – cars/light trucks	<u>100,000</u>
	Total	714,990
Increase estimated revenue:		
45300-7300500000-777620	Vehicle cost recovery	163,008
Decrease unrestricted net assets:		
45300-7300500000-380100	Unrestricted Net Assets	551,982

Recommendation 27: That, pursuant to the provisions of Government code 25252 and consistent with Resolution No. 2010-205, the Board of Supervisors approve, authorize and direct the Auditor-Controller to make a cash loan of \$2.5 million from the county general fund to the Riverside County Information Technology enterprise fund for the purpose of providing working capital during implementation of new initiatives, to be repaid by the Riverside County Information Technology department as savings from consolidation are achieved over the subsequent three fiscal years, and no later than June 30, 2017.

Recommendation 28: That the Board of Supervisors 1) approve amending Ordinance No. 440 to add one (1) Office Assistant III-C position, one (1) LVN II-C position, and one (1) RN IV-C position; and 2) approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations, estimated revenue, and decreasing unrestricted net assets, as follows:

Increase estimated revenue:		
46120-1132900000-774500	Health services	\$376,460
Increase appropriations:		
46120-1132900000-510040	Regular salaries	366,666
46120-1132900000-518100	Budgeted benefits	<u>183,334</u>
	Total	550,000
Decrease unrestricted net assets:		
46120-1132900000-380100	Unrestricted net assets	173,540

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Park District in the amount of \$109,720, as follows:

Increase appropriations:		
25400-931104-510320	Temporary salaries	\$ 19,000
25400-931104-525440	Professional services	14,400
25400-931104-521600	Maintenance – service contracts	50,000
25400-931104-521560	Maintenance – other	33,500
25400-931104-522320	Maintenance – grounds	<u>2,320</u>
		119,220
Increase estimated revenue:		
25400-931104-776740	Recreation fees	80,970

25400-931104-777540	Reimbursement for salaries	9,500
25400-931104-778240	Interfund – plan check	28,000
25400-931104-781850	Grants – non-governmental agencies	750
	Total	<u>119,220</u>

Recommendation 30: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing unassigned fund balance for the Park District in the amount of \$20,000, as follows:

Increase appropriations:		
25440-931160-525440	Professional services	\$20,000
Decrease unassigned fund balance:		
25440-931160-370100	Unassigned fund balance	20,000

Recommendation 31: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing committed fund balance for the Park District in the amount of \$1,500, as follows:

Increase appropriations:		
25520-931107-521560	Maintenance – other	\$1,500
Decrease committed fund balance:		
25520-931107-330100	Committed fund balance	1,500

Recommendation 32: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenues for the Park District in the amount of \$57,264, as follows:

Increase appropriations:		
25590-931150-510040	Regular salaries	\$57,264
Increase estimated revenues:		
25590-931150-777540	Reimbursement for salaries	57,264

Recommendation 33: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenues for the Park District in the amount of \$285,121, as follows:

Increase estimated revenues:		
25600-931155-790600	Contribution from other county funds	\$285,121
Increase appropriations:		
25600-931155-510040	Regular salaries	219,121
25600-931155-520115	Uniforms – replacement clothing	300
25600-931155-520230	Cellular phone	200
25600-931155-526960	Small tools & instruments	6,000
25600-931155-521560	Maintenance – other	56,000
25600-931155-537080	Interfund expense – miscellaneous	<u>3,500</u>
	Total	<u>285,121</u>

Recommendation 34: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Park District in the amount of \$600,000, as follows :

Decrease appropriations:		
33120-931123-540060	Improvements – land	\$600,000
Decrease estimated revenues:		
33120-931123-790600	Contributions from other county funds	600,000
Increase appropriations:		
33120-931125-540060	Improvements – land	600,000
Increase estimated revenues:		
33120-931125-790600	Contributions from other county funds	600,000

Recommendation 35: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA Administration totaling \$430,458, as follows:

Increase appropriations:		
23010-915202-523250	Refunds	\$427,607
23010-915202-537280	Interfund expense – miscellaneous project expense	<u>2,851</u>
	Total	430,458
Decrease restricted fund balance:		
23010-915202-321101	Restricted program money	430,458

Recommendation 36: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 36 in the amount of \$145,000, as follows:

Increase appropriations:		
23375-903601-523270	Special events	\$ 15,000
23375-903601-526720	Rent-lease storage	1,000
23375-903601-527700	Recreation supplies	80,000
23375-903601-527780	Special program expense	11,000
23375-903601-529530	Street lights	3,000
23375-903601-529540	Utilities	15,000
23375-903601-537080	Interfund expense – miscellaneous	<u>20,000</u>
	Total	145,000

Decrease restricted fund balance:		
23375-903601-321101	Restricted program money	145,000

Recommendation 37: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenue, and decreasing restricted fund balance for CSA 51 totaling \$250,000, as follows:

Increase appropriations:		
23525-905102-522320	Maintenance – grounds	\$ 90,000

23525-905102-529540	Utilities	<u>160,000</u>
	Total	250,000

Increase estimated revenue:		
23525-905102-777190	Domestic water service	105,000

Decrease restricted fund balance:		
23525-905102-321101	Restricted program money	145,000

Recommendation 38: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenue, and decreasing unrestricted net assets for CSA 62 totaling \$100,576, as follows:

Increase appropriations:		
40440-906203-529540	Utilities	\$ 97,576
40440-906203-535541	Depreciation – structure	<u>3,000</u>
	Total	100,576

Increase estimated revenue:		
40440-906203-777190	Domestic water service	31,000

Decrease unrestricted net assets:		
40440-906203-380100	Unrestricted net assets	69,576

Recommendation 39: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 69 in the amount of \$50,000, as follows:

Increase appropriations:		
23675-906901-529530	Streetlights	\$50,000

Decrease restricted fund balance:		
23675-906901-321101	Restricted program money	50,000

Recommendation 40: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 85 in the amount of \$25,661, as follows:

Increase appropriations:		
23850-908501-537280	Interfund expense – miscellaneous project expense	\$25,661

Decrease restricted fund balance:		
23850-908501-321101	Restricted program money	25,661

Recommendation 41: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 94 in the amount of \$1,000, as follows:

Increase appropriations:		
24025-909401-529530	Street lights	\$1,000

40400-912211-522400	Maintenance – improve water	26,500
40400-912211-529530	Street lights	<u>7,000</u>
	Total	95,917

Increase estimated revenue:		
40400-912211-777190	Domestic water service	50,517

Decrease restricted net assets:		
40400-912211-313300	Restricted net assets	45,400

Recommendation 47: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 126 in the amount of \$25,661, as follows:

Increase appropriations:		
24325-912601-537280	Interfund expense – miscellaneous project expense	\$25,661

Decrease restricted fund balance:		
24325-912601-321101	Restricted program money	25,661

Recommendation 48: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 128E in the amount of \$225,000, as follows:

Increase appropriations:		
24350-912801-537160	Interfund expense – road maintenance	\$225,000

Decrease restricted fund balance:		
24350-912801-321101	Restricted program money	225,000

Recommendation 49: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 128W in the amount of \$1,495, as follows:

Increase appropriations:		
24375-912801-537160	Interfund expense – road maintenance	\$1,495

Decrease restricted fund balance:		
24375-912801-321101	Restricted program money	1,495

Recommendation 50: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increase appropriations, estimated revenue, and decreasing restricted fund balance for CSA 132 totaling \$50,000, as follows:

