

SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM
3.42
(ID # 3111)

MEETING DATE:

Tuesday, December 6, 2016

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: FY 16/17 First Quarter Report - Receiving and filing this report and all its attachments; Approve recommendations and associated budget adjustments contained in Attachment A; Amendments to Ordinance 440 contained in Attachment B; Recommended budget policies in Attachment D; The multi-year budget schedule in Attachment E; and, The revised Prop. 172 Public Safety Sales Tax distribution schedule contained in Attachment F

IT IS RECOMMENDED that the Board of Supervisors approve:

- 1) Receiving and filing this report and all its attachments;
- 2) Recommendations and associated budget adjustments contained in Attachment A;
- 3) Amendments to Ordinance 440 contained in Attachment B;
- 4) Recommended budget policies in Attachment D;
- 5) The multi-year budget schedule in Attachment E; and,
- 6) The revised Prop. 172 Public Safety Sales Tax distribution schedule contained in Attachment F.

ACTION: 4/5 Vote, Position Added, Policy

George Johnson
George Johnson 12/2/2016

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Washington and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington and Ashley
Nays: None
Absent: Benoit
Date: December 6, 2016
xc: EO

Kecia Harper-Ihem
Clerk of the Board
By: *[Signature]*
Deputy

3.42



COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

FISCAL YEAR 2016/17
FIRST QUARTER
BUDGET REPORT

PREPARED BY
JAY E. ORR

COUNTY EXECUTIVE OFFICER

12/6/2016 342



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

December 6, 2016

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

4/5th Vote

SUBJECT: *FY 16/17 First Quarter Budget Report*

Board members:

To initiate budget planning and discussions earlier in the fiscal year, I am presenting for Board approval in this first quarter report FY 17/18 budget policies based on the budget strategy mapped out in the FY 16/17 adopted budget. This multi-year approach includes maintaining discretionary general fund reserves above \$150 million, holding overall general fund net county costs level until discretionary revenues rise to meet and exceed that level, and maximizing departmental resources. Holding to these financial objectives will be essential to closing the county's budget gap and establishing structural balance within the next few years. I am also proposing a multi-year budget schedule to establish certainty and continuity regarding the framework and timing of the budget process over the coming years.

This report contains several key policy issues. Foremost is a \$22 million reduction in the distribution of Prop. 172 public safety sales tax revenue to the District Attorney, Sheriff, and Probation Department necessitated by a revenue shortfall that only became apparent after the budget was adopted. This results from statewide growth in taxable sales that is lower than anticipated when the distribution levels were raised in FY 14/15, as well as the county's narrowing share of the statewide pool. This decline in the growth rate was masked by the Board of Equalization's temporary withholding of a portion of the Prop. 172 revenue last year, to which the shortfall was attributed at the time. My staff have worked closely with our consultants at HdL Companies to quantify and validate these underlying trends.

My staff have mapped out a recovery plan in which the general fund covers \$18 million of the shortfall this fiscal year from select one-time sources, and \$5 million of it next year. Beginning next fiscal year, and for the subsequent three years, the public safety departments will be expected to leverage their own reserves and cost savings to cover the balance as Prop. 172 revenue rises to fill the gap over time. The Fire Department's distribution is not affected because it has neither surplus reserves nor foreseeable cost

savings with which to offset the shortfall. This plan includes approval to distribute all actual Prop. 172 revenue on a pro rata basis as received until the original distribution level is fully restored. This could potentially minimize the burden on the general fund this year and next, and on the departments in subsequent years, if revenue growth is higher than currently estimated. My staff will continue to track this revenue closely, and recommend adjustments to the distribution plan each year as warranted to reflect HdL Companies' revised revenue forecasts.

With a few exceptions, most departments report being on track at this time. The Sheriff, however, indicates experiencing higher than budgeted costs in several areas. As noted above, the foundation of the multi-year budget plan is to hold costs level, and accommodate increased service levels within existing resources. This is particularly crucial in light of the Prop. 172 revenue reductions. I therefore recommend continuing collaboration with the Sheriff's Department to develop a financially sustainable plan to address these issues, as well as staffing the East County Detention Center slated to open in 2018. I anticipate returning at midyear with recommendations on several of those items.

While we face significant challenges, we are also making progress on a number of initiatives that will lead to more efficient and effective use of public resources to deliver essential services now and in the future. We must stay focused on achieving these long-term strategic objectives, while at the same time working realistically within our immediate financial constraints.

IT IS RECOMMENDED that the Board of Supervisors approve:

- 1) Receiving and filing this report and all its attachments;
- 2) Recommendations and associated budget adjustments contained in Attachment A;
- 3) Amendments to Ordinance 440 contained in Attachment B;
- 4) Recommended budget policies in Attachment D;
- 5) The multi-year budget schedule in Attachment E; and,
- 6) The revised Prop. 172 Public Safety Sales Tax distribution schedule contained in Attachment F.

FISCAL PROCEDURES APPROVED
PAUL ANGULO, CPA, AUDITOR-CONTROLLER
BY Susana Garcia-Bocanegra 12/1/16
Susana Garcia-Bocanegra

Respectfully,

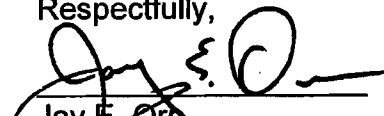

Jay E. Orr
County Executive Officer

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A. EXECUTIVE SUMMARY

This first quarter report is mapping out early (by one quarter) the budget strategy for FY 17/18, based on the multi-year approach outlined in the current budget. These objectives include maintaining discretionary reserves above \$150 million, holding overall net county costs stable, and maximizing departmental resources to close the general fund gap in discretionary funding.

It is too soon to evaluate how property-related discretionary revenues are progressing. However, the growth trend in taxable sales is not as robust as anticipated, and it appears likely sales and use tax revenue may fall short of estimate. Prop. 172 public safety sales tax revenue is also coming in less projected, causing the need for a \$22 million adjustment to the distribution of it to the District Attorney, Sheriff, and Probation, offset in part this year by \$18 million from contingency and in future years from a combination of departmental reserves and cost savings. The general fund backfill is offset by one-time transfers of savings and assets from financings.

In part driven by the Prop. 172 issue, and an ongoing effort to streamline the county financially, the Executive Office proposes restructuring available resources to redeploy assets and relieve the burden on the general fund. Among those presented this quarter are \$3 million in cost savings from the Teeter Tax Losses Reserve Fund, realigning \$3.3 million Tobacco Securitization assets, replacing the \$10 million East County Detention Center cash reserve with an alternate surety, and capturing \$3.2 million in savings from refinancing the Riverside County/Palm Desert Joint Powers Authority debt.

There are a number of policy issues presented in this report. Among them is funding \$200,000 in seed money for the Board's initiative to become a Community Choice Aggregator, which will enable lowering utility rates for constituents. In addition, the Executive Office is also collaborating with the Salton Sea Authority on a restoration initiative, which requires \$50,000 to prepare an engineering and economic report.

The Fire Department projects \$2 million more in structural fire tax than anticipated, which will help it remain on target. However, it also reports a \$1.3 million receivable owed by the City of Eastvale dating to FY 14/15 remains outstanding.

The Emergency Management Department is currently in the process of moving staff from the county administrative center in downtown Riverside to the Riverwalk facility, and evaluating complete relocation of the emergency operation center to that site as well. The department reports year-to-date expenditures below projections due to vacancies, but anticipates those will be filled in the second quarter.

The Sheriff remains committed to achieving a balanced budget – if further structural issues he has identified are addressed. These include labor increases, the ancillary costs of addressing the consent decree, and higher internal service costs. Regarding the consent decree, the Sheriff is asking for \$7.2 million to fund 65 additional positions. Complying with the decree is being covered with overtime, which the Sheriff indicates is not viable long-term. The Sheriff indicates retirements are trending higher than antici-

pated, resulting in \$5.2 million more in payouts than budgeted. In addition, the Sheriff projects needing an additional \$1.4 million by year-end to cover court security, attributed to the added costs of serving new courtrooms in Banning.

The District Attorney currently projects a \$5.1 million deficit, which is an improvement over prior estimates. The department has implemented an austerity plan to restrict discretionary spending, and achieve efficiencies and cost savings. The department has to date successfully captured significant salary savings via attrition, reducing overtime and standby pay, and holding constant net cost funded staffing levels. Existing staff are absorbing additional workload and supervision. The District Attorney continues to explore with the Executive Office further department-wide cost saving solutions to close their budget deficit by year-end.

Overall, the Probation Department indicates revenues and expenditures are on track, and it is exercising cost management strategies to achieve salary savings and cost containment. The department is closely monitoring drivers that might affect its net position, including the number of juveniles committed to its care through court placement, the costs of group home care and treatment, and the potential effects of implementing continuum of care reform.

The Public Defender's original budget request projected a \$2.1 million shortfall, of which it received \$800,000 to maintain existing staff. Although the department continues working with the Executive Office on cost containment strategies, at this time it projects a \$1.7 million shortfall at year-end.

Animal Services currently anticipates a \$1 million shortfall in contract city revenue attributable to a decline in impounds. This revenue shortfall may result in delayed hiring and reduced services. Consequently, the department is considering a shift away from impound-based fees toward a shared-cost model.

The Department of Public Social services (DPSS) reports increases in caseload and demand for services in a number of programs, including adult protective services, while several such as its work programs, foster care, and child welfare services declined. As part of its collaborative relationship with the Department of Child Support Services (DCSS), DPSS is supplanting \$500,000 previously received from DCSS with other program revenue to enable DCSS to retain that funding toward sustaining its own child support programs. However, DPSS also reports receiving an additional \$5.1 million in state funding for its foster parent recruitment program.

B. MULTI-YEAR BUDGET OUTLOOK

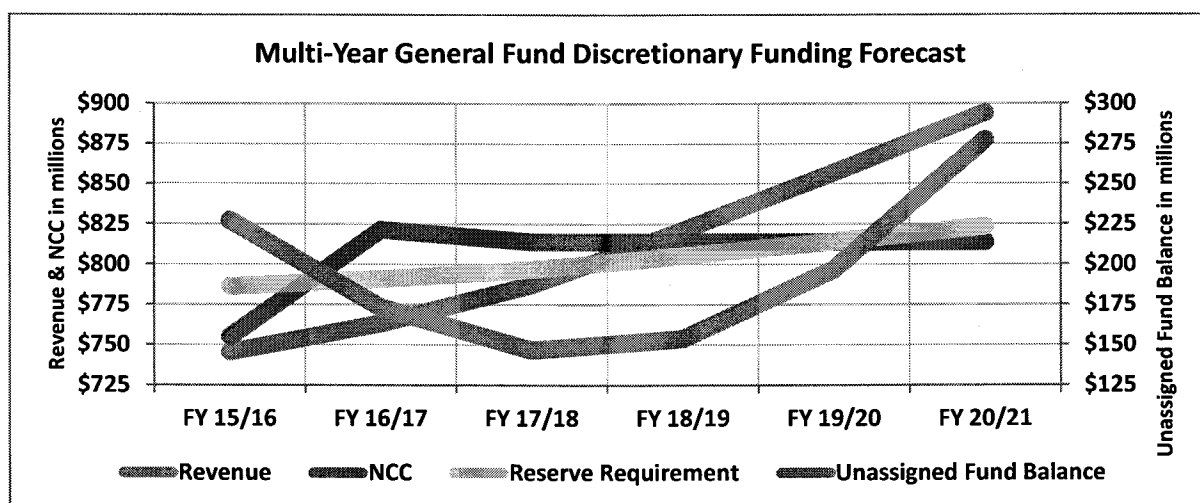
STRATEGIC FINANCIAL OBJECTIVES

From the FY 16/17 budget deliberations emerged a sharper focus on the need for disciplined long-range fiscal planning. This is necessary to ensure financial sustainability and achieve the county's strategic operational objectives. Future long-term financial objectives continue to include achieving a structurally balanced budget and building prudent reserves. Short-term financial objectives, however, focus more tightly on immediately containing costs to prevent deepening the county's budget shortfall. These short-term financial objectives include:

- Maintaining general fund reserves above \$150 million.
- Holding overall general fund net county costs stable while discretionary general fund revenues grow to the same level.
- Maximizing departmental resources, revenues, and reserves.

MULTI-YEAR FORECAST

The multi-year forecast mapped out in the FY 16/17 budget process assumed cautiously optimistic revenue growth charted with known current and future net county cost obligations. Changes to fixed commitments over the coming years such as debt service payments are factored into this model, as are assumptions regarding growth in ongoing discretionary revenues. The FY 16/17 adopted budget assumes utilizing all of the \$40.6 million in unassigned beginning fund balance carried over from FY 15/16 and \$2 million from the reserve for budget stabilization. With zero unassigned fund balance assumed available to carry forward into FY 17/18, nearly \$27 million from the reserve for budget stabilization will be required to close the gap that year. Assuming no economic downturn or other systemic disruption occurs, discretionary revenues stay on pace as forecast, and that aggregate net costs do not climb, we could begin replenishing reserves in FY 18/19 and meet our Board policy on reserve requirements by FY 20/21.



BUDGET STRATEGY

The discretionary revenue forecast already includes growth assumptions, so assuming any additional growth beyond the baseline amount would be imprudent. Should actual growth exceed projections, such resources should be used to replenish reserves. Healthy reserves are key to maintaining a healthy credit rating, and absolutely essential when downturns occur. Therefore, a central objective of our budget strategy is maintaining general fund discretionary reserves at a minimum level of \$150 million, short of the \$187 million necessary to meet our policy goal of 25 percent of discretionary revenues for the current year.

Holding net county costs as level as possible for the next several years is imperative to close the gap between ongoing expenses and revenues. Given projected court-ordered increases in ongoing inmate medical costs, achieving cost savings in other areas is essential. The multi-year strategy outlined in the FY 16/17 adopted budget emphasizes a disciplined, pragmatic approach to achieving structural balance, including:

Net County Cost Allocations

- Maximizing the use of annual departmental revenues and accumulated reserves.
- Recommending additional NCC allocations only to preserve existing staff where departments have no alternative sources of funding or cost reductions available to cover them, and when offsetting cost reductions are possible.
- Allowing program enhancements or expansions where sustainably funded 5-year operational plans are developed based on metric-driven strategic objectives.

Staffing and Labor Costs

- Holding a realistic position on labor negotiations.
- 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.

Achieving Efficiencies

- Implementing the recommendations of and expanding upon the KPMG and California Forward findings in the criminal justice area.

- Finding greater efficiencies in our internal operations –especially internal service funds – and many departments have initiated or completed such initiatives.

