

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



3-32

9:00 a.m. being the time set for Fiscal Year 2015/2016 Midyear Budget Report.

EXECUTIVE OFFICE - OPENING COMMENTS

Jay Orr, Executive Officer.

- The Fiscal Year 2015/2016 Midyear Budget report is to give early updates to better prepare for budget issues.

Paul McDonnell, County Financial Officer, gave presentation

- Expenses are close to appropriated levels
- Revenues appear on target but more to be received
- Necessary adjustments appear manageable
- Fiscal Year 2016/2017 presents major challenges due to inmate care cost
- Inmate care projected to be in excess of \$40 million
- Revenue expected to grow by \$15 million
- Cap existing spending at current levels
- Reserves still being drawn down to cover shortfalls
- Maintain goal of at least \$100 million in reserves, well below policy target of \$185 million
- Manage Public Safety Spending
- NCC Allocation total \$785.9 million

Budget solutions:

- Rollover current NCC spending levels
- Limit the amount of "add backs"
- Limit labor cost increases
- Identify public safety savings (KPMG and Cal Forward studies)
 - Full cost recovery of city contracts
 - Operational efficiencies
- Phase Opening of ECDC in 2018 (2 housing units initially)
- Use one-time funding for one-time expenditures

Continued on page 2

02-04-16

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



3-32

Fiscal Year 2015/2016 Midyear Budget Report
Page 2

On motion of Supervisor Ashley, seconded by Supervisor Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the recommendations from the Executive Office to Receive and File the Fiscal Year 2015/2016 Midyear Budget Report; Approval of the Recommendations and Budget Adjustments; Approval of Fiscal Year 2016/2017 Budget schedule with the revision of the 3rd quarter budget report to May 16, 2016; Approval of Fiscal Year 2016/2017 Budget Policies; Approval of Fiscal Year 2016/2017 Net County Cost Allocations; and Approval of Fiscal Year 2016/2017 Prop. 172 Public Safety Sales Tax Allocations are approved as recommended; IT WAS FURTHER ORDERED to appoint an Ad Hoc committee with Supervisor Ashley and Supervisor Tavaglione to act as liaison between the Full Board and the Chief Executive Office and Elected County officials; and the Executive Office is directed to analyze Supervisor Ashley's Sixteen Point Plan with the addition of Supervisor Jeffries recommendation #17 a catch all to include outdated funding agreements, unique special funding agreements on services or any other actions deemed necessary to include and report back on March 29, 2016.

Roll Call:

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

I hereby certify that the foregoing is a full true, and correct copy of an order made and entered on February 2, 2016 of Supervisors Minutes.

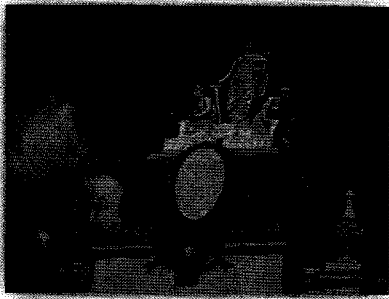
WITNESS my hand and the seal of the Board of Supervisors
Dated: February 2, 2016
Kecia Harper-Ihem, Clerk of the Board of Supervisors, in
and for the County of Riverside, State of California.

(seal)

By:  Deputy

AGENDA NO.
3-32

xc: EO



COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

FISCAL YEAR 2015/16
MIDYEAR
BUDGET REPORT

PREPARED BY
JAY E. ORR
COUNTY EXECUTIVE OFFICER

3-32



JAY E. ORR
COUNTY EXECUTIVE OFFICER

COUNTY OF RIVERSIDE EXECUTIVE OFFICE

GEORGE A. JOHNSON
CHIEF ASSISTANT COUNTY EXECUTIVE OFFICER

ROB FIELD
ASSISTANT COUNTY EXECUTIVE OFFICER
ECONOMIC DEVELOPMENT AGENCY

MICHAEL T. STOCK
ASSISTANT COUNTY EXECUTIVE OFFICER
HUMAN RESOURCES

ZAREH SARRAFIAN
ASSISTANT COUNTY EXECUTIVE OFFICER
HEALTH SYSTEMS

PAUL MCDONNELL
COUNTY FINANCE DIRECTOR

February 2, 2016

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 15/16 Midyear Budget Report*

Board members:

With the close of calendar 2015, the time has come to address the budget challenge of the coming years. Current year revenue and spending levels are on track, but the full impact of detention health care compounded with our existing structural deficit will far exceed our discretionary revenues and reserves in the coming years, unless other costs are constrained. Inmate care is projected to cost at least \$40 million more annually; however, next year's revenue is projected to grow only by \$15 million. In addition, the Sheriff continues forecasting a substantial deficit.

Our challenge is not simply to produce a balanced budget, it is to do so while properly balancing our core county services. Increased costs of inmate care should drive this point home. Beyond simply having public safety as our highest priority, the discussion has shifted to strategies which produce better outcomes that support and enhance quality of life while using limited resources more wisely. The discussion as to how to best handle the mentally ill who end up in the criminal justice system and more adequately addressing the needs of the homeless are good examples of this.

Our base case strategy for this coming year is to cap general fund support for all departments at current ongoing levels, less one-time allocations, with the exception of the necessary increases for inmate healthcare. We have taken this tack largely because the "yield" from cutting non-public safety spending would be small, absent deep programmatic cuts, which would endanger ongoing operations. To put this in perspective, total non-public safety discretionary spending is \$281.2 million, and includes debt service and other expenditures which are difficult to cut. It is also worth noting that inmate care costs are a public safety cost and, consequently, increasing inmate care will in fact substantially increase overall public safety expenditures.

Our key budget objectives for FY 16/17 are:

- A rollover of ongoing FY 15/16 net county costs, net one-time allocations.
- Departmental absorption of labor and other cost increases.
- Full cost recovery from contracts and fees, as required by law.
- Cost containment through greater use of best practices and tighter operational efficiencies.

These steps will allow us to maintain reserves above a floor of \$100 million. That is well below our policy target of \$187 million (25 percent of discretionary revenues), but should be an amount sufficient to tide us over, and is defensible on a number of fronts. We could target a lower reserve number, but that would not only weaken our credit standing, it would increase the risk associated with unforeseen events. As revenues grow, they can be directed to replenish reserves and support ongoing operations.

The Sheriff and District Attorney have historically been given funding to offset cost increases in order to maintain operations. However, while holding non-medical public safety spending constant without compromising current service levels certainly will be difficult, it is not impossible. Based upon preliminary reports from KPMG and California Forward, I believe we have the opportunity to capture operational efficiencies by working in concert with the public safety departments. We have agreement with the Sheriff's department to time the full occupancy of the new East County Detention Center and soften the financial impact of its opening. Discussions about other alternatives will take place in earnest over the coming months. Finally, full cost recovery from contract cities as provided in law may also help resolve a portion of the funding gap.

This coming year's budget will be the first step in a multi-year journey to put us on a path to fiscal sustainability. That path must incorporate multiple priorities and spending plans which address the broader strategic goals of creating safe, healthy, and vibrant communities with improved quality of life and the ability to prosper and grow economically. I look forward to discussions in the months ahead on how we can achieve these diverse goals.

Given the complex decisions your board will face in approving a budget for the coming year, I am proposing a schedule that will allow for several detailed discussions of potential budget impacts. As outlined in more detail in the budget schedule in Attachment B, we are currently planning the following:

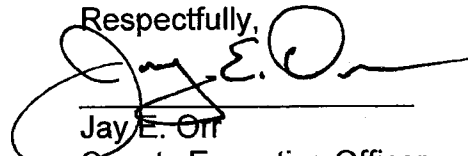
- **May 10** – A budget workshop combining our FY 15/16 third quarter report, the annual economic forecast, and a FY 16/17 budget preview to size up how departments are doing this year and discuss the impact of the budget policies approved here as reflected in departments' budget submittals.

- **June 20-21** – Presentation of the recommended budget for approval and opening of budget hearings.
- **July 26** – Presentation of amendments and adoption of the budget.

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;
- 3) Approve the FY 16/17 budget schedule contained in Attachment B;
- 4) Approve the FY 16/17 budget policies contained in Attachment C;
- 5) Approve the FY 16/17 net county cost allocations contained in Attachment D; and,
- 6) Approve the FY 16/17 Prop. 172 Public Safety Sales Tax allocations contained in Attachment E.

Respectfully,



Jay E. Orr
County Executive Officer

FISCAL PROCEDURES APPROVED
PAUL ANGILO, CPA, AUDITOR-CONTROLLER
BY Tanya S. Harris
TANYA S. HARRIS, CPA

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ATTACHMENT F	SALES AND USE TAX UPDATE

A. EXECUTIVE SUMMARY

The county faces a multiyear annual deficit that will erode reserves and is unsustainable, based on forecasted discretionary resources and projected existing spending commitments. Our base case scenario continues the current practice of funding an operating deficit through FY 17/18. Structural balance is projected to return in FY 18/19, and is achievable only by holding existing public safety spending close to current levels, and maintaining a minimum reserve level of \$100 million, well below the Board policy target of \$187 million. Falling below that will severely restrict options to deal with unforeseen expenses.

Projected revenue growth of approximately \$15 million will not be sufficient to cover the significantly higher incremental costs of inmate care. Closing the gap by cutting non-public safety expenditures is not proposed at this time, since it represents less than 27 percent of total discretionary spending, when debt service and other mandatory expenditures are excluded. Even deep cuts to those mission-critical functions would not yield sufficient savings to cover the gap, but would dramatically reduce core services that support quality of life in the county. Consequently, recommended FY 16/17 budget policies include holding ongoing discretionary spending level, maximizing departmental revenues, and continuing to pursue cost saving measures.

The Executive Office's projections of discretionary revenues necessitate a small net decrease of \$1.6 million related to sales and use tax and interest earnings. This report contains a net decrease to contingency of \$1.4 million, leaving a balance of \$36.6 million. Discretionary reserves remain unchanged.

Overall, most departments currently appear on target at the end of the first quarter. Given the county's significant fiscal challenges, it is imperative that every department use resources as efficiently and effectively as possible.

Current year trends indicate the Sheriff's budget is at or near spending levels expected at this point in the year. The District Attorney and Public Defender are also within budgeted levels. The Fire Department currently projects a \$1.3 million shortfall and is working through issues with cities failing to pay amounts due for services provided. The Executive Office anticipates bringing forward later in the year an adjustment to capture the \$23.8 million state credit for Fire intended to address the impact on the county. The Executive Office will continue to monitor these departments to assure resources provided in this year's budget cover essential services.

The Riverside University Health System Medical Center continues on course toward fiscal recovery, and is planning new initiatives to position its operations competitively, including a new electronic medical record system and replacing aging technology and equipment. The efforts at the Medical Center are beginning to pay off with recognition by accreditation and rating entities. Detention Health and Behavioral Health anticipate increased service levels in county jails and juvenile facilities, but those costs are difficult to quantify at this time, and will be addressed in the third quarter report.

B. MULTIYEAR BUDGET OUTLOOK

STRATEGIC FINANCIAL OBJECTIVES

The county's strategic budget objectives focus on a vision of a safer, healthier, more constituent-centered county. The county's long-term financial objectives include:

- Setting aside one-time resources derived from unexpected or excess revenue or cost savings to build reserves.
- Achieving and maintaining prudent reserves and working capital.
- Over the long-term, achieving a structurally balanced budget.
- Avoiding accumulation of unexpended restricted fund balance and net assets.
- Holding commitments and assignments of fund balance or net assets only as long as necessary to provide for the purpose(s) for which they are established.

SHORT & LONG-TERM FACTORS INFLUENCING STRATEGIC OBJECTIVES

A number of factors contribute to the county's ongoing financial constraints:

Public Safety

Inmate Legal Settlement

The County is moving diligently to meet the terms of a proposed settlement agreement filed on behalf of inmates in the jail system. (The terms are essentially set, subject to judicial review and approval.) The primary requirement is to hire additional health and mental health professionals and one-time costs for office and treatment space. Not part of the settlement terms per se, but triggered by it, will be the cost to provide security for these added health care workers. The total ongoing costs for detention health and mental health cannot be pinpointed at this time, but we are estimating at least \$40 million presently. The Executive Office anticipates reviewing these cost impacts as part of the departments' FY 16/17 budget submittals.

KPMG and California Forward Studies

KPMG was hired to conduct a comprehensive review of practices within the criminal justice departments. Draft findings indicate potential savings as a result of deploying resources in a different manner. The final report is expected to be available by mid-March. The Executive Office anticipates working closely with KPMG to evaluate and implement recommendations.

California Forward, a bipartisan governance reform organization, has produced a preliminary jail utilization report. The report identified a number of areas worthy of further review which could improve the efficiency of the criminal justice system. The county team will be working with California Forward in the coming months to explore these op-

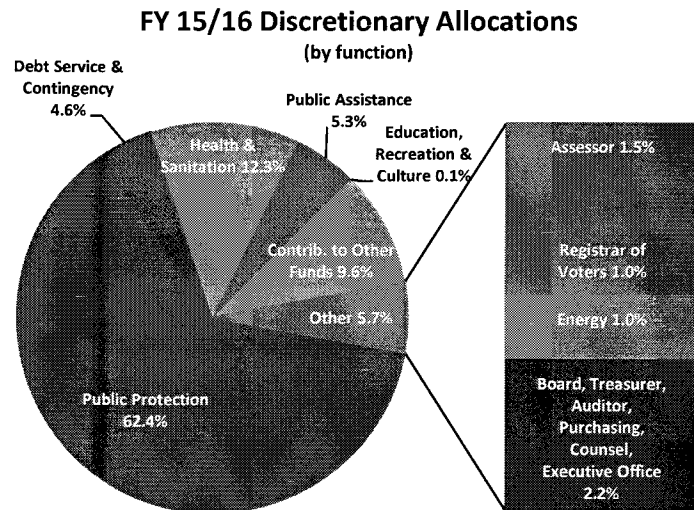
opportunities for savings.

East County Detention Center

The staffing plan for completion of the East County Detention Center (ECDC) anticipated hiring beginning in FY 14/15 and continuing through FY 16/17. That hiring was put on hold for FY 15/16. Based upon discussions with the Sheriff's department, no additional personnel will be needed in order to open the first two housing units upon completion. Existing staff will be transferred from the Indio jail, which is slated for demolition. A plan for rolling out the remaining six housing units is under discussion. In any case, no additional hiring would be needed until FY 18/19 at the earliest.

Discretionary General Fund Allocations

For FY 15/16, the Board dedicated 62.4 percent of its discretionary allocation to public protection and the remainder to all other functions, including debt service. Freeing up capacity for new initiatives, such as expanded inmate care, is extremely difficult given the relative amounts spent for non-public protection purposes, and the fact that spending commitments in these other areas may be required to meet maintenance-of-effort standards. Beyond that, deep cuts could compromise core functions such as revenue collection and services that support improving the quality of life in this county.



Cost Saving Initiatives

Over the years the county has undertaken a number of initiatives to reduce costs, and these efforts should continue. While such efforts should be undertaken on an ongoing basis, a couple of points are worth noting. The first is that the county provides services that are labor intensive, with limited opportunity for true automation. These services include law enforcement, fire protection, medical care, and social services. Collectively, they represent over 80 percent of county employees. The labor-intensive nature of service delivery is captured by the fact that 61 percent of the total general fund operating budget is for personnel, when direct public aid is netted out. Figuring out how to deliver these core services with fewer personnel is the challenge. Realizing greater productivity through automation or reducing absenteeism are examples. Another area of concern is the cost of internal services for information technology, facilities, human resources, etc. Keeping these costs manageable is essential. It is worthy to note, however, that the cost of those internal service departments is only 9 percent of the total county budget.