Increase appropriations:		
24400-913201-529530	Street lights	\$50,000

Increase estimated revenue:		
24400-913201-781360	Other miscellaneous revenue	8,000

Decrease restricted fund balance:
24400-913201-321101 Restricted program money 42,000

Recommendation 51: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 134 in the amount of \$323,049, as follows:

Increase appropriations:
24425-913401-522320 Maintenance – grounds \$ 85,000
24425-913401-523270 Special events 30,000
24425-913401-527700 Recreational supplies 9,000
24425-913401-529550 Water 85,000
24425-913401-537280 Interfund expense – miscellaneous project expense 114,049
 Total 323,049

Decrease restricted fund balance:
24425-913401-321101 Restricted program money 323,049

Recommendation 52: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 143 in the amount of \$142,995, as follows:

Increase appropriations:
24550-914301-523270 Special events \$ 30,000
24550-914301-527700 Recreational supplies 7,500
24550-914301-537280 Interfund expense – miscellaneous project expense 105,495
 Total 142,995

Decrease restricted fund balance:
24550-914301-321101 Restricted program money 142,995

Recommendation 53: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 149 in the amount of \$870,000, as follows:

Increase appropriations:
24600-914901-537160 Interfund expense – road maintenance \$870,000

Decrease restricted fund balance:
24600-914901-321101 Restricted program money 870,000

Recommendation 54: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 152 Parks in the amount of \$11,405, as follows:

Increase appropriations:
33200-915201-537280 Interfund expense – miscellaneous project expense \$11,405

Decrease restricted fund balance:		
33200-915201-321101	Restricted program money	11,405

Recommendation 55: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increase appropriations and decreasing restricted fund balance for CSA 152SF totaling \$275,000, as follows:*

Increase appropriations:		
24875-915201-522320	Maintenance – grounds	\$160,000
24875-915201-529550	Water	100,000
24875-915201-537080	Interfund expense – miscellaneous	<u>15,000</u>
	Total	275,000

Decrease restricted fund balance:		
24875-915201-321101	Restricted program money	275,000

Recommendation 56: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increase appropriations and decreasing restricted fund balance for CSA 126Q in the amount of \$70,000, as follows:*

Increase appropriations:		
32720-912601-540060	Improvements – land	\$70,000

Decrease restricted fund balance:		
32720-912601-322100	Restricted for construction/capital projects	70,000

Recommendation 57: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and decreasing restricted fund balance for CSA 152B in the amount of \$340,000, as follows:*

Increase appropriations:		
31570-915201-522320	Maintenance – grounds	\$ 40,000
31570-915201-540060	Improvements – land	<u>300,000</u>
	Total	340,000

Decrease restricted fund balance:		
31570-915201-322100	Restricted for construction/capital projects	340,000

Attachment B Resolution No. 440-8949 Amending Ordinance No. 440

Resolution No. 440-8949

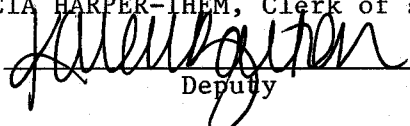
BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on November 5, 2013, that pursuant to Section 4(a)(ii) of Ordinance No. 440, the Executive Office is authorized to make the following listed change(s), operative on the date of approval, as follows:

<u>Job code</u>	<u>+/-</u>	<u>Department ID</u>	<u>Class Title</u>	<u>Type</u>
13873	+1	1132900000	Office Assistant III-C	Regular
57750	+1	1132900000	LVN II-C	Regular
73994	+1	1132900000	RN IV-C	Regular
79533	+1	2600200000	Senior Probation Officer	Regular
13866	+2	2600100000	Office Assistant III	Regular
13865	-2	2600100000	Office Assistant II	Regular

ROLL CALL:

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

The foregoing is certified to be a true copy of a resolution duly adopted by said Board of Supervisors on the date therein set forth.

KECIA HARPER-IHEM, Clerk of said Board
 By  Deputy

Attachment C Sales and Use Tax Update

Q2



Riverside County Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

Riverside County In Brief

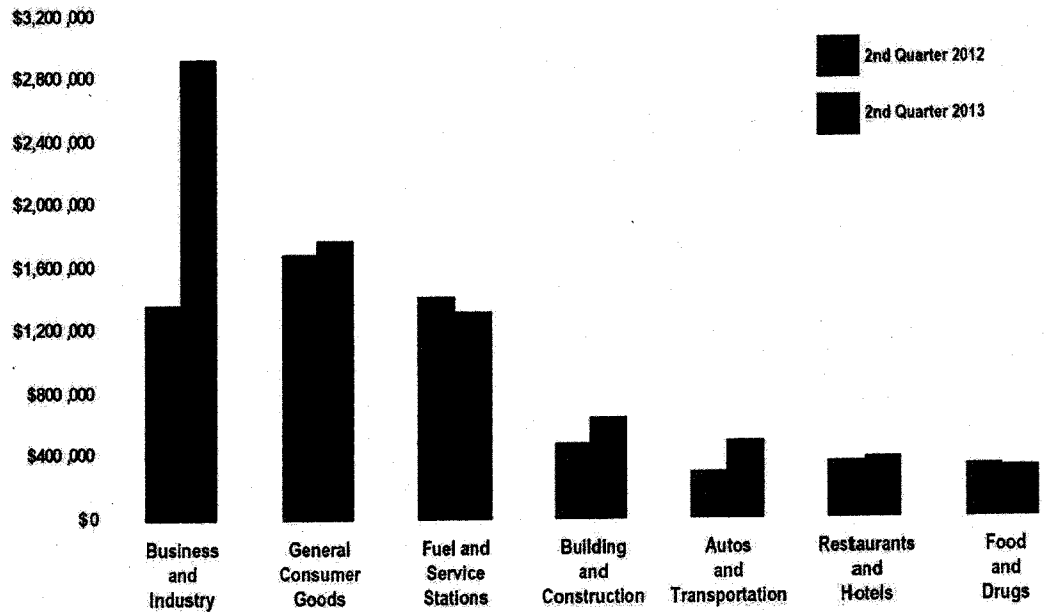
Receipts from second quarter sales jumped 29.7%, compared to the like quarter a year earlier, but one-time reporting aberrations skewed the data. Excluding anomalies, actual sales rose a robust 20.3%.

Most industry groups showed increases but business and industry, autos and transportation, building and construction, and general consumer goods results excelled. One-time use tax from a tentative energy project created most of the business and industry gain though garden/agricultural supplies and light industrial receipts were also up. Back quarter payment adjustments inflated the autos and transportation comparison. Contractor sales and results from lumber and building materials suppliers were behind the building and construction gain. Strong use tax collections and point of sale receipts led to a 15% increase in the county's allocation from the countywide use tax pool.

Food and drugs proceeds eased but the drop was mainly due to temporary accounting adjustments. Fuel and service stations totals reflected lower prices at the pump and reporting aberrations that temporarily cut amounts this year.