PROPOSED FY 17/18 BUDGET POLICIES

To facilitate an early start on departments' forward operational and budget planning, based on these financial objectives the Executive Office at this time recommends the Board approve, among others contained in Attachment D, the following FY 17/18 budget policies:

- Rollover of ongoing FY 16/17 net county cost allocations, net of one-time allocations.
- Assume elimination of the limited one-time allocations made in FY 16/17.
- 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.
- Application of any one-time revenues 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 recognized and used the fiscal year they are received to ensure discretionary general fund support is minimized. This includes full cost recovery for services provided under contracts with other jurisdictions.
- Assume no additional hiring to enhance the unincorporated patrol ratio.

BUDGET SCHEDULE

Approval of these budget policies now, rather than in the midyear report, initiates an earlier budget discussion and planning process. To further facilitate this, the Executive Office recommends the Board approve in concept the budget schedule in Attachment E. This schedule includes a midyear report on Tuesday, February 7, 2017; and a third quarter report and budget workshop on Tuesday, May 9. It also includes presentation of the FY 17/18 recommended budget and opening of budget hearings on Monday, June 12; presentation of Board-directed amendments to the budget on Tuesday, July 25; and formal adoption of the budget on Tuesday, September 26, once year-end encumbrances and fund balances are known. These dates have been coordinated to work with the Board's approved 2017 meeting calendar. This budget schedule also contains parallel dates for several future budget cycles to facilitate continuity in forward

planning.

SHORT & LONG-TERM FACTORS INFLUENCING STRATEGIC OBJECTIVES

The following factors are among those that continue to influence the county's strategic financial objectives and place pressure on the multi-year forecast.

Labor and Pension Costs

Existing labor agreements and pension obligations increased most departments' costs in FY 16/17. Several labor contracts are now up for renegotiation, and containing the rate of cost increases and achieving efficiencies will be pivotal.

Insurance Costs

Higher claim levels in general liability and workers compensation have caused insurance rates to provide higher confidence levels of claims coverage and higher reinsurance premiums. While some departments recover such cost increases through reimbursement claims or contract rates, other departments have no such means to cover these rising costs.

Internal Service Costs

Increasing labor, pension, and insurance costs have reached a tipping point for a number of internal service funds, which could no longer sustainably maintain necessary core internal services without rate increases. While most rate increases are recoverable through claiming and contract rates, many departments without such recourse struggle to absorb added costs within limited resources. KPMG is assisting the county in this effort and has completed an initial assessment of key service departments and is ready to move forward on action items.

Inmate Legal Settlement

The terms of a federal court settlement connected with a suit filed on behalf of county jail inmates require hiring additional health and mental health professionals and paying for additional office and treatment space. These efforts in turn trigger the need for additional security for both the health providers and inmate patients. The ongoing costs of addressing these settlement requirements are estimated in the tens of millions.

East County Detention Center

Hiring additional staffing to operate the East County Detention Center was placed on hold in FY 15/16. However, the Sheriff has requested resuming hiring in anticipation of the opening. Staffing needs of the new facility are currently being assessed, and an updated staffing plan is being developed. Coming to a workable funding plan is imperative.

Revenue Growth

Discretionary revenue growth continues to be substantially outpaced by increasing costs. Although growth in assessed valuation is improving, which will improve property

taxes, sales and use tax and Prop. 172 public safety sales tax are growing at a slower pace than anticipated. State and federal funding has not kept pace with caseloads, and keeping CalFresh funding requires ramping up the county match.

KPMG and California Forward Studies

The county hired KPMG to conduct a comprehensive review of potential cost saving opportunities within the criminal justice and other departments, and the Board engaged them a two-year implementation of their findings. The Executive Office continues working closely with KPMG and departments, and anticipates achieving cost savings within the next two years. California Forward also produced a jail utilization report identifying areas that might improve the efficiency of the criminal justice system. The goal of these initiatives is to find sufficient efficiencies to offset rising costs.

Economy

Summary

The local economy continues to be a significant financial influence on the county demand for services and its ability to generate revenues to fund programs. Job growth and unemployment affect household incomes and consumer spending power, which in turn affect development activity, assessed valuations, and county tax revenues. Significant economic factors and indicators are summarized below.

Although greatly improved from a few years ago, at 6.5 percent Riverside County's unemployment rate still exceeds national, state, and neighboring counties' unemployment rates. Assessed valuations continue improving moderately, with the Assessor estimating 4.5 to 5 percent growth this fiscal year. Title recordation and building permits, both leading indicators of local real estate activity, show only gradual increases.

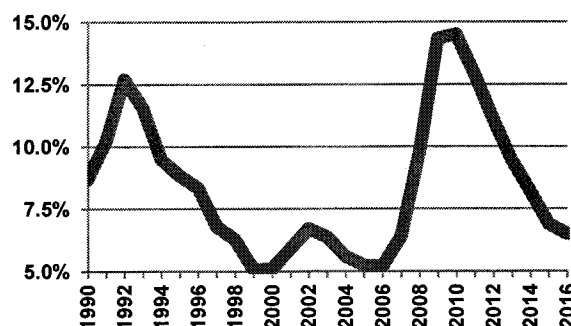
Employment Trends

During 2016, the rate of job growth averaged 1.7 percent in the United States and about 2.3 percent in California. In September, seven out of 11 sectors added jobs in California, with leisure and hospitality leading the growth. In the Riverside-San Bernardino-Ontario statistical area, nonfarm payroll employment also led employment gains.

Unemployment

Unemployment has dropped to 4.9 percent nationally and 5.5 percent in California. Riverside County's unemployment rate declined from the month prior to 6.3 percent as of October 2016, remaining slightly higher than neighboring San Bernardino County's increased rate of 5.8 percent.

**Riverside County
Unemployment Rate**

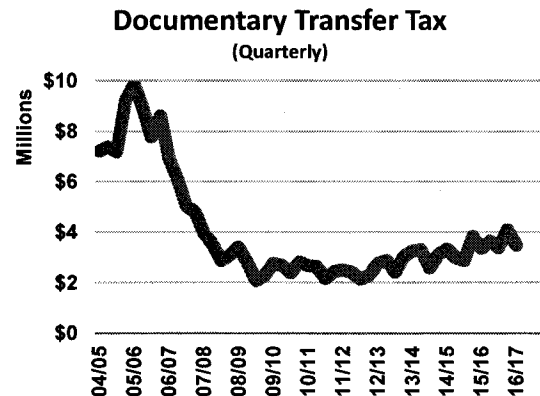


Property Trends

Statewide, the pace of home sales increased eight percent since October 2015, and increases in existing home prices nudged up to 7.3 percent during the same period according to the California Association of Realtors September 2016 Homes Sales and Price report. Here in Riverside County, the median price of existing homes rose to \$355,950, a 7.9 percent increase from the prior October. 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 \$17 million.



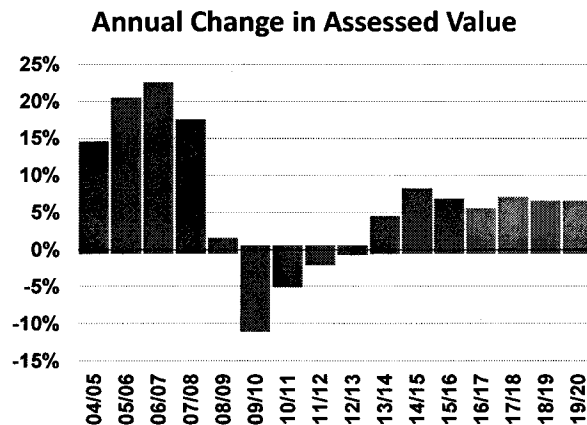
Building Permits

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 2016 through September 2016, the Building and Safety Department issued 3 percent less permits compared to the same period last fiscal year. Combined deposit based fee and flat fee receipts for September 2016 through increased by 43 percent. Overall, receipts increased 263 percent during this period at the same time as flat fee receipts decreased by 6 percent. This continuing strength is mainly due to deposit-based fees on tract homes in finishing developments. Flat fee receipts on residential solar projects decreased 23 percent in the first three months of this fiscal year compared to the same period last year, since incentives are no longer offered to the degree they were in the past.

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 mar-



Source of forward projections: Beacon Economics

ket value adjustments applied to Prop. 8 properties. These are properties temporarily reduced in value from the Prop. 13 adjusted value following the 2007-08 real estate collapse. 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 Democratic Party will hold a two-thirds majority in both houses of the state legislature for the 2017/18 fiscal year. Combined with a Democratic Governor, that means there is no hurdle for the passage of new tax bills. Top of the list will most likely be a transportation bill to fund highway and road improvements and possible increased funding for the state high-speed rail project. Voters passed propositions 56, tobacco tax, increasing spending on Medi-Cal thereby relieving the potential burdens on counties from the decrease in federal payments for Medicaid expansion, which is due to sunset in 2017. CalPERS will decide in February if there will be a reset of the projected annual returns on investment income. The rate is currently set at 7.5 percent, the proposed new rate is 7.25 percent, and a rate change would likely require larger contributions from the county to make up for the projected shortfall in returns.

Federal Update

On the political flip side, Republicans will control both houses of Congress as well as the White House. This could mean a shortage of spending on Medicaid, as well as other social services. However, spending could increase for infrastructure and coupled with the projected state increase, we might see an economic stimulus effect ultimately increasing local tax revenue. Another possible change is in the delivery of social services, as Speaker Ryan has proposed new models of delivery, which will allow for local experimentation. This could have the effect of increased spending in areas of higher need for the county.

C. CURRENT BUDGET STATUS

SUMMARY

Although it is still early in the revenue cycle, at this time, most discretionary revenues appear to be trending on track with estimates, except for sales tax and use tax and Prop. 172 public safety sales tax, both of which are being negatively affected by a decline in the rate of growth in taxable sales attributable in part to a sharp decline in fuel prices statewide, and a decline in Asian tourist traffic locally.

The Sheriff, District Attorney, Public Defender, and Animal Services all continue to project budget year-end deficits, but also continue to work on achieving cost savings through greater efficiencies and cost containment efforts.

DISCRETIONARY REVENUE

Revenue Summary

With the exception of a drop in anticipated Prop. 172 revenue, discussed in detail below, projected discretionary revenue estimates remain stable, as summarized at right.

Property Taxes

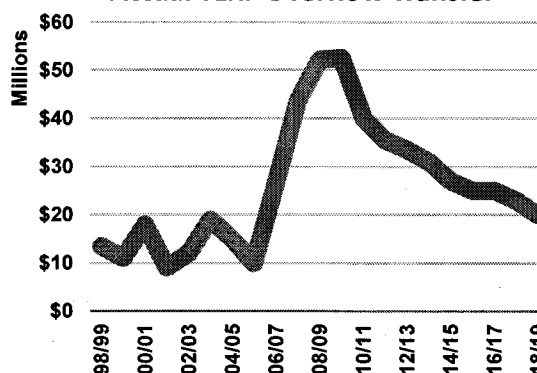
Property tax revenue was budgeted at \$343.7 million based on a forecasted 5 percent growth in assessed values. The Auditor-Controller continues to project property tax revenue slightly lower than budgeted. Motor vehicle fee revenue received in-lieu of property taxes is estimated at \$234.1 million, and residual assets distributed from former redevelopment agencies are estimated at \$12.8 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

General Fund Projected Discretionary Revenue (in millions)			
	Budget Estimate	Current Quarter Estimate	Variance
Property Taxes	\$343.7	\$343.7	
RDA Residual Assets	12.8	12.8	
Motor Vehicle In Lieu	234.1	234.1	
Tax Loss Reserve Overflow	24.0	24.0	
Fines and Penalties	20.9	20.9	
Sales & Use Taxes*	30.2	30.2	
Documentary Transfer Tax	17.2	17.2	
Franchise Fees	4.4	4.4	
Interest Earnings	4.1	4.1	
Misc. Federal and State	5.7	5.7	
Rebates & Refunds	6.0	6.0	
Realignment	35.0	35.0	
Other Prior Year & Misc.	18.4	18.4	
Operating Transfers In	6.7	6.7	
Total	\$763.2	\$763.2	
Prop. 172 Public Safety Sales Tax	183.1	166.5	(16.6)
	\$946.3	\$929.7	\$(16.6)

Actual TLRF Overflow Transfer



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 15/16, the TLRF transfer was \$27 million. For FY 16/17, \$24 million was forecast.

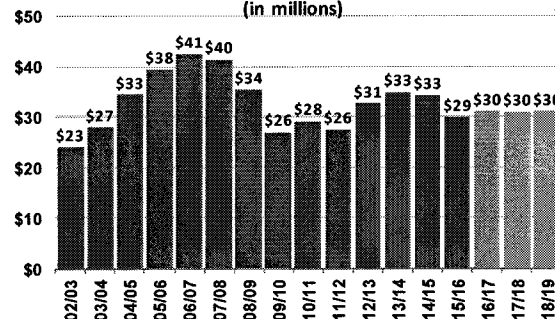
Based on present analysis of projected reserve obligations, the Executive Office currently estimates the reserve requirement balance is in excess of \$3 million, allowing an increase in estimated revenue from the Tax Losses Reserve Fund, as noted later in this report.

Sales and Use Taxes

In the last quarter, the county's economically adjusted quarterly sales and use tax allocations declined 2.2 percent on a year-over-year basis. This decline is due primarily to a continued, ongoing slump in fuel prices and lagging sales in consumer goods at the factory outlets.

The county's FY 16/17 budget estimate for Bradley Burns sales and use tax is \$30.2 million. Based on sustained downward trends in taxable sales, HdL Companies, the county's sales tax consultant, recently revised their FY 16/17 projection down from \$29.6 million to \$28.5 million. The Executive Office currently recommends watching these trends and updating this revenue estimate at midyear, if necessary. Additional economic detail from HdL is contained in Attachment C.