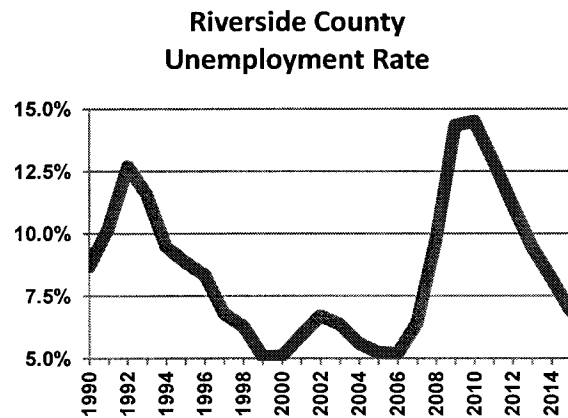
Economy

Summary

Overall, unemployment rates continue to edge down and new claims for unemployment insurance in California continue to taper off. The state continues to see both job gains and increased personal income, and the pace of home sales is increasing. Local economic indicators are favorable, but not exceptional. Riverside County's unemployment rate declined to 6.1 percent in October, and was slightly higher than the state unemployment rate of 5.8 percent. Assessed valuations continue to improve at a tempered pace. Title recordation and building permits, both leading indicators of local real estate activity, continue to remain steady.

Employment Trends

During 2015, the rate of job growth averaged 2.1 percent in the United States and about 3 percent in California. In October, seven out of 11 sectors added jobs in California, with leisure and hospitality leading the growth. In the Riverside-San Bernardino-Ontario statistical area, trade, transportation and utilities continued to lead employment gains.



Unemployment

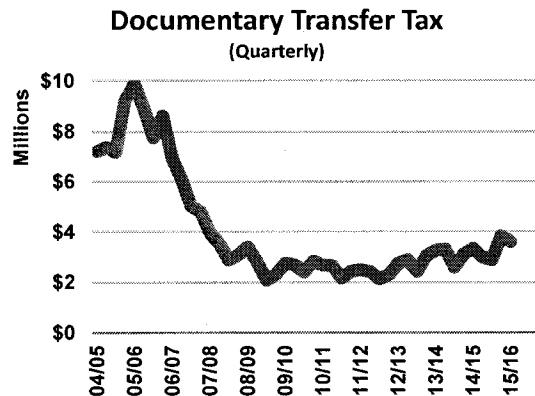
Unemployment has dropped to 5 percent nationally and 5.8 percent in California. Riverside County's unemployment rate declined to 6.1 percent, remaining slightly higher than neighboring San Bernardino County's increased rate of 5.9 percent.

Property Trends

Statewide, the pace of home sales increased just 1.3 percent since October 2014, and increases in existing home prices nudged up to 5.7 percent during the same period.

Recordation Activity

Historically, document recordation has often been a leading indicator of trends in county development activity. Document recordings and documentary transfer tax are tracking revenues 13 percent higher than this time last year. The FY 15/16 budget expected a 9 percent increase. Based on the first two quarters, document recording and transfer tax are expected to meet current budget estimates.

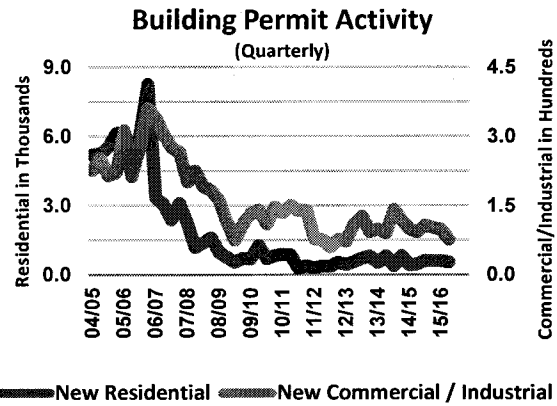


Building Permits

Statewide, residential building permit activity climbed 16.8 percent since October 2014, with the value of residential permits rising 8.6 percent and nonresidential permit values falling 5.7 percent during that period.

From July through November 2015, the Building and Safety Department issued 19 percent more permits compared to the same period last fiscal year. Combined deposit based fee and flat fee receipts for July through November 2015 increased by 20 percent. Overall, deposit based fee receipts

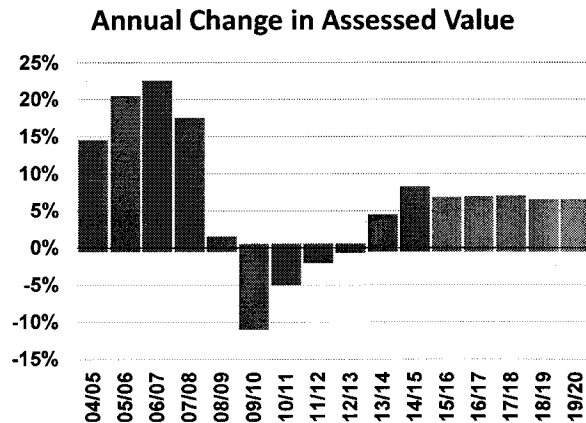
increased 29 percent during this period at the same time as flat fee receipts increased by 14 percent. This continuing strength is mainly due to the flat fee receipts on residential solar projects, which increased 21 percent in the first three months of this fiscal year compared to the same period last year. With state mandate AB2188 already in effect, solar activity is increasing throughout the county. This program is expected to remain strong during the current fiscal year.



Source: Building & Safety Department

Assessed Value

Based on sales, new construction, and properties rising out of Prop. 8 values, the Assessor's assessed valuation growth estimate remains at approximately 4.5 percent. The county's median home price stands at \$315,000, up 7.5 percent from this time last year, while the annual Consumer Price Index used to arrive at the Prop. 13 inflationary factor came in at 1.525 percent.



Source of forward projections: Beacon Economics

State Update

The state's economy continued with strong economic returns in the first half of the fiscal year. Coupled with restrained state spending, the outlook appears very positive as growth is expected to continue for the second half of the year and into the next year.

2015 State Revenue and Expenditures

California ended the 2015 calendar year with steady growth in tax receipts, exceeding the state forecast by about \$2.5 billion. Total revenues for the first half of FY 15/16 were \$51 billion, exceeding projections by 1.8 percent. State spending continues to increase at modest rates. State government disbursements were \$106.8 billion for FY 14/15 compared to \$98.5 billion in FY 13/14.

The state ended the month of December with \$11.1 billion in outstanding loans - \$1.4 billion less than expected. For the first time in 15 years, the state is covering month-to-month shortfalls exclusively through internal borrowing from special funds rather than external loans. This has saved the state tens of millions of dollars in interest costs.

Governor's FY 16/17 Proposed State Budget

The Governor's proposed FY 16/17 state budget was released on January 7, with a focus on fiscal discipline. The budget projects a healthy surplus of an estimated \$5.9 billion. After satisfying constitutional requirements for higher reserves and spending on education, the Governor allows for some additional investments in infrastructure and health care. However, Gov. Brown continues to prioritize paying down debt, adding money to the rainy day fund and reducing the state's pension liabilities.

Some specific spending proposals of interest to Riverside County include:

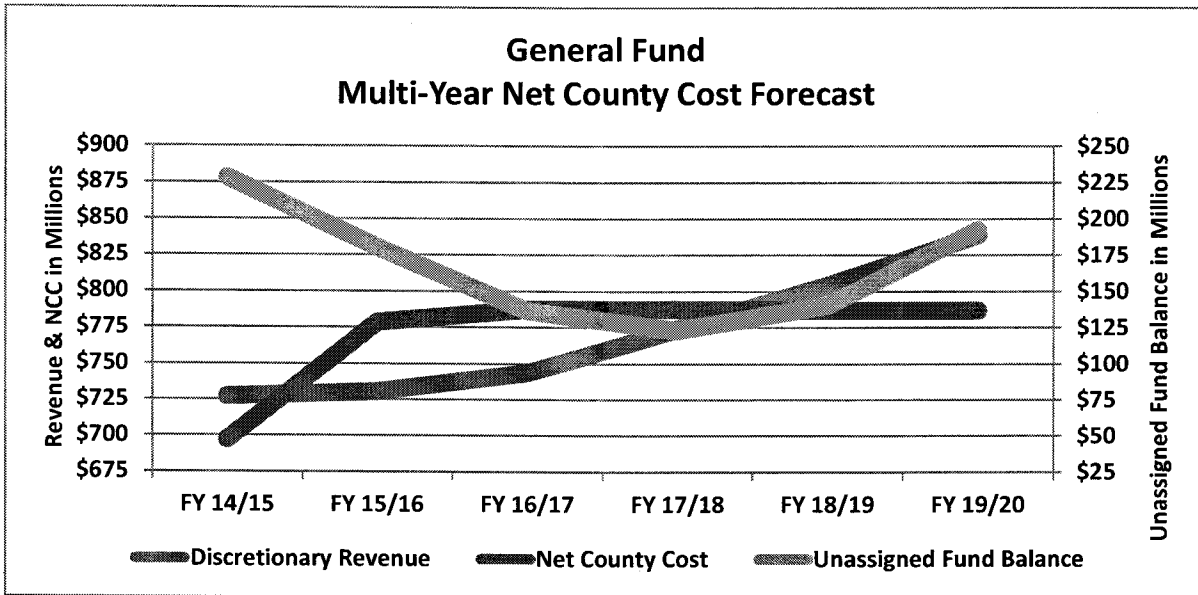
- \$169 million for Medi-Cal administration, reflecting the increase in caseload costs for expanding the rolls of Medi-Cal.
- \$250 million for local jail facility construction.
- \$80 million for Salton Sea restoration projects.
- \$129 million to counties for Community Corrections Performance Incentive Grants (SB678).
- An increase of \$342 million in shared revenues for cities and counties for local road maintenance.
- \$148 million to reimburse cities and counties for funds spent on Traffic Congestion Relief Program projects.

The largest chunk of new spending is derived from cap-and-trade auction revenues of an estimated \$3.1 billion. Almost half of these revenues are dedicated to continue appropriations in transportation programs, including \$500 million to high speed rail. The remainder of the money is dispersed to various agencies and distributed through grants.

LONG-RANGE FORECAST

The Executive Office has prepared multi-year forecasts to set the context for major discretionary budgetary decisions of an ongoing nature. The modeling indicated the escalating spending assumptions reflected in the previous plan would exceed prudent projections for growth in discretionary general fund revenues, and require steep drawdown of general fund reserves. The further requirements of the prisoner settlement have forced a redrafting of the model. This added obligation of an estimated \$40 million in new annual spending can only be met by reducing ongoing spending in other areas. Remaining on that trajectory is clearly unsustainable, and spending assumptions within the Board's control must be modified. In this case, capping all departments at their FY

15/16 levels will preserve reserves at a minimal level, as shown in the chart below that summarizes the results of this modeling.



Since the discretionary revenue forecast has marginal room for enhancement, holding net costs level is imperative to close the gap. Given that ongoing inmate medical costs will increase substantially as a result of the inmate legal settlement, reducing other assumed costs is essential to achieving this. However, even draconian cuts to general government could not yield sufficient savings. Consequently, the Executive Office proposes revising assumptions in the multi-year budget strategy, as follows:

- Assume elimination of the one-time allocations made in FY 15/16.
- Assume no additional hiring for the East County Detention Center until at least FY 18/19 at the earliest.
- Assume no additional hiring to enhance the unincorporated patrol ratio.
- Assume no labor cost increases beyond current contracts.
- Assume any increases in fixed costs for pension obligations, insurance, and internal services will be absorbed by the departments.

BUDGET POLICIES

Maintaining reserves at a minimum level of \$100 million is a key component of our budget strategy. Existing policy sets a goal of 25 percent of discretionary revenues, which for FY 16/17 would equate to approximately \$187 million. Healthy reserves are a key credit rating factor, but rainy day funds also help when the deluge hits. The \$100 million level equates to two times the FY 15/16 operating deficit, an amount which we could easily expend to meet critical needs over a short period of time. The absence of

reserves, on the other hand, can force draconian cuts as the only means of achieving balance. Based on these assumptions, the Executive Office includes the following among the FY 16/17 budget policies recommended in Attachment C:

- Rollover of the ongoing portions of the FY 15/16 net county cost allocations, net of one-time allocations.
- Application of any one-time revenues or use of fund balance only toward rebuilding reserves or mission critical one-time costs.
- That departmental revenue shortfalls not be backfilled with discretionary revenue.
- That, unless otherwise mandated or restricted, departmental revenues be fully pursued, recognized, and used in the fiscal year in which they are received to ensure discretionary general fund support may be limited to the least amount necessary. This includes full cost recovery for services provided under contracts with other jurisdictions.

C. CURRENT BUDGET STATUS

SUMMARY

At this time, the Executive Office's projections of most estimated discretionary revenues remain unchanged, with a small net decrease of \$1.6 million. Adjustments are recommended to the estimates related to sales and use tax and interest earnings. This report contains a net decrease to contingency of \$1.4 million, leaving a balance of \$36.6 million. Discretionary reserves remain unchanged.

Overall, most departments currently appear on target at the end of the first quarter. Given the county's significant fiscal challenges, it is imperative that every department use resources as efficiently and effectively as possible.

The Sheriff's department anticipated being short by \$32-42 million this fiscal year. However, current year trends indicate most of the Sheriff's budget units at or near spending levels expected at this point in the year. A small adjustment is included to cover the additional costs of enhanced CAC security. The District Attorney and Public Defender's offices projected deficits of \$9 million and \$1.7 million respectively, but their current year spending also is within budgeted levels. The Executive Office will continue to monitor these departments closely to assure the additional resources provided in this year's budget are adequate to cover essential services.

The Fire Department currently projects a \$1.3 million shortfall and is working through issues with cities failing to pay amounts due for services provided. The Executive Office anticipates bringing forward later in the year an adjustment to capture the \$23.8 million state credit for Fire intended to address the impact on the county.

Detention Health and Behavioral Health both anticipate increasing service levels in

county jails and juvenile facilities. However, these cost increases are difficult to quantify at this time, and will be addressed further in the third quarter report.

The Riverside University Health System Medical Center continues on course toward fiscal recovery, and is planning new initiatives to position its operations competitively. This includes implementing a new electronic medical record system, and replacement of aging technology and equipment. The efforts at the Medical Center are beginning to pay off with recognition by accreditation and rating entities.

The Department of Public Social Services continues to see caseload growth in multiple programs, and is responding as necessary to keep pace with this growth.

DISCRETIONARY REVENUE

Property Taxes

Property tax revenue was budgeted at \$318.6 million based on a forecasted 5.9 percent growth in assessed values. The Assessor’s projection came in slightly lower at 5.78 percent. The Auditor-Controller continues to project property tax revenue slightly lower than budgeted. Motor vehicle fee revenue received in-lieu of property taxes is estimated at \$220.9 million, and residual assets distributed from former redevelopment agencies are estimated at \$7.3 million.

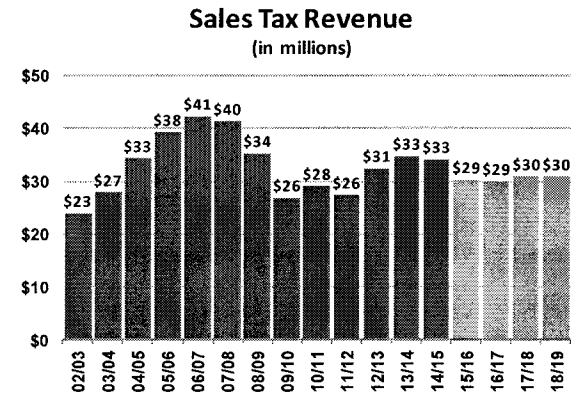
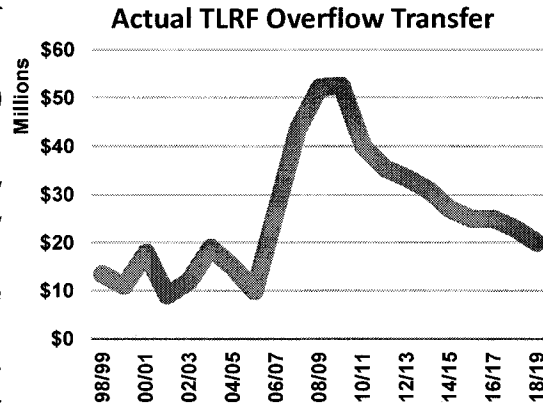
Teeter Tax Losses Reserve Fund (TLRF) Overflow

Under the California Teeter plan, the county advances participating agencies property tax allocations based on enrolled assessed valuation. In return, the county retains the actual taxes received, plus penalties and interest on delinquent taxes. The tax losses reserve fund captures revenues and expenditures associated with the program.