Net of payment adjustments, all of Riverside County was up 7.3%; statewide sales grew 5.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco Travel Zone Center	Morongo Shell
Blackgold Operations	Nike
California Trustrame	Penske Truck Leasing
Circle K	Pilot Travel Center
Coach	Prada
Desert Sunlight	Ralph Lauren
Dos Lagos Arco	RDO Equipment
Genesis Solar	Russell Sigler
Gucci	South Coast Winery
High Grove	Spates Fabricators
Chevron	Stater Bros
McMahons RV	Vans
Mecca Travel Center	Vons Fuel
Subway	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$5,977,219	\$7,860,869
County Pool	710,531	816,862
State Pool	5,998	5,400
Gross Receipts	\$6,693,748	\$8,683,130
Less Triple Flip*	\$(1,673,437)	\$(2,170,783)

*Reimbursed from county compensation fund

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

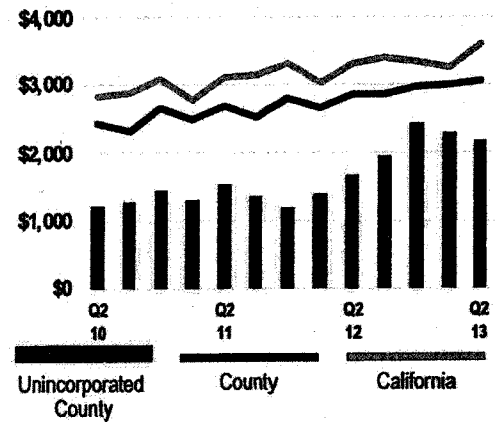
Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

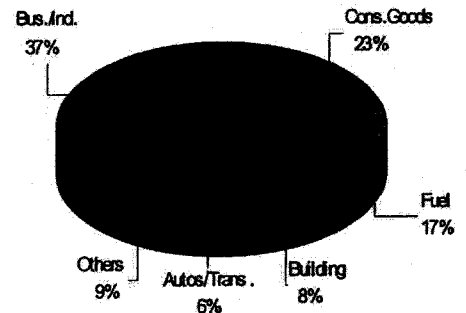
Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Riverside County This Quarter



RIVERSIDE COUNTY TOP 15 BUSINESS TYPES

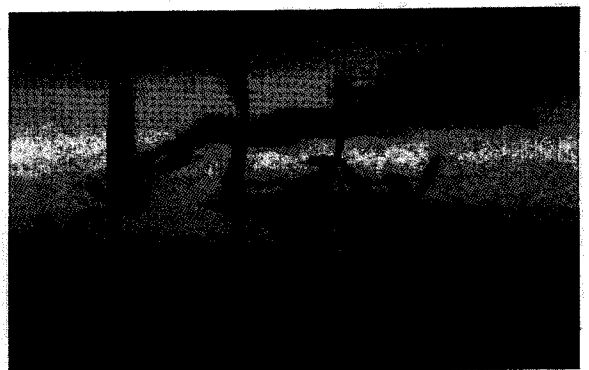
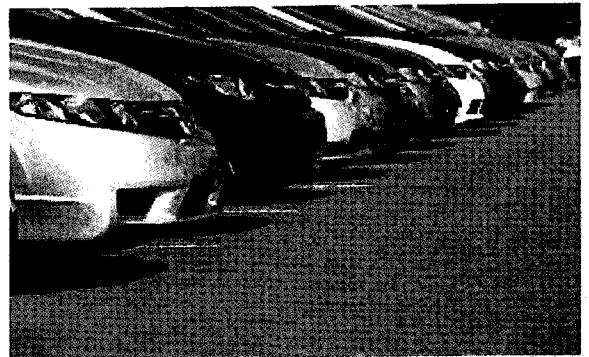
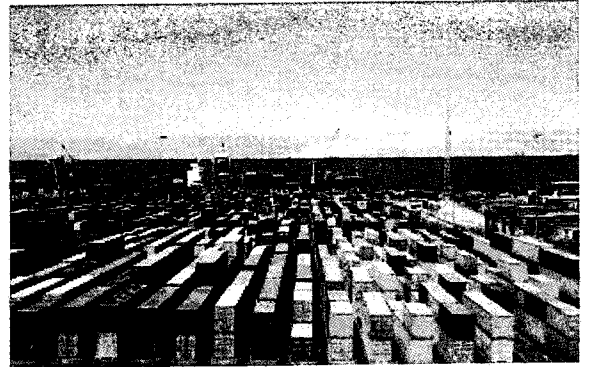
Business Type	Unincorporated County		County		Hdl. State	
	Q2 '13*	Change	Change	Change		
Contractors	455.7	33.5%	16.7%	5.3%		
Energy/Utilities	2,160.6	258.7%	211.0%	30.0%		
Family Apparel	673.2	-4.9%	1.1%	4.7%		
Garden/Agricultural Supplies	96.4	22.5%	18.8%	14.7%		
Grocery Stores Liquor	138.5	-11.4%	3.4%	2.7%		
Lumber/Building Materials	105.3	51.4%	-9.1%	-4.6%		
Restaurants No Alcohol	222.3	-2.3%	4.8%	5.9%		
Service Stations	1,292.1	-8.2%	-6.4%	-5.7%		
Shoe Stores	227.3	26.6%	44.1%	39.6%		
Specialty Stores	175.6	12.6%	0.4%	5.3%		
Trailers/RVs	130.1	19.7%	26.5%	24.3%		
Transportation/Rentals	240.0	650.1%	82.2%	40.5%		
Warehouse/Farm/Const. Equip.	92.8	-20.0%	10.7%	8.2%		
Wineries	226.3	28.6%	10.7%	8.9%		
Women's Apparel	407.0	8.5%	1.9%	2.9%		
Total All Accounts	\$7,860.9	31.5%	7.1%	7.0%		
County & State Pool Allocation	822.3	14.8%				
Gross Receipts	\$8,683.1	29.7%		<i>*In thousands</i>		

October 2013

California Forecast: Sales Tax Trends and Economic Drivers

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

30
Years
Dedicated Service
Since 1983



2013-14 2014-15

5.0%

Years of pent-up demand, low interest rates, easy credit and new technology packed, fuel efficient models are expected to make 2013 the highest sales year for autos since 2007. However, sales are expected to plateau toward the last half of the fiscal year and return to more normal growth levels as the initial backlog is satisfied.

5.0%

Permit activity suggests that many parts of the state are in the early stages of a housing recovery with remodeling and construction activity for single family and multi-family units accelerating at a pace last seen in 2008. However, gains spurred by an increase in household formations, declining unemployment and rising personal income may be tempered by tightened credit and/or rising mortgage interest rates.

2.5%

The ratio between new orders for capital equipment and inventories has returned to pre-recession ranges suggesting that the post-recession "growth spurt" has passed and expansion going forward will be tepid. Many companies are converting to tax free cloud services rather than investing in new hardware and equipment. Construction of alternative and renewable energy is expected to continue through 2015 though the rate of new project starts may slow.

2.5%

Large drug store chains continue to expand their range of goods and anticipate increased traffic by adding health care clinics and lab services to accommodate new demand created by the Affordable Care Act. Competitive pressures on traditional grocers will continue with the introduction of new specialty food concepts, expanded food offerings by non-grocer discount retailers and by the resurgence of on-line order/home delivery services.

-2.0%

Increased fuel efficiency, conversions of fleets to natural gas and changing demographic preferences are rapidly reducing gasoline consumption despite population growth. Prices are also experiencing downward pressure due to the seasonal shift to winter fuel blends, and booming domestic oil production. California typically has higher prices than the rest of the nation because of a limited number of refineries and a closed distribution system, leaving it more vulnerable to supply disruptions and price surges.