**Bradley Burns
Sales & Use Tax Revenue**
(in millions)

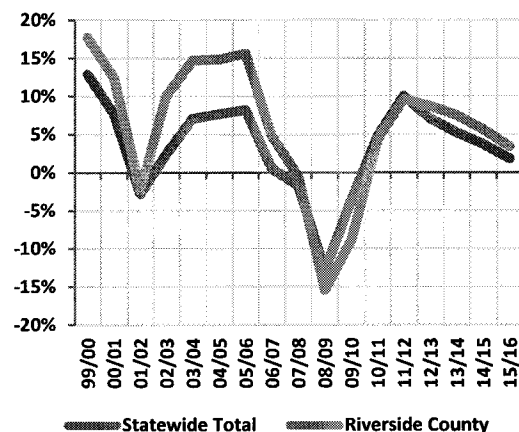


Source: HdL Companies

Prop. 172 Public Safety Sales Tax

Prop. 172 public safety sales tax is a separate pool of revenue derived from taxable sales throughout the state that is directed to public safety. While the Board has some discretion over its distribution, this resource is purpose-restricted to public safety uses. Based on protocols established when this proposition was implemented, the county receives approximately 95 percent of Riverside County's proportionate share of Prop. 172 revenue allocated by the state based on the funding formula. Growth in Prop. 172 revenue has the effect of offsetting the need for net county cost to fund critical county operations. As seen in the chart at right, over the

**Prop 172 Revenue Trends
Annual Rate of Change**

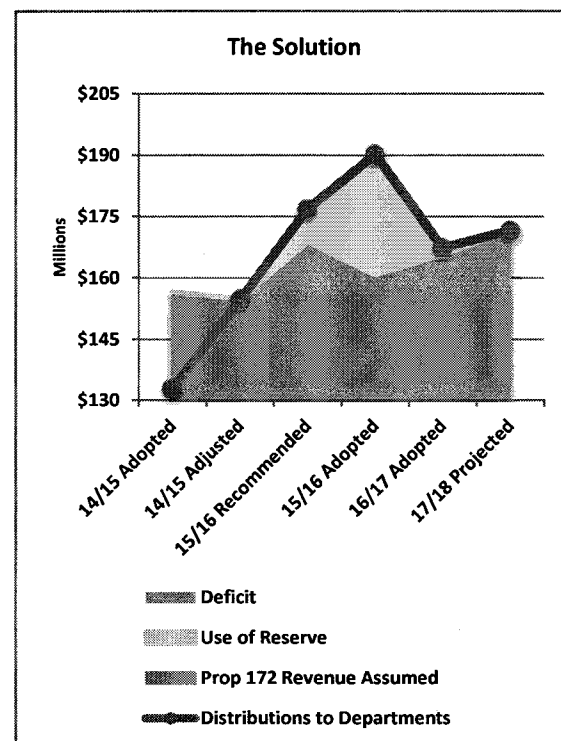
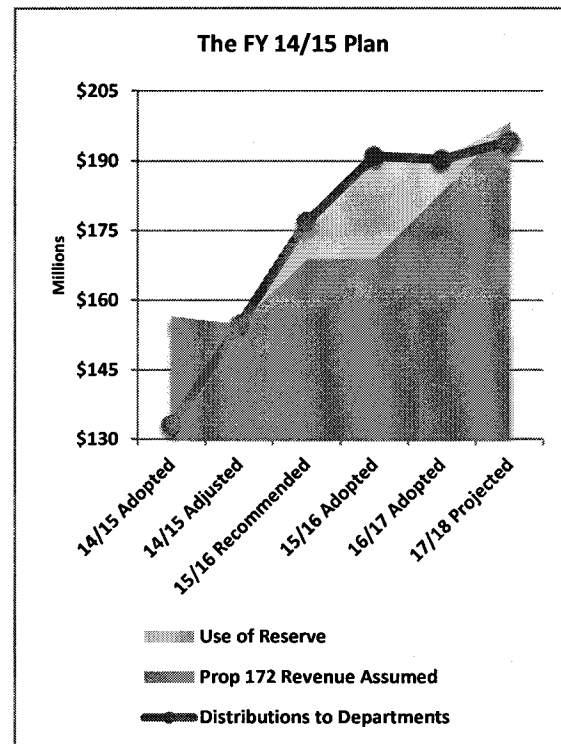


last two decades, the rate of growth in this economically sensitive revenue source has been volatile, with wide swings in growth rates during economic downturns. We recently identified a sizeable shortfall in Prop. 172 revenue that needs correction.

The FY 14/15 adopted budget assumed receipt that year of \$156.6 million in Prop. 172 public safety sales tax revenue, distribution of \$133 million of that revenue, and consistent with previous Board policy decisions, reserving the \$23.6 million difference toward opening of the East County Detention Center. However, toward the end of that fiscal year, the Board chose to address spending concerns of certain public safety departments by increasing the distribution to departments by \$21.8 million to equal the \$154.8 million in revised estimated revenue anticipated that year. (In FY 14/15, \$154.6 million was actually received.) For FY 15/16, the Board adopted a budget that further increased the distribution to public safety departments by \$35.5 million to a total of \$190.3 million, using an assumed \$168.8 million in projected ongoing annual revenue and \$22.2 million from the accumulated Prop. 172 reserve.

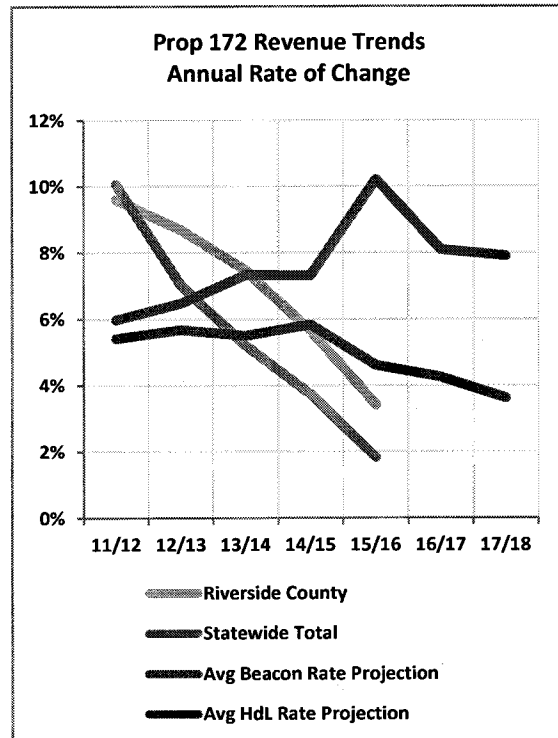
This original plan, begun in FY 14/15, assumed the annual growth rate in Prop. 172 revenue would rise from 6 percent in FY 14/15 to 7 percent in FY 16/17, and then to 7.5 percent in FY 17/18, based on projections from Beacon Economics. Based on Beacon's projected acceleration in the growth rate, which at that time they anticipated would only begin to slow to 5 percent in FY 18/19, the Executive Office projected ongoing annual Prop. 172 revenue would rise to fully meet the \$190.3 million distribution by FY 17/18, at which point the Prop. 172 reserve would be almost entirely exhausted.

For FY 15/16, the budget assumed \$168.8 million in Prop. 172 revenue. During FY 15/16, the State Auditor released audit findings indicating the Board of Equalization (BOE) had for a period of years over allocated Prop. 172 and both sets of realignment



revenues to counties. As a result, mid-way through the fiscal year, the BOE announced it had suspended quarterly true-up reconciliations, causing a reduction in the revenues flowing to counties. At that time, the BOE anticipated suspending “true-up” payments until it could resolve the calculation issues, which it does not expect could occur until it implements a new computer system within the next few years. While the BOE backed off that approach under pressure from counties and has resumed true-up payments, the receipts for FY 15/16 were depressed because of the BOE’s action. As it turned out, the total reduction in revenue was \$8 million. Since the BOE remained silent on quantifying this issue, it was difficult to ascertain what portion of the FY 15/16 revenue potentially attributable to the true-ups was being withheld. This masked a deeper current undercutting those revenue streams: a declining trend in taxable sales that is causing Prop. 172 revenue to grow more slowly than anticipated.

When HdL, the county’s sales tax consultant, apprised the Executive Office of the developments with the BOE midyear last year, the Executive Office began watching the Prop. 172 revenue stream carefully, aware the BOE’s actions might cause a more rapid draw down on the Prop. 172 reserve and potentially requiring modest short-term backfill of the amounts distributed to departments in FY 16/17. However, during their recent October briefing, HdL indicated it was not only the BOE’s withholding of the true-ups that had depressed Prop. 172 revenue in FY 15/16, but also a notable slowing in the growth rate in taxable sales, attributable in significant part to ongoing declines in fuel prices. As a result, HdL has revised their growth projections for FY 16/17 and FY 17/18 to levels roughly half what was originally assumed when distribution of Prop. 172 resources was raised to \$190.3 million. The Executive Office has analyzed these trends, comparing HdL’s forecasts to those previously provided by Beacon. HdL’s forecasts currently align more closely with the actual sales tax trends than Beacon, which will be discussed in further detail below.



Based on the trend in last year’s actual taxable sales and HdL’s current projections, it appears probable Prop. 172 revenue will be closer to \$165.6 million this year rather than the \$183.4 million originally anticipated. In addition, due to the greater draw down of the reserve last year, the county began this year with only \$1.8 million in the reserve rather than the \$6.9 million originally expected. The combined effects result in a \$22 million deficit in the Prop. 172 resources available to fund the distribution level previously approved. Consequently, it is therefore prudent and necessary to take immediate remedial action at this time to reduce departments’ Prop. 172 revenue estimates to bring them in line with the current projections.

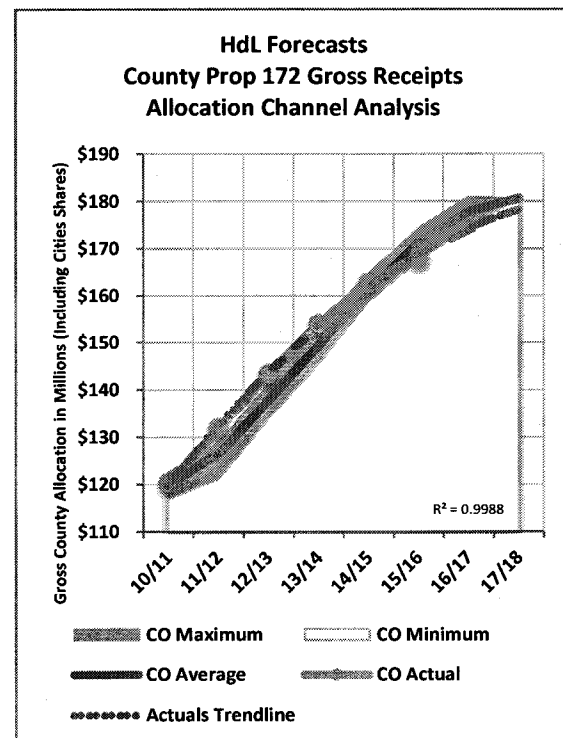
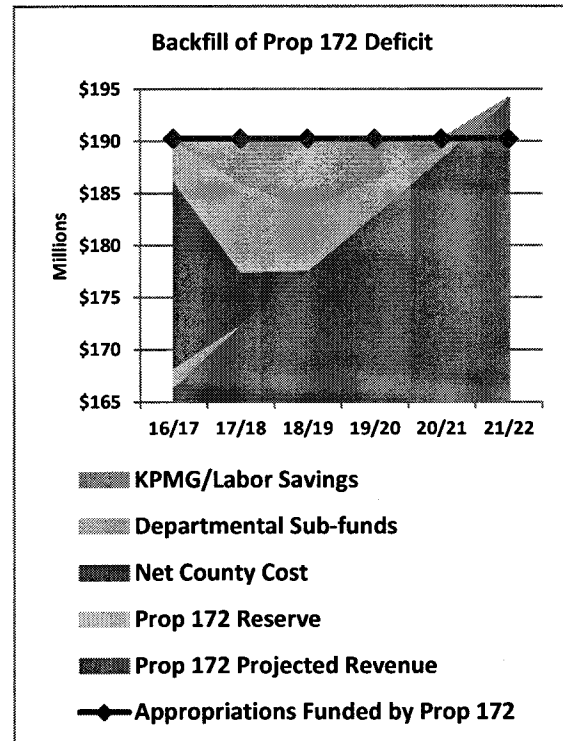
Proposed Prop. 172 Solutions

We have a multi-pronged approach designed to fund FY 16/17 appropriations at current levels. The Executive Office recommends backfilling this deficit with \$18 million in net county cost in FY 16/17, offset primarily by one-time rearrangement of certain assets and cost savings from a recent bond financing; and \$5 million in FY 17/18 from additional growth in discretionary revenue. In FY 16/17, the \$3.9 million balance will need to be absorbed by departmental resources, and in FY 17/18 by a \$13.6 million combination of departmental resources and cost savings arising from new labor agreements and the KPMG review. By FY 21/22, the Executive Office projects growth in Prop. 172 revenue will be sufficient to eliminate this deficit altogether.

The Executive Office has given careful consideration to these projections, and reviewed both the Beacon and HdL past forecasts in detail. This analysis examined both the original Beacon forecasts on which the original plan was based, and compared how closely HdL's forecasts have tracked with actual outcomes.

In comparing both firms' forecasts to actuals, it is HdL's forecasts which are at this time more closely aligned with recent actuals. The channel analysis for HdL's projection of gross allocations to Riverside County, of which the County of Riverside receives 95 percent, indicates their forecasts are tracking closely with the forward trend line of actuals. The Executive Office is therefore confident adjusting assumptions to HdL's current forecast is prudent.

At this time, the Executive Office recommends \$22 million in cuts to the budgeted distribution of Prop. 172 revenue, spread on a pro-rata basis to the District Attorney's, Sheriff's, and Probation Department's budget units



in proportion to their FY 16/17 budgeted Prop. 172 distributions. The Executive Office recommends excluding Fire from these reductions and maintaining their Prop. 172 distribution at their present level, as the department has no reserves upon which it can draw and is not presently the focus of KPMG's cost saving recommendations. This will reset the total Prop. 172 distribution to \$167.4 million, in line with the revised revenue estimate of \$165.6 million plus use of the remaining \$1.8 million in reserve. To ensure the actual revenue received is maximized, the Executive Office recommends the Board approve using the adjusted ratios for the monthly revenue distributions until the \$190.3 million cap in total annual revenue Prop. 172 revenue is achieved. Going forward, annual revenue estimates will be revised and adjusted proportionately until the total received reaches \$190.3 million. Based on current growth assumptions, the Executive Office currently anticipates this will not occur until FY 21/22.

It must be emphasized that the \$18 million in FY 16/17 adjustments in net county cost support related to this issue, and the projected lesser amounts moving forward, are only temporary measures that will phase out entirely by FY 17/18. It must also be noted the departmental cost savings assumed to close this gap beginning in FY 17/18 will require reductions in departmental appropriations to meet ongoing net cost allocations.

Finally, it is important to note with caution these forward projections could be subject to further downward adjustment when the Board of Equalization is finally able to revise and correct its allocation models. Along with other counties, the Executive Office is working closely with HdL and the California State Association of Counties to advocate strenuously against any remedies entailing an attempted claw back of this and the realignment revenues over-allocated by the state in past years. Furthermore, we will continue to press the state to quantify any corrections in future revenue allocations as early as possible so these may be factored into our own projections and long-range planning.

Recommendation 1: That the Board of Supervisors 1) approve the revised FY 16/17 Prop. 172 allocation schedule contained in Attachment F; and, 2) approve and direct the Auditor-Controller to use the revised FY 16/17 allocation ratios to distribute monthly Prop. 172 receipts to departments until the annual total received equals \$190,253,261.

