

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



1-0

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

EXECUTIVE OFFICE - OPENING COMMENTS

Brian Nestande, Deputy County Executive Officer

- Governor's May Revision.

Christopher Thornberg, Director of UCR Economic Forecasting and Development Center

- Economic Outlook.

Paul McDonnell, County Financial Officer, gave presentation.

- Most revenues are tracking estimates, with minor adjustments.
- Overall, expenses are projected to remain within appropriations.
- Several departments project year-end deficits likely to persist into the future absent course correction.
- Current year adjustments are manageable.

Fiscal Year 2016/2017 continues to present challenges.

- Departments asked to absorb cost increases within net county cost allocations.
- 15 departments requested \$132.6 million in additional funding.
- Need to minimize structural imbalance to preserve GF reserves.

On motion of Supervisor Ashley, seconded by Supervisor Washington and duly carried by unanimous vote, IT WAS ORDERED that the recommendation from the Executive Office to Receive and File the Fiscal Year 2015/2016 Third Quarter Budget Report and all its attachments; and Approval of the Recommendations and associated Budget Adjustments contained in Attachment A are approved; IT WAS FURTHER ORDERED to set the Fiscal Year 2016/2017 Budget Hearings for June 20, 2016 at 8:30 a.m. and Tuesday, June 21, 2016 at 1:00 p.m.; and set Approval of Board-directed adjustments and Adopted Budget for July 26, 2016.

Roll Call:

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

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I hereby certify that the foregoing is a full true, and correct copy of an order made and entered on May 16, 2016 of Supervisors Minutes.

WITNESS my hand and the seal of the Board of Supervisors

Dated: May 16, 2016

Kecia Harper-Ihem, Clerk of the Board of Supervisors, in  
and for the County of Riverside, State of California.

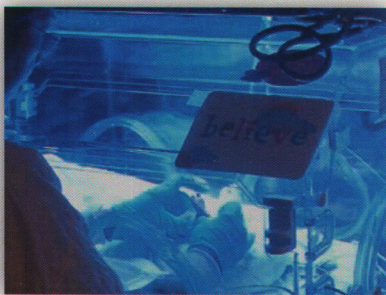
(seal)

By:  Deputy

AGENDA NO.

1-0

xc: EO



**COUNTY OF RIVERSIDE**  
**STATE OF CALIFORNIA**

**FISCAL YEAR 2015/16**  
**THIRD QUARTER**  
**BUDGET REPORT**

PREPARED BY  
**JAY E. ORR**  
*COUNTY EXECUTIVE OFFICER*



**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**  
ASSISTANT COUNTY EXECUTIVE OFFICER  
FINANCE

May 16, 2016

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

**4/5<sup>th</sup> Vote**

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**SUBJECT:**     *FY 15/16 Third Quarter Budget Report*

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Board members:

In a few short weeks we will commence our FY 16/17 budget hearings. Events of the last quarter served to underscore the longer-term challenges we face in our efforts to reach structural balance and a sustainable financial plan.

Revenue growth has been modest and the outlook remains for it to be so, even with positive signs of growth in the local economy, given the nature of the California property tax system, our primary source of local discretionary revenue. At the same time, we project upward pressure on costs, either due to internal factors such as labor costs and internal services, or external factors such as program expansion, increased match requirements, and so forth. A prime example, which combines a variety of these factors, is the cost to meet the terms of the settlement on inmate health care.

Third quarter financial results leave eight departments projecting year-end deficits relative to their board-approved net cost allocations. In addition, budget adjustments recommended in this report reduce contingency by \$13.8 million to \$22.8 million.

Our initial budget strategy was to freeze departmental spending for the coming year at current levels, which has been the case for most departments for many years. The primary exception we identified at the outset was the Sheriff's department, which projected a large deficit at adoption of the FY 15/16 budget. Recognizing the central role the Sheriff's department plays in county operations, I indicated my office would recommend adjustments necessary to close that gap this year that establish a higher allocation base for next year. The Sheriff has worked diligently to contain controllable costs this year, and consequently projects a reduced deficit of up to \$25 million. In this report, I recommend the Board approve allocating that additional ongoing amount for this year, effectively raising the Sheriff's base allocation going forward sufficient to eliminate the Sheriff's chronic structural deficit.



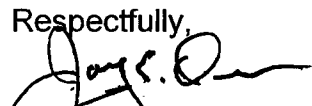
**Looking toward next year, as departments submitted their requests for FY 16/17 over the last two months, my office identified 15 departments with requests for additional discretionary funding totaling over \$159 million, an amount which we clearly cannot fund.** My staff has been working with those departments to identify the truly mission-critical components of those requests. I can report that we have made progress in reducing that number to a more manageable amount as detailed herein; those efforts will continue up to the point that we finalize our recommendations for the proposed FY 16/17 budget in early June.


**Given the difficult choices we will have to make, I am advising department heads to curtail any hiring unless they have firm, ongoing departmental revenue sources adequate to cover those costs in the coming fiscal years.** An across-the-board hiring freeze would be cumbersome to administer and counterproductive at this time. I believe we can rely instead on our management team to make prudent use of their resources.

Key to our success will be the work led by the international consulting firm of KPMG to restructure and realign our operations in the criminal justice system and internal service departments. **Consequently, we are taking a conservative approach to budgeting for the public safety departments and proposing to increase funding only by those amounts that we are confident that are needed, until the efforts on the KPMG led efforts begins to bear fruit.** The initial implementation phase has begun, and we are pleased with the commitment shown by our justice system partners. The Sheriff's department has been especially dedicated to getting that effort off the ground. With that type of continuing partnership to constructively meet the challenges we face, progress towards solutions will be attainable.

**IT IS RECOMMENDED** that the Board of Supervisors:

- 1) Receive and file this report and all its attachments; and,
- 2) Approve the recommendations and associated budget adjustments contained in Attachment A.

Respectfully,  
  
\_\_\_\_\_  
Jay E. Orr  
County Executive Officer

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



**TABLE OF CONTENTS**

**A. EXECUTIVE SUMMARY..... 1**

**B. MULTI-YEAR BUDGET OUTLOOK..... 2**

    STRATEGIC FINANCIAL OBJECTIVES ..... 2

    SHORT & LONG-TERM FACTORS INFLUENCING STRATEGIC OBJECTIVES..... 2

        Labor and Pension Costs..... 2

        Insurance Costs ..... 2

        Internal Service Costs ..... 2

        Inmate Legal Settlement..... 3

        East County Detention Center ..... 3

        Health System Turnaround and Reorganization ..... 3

        Revenue Growth Remains Tepid..... 3

        KPMG and California Forward Studies ..... 3

        Economy ..... 4

            Summary ..... 4

            Employment Trends ..... 4

            Unemployment..... 4

            Property Trends..... 5

            Recordation Activity..... 5

            Building Permits ..... 5

            Assessed Value ..... 5

        State Update ..... 6

    MULTI-YEAR FORECAST ..... 7

    BUDGET STRATEGY ..... 7

        Funding Policy ..... 8

        Staffing and Labor Costs ..... 8

        Achieving Efficiencies ..... 8

    FY 16/17 BUDGET PREVIEW ..... 9

**C. CURRENT BUDGET STATUS ..... 11**

    SUMMARY ..... 11

    DISCRETIONARY REVENUE..... 12

        Revenue Summary..... 12

        Property Taxes ..... 13

        Teeter Tax Losses Reserve Fund (TLRF) Overflow..... 13

        Sales and Use Taxes..... 13

        Prop. 172 Public Safety Sales Tax..... 14

        Interest Earnings..... 14

        Fines and Penalties..... 15

    GENERAL FUND COMMITMENTS AND DESIGNATIONS OF FUND BALANCE..... 15

    APPROPRIATIONS FOR CONTINGENCY..... 16

    GENERAL GOVERNMENT ..... 16

        Executive Office ..... 16

            AD/CFD Administration..... 18

        Board of Supervisors / Clerk of the Board ..... 18

        Assessor-County Clerk-Recorder ..... 19

        Auditor-Controller ..... 19

        Treasurer-Tax Collector..... 20

        Human Resources (HR) ..... 20

        Registrar of Voters..... 21

        Economic Development Agency/Facilities Management (EDA/FM) ..... 22

<b>Economic Development Agency Administration</b> .....	22
<b>Community Development Block Grant (CDBG)</b> .....	23
<b>Parking Services Division</b> .....	24
<b>PUBLIC PROTECTION</b> .....	24
<b>Fire</b> .....	24
<b>Emergency Management Department</b> .....	26
<b>Sheriff's Department</b> .....	27
<b>Office of District Attorney (ODA)</b> .....	29
<b>Department of Child Support Services</b> .....	30
<b>Court Facilities</b> .....	30
<b>Probation Department</b> .....	31
<b>Law Office of the Public Defender</b> .....	31
<b>Indigent Defense</b> .....	32
<b>Department of Animal Services</b> .....	32
<b>PUBLIC WAYS AND FACILITIES</b> .....	33
<b>Aviation</b> .....	33
<b>Special Aviation – Chiriaco Summit and Desert Center</b> .....	33
<b>Transportation Land Management Agency (TLMA)</b> .....	33
<b>HEALTH AND SANITATION</b> .....	34
<b>Riverside University Health System (RUHS)</b> .....	34
<b>Department of Public Health</b> .....	34
<b>Department of Public Health (continued)</b> .....	35
<b>Correctional Health</b> .....	35
<b>PUBLIC ASSISTANCE</b> .....	36
<b>Department of Public Social Services (DPSS)</b> .....	36
<b>Riverside County Children and Families Commission (RCCFC)</b> .....	40
<b>Veterans' Services</b> .....	41
<b>EDUCATION, RECREATION, AND CULTURE</b> .....	41
<b>Edward Dean Museum</b> .....	41
<b>ENTERPRISE FUNDS</b> .....	41
<b>Riverside University Health System – Medical Center</b> .....	41
<b>Waste Management</b> .....	42
<b>INTERNAL SERVICE FUNDS</b> .....	43
<b>Facilities Management</b> .....	43
<b>Custodial Services</b> .....	43
<b>Maintenance</b> .....	43
<b>Real Estate</b> .....	44
<b>Purchasing &amp; Fleet Services</b> .....	44
<b>Printing Services</b> .....	44
<b>Supply Services</b> .....	44
<b>Central Mail</b> .....	44
<b>Fleet Services</b> .....	45
<b>Human Resources – Internal Service Funds</b> .....	45
<b>General Liability Insurance</b> .....	45
<b>Workers' Compensation</b> .....	45
<b>Disability Insurance</b> .....	46
<b>Exclusive Care EPO</b> .....	46
<b>Air Quality Division</b> .....	46
<b>Delta Dental PPO</b> .....	47
<b>Local Advantage Blythe Dental</b> .....	47
<b>Local Advantage Plus Dental</b> .....	48
<b>SPECIAL DISTRICTS AND OTHER AGENCIES</b> .....	48
<b>Flood Control and Water Conservation District</b> .....	48

<i>Encroachment Permits Division .....</i>	<i>48</i>
<i>Regional Parks and Open Space District .....</i>	<i>49</i>
<i>County Service Areas .....</i>	<i>51</i>
<i>WR-MSCHP Habitat Fund .....</i>	<i>51</i>
<b>ATTACHMENT A</b>	<b>SUMMARY OF RECOMMENDATIONS</b>
<b>ATTACHMENT B</b>	<b>SALES AND USE TAX UPDATE</b>
<b>ATTACHMENT C</b>	<b>BEACON ECONOMIC FORECAST</b>



## **A. EXECUTIVE SUMMARY**

As reported at midyear, based on discretionary revenue forecasts and projections of existing spending commitments, the county faces an annual structural deficit that threatens to quickly drain reserves, and is clearly unsustainable even in the short-term. Even with prudent cost containment efforts, preserving existing county service levels and filled positions while meeting all of our obligations under currently forecast conditions perpetuates this operating deficit through FY 17/18. Structural balance can only be achieved by containing public safety spending at currently recommended levels, and maintaining general fund reserves above \$100 million, well below the minimum Board policy target of \$187 million.

Growth in estimated discretionary revenues is not projected to be sufficient to cover escalating costs for several years. Cuts to non-public safety expenditures are not proposed at this time, since even severe cuts to those mission-critical functions could not yield enough savings to close the gap, and would severely reduce core services that support quality of life across the county. Consequently, recommended FY 16/17 budget policies included holding ongoing discretionary spending relatively level, maximizing departmental revenues, and continuing to pursue cost saving measures.

The Executive Office's current estimates of discretionary revenues result in a minor net increase of \$0.3 million related to reduced court fines and fees and sales and use tax offset by a one-time increase in excess tax sale proceeds. This report contains a net decrease to contingency of \$13.8 million, leaving a net balance of \$22.8 million. Discretionary reserves remain unchanged.

At this time, most departments appear to remain on target at the end of the third quarter, although several anticipate year-end deficits. Given the county's significant long-term fiscal challenges, it will be essential for every department to restrain hiring and other spending to maximize ongoing savings wherever feasible.

Current projections indicate the Sheriff's budget will exceed appropriations by \$25 million at year-end due to its known ongoing deficit attributable to rising labor costs, insurance increases, and other internal service charges. At this time, the Executive Office concurs with the Sheriff on the need to fund this specific amount now, and including it in future budgets. The District Attorney and Public Defender both also project year-end cost overruns; the Executive Office recommends covering a portion of the Public Defender's cost increases at this time in order to keep up with caseload growth.

The Fire Department reports resolving their previously projected shortfall, and is bringing forward adjustments to implement the \$23.7 million state credit, of which \$20.3 million. The Executive Office will continue to monitor departments through year-end to assure resources allocated together with projected cost savings will cover essential services. Detention Health requests a \$4.5 million allocation increase at this time to cover additional staffing necessary to address the inmate settlement. The Executive Office continues monitoring these additional obligations.

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## **B. MULTI-YEAR BUDGET OUTLOOK**

### ***STRATEGIC FINANCIAL OBJECTIVES***

The Executive Office has approached multi-year fiscal planning with a focus on fiscally sustainable operations that support the county's strategic vision of a safer, healthier, more constituent-centered county. These 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 continue to constrain the county's strategic financial objectives:

#### ***Labor and Pension Costs***

In FY 16/17, provisions of labor agreements and pension obligations will continue to increase costs for salaries and benefits across most departments, which will be the case even if cost of living adjustments are not incorporated in the extension of the agreements that expire June 30, 2016 (RSA, LIUNA, and SEIU).

#### ***Insurance Costs***

For a number of years, the county artificially kept self-insurance rates low to relieve the burden on departments. However, due to high claim levels in the general liability and workers compensation funds, it has been necessary to raise insurance rates to provide a higher confidence level to cover claims and to pay for higher reinsurance rates. While a number of departments should be able to recover these costs through program reimbursement claims or contract rates, a number of departments have no outside means to cover these rising costs.

#### ***Internal Service Costs***

Rates for most internal service funds have been held below the level of actual costs for several years. The increasing labor, pension, and insurance costs described above reached a tipping point for a number of these funds, and rates for a number of them were raised to maintain necessary core internal services. While these cost increases should also be recoverable through claiming and contract rates, many departments are

struggling to absorb these added costs within departmental resources.

### ***Inmate Legal Settlement***

The County is working diligently to meet the terms of a settlement agreement in connection with a federal suit filed on behalf of inmates in the county's jail system. The primary requirements are to hire additional health and mental health professionals and to pay 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 and their patients. The Executive Office continues to evaluate the total potential ongoing costs for increased detention health and mental health, but currently estimates at least \$40 million over the near future.

### ***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 initial discussions with the Sheriff's department, the Executive Office hoped to open the first two housing units upon completion using existing staff transferred from the Indio jail, which is slated for demolition. However, in their FY 16/17 budget submittal, the Sheriff's Department requests resuming hiring in anticipation of the opening. This hiring plan will be dependent upon a number of factors, including a review of the detailed plan to open the facility.

### ***Health System Turnaround and Reorganization***

The county's medical center and clinic operations continue to adopt significant restructuring of finances and operations, and to implement new systems necessary to position the county's health care system to be viable under the competitive environment created by the Affordable Care Act. While this restructuring provides the county opportunities to achieve financial stability for the system and bring high-quality jobs to the county, it is also requiring significant additional general fund investments.

### ***Revenue Growth Remains Tepid***

As discussed further in this report, current and future discretionary revenue growth rates continue to be substantially outpaced by increasing costs. Projected growth in assessed valuation on which property tax revenues are based remains modest, as does growth in motor vehicle in-lieu, sales and use tax and Prop. 172 public safety sales tax. State and federal program funding is not keeping pace with related caseload growth, and the phasing out of the CalFresh matching waiver requires ramping up county matching funding to maintain that revenue stream. Criminal justice realignment revenue from the state has not been sufficient to compensate counties for the added costs of shifting inmates out of state prisons into county jails, and that shortfall continues to strain the county's justice system.

### ***KPMG and California Forward Studies***

The county hired KPMG to conduct a comprehensive review of practices within the criminal justice departments, and they delivered initial findings regarding potential cost



saving initiatives to the Board in late March. The Board approved a two year implementation contract at that time. The Executive Office continues working closely with KPMG and the four criminal justice departments to implement recommendations and evaluate further areas of potential improvement.

California Forward, a bipartisan governance reform organization, produced a preliminary jail utilization report that identified areas worth further review that might improve the efficiency of the criminal justice system. The county team plans to engage California Forward to explore further opportunities for better outcomes, including cost savings. The intent of these two initiatives is to help the county find sufficient efficiencies to help offset rising costs.

**Economy**

**Summary**

The local economy remains a significant factor influencing the ability of the county to move forward financially. Trends in job growth and unemployment, both locally and statewide, affect household incomes and consumer spending power, which in turn affect development activity, assessed valuations, and county tax revenues. Trends in the most significant among these economic factors are summarized below.

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 5.9 percent in March, and was slightly higher than the state unemployment rate of 5.4 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.

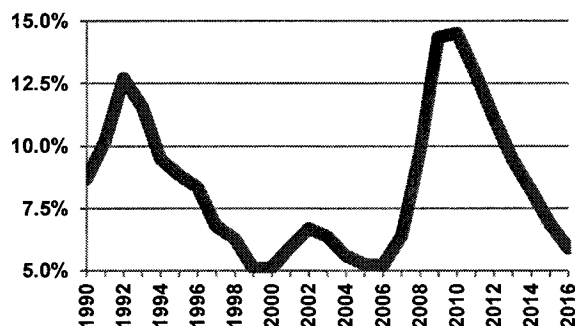
**Employment Trends**

During 2015, the rate of job growth averaged 2.1 percent in the United States and about 3 percent in California. In March, six out of 11 sectors added jobs in California, with educational and health services 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 4.9 percent nationally and 5.4 percent in California. Riverside County’s unemployment rate declined to 5.9 percent as of March 2016, remaining slightly higher than neighboring San Bernardino County’s increased rate of

**Riverside County  
Unemployment Rate**



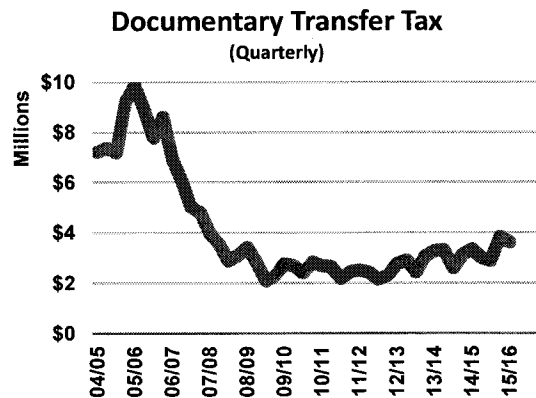
5.6 percent.

**Property Trends**

Statewide, the pace of home sales increased 5.7 percent since March 2015, and increases in existing home prices nudged up to 4 percent during the same period according to the California Association of Realtors March 2016 Homes Sales and Price report. Here in Riverside County, the median price of existing homes rose to \$355,390, a 7.2 percent increase from the prior March. At the same time the unsold inventory index and median time on the market both declined.

**Recordation Activity**

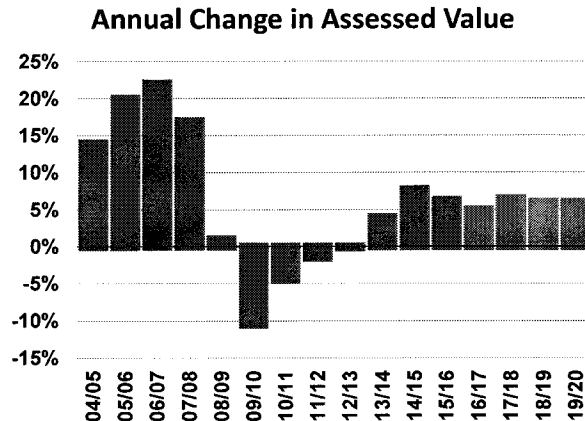
Document recordation is tracked as a potential leading indicator of development activity. While document recordings slowed during the third quarter, revenue is still on pace to exceed last year's total by approximately 10 percent, slightly higher than the budgeted 9 percent growth. Documentary transfer tax is anticipated to meet the budget estimate of approximately \$14 million.