3.0%

Consumer confidence in the recovery remains high despite rising uncertainty related to federal fiscal maneuvers. If Congressional brinkmanship is short-lived, stock market gains should help sustain an increase in luxury consumer spending into next year while increased debt from the purchase of homes and new cars is expected to keep gains in middle income spending at more moderate levels. A job recovery that consists primarily of part-time and minimum wage jobs is expected to produce little sales growth from lower income purchasers.

5.0%

As the economy improves and people begin to travel more, hotel occupancy rates are increasing and average daily rates at hotels and tourism-related spending are on the rise. The growth in Chinese tourism to the California market has increased almost 900% since 2003. In the restaurant segment, growth appears to be primarily in quick-service and fine dining categories while the middle-priced casual dining segment continues to report losses or very moderate gains.

6.0%

Sales at Amazon and other out-of-state internet retailers that began collecting taxes in September 2012 have boosted countywide pool allocations. In state retailers are also adding to pool totals as they add emphasis to Internet offerings supplied from distribution centers outside California. Private automobile sales, equipment leases and out-of-state purchases of business equipment and supplies are also adding to pool gains.

3.3%

The Proposition 172 growth projection is 4.4% for Fiscal Year 2013-14. This factor varies from HdL's Bradley-Burns growth forecast due to differing collection periods and comparisons to prior year data that include onetime payment aberrations. Urges caution in basing projections on current or prior year actuals until the state has clearly explained the variances.



2013-14 2014-15

4.1%

The U.S. economy posted a modest 2.5% increase in Real GDP during the second quarter of 2013. The expansion was forecast to continue into the third quarter, but may be slowed by headwinds emanating from Washington D.C. Beacon Economics expects the economy to grow during the first two quarters of fiscal 2013-14 despite the ongoing negotiations in the Capitol, though acceleration in growth will likely only begin to express itself in early 2014.

6.8%

Job growth continued during the first two months of the fiscal year. Through August, the U.S. added back over 6.8 million of the roughly 8.7 million jobs lost during the Great Recession. The unemployment rate has already dipped to 7.3%—down from its peak of 10.0% in October 2009. Unemployment is expected to continue to fall as the economy gradually adjusts to fiscal policy changes, but the coming fiscal year will see the unemployment rate remain above 7%.

2.6%

Nonfarm employment growth in California continues to move forward, albeit at a slower pace. Through August, California regained more than 826,000 jobs since hitting bottom in February 2010. Virtually every major sector has added jobs over the past year with the exception of Government and Manufacturing, and every major region saw job growth over the past 12 months. As the economy adjusts to higher taxes and lower government spending, the current forecast calls for growth to accelerate to over 2%.

7.7%

At 8.9%, California's unemployment rate has maintained a sub-9% rate over the past four months. The monthly figures on labor force participation remain volatile, but the trend shows that the rate has declined despite the upward pressure of rising numbers of Californians looking for work. As nonfarm employment growth begins to pick up, Beacon Economics expects the unemployment rate to drop, dipping below 8.5% by the end of 2013 and into the mid-7% range by 2014/15.

0.8%

In recent years, population growth in California has dipped below 1% annually. In part, the lackluster growth is a function of a weak economy as net migration tends to be cyclical. However, it is also a function of slower natural population increase. As the population ages and as fertility rates have declined, so too has the amount of population growth coming from new births net of deaths. Although the cyclical effects of the Great Recession should begin to moderate, slower natural population increases are expected to drive sub-1% population growth in coming years.

\$ 416,275

Despite a relatively strong uptick in new construction activity, housing inventory remains at just 3.1 months of supply. As such, home price growth has continued to be robust, with median sales prices up 28.5% on a year over year basis in August. This growth comes despite the fact that mortgage lending at commercial banks remains muted, keeping demand below where it would otherwise be. Expect continued double digit growth this fiscal year before price appreciation moderates back toward historical averages in subsequent years.

123,000

Tight housing inventories combined with a low housing vacancy rate, rising prices and a gradually improving economy have continued to stimulate building activity throughout the state's major metropolitan areas. Through August, there were over 52,000 new residential permits issued in California. Given the surge in renter households in the wake of the foreclosure crisis, multi-family construction continues to form a larger portion of new residential units than the single-family market. Although population growth has slowed in recent years, we continue to add new residents, which exacerbate an already-low housing vacancy rate and should keep permit growth robust over the next two years.



HdL Companies

1340 Valley Vista Drive, Suite 200

Diamond Bar, California 91765

Telephone: 909.861.4335 • 888.861.0220

Fax: 909.861.7726

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.



"Good information leads to good decisions."



BEACON ECONOMICS

SOUTHERN CALIFORNIA OFFICE

5777 West Century Boulevard, Suite 895

Los Angeles, California 90045

Telephone: 310.571.3399

Fax: 424.646.4660

E-Fax: 888.821.4647

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.

Attachment D Quarterly Fleet Vehicle Report

Units Sold by Departments for Period 4/1/2013 to 9/30/2013	
Name	Total
AGRICULTURAL COMMISSIONER	2
BOARD OF SUPERVISORS	1
BUILDING AND SAFETY	1
COUNTY FARM DISPATCH	3
DEPT OF CHILD SUPPORT SERVICES	3
DISTRICT ATTORNEY	6
DPSS	13
EDA-ADMINISTRATION	3
INFORMATION TECHNOLOGY	2
MENTAL HEALTH	3
PROBATION	2
PUBLIC DEFENDER	1
PURCHASING AND FLEET SERVICES	1
RCRM	1
RIDESHARE VEHICLES	4
RIVERSIDE DISPATCH	1
RUBIDOUX DISPATCH	9
SHERIFF	71
TRANSPORTATION	5
Grand Total	132
Units Pending Sale by Departments for Period 4/1/2013 to 9/30/2013	
Name	Total
COMMUNITY HEALTH AGENCY	1
DISTRICT ATTORNEY	4
MENTAL HEALTH	1
PROBATION	3

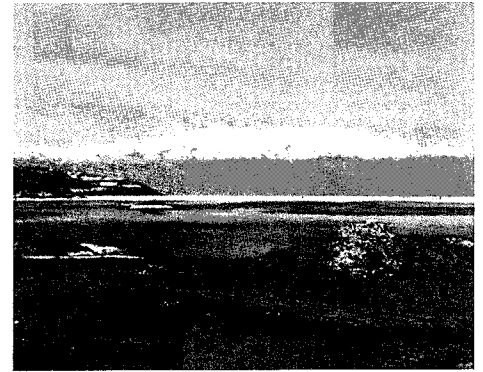
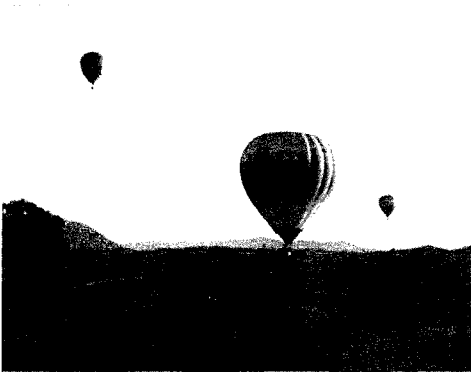
RIDESHARE VEHICLES	2
RIVERSIDE DISPATCH	1
RUBIDOUX DISPATCH	1
SHERIFF	22
TLMA CODE ENFORCEMENT	1
TRANSPORTATION	1
Grand Total	37

Attachment E Beacon Economics Report



A Revenue Forecast

COUNTY OF RIVERSIDE, OCTOBER 2013



BEACON ECONOMICS

This publication was prepared by:

Beacon Economics, LLC



BEACON ECONOMICS

Christopher Thornberg, Ph.D.
Founding Partner
310.571.3399
Chris@BeaconEcon.com

Jordan G. Levine
Economist & Director of Economic Research
424.646.4652
Jordan@BeaconEcon.com

And by:

Eric Meux
Senior Research Associate
424.646.4662
Eric@BeaconEcon.com

For further information about Beacon Economics, please contact:

Victoria Pike Bond
Director of Communications
415.457.6030
Victoria@BeaconEcon.com

Or visit our website at www.BeaconEcon.com.