Revenue exceeding financing costs and the necessary tax loss reserve is discretionary revenue released to the general fund annually. As delinquency rates decline, this revenue source will taper off.

Sales and Use Taxes

For the second consecutive quarter, the county’s economically adjusted sales and use tax allocations declined 13.2 percent on a year-over-year basis. This decline is due principally to a lull in solar power plant con-



Source: HdL Companies

struction and a drop in fuel prices that are not offset by growth in consumer goods sales at the factory outlets.

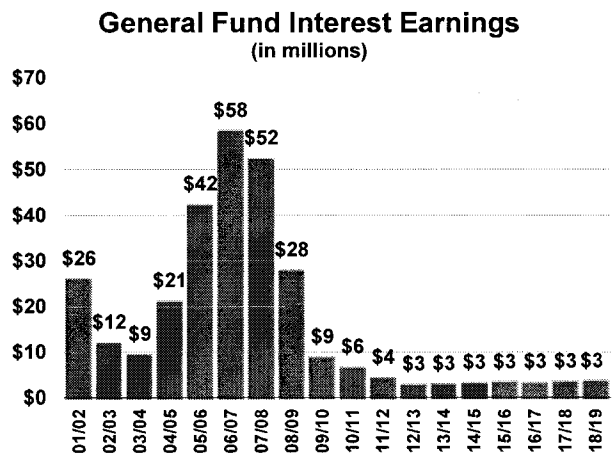
The county's FY 15/16 budgeted sales and use tax estimate is \$31.5 million. Based on this continued downward trend, HdL Companies, the county's sales tax consultant, revised their current year projection down to \$29 million, and down further to \$28.7 million next fiscal year. They project a 4.1 percent increase in FY 17/18 to \$29.8 million. Consequently, the Executive Office recommends a decrease in sales and use tax revenue estimate at this time. Revenue from the expanded factory outlets continues to increase, but per Board direction 25 percent of that growth area is set aside. Additional economic detail from HdL is contained in Attachment F.

Recommendation 1: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and estimated sales and use tax revenue by \$2,510,867, as follows:

Decrease estimated revenue:		
10000-1300100000-710020	Sales and use tax	\$2,510,867
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	2,510,867

Interest Earnings

The Treasurer's increased estimate for FY 15/16 general fund interest earnings reflects the incorporation of the Federal Open Market Committee's (FOMC) widely anticipated December 16th Federal Funds rate increase of 25 basis points. The FOMC had delayed expected action in September due to growing risks in their outlook for economic growth and inflation, mainly from turmoil in China and falling energy prices. Both could potentially delay any further increases this fiscal year, as they again have experienced resurgence in the headlines and on the minds of investors. Regardless of the timing, the risks will not have an additional significant impact on interest earnings revenue for the remainder of this fiscal year, as stock market volatility likely will cause a flight to quality in U.S. Treasury securities. Updates will be forthcoming if there are any material impacts to the County's general fund.



Recommendation 2: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated interest revenue for the Treasurer-Tax Collector and Contingency by \$900,000, as follows:

Increase estimated revenue:		
10000-1400100000-740020	Interest - invested funds	\$900,000
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingency	900,000

Revenue Summary

Projected revenues remain stable, summarized at right. As previously reported at first quarter, interest on the back due SB90 payment was originally estimated at \$7.7 million. However, additional receipts during the first quarter totalled \$10.9 million, increasing that estimate by \$3.2 million. Specifically, the state paid down pre-2004 SB90 mandate reimbursement claims with \$5.6 million in interest. The state also paid various post-2004 claims worth \$1.8 million, and made an unexpected distribution of \$2.4 million for some 2003 and 2004 claims. Finally, an additional \$1 million distribution was made for the 2003 Handicapped Disabled Student claim. The Auditor-Controller's Office is not aware of any further reimbursements this fiscal year. HdL Companies projects sales and use tax allocations will be \$2.5 million less than originally estimated, and the Treasurer projects increased interest earnings this fiscal year.

GENERAL FUND COMMITMENTS AND DESIGNATIONS OF FUND BALANCE

The county maintains a number of Board-established general fund commitments and fund balance designations, with the previously established objective to achieve and maintain \$250 million in unrestricted general fund reserves. The Executive Office will be reviewing

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

	Budgeted Estimate	Current Quarter Estimate	Variance
Property Taxes	\$318.6	\$318.6	\$0.0
RDA Residual Assets	7.3	7.3	0.0
Motor Vehicle In Lieu	220.9	220.9	0.0
Tax Loss Reserve	25.0	25.0	0.0
Fines and Penalties	22.4	22.4	0.0
Sales & Use Taxes *	31.5	29.0	(2.5)
Tobacco Tax	10.0	10.0	0.0
Documentary Transfer Tax	14.4	14.4	0.0
Franchise Fees	4.1	4.1	0.0
Interest Earnings	3.1	4.0	0.9
Misc. Federal and State	25.0	25.0	0.0
Realignment	35.0	35.0	0.0
Other (Prior Year & Misc.)	24.6	24.6	0.0
Total	\$741.9	\$740.3	(\$1.6)

**General Fund
Commitments and Designations**
(in millions)

	FY 12/13 Ending Balances	FY 13/14 Ending Balances	FY 15/16 Beginning Balances	Balance upon Approval
Economic uncertainty	\$124.7	\$124.7	\$124.7	\$124.7
Budget stabilization	34.1	53.9	53.9	50.6
Disaster relief	15.0	15.0	15.0	15.0
Property tax system	6.1	0.0	0.0	0.0
SB90 deferral	1.4	1.4	1.4	1.4
Historic courthouse remo	0.5	0.5	0.5	0.0
CAC remodel	0.5	0.5	0.5	0.5
Community improvement	0.0	0.0	2.0	2.0
ACO internal audits unit	0.1	0.1	0.1	0.1
DPSS realignment growth	4.3	4.3	4.3	4.3
Legal liabilities	3.7	3.7	3.7	2.5
TOTAL	\$190.4	\$204.1	\$206.10	\$201.1

all committed and otherwise restricted fund balances to determine which remain essential, and which might be liquidated into unassigned fund balance.

APPROPRIATIONS FOR CONTINGENCY

Contingency covers urgent, unforeseeable events such as revenue shortfalls, unanticipated expenditures, uncorrectable budget overruns and mission-critical issues at the Board’s discretion. The FY 15/16 adopted budget funded contingency at \$35.5 million, or 4.9 percent of ongoing discretionary revenue, which was adjusted to \$38.5 million at first quarter. This report contains a net decrease of \$1.4 million at this time, taking the contingency level to \$36.6 million.

Use of General Fund Appropriations for Contingency

	Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Beginning Balance:				\$35,515,211
Adjustments to date:				
09/28/15 Cash shortage	186		(186)	
08/08/15 Grant match	10,000,000		(10,000,000)	
Revenue adjustments		(4,474,012)	(4,474,012)	
Loan interest	50,400		(50,400)	
Mecca Comfort Stat	199,950		(199,950)	
Unclaimed property tax		879,428	879,428	
Waste lease revenue		6,689,520	6,689,520	
Public Guardian	347,108		(347,108)	
Reversal of grant m	(10,000,000)		10,000,000	
	597,644	3,094,936	2,497,292	38,012,503
Actions recommended in this report:				
Sales & use tax estimate		(2,510,867)	(2,510,867)	
Interest earnings estimate		900,000	900,000	
CAC Security		174,600	174,600	
Total adjustments to Contingency =	597,644	1,658,669	1,061,025	
Contingency balance upon approval of this report =				<u>36,576,236</u>

GENERAL GOVERNMENT

Executive Office

On October 6, 2015 (Item 3-53), the Board approved an agreement with KPMG, LLP, for the assessment of the criminal justice system organizational and operational performance financial review, and the review of law-enforcement contract city rate. The services provided under this agreement obligate a fixed fee contract cost of \$761,600. The Executive Office requests a budget adjustment using Prop. 172 funds to cover this cost.

Recommendation 3: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Executive Office and use of restricted fund balance for Prop. 172 funds by \$761,600, as follows:

Increase appropriations:		
10000-1100100000-524660	Consultants	\$761,600

Use of restricted fund balance:

11039-1302400000-321101	Restricted program money	761,600
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Assessor-County Clerk-Recorder

The Assessor currently estimates that it is operating under a structural deficit, with current budget allotments being insufficient to fully fund existing staff. They indicate the deficit is partially mitigated by projected increases in supplemental and time share revenue. The Executive Office continues to monitor the budget and make recommendations as necessary.

Human Resources (HR)

Human Resources' revenues are trending higher than budgeted due to an additional service agreement and increased reimbursements for training. In addition, Human Resources experienced additional expenditures related to payroll costs, professional services, and training materials related to these increased revenues. Budget adjustments are recommended to increase revenues and the offsetting appropriations. Human Resources will continue to monitor this fund closely.

Recommendation 4: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Human Resources by \$225,000, as follows:

Increase estimated revenues:

10000-1130100000-777030	Personnel services	\$160,000
10000-1130100000-781360	Other miscellaneous revenue	<u>65,000</u>
	Total	225,000

Increase appropriations:

10000-1130100000-510040	Regular salaries	201,000
10000-1130100000-518100	Budgeted benefits	62,000
10000-1130100000-525440	Professional services	25,000
10000-1130100000-527860	Training – materials	100,000
10000-1130100000-572800	Intra-fund – miscellaneous	(25,000)
10000-1130100000-572900	Intra-fund – personnel	(38,000)
10000-1130100000-573500	Intra-fund – training	<u>(100,000)</u>
	Total	225,000

Registrar of Voters

The Registrar of Voters (ROV) is on schedule to meet its expenditure targets for FY 15/16. The ROV is required to conduct four elections during FY 15/16: the August 25, 2015, consolidated mail ballot election, the November 3, 2015, consolidated general election, the April 12, 2016, City of Rancho Mirage election, and the June 7, 2016, presidential primary election. ROV is under budget at midyear, but elections scheduled during the second half of the year are expected to use up any savings in the budget.

Since 2013, the department has been contemplating relocating to a new facility to address the need for additional space. Recently, a space planning program has started at its current office location to temporarily address this issue. With the passage of the new

voter registration law, ROV is also evaluating the purchase of new voting equipment in the future. The department will continue to closely monitor its budget and any issues will be addressed in future quarterly reports.

Economic Development Agency/Facilities Management (EDA/FM)

Economic Development Agency Administration

The department requests appropriations to transfer \$120,000 to Regional Parks for aquatic centers and the remainder for contributions to the Fair and Date Festival and Edward Dean Museum budget units.

Recommendation 5: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$769,122, as follows:

Increase appropriations:		
21100-1900500000-551100	Contributions to other funds	\$769,122
Increase estimated revenue:		
21100-1900500000-781360	Other miscellaneous revenue	769,122

EDA requests a budget adjustment for upgrades to several agency-wide network servers. Interfund revenue from other EDA divisions offsets the increased expense.

Recommendation 6: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$30,000, as follows:

Increase appropriations:		
21100-1900100000-546080	Equipment – computer	\$30,000
Increase estimated revenue:		
21100-1900100000-778220	Interfund – office expense	30,000

Community Development Block Grant

The department requests a budget adjustment to cover an increase in new project expenses, which will be reimbursed by federal grant revenue.

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the EDA Community Development Block Grant program by \$875,000, as follows:

Increase appropriations:		
21350-1900200000-536200	Contributions to other non-county agency	\$875,000
Increase estimated revenue:		
21350-1900200000-766000	Federal – community redevelopment hm	875,000

County Fair & National Date Festival

The department requests a budget adjustment for additional temporary assistance program costs and the purchase of a new forklift for operations. One-time state funding offsets the cost of the forklift.

Recommendation 8: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Fair and National Date Festival by \$30,000, as follows:

Increase appropriations:		
22200-1920100000-510330	TAP salaries	\$15,000
22200-1920100000-546160	Equipment – other	<u>15,000</u>
	Total	30,000
Increase estimated revenue:		
22200-1920100000-752600	CA – fairs	30,000

Energy

The department requests a budget adjustment of \$5.5 million, of which \$1.5 million is for unbudgeted water, sewer, and electricity expenditures for the following new buildings: RCIT Data Center, Riverside County Innovation Center, and the Mental Health Complex on Rustin Avenue.

In addition, budgeted revenues include electricity savings from the Opterra solar project of approximately \$4 million composed of guaranteed savings from debt service, monitoring costs and operational costs. Unforeseen delays in installation at sites and relocation of implementation sites has delayed revenue recovery. A cautious estimate of realized savings for FY 16/17 is \$1.6 million.

On October 28, 2014, the Board of Supervisors approved the Opterra solar project, which will install 12.25 MW of solar photovoltaic systems at multiple county-owned sites. This \$54.6 million project pays for itself through the solar savings and guarantees an additional savings of \$127,000 per year over the 20-year term of the agreement. Savings from the project over 30 years is expected to save the county over \$116 million. The savings are made possible by a special local-government program through Edison called the Renewable Energy Self-Generation Bill Credit Transfer program and tariff. This tariff will allow the county to apply credits from solar electricity generated to other county accounts.

Recommendation 9: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the EDA Energy division by \$5,500,000, as follows:

Increase appropriations:		
10000-7200600000-529500	Electricity	\$4,000,000
10000-7200600000-529520	Sewer system	750,000
10000-7200600000-529550	Water	<u>750,000</u>
	Total	5,500,000

Increase estimated revenue:		
10000-7200600000-777610	Utilities	5,500,000

PUBLIC PROTECTION

Fire

The Fire Department continues to report a budget deficit in the amount of \$1.3 million for FY 15/16. This is due to anticipated increases in salary and benefits for state fire-fighters. The bargaining agreement is still being negotiated. The \$1.3 million is the county's portion and has been adjusted to reflect six months of cost increases. The department will continue to keep the Executive Office updated as to a final bargaining agreement. If the anticipated increases in the contract with CalFire do not occur, the department may balance its budget by the end of the fiscal year. As with previous years, the department will look at cost saving measures to reduce the deficit amount.

The City of Eastvale has not paid for fire protection services provided in the second and third quarters of FY 14/15. This is still an outstanding receivable for the department totaling \$751,513.

The Fire Department requests a budget adjustment related to the FY15/16 State homeland security program grant approved by the Board of Supervisors on December 8, 2015 (Agenda Item 3-44). The Fire Department portion of the grant is \$190,772.

Recommendation 10: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Fire by \$190,772, as follows:*

Increase appropriations:		
10000-2700200000-527780	Special program expense	\$190,772
Increase estimated revenues:		
10000-2700200000-767220	Federal – other operating grants	190,772

Emergency Management Department

The Emergency Management Department (EMD) continues to work with the Riverside University Health System – Public Health and Riverside County Fire/Cal Fire (Fire) to reallocate appropriations and revenue approved on September 22, 2015, (Item 3.39) into the EMD budget. EMD is finished transferring expense and revenue information from RUHS – Public Health, and will continue working with Fire to transfer the approved expense and revenue. Once all of the approved funds have been transferred, EMD will complete an analysis of expenditures and provide budget projections to the Executive Office. EMD does not expect budget variances during this report period for FY 15/16.

EMD continues to evaluate the space needs for the county emergency operations center and additional space to move EMD staff currently housed in the County Administration Center. Although the department anticipates additional one-time and ongoing costs associated with the move, non-general fund revenue sources are being evaluated to

offset the increased costs. Once a location is selected and costs for the move are determined, the department will return with a recommendation for Board consideration.

Sheriff

The Sheriff's Department is projecting deficits of various amounts across all of its budget units except CAL-ID. The most significant is a projected deficit of \$26.2 million in Patrol. As was the case at the end of the first quarter, year-to-date spending appears to be on track with the approved budget. For example, salaries and benefits as of December 31, 2015, were at 48.4 percent of the approved budget for Patrol. The Executive Office continues to work on refining the projected deficit for the third quarter report.