**Building Permits**

Statewide, residential building permit activity climbed 2.3 percent since March 2015, with the value of residential permits rising 9 percent and nonresidential permit values falling 0.3 percent during that period.

From July 2015 through March 2016, the Building and Safety Department issued 12 percent more permits compared to the same period last fiscal year. Combined deposit based fee and flat fee receipts for July 2015 through increased by 26 percent. Overall, receipts increased 30 percent during this period at the same time as flat fee receipts increased by 15 percent. This continuing strength is mainly due to deposit based fees on tract homes in finishing developments, new single family detached permits and 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. The state mandates set by AB2188 continue to encourage increased small-scale solar activity throughout the county. This program is expected to remain strong during the current fiscal year.



Source of forward projections: Beacon Economics

**Assessed Value**

The real estate sales and construction activity discussed above are critical inputs to

the property valuation system. Other factors include an allowable inflation factor (not to exceed 2 percent based upon the California Consumer Price Index), currently 1.525 percent, and largely upward market value adjustments applied to Prop. 8 properties (properties temporarily reduced in value from the Prop. 13 adjusted value). Based on all these factors, the Assessor estimates an approximate 4.5 to 5 percent growth in property assessments for FY 16/17.

### **State Update**

The county receives hundreds of millions of dollars annually directly from and through the State of California for state and federal programs as varied as foster care, public assistance, indigent health care, and criminal justice. In addition, the actions of the state legislature often have a direct impact on the county financially and operationally. Consequently, a summary of current state activity with the potential to impact the county is summarized below.

According to the state controller's office, March revenue surpassed FY 16/17 estimates by \$218 million. Overall, total revenue of \$7.4 billion outpaced projections by 3 percent. Corporate tax led the way with an increase of 2.9 percent, followed by increases in the sales and use tax of 2 percent. Personal income tax receipts were actually less than expected, down 0.9 percent. Of note, personal income tax has consistently passed projections in the past few years.

Compared to projections when the FY 15/16 state budget passed last June, revenues for the first nine months of the year are \$2.26 billion higher than expected. Compared to the prior fiscal year, revenues are higher by \$5.2 billion, or 7.1 percent.

There are many bills to increase spending making their way through the legislature. A particular hot target is the continued growth of money from the state cap and trade auctions. An estimated \$8 billion in new spending is contained in the various cap and trade bills. Currently there is approximately \$3 billion in unallocated spending in the cap and trade account.

Of concern for the county is the continued growth in enrollment for the expanded Medicaid enrollment encouraged by the Affordable Care Act. Currently, the federal government is paying 100 percent of the cost for new enrollees; however, the matching amount begins to drop in 2017. The federal match decreases to 90 percent by 2020. That represents a projected deficit in Medi-Cal spending for the state of about \$2.5 billion by 2020. If the past is prologue, counties will be on the hook for the projected shortfall. Preliminary estimates are that Riverside County's share of the deficit would be between \$30 to \$40 million dollars per year.

On a good note, Board of Supervisors took a lead role in advocating to the legislature to pass the managed care tax offset. The bill increased fees on medical insurance companies in order to draw down about \$1.3 billion in matching federal dollars for Medi-Cal, while simultaneously reducing a franchise fee in order to offset the increase.



**MULTI-YEAR FORECAST**

The Executive Office prepares multi-year forecasts to set the context for major discretionary budgetary decisions of an ongoing nature. Current modeling indicates previous spending assumptions would exceed prudent projections for growth in discretionary general fund revenues. The requirements of the prisoner settlement added an estimated \$40 million obligation in new annual spending. This modeling continues to be refined as the Executive Office works with departments on policy recommendations and will be presented as part of the FY 16/17 budget process. However, it is clear at this time remaining on the current trajectory is unsustainable even over the short-term. Any additional spending for expansion of programs or services will exacerbate that deficit. Spending assumptions within the Board's control must be modified.

**BUDGET STRATEGY**

Since the forecast of discretionary revenues indicates minimal marginal growth, holding net costs as level as possible will be imperative to close the gap. Given projected increases in ongoing inmate medical costs as a result of the legal settlement, reducing other costs will be essential. Since severe cuts to general government cannot yield sufficient savings, at midyear the Executive Office proposed a revised multi-year budget strategy focused on the following assumptions:

- 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 merit cost increases due to cost of living adjustments beyond current contracts.
- Assume any increases in fixed costs for pension obligations, insurance, and internal services will be absorbed by the departments.

Since healthy reserves are a key credit rating factor, and absolutely essential when downturns occur, a key objective of our budget strategy is maintaining general fund discretionary reserves at a minimum level of \$100 million. Although existing policy sets a goal of 25 percent of discretionary revenues, which for FY 16/17 would equate to an estimated \$187 million, \$100 million equals twice the projected FY 15/16 operating deficit, and could easily be expended to meet critical needs in a short period of time. Absent such reserves, painful cuts would be necessary to balance the budget. Based on these assumptions, in February the Executive Office recommended and the Board approved, among others, the following FY 16/17 budget policies:

- Rollover of ongoing 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.

After reviewing departments' FY 16/17 budget submittals and evaluating the limited options to address growing costs in certain areas while concurrently containing discretionary spending overall, the Executive Office finds it necessary to propose a more aggressive approach to resolving the structural deficit over the next two years. This proposed budget strategy emphasizes a pragmatic, fiscally disciplined multi-year approach to achieving structural balance including, but not limited to:

#### ***Funding Policy***

- Recommending additional NCC allocations only to preserve existing staff in cases where departments have no alternative sources of funding or cost reductions available to cover them.
- Curtailing all program enhancements or expansions unless or until sustainably-funded 5-year operational plans are developed.
- Restraining discretionary allocations to press departments to fully use annual departmental revenues and accumulated reserves.
- Evaluating historic returns of discretionary allocations to identify and eliminate other forms of overfunding and reallocate where mission-critical.

#### ***Staffing and Labor Costs***

- Limiting hiring only to replace recently-vacated mission-critical positions.
- Selectively deauthorizing and deleting unfunded vacant positions that serve no current operational purpose
- Capturing salary savings by deauthorizing and deleting non-essential funded vacant positions.
- Tightly tying new position authorization together with appropriations and funding availability.
- Holding firm on labor negotiations.

#### ***Achieving Efficiencies***

- Implementing and expanding on KPMG and California Forward findings on the criminal justice area

- Find efficiencies in our internal operations especially internal service funds.

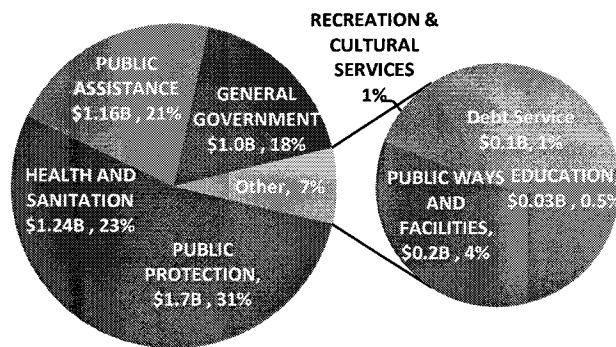
The focus of this strategy is to leverage immediately the county's available opportunities and internal strengths to cap spending to contain and reverse growth in the structural deficit while working on longer-term strategies to neutralize the factors within the county's control contributing to the structural imbalance.

**FY 16/17 BUDGET PREVIEW**

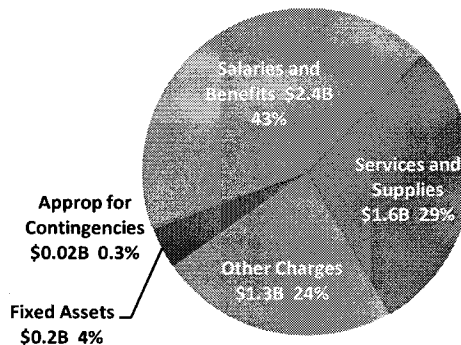
Departments were provided the original budget policies for use in preparing their FY 16/17 budget submittals, along with net county cost allocations that rolled over FY 15/16 allocation levels. Overall appropriations for all funds will total \$5.5 billion, which is nearly level with current year appropriations. Public protection comprises the largest share of appropriations at 31 percent, followed by health and sanitation at 23 percent and public assistance at 21 percent. Broken out by category net of transfers, the recommended budget will fund \$2.4 billion in salaries and benefits, \$1.6 billion in services and supplies, \$1.3 billion for other charges, which include public assistance payments, \$200 million for fixed assets, and \$20 million for general fund contingency.

Estimated revenues net of operating transfers will total \$5 billion, up only slightly over the current year. Of this total, 47 percent is intergovernmental state and federal revenue, 34 percent is charges for current services, 8 percent each are taxes and other revenues, and various miscellaneous other revenues total 3 percent. Of total estimated revenues, the county general fund comprises \$3.1 billion, only 23 percent of which will be from discretionary revenue sources.

**FY 16/17 Recommended Budget  
\$5.5 Billion in Appropriations by Function**



**Appropriations by Category Net of Transfers**





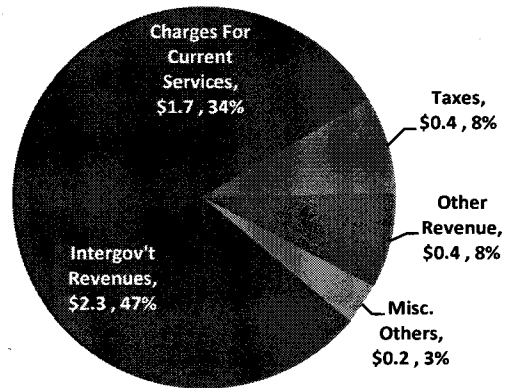
The difference between estimated revenues and appropriations is funded through use of fund balance and net assets. Given the ongoing structural deficit between discretionary revenues and discretionary spending, the Executive Office anticipates using discretionary general fund reserves will be unavoidable in FY 16/17 unless severe cuts are made.

While many departments are able to absorb rising costs through outside sources, attrition, or increased efficiencies, a number of departments are severely constrained and presented tough funding choices in their budget submittals.

Several submitted requests for discretionary funding above their net cost allocated in order to preserve onboard staff and avoid layoffs or to cover rising internal service costs, while others presented requests to expand or enhance programs. In all, departments submitted requests for over \$132.6 million in additional discretionary general fund support. Given the current structural deficit, the severity of which will be worsened by any additional spending, the Board can only fund a small fraction of these without implementing reductions in other expenditures. The Executive Office has been meeting and working with departments to evaluate and clarify each of these policy issues, which are summarized in the table at right.

Based on the actions recommended in this report, the Executive Office plans to recommend increasing the Sheriff's FY 16/17 allocation by the \$25 million discussed above, which reduces their initial request of \$76.1 million to \$51.5 million. The Executive Office is continuing to work with other departments to identify the minimum requirements to maintain the county's existing core, mission-critical operations. Consequently, the total of the request is expected

**Estimated Revenues by Category**



**FY 16/17 Recommended Budget Policy Item Summary as Revised**

Department	Requests
Board of Supervisors	\$ 0.4
Assessor	2.0
Registrar of Voters	1.1
District Attorney	18.9
Public Defender	3.3
Sheriff	51.5
Probation	5.2
Planning	1.2
Animal Services	3.6
Correctional Health	5.0
Correctional Behavioral Health	8.2
DPSS	11.2
Veterans Services	0.4
Contributions to Other Funds	
DPSS Homeless Fund	0.2
Facilities Management	0.6
Parks	2.7
PSEC (radio system)	1.4
Medical Center	10.0
EDA Administration	4.4
Child Support Services	1.6
	<b>\$ 132.6</b>

to shrink, but will likely be in excess of \$90 million.

In line with the budget strategy outlined above, the Executive Office's primary focus of any further recommendations for additional allocations will be preserving existing mission-critical personnel to maintain core services, being mindful that all additional discretionary spending not offset by cost reductions will entail deeper draws on limited and short-lived reserves.

### **C. CURRENT BUDGET STATUS**

#### **SUMMARY**

Most current year revenue estimates remain steady, with the exception of fines and sales tax revenue, each of which is revised downward in this report by a total of \$2.1 million. This is due chiefly to an amnesty on court fines and penalties declared by the state causing a projected \$1.7 million current year loss in county revenue that also impacts next year's estimate, in addition to a \$0.5 million downward revision in projected sales and use taxes collected due to continued fall off in revenue from solar projects and declining fuel prices. These reductions are offset by a projected \$2.4 million one-time windfall from excess tax sale proceeds, resulting in minimal net change in estimated discretionary revenue this fiscal year.

The \$23.7 million state fire credit to compensate for amounts owed by recently incorporated cities is recognized as cost reductions. Of that, \$3.4 million is reimbursed to certain departments' special funds for first-year start-up costs those funds carried following incorporation. The remaining \$20.3 million is credited to general fund contingency to reimburse first-year costs borne by the general fund and for revenue sharing owed the county.

At this time, the Sheriff predicts a \$20-25 million year-end deficit, down from the original \$65 million deficit projected when the budget was submitted. This deficit is attributed primarily to labor cost increases and rising internal service costs. The Executive Office concurs with the Sheriff's evaluation, and recommends appropriating \$25 million at this time to cover these ongoing costs, both in the current year and going forward.

The District Attorney also projects a reduced year-end deficit of \$5.7 million, down from the department's original projection of \$12 million. The Executive Office does not recommend addressing this remaining projected deficit at this time. The Probation Department likewise faces challenges as operations continue expanding within constrained resources. Probation has so far been able to absorb cost increases, but anticipates being constrained next year, as new facilities come online and outside resources decline.

The Public Defender also continues to face rising costs of basic ongoing operations without outside resources, and projects a current year shortfall of \$1.8 million. The Executive Office recommends appropriating \$1.5 million for the Public Defender in the current year to be carried forward. The Executive Office also recommends remedying a chronic \$1 million shortfall in funding the county's obligations to the state regarding maintenance of court facilities.

As previously reported, the county is now subject to an approved settlement pertaining to inmate health care and staffing in the county's detention facilities. Substantial funding was allocated in the adopted budget to address related issues. At this time, Correctional Health requests an additional \$4.5 million toward increased staffing, and requested an additional sum of \$5 million for FY 16/17 to comply with the judgment.

Demand for self-sufficiency and social services continue to rise. Likewise, Veterans Services continues to experience caseload growth. The Medical Center continues restructuring efforts to meet current and future health care needs, and upgrades to facilities, equipment and systems are underway.

A number of the county's internal service funds continue to face financial challenges. While Facilities Management's Maintenance division projects a positive balance at year-end, the Custodial and Real Estate divisions each project deficits. The General Liability Insurance fund and the Workers' Compensation fund are both experiencing higher than anticipated claims costs, and measures are being taken to shore up those funds next year.

Finally, the Regional Parks and Open Space District continues facing funding shortfalls both for community center operations and the aquatic centers. The Executive Office is working with the District and others to craft solutions to these issues that leverage certain efficiencies of consolidating operations into the District while stabilizing them financially long-term.

**DISCRETIONARY REVENUE**

**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

<b>General Fund Projected Discretionary Revenue (in millions)</b>			
	Budgeted Estimate	Current Quarter Estimate	Variance
Property Taxes	\$ 318.6	\$ 318.6	\$ -
RDA Residual Assets	7.3	7.3	-
Motor Vehicle In Lieu	220.9	220.9	-
Tax Loss Reserve Overflow	25.0	25.0	-
Fines and Penalties	22.4	20.7	(1.7)
Sales & Use Taxes *	29.0	28.5	(0.5)
Tobacco Tax	10.0	10.0	-
Documentary Transfer Tax	14.4	14.4	-
Franchise Fees	4.1	4.1	-
Interest Earnings	4.0	4.0	-
Misc. Federal and State	25.0	25.0	-
Realignment	35.0	35.0	-
Other (Prior Year & Misc.)	18.3	20.7	2.4
<b>Total</b>	<b>734.0</b>	<b>734.3</b>	<b>0.3</b>
Prop. 172 Public Safety Sales Tax	168.8	168.8	-
	<b>\$ 902.8</b>	<b>\$ 903.1</b>	<b>\$ 0.3</b>

\* Bradley Burns sales and use tax does not include Prop. 172 public safety sales tax revenue, which is reported separately.

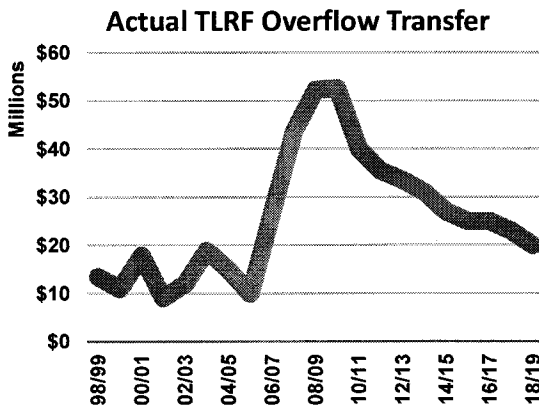
distribution of \$2.4 million for some 2003 and 2004 claims. Finally, an additional \$1 million distribution was made for the 2003 Handicapped Disabled Student claim. **The Auditor-Controller's Office is not aware of any further reimbursements or other unanticipated one-time payments except as noted below 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. Further detail on select discretionary revenues is presented below.

**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 5.8 percent a difference of approximately \$800,000 in current property tax revenue. 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**

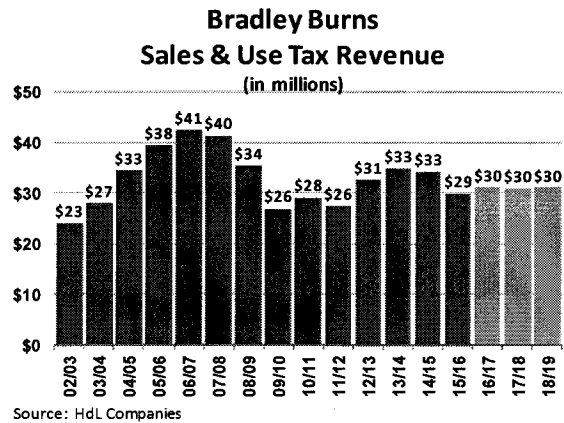
Under the California Teeter plan, the county advances participating agencies property tax allocations based on enrolled assessed valuation. In return, the county retains the actual taxes received, plus penalties and interest on delinquent taxes. The Tax Losses Reserve Fund captures revenues and expenditures associated with the program. Revenue exceeding financing costs and the necessary tax loss reserve is discretionary revenue released to the general fund annually. The annual release is in accordance with the revenue and taxation code, and consistent with prudent risk management. As delinquency rates decline, this revenue source generally tapers off; the delinquency rate hit an all-time low of 1.53 percent last fiscal year. For FY 14/15, the TLRF transfer was \$27 million. For the current year \$25 million was budgeted and \$24 million is forecast for FY 16/17.



**Sales and Use Taxes**

In the last quarter, the county's economically adjusted quarterly sales and use tax allocations declined 29.7 percent on a year-over-year basis. This decline is due principally to a lull in solar power plant construction and a drop in fuel prices that are not offset by growth in consumer goods sales at the factory outlets.

The county's original FY 15/16 budgeted sales and use tax estimate started at \$31.5 million. However, based on the continued downward trend, at midyear HdL Companies, the county's sales tax consultant, revised their current year projection down to \$29 million, and the Executive Office recommended a formal reduction in the budgeted revenue estimate for sales and use tax at that time. In the third quarter, HdL further revised their projection downward by half a million dollars to \$28.5 million; however, the Executive Office does not recommend a further reduction in the budgeted revenue estimate at this time. HdL did brighten their FY 16/17 forecast somewhat to \$29.6 million. They project a slightly lower 4.0 percent increase in FY 17/18 to \$29.4 million. Additional economic detail from HdL is contained in Attachment B.