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Introduction

Beacon Economics, LLC has undertaken a forecast of the assessed valuation and property tax, sales and use taxes, Proposition 172 revenues, and real property transfer tax revenues in the County of Riverside over the next five years.

As in previous editions, the forecast presented here uses standard time-series econometric techniques based on historical correlations and future trends. Beacon Economics' approach to forecasting follows a layered approach. National policy changes and external shocks are built into a U.S. model with a variety of indicators, including GDP, production, demographics, interest rates, government spending, taxes, savings, income growth, and real estate. A California model is then developed that incorporates macro trends at the national level with trends in the local labor market, including demographics, real estate, and business activity indicators.

Taking into account these state and national forecasts, a regional model is set up for the Inland Empire that uses the macro trends along with a variety of specific regional data to create a Riverside County forecast. This local forecast provides a broad outlook for the region's employment by industry along with the unemployment rate, consumer spending and income trends, population and components of change, residential real estate and construction, and nonresidential real estate and construction. Thus, in our regional assessment, we draw on detailed forecasts of the nation, state, and broader Inland Empire to provide a forecast of the activity and revenues that can be expected by the County of Riverside out to 2017-18.

In this edition, Beacon Economics' forecast incorporates updated figures on assessed valuation (AV) in Riverside County for 2013-14 as disclosed by the County Assessor's Office. As in previous versions of this report, the sales tax revenue forecast takes into account several new incorporations in the County, including the cities of Jurupa Valley and Eastvale. This is a critical distinction because the County's sales tax receipts are based upon sales in the unincorporated areas of the County. As new cities incorporate, fewer dollars will flow to County coffers as these funds are redirected to the newly formed city governments. Sales taxes attributable to these recent incorporations have been netted out from the County's forecasted revenues.

Over the short run, this forecast is more optimistic than in our previous forecast, and confirms our earlier forecast that the worst is behind the County of Riverside. In this report we detail the current forecast and the major drivers of these results.

Variable	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Assessed Valuation	204,888,511,468	212,975,540,874	223,335,789,276	235,295,450,272	248,815,015,411	263,909,109,956
Growth (%)	-0.1	3.9	4.9	5.4	5.7	6.1
Property Tax Revenues	479,466,515	504,754,859	533,274,030	563,813,337	593,770,298	625,148,881
Growth (%)	-3.3	5.3	5.7	5.7	5.3	5.3
Sales & Use Tax Revenues	29,751,302	31,831,513	34,636,173	37,724,723	40,603,632	43,476,119
Growth (%)	11.7	7.0	8.8	8.9	7.6	7.1
Proposition 172 Revenues	133,000,001	144,909,038	157,125,033	171,011,634	185,813,047	200,404,349
Growth (%)	11.7	9.0	8.4	8.8	8.7	7.9
Transfer Tax Revenues	11,123,316	14,012,851	16,147,397	17,849,286	19,118,776	20,187,041
Growth (%)	18.8	26.0	15.2	10.5	7.1	5.6

Source: Forecasts by Beacon Economics

Labor Market Analysis

The forecast for taxable sales and sales taxes, property taxes, and real property transfer tax incorporates numerous economic indicators such as population growth, tourism, income growth, business spending and labor markets. One of the main drivers of the forecast is the labor market.

Although nonfarm job growth has been relatively lackluster, the region has rebounded by nearly 4% since reaching its trough almost 3 years ago. Since the depths of the recession, we have seen a larger discrepancy between the household survey (the number of employed residents) and the establishment survey (the number of employees on payroll at Inland Southern California firms). Four years ago, household employment was 25% higher than total nonfarm payroll employment. Since then, the difference between household employment and nonfarm payroll employment has risen to 30%. This increase implies that the number of residents who are either self-employed or commuting to other regions has increased at a faster rate than the increase in hiring by local firms.

Thus, while Riverside County *firms* might not be hiring at the same pace as experienced in nearby San Diego or Orange Counties, Riverside County *residents* have been tapping into this stronger coastal growth, which is ultimately a positive for the local spending base and the property market as more local residents are able to find work throughout the region. Specifically, the household survey shows that the region has added more than 99,000 jobs. This is more than twice as many jobs as have been added by Inland Empire firms, confirming that residents are indeed commuting to work across the County line. Thus, from a demand perspective, the labor markets have been a net positive on the local residential real estate market.

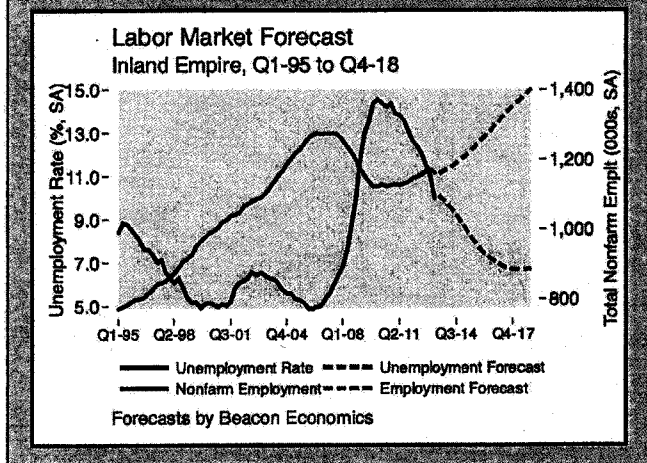
In fact, growth in household employment has been one factor that has finally driven the local unemploy-

Labor Markets

Inland Empire Employment

Industry	Job Growth Dec-09 to Aug-13	
	Jobs	%
Education/Health	15.2	11.4
Leisure and Hospitality	13.0	10.6
Retail Trade	10.3	6.7
Transport, Warehouse, Util.	6.7	10.1
Wholesale Trade	4.8	10.0
Prof Sci and Tech	3.8	10.8
Other Services	3.1	8.3
Construction	1.4	2.4
NR/Mining	0.2	19.0
Financial Activities	0.0	0.0
Management	-0.1	-1.6
Admin Support	-0.3	-0.4
Farm	-0.7	-4.7
Manufacturing	-1.4	-1.7
Information	-2.4	-17.5
Government	-10.9	-4.7
Total Private	54.4	6.1
Total Nonfarm	43.5	3.9

Source: Employment Development Department



ment rate into the single-digits for the first time in nearly 5 years. As of August 2013, the Inland Southern California's unemployment rate stood at 9.95% on a seasonally adjusted basis. The unemployment rate remains elevated compared to other areas, but it has also dropped from over 12% over the past year alone, and at its peak was over 15%. This marks significant progress in a relatively short period of time and great news for the local economy.