CAC Security

In August 2015, Board members asked the Sheriff to increase security at their County Administration Center (CAC) offices in downtown Riverside. In December, following the terrorist attack in San Bernardino County, the Board formed a security task force to review policies, practices, and security countywide. The first step taken was to harden CAC entrances for both employees and the general public. The Sheriff requests additional general fund support for all of the actions taken to date. Of the total requested, \$146,600 is the projected ongoing amount necessary for additional security services and ancillary support, and \$28,000 is the one-time expense for acquisition of additional hand-held radios. In addition, additional funding will be required to replace the building's access control system, which will be brought forward as a separate item.

Recommendation 11: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and increasing appropriations for CAC Security by \$174,600, as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	\$174,600
Increase appropriations:		
10000-2500600000-510420	Overtime	15,000
10000-2500600000-520220	County radio 700 MHz System	6,600
10000-2500600000-525320	Security guard services	125,000
10000-2500600000-546060	Equipment – communications	<u>28,000</u>
	Total	174,600

District Attorney

The District Attorney reports that at midyear his department's projected deficit was reduced by an additional \$1.3 million from the first quarter (from an originally approved projected deficit of \$12 million to a current \$7.6 million). This represents an overall reduction of \$4.4 million over the initial deficit of \$12 million at the beginning of the fiscal year. The current deficit results from increases to existing costs, chief among them the negotiated increases to salary and benefits. The District Attorney has been able to reduce this deficit primarily through reduced staffing levels and the receipt of unexpected revenue from settlement of consumer fraud cases. The District Attorney remains committed to containing costs and seeking revenue solutions to this deficit, without sacrific-

ing their commitment to providing the highest level of public safety.

Probation Department

The Probation Department estimates savings of approximately \$221,393 based on the following assumptions and actions taken by the department during the second quarter. The department continued recruitment and hiring for vacant positions, including grant-funded positions (SB678/Evidence Based Probation Supervision and AB109/Criminal Justice Realignment) and the anticipated opening of the Alan M. Crogan Youth Treatment and Education Center in August 2016.

The Probation Department has been able to close funding gaps this fiscal year due to funding measures implemented during the FY 15/16 budget development process. These funding measures included the funding of the department’s general fund vacant positions at 65 percent of full salary; and the use of one-time revenues to balance the department’s budget. These funding measures will not be available in the upcoming fiscal year as the department continues its efforts to reduce the vacancy rate by one-half in the current fiscal year and establish a 95 percent filled position rate by the end of FY 16/17. The department anticipates needing additional funding in FY 16/17 to mitigate reduction in the department’s vacancy rate, expected labor cost increases, projected increase to the Internal Service Fund rates, and the shortfall in Title IV-E revenues.

Division of Juvenile Justice

The Division of Juvenile Justice (DJJ) provides education and treatment to California’s youthful offenders up to the age of 25 who have the most serious criminal backgrounds and most intense treatment needs. The enactment of SB1021 in 2012 amended and changed the rate for youth committed to DJJ. A new fee structure charging \$24,000 per year for each youth committed July 1, 2012 and after became effective July 1, 2012. The department requests the transfer of appropriation from Institutions Services to Court Placement to offset the increase in the cost of housing youth at DJJ. There is no additional net county cost associated with the request due to sufficient salary savings within the Institutional Services budget unit.

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Probation Department by \$250,000, as follows:*

Decrease appropriations:		
10000-2600100000-510040	Regular salaries	\$250,000
Use of unassigned fund balance:		
10000-2600100000-370100	Unassigned fund balance	250,000
Increase appropriations:		
10000-2600400000-530220	Support and care - persons	250,000
Use of unassigned fund balance:		
10000-2600400000-370100	Unassigned fund balance	250,000

Law Office of the Public Defender

The Law Office of the Public Defender expects to be over target by fiscal year-end. The department expects a deficit in salaries and benefits of \$1,669,076. This will result from unfunded salary and benefit increases, retirement payouts, temporary assistance needs, and unrealized salary savings due to low staff turnover rates. In services and supplies, the department expects a deficit of \$170,841. This results from unexpected rent in the new Indio building, safety retrofits in Blythe, temporary assistance needs, new volunteer background checks by Human Resources, and arbitration costs. The department also had to absorb \$600,000 in increased internal service costs. AB109 funding has increased, providing for a shortfall of only \$47,949 instead of the \$309,000 estimated. The budget will be monitored for necessary adjustments.

PUBLIC WAYS AND FACILITIES

Aviation

The Economic Development Agency (EDA) requests a budget adjustment to pay for an emergency employee payout, additional information technology costs, maintenance services at French Valley Airport, plumbing repairs at Jacqueline Cochran Airport, special event expenses for the inaugural Hemet Ryan Airshow, increased costs for financial transactions, professional services related to mandatory appraisals at airports, and interfund charges for EDA marketing staff time for airshows. Additional revenue from the French Valley airshow and assigned fund balance will fund these expenses.

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues and use of assigned fund balance for the County Airports by \$262,046, as follows:

Increase appropriations:		
22100-1910700000-510200	Payoff permanent – seasonal	\$12,910
22100-1910700000-520250	Communications equipment – install	9,722
22100-1910700000-522320	Maintenance – grounds	17,411
22100-1910700000-522390	Maintenance – improve sewer	9,288
22100-1910700000-523270	Special events	133,641
22100-1910700000-525300	ESD processing – financials	12,043
22100-1910700000-525440	Professional services	29,144
22100-1910700000-537280	Interfund expense – miscellaneous project expense	<u>37,887</u>
		262,046
Increase estimated revenues:		
22100-1910700000-741320	Miscellaneous event charges	21,052
Use of assigned fund balance:		
22100-1910700000-350100	AFB for program money	240,994

Special Aviation – Chiriaco Summit and Desert Center

The Special Aviation division requests a budget adjustment to provide an operating transfer from the Desert Center budget unit to the Chiriaco Center budget unit for the 10 percent match required for a runway paving and grading project. A state grant funds the remaining 90 percent of the project.

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments 1) increasing appropriations and use of restricted fund balance in the Special Aviation Desert Center budget unit, and 2) increasing appropriations and estimated revenues for the Special Aviation Chiriaco Summit budget unit by \$98,803 each, as follows:

Increase appropriations:		
22350-1910400000-542040	Buildings – capital projects	\$98,803
Increase estimated revenues:		
22350-1910400000-790500	Operating transfer – in	98,803
Increase appropriations:		
22350-1910500000-551000	Operating transfers – out	98,803
Use of restricted fund balance:		
22350-1910500000-321101	Restricted program money	98,803

Transportation Land Management Agency (TLMA)

The Landscape Maintenance District (LMD) cost center has several sub-funds that are now in the jurisdiction of the City of Jurupa Valley. The monies in those sub-funds are the deposits from the property owner’s fixed charge assessments. The county has been administering these LMDs for the city since incorporation. The City of Jurupa Valley would like to take over the administration. A budget adjustment in the amount of \$20,486 will permit the transfer of the remaining funds in county sub-funds to trust funds held by the City of Jurupa Valley. There is no general fund impact.

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the landscape maintenance districts by \$20,486, as follows:

Increase appropriations:		
20300-3130100000-551100	Contribution to other funds	\$20,486
Use of restricted fund balance:		
20300-3130100000-321152	Restricted for landscape maintenance districts	20,486

Transportation Construction Projects

The costs of transportation projects funded by the developer agreement revenue are initially paid out of the department’s main capital cost center (Fund 20000, Dept ID 31305) then reimbursed to Fund 31680. The Transportation Department incurred expenses for paving a dirt road (C5-0064) and Obsidian Drive (C6-0053) in District 1 not budgeted in the current fiscal year. A budget adjustment is necessary to recognize the cost in Fund 31680 and reimburse the main capital cost center. No other adjustments are necessary at this time. All expenses were allowable within the approved projects. There is no general fund impact with this adjustment.

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-

Controller to make budget adjustments increasing appropriations and use of restricted fund balance in the Developer Agreements fund by \$544,250, as follows:

Increase appropriations:		
31680-3130500000-537280	Interfund expense – miscellaneous project expense	\$544,250
Use of restricted fund balance:		
31681-3130500000-322103	Restricted for capital projects subfunds	544,250

HEALTH AND SANITATION

Riverside University Health System (RUHS)

Department of Public Health

Based on current projections, RUHS – Public Health is anticipating expenditures to remain within the total approved appropriations, and net county cost to remain within target. Activities, events, expenses, and revenue are being realized very nearly as planned in the department’s Board-approved budget.

On May 20, 2014, the Board approved grant funding for the HIV/AIDS Ryan White Part B Early Intervention program. Since that time, the state chose to increase funding for this program. Therefore, the department is requesting a budget adjustment of \$308,751 to reflect the funding increase. On December 8, 2015, the Board approved grant funding for expanded HIV testing in a healthcare setting. Since that time, the state chose to increase funding for this program. Therefore, the department is requesting a budget adjustment of \$152,500 to reflect the funding increase. On May 08, 2014, the Board-approved grant funding for the HIV/AIDS Ryan White Title 1 program. Since that time, the state chose to decrease the funding for this program. Therefore, the department is requesting a budget adjustment of (\$40,370) to reflect the funding decrease. The net effect of changes to these three grant programs is a total cost increase of \$421,931, which is fully funded by new state revenue.

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for Public Health for a net total of \$420,931, as follows:

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$147,826
10000-4200100000-518100	Budgeted benefits	125,925
10000-4200100000-525440	Professional services	<u>187,500</u>
	Total	461,251
Decrease appropriations:		
10000-4200100000-510040	Regular salaries	21,863
10000-4200100000-518100	Budgeted benefits	<u>18,457</u>
	Total	40,320
Increase estimated revenue:		
10000-4200100000-751680	CA – state grant revenue	461,251

Decrease estimated revenue:
 10000-4200100000-762040 Federal – health grants 40,320

RUHS – Public Health allocates to California Children’s Services (CCS) a share of RUHS – Public Health administrative costs. These costs represent salaries, benefits, and operating expenses for the RUHS – Public Health administrative unit which supports both RUHS – Public Health and CCS. The administrative unit includes management staff (director, deputy directors, public health officer, public information services, internal audit/compliance review services, and their clerical support staff).

In FY 14/15, CCS’s portion of RUHS – Public Health administrative costs was approximately \$1.1 million. For FY 15/16, staff estimates that CCS’s portion of these costs will be \$1.2 million. Therefore, a budget adjustment is requested to provide the budget capacity to allocate the correct share of administrative costs to CCS.

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations for Public Health by \$1,200,000, as follows:*

Increase appropriations:
 10000-4200200000-524500 Administrative support – direct \$ 1,200,000
 10000-4200200000-572800 Intra-fund – miscellaneous (1,200,000)

Detention Health

Detention Health is the general fund budget unit that funds health care for individuals detained in the county jail system. The RUHS – Medical Center manages day to day operations within approved budget guidelines and in cooperation with both the Executive Office and Sheriff. The Medical Center, Executive Office, and Sheriff continue planning and implementation of increased service levels in the county’s detention facilities. As previously reported, costs have increased in this area, though it is too early to exactly quantify this year’s full amount. The department will bring a detailed update along with a requested budget increase to the Board in the third quarter report.

County Federally Qualified Health Center (FQHC) Clinics

Moving the Riverside University Health System – Clinics out of the general fund into their own special revenue fund would be beneficial from both reporting and financial balancing issues. Funds earned in a given year would be available the next year for capital investment. In the case of our FQHC clinics, there is a wide range of capital improvements that need to be done. There is a need to replace older equipment. At least three of the clinics – Corona, Hemet and Jurupa – need to be replaced, and others are being evaluated for expansion. Replaced or expanded clinics will need new equipment. Many of the clinics would benefit from tenant improvements.

Recommendation 19: *That the Board of Supervisors approve the creation of a new special revenue fund and approve the movement of the FQHC clinic fiscal operations from the general fund into that new fund.*

Department of Behavioral Health

Generally speaking, based on current projections, RUHS – Behavioral Health is anticipating expenditures to remain within the total approved appropriations, and net county cost to remain within target. Activities, events, expenses, and revenue are being realized very nearly as planned in the department's Board-approved budget.

Correctional Behavioral Health

RUHS – Behavioral Health continues to work with the Executive Office in planning for increased service levels in the county's detention facilities. As previously reported, costs have increased in this area, though it is too early to exactly quantify this year's full amount. The department will bring a detailed update along with a requested budget increase to the Board in the third quarter report.

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

The Department of Public Social Services (DPSS) reports Medi-Cal caseload growth of 52 percent through November 2015. Many of the other self-sufficiency and social services programs also showed increases, but in the following lesser percentages: adult protective services increased 16 percent, in-home supportive services and child welfare services increased 8 percent, adoptions increased 5 percent, CalFresh increased 4 percent and foster care increased 3 percent. The CalWORKs and welfare to work programs experienced negative growth of 7 and 4 percent, respectively. Medi-Cal call volumes were low for the Riverside regional call center in the month of October, leading into the open enrollment period. Although DPSS has a variety of methods to submit applications (in-person, by mail, by phone, C4Yourself and through community assisters), a majority applied in-person.

For the second quarter of FY 15/16, monthly Medi-Cal enrollments averaged 14,533, representing a 19.5 percent increase over FY 14/15. Of these applications, 92.3 percent were processed within the required 45 day timeframe. DPSS continues hiring Medi-Cal Eligibility Technicians and support staff to manage the increased caseload. In addition, through partnerships with the county's health plan providers (e.g., community service providers, community health centers, community based organizations and other county departments), data sharing and timely case management activities are aiding in the retention of health benefits. Finally, communication among the partners raises awareness of those who are Medi-Cal eligible but not yet enrolled. Timely processing of current Medi-Cal applications, as well as prior year enrollment, is a department priority. As of October 14, 2015, DPSS completed 94 percent of current year applications and 98 percent of prior year applications.

FY 15/16 CalWORKs Housing Support Program (HSP) funding increased from \$1.0 million to \$1.5 million. The additional allocation will provide financial assistance to recently housed CalWORKs families receiving an HSP subsidy; new homeless CalWORKs families that have been identified or have requested HSP services; and homeless families discontinued for being over the CalWORKs income eligibility requirements. A budget adjustment to recognize this funding increase will be submitted through a separate Form 11, targeted for Board of Supervisors consideration in February 2016.

The Childcare Alternative Payment Program (CAPP) provides childcare services to eligible fami-

lies meeting specific criteria, in accordance with California Education Code. The California Department of Education released an amendment to the existing CAPP contract, which increased the Maximum Reimbursable Amount (MRA) by \$706,000, from \$1.9 million to \$2.6 million. Approximately 3,970 children were served during FY 14/15. This increase will enable DPSS to serve approximately 828 additional children in FY 15/16. A budget adjustment for this was included on a separate Form 11 for Board of Supervisors consideration in January 2016.

The Expanded Subsidized Employment (ESE) program assists CalWORKs participants secure employment through initial wage subsidies. The current department goal is to provide opportunities for 500 customers per year to access ESE program benefits. The FY 15/16 department budget included a preliminary estimate of \$4.0 million for the ESE program. However, the department was recently notified the final allocation amount is \$6.4 million, an increase of \$2.4 million, which the department plans to fully utilize. The department will carefully monitor expenditure levels and will provide an update to the Board and request any required budget adjustments in the third quarter budget report.

California Department of Social Services recently provided instructions to county welfare departments on the process for recruiting, retaining and supporting foster parents, resource families, and relative caregivers. Approval of the 2015 Budget Act (SB97) included funding supporting implementation of anticipated legislation improving California's child welfare system through the Continuum of Care Reform (CCR) initiative. The CCR focused on minimizing placements of children in congregate care settings and instead placing children in home-based family settings. DPSS received a state general fund allocation of \$463,532 to recruit, retain and support parents, resource families, and relative caregivers. The department will monitor implementation processes for the foster parent recruitment, retention and support program, update the Board, and request any required budget adjustments in the third quarter budget report.