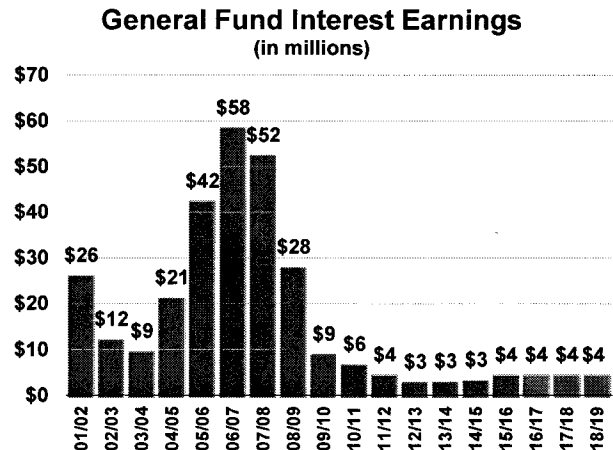


**Prop. 172 Public Safety Sales Tax**

The Executive Office has not historically reported on the Prop. 172 Public Safety Sales Tax as part of the estimated discretionary revenue review because it is allocated directly into public safety department budgets. However, although it is legally restricted for specified public safety purposes, is nonetheless a sizeable revenue source with a significant degree of discretionary allocation, and it supports a significant percentage of the general fund's discretionary spending. Since it has and will continue to factor heavily into policy decisions, the Executive Office will begin including it as part of the discussion of general fund discretionary revenues in budget reports.

**Interest Earnings**

The Treasurer's estimate for FY 15/16 general fund interest earnings continues to reflect the Federal Open Market Committee's (FOMC) December 2015 Federal Funds rate hike of 25 basis points. Due to the current makeup and weighted average maturity of the Pooled Investment Fund, earnings are likely to creep higher through the remainder of this fiscal year, since the beginning of the fiscal year the pool yield has gone from 0.44 percent to 0.65 percent. That increase translated to a \$1 million increase in interest earnings this fiscal year. Revisions to next year's forecast, taking into account the June FOMC meeting, will be noted in the FY 16/17 budget.



**Fines and Penalties**

On October 1, 2015, Senate Bill 85 became effective, which established an 18-month amnesty program to allow individuals with past-due court-ordered debt to receive a reduction in the amount owed if they meet certain eligibility criteria. There is also currently a downward trend in filing for all case types. Consequently, the Executive Office recommends decreasing the current year revenue estimate for fines and fees by \$1.67 million. It is anticipated this amnesty program will not terminate until March 2017, and will impact the FY 16/17 revenue estimate for fines and fees as well.

**Recommendation 1:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and estimated revenue by \$1,669,063, as follows:

Decrease estimated revenue:		
10000-1100900000-730040	Fine - traffic motor vehicle mc	\$ 151,958
10000-1100900000-731180	Fine - traffic school	230,640
10000-1100900000-731200	AB233 realignment	<u>1,286,465</u>
	Total	1,669,063
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	1,669,063

**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 continue reviewing all committed and otherwise restricted fund balances on an ongoing basis to determine which remain essential, and which might be liquidated into unassigned fund balance.

General Fund Commitments and Designations (In millions)			
	FY 13/14 Ending Balances	FY 15/16 Beginning Balances	Balance upon Approval
Economic uncertainty	\$124.7	\$124.7	\$124.7
Budget stabilization	53.9	53.9	50.6
Disaster relief	15.0	15.0	15.0
SB90 deferral	1.4	1.4	1.4
Historic courthouse remodel	0.5	0.5	0.0
CAC remodel	0.5	0.5	0.5
Community improvement	0.0	2.0	2.0
ACO internal audits unit	0.1	0.1	0.1
DPSS realignment growth	4.3	4.3	4.3
Legal liabilities	3.7	3.7	2.5
<b>TOTAL</b>	<b>\$204.1</b>	<b>\$206.10</b>	<b>\$201.1</b>

**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 has been increased by a net of \$1.1 million to date to a total of \$36.6 million. This report contains a net decrease of \$13.8 million at this time, taking the contingency level to \$22.8 million, as summarized in the table below.

<b>Use of General Fund Appropriations for Contingency</b>				
	<b>Cost Adjustment</b>	<b>Revenue Adjustment</b>	<b>Total Adjustment</b>	<b>Balance Available</b>
<b>Beginning Balance:</b>				<b>\$ 35,515,211</b>
<b>Adjustments to date:</b>	597,644	1,658,669	1,061,025	<b>36,576,236</b>
<b>Actions recommended in this report:</b>				
5/16/2016 Fines & Penalties		(1,669,063)	(1,669,063)	
Executive Office Consulting Costs	306,519		(306,519)	
Workers Comp Loan	2,011,006		(2,011,006)	
Excess Tax Sale Proceeds		2,400,000	2,400,000	
Fire Credit	(20,324,024)		20,324,024	
Court Facilities	1,000,000		(1,000,000)	
Public Defender Labor & Staffing	1,500,000		(1,500,000)	
Correctional Health	4,500,000		(4,500,000)	
Parks Community Center & Operations	500,000		(500,000)	
Sheriff	25,000,000		(25,000,000)	
	<b>14,493,501</b>	<b>730,937</b>	<b>(13,762,564)</b>	
Total adjustments to Contingency =	15,091,145	2,389,606	(12,701,539)	
<b>Contingency balance upon approval of this report =</b>				<b>22,813,672</b>

**GENERAL GOVERNMENT**

**Executive Office**

The Executive Office budget funds the operation of the office itself and a number of other expenditures beyond the confines of the office itself. The Executive Office requests a budget adjustment to pay for retirement payouts, additional maintenance costs, consulting costs, and costs associated with the accounts payable workflow budgeted last year, but expensed this year. Of these costs, \$170,400 will be offset by additional departmental revenue received for administrative fees; however, the department requests using \$306,519 from contingency to fund the remaining portion, for a total budget adjustment in the amount of \$476,919.

The Executive Office requests a budget adjustment in the amount of \$257,019 to fund leave balance payouts this fiscal year for long-term employee retirements not anticipated when the Executive Office budget was initially developed. Two of the positions have been filled and funded. A third position will be filled at a lower level to save costs.



The Executive Office funds various maintenance costs at the Riverside County Administrative Center Annex beyond the fourth floor for other tenants. Historically, revenue received from lease payments covers these maintenance costs; however, building maintenance costs are exceeding revenues. Therefore, the Executive Office requests a budget adjustment in the amount of \$60,000 to cover these unavoidable expenditures.

In FY 16/17, the Executive Office will continue to work in coordination with KPMG and the public safety departments to implement recommendations improving organizational and operational performance, as well as incorporating and assessing suggested efficiencies for cost saving measures. The Executive Office will also work closely with KPMG to evaluate and make improvements for the internal service fund departments. The Executive Office hopes to implement these changes in the next fiscal year.

**Recommendation 2:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Executive Office and decreasing Contingency by \$476,919 as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$306,519
Increase available fund balance:		
10000-1109000000-370100	Unassigned fund balance	306,519
Increase estimated revenue:		
10000-1100100000-777520	Reimbursement for services	170,400
Increase appropriations:		
10000-1100100000-510200	Payoff permanent-seasonal	257,019
10000-1100100000-522310	Maintenance – building & improvements	60,000
10000-1100100000-524660	Consultants	49,500
10000-1100100000-524680	Consultants – computer program	<u>110,400</u>
	Total	476,919
Decrease available fund balance:		
10000-1100100000-370100	Unassigned fund balance	306,519

On April 22, 2014, (Item 3-4), the Board approved the Temecula Valley Wine Country Interagency funding agreement between the County of Riverside and Eastern Municipal Water District, authorizing a loan of \$2 million from the Workers' Compensation fund to the Capital Improvement Program fund to be repaid by transient occupancy tax (TOT). The purpose of this loan was to pay a contribution towards sewer improvements for the growth and sustainability of the Temecula Valley Wine Country. The Executive Office, in cooperation with the Treasurer-Tax Collector, has been tracking the amount of TOT collected above an established base amount calculated prior to the sewer improvements. A total of \$377,000 was identified as collected over the original base amount through the end of FY 14/15. This fiscal year, the TOT has not yet exceeded the base amount, so there is no amount at this time to be reported for this fiscal year. During a recent state audit, one of the recommendations was for the county to discontinue bor-

rowing from internal service funds. The Executive Office recommends use of contingency to immediately repay this loan, including interest. The Executive Office will continue to track the TOT until the full amount is satisfied per the original intent of the Board of Supervisors.

**Recommendation 3:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments between appropriations for Contingency and Contributions to Other Funds and increasing estimated revenue for the Capital Improvement Fund by \$2,011,006, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$2,011,006
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,011,006
Increase appropriations:		
10000-1101000000-551100	Contribution to other funds	2,011,006
Use of unassigned fund balance:		
10000-1101000000-370100	Unassigned fund balance	2,011,006
Increase estimated revenues:		
30700-1104200000-790600	Contribution from other county funds	2,011,006
Increase committed fund balance:		
30700-1104200000-322100	Restricted for construction/capital projects	2,011,006

**AD/CFD Administration**

The Assessment District / Community Facilities District fund pays for the expenses of managing financing districts including a portion of staff salaries. It has experienced lower than expected revenue due to the early retirement of bonds and the dissolution of two districts. The program will use fund balance to cure this year's deficit, and the budget will be adjusted for FY 16/17.

**Recommendation 4:** That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of available fund balance for the Community Facilities District fund by \$175,000, as follows:

Increase appropriations:		
22050-1150100000-510040	Regular salaries	\$175,000
Use of available fund balance:		
22050-1150100000-350100	AFB for program money	175,000

**Board of Supervisors / Clerk of the Board**

The Clerk of the Board projects \$63,713 in unused current appropriations for salaries and benefits. The department wishes to transfer this savings to committed fund balance

for community improvement designation.

**Recommendation 5:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and increasing committed fund balance by \$63,713 as follows:*

Decrease appropriations:		
10000-1000100000-510040	Regular salaries	\$63,713
Increase committed fund balance:		
10000-1000100000-330135	CFB - community improvement	63,713

**Assessor-County Clerk-Recorder**

At the beginning of the year, the Assessor division received a \$3 million one-time increase in their net county cost allocation to operate their department. With departmental reserve balances depleting, the additional general fund support was intended to cover labor increases and uncontrollable costs. The Assessor has taken steps to increase efficiencies; however, their labor costs are trending higher. The Executive Office continues to monitor the division closely and will make recommendations at the end of the fiscal year.

**Auditor-Controller**

The Auditor-Controller's Office (ACO) expects to end the fiscal year exceeding its allocated net county cost by approximately \$298,000, which will be offset by savings within its Internal Audits division, therefore ending the year as a whole balanced. For FY 16/17, the ACO expects to meet budget targets for its divisions as a whole.

In March 2016, the ACO entered into a technology services agreement with the Riverside County Information Technology (RCIT) department. The terms of the agreement required the ACO to transition most of its information technology personnel to RCIT. Any RCIT services provided by these personnel would be charged to ACO through monthly billings. The ACO has made appropriation transfers within the department budget to accommodate for the agreement and the recommended equipment and software purchases.

The ACO requires a budget adjustment for SB90 claim preparation and single audit services. These services are provided annually by external vendors in collaboration with the specialized accounting unit within the ACO's Internal Audits Division and reimbursed by the county departments involved in preparing the reports.

**Recommendation 6:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Auditor-Controller by \$109,736, as follows:*

Increase appropriations:		
10000-1300100000-525440	Professional services	\$ 65,236
10000-1300100000-524560	Auditing and accounting	44,500
10000-1300100000-572800	Intra-fund – miscellaneous	<u>(109,736)</u>
	Total	0

**Treasurer-Tax Collector**

The Treasurer Tax Collector continues to exceed its financial objectives and will finish the year on target. A recent change in Revenue and Taxation Code §4674 allowed unclaimed excess proceeds from sales of tax-defaulted properties to be transferred into the general fund. Following prior Board approval on item 9-71 on September 22, 2015, a transfer of \$1.2 million has already occurred and an additional \$1.2 million is anticipated by year-end, resulting in a total general fund budget adjustment of \$2.4 million.

**Recommendation 7:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated non-departmental revenue for the Treasurer-Tax Collector and Contingency by \$2,400,000, as follows:

Increase estimated revenue:		
10000-1400100000-781410	Unclaimed EP from tax sales	\$2,400,000
Increase available fund balance:		
10000-1400100000-370100	Unassigned fund balance	2,400,000
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingencies	2,400,000
Increase use of available fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,400,000

**Human Resources (HR)**

Human Resources' revenues are trending higher than budgeted due to additional services agreements and increased reimbursements for training. At the same time, Human Resources is experiencing additional expenditures related to payroll costs, professional services, and training materials related to this increased service demand. Human Resources plans to pay off its loan and related interest, for the remodeling of its office, which took place in FY 07/08. Budget adjustments are recommended to increase revenues and the offsetting appropriations. Human Resources will continue to monitor this fund closely.

**Recommendation 8:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for Human Resources by \$111,004, as follows:

Increase estimated revenues:		
10000-1130100000-774580	Fees - other health	\$ 8,500
10000-1130100000-777040	Training	26,574
10000-1130100000-777520	Reimbursement for services	63,930
10000-1130100000-781360	Other miscellaneous revenue	<u>12,000</u>
	Total	111,004
Increase appropriations:		
10000-1130100000-510040	Regular salaries	38,752

10000-1130100000-518100	Budgeted benefits	25,835
10000-1130100000-525440	Professional services	234,584
10000-1130100000-537080	Interfund expense - miscellaneous	82,000
10000-1130100000-551100	Contributions to other funds	314,286
10000-1130100000-572800	Intra-miscellaneous	(324,453)
10000-1130100000-572900	Intra-personnel	<u>(260,000)</u>
	Total	111,004

Human Resources general fund budget unit also receives allocations from Contributions to Other Funds of \$450,000 for COR Learning and \$13,500 for the Commission for Women. In an effort to properly account for these within the general fund, the amounts are being shifted from interfund transfers to a direct net county cost allocation (use of fund balance).

**Recommendation 9:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments 1) decreasing appropriations for Contributions to Other Funds and 2) decreasing estimated revenues for Human Resources by \$463,500, as follows:

Decrease appropriations:		
10000-1101000000-551100	Contributions to other funds	\$463,500
Decrease use of unassigned fund balance:		
10000-1101000000-370100	Unassigned fund balance	463,500
Decrease estimated revenues:		
10000-1130100000-790600	Contributions from other county funds	136,310
Increase use of unassigned fund balance:		
10000-1130100000-370100	Unassigned fund balance	136,310

### **Registrar of Voters**

For FY 15/16, the Registrar of Voters (ROV) will conduct four elections: 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.

The ROV added additional local ballot measures and special vacancy elections not previously included in the department's budget in the November 2015 and the June 2016 elections. As a result, the department anticipates increased costs and increased revenue from reimbursements of the election services. At third quarter, revenue from the November 2015 election was billed but not yet collected. Still, the department anticipates that revenue collections will exceed the budgeted amount at year-end.

The ROV requests a \$100,000 budget adjustment increasing appropriations for additional election services and increase estimated revenue from reimbursements of these services. There is no additional net county cost associated with the request because the additional election services are fully reimbursed by the different jurisdictions.

**Recommendation 10:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Registrar of Voters by \$100,000, as follows:

Increase estimated revenues:		
10000-1700100000-771230	City election services	\$100,000
Increase appropriations:		
10000-1700100000-527380	Elections	100,000

**Economic Development Agency/Facilities Management (EDA/FM)**

During the FY 15/16 budget process, the Economic Development division of EDA was approved for a general fund allocation of \$4.7 million to be used for business attraction and retention, Office of Foreign Trade, Office of Film & TV, Business Intelligence, Marketing, and Salton Sea activities. Disbursement of the allocation occurs quarterly in advance, and the division requested \$1.1 million per quarter for the first, second, and third quarters of the fiscal year. The fourth quarter request is for \$669,990, due to an unfilled position, lower than expected expenses and higher than anticipated reimbursement from the Salton Sea Authority. Highlights of the activities which have been accomplished with Economic Development funds include:

- Selection of Team Riverside’s proposal to relocate California Air Resources Board’s (CARB) new vehicle testing lab to the City of Riverside.
- Establishment of the Riverside County Film Commission.
- The opening of the Riverside Business Center.

**Economic Development Agency Administration**

EDA requests a budget adjustment for actual RCIT costs that are exceeding expenditure projections for upgrades to several agency wide network servers. Additional inter-fund revenue from other EDA divisions and intra-fund revenue transfers from EDA sub-funds fund the increased expense.

**Recommendation 11:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$80,587, as follows:

Increase appropriations:		
21100-1900100000-521360	Maintenance - computer equipment	\$197,648
21100-1900100000-572800	Intra-fund - miscellaneous	<u>(117,061)</u>
	Total	80,587
Increase estimated revenue:		
21100-1900100000-778220	Interfund - office expense	80,587

The department requests a budget adjustment for the Edward-Dean Museum to mitigate emergency health and safety repairs to buildings and cover excess costs for re-

tirement benefits for a retired executive director and assistant director. Increased revenue from leases and revenue sharing agreements will fund these expenses.

**Recommendation 12:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$423,080, as follows:

Increase appropriations:		
21100-1900500000-522310	Maintenance – building and improvement	\$230,000
21100-1900500000-523350	Administrative expense	<u>193,080</u>
	Total	423,080
Increase estimated revenue:		
21100-1900500000-781360	Other miscellaneous revenue	423,080

### **Community Development Block Grant (CDBG)**

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

**Recommendation 13:** 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 \$1,147,265, as follows:

Increase appropriations:		
21350-1900200000-536200	Contributions to other non-county agency	\$1,147,265
Increase estimated revenue:		
21350-1900200000-766000	Federal - community redevelopment hm	1,147,265

### **Neighborhood Stabilization Program (NSP)**

The department requests a budget adjustment to utilize fund balance for a projected shortage of estimated revenues.

**Recommendation 14:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing estimated revenues for the EDA Neighborhood Stabilization program by \$808,126, as follows:

Decrease estimated revenue:		
21370-1900200000-766000	Federal - community redevelopment hm	\$808,126
Use of restricted fund balance:		
21370-1900200000-321101	Restricted program money	2,350
21371-1900200000-321101	Restricted program money	458,000
21373-1900200000-321101	Restricted program money	1,650
21374-1900200000-321101	Restricted program money	<u>346,126</u>
	Total	808,126



**Parking Services Division**

The Parking Services Division (PSD) operates the county's fee parking structures and surface parking lots. The PSD is also responsible for issuing parking access control cards and county parking permits, collecting parking and citation fees, coordinating special event parking, assisting county departments with special parking requirements, assisting in the planning and construction of parking structures and lots, patrolling county parking structures and lots, enforcing county ordinances and promoting traffic and pedestrian safety. The county owns and/or operates eight parking structures and enforces over 10,000 parking spaces. The division estimates ending the year with a deficit of \$242,100. Various solutions including rate increases are being evaluated by EDA and the Executive Office for next fiscal year.

**PUBLIC PROTECTION****Fire**

The Fire department reports that its previously projected deficit of \$1.3 million has been fully reduced and the department is on target to bring in its budget within its net county cost allocated for FY 15/16.

As reported in the previous quarterly reports this fiscal year, the City of Eastvale has not paid for a portion of the Fire Protection services provided in FY 14/15. This is still an outstanding receivable for the department totaling \$1.3 million; \$751,514 for third quarter services and \$589,215 for fourth quarter services in FY 14/15. The department will continue to invoice until full payment is received and county counsel is actively assisting on the collection process.

The Department requests a budget adjustment for the following items.

- The Department had unexpected facility maintenance costs totaling \$398,000 including \$295,000 for roof replacements at Bear Creek Fire Station 75 and Highgrove Fire Station 19, \$75,000 for bay doors at Roy Wilson Fire Station 35, and \$28,000 for Sky Valley Fire Station 56 backup fire station power generator. The power generator provides continues power to the fire station during a black-out. To ensure fire station is able to open bay doors and operate other critical pieces of equipment needing power.
- The department has a nurse position on contract with Public Health for \$127,000, which funding for was inadvertently missed in the department's FY 15/16 budget request.
- Ben Clark Training Center facility maintenance costs for cleaning and painting the exterior of two buildings of \$101,000 that were previously included in FY 14/15, but were unable to be processed until this fiscal year.

These necessary expenses totaling \$626,000 will be funded with a refund from the State of California, resulting from an overpayment on the FY 14/15 final quarter fire ser-

vices contract with CAL Fire.

**Recommendation 15:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Fire by \$626,000, as follows:*

Increase appropriations:		
10000-2700200000-522310	Maintenance building and improvement	\$499,000
10000-2700200000-525200	Physicians/dentists	<u>127,000</u>
	Total	626,000
Increase estimated revenues:		
10000-2700200000-781360	Other miscellaneous revenue	626,000

On November 17, 2015 (Item 3-6), the Board of Supervisors approved Agreements of Accord and Satisfaction Related to the Forgiveness of Certain Monetary Obligations Associated with the passage of SB107 in the total amount of \$23.7 million between the County of Riverside and the City of Jurupa Valley, City of Menifee and the City of Wildomar. These agreements were submitted to the Department of Finance under the requirements of SB107. On February 26, 2016, the Department of Forestry and Fire Protection, Southern Region, issued a credit memorandum pursuant to SB107 in the same amount. The credit was applied to the County of Riverside's second quarter invoice dated February 11, 2016.