Recommendation 2: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing estimated Prop. 172 revenue distributed to the District Attorney, Sheriff, and Probation departments by \$21,978,082, releasing \$3,977,814 in committed fund balance from booking fees to unassigned fund balance, and decreasing appropriations for Contingency by \$18,000,269, and as follows:

Decrease estimated revenue:

10000-2200100000-755120	CA public safety sales tax	\$3,969,731
10000-2500200000-755120	CA public safety sales tax	1,913,455
10000-2500300000-755120	CA public safety sales tax	6,231,515
10000-2500400000-755120	CA public safety sales tax	6,574,362
10000-2501000000-755120	CA public safety sales tax	460,805
10000-2600100000-755120	CA public safety sales tax	1,106,824
10000-2600200000-755120	CA public safety sales tax	1,721,390
	Total	21,978,082

Release committed fund balance:

11085-2500400000-330132	Committed fund balance for booking fee recovery	3,977,813
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Decrease appropriations:

10000-1109000000-581000	Appropriations for contingency	18,000,269
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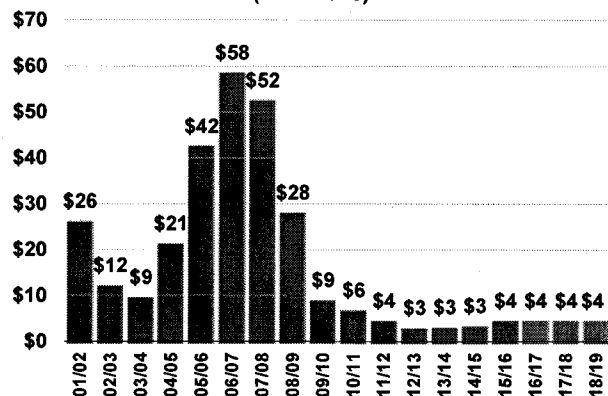
Interest Earnings

The Treasurer's estimate for FY 16/17 county general fund interest earnings include several factors such as: general fund balances in the Treasurer's Pooled Investment Fund, current level of interest rates and U.S. Federal Reserve monetary policy.

At the conclusion of their September 21 meeting, the FOMC stated, "The Committee judges that the case for an increase in the Federal Funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives." The most widely watched economic indicators that can alter FED activity include inflation expectations & payroll data. Financial market reaction to the changing global economic outlook as well as geopolitical events can also contribute to the FED's decision in changing policy direction and tone. At this juncture, Federal Funds remain at 50 basis points.

FED watchers see December 14 as a greater probability for additional 25 basis points added to the Fed Funds rate. Should this occur, the department will likely increase earnings estimates should the FOMC take further action although it will be nominally additive to the General Fund for the remainder of the fiscal year due to the weighted average maturity profile of the investment fund.

General Fund Interest Earnings
(in millions)



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 16/17 adopted budget appropriated \$20 million for contingency or 2.6 percent of ongoing discretionary revenue. This report contains a net decrease of \$457,837 at this time, taking the contingency level to \$19.3 million, as summarized in the table below.

Use of General Fund Appropriations for Contingency				
	Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Beginning Balance:				\$ 20,000,000
Adjustments to date:				
08/23/16 ACO cash overages & shortages	108		(108)	
08/23/16 Probation consultant agreement	196,458		(196,458)	
	196,566	-	(196,566)	19,803,434
Actions recommended in this report:				
12/06/16 Prop. 172 backfill	18,000,269		(18,000,269)	
Community Choice Aggregator	200,000		(200,000)	
Salton Sea restoration engineering	50,000		(50,000)	
Reduced Tax Losses Reserve		3,000,000	3,000,000	
Tax and Revenue Anticipation Notes	1,475,748		(1,475,748)	
Return from Capital Improvement Fund		13,353,721	13,353,721	
Savings from debt refinancing	(3,233,000)		3,233,000	
Probation staffing increase	318,541		(318,541)	
	16,811,558	16,353,721	(457,837)	
Total adjustments to Contingency =	17,008,124	16,353,721	(654,403)	
				19,345,597

Contingency balance upon approval of this report = **19,345,597**

GENERAL GOVERNMENT

Executive Office

Legislative and Administrative Support

On July 11, 2016, the Board directed the Executive Office to put forth requests for proposals for the task of submitting an application to the California Public Utilities Commission in order for the county to become a Community Choice Aggregator (CCA) as described in AB117. The goal of creating a CCA is to lower utility rates for constituents. An amount of \$200,000 is requested from Contingency to hire the consultants necessary for the application process. All such costs of formation of the CCA will be recovered through an administration charge to the CCA once operational. If the CCA is not formed or is never operational, these formation costs may not be recovered.

The county has been a member of the Salton Sea Authority, a joint powers authority, since its creation in 1994. The purpose of the Authority is to advocate for and manage a process to restore and/or remediate the Sea. The Board is represented on the Authority by two members, currently Supervisors Benoit and Ashley. State and federal agencies are currently working with the Authority to begin the process of restoration. There are numerous funding options for construction and maintenance of the project. One funding mechanism is the creation of an Enhanced Infrastructure Finance District by the County. The cost for preparing an engineering and economic report, as well as legal services, is \$50,000.

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing contingency and increasing appropriations for legislative and litigation support by \$250,000 as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$250,000
Increase appropriations:		
10000-1102900000-525440	Professional services	250,000

Executive Office Sub-fund Operations

As noted above in this report, based on present analysis of projected reserve obligations of the Teeter Tax Losses Reserve Fund, the Executive Office estimates the current reserve requirement balance is in excess of \$3 million, allowing an increase in estimated revenue from the Tax Losses Reserve Fund.

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues for Executive Office Sub-fund Operations and appropriations for Contingency by \$3,000,000, as follows:*

Increase estimated revenue:		
10000-1103800000-733030	Teeter overflow	\$3,000,000

Increase appropriations		
10000-1109000000-581000	Appropriations for contingency	3,000,000

On April 5, 2016 (Item 3-03), the Board approved Board Policy B-32 which established a process for the deposit of proceeds from disposition of real property. The policy states that proceeds from the sale of county-owned property shall be deposited into a sub-fund of the county general fund. The funds are to be used for expenses related to the sale or purchase of real property. A budget adjustment is needed to increase the estimated revenue to reflect amounts received to date and cover costs incurred through the first quarter.

Recommendation 5: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue, committed fund balance and appropriations for the Executive Office Sub-fund Operations budget, as follows:*

Increase estimated revenue:		
10000-1103800000-790020	Sale of real estate	\$1,602,042

Increase appropriations:		
10000-1103800000-525440	Professional services	385,096

Increase committed fund balance:		
11138-1103800000-330100	Committed fund balance	1,216,946

On May 13, 2003, the Board of Supervisors approved and executed an Agreement regarding restoration, leasing, and maintenance of the Vail Ranch historic site. The county is to pay \$3.2 million plus accrued interest in sublease payments to the developer from sales and use tax previously collected from the adjacent retail development site. All required restoration improvements have been completed, and the county has accepted dedication of the four acre historic site. A majority of the required sublease payment was budgeted in the FY 16/17 budget; however, a minor budget adjustment is now needed to reconcile the full amount of interest accrued through the end of the first quarter. Any interest accrued thereafter will be transferred to the general fund.

Recommendation 6: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue, appropriations, and decreasing restricted money for the Executive Office Sub-fund Operations budget by \$23,461, as follows:*

Increase estimated revenue:		
10000-1103800000-740020	Interest – invested funds	\$7,000

Use of restricted money:		
11103-1103800000-321164	Restricted for STSA escrow	16,461

Increase appropriations:		
10000-1103800000-526700	Rent – lease buildings	16,461
10000-1103800000-523350	Administrative expense	7,000
	Total	23,461

10000-1102900000-525020	Legal expense	7,000
10000-1102900000-572800	Intrafund expense – miscellaneous	<u>(7,000)</u>
	Total	0

Tax and Revenue Anticipation Notes (TRAN)

On May 17, 2016, (Item 3-5) the Board of Supervisors approved the issuance of the Tax and Revenue Anticipation Notes to provide needed cash to cover the projected cash flow deficits of the county general fund during the fiscal year. At the time of the financing, the notes were issued in a higher amount than was budgeted. The amount budgeted for the premium and the interest on the notes in the current fiscal year was for the same amount as last fiscal year. At this time, a budget adjustment is needed to increase the estimated revenue and appropriations for a higher premium and interest on the notes.

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$5,552,444 and estimated revenue by \$4,076,696 for Interest on TRANs, and decrease appropriations for contingency by \$1,475,748, as follows:

Increase estimated revenue:		
10000-1102100000-781290	Miscellaneous revenue - retirement discount	\$ 69,789
10000-1102100000-791020	Premium on bonds issued	<u>4,006,907</u>
	Total	4,076,696
Increase appropriations:		
10000-1102100000-525440	Professional services	26,888
10000-1102100000-532160	Issuance costs	40,000
10000-1102100000-534000	Interest notes – warrants	<u>5,485,556</u>
	Total	5,552,444
Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	1,475,748

Capital Improvement Program (CIP)

In reassessing various project financing sources, the Executive Office determined a reserve for the East County Detention Center financing can be restructured to release \$10 million in project funds. The \$10 million in reserves will be replaced with an equal credit facility, allowed by the bond indenture. In addition, the County Tobacco Securitization fund holds project funding for \$3.3 million that is not currently allocated to a project. However, since the use of these resources is restricted, the Executive Office recommends transferring these respective amounts to the capital improvement program for appropriate use. This allows for return of \$13.3 million from the capital improvement program to the general fund.

Recommendation 8: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue Capital Improvement Program and Contingency by \$13,353,721, as follows:

Increase estimated revenue:		
30700-1104200000-790600	Contribution from other county funds	\$ 3,353,721
30700-1104200000-791010	Capital construction bonds	<u>10,000,000</u>
	Total	13,353,721
Increase appropriations:		
30700-1104200000-551100	Contribution to other funds	13,353,721
Increase estimated revenue:		
10000-1101000000-790600	Contribution from other county funds	13,353,721
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	13,353,721

County Tobacco Securitization

In FY 09/10, \$32.6 million was transferred from the general fund to a sub-fund of the County Tobacco Securitization fund to pay for board approved capital projects. All projects have been completed. A remaining balance of \$3.3 million can be transferred to the Capital Improvement fund to release general funds that are currently being utilized there. A portion of the balance was budgeted in the Recommended Budget, yet to transfer the remaining balance a budget adjustment is needed to increase appropriations by the amount of interest that has accrued.

Recommendation 9: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for the County Tobacco Securitization fund as follows:

Increase appropriations:		
30120-1105100000-551100	Contributions to other county funds	\$780,514
Use of assigned fund balance:		
30121-1105100000-350203	AFB for capital projects sub-funds	780,514

Contributions to Other Funds

The adopted budget authorized contributions to other funds and agencies totaling \$53.8 million to support ongoing and one-time needs. The largest contribution of \$29.3 million to Capital Finance Administration is for debt service for various county facilities. Due to favorable market conditions, the October refinancing of the Riverside County/Palm Desert Joint Powers Authority bonds will result in additional net savings on debt service costs of \$3.2 million more than originally anticipated and budgeted for FY 16/17. To recognize this savings, adjustments are recommended at this time reducing the contribution toward debt service.

Recommendation 10: That the Board approve and direct the Auditor-Controller to make budget adjustments to appropriations for Contributions to Other Funds and Contingency by a net amount of \$3,233,000, as follows:

Decrease appropriations:		
10000-1101000000-551100	Contributions to other funds	\$3,233,000

Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	3,233,000

Wine Country Infrastructure Fund

On September 9, 2014 (Item 3-6), the Board approved a motion that allocated twenty-five percent of sales tax generated in the Wine Country for a period of 30 years for the purpose of building infrastructure, including roundabouts, critical network roads, sewer and the signage program per the approved Wine Country Plan. Signage has been put in place to channel customers to the many varied wineries to promote tourism. The Transportation Department covers the initial cost and is then reimbursed. A budget adjustment is needed to repay costs already incurred and additional costs anticipated through the end of this fiscal year.

Recommendation 11: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and fund balance for the Wine Country Infrastructure fund and Transportation Department by \$55,000, as follows:*

Increase appropriations:		
30370-1100100000-536780	Interfund expense – capital projects	\$55,000
Use of committed fund balance:		
30370-1100100000-330109	Committed fund balance – capital projects	55,000
Increase estimated revenues:		
20000-3130500000-790600	Contribution from other funds	55,000
Increase restricted fund balance:		
20000-3130500000-321101	Restricted program money	55,000

County Counsel

On September 13, 2016, (Item 3-33), the Board of Supervisors authorized the addition of one full-time equivalent (FTE) Paralegal II – CN position dedicated to providing services for Riverside University Health System (RUHS). A budget adjustment was not included with the item; therefore, the department requests a budget adjustment in the amount of \$96,847. The department has an agreement with RUHS for reimbursement. RUHS is already funding an FTE Deputy County Counsel IV position and a half-time equivalent Legal Support Assistant II-C.

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for County Counsel by \$96,847, as follows:*

Increase appropriations:		
10000-1500100000-510040	Regular salaries	\$71,738
10000-1500100000-518100	Budgeted benefits	<u>25,109</u>
	Total	96,847

Increase estimated revenue:		
10000-1500100000-771430	Legal services	96,847

Treasurer-Tax Collector

At the end of the first quarter, the Treasurer Tax Collector projects to finish the year on target. Due to an increase in tax sale activities and a delay in the conversion go-live date of the new property tax system (CREST), an increase in appropriations is needed in the amount of \$200,000. Additional revenue from tax sales has been realized and it is recommended to increase estimated revenue by \$200,000 to offset the two costs.

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Treasurer-Tax Collector by \$200,000, as follows:

Increase estimated revenue:		
10000-1400100000-770080	Tax collector advance costs - tax sales	\$200,000
Increase appropriations:		
10000-1400100000-525440	Professional services	134,000
10000-1400100000-525830	Property system support	<u>66,000</u>
	Total	200,000

Human Resources (HR)

Human Resources' revenues are trending higher than budgeted due to an additional services agreement. In addition, Human Resources is experiencing additional payroll expenditures related to the increased revenues. Budget adjustments are recommended to increase revenues and the offsetting appropriations. Human Resources recently purchased a new Learning Management System (8/23/16 3.47). The department believes it can absorb the cost within allowable appropriations. However, it will watch the fund carefully and will do a budget adjustment at third quarter, if needed. Human Resources will continue to monitor this fund closely.

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for Human Resources by \$280,000, as follows:

Increase estimated revenues:		
10000-1130100000-777030	Personnel services	\$280,000
Increase appropriations:		
10000-1130100000-510040	Regular salaries	195,000
10000-1130100000-518100	Budgeted benefits	<u>85,000</u>
	Total	280,000

Economic Development Agency**County Airports**

The department requests a budget adjustment of \$86,000 for hangar painting expenses

at the Blythe Airport and an estimated increase in contractual agreements for the Jacqueline Cochran Airshow. The department requests the use of assigned fund balance for these increases.