DPSS receives child support recoupment revenue to partially offset the cost of assistance payments to associated families. The department accounts for this revenue in the annual operating budget. The Department of Child Support Services (DCSS) processes recoupment of these funds. Due to the current economic environment, DPSS and DCSS agreed to redistribute \$100,000 in recoupment funding to DCSS for welfare recoupment activities. DCSS will use the funding to match 66 percent of federal funding. DPSS will backfill the recoupment revenue with available realignment funding. The following budget adjustments are requested for DCSS and DPSS.

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Department of Child Support Services by \$294,118, and adjust estimated revenues for the Department of Public Social Services by \$100,000, as follows:*

Increase estimated revenue:		
10000-2300100000-781360	Other miscellaneous revenue	\$100,000
10000-2300100000-761020	Federal family support reimbursement	<u>194,118</u>
	Total	294,118
Increase appropriations:		
10000-2300100000-525500	Salary/benefit reimbursement	294,118
Decrease estimated revenue:		
10000-5100300000-781480	Program revenue	100,000

Increase estimated revenue:		
10000-5100300000-755900	CA-AB118 local revenue	100,000

FY 15/16 In-Home Supportive Services (IHSS) Individual Provider (IP) service hours are projected to increase 21 percent over the prior year as a result of increased authorized services. California Department of Social Services recently provided instructions to county welfare departments to implement Fair Labor Standards Act (FLSA) regulations for IHSS providers. The new client focused requirements include: 1) securing a second provider; 2) assisting IHSS providers to set their schedules to avoid working overtime; and 3) reviewing, approving and explaining IHSS recipient workweek agreements to ensure no IHSS provider works in excess of 40 hours per week. Under additional FLSA regulations, IHSS providers will be compensated for medical accompaniment wait times. Currently, in-home assessments determine consumer medical appointment travel requirements, but wait times are not factored. Based on the severity of consumer medical conditions, medical accompaniment hours may increase significantly.

Currently, there are greater than 21,000 IHSS clients (85 percent of total active as of October 2014) eligible to be evaluated for medical accompaniment assistance and for increased home visits to enable social workers to assist IHSS clients in obtaining medical documentation and other information required for authorizing wait time. In anticipation of workload increases, Adult Services and the Public Authority have added new positions.

The IHSS county share of cost continues to be capped at a maintenance of effort (MOE) level. Since the implementation of the MOE, the increase in costs related to provider service hours, IHSS administration and Public Authority administration would otherwise have required an additional \$25.1 million in general fund support for the current fiscal year.

In 2008, the state implemented a new rate structure retroactive to July 1, 2007, for dual agency children. Dual agency children are either in foster care or an adoptive home, and receive developmental disability services from the California Regional Center. The new rate for this population was previously paid to qualified families.

The department recently identified 60 cases in the Adoptions Assistance program that may also be eligible for the dual agency children rate structure and for whom the department is unable to confirm receipt of the benefit change notice by those families. As a result, the department is reviewing each case to determine eligibility and will issue retroactive payments, as appropriate. The additional cost will be absorbed within the current budget using anticipated savings in Foster Care and Emergency Assistance or Re-alignment, as necessary. The department will monitor this closely and provide an update in the third quarter budget report.

The department anticipates caseload growth of 38 percent in county-funded Foster Care over the prior year as a result of supplemental funding for special needs children requiring a higher level of care. In addition, the department reports a 37 percent decline in the General Relief Homeless program, compared with the prior year. A review is un-

derway to determine the cause. The increase in Foster Care and decrease in the General Relief Homeless program is expected to result in the need for an additional \$255,000 net in general fund support this fiscal year. The department will monitor expenditures and request any required budget adjustments in the third quarter budget report, as necessary.

Riverside County Children and Families Commission (RCCFC)

During the second quarter, the Riverside County Children and Families Commission (RCCFC) conducted two public hearings soliciting stakeholder feedback on the strategic plan and annual report. Subsequently, the RCCFC adopted the new strategic plan for FY 16/17 through FY 20/21 and adopted the FY 14/15 annual report.

RCCFC strategic plan Priority Area 1 focuses on children and families, including goals in early learning, child health, and family strengthening. Strategic plan Priority Area 2 concentrates on system and networks, including goals in leadership as a convenor/partner and capacity building.

The Commission also approved an application to participate in First 5 California myTeachstone pilot, which gathers users' feedback on the benefits and challenges to using the online coaching resource. Developed by Teachstone®, MyTeachstone promotes data driven coaching and professional development, enhances existing coaching infrastructure, strengthens teacher-coach relationships, and individualizes the teacher learning experience.

Other significant actions of the Commission included:

- Participation in a countywide drowning prevention program through a contract with YMCA of Riverside County, in the amount of \$175,000;
- Expanding the existing contract with El Sol Neighborhood Education Center, in the amount of \$409,749, for targeted home visitation, including families currently on the wait list;
- Expanding the existing contract with El Sol Neighborhood Education Center, in the amount of \$746,784, for school readiness home visitation for an additional 300 families currently on their wait list;
- Expanding the existing contract with Blindness Support Services, Inc., in the amount of \$68,374, for county-wide services to families who have children with special needs in zones not included in the original scope of work;
- Expanding the existing contract with Office on Aging, in the amount of \$102,660, to serve an additional 10 children and their families and cover increases in subsidized child care reimbursement;
- Extending 18 existing contracts, totaling \$8,588,200, covering the period July 1, 2016, through June 30, 2017.

In December 2015, the independent audit firm draft annual audit report for the fiscal year ending June 30, 2015, was received and was presented during the January Com-

mission meeting. RCCFC had no findings during FY 14/15. The review and submission of the audit was delayed due to the implementation of the Government Accounting Standards Board Statement 68 on net pension liability. Although an extension was granted by the State Controller's Office, the report will be noted as 'late' on the State Controller's report; however, this notation will not impact receipt of revenue.

FY 15/16 beginning fund balance was adjusted by \$1.8 million for actual revenues and expenditures. The projected year-end fund balance anticipated use of \$8.4 million, leaving a projected ending fund balance of \$35.5 million. It is anticipated the capital acquisition reserve of \$420,000 will be used during the current fiscal year to build out the vacant space in RCCFC's new building.

Office on Aging

The Office on Aging's revenue and expenditures are within expectations and the department anticipates ending the fiscal year within budget. As reported at first quarter, Office on Aging was uncertain about future federal funding since Congress had recently passed a 10-week, short-term spending bill that funded the federal government at FY 2015 levels until December 11, 2015. The passage of the fiscal year 2016 Omnibus Appropriations bill that was signed into law on December 28, 2015, ensures consistent funding flowing to federal discretionary programs, such as Older American Act (OAA) and other aging programs, for the rest of the federal fiscal year. Most OAA programs included in the bill were level funded at FY 2015 amounts. These funding levels still are not adequate to either meet the need or make up for federal and state funding cuts over the last several years; however, Office on Aging is dedicated to continue providing the much needed support and services to the older adults of Riverside County.

EDUCATION, RECREATION, AND CULTURE

Edward Dean Museum

The department requests a budget adjustment to process increases in temporary staffing costs and the purchase of tables and chairs used for weddings. Interfund revenue will cover these expenses.

Recommendation 21: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Edward Dean Museum by \$13,556, as follows:*

Increase appropriations:		
10000-1930100000-510320	Temporary salaries	\$4,614
10000-1930100000-523680	Office equipment non fixed assets	<u>8,942</u>
	Total	13,556
Increase estimated revenue:		
10000-1930100000-778200	Interfund - miscellaneous	13,556

ENTERPRISE FUNDS**Riverside Riverside University Health System – Medical Center**

Two years of fiscal discipline and operational improvements resulted last year in a dramatic improvement in both cash and the bottom line. This fiscal year, the Board-approved budget supported management's recommendation that it was time for an increased investment in infrastructure and equipment. There are many examples of how the Board is investing in the hospital's future. The conversion to Epic is underway. A new MRI went on line in January, and the installation of a new Cat-Scan will soon begin. Training continues in preparation for the use of our new Da Vinci surgical robot. Staff moved into the new education building over the holidays, and the site master development plan is has produced some exciting ideas. These investments do not come cheap, but they are an essential part of efforts to turn RUHS - Medical Center into a health care destination of choice.

In spite of these new costs, the medical center has realized a modest improvement over budget goals. Management is confident that this modest improvement will continue and perhaps accelerate over the second half of the fiscal year, and will provide a detailed update in the next quarterly report.

Fiscal health is essential, but must go together with great patient care and service. RUHS – Medical Center continues to collect awards and recognition for outstanding performance, quality of care, and patient safety. A list of some recent awards follows:

- **Leapfrog.** Riverside University Health System – Medical Center has received national recognition from The Leapfrog Group for its commitment to patient safety with the receipt of a “B” score. This grade reflects our deep commitment to patient safety, placing us among the safest hospitals in the United States. By way of comparison, two well-known and similar-sized hospitals in our region got scores of “C” and “D.”
- **Top Performer.** The Medical Center was named a *Top Performer on Key Quality Measures* by The Joint Commission, the nation's leading independent accreditor of hospitals and health care organizations. The Medical Center was recognized in The Joint Commission's 2015 annual report “America's Hospitals: Improving Quality and Safety,” which examined quality measures from more than 3,000 qualified hospitals across the nation. Of the 12 hospitals operated by University of California Health System, only UC Irvine Medical Center achieved the same number of measures as our Medical Center during the same time period.
- **Stroke Gold.** Gold Plus Achievement: These hospitals in this category are recognized for two or more consecutive years of 85 percent or higher adherence on all achievement measures applicable and at least 75 percent or higher adherence with five or more select quality measures in stroke.
- **HASC.** After their data review through quarter three of 2014, the Hospital Association of Southern California (HASC) chose to commend our efforts in meeting

or exceeding performance goals in reducing pre-term deliveries as well as certain types of infections. Further, based on our exceptional performance in sepsis mortality, HASC has asked us to become a "mentor" to 2-3 participating hospitals, and share our experience with them.

INTERNAL SERVICE FUNDS

Purchasing & Fleet Services

Printing Services

Overall, Printing Services is on track to meet FY 15/16 budget targets. As previously reported to the Board, staffing adjustments are currently being made as a result of reductions in the sale of printed forms. The county's transition from paper to electronic forms has changed the printing environment and as a result older analog technology, such as off-set presses, are being retired. The department is moving to an all-digital print operation including the printing of banners and flags to address the current business and marketing needs of county departments.

Central Mail

Central Mail Services appears on track to meet budget targets for FY 15/16. Central Mail USPS piece count is declining as County departments embrace available technology to reduce paper flow; however the number of requested mail pick-up/delivery sites has not decreased. Central Mail will monitor the situation and provide updates in future quarterly reports.

Fleet Services

Overall, Fleet Services appears on track to meet budget targets for FY 15/16; however, several departments are requesting vehicles that need budget adjustments:

- **RUHS – Medical Center** – The Medical Center has requested one vehicle; a refrigerated box truck. This vehicle was not included in Fleet Services' FY 15/16 requested budget. Therefore, Fleet Services requests authorization to purchase a refrigerated box truck and an appropriation increase of \$15,775 to handle finance costs and \$15,000 for vehicle amortization. The increase is for finance charges which will be offset by additional revenue and amortization charges funded through use of unrestricted net assets.
- **Children and Family Commission (First Five)** – First Five has requested one small SUV. This vehicle was not included in Fleet Services' FY 15/16 requested budget. Therefore, Fleet Services requests authorization to purchase one vehicle, an increase of \$1,905 to handle finance costs, and \$1,905 for vehicle amortization. The increase for finance charges will be offset by additional revenue and amortization charges will be funded through use of unrestricted net assets.

Recommendation 22: That the Board of Supervisors: 1) approve the purchase of one (1) vehicle for RUHS – Medical Center and the purchase of one (1) vehicle for First

Five; and, 2) approve and authorize the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues, and use of net assets by \$34,585, as follows:

Increase estimated revenue		
45300-7300500000-777620	Vehicle cost recovery	\$17,680
Increase Appropriations:		
45300-7300500000-532600	Capital lease – principal	16,170
45300-7300500000-533720	Capital lease – interest	1,510
45300-7300500000-535515	Amortization – vehicles	<u>16,905</u>
	Total	34,585
Use of net assets:		
45300-7300500000-380100	Unrestricted net assets	16,905

Human Resources

General Liability Insurance

Reimbursements of stop loss recoveries are higher than anticipated. Increased appropriations to pay claims are needed. Human Resources will continue to monitor the spending on general liability claims.

Recommendation 23: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the General Liability fund by \$24,730,000, as follows:

Increase estimated revenues:		
45960-1131000000-777010	Stop loss reimbursement	\$24,550,000
45960-1131000000-781180	Judgments	150,000
45960-1131000000-781360	Other miscellaneous revenue	<u>30,000</u>
	Total	24,730,000
Increase appropriations:		
45960-1131000000-525440	Professional services	30,000
45960-1131000000-534280	Liability adjustment expense	24,550,000
45960-1131000000-534300	Liability judgment	<u>150,000</u>
	Total	24,730,000

Workers' Compensation

Workers' Compensation is experiencing higher than projected claims costs. Additional revenue from stop loss reimbursements and rebates and refunds will be used to offset the increase in claims costs. Workers' Compensation has an outstanding loan receivable from Property Insurance (Item #3.6, February 11, 2014). Since the loan began, the Property Insurance fund was closed and moved under the General Liability fund. The General Liability fund will be responsible for repayment of the loan and associated interest. The original approval of the loan was silent on interest terms. Interest will be paid at the Treasurer-Tax Collector pool rate.

Recommendation 24: That the Board of Supervisors approve and direct the Auditor-

Controller to make budget adjustments to appropriations and estimated revenues for Workers' Compensation fund by \$345,000, as follows:

Increase estimated revenues:		
46100-1130800000-777010	Stop loss reimbursement	\$285,000
46100-1130800000-781120	Rebates and refunds	<u>60,000</u>
	Total	345,000
Increase appropriations:		
46100-1130800000-534220	Compensation claims	345,000

Recommendation 25: That the Board of Supervisors approve updated terms of the outstanding loan between the Workers' Compensation and Property Insurance funds to: 1) change the responsible fund from Property Insurance Fund to General Liability; and, 2) that interest will be paid to the Workers' Compensation fund at the Treasurer-Tax Collector pool rate.

Exclusive Care

Exclusive Care EPO revenues are trending higher than budgeted due to increased contributions from the membership. In addition, claims have increased. A budget adjustment is necessary to ensure appropriations are sufficient to pay claims through year-end.

Recommendation 26: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Exclusive Care EPO by \$6,000,000, as follows:

Increase estimated revenues:		
45800-1132000000-781220	Contributions and donations	\$6,000,000
Increase appropriations:		
45800-1132000000-534500	Hospital care services claims	3,000,000
45800-1132000000-534520	EPO pharmaceutical claims	<u>3,000,000</u>
	Total	6,000,000

Delta Dental PPO

Delta Dental PPO revenues are trending higher than budgeted due to increased membership. In addition, claims have increased as a result of the higher population. A budget adjustment is necessary to ensure appropriations are sufficient to pay claims through year-end.

Recommendation 27: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Delta Dental PPO by \$200,000, as follows:

Increase estimated revenues:		
45860-1130600000-781320	Insurance proceeds	\$200,000

Increase appropriations:
 45860-1130600000-534240 Dental claims 200,000

Riverside County Information Technology (RCIT)

RCIT requests a budget adjustment to reduce salaries, benefits, and anticipated revenue associated with staff supporting the Riverside University Health System (RUHS). Information Technology staff were transferred to RUHS to enable focused attention on the health system, which is undergoing a transformation and expansion. The RUHS plans to make any needed adjustments to their budget resulting from this move in the third quarter report.