The Executive Office recommends a budget adjustment to repay the non-general fund departments for the debt relieved under SB107. All amounts for the non-general fund departments are for costs incurred during the transition year for the three cities. The remainder reimburses the general fund for fronting transition year costs, as well as deferral of revenue neutrality payments and general fund costs incurred by the City of Jurupa Valley after the transition year.

The total to reimburse non-general fund departments is \$3,465,946, as follows: Building and Safety will receive \$14,390; EDA \$47,953; TLMA Administration \$31,846; and Transportation \$3,242,076. The remaining \$20,324,024 will be credited to general fund contingency.

**Recommendation 16:** *That the Board of Supervisors approve and direct the Auditor-Controller to make a budget adjustment to appropriations and estimated revenue by a total of \$23,660,289, as follows:*

Decrease appropriations:		
10000-2700200000-525440	Professional services	\$23,660,289
Increase available fund balance:		
10000-2700200000-370100	Unassigned fund balance	23,660,289
Increase appropriations:		
10000-1101000000-551100	Contribution to other county funds	3,336,265

Decrease available fund balance:		
10000-1101000000-370100	Unassigned fund balance	3,336,265
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	20,324,024
Decrease available fund balance:		
10000-1109000000-370100	Unassigned fund balance	20,324,024
Increase estimated revenue:		
20000-3130100000-790600	Contribution from other county funds	3,242,076
Increase available fund balance:		
20000-3130100000-370100	Unassigned fund balance	3,242,076
Increase estimated revenue:		
20200-3100500000-790600	Contribution from other county funds	31,846
Increase available fund balance:		
20200-3100500000-370100	Unassigned fund balance	31,846
Increase estimated revenue:		
20250-3110100000-790600	Contribution from other county funds	14,390
Increase available fund balance:		
20250-3110100000-370100	Unassigned fund balance	14,390
Increase estimated revenue:		
47210-7200300000-790600	Contribution from other county funds	47,953
Increase available fund balance:		
47210-7200300000-370100	Unassigned fund balance	47,953

***Emergency Management Department***

On February 9, 2016 (Item 3-31), the Board of Supervisors approved a lease for the Emergency Management Department (EMD) to acquire additional space at its Riverwalk facility in Western Riverside. This additional space will allow for EMD staff currently housed in the County Administrative Center basement in downtown Riverside to move to the Riverwalk facility, thereby consolidating staff and equipment and allowing for the more efficient use of support staff and other resources. This move is anticipated to be completed by June 30, 2016. In addition, EMD is in the process of moving staff equipment, files, email addresses and county Emergency Operations Center (EOC) equipment from the Fire information technology infrastructure to the county information technology infrastructure.

As part of this transition from Fire to RCIT, EMD is in the process of creating a number of communication platforms, including social media. EMD is evaluating costs for a permanent EOC facility, county-wide employee emergency response training, and overhauling the county's volunteer program. The department will keep the Board apprised

of these ongoing projects and any potential associated costs.

Current expenditures for start-up of the EMD are lower than expected for FY 15/16. The FY 15/16 EMD budget was created by transferring funds from county Fire and Public Health, a process that took over 90 days and delayed EMD spending. Creation of the EMD required addition of several key positions to build the department's administrative organization, and as EMD moves into the fourth quarter, several of those key positions have now been filled. The salaries and benefits for those positions are included in projections for the remainder of the year.

However, the time lag involved in filling these key positions resulted in one-time salary savings this fiscal year. In addition, costs for services and supplies are also projected lower than expected this fiscal year. At this time, the department requests a budget adjustment reducing appropriations and use of SB 12 uncompensated emergency medical services revenue.

**Recommendation 17:** That the Board of Supervisors approve and direct the Auditor Controller to make adjustments decreasing appropriations and estimated revenue for the Emergency Management Department by \$6,000,000, as follows:

Decrease estimated revenue:		
10000-2000100000-774790	Uncompensated emergency medical services	\$6,000,000
Decrease appropriations:		
10000-2000100000-525440	Professional services	6,000,000

**Sheriff's Department**

At the end of the third quarter, the Sheriff reports a potential year-end deficit of \$20-25 million, a \$13 million improvement from the midyear projection. To add perspective, the FY 15/16 budget was initially submitted with a \$65 million structural budget deficit. This initial estimate can be attributed to the "just in time financing strategy" that provided funding at the end of a fiscal year instead of establishing a firm budget at the beginning of the fiscal year. The majority of costs included in the \$65 million estimate came from the cumulative effect of less than full discretionary funding for labor costs (\$29 million) and four years of other unfunded obligations, including internal service fees and insurance (\$16 million), hiring for the 2018 opening of the East County Detention Center (ECDC) (\$17 million), and in the planned incremental increase in unincorporated patrol staffing from 1.04 per 1,000 residents to 1.08 per 1,000 residents (\$3 million).

During the FY 15/16 budget hearings, the Executive Office recognized the need to discontinue the practice of chronically underfunding the Sheriff relative to Board-approved increases in labor costs and internal service rates. As a partial solution, the Sheriff proposed reducing the \$65 million deficit to approximately \$48 million by delaying the ramp up for the ECDC by one year (\$14 million) and holding unincorporated patrol staffing at 1.04 per 1,000 residents (\$3 million).

On November 17, 2015, the Executive Office briefed the Board publicly on the Prison

Law Office lawsuit and the structural issues facing the Sheriff. It was noted a budget adjustment would be necessary before the end of this fiscal year. On March 29, 2016, the Executive Office further briefed the Board, reiterating the need to address the Sheriff's ongoing structural deficit.

The Sheriff's department monitors its budget closely and communicates challenges to the Executive Office regularly. It is worthy of note that the department has a strong financial division that is capable of providing extensive analysis and reliable forecasts to guide its financial and management decisions.

Although the projected deficit for the remainder of this year is less than initially anticipated, the Sheriff does not believe it possible to bridge the structural gap by savings alone, and therefore, requests coverage of the department's onboard labor and other costs totaling \$25 million. The Executive Office has reviewed the Sheriff's analysis, and concurs it is necessary at this time to close this ongoing shortfall. The Executive Office therefore recommends the budget adjustments listed below to address the Sheriff's deficit in the current year; and further, that this \$25 million also be applied to the FY 16/17 recommended budget to sustain the Sheriff's operations next year.

For FY16/17, the Sheriff is stressing the importance of recommencing hiring for ECDC and implementing a modest increase in unincorporated patrol staffing (to 1.08 per 1,000) in response to an upward shift in crime rates. The Executive Office is working with the Sheriff's Office to formulate a plan that will balance those requests within its available funding.

**Recommendation 18:** *That the Board approved and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and increasing appropriations for the Sheriff by \$25 million, as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$25,000,000
Increase available fund balance:		
10000-1109000000-370100	Unassigned fund balance	25,000,000
Increase appropriations:		
10000-2500100000-510040	Regular salaries	1,172,995
Decrease available fund balance:		
10000-2500100000-370100	Unassigned fund balance	1,172,995
Increase appropriations:		
10000-2500200000-510040	Regular salaries	1,060,405
Decrease available fund balance:		
10000-2500200000-370100	Unassigned fund balance	1,060,405
Increase appropriations:		
10000-2500300000-510040	Regular salaries	12,824,041

Decrease available fund balance:		
10000-2500300000-370100	Unassigned fund balance	12,824,041
Increase appropriations:		
10000-2500400000-510040	Regular salaries	3,601,561
Decrease available fund balance:		
10000-2500400000-370100	Unassigned fund balance	3,601,561
Increase appropriations:		
10000-2500500000-510040	Regular salaries	2,910,418
Decrease available fund balance:		
10000-2500500000-370100	Unassigned fund balance	2,910,418
Increase appropriations:		
10000-2500600000-510040	Regular salaries	30,953
10000-2500600000-510420	Overtime	11,438
10000-2500600000-518100	Budgeted benefits	11,186
	Total	53,577
Decrease available fund balance:		
10000-2500600000-370100	Unassigned fund balance	53,577
Increase appropriations:		
10000-2500700000-510040	Regular salaries	1,934,911
Decrease available fund balance:		
10000-2500700000-370100	Unassigned fund balance	1,934,911
Increase appropriations:		
10000-2501000000-510040	Regular salaries	1,247,352
Decrease available fund balance:		
10000-2501000000-370100	Unassigned fund balance	1,247,352
Increase appropriations:		
10000-2501100000-510040	Regular salaries	194,740
Decrease available fund balance:		
10000-2501100000-370100	Unassigned fund balance	194,740

### **Office of District Attorney (ODA)**

At third quarter, the Office of District Attorney (ODA) projects a \$5.7 million year-end shortfall. This is a \$6.3 million reduction from the \$12 million shortfall projected at the beginning of FY 15/16, following an \$8 million increase in ongoing NCC support. Although it results primarily from labor increases, specific steps to reduce the impact to the county budget have been taken, including leaving several key positions vacant for most of the year and the addition of unexpected consumer fraud revenue.

Although the ODA submitted its FY 16/17 budget request within the net county cost allocated, the ODA projected an \$18.9 million shortfall for FY 16/17 based upon a number of assumptions including labor cost increases, internal service fees, and filling additional positions as part of a reorganization effort. No recommendations are being made at this time.

**Department of Child Support Services**

The Department of Child Support Services (DCSS) will meet its budget goals for FY 15/16, successfully absorbing labor costs and other increases. Fourteen vacated positions remain unfilled, and spending for training, travel, outreach events, and marketing were all reduced, as were carpool and mileage costs. The department also entered into a shared services arrangement for its call center with its counterpart in Ventura County. This move will initially cost \$550,000, but save \$2.4 million annually in staffing.

However, DCSS requested \$1.6 million in general fund support or reallocation for FY 16/17. Its state and federal funding has remained flat for ten years, and the formula is not expected to change at the state level until FY 18/19.

In lieu of an NCC allocation, DCSS has proposed a redirection of welfare recoupment money that is currently contributed to the Department of Public Social Services. DCSS requests to keep this allocation instead to meet its operating costs increases, including \$502,000 for internal service fees; \$264,000 for negotiated labor costs and merit increases; and \$244,000 for building lease increases; and security guard charges amounting to \$200,000. Any amounts reallocated would allow the department to add additional federal and state funds as a 66 percent match. Redirection would of course reduce funding to DPSS, but it may be able to absorb the reduction. A recommendation is forthcoming. Without a county contribution, the department plans to eliminate 18 vacant positions.

**Court Facilities**

The net county cost allocation for court facilities has remained the same since FY 09/10, although service charges for custodial, maintenance, and insurance have increased 50 percent since then. Pursuant to Government Code §70353(a), counties are required to remit a quarterly payment to the state controller that is deposited into the Court Facilities Trust Fund, and penalties are charged for late payments. At the end of the fourth quarter, the county is required to make this payment to the Judicial Council. However, at this time, appropriations are insufficient to pay either the outstanding invoices or make the June quarterly payment. The state has been charging a higher fee to the county since midyear 2015 to due chronic delays in payment.

**Recommendation 19:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for contingency and increasing appropriations for Court Facilities by \$1,000,000, as follows:*

Decrease appropriations		
10000-1109000000-581000	Appropriations for contingencies	\$1,000,000



Increase appropriations		
10000-1103900000-528500	Project cost expense	750,000
10000-1103900000-536200	Contribution to other non-county agency	150,000
10000-1103900000-537320	Interfund expense - building improvements	<u>100,000</u>
	Total	1,000,000

### ***Probation Department***

During the third quarter, the department continued recruiting and filling funded positions, particularly those supported by SB678, Evidence Based Probation Supervision, and AB109/118, Criminal Justice Realignment. Positions were also filled in anticipation of the October 2016 opening of the Alan M. Crogan Youth Treatment and Education Center in Riverside. The department reports that continued use of cost saving measures ensures they will end the year on target.

However, the initial picture for FY 16/17 is a bleak one. One of the ways the department met budget targets from FY 13/14 through FY 15/16 was to estimate 35 percent salary savings on general fund supported vacant positions, then to use any one-time funding to balance at the end of the year and return to the general fund some of the unused net county cost allocated. However, that will no longer be possible in FY 16/17, due to a significant reduction in vacancy rates for essential positions, anticipated labor increases, the escalation of internal service rates, and the ongoing shortfall of federal Title IV-E revenues.

To submit a balanced budget for FY 16/17 without any increase in NCC allocation, the department made the difficult decision to reduce or eliminate programs and services by suspending recruitment and hiring of all vacant general fund positions and eliminating funding for 25 filled juvenile services sworn positions. To meet state mandates and maintain service levels to the vulnerable populations of adult and juvenile offenders, the department will require additional ongoing discretionary general fund support in FY 16/17. Discussions with the Executive Office to determine the minimum amount of NCC required are continuing.

### ***Law Office of the Public Defender***

The Law Office of the Public Defender currently projects a year-end shortfall in salaries and benefits of \$1.8 million, compared to midyear's deficit estimate of \$1.7 million. This will result from unfunded salary and benefit increases, retirement payouts, temporary assistance needs, unrealized salary savings due to low staff turnover rates, and increased hiring. These cost increases are only partly offset by cost savings resulting from reduced RCIT costs for the telephone system and laptops.

Increased AB118 funding had reduced a revenue shortfall to only \$47,949 at midyear. However, decreased Indian gaming cases and reduced fee collections expanded the expected revenue shortfall to \$82,963. As a result, the net department shortfall is \$1.9 million. At this time, a budget adjustment of \$1,500,000 is recommended to address the salary and benefit increases.

For FY 16/17, the department expects the same issues to continue, and requests in-

creased discretionary general fund support for salary and benefits costs totaling \$2.1 million, including covering the increased labor costs that carry forward from FY15/16. They also request increasing their net cost allocation to cover increased internal service and facilities costs totaling \$1.5 million. The department's total request for additional FY 16/17 funding is \$3.6 million. At this time, the Executive Office recommends an on-going increase in the current year of \$1.5 million to cover labor and staffing costs.

**Recommendation 20:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Law Offices of the Public Defender and decreasing appropriations for general fund contingency by \$1,500,000, as follows:*

Increase appropriations:		
10000-2400100000-510040	Regular salaries	\$1,500,000
Increase use of available fund balance:		
10000-2400100000-370100	Unassigned fund balance	1,500,000
Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingency	1,500,000
Decrease use of available fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,500,000

**Indigent Defense**

The Executive Office expects the Indigent Defense budget to be on target for FY 15/16; however, the number of cases that require indigent defense or capital conflict counsel determine this funding requirement. The budget continues to be monitored.

**Department of Animal Services**

Animal Services reports difficulties hiring and retaining customer service, shelter and veterinary staff. In addition, the department experienced a 41 percent increase in impounds over the past 12 months, resulting in increased overtime and temporary assistance costs offset by increased revenue. The department requests a budget adjustment to account for the increased costs and revenue.

**Recommendation 21:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Animal Services by \$722,000, as follows:*

Increase estimated revenue:		
10000-4200600000-720000	County animal licenses	\$60,000
10000-4200600000-773200	Adoption-auction fees	112,000
10000-4200600000-773230	City licenses - service charge	130,000
10000-4200600000-773240	Impounds boards disposal	90,000
10000-4200600000-773250	Spay and neuter clinic fees	85,000
10000-4200600000-777520	Reimbursement for services	200,000
10000-4200600000-776445	Rebates and refunds	15,000

10000-4200600000-777880	Credit card fees	<u>30,000</u>
	Total	722,000
Increase appropriations:		
10000-4200600000-510320	Temporary salaries	376,000
10000-4200600000-510420	Overtime	<u>346,000</u>
	Total	722,000

## **PUBLIC WAYS AND FACILITIES**

### **Aviation**

EDA requests a \$59,000 budget adjustment using assigned fund balance to pay for an increase in RCIT costs for an online payment portal, maintenance services at French Valley Airport and Hemet Ryan Airport, and special event expenses for the inaugural Hemet Ryan Airshow.

**Recommendation 22:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for the County Airports by \$59,000, as follows:

Increase appropriations:		
22100-1910700000-520350	IT core services	\$10,000
22100-1910700000-522320	Maintenance - grounds	19,000
22100-1910700000-523270	Special events	<u>30,000</u>
	Total	59,000
Use of assigned fund balance:		
22100-1910700000-350100	AFB for program money	59,000

### **Special Aviation – Chiriaco Summit and Desert Center**

The department requests a budget adjustment for the increased costs of the runway rehabilitation project.

**Recommendation 23:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Special Aviation – Chiriaco Summit by \$100,000, as follows:

Increase appropriations:		
22350-1910400000-537180	Interfund expense – salary reimbursement	\$19,309
22350-1910400000-542040	Buildings – capital projects	<u>80,691</u>
	Total	100,000
Increase estimated revenues:		
22350-1910400000-790500	Operating transfer-in	100,000

### **Transportation Land Management Agency (TLMA)**

The Transportation Department is requesting a budget adjustment for a portion of the balance due for the Monterey Avenue and Cook Street Project (A67066). The county entered into a 16-year repayment schedule for \$5 million to be paid to the Coachella Valley Association of Governments (CVAG) for the project (Item 3.30 12/5/95). The an-

nual repayment was \$175,000 for 15 years with a balloon payment of \$2.4 million due at the end of FY15/16. District IV's portion of the balloon payment is \$323,359. The balance of the balloon payment will be paid out of the I-10 Interchange Reimbursement account, which has sufficient budget authority.

**Recommendation 24:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and anticipated use of restricted fund balance for Transportation District IV Projects by \$323,359, as follows:*

Increase appropriations:		
22400-3130400000-527780	Special program expense	\$323,359
Use of restricted fund balance:		
22400-3130400000-321101	Restricted program money	323,359

**HEALTH AND SANITATION**

**Riverside University Health System (RUHS)**

**Department of Public Health**

The Community Translational Research Institute (CTRI) brought on Special Service for Groups (SSG) to help collect qualitative data from key stakeholders in Riverside County that will support CTRI in meeting objectives of the planning grant from the Robert Wood Johnson Foundation (RWJF) awarded last year. Special Service for Groups Research and Evaluation Team (SSG R&E) will facilitate up to eight focus groups and six key informant interviews as part of the data collection process.

Initial steps began in the strategic planning phase for CTRI. This is happening in conjunction with parallel strategic development for 1) Accountable Health Communities (together with RUHS – Public Health and supported by the RWJF Planning Grant) and 2) the RUHS's Population Health Roadmap. The first collaborative steps in the development of a Roadmap for an integrated and innovative Population Health program took place on December 14th. The 4-hour long session began a series of discussions among different county and clinic department heads to delineate possible opportunities and obstacles for further integration of county and clinic services. This meeting and breakout sessions were facilitated by SSG to allow communication led by an impartial party. SSG will report their findings to CTRI, who will then disseminate a summary of the meeting results to all who were involved.

A series of bimonthly continuing education seminars for research and academic development in RUHS – Public Health and partners was developed and planned for 2016. Two seminars have been conducted this year, and the next one is scheduled for May 19. Plans and next steps for CTRI:

- Explore other funding opportunities relevant to work currently being conducted by CTRI, including revising the R18 grant application, the California Accountable

Communities for Health Initiative (CACHI) grant, and Kaiser Community Foundation.

- Conduct a CTRI leadership team retreat in order to identify changes and priorities for the next year.

Prepare a report of CTRI progress and newly developed strategic plan to present to IEHP for further funding support.

During the third quarter, the state approved an RUHS – Public Health request for additional nutrition program funding. The department requests a budget adjustment to use the additional revenue to cover staff and administrative costs for the nutrition program.

**Recommendation 25:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustment increasing appropriations and estimated revenue for Riverside University Health System – Public Health by \$78,245, as follows:

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$52,018
10000-4200100000-518100	Budgeted benefits	25,894
10000-4200100000-524500	Administrative support – direct	333
	Total	<u>78,245</u>

Increase estimated revenue:		
10000-4200100000-754000	CA – tobacco tax prop. 10	74,586
10000-4200100000-781360	Other miscellaneous revenue	<u>3,659</u>
	Total	<u>78,245</u>

**Department of Public Health (continued)**

Higher than anticipated caseloads in the therapy unit of California Children’s Services will result both in higher costs for contracted support services and higher revenue. The budget adjustment recommended below will allow the department to provide services at an accelerated pace and recognize enough new departmental revenue to cover the additional cost.