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for program money for County Airports by \$86,000, as follows:

Increase appropriations:		
22100-1910700000-542060	Improvements – building	\$62,000
22100-1910700000-527660	Operational marketing	<u>24,000</u>
	Total	86,000
Use of assigned fund balance:		
22100-1910700000-350100	AFB for program money	86,000

Special Aviation – Chiriaco Summit Airport

Several years ago, the Federal Aviation Administration (FAA) approved land at the Desert Center airport for sale, and provided that the proceeds from the land sale were allowed to be used for future capital projects at all airports. The department requests a budget adjustment for the match requirement related to a capital improvement project for the Chiriaco Summit Airport 6-24 runway rehabilitation. A state grant funds a portion of the project, and the remainder will be funded by a transfer of proceeds from that land sale at the Desert Center airport.

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the Desert Center Airport by \$170,810, and appropriations and estimated revenues for the Chiriaco Summit Airport by \$640,810, as follows:

Increase appropriations:		
22350-1910500000-551000	Operating transfer - out	\$170,810
Use restricted fund balance:		
22350-1910500000-321101	Restricted program money	170,810
Increase appropriations:		
22350-1910400000-542040	Buildings – capital projects	640,810
Increase estimated revenues:		
22350-1910400000-751230	CA – state match	470,000
22350-1910400000-790500	Operating transfer - in	<u>170,810</u>
	Total	640,810

Community Development Block Grant (CDBG)

The department requests a budget adjustment of \$137,884 due to an internal employee transfer from the EDA Administration budget unit into the HUD Community Services Grant budget unit. Reimbursement revenues are requested after expenditures are incurred.

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Community Development Block Grant Program by \$137,884, as follows:

Increase appropriations:		
21350-1900200000-510040	Regular salaries	\$100,015
21350-1900200000-518100	Budgeted benefits	<u>37,869</u>
	Total	137,884
Increase estimated revenues:		
21350-1900200000-767200	Federal – block grants	137,884

County Fair & National Date Festival

The department requests a budget adjustment of \$162,833 to increase revenues to reflect increased parking rates for the 2017 fair, additional interim events, and to account for a one-time payment. In addition, the department requests a budget adjustment to cover additional interfund costs.

Recommendation 18: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Fair and National Date Festival by \$162,833, as follows:

Increase appropriations:		
22200-1920100000-537180	Interfund expense – salary reimbursement	\$162,833
Increase estimated revenues:		
22200-1920100000-741380	Parking	36,714
22200-1920100000-741440	Rent – fairground facilities	40,000
22200-1920100000-781360	Other miscellaneous revenue	<u>86,119</u>
	Total	162,833

PUBLIC PROTECTION

Fire

At this time, the Fire Department is on target to finish FY 16/17 within its allocated net county cost. However, the CalFire impact of the employees' bargaining agreement, which is still being negotiated between the state and its employees, is unknown. The department will continue to keep the Executive Office updated as to a final bargaining agreement.

The City of Eastvale has not paid for the Fire Protection services provided in second and third quarter of FY 14/15. This is still an outstanding receivable for the department totaling \$1,340,729. We will continue to invoice until full payment is received.

The Fire Department requests a budget adjustment in the amount of \$2,000,000. The department transfers Structural Fire Protection funds monthly from a restricted fund into the general fund to offset expenses. The department anticipates an increase in the growth of structural fire protection taxes for this fiscal year, and requests budget adjustment in order to transfer up to the full amount of the projected increase.

Recommendation 19: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Fire Department by \$2,000,000, as follows:

Increase estimated revenues:

21000-2700300000-700020	Property tax current secured	\$2,000,000
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Increase appropriations:

21000-2700300000-536900	Interfund expense - fire services	2,000,000
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Emergency Management Department

First quarter FY 16/17 expenditures for Emergency Management Department (EMD) are currently below projections. This is due to vacancies in key positions that are anticipated to be filled during the second quarter. In addition, there are several projects during this budget year that are now underway which will realign current expense projections. The department will continue to monitor ongoing revenue and expenditures to ensure budget targets are met.

Regarding operational updates, EMD is currently moving staff from the basement of the County Administration Center to the Riverwalk facility. The feasibility of relocating the Emergency Operation Center to the Riverwalk location is being evaluated to ensure full functionality as required by the state. Discussions related to the relocation are ongoing between EMD, the Executive Office, and March Air Reserve Base.

Sheriff's Department

At first quarter, the Sheriff has indicated that he is planning for and committed to a balanced budget once the structural issues he has identified are addressed. At third quarter, the Executive Office proposed adding \$25 million to the Sheriff's FY 16/17 budget, however by July 26, 2016 that amount was reduced to \$19 million, and the Sheriff indicated his deficit was \$34.4 million. The primary reasons for the shortfall are unfunded bargaining agreement raises, the Grey/Prison Law Office consent decree, and increased rates approved for internal services. During the first quarter, the department reduced the deficit to \$22 million. Savings are primarily the result of reduced hiring. The increased labor costs coupled with growth in the unincorporated population and working to stay within the approved budget has created a situation where the Sheriff is unable to field the patrol deputies the Board expects in the unincorporated areas.

The Sheriff requests \$7.2 million to support hiring 65 positions necessitated by the consent decree. Massive overtime, amounting to \$300,000 monthly, is allowing all positions to be covered; however overtime is not a viable long-term solution. Without additional funding, the Sheriff will be forced to move 65 positions from unincorporated patrol to provide specific staffing required in the jails.

The department also reports that retirements are trending higher than anticipated when the budget was prepared. Retirement payouts at first quarter are \$5.2 million more than budgeted.

The realignment of trial court funding continues to create a deficit in the cost of providing security for the Superior Court. Although the state allocated another \$200,000 for the new courtrooms in Banning, the budget remains insufficient. A transfer of \$1.4 million will be essential prior to year-end for the Sheriff to provide the legally required level of court security.

When the Board approved the addition of \$19 million for the Sheriff's FY 16/17 budget, \$11 million was allocated to the Corrections budget. The Sheriff requests appropriations now be adjusted to better meet the department's needs.

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Sheriff by \$11,398,439, as follows:*

Decrease appropriations:		
10000-2500400000-510040	Regular salaries	\$11,398,439
Increase appropriations:		
10000-2500100000-510040	Regular salaries	1,172,995
10000-2500200000-510040	Regular salaries	1,060,405
10000-2500300000-510040	Regular salaries	2,824,041
10000-2500500000-510040	Regular salaries	2,910,418
10000-2500600000-510040	Regular salaries	53,577
10000-2500700000-510040	Regular salaries	1,934,911
10000-2501000000-510040	Regular salaries	1,247,352
10000-2501100000-510040	Regular salaries	194,740
	Total	11,398,439

The Sheriff received two allocations to upgrade the bomb robots used by the Hazardous Device Team (HDT), a unit within the Patrol Division. The Urban Area Security Initiative (UASI) of the Homeland Security Grant Program effort distributes funding on a formula basis to the 100 most populous urban areas. The focus is implementing a national system of preparedness and ensuring core capabilities essential to achieving national safety and resilience. The second funding source is the result of HDT's involvement in the countywide Hazmat Operations Group, or CHOG. Along with CalFire, Environmental Health, Emergency Management, Public Health, and the cities of Riverside, Corona, and Hemet, the Sheriff's HDT focuses on enhancing response capabilities to respond to hazardous materials incidents. The Sheriff requests that the Board add the revenue and appropriations necessary to purchase the bomb robots.

Recommendation 21: *That the Board of Supervisors: 1) approve replacement of bomb robots; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Sheriff Patrol by \$123,000, as follows:*

Increase estimated revenue:		
10000-2500300000-767220	Federal - other operating grants	\$ 56,000
10000-2500300000-572800	Intrafund - miscellaneous	67,000
	Total	123,000

Increase appropriations:

10000-2500300000-546160	Equipment - Other	123,000
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In the third quarter of FY 15/16, the Sheriff worked with Human Resources to identify the initial positions needed to meet the consent decree. The Sheriff requests the addition of 17 Correctional Deputy II positions, one Correctional Sergeant, and one Senior Administrative Analyst to implement Phase II of the staffing plan. The Sheriff also reports that the Realignment of Public Safety along with the provisions of Prop. 47 continue to adversely impact custodial operations and an additional ten Correctional Deputies are requested to ensure adequate jail staffing.

A fundamental underpinning of the current budget and the multi-year plan is to keep costs as flat as possible. At this time, the Executive Office has not identified additional resources available to meet the requested expenditures of the Sheriff's Department especially in light of the reduction of available Prop. 172 revenue. Further collaboration is needed to develop a sustainable financing plan. The Executive Office plans on addressing in the midyear report the demands on the Sheriff posed by the consent decree.

Office of District Attorney (ODA)

As of the first quarter, the District Attorney is projecting a deficit of \$5.1 million dollars. This estimate is based on most likely favorable assumptions; however, unforeseen contingencies could impact the department's final position.

The improvement over initial estimates is primarily a result of the District Attorney's austerity plan, which includes restricted training, travel, mileage reimbursement, overtime, and call out pay, buy-downs, and reduced non-mandated public safety services. The District Attorney has captured significant salary savings through attrition, reductions in overtime and standby pay, and by holding staffing levels funded with discretionary resources constant to the extent possible and using salaried personnel to absorb additional workload and supervisory responsibility. Other department-wide efficiencies and cost saving efforts have also been implemented in an effort to meet budgetary constraints. The District Attorney continues to meet with the Executive Office to explore solutions that will assist in closing the deficit further by fiscal year end.

Recommendation 22: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for the District Attorney by \$233,000, as follows:

Decrease estimated revenue:

10000-2200100000 767450	Federal – office traffic safety grants	\$233,000
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Decrease appropriations:

10000-2200100000 510040	Regular salaries	168,000
10000-2200100000 513000	Retirement - miscellaneous	<u>65,000</u>
	Total	233,000

Department of Child Support Services

The department receives no county funds and at the beginning of the fiscal year made changes to ensure that it could absorb salary and benefit increases as well as increases in internal service fund costs without requesting any general fund support. Additionally, the department eliminated vacant positions, reorganized, outsourced the call center to Ventura County, and has strictly limited service and supply spending.

Court Facilities

For the past three years, the Court Facilities budget has required additional support at third quarter; this year the need will be evident at midyear since the approved budget is 53 percent expended. Custodial and maintenance costs for the Historic Courthouse and the law libraries average \$32,200 per month. The juror trolley charges have increased \$300 per month to \$16,050. Although the base quarterly amounts paid to the state of California as part of the transfer of facilities remain unchanged since 1998, all other operational costs have increased. All of the payments made are required as part of the Court Transfer agreement and there is no mechanism to reduce the impact of internal service fund increases.

Probation Department

The department projects that overall revenue and expenditures will be as anticipated in the adopted budget. During the first quarter the only recruitment and hiring was to fill vacant grant-funded positions for the opening of the Alan M. Crogan Youth Treatment and Education Center in early 2017. Eighty general fund positions across the department remain unfilled due to a lack of funding. Probation will continue to monitor vacant positions to ensure that the department has the necessary staffing to meet state mandates and to maintain service levels throughout the department.

As a cost management strategy, the services and supplies budget includes only the essential materials and services needed to support core functions. Capital projects at the aging Riverside and Indio juvenile facilities are a constant challenge since no funds have been set aside for emergency high priority improvements that impact the safety and security of youth and staff. Ongoing issues such as camera repairs, air handler replacements and plumbing issues could adversely impact the Institutions budget so for this reason the department remains in contact with the Executive Office about potential concerns.

California Forward Justice System Change Initiative (J-SCI) Team

Riverside County has been working with the California Forward J-SCI team for nearly three years. An Executive Committee (ESC) was created and is chaired by Chief Probation Officer Mark Hake. ECS members include the Sheriff's Department, District Attorney's Office, Law Office of the Public Defender, Probation, Riverside University Health System, and the Executive Office.

On March 2, 2016 (item 16-2), the Board accepted a report of the significant progress that has been made in Riverside County through the partnership with California Forward

and approved in concept eight recommendations contained in the Jail Utilization study that will help the county address challenges in the criminal justice system. The Board further directed the Executive Office to work with the impacted departments to develop strategies for implementation, including progress reports to the Board every six months.

At the August 23, 2016, meeting (Item 3-78), the Board approved continuing the partnership with California Forward and agreeing to the next stage of the project which is designed to mature the organizational structure, provide additional analytic capacity, and enhance management decision making through use of data to ensure continuous improvement of the culture in Riverside County. To accomplish this end, in addition to the consultation and support of California Forward, the ESC will need dedicated permanent staff to support the work of the committee as well as to work with agencies responsible for elements of the system-wide effort. Three dedicated positions will support J-SCI recommendations by reporting to the ESC, providing support and assistance with work groups and working with line departments to implement actions.

The California Forward dedicated staff will be funded through the Local Innovation Subaccount. The Local Innovation Subaccount is funded with 10 percent of existing realignment-related growth special accounts beginning with growth attributed to FY 2015-16 revenues. The Local Innovation Subaccount was established to promote local innovation and county-decision making with respect to specified law enforcement activities realigned in 2011 (Government Code §300029.07). Each county board of supervisors determines expenditures priorities for the Local Innovation Subaccount.

Recommendation 23: That the Board of Supervisors 1) approve amending Ordinance 440 to add one (1) Deputy Director for Administration, one (1) Research Specialist II, and one (1) Business Process Analyst II position; and 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Probation Department by \$318,541, as follows:

Increase estimated revenue:		
10000-2600700000-755900	CA – AB118 Local revenue	\$318,541
Increase appropriations		
10000-2600700000-510040	Regular salaries	176,690
10000-2600700000-518100	Budgeted benefits	<u>141,851</u>
	Total	318,541

Edward Byrne Memorial Justice Assistance Grant (JAG)

On September 27, 2016 (item 3-8), the Board approved accepting the Edward Byrne Memorial JAG Program FY 2016 award from the U.S. Department of Justice. The Board authorized the Sheriff to act as the fiscal agent for the County of Riverside and cities within the county. The Probation Department's allocation of \$13,637 will be used to partially fund a Supervising Probation Officer (SPO) assigned to the Institutions Projects Division. The SPO is critical to the continuing development, implementation, and review of the department's internal systems to ensure accurate data collection, monitor treatment programs, and ensure adherence to national standards.

Recommendation 24: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue and appropriations for the Probation Department by \$13,637 as follows:

Increase estimated revenue:		
10000-2600100000-755680	CA - other operating grants	\$13,637
Increase appropriations:		
10000-2600100000-510040	Regular salaries	13,637

SB163 Wraparound Services Program

Probation works collaboratively with the Riverside University Health System Department of Behavioral Health (RUHS-BH) to provide individualized services for children and families enrolled in SB163 Wraparound Services Programs. The Wraparound Program delivers intensive mental health treatment to children at risk of group home placement. Per the terms of the agreement, RUHS-BH will reimburse Probation for three additional positions assigned to the Wraparound teams. The three requested positions include two (2) Deputy Probation Officers, and one Supervising Probation Officer who will supervise the ten probation officers dedicated to the program. The three additional positions will be funded from the grant.