Recommendation 28: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for Riverside County Information Technology by \$6,259,244, as follows:

Decrease estimated revenue:		
45500-7400100000-770730	Applications development-support	\$3,599,590
45500-7400100000-770770	Local access network PC tech	<u>2,659,654</u>
	Total	6,259,244
Decrease appropriations:		
45500-7400100000-510040	Regular salaries	6,259,244

Public Safety Enterprise Communication System (PSEC)

The Board of Supervisors recently approved agreements with the cities of Murrieta, Banning, and Riverside for access to the Public Safety Enterprise Communication (PSEC) radio system. This represented a significant step toward achieving the Board's vision of full interoperability between the county and cities' public safety agencies.

As other agencies are included and radios added onto the system, it will be necessary to expand PSEC's capacity by adding frequencies and channels to enable communication without delay and minimize busy signals. Consequently, to maintain system integrity, the department intends to phase capital purchase requests as necessary over the next five years through the county's budget process.

SPECIAL DISTRICTS AND OTHER AGENCIES

Flood Control and Water Conservation District

The Flood Control and Water Conservation District (District) requests a budget adjustment to increase appropriations in Fund 40670 for encroachment permits. The adjustment is necessary to accommodate an increase in the use of outside engineering sources to review encroachment permits related to the 91 freeway expansion. This review is deposit-based and will be replenished through revenue earned in the current year.

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Flood Control by \$200,000, as follows:

Increase appropriations:		
40670-947160-524820	Engineering services	\$200,000
Increase estimated revenue:		
40670-947160-772180	Inspections	200,000

The District requests a budget adjustment increasing appropriations in Fund 40660 for subdivision operations. The adjustment is necessary to accommodate an increase in the use of outside engineering sources to review plan check cases. These reviews are deposit-based and replenished through revenue earned in the current year.

Recommendation 30: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Flood Control by \$200,000, as follows:*

Increase appropriations:		
40660-947140-524820	Engineering services	\$200,000
Increase estimated revenue:		
40660-947140-771830	Improvement plan check fees	200,000

Regional Parks and Open Space District

The Board of Supervisors on December 8, 2015, (Item #3-25) awarded \$350,000 of Community Development Block Grant (CDBG) funds to the Regional Park and Open Space District to pay for comprehensive improvements and upgrades to the Good Hope Community Center and Park. The District's planning team is in process to begin this work, and additional appropriations are needed in order to expend the grant.

Recommendation 31: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Regional Park and Open Space District by \$350,000, as follows:*

Increase appropriations:		
25600-931155-542100	Parks buildings	\$350,000
Increase estimated revenue:		
25600-931155-778010	Interfund – CDBG	350,000

County Service Areas

The department requests budget adjustments of \$39,000 each for CSA 121, CSA 134, and CSA 143 to acquire new pickup trucks for operations. In addition, CSA 124 and CSA 105 request budget adjustments of \$200,000 and \$75,000 respectively to reimburse the Transportation and Land Management Agency for El Nino-related road maintenance work. CSA Administration requests a budget adjustment for property and special event insurance costs, as well as a transfer of funds to CSA 51 for water delivery system repair. These costs will be reimbursed by appropriate CSA funds as expenses occur.

Recommendation 32: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 126 by \$39,000, as follows:

Increase appropriations:		
24250-912101-528920	Car pool expense	\$39,000
Use restricted fund balance:		
24250-912101-321101	Restricted program money	39,000

Recommendation 33: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 134 by \$39,000, as follows:

Increase appropriations:		
24425-913401-528920	Car pool expense	\$39,000
Use restricted fund balance:		
24425-913401-321101	Restricted program money	39,000

Recommendation 34: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 143 by \$39,000, as follows:

Increase appropriations:		
24550-914301-528920	Car pool expense	\$39,000
Use restricted fund balance:		
24550-914301-321101	Restricted program money	39,000

Recommendation 35: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 124 by \$200,000, as follows:

Increase appropriations:		
24275-912411-537160	Interfund expense – road maintenance grading	\$200,000
Use restricted fund balance:		
24275-912411-321101	Restricted program money	200,000

Recommendation 36: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 105 by \$75,000, as follows:

Increase appropriations:		
24125-910501-537160	Interfund expense – road maintenance grading	\$75,000
Use restricted fund balance:		
24125-910501-321101	Restricted program money	75,000

Recommendation 37: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for CSA Administration by \$162,310, as follows:

Increase appropriations:		
23010-915202-520945	Insurance – property	\$25,760
23010-915202-527780	Special program expense	44,021
23010-915202-537080	Interfund expense – miscellaneous	<u>92,529</u>
	Total	162,310
Increase estimated revenue:		
23010-915202-778280	Interfund – reimbursement for services	162,310

Attachment A Summary of Recommendations

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

Recommendation 1: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and estimated sales and use tax revenue by \$2,510,867, as follows:

Decrease estimated revenue:		
10000-1300100000-710020	Sales and use tax	\$2,510,867

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	2,510,867

Recommendation 2: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated interest revenue for the Treasurer-Tax Collector and Contingency by \$900,000, as follows:

Increase estimated revenue:		
10000-1400100000-740020	Interest - invested funds	\$900,000

Increase appropriations:		
10000-1109000000-581000	Appropriations for contingency	900,000

Recommendation 3: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Executive Office and use of restricted fund balance for Prop. 172 funds by \$761,600, as follows:

Increase appropriations:		
10000-1100100000-524660	Consultants	\$761,600

Use of restricted fund balance:		
11039-1302400000-321101	Restricted program money	761,600

Recommendation 4: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Human Resources by \$225,000, as follows:

Increase estimated revenues:		
10000-1130100000-777030	Personnel services	\$160,000
10000-1130100000-781360	Other miscellaneous revenue	65,000
	Total	<u>225,000</u>

Increase appropriations:		
10000-1130100000-510040	Regular salaries	201,000
10000-1130100000-518100	Budgeted benefits	62,000
10000-1130100000-525440	Professional services	25,000
10000-1130100000-527860	Training – materials	100,000
10000-1130100000-572800	Intra-fund – miscellaneous	(25,000)
10000-1130100000-572900	Intra-fund – personnel	(38,000)

10000-1130100000-573500	Intra-fund – training	<u>(100,000)</u>
	Total	225,000

Recommendation 5: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$769,122, as follows:

Increase appropriations:		
21100-1900500000-551100	Contributions to other funds	\$769,122
Increase estimated revenue:		
21100-1900500000-781360	Other miscellaneous revenue	769,122

Recommendation 6: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$30,000, as follows:

Increase appropriations:		
21100-1900100000-546080	Equipment – computer	\$30,000
Increase estimated revenue:		
21100-1900100000-778220	Interfund – office expense	30,000

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the EDA Community Development Block Grant program by \$875,000, as follows:

Increase appropriations:		
21350-1900200000-536200	Contributions to other non-county agency	\$875,000
Increase estimated revenue:		
21350-1900200000-766000	Federal – community redevelopment hm	875,000

Recommendation 8: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Fair and National Date Festival by \$30,000, as follows:

Increase appropriations:		
22200-1920100000-510330	TAP salaries	\$15,000
22200-1920100000-546160	Equipment – other	<u>15,000</u>
	Total	30,000
Increase estimated revenue:		
22200-1920100000-752600	CA – fairs	30,000

Recommendation 9: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the EDA Energy division by \$5,500,000, as follows:

Increase appropriations:		
10000-7200600000-529500	Electricity	\$4,000,000
10000-7200600000-529520	Sewer system	750,000
10000-7200600000-529550	Water	<u>750,000</u>
	Total	5,500,000
Increase estimated revenue:		
10000-7200600000-777610	Utilities	5,500,000

Recommendation 10: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Fire by \$190,772, as follows:

Increase appropriations:		
10000-2700200000-527780	Special program expense	\$190,772
Increase estimated revenues:		
10000-2700200000-767220	Federal – other operating grants	190,772

Recommendation 11: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and increasing appropriations for CAC Security by \$174,600, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	\$174,600
Increase appropriations:		
10000-2500600000-510420	Overtime	15,000
10000-2500600000-520220	County radio 700 MHz System	6,600
10000-2500600000-525320	Security guard services	125,000
10000-2500600000-546060	Equipment – communications	<u>28,000</u>
	Total	174,600

Recommendation 12: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Probation Department by \$250,000, as follows:

Decrease appropriations:		
10000-2600100000-510040	Regular salaries	\$250,000
Use of unassigned fund balance:		
10000-2600100000-370100	Unassigned fund balance	250,000
Increase appropriations:		
10000-2600400000-530220	Support and care - persons	250,000
Use of unassigned fund balance:		
10000-2600400000-370100	Unassigned fund balance	250,000

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues

and use of assigned fund balance for the County Airports by \$262,046, as follows:

Increase appropriations:		
22100-1910700000-510200	Payoff permanent – seasonal	\$12,910
22100-1910700000-520250	Communications equipment – install	9,722
22100-1910700000-522320	Maintenance – grounds	17,411
22100-1910700000-522390	Maintenance – improve sewer	9,288
22100-1910700000-523270	Special events	133,641
22100-1910700000-525300	ESD processing – financials	12,043
22100-1910700000-525440	Professional services	29,144
22100-1910700000-537280	Interfund expense – miscellaneous project expense	<u>37,887</u>
		262,046
Increase estimated revenues:		
22100-1910700000-741320	Miscellaneous event charges	21,052
Use of assigned fund balance:		
22100-1910700000-350100	AFB for program money	240,994

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments 1) increasing appropriations and use of restricted fund balance in the Special Aviation Desert Center budget unit, and 2) increasing appropriations and estimated revenues for the Special Aviation Chiriaco Summit budget unit by \$98,803 each, as follows:

Increase appropriations:		
22350-1910400000-542040	Buildings – capital projects	\$98,803
Increase estimated revenues:		
22350-1910400000-790500	Operating transfer – in	98,803
Increase appropriations:		
22350-1910500000-551000	Operating transfers – out	98,803
Use of restricted fund balance:		
22350-1910500000-321101	Restricted program money	98,803

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the landscape maintenance districts by \$20,486, as follows:

Increase appropriations:		
20300-3130100000-551100	Contribution to other funds	\$20,486
Use of restricted fund balance:		
20300-3130100000-321152	Restricted for landscape maintenance districts	20,486

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance in the Developer Agreements fund by \$544,250, as follows:

Increase appropriations:
 31680-3130500000-537280 Interfund expense – miscellaneous project expense \$544,250

Use of restricted fund balance:
 31681-3130500000-322103 Restricted for capital projects subfunds 544,250

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for Public Health for a net total of \$420,931, as follows:

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$147,826
10000-4200100000-518100	Budgeted benefits	125,925
10000-4200100000-525440	Professional services	<u>187,500</u>
	Total	461,251

Decrease appropriations:		
10000-4200100000-510040	Regular salaries	21,863
10000-4200100000-518100	Budgeted benefits	<u>18,457</u>
	Total	40,320

Increase estimated revenue:		
10000-4200100000-751680	CA – state grant revenue	461,251

Decrease estimated revenue:		
10000-4200100000-762040	Federal – health grants	40,320

Recommendation 18: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for Public Health by \$1,200,000, as follows:

Increase appropriations:		
10000-4200200000-524500	Administrative support – direct	\$ 1,200,000
10000-4200200000-572800	Intra-fund – miscellaneous	(1,200,000)

Recommendation 19: That the Board of Supervisors approve the creation of a new special revenue fund and approve the movement of the FQHC clinic fiscal operations from the general fund into that new fund.

Recommendation 20: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Department of Child Support Services by \$294,118, and adjust estimated revenues for the Department of Public Social Services by \$100,000, as follows:

Increase estimated revenue:		
10000-2300100000-781360	Other miscellaneous revenue	\$100,000
10000-2300100000-761020	Federal family support reimbursement	<u>194,118</u>
	Total	294,118

Increase appropriations:		
10000-2300100000-525500	Salary/benefit reimbursement	294,118

Decrease estimated revenue:		
10000-5100300000-781480	Program revenue	100,000

Increase estimated revenue:		
10000-5100300000-755900	CA-AB118 local revenue	100,000

Recommendation 21: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Edward Dean Museum by \$13,556, as follows:

Increase appropriations:		
10000-1930100000-510320	Temporary salaries	\$4,614
10000-1930100000-523680	Office equipment non fixed assets	<u>8,942</u>
	Total	13,556
Increase estimated revenue:		
10000-1930100000-778200	Interfund - miscellaneous	13,556

Recommendation 22: That the Board of Supervisors: 1) approve the purchase of one (1) vehicle for RUHS – Medical Center and the purchase of one (1) vehicle for First Five; and, 2) approve and authorize the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues, and use of net assets by \$34,585, as follows:

Increase estimated revenue		
45300-7300500000-777620	Vehicle cost recovery	\$17,680
Increase Appropriations:		
45300-7300500000-532600	Capital lease – principal	16,170
45300-7300500000-533720	Capital lease – interest	1,510
45300-7300500000-535515	Amortization – vehicles	<u>16,905</u>
	Total	34,585
Use of net assets:		
45300-7300500000-380100	Unrestricted net assets	16,905

Recommendation 23: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the General Liability fund by \$24,730,000, as follows:

Increase estimated revenues:		
45960-1131000000-777010	Stop loss reimbursement	\$24,550,000
45960-1131000000-781180	Judgments	150,000
45960-1131000000-781360	Other miscellaneous revenue	<u>30,000</u>
	Total	24,730,000
Increase appropriations:		
45960-1131000000-525440	Professional services	30,000
45960-1131000000-534280	Liability adjustment expense	24,550,000
45960-1131000000-534300	Liability judgment	<u>150,000</u>
	Total	24,730,000

Recommendation 24: That the Board of Supervisors approve and direct the Auditor-

Controller to make budget adjustments to appropriations and estimated revenues for Workers' Compensation fund by \$345,000, as follows:

Increase estimated revenues:		
46100-1130800000-777010	Stop loss reimbursement	\$285,000
46100-1130800000-781120	Rebates and refunds	<u>60,000</u>
	Total	345,000
Increase appropriations:		
46100-1130800000-534220	Compensation claims	345,000

Recommendation 25: That the Board of Supervisors approve updated terms of the outstanding loan between the Workers' Compensation and Property Insurance funds to: 1) change the responsible fund from Property Insurance Fund to General Liability; and, 2) that interest will be paid to the Workers' Compensation fund at the Treasurer-Tax Collector pool rate.