**Recommendation 26:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Riverside University Health System – Public Health by \$900,000, as follows:

Increase appropriations:		
10000-4200200000-530220	Support and care–persons	\$900,000
Increase estimated revenue:		
10000-4200200000-751500	CA – realignment-health	550,000
10000-4200200000-751680	CA – state grant revenue	<u>350,000</u>
	Total	<u>900,000</u>

**Correctional Health**

Correctional Health launched an initiative last summer to increase the physician and

clinical staffing ratios to inmates with the goal of improving service delivery and wait times and to comply with the anticipated settlement terms of the inmate class action lawsuit. The department has filled positions and made other improvements at a faster rate than expected when the budget was compiled a year ago. The additional costs are partly offset by additional correctional realignment revenue approved after the department budget was adopted. Therefore, the department requests a budget adjustment that includes adding \$4.5 million in ongoing discretionary general fund support in the current year that carries forward into the FY 16/17 budget. RUHS management will present a comprehensive overview of inmate healthcare costs in the FY 16/17 budget

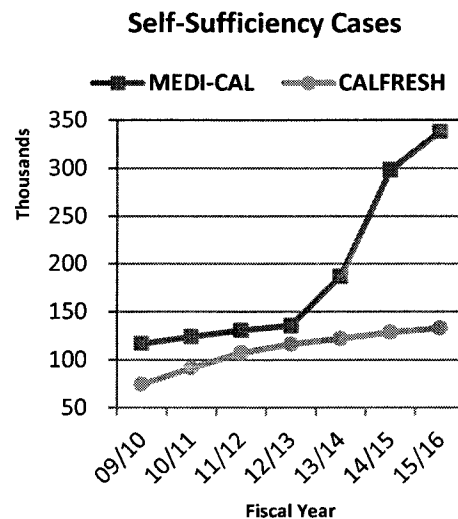
**Recommendation 27:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments 1) decreasing appropriations for Contingency by \$4,500,000; and 2) increasing net appropriations for the Riverside University Health System – Medical Center by \$4,500,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$4,500,000
Increase available fund balance:		
10000-1109000000-370100	Unassigned fund balance	4,500,000
Increase appropriations:		
10000-4300300000-510040	Regular salaries	5,650,000
10000-4300300000-524920	Health/hospital services	700,000
10000-4300300000-523220	Licenses and permits	650,000
10000-4300300000-572300	Intra-health	<u>(2,500,000)</u>
	Total	4,500,000
Decrease available fund balance:		
10000-4300300000-370100	Unassigned fund balance	4,500,000

**PUBLIC ASSISTANCE**

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

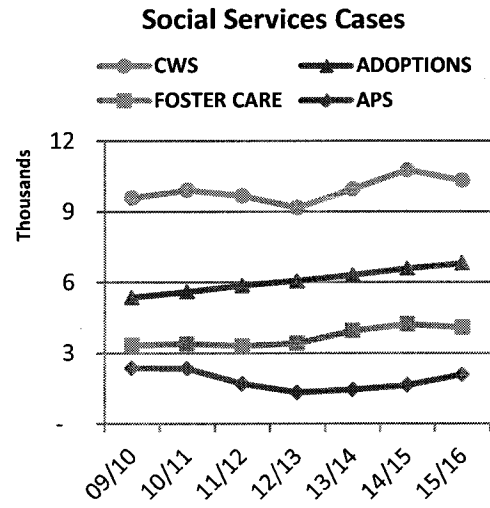
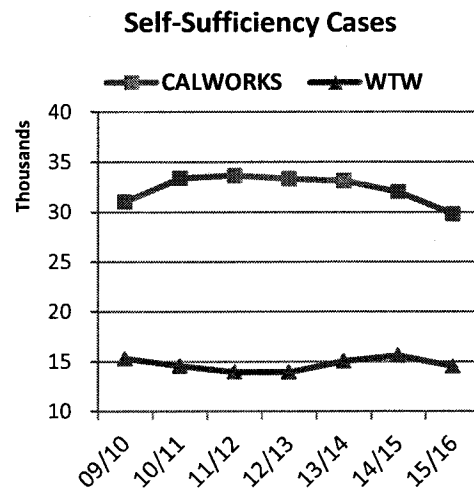
The Department of Public Social Services (DPSS) reports Medi-Cal caseload growth of 28 percent through February 2016. Many of the other self-sufficiency and social services programs also showed increases, but in the following lesser percentages: adult protective services increased 27 percent, in-home supportive services increased 9 percent, adoptions increased 5 percent and CalFresh increased 4 percent. Child welfare services program growth was flat. CalWORKs, welfare to work and foster care experienced negative growth of 8 percent, 6 percent and 2 percent, respectively, as illustrated below.



For the third quarter of FY 15/16, monthly Medi-Cal applications averaged 13,517, while enrollments averaged 14,726 from prior period application processing. The department maximized use of existing staffing levels to manage health coverage for the remaining uninsured. DPSS continues to expand Medi-Cal program access through outreach and enrollment. Partnerships with county health plan providers, community service providers, community health centers, community-based organizations and county departments provide vital access to health benefits, while data sharing and timely case management activities aid in the retention of health benefits. Medi-Cal call volumes were high for the Riverside regional call center in January, at the conclusion of the open enrollment period. Although DPSS has a variety of methods to submit applications, including in-person, by mail, by phone, C4Yourself and through community assisters, a majority of applicants applied in-person.

During the recession, the state suspended matching requirements for counties receiving increased state and federal administrative funding as a result of increased administrative demands associated with CalFresh benefits. Effective in FY 15/16, the state began phasing out this suspension, known as the CalFresh match waiver, and required counties to resume their contributions in ramped increases over four fiscal years beginning in FY 15/16 and extending through 18/19. In FY 15/16, the Board of Supervisors approved a one-time net county cost increase of \$2.1 million to cover the first year 25 percent phase-in. In FY 16/17, the match requirement will increase to 50 percent, or \$4.4 million, which will maintain a similar amount of state and federal CalFresh program funding. The combined state and county funding of \$8.8 million supports the required staffing levels for the existing CalFresh caseload. The department included a request for \$4.4 million in ongoing discretionary general fund support in their FY 16/17 budget submission for the 50 percent match.

The CalWORKS Expanded Subsidized Employment (ESE) program assists participants to secure employment by subsidizing initial wages. The department's goal is to make this opportunity available to 500 individuals annually. As a result of start-up delays with two ESE service providers, however, the department anticipates completing a minimum of 232 placements this fiscal year.



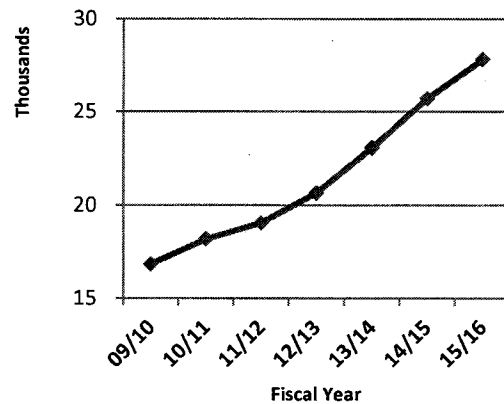
Legislation was recently passed impacting foster care on two fronts. Resource Family Approval, Welfare and Institutions Code section §16519.5, replaces the existing approvals processes of foster parent/home licensing, relative/non-relative/extended family member foster care providers and adoption/guardianship through creation of a new family-friendly, child-centered 'resource family' approval process. Once approved, resource families are eligible to adopt, and are approved to accept placement of any child in the child welfare system. In preparation for this change, Childrens Services Division staff, in conjunction with staff from Probation and Behavioral Health, will participate on various state workgroups to assess impacts to the county and develop implementation processes. This legislation takes effect January 2017.

In addition, AB403, Continuum of Care Reform, was enacted to better meet the needs of vulnerable children in home-based family care. Through the legislation, the state will restructure and limit use of group homes and impose new accreditation requirements on foster family agencies. Foster family agencies will be required to move children out of group homes and into home-based family care. These changes, combined with the resource family approval, are intended to increase the number of families available to support children in foster care and provide greater access to therapeutic and behavioral health services. These services are critical to caring for children in home-based settings. DPSS will present information to the Executive Office and the Board on both changes to the foster care system as soon as information and guidance is received from the state.

In February 2016, the Foster Parent Recruitment, Retention, and Support (FPRS) program received a state allocation of \$820,058. These funds are used to recruit, retain and support parents, resource families and relative caregivers. In addition, the department will use a portion of the funds to create an enhanced recruitment initiative. The objective of the program is to identify, engage and support appropriate relative placements for the hardest to place children within 30 days of being taken into protective custody. No budget adjustment is required at this time.

Since 2011, Adult Protective Services (APS) referrals increased an average of 24 percent per year. Overall, APS referrals increased 61 percent, from 8,212 to 13,189, and substantiated reports increased 123 percent. By the end of FY 15/16, the department projects APS referrals will be 15,700, a 20 percent increase over FY 14/15. The department's ability to add staffing to manage the increased workload is dependent upon availability of Realignment 2011 funding. Currently, this revenue is being maximized; however, revenue trends are being carefully monitored for potential future expansion.

**In-Home Supportive Services Cases**





In the midyear budget report, DPSS described new client-focused requirements and implementation of Fair Labor Standards Act regulations for In-Home Supportive Service providers, ensuring no IHSS provider works in excess of 40 hours per week and compensating IHSS providers for medical appointment wait times. There are currently over 25,000 IHSS clients 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. These additional responsibilities and regular caseload growth are resulting in a projected 24 percent increase in service hours over FY 14/15. Adult Services and the Public Authority added new positions in the current year and included position requests in the FY 16/17 budget.

The IHSS county share of cost continues to be capped at 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 \$24.8 million in general fund support for the current fiscal year.

In the midyear budget report, the department reported 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 department also reported the new rate was previously paid to qualified families; however, 60 potential additional cases had recently been identified and were being reviewed for funds owed. As of the third quarter, appropriations are sufficient to meet expenditures and no budget adjustment is required.

The department requests a budget adjustment shifting resources from Categorical Aid to Other Aid. Other Aid includes county-funded programs such as county-funded foster care, general relief, and domestic violence assistance, as well as some other smaller county-funded programs. These are mandated programs for which the county is responsible to cover required expenditures. County-funded foster care costs have increased as a result of: extended placements for foster youth ineligible for emancipation, foster home rate patches for medical and mental health needs, court-ordered placements with relatives pending background clearance and foster care for undocumented or higher needs children. When compared with prior year expenditure levels, the department is projecting 39 percent growth in the county-funded foster care, which is offset by a decrease of 45 percent in the general relief/homeless program.

**Recommendation 28:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for Categorical Aid and Other Aid, in the amount of \$300,000, as follows:*

Decrease appropriations:		
10000-5100300000-530480	Categorical assistance	\$300,000
Increase appropriations:		
10000-5100400000-530520	County funded assistance	300,000

**Riverside County Children and Families Commission (RCCFC)**

During the third quarter of FY 15/16, the Children and Families Commission (RCCFC) conducted two public hearings to obtain stakeholder feedback on the RCCFC FY 14/15 annual audit and the First 5 California FY 14/15 annual report. The Commission adopted both reports.

The Commission authorized an agreement with First 5 California in the amount of \$2.1 million for base-layer funding of the First 5 Improve and Maximize Programs so All Children Thrive program (IMPACT). In addition, the Commission added two full-time program coordinators and designated matching funds, in the amount of \$6.5 million for FY 16/17 through FY 20/21. IMPACT will support quality improvement efforts in early learning settings in Riverside County through the quality rating and improvement system, which includes coaching, mentoring, program materials, quality incentives and assessments for quality ratings.

In addition, the Commission:

- Adopted a policy on accepting and responding to unsolicited proposals.
- Amended the Commission bylaws.
- Established finance and evaluation committees for the Commission.
- Established a 'Jump Start to Quality' initiative and designated \$1 million in Proposition 10 funds to support newly-licensed early learning facilities in improving their quality in tiers 1 through 3.
- Approved a \$25,000 contract amendment with Family Service Association for a total commitment of \$200,000 for the child care facility expansion and enhancement project for school readiness. Support of this project increases availability of child care spaces in the City of Riverside.
- Amended a contract with Early Quality Assessment for FY 16/17 to provide class assessments aimed at improving teaching strategies.
- Extended two additional contracts from July 1, 2016, to June 30, 2017, totaling \$1 million.

In accordance with Government Code §53891, Riverside County Human Resources submitted a compensation survey to the state Controller's office, on March 31, 2016, which included First 5 Riverside's compensation information.

The capital acquisition reserve, in the amount of \$420,000, will not be fully expended in FY 15/16 for site improvement in unoccupied space. Instead, the reserve will be carried into FY 16/17 to enable a competitive procurement process.

**Veterans' Services**

Veterans' Services is on target to finish FY 15/16 within its allocated net county cost. Veterans' Services received additional funding in the amount of \$81,211 from the California Department of Veterans Affairs, which will be used to build a security wall in the lobby area of the Riverside main office and for remodeling of the Indio office for security purposes, as recommended by Facilities Management.

**Recommendation 29:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Veterans' Services by \$81,211, as follows:*

Increase appropriations:		
10000-5400100000-522310	Maintenance – Building & improvement	\$81,211
Increase estimated revenue:		
10000-5400100000-755100	CA – Veteran services officer reimbursement	81,211

While Veterans' Services will finish the current within its FY 15/16 net county cost allocation, the department requested additional funds in FY 16/17 to hire and train additional employees to meet increased demand for services at its Indio, Hemet and Riverside Offices. A recommendation is being held in abeyance pending financial data from the department.

**EDUCATION, RECREATION, AND CULTURE**

**Edward Dean Museum**

The Edward Dean Museum requests a budget adjustment for increased costs for grounds maintenance and emergency building repairs. An increase in revenue from other county funds expected in the fourth quarter will cover these expenses.

**Recommendation 30:** *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 \$20,176, as follows:*

Increase appropriations:		
10000-1930100000-522310	Maintenance - building and improvement	\$ 8,714
10000-1930100000-522320	Maintenance - grounds	<u>11,462</u>
	Total	20,176
Increase estimated revenue:		
10000-1930100000-790600	Contributions from other county funds	20,176

**ENTERPRISE FUNDS**

**Riverside University Health System – Medical Center**

As of January 1, RCRMC's name was officially changed to Riverside University Health System – Medical Center on its license. Operational initiatives created in concert with Huron continue to pay dividends. In addition, new executive management added to this

their own ideas to improve revenue collection, and at the same time steadily improve service. At each quarter this year, the hospital has shown an improved fiscal outlook. As of this writing, the medical center projects a surplus for FY 15/16.

A number of dramatic investments in improvements to patient care are underway or planned for the near future. These include:

- An expanded and improved emergency room will start construction this fall;
- A new, state of the art, electronic medical records and scheduling system is nearing completion under budget, and scheduled to become operational this summer in the clinics and this fall in the medical center;
- A new Da Vinci surgical robot operating process will be rolled out this summer;
- The new MRI is operational and new CT imaging equipment is in the process of being installed;
- Remodeled clinics are in the planning stage; and,
- The future buildout of hospital property to include several medical office buildings, outpatient treatment facilities, and more.

### **Waste Management**

On July 30, 2013 (Item 12-1C), the Board of Supervisors approved a \$20 million bridge loan from the Waste Resources enterprise fund toward construction of the East County Detention Center and an additional \$4 million cash advance to the general fund for relocation costs associated with the project. Per the FY 15/16 first quarter budget report, the Board of Supervisors approved deferring the general fund's repayment of the department's \$4 million loan to the general fund. Because it was originally anticipated that an amount equal to the cost share due the general fund for import tonnage per the Waste Delivery Agreement between the Department of Waste Resources and Burrtec Inc. (\$4 million), would be retained by the department, and that the general fund's repayment of the bridge loan-cash advance for construction/relocation costs associated with the East Valley Detention Center would be adjusted to \$20 million plus interest, the Department did not budget for this distribution expense. FY 12/13 (\$180,862), 13/14 (\$2,172,085) and 15/16 (\$2.3 million estimated) import revenue distribution due the general fund will be paid in FY 15/16. FY 14/15 import revenue distribution was paid in with FY 14/15 budget.

The department is responsible to pay Waste Management, Inc., for in-county tonnage received at the El Sobrante landfill. FY 15/16 in-county tonnage estimates for the El Sobrante landfill were based on a five-year average. Recent tonnage data reflects that CRR waste deliveries are being diverted from department owned/operated landfills to El Sobrante Landfill. As a result, in-county tonnage payments to Waste Management, Inc.,

are projected to increase approximately \$3.6 million for the CRR tonnage being delivered to the EI Sobrante landfill.

**Recommendation 31:** *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of unrestricted net assets for the Department of Waste Resources by \$8,300,000, as follows:*

Increase appropriations:		
40200-4500100000-523380	Revenue distribution expense	\$4,700,000
40200-4500100000-527780	Special program expense	<u>3,600,000</u>
	Total	8,300,000
Use of fund balance:		
40200-4500100000-380100	Unrestricted net assets	8,300,000

**INTERNAL SERVICE FUNDS**

**Facilities Management**

**Custodial Services**

The Custodial Services Division (CSD) estimates a net loss of \$270,515 at year-end, and will exceed appropriations for salaries and benefits and operating costs. The CSD services approximately 5.5 million square feet of county buildings with 170 full-time equivalents (FTE). Potential employees for the division must pass a Level I background check, which results in a limited fill rate for approved budgeted positions. An increase in FTE will result in increased revenues. The CSD has sufficient cash to fund the deficit; however, the working capital requirements per Board policy B-28 have not been met.

The CSD requests a budget adjustment of \$250,000 to align appropriations to meet operational needs for custodial services. Supply usage has increased, primarily at the Southwest Justice Center, Wildomar Library, Riverside County Innovation Center, Rustin Warehouse, Downtown Law Building and the CAC Annex. The CSD will operate conservatively and closely monitor the estimated deficit.

**Recommendation 32:** *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues and appropriations of for the Custodial Services Division, by \$250,000 as follows:*

Increase estimated revenues:		
47200-7200200000-777480	Reimbursement of cost - admin overhead	\$250,000
Increase appropriations:		
47200-7200200000-520815	Cleaning and custodial supplies	250,000

**Maintenance**

Facility maintenance and operations is the continuous process of service provision required to maintain a facility and its grounds over the course of its useful life. Services

provided include routine maintenance; preventive and emergent maintenance of major building systems (heating, ventilation, and air conditioning (HVAC), electrical, plumbing, etc.); and, parking lot and grounds upkeep. The division maintains 328 buildings with 7.5 million square feet.

The maintenance division estimates net income of approximately \$1 million at year-end. The division will initiate repayment of the general fund loan, augment working capital in accordance with Board policy B-28, and set aside funds for facility renewal projects. The MSD requests a budget adjustment for increased repairs for facilities.

**Recommendation 33:** *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues and appropriations in the amount of \$750,000 for the Maintenance Services Division, as follows:*

Increase estimated revenues:		
47210-7200300000-777520	Reimbursement for services	\$750,000
Increase appropriations:		
47210-7200300000-522310	Maintenance - building and improvement	750,000

**Real Estate**

The Real Estate division estimates a net loss of \$2.3 million at year-end. The division conducts all acquisition and disposition functions for the county, as well as leasing activity. Through consolidation efforts, the division has assisted customer departments in reducing lease costs, which has resulted in less revenue. The department is evaluating options and working with the Executive Office to identify solutions.

**Purchasing & Fleet Services**

**Purchasing** is on track to remain within FY 15/16 budget targets.

**Printing Services**

Printing Services may not meet budget targets for FY 15/16. Printing Services expects to experience a net loss by the end of the year which will be funded through the reduction of net assets. As previously reported to the Board, 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. In addition, Printing Services will contract with KPMG to review its rate model prior to the FY 17/18 rate development process.

**Supply Services**

Supply Services is on track to meet budget targets for FY 15/16.

**Central Mail**

Central Mail Services is 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 is continuing to monitor the situation and will provide updates in future quarterly reports.

### **Fleet Services**

Fleet Services is on track to meet budget targets for FY 15/16 and will contract with KPMG to review its rate model prior to the FY 17/18 rate development process. Fleet Services gradually continues to liquidate aged county vehicles. Between January 1, 2016, and March 31, 2016, the department has retired 26 patrol and 60 general use vehicles, a total of 86 vehicles, which are now pending sale. During the same period, 89 previously retired vehicles were sold, 29 patrol and 69 general use, recovering \$266,770 from the sales.

### **Human Resources – Internal Service Funds**

#### **General Liability Insurance**

General Liability has increasing revenue related to reimbursements from departments for attorney fees and other miscellaneous items. General Liability also has increasing claims costs that will not be covered by current appropriations. Unrestricted net assets must be used to ensure claims can be paid through the end of the fiscal year.