And, although slower out of the gate than its coastal neighbors in Southern California, the Riverside-San Bernardino firms *have* added 43,500 new jobs since its trough in September 2010. On a proportional basis, that is a relatively lackluster recovery, but it represents critical growth nonetheless.

On the bright side, Trade and Transportation—the bellwether industry of the region—continues to make contributions to the local economy. Over the past 12 months, the Trade and Transportation sector increased its payrolls by 2,600 jobs, or 3.7%. In fact, over the past 10 years the Trade, Transportation, and Utilities sector has increased its presence in the local economy, with the share of total private employment growing from 26% to 31%. As industrial and warehouse property stock increases, we expect employment in the sector to continue its upward trend.

More positive numbers are seen in the Leisure and Hospitality sector. Employment in Leisure and Hospitality has increased by almost 6,000 jobs, or 4.6% year over year. This is positive news for the Riverside County revenue base as taxable sales are driven by a large tourist component at outlets such as Cabazon and other tourism-related retail destinations. This improvement implies that consumer balance sheets, not just in Riverside, but across the nation and the world, are improving and that consumers once again have some discretionary income available. According to HdL Companies, tax receipts from restaurant and hotel outlets increased by over 6% through the second quarter of 2013 compared with the preceding year. This shows that Riverside County is indeed tapping into the increased spending being observed from domestic and foreign tourists. The most recent data from the hotel industry also demonstrate the strength of this sector. According to PKF Consulting, revenue per available room (revPAR) increased by more than 10% in each Inland Southern California submarket—including the major markets in Riverside County.

Taxable Sales, Sales/Use Tax, and Prop. 172 Revenues

Tourist, consumer, and business spending in Riverside County continues its upward trend that began in mid-2009. Overall, spending has been driven by improved economic conditions in the County and, more specifically, by the housing market recovery as well as positive employment trends. And, as noted, the region has also experienced an increase in tourist spending, which is critical for sales tax hubs like Cabazon.

It is important to note that the current forecast takes into account the impact of the newly incorporated areas of Jurupa

Category	Q2-12 YTD	Q2-13 YTD	% Change
Business/Industry	15.0	18.6	24.3
Building/Construction	11.7	13.8	17.7
Autos/Transportation	20.5	23.2	13.2
Restaurants/Hotels	15.8	16.8	6.4
General Consumer Goods	32.9	34.8	5.7
Food/Drugs	7.9	8.3	4.9
Fuel/Service Stations	19.3	18.9	-2.2
Total	136.6	148.7	8.8

Source: HdL Companies

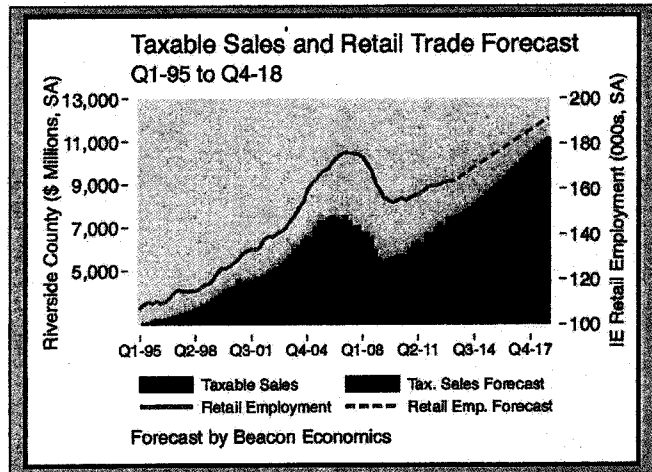
Valley and Eastvale, as well as previously incorporated cities of Menifee and Wildomar. Since these have become incorporated cities within Riverside County, some resources, such as sales tax revenues, will be affected when these areas receive their sales tax revenues directly.

According to estimates by Beacon Economics, the unincorporated areas of Riverside County have fallen from a peak of roughly 22.4% of the County's taxable sales base in 2008 (prior to the incorporations of Menifee and Wildomar) to roughly 20.8% subsequent to the incorporations of Eastvale in 2010 and Jurupa Valley in 2011. Therefore, Beacon Economics has performed a forecast of total taxable sales in Riverside County's unincorporated area out to 2017-18, after taking into account this percentage of revenues that will now be directed towards Eastvale and Jurupa Valley. It is expected that this will provide a more accurate picture of the sales tax revenues available for the county's budget.

The aforementioned growth in both household and industry employment coupled with lower rates of unemployment means that a larger portion of the County's population are earning wages and income, which has contributed to growth in the overall spending base. According to the Board of Equalization, taxable sales in Riverside County increased by 7.6% in the first half of calendar 2013. Growth in taxable sales has translated to growth in sales tax revenues for the County. According to HdL Companies, sales tax revenues in Riverside County increased by 8.8% in the first two quarters of calendar 2013.

Notably, growth was recorded across the board. Revenues from autos and transportation increased 13.2%, while building and construction increased 17.7%. Although business and industry is a relatively small category it nevertheless saw a very large increase. Such high growth rates are usually an anomaly and we should not expect it to be the norm, as this boost could potentially be attributed to energy projects currently taking place in the County. Thus, the tax effects will subside as these projects near completion.

In addition to rising employment and incomes, the County's population base has continued to expand at a faster rate than the state overall. While population growth rates have been trending downward across the state and nation as birth/fertility rates fall, Riverside County nonetheless has outstripped California at nearly 1.0% versus 0.8%. Although data on the sources of population growth have yet to be released by the California Department of Finance, Riverside County was the only major part of Southern California to see positive domestic migration during 2012—meaning that more people moved into Riverside County than left it. As noted in our previous forecast, the price discount of moving to Riverside County relative to buying a home along the coast (dubbed the relative affordability of Riverside County) has not been this high in many years and many are finding it attractive to move to Riverside County once again.



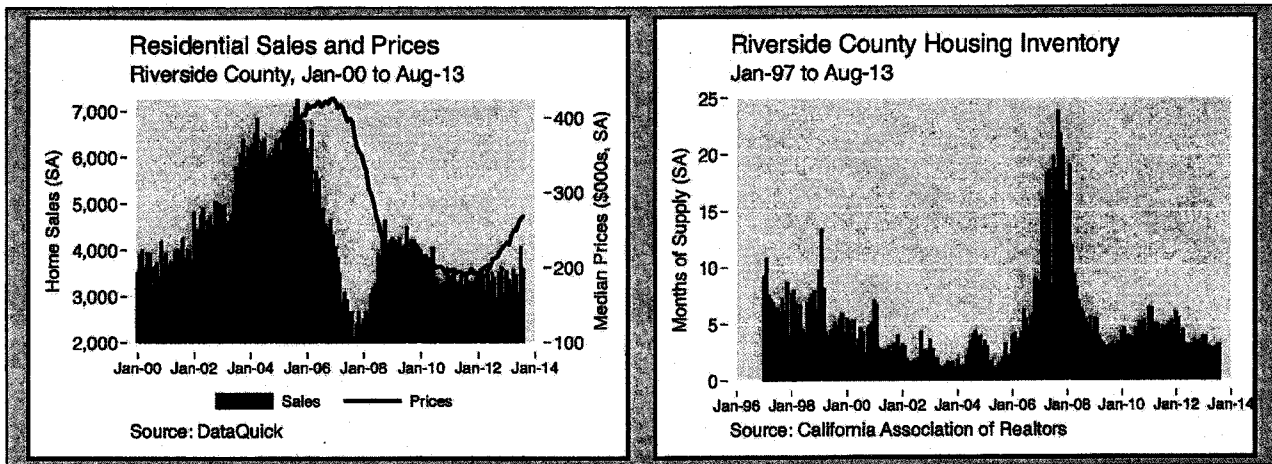
As a result of these trends, Beacon Economics is forecasting that the the growth rate will steadily gain steam in the coming years: rising by 7.0% in fiscal year 2013-14, and by 8.8% in 2014-15 and 2015-16, and roughly 7.1% in 2016-17 and 2017-18. Since Proposition 172 revenues are generated from taxable sales in the state and County and were

not affected by incorporations, the County did not have to make up ground. Thus, Beacon Economics forecasts that Proposition 172 revenues will increase by 9.0% in the current fiscal year. In addition, we expect the County to exceed the pre-recession levels by fiscal year 2015-16.