Recommendation 26: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Exclusive Care EPO by \$6,000,000, as follows:

Increase estimated revenues:		
45800-1132000000-781220	Contributions and donations	\$6,000,000
Increase appropriations:		
45800-1132000000-534500	Hospital care services claims	3,000,000
45800-1132000000-534520	EPO pharmaceutical claims	<u>3,000,000</u>
	Total	6,000,000

Recommendation 27: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Delta Dental PPO by \$200,000, as follows:

Increase estimated revenues:		
45860-1130600000-781320	Insurance proceeds	\$200,000
Increase appropriations:		
45860-1130600000-534240	Dental claims	200,000

Recommendation 28: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for Riverside County Information Technology by \$6,259,244, as follows:

Decrease estimated revenue:		
45500-7400100000-770730	Applications development-support	\$3,599,590
45500-7400100000-770770	Local access network PC tech	<u>2,659,654</u>
	Total	6,259,244
Decrease appropriations:		
45500-7400100000-510040	Regular salaries	6,259,244

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-

Controller to make budget adjustments increasing appropriations and estimated revenue for Flood Control by \$200,000, as follows:

Increase appropriations:		
40670-947160-524820	Engineering services	\$200,000
Increase estimated revenue:		
40670-947160-772180	Inspections	200,000

Recommendation 30: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Flood Control by \$200,000, as follows:*

Increase appropriations:		
40660-947140-524820	Engineering services	\$200,000
Increase estimated revenue:		
40660-947140-771830	Improvement plan check fees	200,000

Recommendation 31: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Regional Park and Open Space District by \$350,000, as follows:*

Increase appropriations:		
25600-931155-542100	Parks buildings	\$350,000
Increase estimated revenue:		
25600-931155-778010	Interfund – CDBG	350,000

Recommendation 32: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 126 by \$39,000, as follows:*

Increase appropriations:		
24250-912101-528920	Car pool expense	\$39,000
Use restricted fund balance:		
24250-912101-321101	Restricted program money	39,000

Recommendation 33: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 134 by \$39,000, as follows:*

Increase appropriations:		
24425-913401-528920	Car pool expense	\$39,000
Use restricted fund balance:		
24425-913401-321101	Restricted program money	39,000

Recommendation 34: *That the Board of Supervisors approve and direct the Auditor-*

Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 143 by \$39,000, as follows:

Increase appropriations:		
24550-914301-528920	Car pool expense	\$39,000

Use restricted fund balance:		
24550-914301-321101	Restricted program money	39,000

Recommendation 35: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 124 by \$200,000, as follows:*

Increase appropriations:		
24275-912411-537160	Interfund expense – road maintenance grading	\$200,000

Use restricted fund balance:		
24275-912411-321101	Restricted program money	200,000

Recommendation 36: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 105 by \$75,000, as follows:*

Increase appropriations:		
24125-910501-537160	Interfund expense – road maintenance grading	\$75,000

Use restricted fund balance:		
24125-910501-321101	Restricted program money	75,000

Recommendation 37: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for CSA Administration by \$162,310, as follows:*

Increase appropriations:		
23010-915202-520945	Insurance – property	\$25,760
23010-915202-527780	Special program expense	44,021
23010-915202-537080	Interfund expense – miscellaneous	<u>92,529</u>
	Total	162,310

Increase estimated revenue:		
23010-915202-778280	Interfund – reimbursement for services	162,310



Preliminary Fiscal Year 2016/17 Budget Schedule

January 26, 2016	Tue	Internal service rates approved by the Board
February 2, 2016	Tue	FY 15/16 midyear budget report, FY 16/17 budget policies approved
February 8, 2016	Mon	FY 16/17 budget kickoff meeting
March 14, 2016	Mon	Department budgets due to EO
April 4, 2016	Mon	Department FY 15/16 3 rd quarter status reports due to EO
May 10, 2016	Tue	FY 15/16 3 rd quarter budget report, FY 16/17 budget preview
June 20, 2016	Mon	Board adopts FY 16/17 recommended budget, opens budget hearings
June 21, 2016	Tue	Budget hearings continue, if needed
July 26, 2016	Tue	Board approves amendments and adopts budget
November 2016		Adopted budget book ready for departmental pickup



JAY E. ORR
COUNTY EXECUTIVE OFFICER

COUNTY OF RIVERSIDE EXECUTIVE OFFICE

GEORGE A. JOHNSON
CHIEF ASSISTANT COUNTY EXECUTIVE OFFICER

ROB FIELD
ASSISTANT COUNTY EXECUTIVE OFFICER
ECONOMIC DEVELOPMENT AGENCY

MICHAEL T. STOCK
ASSISTANT COUNTY EXECUTIVE OFFICER
HUMAN RESOURCES

ZAREH SARAFIAN
ASSISTANT COUNTY EXECUTIVE OFFICER
HEALTH SYSTEMS

PAUL McDONNELL
COUNTY FINANCE DIRECTOR

FY 16/17 Budget Policies

The FY 16/17 county budget will be developed per the following budget policies:

1. **Strategic Objectives:** Allocation of the county's limited discretionary resources will be prioritized based on the following strategic organizational objectives:
 - a. **Public Safety** – Existing commitments to mission critical public safety functions.
 - b. **Healthy Communities** – Essential services that address public health mandates and foster healthy homes and workforces.
 - c. **Business Friendly Operations** – Maximizing use of fees and tax dollars most effectively, and making the county an efficient, timely partner with which to do business.
2. **Financial Objectives:** In addition to the basic requirements for a balanced budget required by the state Budget Act, the county budget shall also strive toward meeting the following financial objectives:
 - a. **Structural Balance:** Achieve a structurally balanced budget in which ongoing expenditures do not exceed ongoing revenues, and limit use of one-time resources only to one-time expenditures.
 - b. **Prudent Reserves:** Achieve and maintain prudent reserves and working capital as required by Board Policy B-30.
 - c. **Restricted fund balance and net assets:** Avoid accumulation of unexpended restricted fund balance and net assets, except where necessary for prudent reserves, working capital, or specified purposes as required by Board Policy B-30.
 - d. **Committed and Assigned Fund Balance and Net Assets:** Hold commitments and assignments of fund balance or net assets only as long as necessary to provide for the purpose for which they are established, and release those no longer necessary and apply them either to other one-time uses or reserves.
3. **One-time Resources:** In line with the financial objective of achieving structural balance, one-time resources derived from unexpected or excess revenue or cost savings shall be set aside to build reserves, not to backfill ongoing operations.
4. **Net County Cost (NCC):** Ongoing discretionary general fund support allocated to departments will be based on the amount recommended by the Executive Office. All budgets will be submitted within these allocations. Budget requests that exceed NCC allocations will be returned by the Executive Office to department heads for adjustment, or will be modified by the Executive Office to adhere to the prescribed NCC allocation.

FY 16/17 Budget Policies

5. **General Fund Support “Last In/First Out”:** Unless otherwise mandated or restricted, all departmental revenues shall be fully expended in the year received, ensuring general fund support is provided only as necessary.
6. **Departmental Revenue:** Departmental revenue shortfalls will not be backfilled by the general fund. Departments should adjust their budgets accordingly for expected reductions in all outside revenue including, but not limited to, property tax, grant funds, state funding, public safety sales tax, and federal funding.
7. **Budget Impacts:** If a department cannot provide core services within allocated NCC, it will be required to provide a plan for minimizing impacts through measures such as attrition, improved efficiency, or program reductions. Requests to backfill such impacts shall not be imbedded within budget submittals, but presented to the Executive Office in detail as separate documentation with the budget submittal. Per item 4 above, budgets submitted with backfill assumed and incorporated in their budget submittals, and that consequently exceed their NCC allocations, shall have their budgets returned for adjustment or modified by the Executive Office as necessary to meet the NCC allocated.
8. **Priorities in Budget Construction:** Departments will budget first for basic costs of doing business, such as rent, debt service, and utilities. Next, departments will budget for the costs of completing their missions, such as essential materials and services. Finally, departments may budget for non-essential costs, such as subscriptions, memberships, and redecoration as allocated resources allow.
9. **Cost of Living Allowances (COLAs) and Other Labor Costs:** All departments will absorb all cost of living and other labor increases, including merit increases, cash outs of annual leave, and overtime.
10. **Vacant Positions:** With the exception of extraordinary situations that shall be handled on a case-by-case basis, obsolete unfunded vacant positions shall be deleted.
11. **Vehicles and other fixed assets:** Authorization for the acquisition of vehicles and other fixed assets shall only be valid for the year in which they are initially budgeted and shall expire at the end of that fiscal year. Authorized vehicles and other fixed assets for which purchase orders are not initiated by year-end shall not roll over to the subsequent fiscal year, but may be submitted for consideration for reauthorization the following fiscal year subject to availability of funding.
12. **Submittal Deadlines:** All departments will submit their FY 16/17 budget requests to the Executive Office no later than Monday, March 14, 2016. To be considered on time, budget requests must be complete and in accordance with these budget policies.
13. **Limited Interim Appropriations:** Interim appropriations increases outside the budget process should be limited so competing priorities are considered together at once within the context of the overall budget process.
14. **Position Activity:** Deletion, addition, or exchange of positions should be limited during budget preparation and approval to prevent conflicts or discrepancies with the requested position levels on which funding decisions depend.

Net County Cost Modeling

Dept ID	Dept	Name	FY16/17 NCC Allocated
10001	1000100000	Board Of Supervisors	3,333,465
10002	1000200000	Assessment Appeals Board	696,861
11001	1100100000	Executive Office	1,799,117
11009	1100900000	Contribution to Trial Court Funding	29,482,836
11010	1101000000	Contribution to Other Funds	58,078,461
11014	1101400000	Contributions to Health and Mental Health	43,878,775
11021	1102100000	Interest On TRAns & Teeter	1,380,636
11029	1102900000	Legislative-Admin Support	2,350,749
11033	1103300000	Confidential Court Orders	560,014
11039	1103900000	Court Facilities	4,895,120
11043	1104300000	Court Transcripts	1,500,000
11044	1104400000	Grand Jury Admin	567,471
11050	1105000000	NPDES	1,000,000
11090	1109000000	Appropriation for Contingency	20,000,000
11099	1109900000	Indigent Defense	10,900,500
12001	1200100000	Assessor	12,336,714
13001	1300100000	Auditor-Controller	2,137,496
13002	1300200000	Internal Audit	1,664,568
13022	1302200000	COWCAP Reimbursement	(22,673,294)
14001	1400100000	Treasurer-Tax Collector	871,744
15001	1500100000	County Counsel	2,119,052
17001	1700100000	Registrar Of Voters	4,700,000
19301	1930100000	Edward Dean Museum	73,381
22001	2200100000	District Attorney	57,381,816
24001	2400100000	Public Defender	34,180,137
25001	2500100000	Sheriff Administration	9,672,946
25002	2500200000	Sheriff Support	10,953,674
25003	2500300000	Sheriff Patrol	87,101,077
25004	2500400000	Sheriff Corrections	120,544,631
25005	2500500000	Sheriff Court Services	4,992,880
25006	2500600000	Sheriff CAC Security	790,900
25007	2500700000	Sheriff Ben Clark Training Center	9,225,705
25010	2501000000	Sheriff Coroner	4,119,383
25011	2501100000	Sheriff Public Administrator	990,574
26001	2600100000	Probation - Juvenile Hall	17,897,902
26002	2600200000	Probation	10,352,116
26004	2600400000	Probation - Court Placement	600,489
26007	2600700000	Probation - Administration & Support	9,218,720
27002	2700200000	Fire Protection - Forest	52,633,100
28001	2800100000	Agricultural Commissioner	842,622
31201	3120100000	Planning	4,151,176
31401	3140100000	Code Enforcement	9,359,269
41001	4100100000	Mental Health - Public Guardian	1,345,591
41002	4100200000	Mental Health - Treatment	3,993,251
41003	4100300000	Mental Health - Detention	7,625,831
41004	4100400000	Mental Health - Administration	-
41005	4100500000	Mental Health - Substance Abuse	205,093
42001	4200100000	Public Health	6,854,396
42002	4200200000	California Children's Services	6,380,365
42004	4200400000	Environmental Health	-
42006	4200600000	Animal Services	8,392,294
42007	4200700000	Ambulatory Care	-
43002	4300200000	RCRMC - Medically Indigent Services	2,224,058
43003	4300300000	RCRMC - Correctional Health	26,888,022
51001	5100100000	DPSS - Administration	11,124,305
51002	5100200000	DPSS - Mandated Client Svcs	9,522,011
51003	5100300000	DPSS - Categorical Aid	13,783,163
51004	5100400000	DPSS - Other Aid	1,977,379
54001	5400100000	Veterans Services	902,950
63001	6300100000	Cooperative Extension	674,064
72001	7200100000	EDA - Administration	-
72002	7200200000	FM-Custodial & Housekeeping	-
72003	7200300000	FM-Maintenance	-
72004	7200400000	FM-Real Estate	-
72005	7200500000	FM-Design and Construction	-
72006	7200600000	FM - Energy Management	7,693,348
72007	7200700000	FM - Parking	-
73001	7300100000	Purchasing	1,216,077
Total NCC Allocated =			737,464,981

Net County Cost Modeling

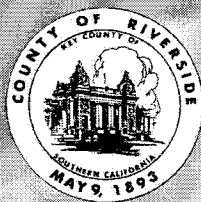
Dept ID	Dept	Name	FY16/17 NCC Allocated
<u>Detail on Contributions to Other Funds</u>			
		Cal-ID	363,590
		CHA: Healthy Kids	865,688
		CIP Fund	-
		City of Banning	450,000
		Commission for Women	13,500
		Community Action Partnership	72,718
		CREST	-
		Coachella Valley Ent. Zone Authority	-
		Courts Unallowable Superior Courts	472,351
		Center for Government Excellence (CGE)	450,000
		DPSS: Homeless	2,475,052
		El Sob to UCR	300,000
		EO: CORAL	34,964,611
		FM: deferred maintenance	-
		Graphic Information Systems	144,000
		LAFCO	247,607
		Mecca Comfort Station	50,000
		New City Net Savings Agreements	1,313,534
		OASIS fee	200
		Office on Aging	1,102,624
		Parks	738,205
		PTAF	-
		Public Health Diabetes Program	-
		RCIT	-
		RCRMC: Hospital support	10,000,000
		Sales & Use Tax Board Directives	
		Cabazon Community Revitalization Fund	715,200
		Wine Country Community Revitalization Fund	227,600
		Southwest Animal Shelter	368,798
		TAP kids	-
		Tax agreements	1,495,500
		TLMA: ALUC	262,991
		TLMA: Counter Services	984,692
		Water Service Fiduciary Fund	-
		EDA: Agency Administration	-
		Contributions to Other Funds Total =	58,078,461

FY 16/17 Prop 172 Revenue Allocation

Departments anticipating Proposition 172 (Public Safety Sales Tax) revenue shall budget the following estimate to revenue account 755120.

	FY 14/15 Baseline	FY 14/15 Adjustment	FY 14/15 Allocation	FY 15/16 Adjustment	FY 15/16 Allocation	FY 16/17 Adjustment	FY 16/17 Allocation
22001 District Attorney	22,818,306	-	22,818,306	8,000,000	30,818,306	-	30,818,306
25003 Patrol	39,577,269	4,400,000	43,977,269	4,400,000	48,377,269	-	48,377,269
25010 Coroner	3,577,381	-	3,577,381	-	3,577,381	-	3,577,381
25002 Support, Sheriff	14,854,774	-	14,854,774	-	14,854,774	-	14,854,774
25004 Corrections	23,538,900	10,000,000	33,538,900	17,500,000	51,038,900	-	51,038,900
26001 Juvenile Hall	8,592,633	-	8,592,633	-	8,592,633	-	8,592,633
26002 Probation	13,363,708	-	13,363,708	-	13,363,708	-	13,363,708
27002 Fire	6,677,029	7,376,549	14,053,578	176,712	14,230,290	-	14,230,290
Total Allocation =	\$133,000,000	\$21,776,549	\$154,776,549	\$30,076,712	\$184,853,261	\$0	\$184,853,261

Q3 2015



Riverside County Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

Riverside County In Brief

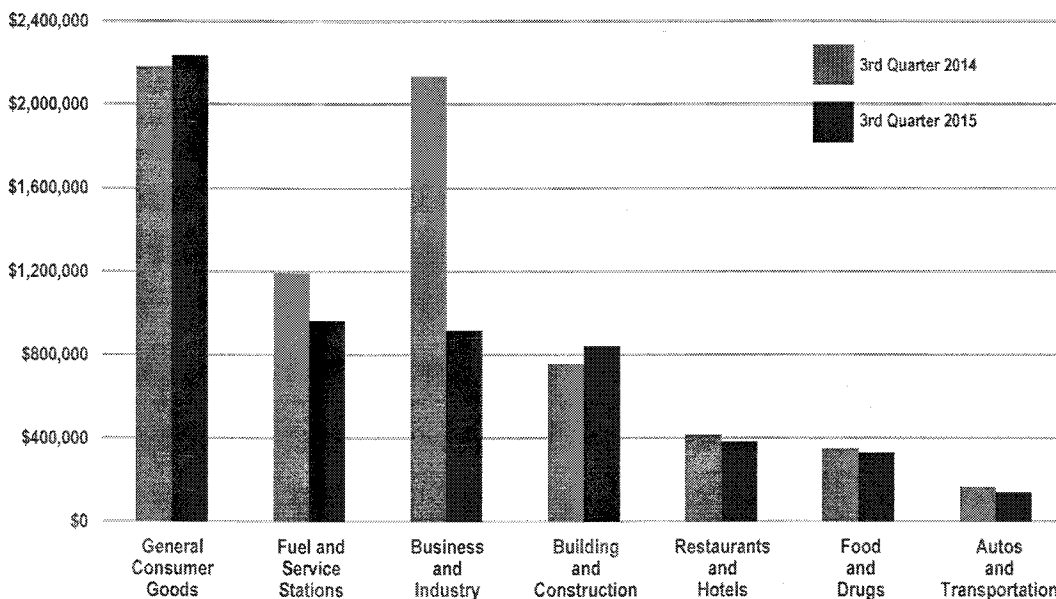
The unincorporated area's receipts from July through September were 20.0% below 2014's third quarter sales. Net of reporting aberrations, actual sales were down 13.8%.