**Recommendation 34:** 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 \$5,841,500, as follows:

Increase estimated revenues:		
45960-1131000000-740020	Interest – invested funds	\$ 7,000
45960-1131000000-741320	Miscellaneous event charges	1,500
45960-1131000000-781180	Judgments	225,000
45960-1131000000-781360	Other miscellaneous revenue	<u>8,000</u>
	Total	241,500
Increase appropriations:		
45960-1131000000-525480	Arbitration services	241,500
45960-1131000000-534280	Liability adjustment expense	<u>5,600,000</u>
	Total	5,841,500
Anticipated use of unrestricted net assets:		
45960-1131000000-380100	Unrestricted net assets	5,600,000

### **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.

**Recommendation 35:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Workers' Compensation Fund by \$183,000, as follows:

Increase estimated revenues:		
46100-1130800000-777010	Stop loss reimbursement	\$120,000
46100-1130800000-781120	Rebates and refunds	50,000
46100-1130800000-781360	Other miscellaneous revenue	<u>13,000</u>
	Total	183,000
Increase appropriations:		
46100-1130800000-534220	Compensation claims	183,000

**Disability Insurance**

Disability revenues are trending higher than projected, and will be used to offset any unforeseen increases in claims costs through the end of the fiscal year.

**Recommendation 36:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Disability Insurance Fund by \$480,000, as follows:

Increase estimated revenues:		
46060-1131200000-781220	Contributions and donations	\$480,000
Increase appropriations:		
46060-1131200000-534260	Disability claims	480,000

**Exclusive Care EPO**

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 37:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Exclusive Care EPO Fund by \$4,360,000, as follows:

Increase estimated revenues:		
45800-1132000000-740020	Interest – invested funds	\$ 60,000
45800-1132000000-774990	EPO pharmacy	750,000
45800-1132000000-781220	Contributions & donations	2,800,000
45800-1132000000-781560	Contributions from non-county agencies	<u>750,000</u>
	Total	4,360,000
Increase appropriations:		
45800-1132000000-534460	Medical services claims	1,000,000
45800-1132000000-534500	Hospital care services claims	<u>3,360,000</u>
	Total	4,360,000

**Air Quality Division**

Air quality and interfund revenues are trending higher than projected. These additional resources will be used to offset increasing charges related to fleet vehicles.

**Recommendation 38:** That the Board of Supervisors approve and direct the Auditor-



Controller to make budget adjustments to appropriations and estimated revenues for the Air Quality Fund by \$6,000, as follows:

Increase estimated revenues:		
22000-1130300000-726350	Air quality element	\$6,000
Increase appropriations:		
22000-1130300000-528920	Car pool expense	6,000

### **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 member population. A budget adjustment is necessary to ensure appropriations are sufficient to pay claims through year-end. Unrestricted net assets will be used to make up the difference.

**Recommendation 39:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Delta Dental PPO Fund by \$580,000, as follows:

Increase estimated revenues:		
45860-1130600000-781220	Contributions and donations	\$95,000
45860-1130600000-781320	Insurance proceeds	<u>390,000</u>
	Total	485,000
Increase appropriations:		
45860-1130600000-534240	Dental claims	580,000
Use unrestricted net assets:		
45860-1130600000-380100	Unrestricted net assets	95,000

### **Local Advantage Blythe Dental**

Local Advantage Blythe Dental has seen an increase in proceeds from members. These proceeds will not be enough to offset the projected increase in claims costs. Unrestricted net assets will be used to make up the difference.

**Recommendation 40:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Local Advantage Blythe Dental Fund by \$10,000, as follows:

Increase estimated revenues:		
45920-1132500000-781320	Insurance proceeds	\$ 1,000
Increase appropriations:		
45920-1132500000-534240	Dental claims	10,000
Use of unrestricted net assets:		
45920-1132500000-380100	Unrestricted net assets	9,000

**Local Advantage Plus Dental**

Local Advantage Plus Dental has seen an increase in claims costs without a matching increase in revenues. Unrestricted net assets will be used to ensure claims can be paid through year-end.

**Recommendation 41:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues and use of unrestricted net assets for the Local Advantage Plus Dental Fund by \$50,000, as follows:

Increase appropriations:		
45900-1132600000-534240	Dental claims	\$50,000
Use unrestricted net assets:		
45900-1132600000-380100	Unrestricted net assets	50,000

**SPECIAL DISTRICTS AND OTHER AGENCIES**

**Flood Control and Water Conservation District**

**Encroachment Permits Division**

The Flood Control and Water Conservation District’s Encroachment Permits division issues encroachment permits to agencies, developers and individuals allowing temporary access or use of District property to complete construction projects. Administrative costs have increased as the number of permits issued has increased, and monitoring and inspection services have increased. This budget adjustment supports the District’s project cost accounting structure to reflect administrative fees applied to customer accounts for the remainder of the fiscal year.

**Recommendation 42:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Flood Control and Water Conservation District Encroachment Permit fund by \$25,000, as follows:

Increase appropriations:		
40670-947160-524500	Administrative support – direct	\$25,000
40670-947160-572800	Intra-fund – miscellaneous	<u>(25,000)</u>
	Total	0

**Subdivision Operations Division**

The Flood Control and Water Conservation District’s Subdivision Operations reviews plan check cases. Administrative costs have increased as the number of plan check cases to review has increased. This budget adjustment supports the District’s project cost accounting structure to reflect administrative fees applied to customer accounts for the remainder of the fiscal year.

**Recommendation 43:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Flood Control and Water Conservation District Subdivision Operations fund by \$200,000, as follows:

Increase appropriations:		
40660-947140-524820	Engineering services	\$ 200,000
40660-947140-572800	Intra-fund – miscellaneous	<u>(200,000)</u>
	Total	0

### **Regional Parks and Open Space District**

Increased rains during the winter months resulted in a greater need for vector control services in areas where the district's natural resources crew maintain the flora and fauna in open space lands. In addition, Hidden Valley Nature Center is in need of several repairs to maintain safety and functionality for public use. Repairs must be made to irrigation systems, front entry doors, fences, and the building's roof. Unexpected repairs for an underground natural gas leak are already complete.

**Recommendation 44:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for the Regional Park and Open Space District by \$19,500, as follows:

Increase appropriations:		
25520-931107-520020	Pest and insect control	\$ 6,000
25520-931107-537080	Interfund expense - miscellaneous	1,500
25520-931107-522310	Maintenance - building and improvement	<u>12,000</u>
	Total	19,500
Increase use of fund balance:		
25520-931107-330100	Committed fund balance	19,500

The Park District employs caretakers at several remote locations and provides them residences there, several of which need minor repairs to remain safe and operational for the caretakers.

**Recommendation 45:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for the Regional Park and Open Space District by \$9,150, as follows:

Increase appropriations:		
25510-931108-522310	Maintenance - building and improvement	\$9,150
Increase use of fund balance:		
25510-931108-330100	Committed fund balance	9,150

Costs to maintain active recreation programming and services continue to exceed available revenues. The district's recreation fund is projected to end the year with negative cash, and will need additional contributions from the district's operating fund to continue operations. Costs to maintain operations at Jurupa Sports Park, Jurupa Aquatic Center,

and Perris-Menifee Valley Aquatic Center for this fiscal year are more than originally anticipated. At Jurupa Sports Park, additional expenses for the year include \$12,000 to repair a hole in one of the synthetic fields, and \$20,000 in for installation of speed bumps in the parking lot and sharply increasing costs for utilities. At both aquatic centers, many operating costs are currently projected higher than originally anticipated. Increases are needed for staffing costs, service contracts, security, point-of-sale system technology, grounds maintenance, utilities, and miscellaneous operating costs.

**Recommendation 46:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and use of fund balance for the Regional Park and Open Space District by \$400,000, as follows:

Increase appropriations:		
25400-931104-551000	Operating transfers – out	\$400,000
Increase use of fund balance:		
25400-931104-370100	Unassigned fund balance	400,000
Increase appropriations:		
25420-931180-510040	Regular salaries	77,000
25420-931180-522320	Maintenance – grounds	32,000
25420-931180-527780	Special program expense	277,000
25420-931180-537080	Interfund expense – miscellaneous	<u>14,000</u>
	Total	400,000
Increase estimated revenue:		
25420-931180-790500	Operating transfer-in	400,000

Due to delays in the opening of Mead Valley Community Center, the district was able to provide the agreed-upon services at the community centers in FY14/15 with just \$500,000 of discretionary general fund support. In FY15/16, however, the Mead Valley Community Center became fully operational while community development block grant allocations were reduced by 32 percent, leaving a funding shortfall. To continue operating the community centers at their current levels of service to the public, \$500,000 in additional ongoing discretionary general fund support will be required above the \$500,000 allocated in the FY 15/16 original budget.

**Recommendation 47:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments 1) decreasing appropriations for Contingency by \$500,000; and 2) increasing appropriations for Contributions to Other Funds by \$500,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$500,000
Decrease use of available fund balance:		
10000-1109000000-370100	Unassigned fund balance	500,000

Increase appropriations:		
10000-1101000000-551100	Contribution to other funds	500,000
Increase use of available fund balance:		
10000-1101000000-370100	Unassigned fund balance	500,000
Increase appropriations:		
25600-931156-551000	Operating transfer – out	67,760
Increase estimated revenue:		
25600-931156-776740	Recreation fees	12,535
25600-931156-778010	Interfund – CDBG	246,274
25600-931156-790600	Contributions from other county funds	500,000
	Total	<u>758,809</u>
Decrease use of fund balance:		
25600-931156-330100	Committed fund balance	691,049

**County Service Areas**

The department requests a budget adjustment for CSA 149 for landscaping expenses.

**Recommendation 48:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustment increasing appropriations and use of restricted program money fund balance for CSA 149 by \$63,068, as follows:*

Increase appropriations:		
24825-914901-522320	Maintenance - grounds	\$63,068
Use restricted fund balance:		
24825-914901-321101	Restricted program money	63,068

**WR-MSCHP Habitat Fund**

Programming of the FY 15/16 budget did not adequately project the expenditure obligations of this fund. Consequently, appropriations need to be adjusted accordingly to ensure these obligations can be met by year-end.

**Recommendation 49:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and decreasing restricted fund balance for the Multi-Species Habitat Conservation fund by \$450,000, as follows:*

Increase appropriations:		
22450-1103600000-525440	Professional services	\$450,000
Use of restricted fund balance:		
22450-1103600000-321101	Restricted program money	450,000

## Attachment A Summary of Recommendations

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

**Recommendation 1:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and estimated revenue by \$1,669,063, as follows:*

Decrease estimated revenue:		
10000-1100900000-730040	Fine - traffic motor vehicle mc	\$ 151,958
10000-1100900000-731180	Fine - traffic school	230,640
10000-1100900000-731200	AB233 realignment	<u>1,286,465</u>
	Total	1,669,063

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	1,669,063

**Recommendation 2:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Executive Office and decreasing Contingency by \$476,919 as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$306,519

Increase available fund balance:		
10000-1109000000-370100	Unassigned fund balance	306,519

Increase estimated revenue:		
10000-1100100000-777520	Reimbursement for services	170,400

Increase appropriations:		
10000-1100100000-510200	Payoff permanent-seasonal	257,019
10000-1100100000-522310	Maintenance – building & improvements	60,000
10000-1100100000-524660	Consultants	49,500
10000-1100100000-524680	Consultants – computer program	<u>110,400</u>
	Total	476,919

Decrease available fund balance:		
10000-1100100000-370100	Unassigned fund balance	306,519

**Recommendation 3:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments between appropriations for Contingency and Contributions to Other Funds and increasing estimated revenue for the Capital Improvement Fund by \$2,011,006, as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$2,011,006

Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,011,006
Increase appropriations:		
10000-1101000000-551100	Contribution to other funds	2,011,006
Use of unassigned fund balance:		
10000-1101000000-370100	Unassigned fund balance	2,011,006
Increase estimated revenues:		
30700-1104200000-790600	Contribution from other county funds	2,011,006
Increase committed fund balance:		
30700-1104200000-322100	Restricted for construction/capital projects	2,011,006

**Recommendation 4:** That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of available fund balance for the Community Facilities District fund by \$175,000, as follows:

Increase appropriations:		
22050-1150100000-510040	Regular salaries	\$175,000
Use of available fund balance:		
22050-1150100000-350100	AFB for program money	175,000

**Recommendation 5:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and increasing committed fund balance by \$63,713 as follows:

Decrease appropriations:		
10000-1000100000-510040	Regular salaries	\$63,713
Increase committed fund balance:		
10000-1000100000-330135	CFB - community improvement	63,713

**Recommendation 6:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Auditor-Controller by \$109,736, as follows:

Increase appropriations:		
10000-1300100000-525440	Professional services	\$ 65,236
10000-1300100000-524560	Auditing and accounting	44,500
10000-1300100000-572800	Intra-fund – miscellaneous	<u>(109,736)</u>
	Total	0

**Recommendation 7:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated non-departmental revenue for the Treasurer-Tax Collector and Contingency by \$2,400,000, as follows:

Increase estimated revenue:		
10000-1400100000-781410	Unclaimed EP from tax sales	\$2,400,000
Increase available fund balance:		
10000-1400100000-370100	Unassigned fund balance	2,400,000
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingencies	2,400,000
Increase use of available fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,400,000

**Recommendation 8:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for Human Resources by \$111,004, as follows:

Increase estimated revenues:		
10000-1130100000-774580	Fees - other health	\$ 8,500
10000-1130100000-777040	Training	26,574
10000-1130100000-777520	Reimbursement for services	63,930
10000-1130100000-781360	Other miscellaneous revenue	<u>12,000</u>
	Total	111,004

Increase appropriations:		
10000-1130100000-510040	Regular salaries	38,752
10000-1130100000-518100	Budgeted benefits	25,835
10000-1130100000-525440	Professional services	234,584
10000-1130100000-537080	Interfund expense - miscellaneous	82,000
10000-1130100000-551100	Contributions to other funds	314,286
10000-1130100000-572800	Intra-miscellaneous	(324,453)
10000-1130100000-572900	Intra-personnel	<u>(260,000)</u>
	Total	111,004

**Recommendation 9:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments 1) decreasing appropriations for Contributions to Other Funds and 2) decreasing estimated revenues for Human Resources by \$463,500, as follows:

Decrease appropriations:		
10000-1101000000-551100	Contributions to other funds	\$463,500
Decrease use of unassigned fund balance:		
10000-1101000000-370100	Unassigned fund balance	463,500
Decrease estimated revenues:		
10000-1130100000-790600	Contributions from other county funds	136,3100
Increase use of unassigned fund balance:		
10000-1130100000-370100	Unassigned fund balance	1363100



**Recommendation 10:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Registrar of Voters by \$100,000, as follows:

Increase estimated revenues:		
10000-1700100000-771230	City election services	\$100,000
Increase appropriations:		
10000-1700100000-527380	Elections	100,000

**Recommendation 11:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$80,587, as follows:

Increase appropriations:		
21100-1900100000-521360	Maintenance - computer equipment	\$197,648
21100-1900100000-572800	Intra-fund - miscellaneous	<u>(117,061)</u>
	Total	80,587
Increase estimated revenue:		
21100-1900100000-778220	Interfund - office expense	80,587

**Recommendation 12:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$423,080, as follows:

Increase appropriations:		
21100-1900500000-522310	Maintenance – building and improvement	\$230,000
21100-1900500000-523350	Administrative expense	<u>193,080</u>
	Total	423,080
Increase estimated revenue:		
21100-1900500000-781360	Other miscellaneous revenue	423,080

**Recommendation 13:** 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 \$1,147,265, as follows:

Increase appropriations:		
21350-1900200000-536200	Contributions to other non-county agency	\$1,147,265
Increase estimated revenue:		
21350-1900200000-766000	Federal - community redevelopment hm	1,147,265

**Recommendation 14:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing estimated revenues for the EDA Neighborhood Stabilization program by \$808,126, as follows:

Decrease estimated revenue:		
21370-1900200000-766000	Federal - community redevelopment hm	808,126

## Use of restricted fund balance:

21370-1900200000-321101	Restricted program money	2,350
21371-1900200000-321101	Restricted program money	458,000
21373-1900200000-321101	Restricted program money	1,650
21374-1900200000-321101	Restricted program money	<u>346,126</u>
	Total	808,126

**Recommendation 15:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Fire by \$626,000, as follows:

## Increase appropriations:

10000-2700200000-522310	Maintenance building and improvement	\$499,000
10000-2700200000-525200	Physicians/dentists	<u>127,000</u>
	Total	626,000

## Increase estimated revenues:

10000-2700200000-781360	Other miscellaneous revenue	626,000
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**Recommendation 16:** That the Board of Supervisors approve and direct the Auditor-Controller to make a budget adjustment to appropriations and estimated revenue by a total of \$23,660,289, as follows:

## Decrease appropriations:

10000-2700200000-525440	Professional services	\$23,660,289
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## Increase available fund balance:

10000-2700200000-370100	Unassigned fund balance	23,660,289
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## Increase appropriations:

10000-1101000000-551100	Contribution to other county funds	3,336,265
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## Decrease available fund balance:

10000-1101000000-370100	Unassigned fund balance	3,336,265
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## Increase appropriations:

10000-1109000000-581000	Appropriation for contingencies	20,324,024
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## Decrease available fund balance:

10000-1109000000-370100	Unassigned fund balance	20,324,024
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## Increase estimated revenue:

20000-3130100000-790600	Contribution from other county funds	3,242,076
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## Increase available fund balance:

20000-3130100000-370100	Unassigned fund balance	3,242,076
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## Increase estimated revenue:

20200-3100500000-790600	Contribution from other county funds	31,846
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Increase available fund balance:  
 20200-3100500000-370100 Unassigned fund balance 31,846

Increase estimated revenue:  
 20250-3110100000-790600 Contribution from other county funds 14,390

Increase available fund balance:  
 20250-3110100000-370100 Unassigned fund balance 14,390

Increase estimated revenue:  
 47210-7200300000-790600 Contribution from other county funds 47,953

Increase available fund balance:  
 47210-7200300000-370100 Unassigned fund balance 47,953

**Recommendation 17:** That the Board of Supervisors approve and direct the Auditor Controller to make adjustments decreasing appropriations and estimated revenue for the Emergency Management Department by \$6,000,000, as follows:

Decrease estimated revenue:  
 10000-2000100000-774790 Uncompensated emergency medical services \$6,000,000

Decrease appropriations:  
 10000-2000100000-525440 Professional services 6,000,000

**Recommendation 18:** That the Board approved and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and increasing appropriations for the Sheriff by \$25 million, as follows:

Decrease appropriations:  
 10000-1109000000-581000 Appropriation for contingencies \$25,000,000

Increase available fund balance:  
 10000-1109000000-370100 Unassigned fund balance 25,000,000

Increase appropriations:  
 10000-2500100000-510040 Regular salaries 1,172,995

Decrease available fund balance:  
 10000-2500100000-370100 Unassigned fund balance 1,172,995

Increase appropriations:  
 10000-2500200000-510040 Regular salaries 1,060,405

Decrease available fund balance:  
 10000-2500200000-370100 Unassigned fund balance 1,060,405

Increase appropriations:  
 10000-2500300000-510040 Regular salaries 12,824,041

Decrease available fund balance:		
10000-2500300000-370100	Unassigned fund balance	12,824,041
Increase appropriations:		
10000-2500400000-510040	Regular salaries	3,601,561
Decrease available fund balance:		
10000-2500400000-370100	Unassigned fund balance	3,601,561
Increase appropriations:		
10000-2500500000-510040	Regular salaries	2,910,418
Decrease available fund balance:		
10000-2500500000-370100	Unassigned fund balance	2,910,418
Increase appropriations:		
10000-2500600000-510040	Regular salaries	30,953
10000-2500600000-510420	Overtime	11,438
10000-2500600000-518100	Budgeted benefits	11,186
	Total	53,577
Decrease available fund balance:		
10000-2500600000-370100	Unassigned fund balance	53,577
Increase appropriations:		
10000-2500700000-510040	Regular salaries	1,934,911
Decrease available fund balance:		
10000-2500700000-370100	Unassigned fund balance	1,934,911
Increase appropriations:		
10000-2501000000-510040	Regular salaries	1,247,352
Decrease available fund balance:		
10000-2501000000-370100	Unassigned fund balance	1,247,352
Increase appropriations:		
10000-2501100000-510040	Regular salaries	194,740
Decrease available fund balance:		
10000-2501100000-370100	Unassigned fund balance	194,740
<b>Recommendation 19:</b> That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for contingency and increasing appropriations for Court Facilities by \$1,000,000, as follows:		
Decrease appropriations		
10000-1109000000-581000	Appropriations for contingencies	\$1,000,000
Increase appropriations		
10000-1103900000-528500	Project cost expense	750,000