Assessed Valuation

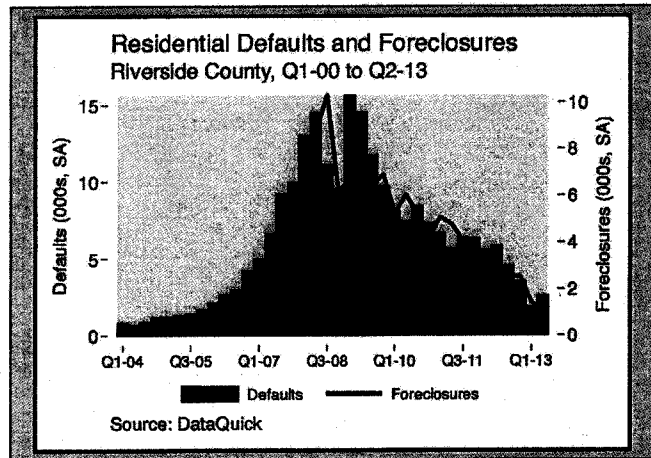
The Riverside County Assessor's Office recently announced that the AV roll for the 2013–14 fiscal year increased by 3.95%. This was much better than the 1.9% growth that had been projected in our forecast from early 2013. Indeed, as bullish as the forecast seemed at the time, the local property market has been improving even faster than it had during the first calendar quarter of the year. Fortunately, this improvement corroborates Beacon Economics' view that the worst is in fact behind Riverside County's property market.

Recent developments in Riverside County have improved our economic outlook. One of the main drivers of our improved optimism has been the residential real estate market. According to the California Association of Realtors, home prices in the County increased by over 26% in August compared to the same period last year. Currently, the median sales price for homes stands at \$268,000. This represents an acceleration in the pace of growth from the first part of 2013 when the average year over year growth in home prices was 21.98%. As remarkable as that growth was, home prices have gone up even faster in the intervening months. For example, in the June through August period, the average growth in home prices has increased to 27.5%. Overall, home prices have increased by over 50% since the market hit bottom in May 2009.



There are several key factors driving the growth in the Riverside County residential market. One of those factors remains the general improvement in the economy at large. As noted, the local labor markets have come a long way since the end of the downturn. This improvement means that more residents are working and earning incomes, which can help to bolster demand for housing. And, as will be discussed herein, this is combined with an improving housing market to further bolster residential and commercial property values.

In addition to a gradually healing economy, the housing market itself is poised for continued strength in coming quarters. There is still a shortage of homes available for sale in the County, which also drives prices up. As of August 2013, the California Association of Realtors' Unsold Inventory Index recorded 3.2 for Riverside County. This tells us that at the current pace of home sales, the number of homes available for sale would be exhausted in just over three months. Although this is up very slightly over the past few months, historically, this is still the lowest level of homes available for sale in Riverside County since 2006. With improving labor markets driving increased demand for housing coupled with low inventories, price growth has remained robust as we entered the 2013-14 fiscal year.



In addition, the number of distressed properties continues to dwindle in Riverside County. By the end of the first half of calendar 2013, there were just over 1,000 foreclosures in Riverside County. That represents the first time foreclosures have dipped below 2,000 in over 6 years. This has also placed upward pressure on home price appreciation. Because distressed properties typically sell at a discount, a larger share of foreclosure sales in the overall sales mix tends to place downward pressure on price appreciation. Conversely, as these foreclosures dwindle, the downward pressure on price growth is lessened, giving way to the solid price growth in Riverside County that we are observing today.

Inland Southern California Commercial Real Estate

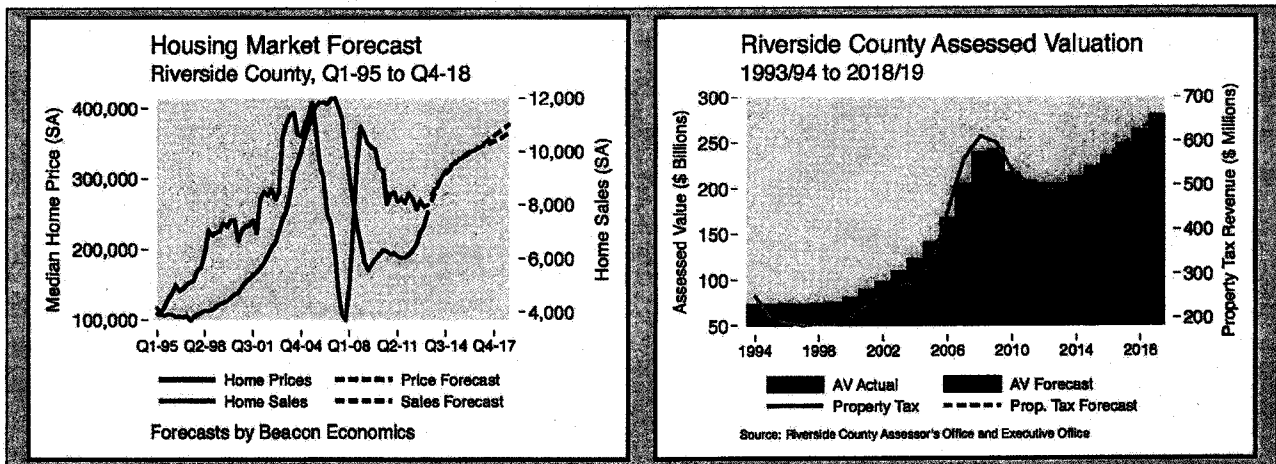
Market	Q2-12 (%)	Q2-13 (%)	Change
Vacancy Rate			
Apartment	4.4	3.6	-1.8
Office	24.9	23.6	-2.3
Retail	10.4	9.9	-1.5
Cost of Rent			
Apartment	1,069.00	1,087.00	1.7
Office	21.34	21.29	-0.2
Retail	20.53	20.58	0.2

Source: Reis, Inc.

The other factor driving AV is the commercial property market, which has also shown improvements in recent months. Demand for commercial real estate throughout Inland Southern California is heating up with vacancy rates for office, retail, and industrial properties declining over the past year. Industrial properties are showing the steepest declines in vacancy rates and the most consistent growth in rent prices from a year ago. Imports and exports handled at the San Pedro Bay ports are up by 2.4% in 2013 (through July) from the same period last year when measured by twenty-foot equivalent units (TEUs), showing that local warehouses and distribution centers will be in demand going forward. An oversupply of offices continues to frighten potential builders; office vacancy rates in the area remain above 20% in most regions within Inland Southern California. However, apartments and retail space have come back down to levels typically associated with expansion (i.e. less than 10% vacancy).