The business and industry decline resulted from fewer purchases subject to use tax, retroactive accounting adjustments that reversed allocation errors in the County's favor, and one-time allocations that temporarily inflated year ago receipts. Lower fuel prices and missing payments reduced totals from the fuel and service stations category. Business closeouts and doubled up tax payments in the comparison quarter caused the drop in the autos and transportation category. A negative payment adjustment cut restaurant and hotel receipts which, net of the change, were up. Declines in the above major industry groups led to the drop in county pool amounts.

Strong sales by contractors lifted building and construction proceeds. After factoring out payment aberrations, the general consumer goods increase was larger than the raw data showed.

Excluding aberrations, taxable sales for all of Riverside County grew 3.1% over the comparable time period a year earlier; the Southern California region was up 6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Pilot Travel Center
Burberry	Prada
California Trusframe	Ralph Lauren
Calvin Klein	RDO Equipment
Circle K	Russell Sigler
Coach	Shell
Desert Sunlight	Spates Fabricators
Dos Lagos Arco	Stater Bros
Granite Construction	Superior Ready Mix Concrete
Gucci	Sysco
Heavy Equipment Rentals	Tory Burch
Michael Kors	Vons
Nike	

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$14,760,849	\$12,706,539
County Pool	1,675,057	1,415,765
State Pool	10,620	6,791
Gross Receipts	\$16,446,527	\$14,129,095
Less Triple Flip*	\$(4,111,632)	\$(3,532,274)

*Reimbursed from county compensation fund

NOTES

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

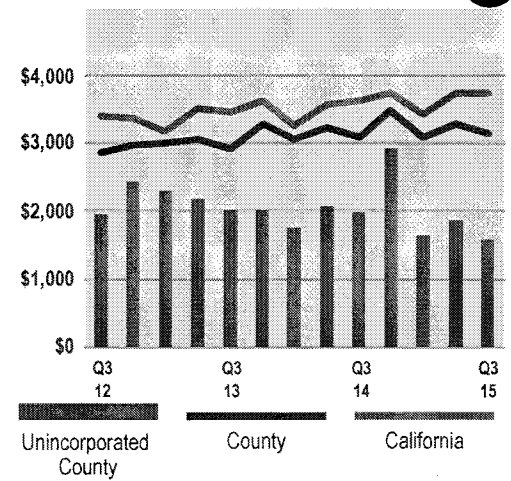
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

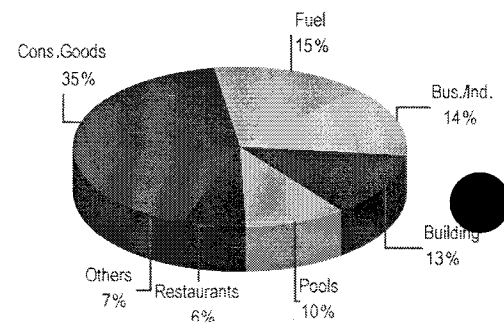
The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Riverside County This Quarter



RIVERSIDE COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q3 '15*	Change	Change	Change
Casual Dining	114.7	8.1%	5.5%	5.1%
Contractors	704.6	11.5%	10.5%	13.0%
Energy/Utilities	— CONFIDENTIAL —		-69.7%	-19.6%
Family Apparel	1,030.3	4.1%	4.5%	2.4%
Food Service Equip./Supplies	134.1	2.1%	22.4%	7.8%
Garden/Agricultural Supplies	99.1	-6.0%	-9.5%	2.6%
Grocery Stores Beer/Wine	70.2	-4.2%	5.5%	1.8%
Grocery Stores Liquor	161.0	4.1%	11.0%	3.8%
Jewelry Stores	68.9	-5.9%	-11.3%	-1.2%
Quick-Service Restaurants	172.5	-19.0%	6.6%	6.8%
Service Stations	956.5	-18.9%	-9.1%	-11.8%
Shoe Stores	235.9	2.0%	8.4%	3.6%
Specialty Stores	215.8	4.6%	12.3%	5.9%
Wineries	215.3	-1.6%	-3.1%	8.7%
Women's Apparel	475.5	2.1%	2.1%	-1.0%
Total All Accounts	5,807.6	-19.3%	2.6%	2.3%
County & State Pool Allocation	636.6	-26.5%	-6.6%	3.5%
Gross Receipts	6,444.2	-20.0%	1.6%	2.4%

SIXTEEN POINT PLAN

Since 2012, to its credit, our County has managed to build reserves from an anemic \$120 million to more than \$200 million currently spending less money than it received each fiscal year.

(The 2015-16 Budget was not structurally balanced but was approved due to the knowledge of offsetting one time monies so less money would be spent than revenue received from all sources in this fiscal year).

You just heard from our CEO and CFO. Unless a different direction is taken today we will not be able to maintain or sustain that prudent General Fund Reserve or have any chance to achieve financial security and success or provide for public safety.

While I appreciate and support most of these ideas, I will not condone or support drawdown on general fund reserves or actions that result in spending more funds than we take in each fiscal year including one time monies. We need to achieve sustainability.

Accordingly, I recommend this Sixteen Point Plan for our Executive Office and Chief Financial Officer to consider, with the request to analyze the impact and cost savings from each item below and to report back to the Board, including any other actions they deem necessary on March 29th when the KMPG, LLC report on Public Safety is presented to the Board.

These recommendations to be merged with the results of the KMPG, LLC report where applicable.

I believe it vital and necessary to consider the following recommendations and other possible actions at that time or the Board will have little or no chance to achieve balanced Budgets in fiscal 2016-17 and beyond.

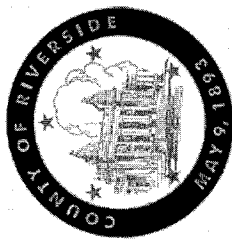
Accordingly, I recommend the following Sixteen Point Plan for achieving the goal of operating within our means, spending less each fiscal year than revenue received, while maintaining General Fund Reserves at a minimum \$200 million during the two and one half years and beyond:

1. A hiring freeze for all general fund departments including public safety until July 1, 2018, except Special Districts and Enterprise funds like: Riverside University Health System; RC Flood Control and Water Conservation District; RC Waste Resources District; Department and RC Parks District and Department; Prison Health Care per the settlement and maintaining current employee levels at the Indio Jail for use in opening and operating the new ECDC.
2. Not approve any new Labor Contracts with salary increases for at least two more years; holding fringe benefits as flat as possible.
3. Negotiate lower and/or longer interval step increases, based more on merit, for all Labor Contracts and to apply the same formula to non-represented employees.
4. Reduce and control wage overtime costs including public safety.
5. Rapidly implement savings solutions as recommended by the Public Safety Review consultant KPMG, LLP. Utilize the Public Safety Review consultant to work side by side with the public safety departments to implement and

monitor changes for a suitable interval to lock in efficiency recommendations as was done with Huron consulting contract.

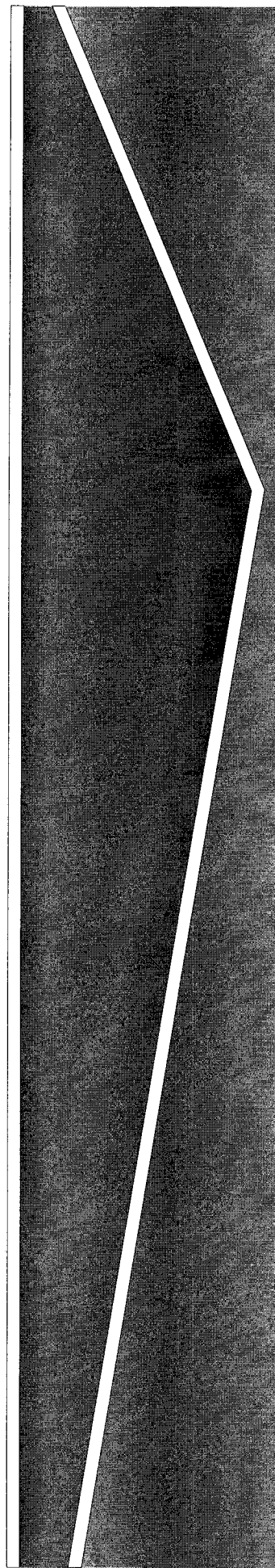
6. Deploy our Board's CALFIRE committee to negotiate a long due more favorable agreement with CALFIRE.
7. Use the Fire Department consultant to implement, monitor and lock in any efficiency solutions as was done with the Huron consultant.
8. All Capital Projects required to have 4/5th vote and all purchases above \$75,000 to require a 4/5th vote until July 1, 2018 except for Special Districts and Enterprise Departments.
9. Minimize travel for lobbying, conventions and seminars as approved by the Executive Office.
10. Reduce CID 2015-16 Budgets by \$50,000 for each Supervisor saving \$250,000. Reduce CID Budgets for at least the next two fiscal years.
11. No salary increases for the Board of Supervisors, management, and non-represented, including public safety employees, until after July 1, 2018, except Special Districts and Enterprise Departments.
12. Consider closing on Fridays utilizing a 4 day work week.
13. Consider Employee furloughs.

14. Consider restructure and consolidation of County Departments as was successfully done with the Riverside University Health System.
15. Explore other revenue sources without raising taxes.
16. Chairman Benoit to appoint an Ad Hoc committee including two Board members to act as liaison between the Full Board and the Chief Executive Office and Elected County officials like the Sheriff and the District Attorney.



**COUNTY OF RIVERSIDE
FISCAL YEAR 2015 / 16
MIDYEAR
BUDGET REPORT**

PRESENTED BY THE
COUNTY EXECUTIVE OFFICE
FEBRUARY 2, 2016



OVERVIEW

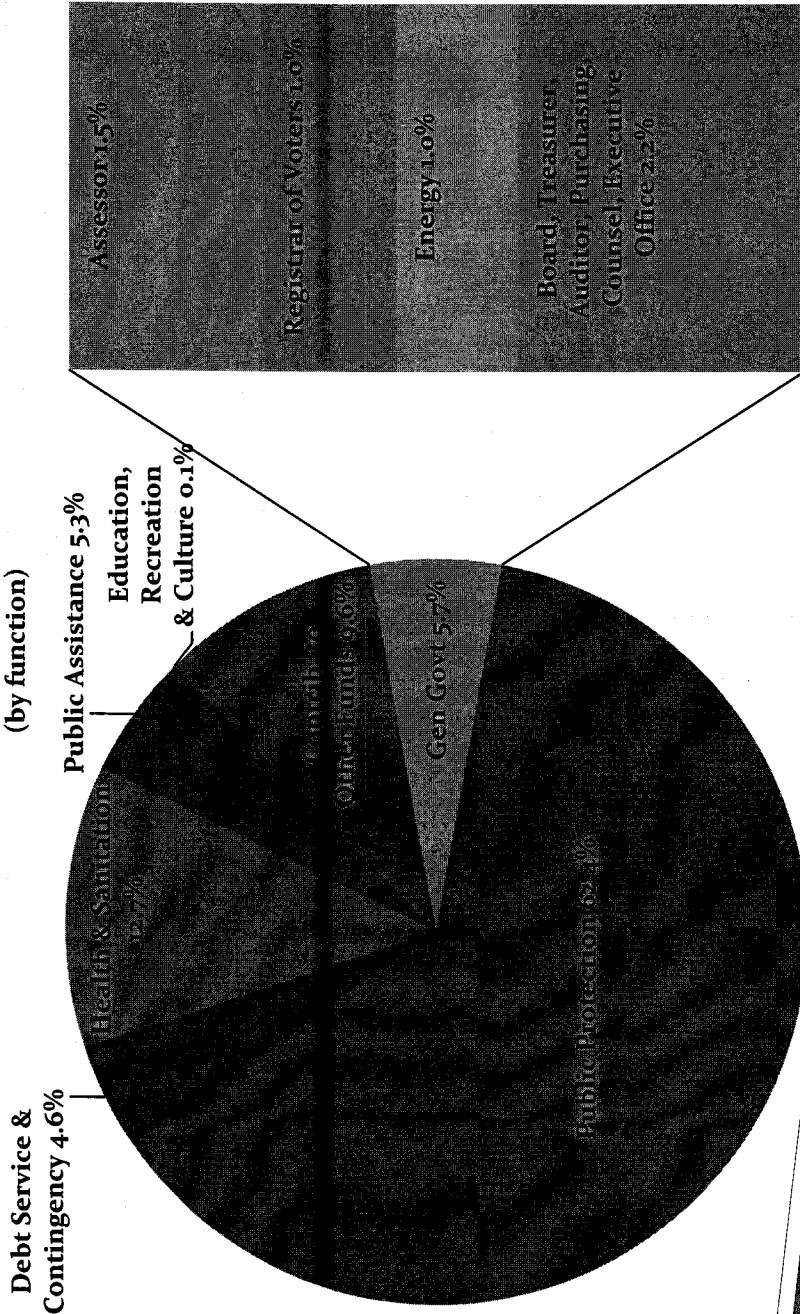
- ▶ FY 15/16 second quarter financial results:
 - ▶ Expenses are close to appropriated levels.
 - ▶ Revenues appear on target, but many are received later in the year due to reimbursements, billings, property tax cycle, etc.
 - ▶ Necessary adjustments appear to be manageable.
- ▶ The midyear report in early February lays groundwork for the subsequent year's budget.
- ▶ FY 2016-17 presents major challenges due to the costs of inmate care.

MEETING NEW PRIORITIES

- ▶ The incremental cost of inmate care is projected to be in excess of \$40 million - over 5% of ongoing expenditures.
- ▶ Revenues are expected to grow by \$15 million.
- ▶ Capping existing spending at current levels would allow new revenues to fund inmate care.
- ▶ Reserves will still be drawn down to cover operating shortfall.
- ▶ The goal is to maintain at least \$100 million in reserves, well below the policy target of \$185 million (25% of discretionary revenue).

MANAGING PUBLIC SAFETY SPENDING IS THE KEY

FY 15/16 Discretionary General Fund Allocations
(by function)



NCC ALLOCATION

▶ Public Protection	\$504.7
▶ General Government	101.0
▶ Health & Sanitation	99.5
▶ Public Assistance	43.0
▶ Education, Recreation	0.7
▶ Contingency	<u>36.8</u>
Total	785.9

THE BUDGET SOLUTION

- ▶ Rollover current NCC spending levels
- ▶ Limit the amount of “add backs”
- ▶ Limit labor cost increases
- ▶ Identify public safety savings (KPMG & Cal Forward studies)
 - Full cost recovery of city contracts
 - Operational efficiencies
- ▶ Phase opening of ECDC in 2018 (2 housing units initially)
- ▶ Use one-time funding for one-time expenditures

CALENDAR

- ▶ February 2 Midyear Report
- ▶ March 29 KPMG Report Due
- ▶ May 10 3rd Quarter Report & departmental input for FY 16/17
- ▶ June 20 Approve recommended budget & open hearings
- ▶ July 26 Approve amendments & adopt FY 16/17 budget

RECOMMENDATIONS

- ▶ Receive and file the midyear report and all its attachments;
- ▶ Approve the recommendations and associated budget adjustments contained in Attachment A;
- ▶ Approve the FY 16/17 budget schedule contained in Attachment B;
- ▶ Approve the FY 16/17 budget policies contained in Attachment C;
- ▶ Approve the FY 16/17 net county cost allocations contained in Attachment D; and,
- ▶ Approve the FY 16/17 Prop. 172 Public Safety Sales Tax allocations contained in Attachment E.