Recommendation 25: That the Board of Supervisors 1) approve amending Ordinance 440 to add two (2) Deputy Probation Officer II positions and one (1) Supervising Probation Officer position, and 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Probation Department by \$332,178 as follows:

Increase estimated revenue:		
10000-2600200000-755680	CA - other operating grants	\$332,178
Increase appropriations:		
10000-2600200000-510040	Regular salaries	176,371
10000-2600200000-518100	Budgeted benefits	155,807
	Total	332,178

Court Placement

The Court Placement budget unit supports out-of-home care for minors who are wards of the Juvenile Court, funds all psychological services ordered by the Juvenile Court and pays for minors sent to the California Department of Corrections and Rehabilitation Division of Juvenile Justice under the Welfare and Institutions Code §601-827.e.

Following are updates on potential issues that may adversely impact the Court Placement budget this fiscal year or in subsequent years.

1. Division of Juvenile Justice (DJJ): As noted above Probation is responsible for the support and care of youths housed at the DJJ. DJJ provides education and treatment to youthful offenders (up to age 25) who have the most serious criminal backgrounds and most intense treatment needs. In 2012, SB1021 amended the rate for

each committed youth to \$24,000 per year. For Riverside County, the annual cost in FY 13/14 was \$257,974. It increased by 234 percent to \$860,570 in FY 15/16. Only Los Angeles County has more juveniles housed at DJJ. The department is reevaluating processes and exploring ways to reduce the number of committed juveniles since even a slight increase in committed youth will adversely impact the budget.

2. **Group Home Payments:** Pursuant to §727 of the Welfare and Institutions Code Probation is responsible for the care, custody and control of minors placed by the Juvenile Court under their supervision. Probation has the legal authority to place a child into foster care and apply for benefits on the child's behalf. Since FY 09/10, Probation has been in an agreement with the Department of Public Social Services (DPSS) to claim federal and/or state Aid to Families with Dependent Children—Foster Care for costs of care for foster children supervised by Probation. This is the only foster care funding source available to DPSS to support the cost of foster care placement. Probation is responsible for payment of all placement costs for youth not eligible for assistance as well as the cost difference between the gross foster care rate eligibility payment and the net amount due. In the past three years, Probation has been able to place youth in group homes charging rates within the Group Home Rate Classification Levels (RCL) as defined by the California Department of Social Services. The approved budget for Probation was adequate. During the first quarter, Probation was ordered by the Court to place a youth who required the highest level of care and services provided. The only facility able to meet the requirements is located in the State of Florida. The cost of the facility exceeds the RCL 14 (highest level) rate therefore the difference in cost is the responsibility of the general fund. Based on the current treatment plan of the youth the department estimates that the youth will be in the placement facility for approximately 18 months. Probation's portion of the payment is \$8,017 per month or \$144,306 over the placement period. Although the department included a contingency budget of \$10,000 for group home placement, that amount has been expended. The department will continue to monitor the situation and update the Board at midyear.
3. **Continuum of Care Reform (CCR):** Probation is preparing for the implementation and anticipated workload changes associated with the Continuum of Care Reform (CCR). CCR is designed with the understanding that children who must live apart from their biological or adoptive parents do best when they are cared for in committed nurturing family homes. Recent statutes are tailored toward the goal of maintaining a stable, permanent family and reliance on congregate care should be limited to short-term, therapeutic interventions. Short-term Residential Therapeutic Programs will phase out traditional group homes as foster care placements and will provide short-term, high quality, intensive intervention. Effective January 1, 2017, group homes must either transition to this model or request an extension from the California Department of Social Services.

Law Office of the Public Defender

During budget hearings, the Public Defender requested an additional \$2.1 million from the general fund to balance the FY 16/17 budget. The Board provided \$800,000. At the

end of first quarter, the department anticipates a year-end shortfall of \$1.7 million due to increased internal service fund charges, salary and benefit increases, rent payments for the building in Indio, the loss of \$179,000 in state AB109 funding and a \$100,000 claim paid to a former employee. Although the Public Defender is not requesting additional support at this time, and is working with the Executive Office to manage costs, it is imperative to recognize that the department has no sub-funds from which money can be transferred. Additionally, the department has no grant funding, nor does it receive any money from Prop. 172.

Department of Animal Services

The department reports an anticipated shortfall in contract city revenue of approximately \$1 million, compared with FY 14/15 receipts. The revenue decline is attributed to a decline in impounds, resulting from successful initiatives implemented by the department. Should this trend continue, Animal Services reports they will be forced to slow or delay hiring, which could lead to less than optimal outcomes. The department proposes shifting away from impound-based charges in favor of cost recovery through a shared-cost model. The Executive Office supports Animal Services' efforts to find a more sustainable model. The Executive Office will monitor these issues and update the Board in the midyear budget report.

Animal Services reports two-thirds of service vehicles have exceeded the standard vehicle life cycle of 100,000 miles, with 50 percent exceeding 150,000 miles. In addition, many of these vehicles are in need of repairs. The department was granted funding for five replacement vehicles in the FY 15/16 budget; however, because of delays inherent in the vehicle purchase process, those vehicles have yet to be received. Animal Services is concerned that failing to purchase additional vehicles this fiscal year will create a significant hardship for them in subsequent years. The department states that it will work with the Executive Office for assistance in resolving the issue.

Animal Services is also reporting that it experienced difficulties with three x-ray machines, one for each animal services clinic, as required, but used donations to replace two of three machines. The department anticipates requesting a budget adjustment in the midyear budget report to request use of additional donations for replacement of the third x-ray machine.

PUBLIC WAYS AND FACILITIES

Transportation Land Management Agency (TLMA)

The Transportation Department requests a budget adjustment in their Developer Agreement Fund in the amount of \$358,214. The department anticipated full utilization and the closeout of the existing Developer Agreement Funds in FY 15/16; however, the projects that were programmed to receive this funding came in under budget leaving an unforeseen balance to be utilized in FY 16/17. Upon the Board's approval, the remaining fund balance of \$358,214 will be programmed for the current fiscal year for Mapes Road, Rancho California Road and Temescal Canyon Widening projects. The department anticipates full draw down this fiscal year.

Recommendation 26: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for Developer Agreements by \$357,185, as follows:

Increase appropriations:		
31680-3130500000-537280	Interfund expense - miscellaneous project expense	\$357,185
Use restricted fund balance:		
31680-3130500000-322100	Restricted for construction/capital projects	357,185

The Transportation Department requests a budget adjustment in their Menifee Road and Bridge Benefit District budget fund in the amount of \$40,000. After the FY 16/17 budget was approved by the Board of Supervisors, it was determined additional analysis is needed to develop the scope of the Leon Road and Rice Road project (B5-0409).

Recommendation 27: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for Menifee Road and Bridge District by \$40,000, as follows:

Increase appropriations:		
31600-3130500000-537220	Interfund expense - labor	\$40,000
Use assigned fund balance:		
31600-3130500000-350200	AFB for construction/capital projects	40,000

Department of Environmental Health

The Department of Environmental Health (DEH) is tasked with monitoring and control efforts against mosquito-borne diseases such as West Nile virus, Zika, St. Louis Encephalitis, Eastern Equine Encephalitis, Dengue, and Chikungunya. Ultra-low volume fogging machines, mounted in the bed of a truck, are used to apply pesticides that target adult mosquito populations during periods of increased risk to public health. Some existing equipment is reaching "end of life" and is requiring extensive repair. DEH is requesting to purchase one new fogger at \$13,495 plus tax. Sufficient funding for this purchase exists in the Vector Control budget.

Recommendation 28: That the Board of Supervisors 1) approve acquisition of one pesticide fogger; and, 2) approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Department of Environmental Health by \$14,575 as follows:

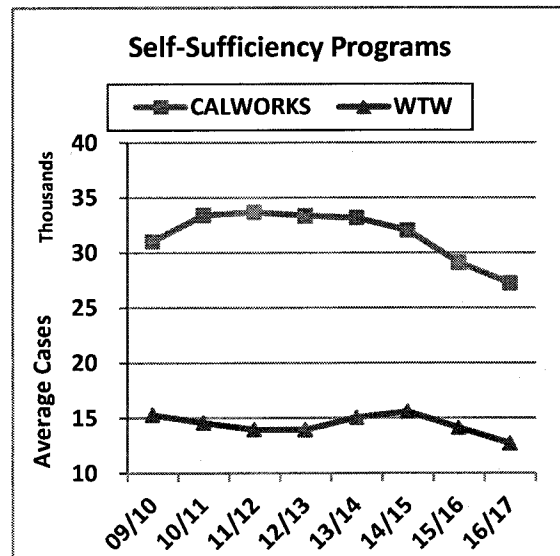
Decrease appropriations:		
10000-4200400000-520020	Pest and insect control	\$14,575
Increase appropriations:		
10000-4200400000-546160	Equipment – other	14,575

PUBLIC ASSISTANCE

Department of Public Social Services (DPSS)

The Department of Public Social Services (DPSS) reports growth in adult protective services of 35 percent through August 2016. Many of the other social services and self-sufficiency programs also showed increases, but in the following lesser percentages: in-home supportive services increased 13 percent, Medi-Cal increased 11 percent, adoptions increased 4 percent, and CalFresh increased 2 percent. The following programs experienced negative growth: welfare to work decreased 11 percent, CalWORKs decreased 10 percent, foster care decreased 5.3 percent, and child welfare services decreased 2 percent.

In recent years, the department increased staffing in the Medi-Cal program to keep pace with caseload increases associated with the Affordable Care Act. To assist with implementation, the Affordable Care Act increased federal participation of Medi-Cal Administration from 50 to 75 percent for the majority of activities. Counties operated under the assumption federal funds were opened and could be accessed to support on-going operations; however, the State Department of Health Care Services (DHCS) recently clarified that counties could not access the additional federal funding to support on-going operations. In response, the department is reducing Medi-Cal program staffing levels through attrition.



On an annual basis, DPSS receives child support recoupment revenue, used to offset the cost of assistance payments to the associated families. The Department of Child Support Services (DCSS) is responsible for collecting and processing these funds. As a result of the current economic climate, DPSS and DCSS agreed to redistribute \$500,000 of these funds to DCSS to assist with ongoing recoupment collection/processing activities. In turn, DCSS will match federal funds, in the amount of \$970,588, bringing the total to \$1,470,588. DPSS will backfill the recoupment revenue using available realignment funding. The department requests that the Board adjust the budgets of both DPSS and DCSS to recognize this agreement.

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for the Department of Public Social Services and the Department of Child Support Services by \$500,000 and \$1,470,588, respectively, as follows:

Decrease estimated revenues:

10000-5100300000-781480	Program revenue	\$500,000
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Increase estimated revenues:		
10000-5100300000-755900	CA – AB118 local revenue	500,000
Increase estimated revenues:		
10000-2300100000-761020	Federal-family support reimbursement	970,588
10000-2300100000-781360	Other miscellaneous revenue	500,000
	Total	1,470,588
Increase appropriations:		
10000-2300100000-510040	Regular salaries	500,000
10000-2300100000-525500	Salary/benefit reimbursement	970,588
	Total	1,470,588

The Children's Services Division (CSD) is preparing for anticipated workload changes associated with implementation of the Resource Family Approval (RFA) program and Continuum of Care Reform (CCR).

RFA is a family-friendly, child-centered caregiver approval process, combining elements of current foster parent licensing, relative approval, certification of families by Foster Family Agencies (FFA) and approvals for adoption into a single system. Focus is on identification, engagement, and support of an appropriate relative placement for the hardest to place children within 30 days of being taken into protective custody.

CCR phases out traditional group homes as foster care placement and instead uses group care in Short-Term Residential Therapeutic Programs (STRTP) to provide short-term high quality intensive interventions, which are just one part of the continuum of care available for children, youth, and young adults. Traditional group homes must either transition to a STRTP or receive an extension from the California Department of Social Services by January 1, 2017.

CCR maintains that children living apart from their biological parents do best in committed, nurturing family homes. AB403, Chapter 773 Statutes of 2015 and AB1997, Chapter 612 Statutes of 2016 ensures children and family services and support are tailored toward the ultimate goal of maintaining a stable, permanent family. Several components of the RFA process will be contracted to various community partners, including:

- Training – all families are required to complete a minimum of 12 hours pre-approval training. CSD and Probation will partner with local colleges and universities to provide this training.
- Psychosocial Assessments – will provide a comprehensive picture of the family by exploring the applicant's family dynamics and characteristics, including mental, physical, and emotional health. CSD and Probation will contract with existing Foster Family Agencies to complete psychosocial assessments.
- Health/TB Screening – CSD and Probation will establish MOUs with Occupational Health and Riverside University Health System-Health Clinics to meet this requirement for resource families.

On July 14, 2016, the department received a revised state general fund allocation for the Foster Parent Recruitment Retention Support program to support CCR and RFA activities. This funding is targeted for recruitment, retention, and support of parents, resource families, and relative caregivers through an enhanced recruitment initiative, hiring of new staff, and shifting existing staff responsibilities. Based on current expenditure projections, the department requests the following budget adjustment.

Recommendation 30: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for the Department of Public Social Services by \$4,100,000, as follows:*

Increase estimated revenues:

10000-5100100000-750300	CA - public assistance administration	\$2,700,000
10000-5100100000-760000	Federal - public assistance administration	<u>1,400,000</u>
	Total	4,100,000

Decrease appropriations:

10000-5100100000-510040	Regular salaries	1,000,000
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Increase appropriations:

10000-5100100000-525440	Professional services	5,100,000
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During the period FY 14/15 through FY 15/16, adult protective services' (APS) average growth rate was 16 percent (13,189 to 15,304). Based on this growth rate, the number of referrals projected through the end of FY 16/17 is 17,758. To maintain a manageable caseload of 18 new investigations per social worker per month, APS requires and was approved for an additional 16 social workers and 3 supervisors.

This proposed caseload exceeds the standard set by the National Adult Protective Services Association of 15.8 new investigations per month. In the first quarter, six APS social workers were hired. All new social workers undergo three months of in-class and on-the-job training and do not carry a full caseload until their sixth month.

During the period FY 14/15 through FY 15/16, in-home supportive services' (IHSS) average growth rate was 13 percent for IHSS intakes (14,070 to 15,831) and 12 percent for continuing cases (25,974 to 28,975). Based on these growth rates, the number of intakes and continuing IHSS cases is projected to reach 17,812 and 32,323, respectively, by the end of FY 16/17. To maintain manageable caseloads of 300 new intakes and 300 continuing cases per year, IHSS requires and was approved for an additional 15 social workers and 3 supervisors. In the first quarter, 37 new IHSS social workers were hired. All new social workers undergo three months of in-class and on-the-job training and do not carry a full caseload until their sixth month.