Fortunately, from an AV perspective, the increase in residential property values and commercial performance has begun to incentivize builders back into the Riverside County market. For example, through July 2013, residential permitting in Riverside County was up by nearly 45% over the same point in 2012. There have been more than 3,350 new residential permits issued through the first 7 months of calendar 2013. The solid pace of growth is roughly on par with the state's 48.5% increase this year. Unsurprisingly, given the very low vacancy rate in the region's apartment market, newly planned multi-family construction is up by an even larger 116%—though it still represents roughly one-fourth of overall permitting.

Although growing more slowly, nonresidential construction permits in Riverside County are increasing as well. Planned construction posted 7% growth from the first seven months of 2012 to the first seven months of 2013. Office and retail permitting remain relatively lackluster, but new industrial, hotel, and other nonresidential structures (such as medical buildings) have all posted double-digit gains or better.

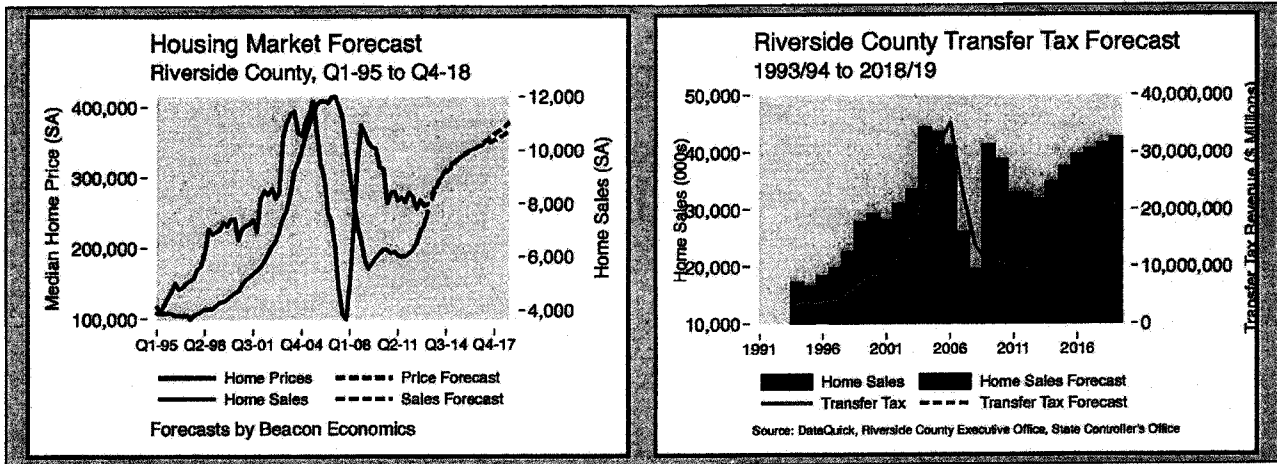


These new structures are expected to have an upward influence on the local property tax roll in the county as they come online. Thus, with existing residential and nonresidential properties growing in value, many residential properties transacting at these higher sales prices, nonresidential rents and vacancies improving, and new residential and nonresidential structures coming online, Beacon Economics is forecasting continued growth in the County's AV base in 2014-15 and beyond. Specifically, the current forecast calls for 4.9% growth in Riverside County's AV in 2014-15, and increasing slightly thereafter as the economy heals.

Real Property Transfer Tax Revenues

Residential home sales in the County, the primary generator of real property transfer tax revenues, increased by roughly 2.5% throughout the first 8 months of calendar 2013. We expect sales to pick up in 2014 due to improving economic conditions already discussed. In addition, our expectation of continued positive net migration will increase demand for housing. In fact, one of the reasons for positive net migration is the affordability of the local housing market relative to the neighboring coastal counties. Residents from Los Angeles County, San Diego County and Orange County have traditionally opted for Inland Southern California when prices in the region create a discount-incentive

relative to neighboring markets. As noted, this affordability is at a very high level by historical standards because prices in Riverside County fell faster than they did along the coast.



In addition, home prices have been rising for the past 18 months at a fairly solid pace—even more so recently. This means that in addition to the increased number of home transactions, the transactions are for higher sales prices, which has also helped to bolster local property transfer taxes in Riverside County.

And, although interest rates have increased modestly over the past 6 months, mortgage debt remains very affordable relative to historical norms. As the economy continues to heal, the property market remains strong, and homeowners begin to see positive home equity again, Beacon Economics expects that local home sales will continue to rise, adding to further growth in local transfer tax revenues.

As a result, Beacon Economics estimates that transfer tax revenues will increase by 26% in the current fiscal year, due to both rising sales and higher transaction values. Our forecast for 2014-15 and 2015-16 calls for double-digit gains in transfer tax revenues. Thereafter, we expect the revenues to slow to a more sustainable single-digit growth rate as the pace of home price appreciation and transaction volumes moderate toward historical norms.

Summary

Our view that Riverside County has turned the corner towards recovery in the wake of the Great Recession has been confirmed with recent data and is reflected in the current forecast. The region continues to expand employment levels, albeit at a slower pace than in neighboring areas. Still, Riverside County residents have been getting back to work at a faster pace than local firms have been hiring—signaling that residents have been tapping into faster growth along the coast by commuting across the County line for work.

Residential real estate has posted some impressive gains over the past year and has started to lead the recovery. Indeed, as strong as home price growth was when we made our previous forecast over 6 months ago, the pace of growth in the most recent 6-month period has eclipsed that. Commercial real estate is also on the mend, although some sectors are doing much better than others. Furthermore, the industrial property market has shown its strength and we expect the demand for these properties to remain solid. Beacon Economics expects the AV to improve on its

BEACON ECONOMICS

3.95% increase of 2013-14 in 2014-15 and beyond. In addition, we expect the AV to reach pre-recession levels in fiscal year 2017-18.

The increased pace of the recovery has helped boost consumer and business spending in the County. Beacon Economics expects taxable sales to continue its upward trend without interruptions, increase about 7.7% in 2013-14 and reach the pre-recession levels by the end of the year. We expect the pace to pick up and increase 8% in 2014-15, as wages, employment, and population rise, and settle in at roughly 7% thereafter.

Beacon Economics expects transfer tax revenue to rise during the current fiscal year. And, as the economic recovery gains traction, transfer tax revenues will continue to rise—new households will be formed, the population will expand, and the area will once again attract new residents moving inland in search of affordable homes with access to the large employment centers along the coast.

The County of Riverside still has a ways to go to get back to where we were before the Great Recession, but the economy is certainly moving in the right direction. Property and transfer taxes have both posted respectable growth and will continue to do well. Sales and use taxes will continue to move forward as the economy heals. Many tough decisions still remain for local policymakers even as the cyclical effects are waning, but we are finally seeing light at the end of the tunnel.

About Beacon Economics

Beacon Economics, LLC is a leading provider of economic research, forecasting, industry analysis, and data services. By delivering independent, rigorous analysis we give our clients the knowledge they need to make the right strategic decisions about investment, growth, revenue, and policy. Learn more at www.BeaconEcon.com.

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Contacts

- **Sherif Hanna**
Managing Partner
(424) 646-4656
Sherif@BeaconEcon.com
- **Victoria Pike Bond**
Director of Communications
(415) 457-6030
Victoria@BeaconEcon.com