10000-1103900000-536200	Contribution to other non-county agency	150,000
10000-1103900000-537320	Interfund expense - building improvements	<u>100,000</u>
	Total	1,000,000

**Recommendation 20:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Law Offices of the Public Defender and decreasing appropriations for general fund contingency by \$1,500,000, as follows:

Increase appropriations:		
10000-2400100000-510040	Regular salaries	\$1,500,000
Increase use of available fund balance:		
10000-2400100000-370100	Unassigned fund balance	1,500,000
Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingency	1,500,000
Decrease use of available fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,500,000

**Recommendation 21:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Animal Services by \$722,000, as follows:

Increase estimated revenue:		
10000-4200600000-720000	County animal licenses	\$60,000
10000-4200600000-773200	Adoption-auction fees	112,000
10000-4200600000-773230	City licenses - service charge	130,000
10000-4200600000-773240	Impounds boards disposal	90,000
10000-4200600000-773250	Spay and neuter clinic fees	85,000
10000-4200600000-777520	Reimbursement for services	200,000
10000-4200600000-776445	Rebates and refunds	15,000
10000-4200600000-777880	Credit card fees	<u>30,000</u>
	Total	722,000
Increase appropriations:		
10000-4200600000-510320	Temporary salaries	376,000
10000-4200600000-510420	Overtime	<u>346,000</u>
	Total	722,000

**Recommendation 22:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for the County Airports by \$59,000, as follows:

Increase appropriations:		
22100-1910700000-520350	IT core services	\$10,000
22100-1910700000-522320	Maintenance - grounds	19,000
22100-1910700000-523270	Special events	<u>30,000</u>
	Total	59,000

Use of assigned fund balance:

22100-1910700000-350100	AFB for program money	59,000
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**Recommendation 23:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Special Aviation – Chiriaco Summit by \$100,000, as follows:*

Increase appropriations:

22350-1910400000-537180	Interfund expense – salary reimbursement	\$19,309
22350-1910400000-542040	Buildings – capital projects	<u>80,691</u>
	Total	100,000

Increase estimated revenues:

22350-1910400000-790500	Operating transfer-in	100,000
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**Recommendation 24:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and anticipated use of restricted fund balance for Transportation District IV Projects by \$323,359, as follows:*

Increase appropriations:

22400-3130400000-527780	Special program expense	\$323,359
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Use of restricted fund balance:

22400-3130400000-321101	Restricted program money	323,359
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**Recommendation 25:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustment increasing appropriations and estimated revenue for Riverside University Health System – Public Health by \$78,245, as follows:*

Increase appropriations:

10000-4200100000-510040	Regular salaries	\$52,018
10000-4200100000-518100	Budgeted benefits	25,894
10000-4200100000-524500	Administrative support – direct	<u>333</u>
	Total	78,245

Increase estimated revenue:

10000-4200100000-754000	CA – tobacco tax prop. 10	74,586
10000-4200100000-781360	Other miscellaneous revenue	<u>3,659</u>
	Total	78,245

**Recommendation 26:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Riverside University Health System – Public Health by \$900,000, as follows:*

Increase appropriations:

10000-4200200000-530220	Support and care–persons	\$900,000
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Increase estimated revenue:

10000-4200200000-751500	CA – realignment-health	550,000
10000-4200200000-751680	CA – state grant revenue	<u>350,000</u>
	Total	900,000

**Recommendation 27:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments 1) decreasing appropriations for Contingency by \$4,500,000; and 2) increasing net appropriations for the Riverside University Health System – Medical Center by \$4,500,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$4,500,000
Increase available fund balance:		
10000-1109000000-370100	Unassigned fund balance	4,500,000
Increase appropriations:		
10000-4300300000-510040	Regular salaries	5,650,000
10000-4300300000-524920	Health/hospital services	700,000
10000-4300300000-523220	Licenses and permits	650,000
10000-4300300000-572300	Intra-health	<u>(2,500,000)</u>
	Total	4,500,000
Decrease available fund balance:		
10000-4300300000-370100	Unassigned fund balance	4,500,000

**Recommendation 28:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for Categorical Aid and Other Aid, in the amount of \$300,000, as follows:

Decrease appropriations:		
10000-5100300000-530480	Categorical assistance	\$300,000
Increase appropriations:		
10000-5100400000-530520	County funded assistance	300,000

**Recommendation 29:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Veterans' Services by \$81,211, as follows:

Increase appropriations:		
10000-5400100000-522310	Maintenance – Building & improvement	\$81,211
Increase estimated revenue:		
10000-5400100000-755100	CA – Veteran services officer reimbursement	81,211

**Recommendation 30:** 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 \$20,176, as follows:

Increase appropriations:		
10000-1930100000-522310	Maintenance - building and improvement	\$ 8,714
10000-1930100000-522320	Maintenance - grounds	<u>11,462</u>
	Total	20,176

Increase estimated revenue:		
10000-1930100000-790600	Contributions from other county funds	20,176

**Recommendation 31:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of unrestricted net assets for the Department of Waste Resources by \$8,300,000, as follows:

Increase appropriations:		
40200-4500100000-523380	Revenue distribution expense	\$4,700,000
40200-4500100000-527780	Special program expense	<u>3,600,000</u>
	Total	8,300,000

Use of fund balance:		
40200-4500100000-380100	Unrestricted net assets	8,300,000

**Recommendation 32:** That the Board approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues and appropriations of for the Custodial Services Division, by \$250,000 as follows:

Increase estimated revenues:		
47200-7200200000-777480	Reimbursement of cost - admin overhead	\$250,000

Increase appropriations:		
47200-7200200000-520815	Cleaning and custodial supplies	250,000

**Recommendation 33:** That the Board approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues and appropriations in the amount of \$750,000 for the Maintenance Services Division, as follows:

Increase estimated revenues:		
47210-7200300000-777520	Reimbursement for services	\$750,000

Increase appropriations:		
47210-7200300000-522310	Maintenance - building and improvement	750,000

**Recommendation 34:** 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 \$5,841,500, as follows:

Increase estimated revenues:		
45960-1131000000-740020	Interest – invested funds	\$ 7,000
45960-1131000000-741320	Miscellaneous event charges	1,500
45960-1131000000-781180	Judgments	225,000
45960-1131000000-781360	Other miscellaneous revenue	<u>8,000</u>
	Total	241,500

Increase appropriations:		
45960-1131000000-525480	Arbitration services	241,500
45960-1131000000-534280	Liability adjustment expense	<u>5,600,000</u>
	Total	5,841,500



Anticipated use of unrestricted net assets:  
 45960-1131000000-380100 Unrestricted net assets 5,600,000

**Recommendation 35:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Workers' Compensation Fund by \$183,000, as follows:

Increase estimated revenues:  
 46100-1130800000-777010 Stop loss reimbursement \$120,000  
 46100-1130800000-781120 Rebates and refunds 50,000  
 46100-1130800000-781360 Other miscellaneous revenue 13,000  
 Total 183,000

Increase appropriations:  
 46100-1130800000-534220 Compensation claims 183,000

**Recommendation 36:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Disability Insurance Fund by \$480,000, as follows:

Increase estimated revenues:  
 46060-1131200000-781220 Contributions and donations \$480,000

Increase appropriations:  
 46060-1131200000-534260 Disability claims 480,000

**Recommendation 37:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Exclusive Care EPO Fund by \$4,360,000, as follows:

Increase estimated revenues:  
 45800-1132000000-740020 Interest – invested funds \$ 60,000  
 45800-1132000000-774990 EPO pharmacy 750,000  
 45800-1132000000-781220 Contributions & donations 2,800,000  
 45800-1132000000-781560 Contributions from non-county agencies 750,000  
 Total 4,360,000

Increase appropriations:  
 45800-1132000000-534460 Medical services claims 1,000,000  
 45800-1132000000-534500 Hospital care services claims 3,360,000  
 Total 4,360,000

**Recommendation 38:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for the Air Quality Fund by \$6,000, as follows:

Increase estimated revenues:  
 22000-1130300000-726350 Air quality element \$6,000

Increase appropriations:  
 22000-1130300000-528920 Car pool expense 6,000

**Recommendation 39:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Delta Dental PPO Fund by \$580,000, as follows:

Increase estimated revenues:		
45860-1130600000-781220	Contributions and donations	\$95,000
45860-1130600000-781320	Insurance proceeds	<u>390,000</u>
	Total	485,000
Increase appropriations:		
45860-1130600000-534240	Dental claims	580,000
Use unrestricted net assets:		
45860-1130600000-380100	Unrestricted net assets	95,000

**Recommendation 40:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Local Advantage Blythe Dental Fund by \$10,000, as follows:

Increase estimated revenues:		
45920-1132500000-781320	Insurance proceeds	\$ 1,000
Increase appropriations:		
45920-1132500000-534240	Dental claims	10,000
Use of unrestricted net assets:		
45920-1132500000-380100	Unrestricted net assets	9,000

**Recommendation 41:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues and use of unrestricted net assets for the Local Advantage Plus Dental Fund by \$50,000, as follows:

Increase appropriations:		
45900-1132600000-534240	Dental claims	\$50,000
Use unrestricted net assets:		
45900-1132600000-380100	Unrestricted net assets	50,000

**Recommendation 42:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Flood Control and Water Conservation District Encroachment Permit fund by \$25,000, as follows:

Increase appropriations:		
40670-947160-524500	Administrative support – direct	\$25,000
40670-947160-572800	Intra-fund – miscellaneous	<u>(25,000)</u>
	Total	0

**Recommendation 43:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Flood Control

and Water Conservation District Subdivision Operations fund by \$200,000, as follows:

Increase appropriations:		
40660-947140-524820	Engineering services	\$ 200,000
40660-947140-572800	Intra-fund – miscellaneous	<u>(200,000)</u>
	Total	0

**Recommendation 44:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for the Regional Park and Open Space District by \$19,500, as follows:

Increase appropriations:		
25520-931107-520020	Pest and insect control	\$ 6,000
25520-931107-537080	Interfund expense - miscellaneous	1,500
25520-931107-522310	Maintenance - building and improvement	<u>12,000</u>
	Total	19,500

Increase use of fund balance:		
25520-931107-330100	Committed fund balance	19,500

**Recommendation 45:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for the Regional Park and Open Space District by \$9,150, as follows:

Increase appropriations:		
25510-931108-522310	Maintenance - building and improvement	\$9,150

Increase use of fund balance:		
25510-931108-330100	Committed fund balance	9,150

**Recommendation 46:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and use of fund balance for the Regional Park and Open Space District by \$400,000, as follows:

Increase appropriations:		
25400-931104-551000	Operating transfers – out	\$400,000

Increase use of fund balance:		
25400-931104-370100	Unassigned fund balance	400,000

Increase appropriations:		
25420-931180-510040	Regular salaries	77,000
25420-931180-522320	Maintenance – grounds	32,000
25420-931180-527780	Special program expense	277,000
25420-931180-537080	Interfund expense – miscellaneous	<u>14,000</u>
	Total	400,000

Increase estimated revenue:		
25420-931180-790500	Operating transfer-in	400,000

**Recommendation 47:** That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments 1) decreasing appropriations for Contingency by \$500,000; and 2) increasing appropriations for Contributions to Other Funds by \$500,000., as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$500,000
Decrease use of available fund balance:		
10000-1109000000-370100	Unassigned fund balance	500,000
Increase appropriations:		
10000-1101000000-551100	Contribution to other funds	500,000
Increase use of available fund balance:		
10000-1101000000-370100	Unassigned fund balance	500,000
Increase appropriations:		
25600-931156-551000	Operating transfer – out	67,760
Increase estimated revenue:		
25600-931156-776740	Recreation fees	12,535
25600-931156-778010	Interfund – CDBG	246,274
25600-931156-790600	Contributions from other county funds	<u>500,000</u>
	Total	758,809
Decrease use of fund balance:		
25600-931156-330100	Committed fund balance	691,049

**Recommendation 48:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustment increasing appropriations and use of restricted program money fund balance for CSA 149 by \$63,068, as follows:

Increase appropriations:		
24825-914901-522320	Maintenance - grounds	\$63,068
Use restricted fund balance:		
24825-914901-321101	Restricted program money	63,068

**Recommendation 49:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and decreasing restricted fund balance for the Multi-Species Habitat Conservation fund by \$450,000, as follows:

Increase appropriations:		
22450-1103600000-525440	Professional services	\$450,000
Use of restricted fund balance:		
22450-1103600000-321101	Restricted program money	450,000

**Attachment B Sales and Use Tax Update**

# Q4 2015



# Riverside County Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

## Riverside County In Brief

The unincorporated area's receipts from October through December were 29.7% below the fourth sales period in 2014. Excluding reporting aberrations, actual sales were down 16.5%.

Onetime use tax allocations and a large correction in the prior year related to renewable energy projects were mostly responsible for the decline. The remainder of the business and industry group experienced mixed results with garden/agricultural vendors and wineries down from the comparison period.

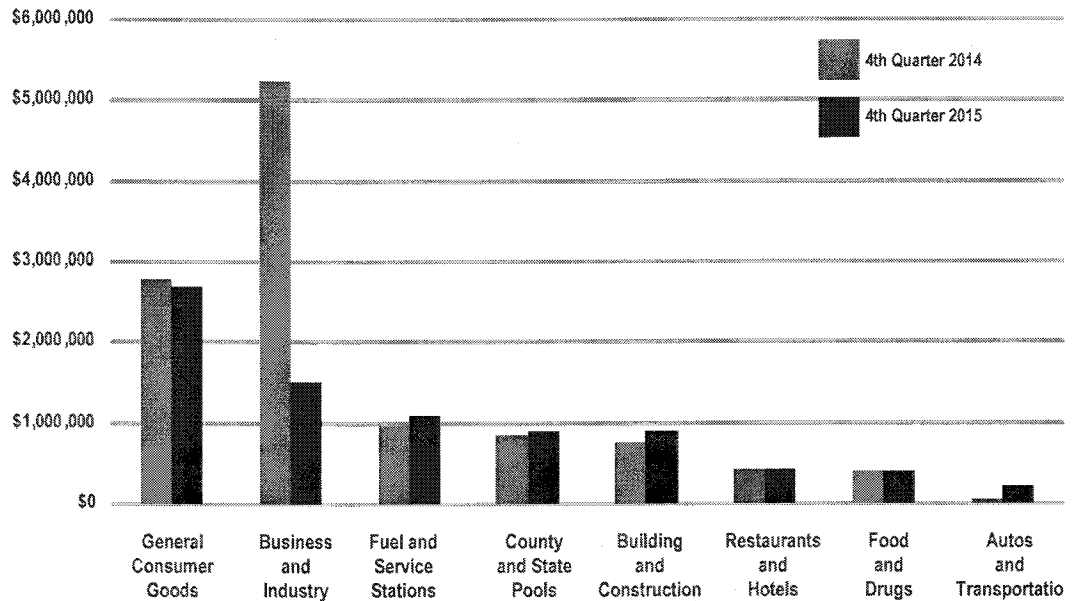
Weak holiday season returns, different from the county and state-wide trends, negatively impacted multiple general consumer categories including family apparel, shoe and specialty stores.

While the fuel group temporarily benefitted from a retroactive payment, once adjusted, weak global demand for crude oil caused lower taxable retail gas prices and therefore decreased revenue from service stations.

However, favorable winter weather conditions helped lift returns from lumber/building material merchants and contractor suppliers.

Net of aberrations, taxable sales for all of Riverside County grew .9% over the comparable time period; the Southern California region was up 2.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Nike
Bottega Veneta	Pilot Travel Center
Burberry	Prada
California Trusframe	Ralph Lauren
Calvin Klein	RDO Equipment
Coach	Russell Sigler
Desert Sunlight	Spates Fabricators
First Solar Electric	Stater Bros
Gucci	Superior Ready Mix Concrete
Heavy Equipment Rentals	Sysco
Liz Claiborne	Tory Burch
Michael Kors	Vons
Morongo Travel Center	

## REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$25,453,108	\$19,922,027
County Pool	2,519,605	2,305,856
State Pool	21,826	22,916
<b>Gross Receipts</b>	<b>\$27,994,540</b>	<b>\$22,250,799</b>
Less Triple Flip*	\$(6,998,635)	\$(5,562,700)

\*Reimbursed from county compensation fund

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NOTES

**California Overall**

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

**The Triple Flip Is Over!**

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

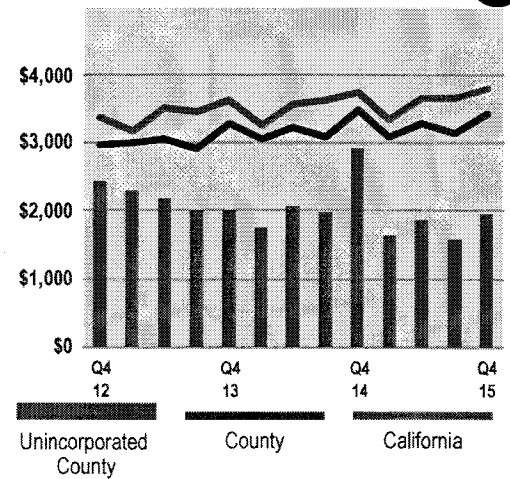
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

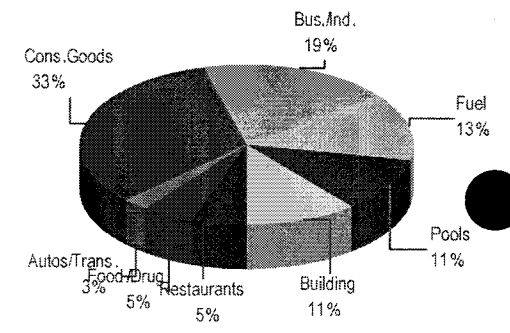
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Riverside Co. Uninc This Quarter



**RIVERSIDE COUNTY TOP 15 BUSINESS TYPES**

Business Type	Unincorporated County		County	HdL State
	Q4 '15*	Change	Change	Change
Casual Dining	83.9	-27.3%	4.8%	5.7%
Contractors	711.6	13.1%	17.4%	11.5%
Energy/Utilities	— CONFIDENTIAL —		-48.1%	-6.9%
Family Apparel	1,228.5	-4.1%	1.7%	4.0%
Food Service Equip./Supplies	133.8	1.7%	19.5%	4.0%
Garden/Agricultural Supplies	116.7	-22.4%	-2.1%	16.7%
Grocery Stores Liquor	200.0	4.7%	8.1%	0.6%
Jewelry Stores	90.7	14.4%	3.0%	0.4%
Quick-Service Restaurants	250.5	8.6%	9.3%	8.1%
Service Stations	1,079.8	12.7%	-5.1%	-10.5%
Shoe Stores	253.1	-9.8%	2.2%	6.0%
Specialty Stores	245.3	-5.7%	5.1%	4.5%
Warehse/Farm/Const. Equip.	156.9	21.3%	6.6%	0.9%
Wineries	233.7	-0.4%	-4.9%	5.7%
Women's Apparel	563.1	8.1%	4.4%	1.1%
<b>Total All Accounts</b>	<b>7,215.5</b>	<b>-32.5%</b>	<b>-0.4%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>906.2</b>	<b>5.9%</b>	<b>56.2%</b>	<b>10.8%</b>
<b>Gross Receipts</b>	<b>8,121.7</b>	<b>-29.7%</b>	<b>3.8%</b>	<b>3.5%</b>

**Attachment C Beacon Economic Forecast**



# County of Riverside

## Revenue Forecast



April 2016



**BEACON ECONOMICS**

# County of Riverside Revenue Forecast

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This publication was prepared for:

## County of Riverside

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## REPORT OVERVIEW

**Beacon Economics, LLC** has undertaken a forecast of several key revenue streams in Riverside County extending out to the 2020–21 fiscal year. The forecast presented here uses standard time-series econometric techniques based on historical correlations and forecasts of future economic trends. **Beacon Economics'** method of forecasting follows a layered approach: National policy changes and external shocks are built into a U. S. model with a variety of economic indicators including GDP, production, demographics, interest rates, government spending, taxes, savings, income growth and real estate. **Beacon Economics** then crafts a California model that incorporates macro trends at the national level with trends in the statewide economy including employment/labor markets, demographics, real estate, and business activity indicators.

Taking into account these state and national factors, **Beacon Economics** sets up a regional model for Riverside County using macro trends to create a local forecast that delivers a broad outlook for the region including:

- Employment by industry
- Unemployment rate
- Consumer spending and income trends
- Population and components of change
- Residential and nonresidential real estate and construction.