The Adult Services Division is expanding its partnerships with the Riverside University Health System-Medical Center by leveraging a federal Health Resources and Services Administration (HRSA) grant on geriatric workforce development with federal funding for skilled professional medical personnel. These funds will increase RUHS' capacity to provide home-based medical assessments and address the specific needs of APS and IHSS geriatric clients by funding up to six RUHS nurses. The nurses will conduct home-

based medical assessments, consultation and care coordination. This effort will sustain the HRSA-funded collaboration by establishing ongoing funding and partnerships.

Categorical Aid

The California Welfare Directors' Association, in coordination with California State Association of Counties, is scheduled to meet with the Department of Finance to seek clarification on the purpose of the extended foster care program. The program appears to mandate services to all eligible youth while only providing funding to support existing participation in the program.

The department continues to work closely with both associations to ensure counties receive the appropriate level of funding to administer the program. In the current fiscal year, 2011 Realignment will be used to cover extended foster care program expenses, but this will prevent the intended investment in child welfare services.

County-Funded Programs

The department is projecting program spending in the county-funded programs to remain within the approved budget, and no budget adjustments are requested at this time.

Homeless

The department is projecting program spending in the Homeless program to remain within the approved budget, and no budget adjustments are requested at this time.

In-Home Supportive Services – Public Authority

The department is projecting program spending in the Public Authority to remain within the approved budget, and no budget adjustments are requested at this time.

Riverside County Children and Families Commission (RCCFC)

The Children and Families Commission, in partnership with the Riverside County Office of Education (RCOE), implemented the Riverside Hybrid Alternate Payment (RHAP) program during the first quarter of FY 16/17. RHAP is a subsidized reimbursement and quality incentive program for low-income children, 0 through 5 years of age, enabling access to early learning education in quality settings. RCCFC will join RCOE's program, which has the infrastructure to support RCCFC's registration of children requiring childcare based on need and income. RHAP will serve approximately 700 RCCFC children. Currently, 453 children are enrolled and enrollment efforts will continue in this period. More than \$56 million dollars have been committed to this program over the next four years. The intent of this initiative is to expand access to quality childcare for low-income families, at the upper range of the low-income scale, and to address the number of families on the RCOE waiting list. This initiative aligns with state-funded scholarships across the county, as well as quality incentive funds used to increase quality at early learning sites. Other significant activities of the Commission include:

- Conducted recruitment of a Principal Accountant and two Contracts and Grants

Analyst positions.

- Advertised (interviews pending) for two Program Coordinator II positions to support the First 5 IMPACT (Improve and Maximize Programs so All Children Thrive) program.
- Authorized recruitment of 14 grant-funded Program Specialist II positions to support Quality Rating and Improvement System (QRIS) activities at more than 162 sites over the next four years.
- Approved third drowning prevention program for \$152,000 to support free swim lessons for children aged 0 through 5 years and their families.
- Award of California Kids Plate Grant to enable distribution of safety equipment to needy families. This includes 300 smoke alarms and 50 car seats. Through collaborative partnerships with RUHS-Public Health and the Red Cross, technicians will be available to install these items and provide families with education.

Community Action Partnership (CAP)

Community Action requests a budget adjustment regarding appropriations funded by CSBG and Weatherization grants that were encumbered during FY 15/16 year-end under CAP's Local Initiative Program budget. The budget adjustment recommended will transfer a portion of the encumbrance available from that budget unit to the administrative budget unit.

Recommendation 31: *That the Board of Supervisors approve and direct the Auditor Controller to make the budget adjustments to appropriations and restricted fund balance for Community Action Partnership by \$218,885, as follows:*

Increase Appropriations:		
21050-5200100000-523680	Office equipment non fixed assets	\$218,885
Increase restricted fund balance		
21050-5200100000-321101	Restricted program money	218,885
Decrease appropriations:		
21050-5200200000-523680	Office equipment non fixed assets	218,885
Decrease restricted fund balance		
21050-5200200000-321101	Restricted program money	218,885

Office on Aging

The Office on Aging receives federal and state funding to support the provision of services, programs and other activities for older adults and persons with disabilities countywide in accordance with Title III & Title VII of the Older Americans Act and the Older Californians Act. The services include Supportive Services and Senior Centers(IIIB), Congregate and Home Delivered Nutrition (IIIC & NSIP), Preventive Health and Medica-

tion Management (IIID), National Family Caregiver Support (IIIE), Long Term Care Ombudsman Services (VII-a), and Elder Abuse Prevention (VII-b).

The Office on Aging is strategically functioning to mitigate services level impacts by enhancing efficient operations and continues to exercise sound fiscal management. The department closely monitors all expenditures and reports that it is within FY 16/17 budget targets. The department requests a budget adjustment of \$200,000 to reflect an overstatement of estimated revenue.

Recommendation 32: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing estimated revenue and appropriations for the Office on Aging by \$200,000, as follows:

Decrease estimated revenue:		
21450-5300100000-781360	Other miscellaneous revenue	\$200,000
Decrease appropriations:		
21450-5300100000-510040	Regular salaries	120,000
21450-5300100000-518100	Budgeted benefits	80,000
	Total	<u>200,000</u>

ENTERPRISE FUNDS

Waste Management

Due to delivery timelines, the Waste Resources Department enterprise fund initiated obligations for services and supplies in FY 15/16 that will not be expensed until FY 16/17. The department requests a budget adjustment to provide the appropriations necessary to cover these obligations from the available unexpended net assets carried over from FY 15/16.

Recommendation 33: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unrestricted net assets for the Department of Waste Resources by \$2,380,228, as follows:

Increase appropriations:		
40200-4500100000-520230	Cellular phone	\$ 7,016
40200-4500100000-521400	Maintenance – Diesel equipment/trucks/buses	1,875
40200-4500100000-521640	Maintenance – Software	16,441
40200-4500100000-521740	Maintenance – Parts	16,555
40200-4500100000-524780	Departmental lab services	6,000
40200-4500100000-525320	Security guard services	8,520
40200-4500100000-525440	Professional services	78,433
40200-4500100000-527180	Operational supplies	11,634
40200-4500100000-528380	Disposal fee	23,402
40200-4500100000-546160	Equipment – other	15,004
40200-4500100000-546320	Vehicles – cars/light trucks	36,585
40200-4500100000-546360	Vehicles – heavy equipment	1,354,764
40200-4500100000-528410	Daily cover excavation services	200,221
40200-4500100000-542120	Improvements – infrastructure	<u>603,778</u>

	Total	2,380,228
Use unrestricted net assets:		
40200-4500100000-380100	Unrestricted net assets	2,380,228

INTERNAL SERVICE FUNDS**Purchasing & Fleet Services****Central Purchasing**

Purchasing is on track to remain within FY 16/17 budget targets.

Printing Services

Printing Services is on track to remain within FY 16/17 budget targets.

Supply Services

Supply Services appears on track to meet budget targets for FY 16/17. Supply Services is working on a pilot program with selected county departments. This program will allow the departments to order directly from Staples, the awarded vendor. Initial feedback is positive so the plan is to roll it out countywide by June 2017. This will affect the budget and adjustments will be made in the third quarter.

Central Mail

Central Mail Services is on track to remain within FY 16/17 budget targets. Due to increased use of electronic communication methods, estimated postage requirements are lower than projected. Central Mail would like to reduce appropriation 2 and revenue by \$500,000 to adjust postage requirements.

Recommendation 34: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for Central Mail Services by \$500,000, as follows:*

Decrease estimated revenue:		
45620-7300600000-781340	Postage	\$500,000

Decrease appropriations:		
45620-7300600000-523760	Postage – mailing	500,000

Fleet Services

Overall, Fleet Services appears to be on track to meet budget targets for FY 16/17; however, several departments are requesting vehicles that need budget adjustments.

Vehicle Requests

- Sheriff (Cash Purchase) - The Board of Supervisors authorized the Sheriff to purchase a special purpose vehicle (Bearcat) on 5/11/2016, Agenda Item 3.27.

The FY 16/17 requested budget was submitted prior to Board approval. Fleet Services needs an increase in appropriations to accommodate this purchase and, therefore, requests an increase in appropriation 4 of \$300,000 to handle a cash purchase, and an increase in appropriation 3 of \$60,000 for vehicle depreciation.

- Parks (Cash Purchase) - The Parks Department has requested one vehicle, a pickup truck. This vehicle was not included in Fleet Services FY 16/17 requested budget. Therefore, Fleet Services requests authorization to purchase one vehicle, requests an increase of \$40,000 in appropriation 4 to handle a cash purchase, and requests an increase in appropriation 3 of \$4,000 for vehicle depreciation.
- Riverside University Health System - Public Health (Finance) - Public Health has requested one vehicle, a hybrid sedan. This vehicle was not included in Fleet Services FY 16/17 requested budget. Therefore, Fleet Services requests authorization to purchase one sedan, requests an increase of \$5,900 in appropriation 3 to handle finance costs, and requests an increase in appropriation 3 of \$3,000 for vehicle amortization.
- Riverside University Health System - Public Health (Cash Purchase) - Public Health has requested three vehicles: a hybrid sedan, an SUV, and a minivan. These vehicles were not included in Fleet Services FY 16/17 requested budget. Therefore, Fleet Services requests authorization to purchase three vehicles, requests an increase of \$90,000 in appropriation 4 to handle a cash purchase, and requests an increase in appropriation 3 of \$9,000 for vehicle depreciation.
- Environmental Health (Finance) - Environmental Health has requested three hybrid sedans. These vehicles were not included in Fleet Services FY 16/17 requested budget. Therefore, Fleet Services requests authorization to purchase three sedans, requests an increase of \$15,600 in appropriation 3 to handle finance costs, and requests an increase in appropriation 3 of \$9,000 for vehicle amortization.

Non-Vehicle Requests

In the early 1990's, an underground fuel tank was removed at the Blythe location. Remediation was done at the site and Fleet Services' level of participation in the remediation is \$205,000. This charge was not known at the time Fleet Services submitted its FY 16/17 requested budget, therefore, Fleet Services requests an increase in appropriation 2 to pay remediation costs. Additional appropriations will be offset through a reduction of unrestricted net assets.

Recommendation 35: *That the Board of Supervisors: 1) authorize acquisition of one special purpose vehicle, one minivan, five hybrid sedans, one pickup truck, and one sport utility vehicle; and, 2) approve and direct the Auditor-Controller to make adjustments to appropriations, estimated revenue, and unrestricted net assets for Fleet Ser-*

vices by \$741,500, as follows:

Increase estimated revenue:		
45300-7300500000-777620	Vehicle cost recovery	\$451,500
Increase appropriations:		
45300-7300500000-522310	Maintenance – building and improvements	205,000
45300-7300500000-532600	Capital lease – purchase principal	20,000
45300-7300500000-533720	Capital lease – purchase interest	1,500
45300-7300500000-535515	Amortization – vehicles	12,000
45300-7300500000-535560	Depreciation – equipment	73,000
45300-7300500000-546320	Vehicles – cars/light trucks	<u>430,000</u>
	Total	741,500
Decrease unrestricted net assets:		
45300-7300500000-380100	Unrestricted net assets	290,000

SPECIAL DISTRICTS AND OTHER AGENCIES

County Service Areas

The department requests budget adjustments for CSA 38, CSA 134, CSA 143 Quimby, CSA 143, CSA 152 NPDES. CSA 38 requests a budget adjustment for on-going expenses for working with the water district to purchase fire hydrants. CSA 134 requests a budget adjustment for unbudgeted recreational event costs in Deleo Park. CSA 143 Quimby and CSA 143 require budget adjustments for unbudgeted capital improvement costs for a shade cover, and unbudgeted recreational costs, respectively, both for Madigan Park. CSA 152 NPDES requests a budget adjustment for salary and benefit costs that were originally budgeted in the Perris Valley Cemetery budget unit. These costs will be reimbursed by appropriate CSA funds as expenses occur.

Recommendation 36: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustment increasing appropriations and estimated revenue for CSA 38 by \$25,000, as follows:

Increase appropriations:		
23400-903801-527780	Special program expense	\$25,000
Increase estimated revenue:		
23400-903801-778280	Interfund - reimbursement for services	25,000

Recommendation 37: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 134 by \$75,000, as follows:

Increase appropriations:		
24425-913401-523270	Special events	\$50,000
24425-913401-527780	Special program expense	<u>25,000</u>
	Total	75,000

Use restricted fund balance:		
24425-913401-321101	Restricted program money	75,000

Recommendation 38: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 143 Quimby by \$250,000, as follows:

Increase appropriations:		
31550-914301-525440	Professional services	\$250,000

Use of restricted fund balance:		
31550-914301-322100	Restricted for construction/capital projects	250,000

Recommendation 39: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 143 by \$75,000, as follows:

Increase appropriations:		
24550-914301-523270	Special events	\$50,000
24550-914301-527780	Special program expense	<u>25,000</u>
	Total	75,000

Use of restricted fund balance:		
24550-914301-321101	Restricted program money	75,000

Recommendation 40: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 152 NPDES by \$385,000, as follows:

Increase appropriations:		
24625-915201-510040	Regular salaries	\$270,800
24625-915201-518100	Budgeted benefits	<u>114,200</u>
	Total	385,000

Increase estimated revenue:		
24625-915201-778280	Interfund – reimbursement for services	385,000

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 1) approve the revised FY 16/17 Prop. 172 allocation schedule contained in Attachment F; and, 2) approve and direct the Auditor-Controller to use the revised FY 16/17 allocation ratios to distribute monthly Prop. 172 receipts to departments until the annual total received equals \$190,253,261.