Revenue Stream	Actual	Forecast					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Proposition 172	138,067,843	159,944,300	174,345,400	188,799,200	203,036,000	216,827,300	229,277,000
Growth(%)	-6.1	15.8	9.0	8.3	7.5	6.8	5.7
Assessed Value (\$ 000s)	229,460,826	242,716,731	258,548,500	278,781,800	301,171,100	320,331,600	339,310,000
Growth(%)	7.7	5.8	6.5	7.8	8.0	6.4	5.9
Property Tax	513,843,875	545,891,800	582,484,600	629,434,900	679,243,700	717,170,700	755,557,200
Growth(%)	9.5	6.2	6.7	8.1	7.9	5.6	5.4
Sales Tax	32,851,214	32,137,750	33,197,900	35,326,190	37,665,780	39,905,520	42,025,650
Growth(%)	-7.3	-2.2	3.3	6.4	6.6	5.9	5.3
Property Transfer Tax	12,232,382	14,141,550	16,751,420	19,401,660	21,480,850	23,418,050	25,575,040
Growth(%)	-0.5	15.6	18.5	15.8	10.7	9.0	9.2

Source: Forecast by Beacon Economics

The regional assessment highlights the major drivers at the national level, continues with developments in the State of California, and zooms in on the economy of Riverside County to provide a forecast of AV extending out to fiscal year 2020–21.

## NATIONAL AND STATE ECONOMIES

The future direction of the Riverside County economy is heavily contingent on what transpires within the national and state economies. In the most recent edition of *Beaconomics* (free of charge at [www.BeaconEcon.com](http://www.BeaconEcon.com)), **Beacon**

**Economics** provides an in-depth analysis of current national and state economic trends. Below is a brief summary of what **Beacon Economics** sees happening in the U.S. and California economies.

### United States Economy

- U.S. economic growth in the fourth quarter of 2015 came in softer than the prior quarter, putting annual growth for all of 2015 at 2.4%, the same percent by which GDP grew in 2014. The U.S. Bureau of Economic Analysis estimates that the nation's gross domestic product grew by 1.4% in the fourth quarter of 2015, down from a 2.0% annualized growth rate during the previous quarter.
- Consumers across the country continue to spend and are a strong factor in the economy. Personal consumption expenditures in the fourth quarter of 2015 grew at an annualized rate of 2.4%, down from 3.0% in the third quarter, but still above the 1.8% rate in the first quarter.
- A closer look at the numbers reveals an economy that is doing better than the headline figure would suggest. Due to a buildup in inventories during the second quarter, businesses did not need to restock in the third and fourth quarters, which acted as a drag on overall growth. Excluding the change in inventories, GDP would have grown by close to 1.6% in the fourth quarter.
- Although the slowdown in China and the overall global economy has been the subject of recent headlines, for all the commotion international data is creating, the U.S. economy remains fairly insulated and has yet to feel any significant effects. Exports have been declining in nominal terms, but after adjusting for inflation the trade picture is not as bad as it appears. In the fourth quarter, the decline in exports shaved off a mere 0.25 percentage points from the headline GDP figure.
- **Beacon Economics** doesn't see any near-term risk of a recession in the data, despite choppiness in economic growth. The current forecast has the nation's economy growing at just over 2.5% in 2016.

### California Economy

- While trouble has plagued the international economy in recent months, domestic economic activity continues to move forward, especially in California. Over the past year, the state has remained one of the bright spots in the national economy.
- March 2016 marked the 48th consecutive month that California outpaced the United States overall in terms of nonfarm job growth. With a 3.0% expansion for all of 2015, California is growing half-again as fast as the nation.
- Not only has California been generating a significant *quantity* of new jobs, but the quality of those jobs has been improving as well. Professional, Scientific, and Technical Services sector jobs, which generally offer above-average wages, have been some of the largest contributors over the past year, accounting for 73,858 (15.9%) of the 464,434 nonfarm jobs created during 2015.
- Despite the uptick in the economy, **Beacon Economics** has previously highlighted the absence of a resurgence in home sales amidst a backdrop of rising home prices, new construction activity, and gradually improving labor markets. However, 2015 has seen the trend in home sales change from one that has disappointed to one where transactions are once again on the rise.

- The downgraded outlook for Chinese economic growth, and the slowing in overall global growth, could impact exports at California’s air and seaports; however, these external factors are not expected to greatly influence the state’s economy.
- **Beacon Economics** is optimistic about the current trajectory of the state’s economy. Nonfarm employment is projected to grow by more than 2% per year in the near term, home sales should gain momentum, and job growth will likely occur in both low- and high-skilled industries

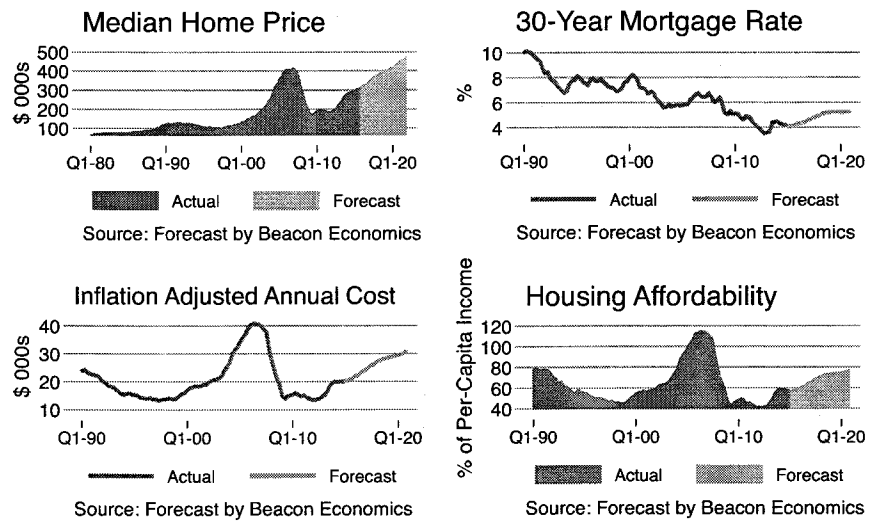
## COUNTY OF RIVERSIDE REVENUE FORECAST

### Real Estate Driven Revenues

Over the last year, the local real estate market has moved forward much in line with expectations. Beacon Economics’ prior forecast for Assessed Value (AV) in the County was very close to the latest data released by the County Assessor for the 2015–16 fiscal year, 6.3% forecasted compared to 5.8% actual. Prices are rising and sales volumes are beginning to trend higher as well. Construction activity has cooled, but new structures are still expected to come on line and increase the existing AV base. Beacon Economics’ current AV forecast is for 6.5% growth for the 2016–17 fiscal year. Transfer tax revenues are expected to reach double-digit growth as strong price and sales activity for existing homes remains strong.

## Riverside County Home Price Outlook

*Prices matter, but so do rates, inflation, and income*



Home price appreciation over the last few years has expanded at an elevated pace compared to historical rates, which has driven up AV for properties that change ownership and for new residential structures, as well as for transfer tax revenues. **Beacon Economics** has recently revised its current forecast for home prices across the state, resulting in higher growth rates for the next three to four years than previously estimated. Interest rates have remained at historically low levels and recent policy indicates that rates will not increase much in the near term. This makes purchasing a home more affordable as incomes continue to rise.

Home price appreciation in Riverside County recently slowed, but **Beacon Economics** expects growth to pick up again. The median price for a single-family home in the County in 2015 was \$312,356 on a seasonally adjusted basis, a 6.9% increase over the fourth quarter of 2014. This was down from the 12.6% average annual growth in 2014, however, expect home prices in the County to appreciate at or near a double-digit rate over the next two years.

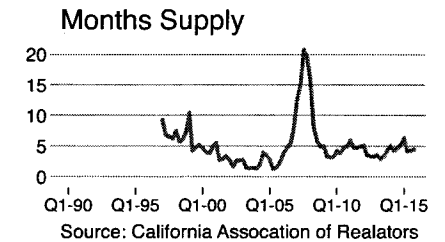
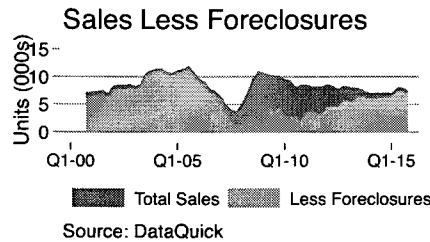
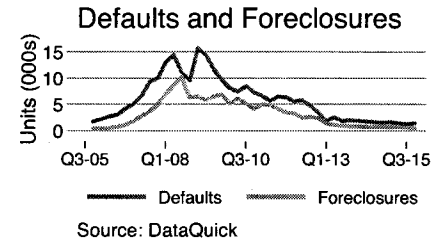
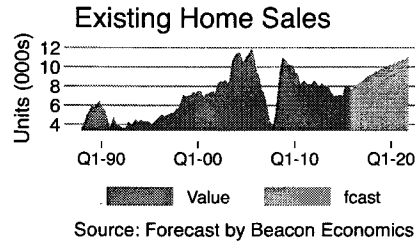
While this may seem like excessive growth in the near term, even bordering on a new housing bubble, the fundamentals in the current market are very different than they were during the last bubble. Mortgage rates are at historically low levels, and over the next few years **Beacon Economics** doesn't expect them to move much higher than 5%. Additionally, **Beacon Economics** doesn't see overall inflation trending much higher than 2%. Put it all together, and the inflation-adjusted annual cost of owning a home will not return to levels seen during the peak of the last housing bubble, even with relatively strong price growth in the region. Moreover, **Beacon Economics'** forecast of home cost as a share of income is also not returning to pre-recession levels.

It is important to keep in mind, however, that home appreciation generally is measured by *median prices*, which can easily move higher when the sales mix in a given quarter is made up of higher end homes. With home prices moving higher, it is becoming increasingly difficult for many households to come up with a 20% down payment. Overall, the market is trending higher, and there is nothing on the immediate horizon signaling a reversal of current price levels.

Home sales in the County have started to trend higher, as expected, and will be a steady source of growth for AV on homes that change ownership, as well as for transfer tax revenue. In 2015 there were just over 30,000 existing homes that transacted in the County, a 9.0% increase over 2014 sales volumes. **Beacon Economics** expects home sales to continue to trend higher as more owners are enticed by rising prices to put their homes up for sale.

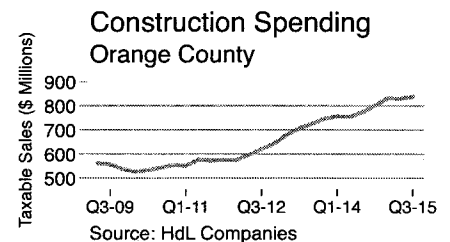
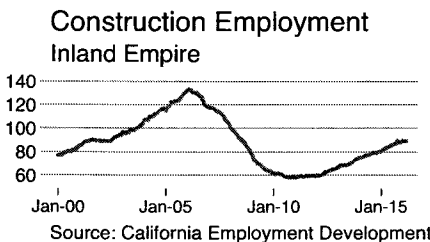
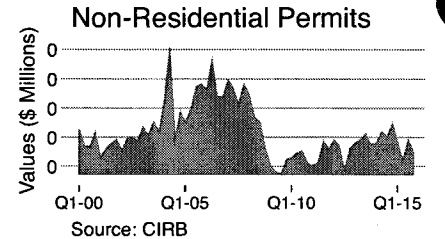
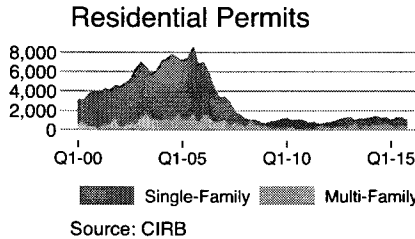
## Riverside County Home Sales Outlook

*Sales volumes beginning to pick up the pace*



## Riverside County Construction Trends

*Construction activity not stellar, but steadily moving forward*



Residential construction has been moving forward, but is not expected to be a strong contributor to AV growth in the coming fiscal year. In 2015 there were 5,626 new residential units permitted for construction, down from 6,398 permitted for all of 2014. Although the total number of units permitted is down for the year, there will still be new stock coming on line to support AV growth in the coming fiscal year.

The nonresidential side of the market activity has been substandard. The total value of permitting for nonresidential structures was down 24.1% from 2014 to 2015. Permitting activity declined for both new commercial structures (-39.1%) and alterations and additions to existing structures (-9.5%).

Other commercial indicators continue to trend favorably, however. Rents are rising across all property types in the broader Inland Empire region, and vacancy rates are falling or holding steady at healthy levels. These trends point to sustained demand, which will help maintain upward pressure on commercial property values for structures that do not change ownership.

Finally, growth in the California Consumer Price Index (CPI) has been moving higher in the most recent data, which bodes well for AV growth for properties not changing hands. In February 2016, the California CPI reading came in at 252.6, a 2.6% increase over February of 2015. While it is the October-to-October number that matters for the County Assessor's estimate, this latest data point fits the overall trend of rising consumer prices as the plunge in energy prices moves further into the past.

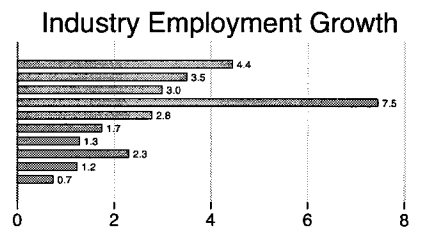
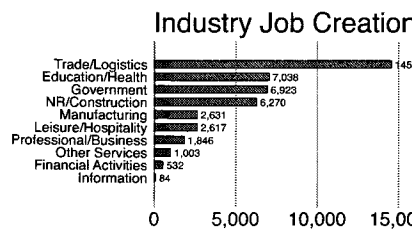
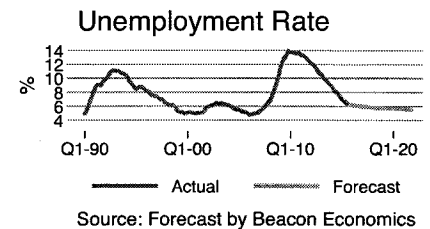
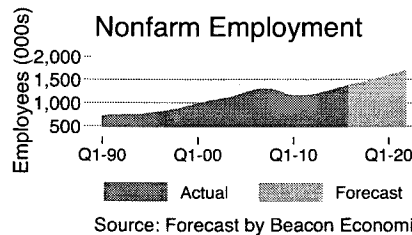
**Consumer and Business Spending Driven Revenues**

Spending activity in the broader Riverside County region has continued to move forward at healthy pace, and County revenues that are tied to consumer and business spending are expected to enjoy positive growth over the next five fiscal years. Sales tax revenues for the unincorporated portion of the County have been disappointing, but this is due primarily to a pullback in overall spending tied to solar power projects that have been underway for the last few years. In the coming years expect these revenues to resume positive growth as the local economy moves forward.

The Inland Empire labor market also remains on an upward trajectory, setting new record highs virtually each month and indicating that businesses in the area are confident enough about the current economic climate to continue adding to their payrolls. In March 2016, total nonfarm employment in the Inland Empire stood at 1.37 million, a 3.3% increase over March 2015 levels. This growth stands in contrast to the state overall, which saw 2.6% year-over-year growth.

**Inland Empire Labor Market**

*Employment levels reaching new record highs*



Source: California Employment Development Department

The Construction industry in the Inland Empire has added employees at breakneck speed over the last year, posting one of the fastest rates of job growth and also one of the largest total numbers of new jobs created across all industries. This is particularly impressive given that the Construction industry in the Inland Empire is relatively smaller in absolute terms. From March 2015 to March 2016, the Construction industry added nearly 6,500 new jobs to company payrolls, a 7.8% increase, and represented nearly 15.0% of the net increase in total nonfarm employment.

The Warehousing and Transportation industry, one of the region's bread and butter industries, was also a strong contributor to job growth over the last year. Employment in this industry grew by 6,950 jobs from March 2015 to March 2016, another 7.8% increase. These strong job gains will help bolster future consumer and business spending in the County as overall incomes rise and household balance sheets improve.

Overall spending in the unincorporated parts of Riverside County has been lackluster recently, however much of the sluggishness is due to taxable sales levels that are coming off of particularly strong years – strong as a result of large scale solar projects in the region such as the Desert Sun and Genesis projects. Sales tax revenues were down by 7.3% in the 2014-15 fiscal year compared to the prior fiscal year.

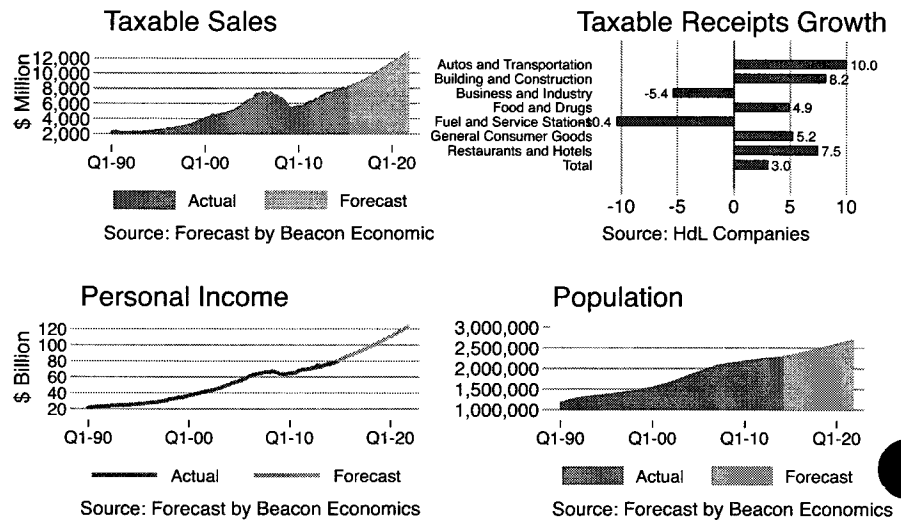
The latest data from the California Board of Equalization show that there is still some downward potential for the County's sales tax revenue for the current fiscal year. Taxable sales during the first two quarters of the 2015-16 fiscal year were 6.5% lower than during the same time period the prior fiscal year. While this is disappointing over the short run, it is not unexpected given the strong growth of the last few years, fueled by temporary events.

Looking forward, **Beacon Economics** expects taxable sales and sales tax revenues to return to more historical growth trends as the local population increases and new jobs are formed, leading to continued growth in the County's tax base. Based on the latest estimates from the California Department of Finance, the population in the unincorporated part of the County grew by 1.2% from January 2014 to January 2015, and job growth in the overall region is expected to remain strong.

Beacon Economics' optimism about future spending at the County level is matched at the overall county and state levels, which bodes well for Proposition 172 sales tax revenues. As the statewide economy moves forward, the overall pool from the 0.5% statewide tax will grow. The County's share of this statewide pool will also grow given that the County's taxable sales are increasing at a faster rate than the state overall.

## Riverside County Spending and Income

*Overall spending maintaining upward trajectory*





**SUMMARY**

**Beacon Economics'** latest revenue forecast for Riverside County maintains an optimistic tone, and for good reason. The underlying fundamentals of the local real estate market are strong and are expected to maintain an upward trajectory for the life of the forecast. Price growth is expected to accelerate, and sales volumes are finally turning around. Overall economic activity is also heading in the right direction as businesses continue to hire, which will help boost future spending. Over the next five fiscal years, with nothing in the latest data that points to trouble on the immediate horizon, expect positive revenue growth in Riverside County.

**County of Riverside Revenue Forecast**

Revenue Stream	Actual	Forecast					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Proposition 172	138,067,843	159,944,300	174,345,400	188,799,200	203,036,000	216,827,300	229,277,000
Growth(%)	-6.1	15.8	9.0	8.3	7.5	6.8	5.7
Assessed Value (\$ 000s)	229,460,826	242,716,731	258,548,500	278,781,800	301,171,100	320,331,600	339,310,000
Growth(%)	7.7	5.8	6.5	7.8	8.0	6.4	5.9
Property Tax	513,843,875	545,891,800	582,484,600	629,434,900	679,243,700	717,170,700	755,557,200
Growth(%)	9.5	6.2	6.7	8.1	7.9	5.6	5.4
Sales Tax	32,851,214	32,137,750	33,197,900	35,326,190	37,665,780	39,905,520	42,025,650
Growth(%)	-7.3	-2.2	3.3	6.4	6.6	5.9	5.3
Property Transfer Tax	12,232,382	14,141,550	16,751,420	19,401,660	21,480,850	23,418,050	25,575,040
Growth(%)	-0.5	15.6	18.5	15.8	10.7	9.0	9.2

Source: Forecast by Beacon Economics

## ABOUT BEACON ECONOMICS

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

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