Recommendation 2: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing estimated Prop. 172 revenue distributed to the District Attorney, Sheriff, and Probation departments by \$21,978,082, releasing \$3,977,814 in committed fund balance from booking fees to unassigned fund balance, and decreasing appropriations for Contingency by \$18,000,269, and as follows:

Decrease estimated revenue:

10000-2200100000-755120	CA public safety sales tax	\$3,969,731
10000-2500200000-755120	CA public safety sales tax	1,913,455
10000-2500300000-755120	CA public safety sales tax	6,231,515
10000-2500400000-755120	CA public safety sales tax	6,574,362
10000-2501000000-755120	CA public safety sales tax	460,805
10000-2600100000-755120	CA public safety sales tax	1,106,824
10000-2600200000-755120	CA public safety sales tax	<u>1,721,390</u>
	Total	21,978,082

Release committed fund balance:

11085-2500400000-330132	Committed fund balance for booking fee recovery	3,977,813
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Decrease appropriations:

10000-1109000000-581000	Appropriations for contingency	18,000,269
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Recommendation 3: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing contingency and increasing appropriations for legislative and litigation support by \$250,000 as follows:

Decrease appropriations:

10000-1109000000-581000	Appropriations for contingency	\$250,000
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Increase appropriations:

10000-1102900000-525440	Professional services	250,000
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Recommendation 4: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues for Executive Office Sub-fund Operations and appropriations for Contingency by \$3,000,000, as follows:

Increase estimated revenue:		
10000-1103800000-733030	Teeter overflow	\$3,000,000

Increase appropriations		
10000-1109000000-581000	Appropriations for contingency	3,000,000

Recommendation 5: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue, committed fund balance and appropriations for the Executive Office Sub-fund Operations budget, as follows:

Increase estimated revenue:		
10000-1103800000-790020	Sale of real estate	\$1,602,042

Increase appropriations:		
10000-1103800000-525440	Professional services	385,096

Increase committed fund balance:		
11138-1103800000-330100	Committed fund balance	1,216,946

Recommendation 6: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue, appropriations, and decreasing restricted money for the Executive Office Sub-fund Operations budget by \$23,461, as follows:

Increase estimated revenue:		
10000-1103800000-740020	Interest – invested funds	\$7,000

Use of restricted money:		
11103-1103800000-321164	Restricted for STSA escrow	16,461

Increase appropriations:		
10000-1103800000-526700	Rent – lease buildings	16,461
10000-1103800000-523350	Administrative expense	<u>7,000</u>
	Total	23,461

10000-1102900000-525020	Legal expense	7,000
10000-1102900000-572800	Intrafund expense – miscellaneous	<u>(7,000)</u>
	Total	0

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$5,552,444 and estimated revenue by \$4,076,696 for Interest on TRANS, and decrease appropriations for contingency by \$1,475,748, as follows:

Increase estimated revenue:		
10000-1102100000-781290	Miscellaneous revenue - retirement discount	\$ 69,789
10000-1102100000-791020	Premium on bonds issued	<u>4,006,907</u>
	Total	4,076,696

Increase appropriations:		
10000-1102100000-525440	Professional services	26,888
10000-1102100000-532160	Issuance costs	40,000
10000-1102100000-534000	Interest notes – warrants	<u>5,485,556</u>
	Total	5,552,444
Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	1,475,748

Recommendation 8: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue Capital Improvement Program and Contingency by \$13,353,721, as follows:

Increase estimated revenue:		
30700-1104200000-790600	Contribution from other county funds	\$ 3,353,721
30700-1104200000-791010	Capital construction bonds	<u>10,000,000</u>
	Total	13,353,721
Increase appropriations:		
30700-1104200000-551100	Contribution to other funds	13,353,721
Increase estimated revenue:		
10000-1101000000-790600	Contribution from other county funds	13,353,721
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	13,353,721

Recommendation 9: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for the County Tobacco Securitization fund as follows:

Increase appropriations:		
30120-1105100000-551100	Contributions to other county funds	\$780,514
Use of assigned fund balance:		
30121-1105100000-350203	AFB for capital projects sub-funds	780,514

Recommendation 10: That the Board approve and direct the Auditor-Controller to make budget adjustments to appropriations for Contributions to Other Funds and Contingency by a net amount of \$3,233,000, as follows:

Decrease appropriations:		
10000-1101000000-551100	Contributions to other funds	\$3,233,000
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	3,233,000

Recommendation 11: That the Board approve and direct the Auditor-Controller to

make budget adjustments increasing appropriations, estimated revenue, and fund balance for the Wine Country Infrastructure fund and Transportation Department by \$55,000, as follows:

Increase appropriations:		
30370-1100100000-536780	Interfund expense – capital projects	\$55,000
Use of committed fund balance:		
30370-1100100000-330109	Committed fund balance – capital projects	55,000
Increase estimated revenues:		
20000-3130500000-790600	Contribution from other funds	55,000
Increase restricted fund balance:		
20000-3130500000-321101	Restricted program money	55,000

Recommendation 12: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for County Counsel by \$96,847, as follows:

Increase appropriations:		
10000-1500100000-510040	Regular salaries	\$71,738
10000-1500100000-518100	Budgeted benefits	<u>25,109</u>
	Total	96,847
Increase estimated revenue:		
10000-1500100000-771430	Legal services	96,847

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Treasurer-Tax Collector by \$200,000, as follows:

Increase estimated revenue:		
10000-1400100000-770080	Tax collector advance costs - tax sales	\$200,000
Increase appropriations:		
10000-1400100000-525440	Professional services	134,000
10000-1400100000-525830	Property system support	<u>66,000</u>
	Total	200,000

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for Human Resources by \$280,000, as follows:

Increase estimated revenues:		
10000-1130100000-777030	Personnel services	\$280,000

Increase appropriations:

10000-1130100000-510040	Regular salaries	195,000
10000-1130100000-518100	Budgeted benefits	<u>85,000</u>
	Total	280,000

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for program money for County Airports by \$86,000, as follows:

Increase appropriations:		
22100-1910700000-542060	Improvements – building	\$62,000
22100-1910700000-527660	Operational marketing	<u>24,000</u>
	Total	86,000
Use of assigned fund balance:		
22100-1910700000-350100	AFB for program money	86,000

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the Desert Center Airport by \$170,810, and appropriations and estimated revenues for the Chiriaco Summit Airport by \$640,810, as follows:

Increase appropriations:		
22350-1910500000-551000	Operating transfer - out	\$170,810
Use restricted fund balance:		
22350-1910500000-321101	Restricted program money	170,810
Increase appropriations:		
22350-1910400000-542040	Buildings – capital projects	640,810
Increase estimated revenues:		
22350-1910400000-751230	CA – state match	470,000
22350-1910400000-790500	Operating transfer - in	<u>170,810</u>
	Total	640,810

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Community Development Block Grant Program by \$137,884, as follows:

Increase appropriations:		
21350-1900200000-510040	Regular salaries	\$100,015
21350-1900200000-518100	Budgeted benefits	<u>37,869</u>
	Total	137,884
Increase estimated revenues:		
21350-1900200000-767200	Federal – block grants	137,884

Recommendation 18: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated

revenue for the Fair and National Date Festival by \$162,833, as follows:

Increase appropriations:		
22200-1920100000-537180	Interfund expense – salary reimbursement	\$162,833
Increase estimated revenues:		
22200-1920100000-741380	Parking	36,714
22200-1920100000-741440	Rent – fairground facilities	40,000
22200-1920100000-781360	Other miscellaneous revenue	86,119
	Total	162,833

Recommendation 19: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Fire Department by \$2,000,000, as follows:

Increase estimated revenues:		
21000-2700300000-700020	Property tax current secured	\$2,000,000
Increase appropriations:		
21000-2700300000-536900	Interfund expense - fire services	2,000,000

Recommendation 20: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Sheriff by \$11,398,439, as follows:

Decrease appropriations:		
10000-2500400000-510040	Regular salaries	\$11,398,439
Increase appropriations:		
10000-2500100000-510040	Regular salaries	1,172,995
10000-2500200000-510040	Regular salaries	1,060,405
10000-2500300000-510040	Regular salaries	2,824,041
10000-2500500000-510040	Regular salaries	2,910,418
10000-2500600000-510040	Regular salaries	53,577
10000-2500700000-510040	Regular salaries	1,934,911
10000-2501000000-510040	Regular salaries	1,247,352
10000-2501100000-510040	Regular salaries	194,740
	Total	11,398,439

Recommendation 21: That the Board of Supervisors: 1) approve replacement of bomb robots; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Sheriff Patrol by \$123,000, as follows:

Increase estimated revenue:		
10000-2500300000-767220	Federal - other operating grants	\$ 56,000
10000-2500300000-572800	Intrafund - miscellaneous	67,000
	Total	123,000

Increase appropriations:		
10000-2500300000-546160	Equipment - Other	123,000

Recommendation 22: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for the District Attorney by \$233,000, as follows:

Decrease estimated revenue:		
10000-2200100000 767450	Federal – office traffic safety grants	\$233,000

Decrease appropriations:		
10000-2200100000 510040	Regular salaries	168,000
10000-2200100000 513000	Retirement - miscellaneous	<u>65,000</u>
	Total	233,000

Recommendation 23: That the Board of Supervisors 1) approve amending Ordinance 440 to add one (1) Deputy Director for Administration, one (1) Research Specialist II, and one (1) Business Process Analyst II position; and 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Probation Department by \$318,541, as follows:

Increase estimated revenue:		
10000-2600700000-755900	CA – AB118 Local revenue	\$318,541

Increase appropriations		
10000-2600700000-510040	Regular salaries	176,690
10000-2600700000-518100	Budgeted benefits	<u>141,851</u>
	Total	318,541

Recommendation 24: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue and appropriations for the Probation Department by \$13,637 as follows:

Increase estimated revenue:		
10000-2600100000-755680	CA - other operating grants	\$13,637
Increase appropriations:		
10000-2600100000-510040	Regular salaries	13,637

Recommendation 25: That the Board of Supervisors 1) approve amending Ordinance 440 to add two (2) Deputy Probation Officer II positions and one (1) Supervising Probation Officer position, and 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Probation Department by \$332,178 as follows:

Increase estimated revenue:		
10000-2600200000-755680	CA - other operating grants	\$332,178

Increase appropriations:		
10000-2600200000-510040	Regular salaries	176,371
10000-2600200000-518100	Budgeted benefits	<u>155,807</u>
	Total	332,178

Recommendation 26: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for Developer Agreements by \$357,185, as follows:

Increase appropriations:		
31680-3130500000-537280	Interfund expense - miscellaneous project expense	\$357,185
Use restricted fund balance:		
31680-3130500000-322100	Restricted for construction/capital projects	357,185

Recommendation 27: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for Meniffee Road and Bridge District by \$40,000, as follows:

Increase appropriations:		
31600-3130500000-537220	Interfund expense - labor	\$40,000
Use assigned fund balance:		
31600-3130500000-350200	AFB for construction/capital projects	40,000

Recommendation 28: That the Board of Supervisors 1) approve acquisition of one pesticide fogger; and, 2) approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Department of Environmental Health by \$14,575 as follows:

Decrease appropriations:		
10000-4200400000-520020	Pest and insect control	\$14,575
Increase appropriations:		
10000-4200400000-546160	Equipment – other	14,575

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for the Department of Public Social Services and the Department of Child Support Services by \$500,000 and \$1,470,588, respectively, as follows:

Decrease estimated revenues:		
10000-5100300000-781480	Program revenue	\$500,000
Increase estimated revenues:		
10000-5100300000-755900	CA – AB118 local revenue	500,000

Increase estimated revenues:		
10000-2300100000-761020	Federal-family support reimbursement	970,588
10000-2300100000-781360	Other miscellaneous revenue	<u>500,000</u>
	Total	1,470,588
Increase appropriations:		
10000-2300100000-510040	Regular salaries	500,000
10000-2300100000-525500	Salary/benefit reimbursement	<u>970,588</u>
	Total	1,470,588

Recommendation 30: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for the Department of Public Social Services by \$4,100,000, as follows:

Increase estimated revenues:		
10000-5100100000-750300	CA - public assistance administration	\$2,700,000
10000-5100100000-760000	Federal - public assistance administration	<u>1,400,000</u>
	Total	4,100,000
Decrease appropriations:		
10000-5100100000-510040	Regular salaries	1,000,000
Increase appropriations:		
10000-5100100000-525440	Professional services	5,100,000

Recommendation 31: That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments to appropriations and restricted fund balance for Community Action Partnership by \$218,885, as follows:

Increase Appropriations:		
21050-5200100000-523680	Office equipment non fixed assets	\$ 218,885
Increase restricted fund balance		
21050-5200100000-321101	Restricted program money	218,885
Decrease appropriations:		
21050-5200200000-523680	Office equipment non fixed assets	218,885
Decrease restricted fund balance		
21050-5200200000-321101	Restricted program money	218,885

Recommendation 32: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing estimated revenue and appropriations for the Office on Aging by \$200,000, as follows:

Decrease estimated revenue:		
21450-5300100000-781360	Other miscellaneous revenue	\$200,000
Decrease appropriations:		
21450-5300100000-510040	Regular salaries	120,000

21450-5300100000-518100	Budgeted benefits	80,000
	Total	200,000

Recommendation 33: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unrestricted net assets for the Department of Waste Resources by \$2,380,228, as follows:

Increase appropriations:

40200-4500100000-520230	Cellular phone	\$ 7,016
40200-4500100000-521400	Maintenance – Diesel equipment/trucks/buses	1,875
40200-4500100000-521640	Maintenance – Software	16,441
40200-4500100000-521740	Maintenance – Parts	16,555
40200-4500100000-524780	Departmental lab services	6,000
40200-4500100000-525320	Security guard services	8,520
40200-4500100000-525440	Professional services	78,433
40200-4500100000-527180	Operational supplies	11,634
40200-4500100000-528380	Disposal fee	23,402
40200-4500100000-546160	Equipment – other	15,004
40200-4500100000-546320	Vehicles – cars/light trucks	36,585
40200-4500100000-546360	Vehicles – heavy equipment	1,354,764
40200-4500100000-528410	Daily cover excavation services	200,221
40200-4500100000-542120	Improvements – infrastructure	603,778
	Total	2,380,228

Use unrestricted net assets:

40200-4500100000-380100	Unrestricted net assets	2,380,228
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Recommendation 34: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for Central Mail Services by \$500,000, as follows:

Decrease estimated revenue:

45620-7300600000-781340	Postage	\$500,000
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Decrease appropriations:

45620-7300600000-523760	Postage – mailing	500,000
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Recommendation 35: That the Board of Supervisors: 1) authorize acquisition of one special purpose vehicle, one minivan, five hybrid sedans, one pickup truck, and one sport utility vehicle; and, 2) approve and direct the Auditor-Controller to make adjustments to appropriations, estimated revenue, and unrestricted net assets for Fleet Services by \$741,500, as follows:

Increase estimated revenue:

45300-7300500000-777620	Vehicle cost recovery	\$451,500
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Increase appropriations:

45300-7300500000-522310	Maintenance – building and improvements	205,000
45300-7300500000-532600	Capital lease – purchase principal	20,000

45300-7300500000-533720	Capital lease – purchase interest	1,500
45300-7300500000-535515	Amortization – vehicles	12,000
45300-7300500000-535560	Depreciation – equipment	73,000
45300-7300500000-546320	Vehicles – cars/light trucks	<u>430,000</u>
	Total	741,500
Decrease unrestricted net assets:		
45300-7300500000-380100	Unrestricted net assets	290,000

Recommendation 36: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustment increasing appropriations and estimated revenue for CSA 38 by \$25,000, as follows:

Increase appropriations:		
23400-903801-527780	Special program expense	\$25,000
Increase estimated revenue:		
23400-903801-778280	Interfund - reimbursement for services	25,000

Recommendation 37: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 134 by \$75,000, as follows:

Increase appropriations:		
24425-913401-523270	Special events	\$50,000
24425-913401-527780	Special program expense	<u>25,000</u>
	Total	75,000
Use restricted fund balance:		
24425-913401-321101	Restricted program money	75,000

Recommendation 38: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 143 Quimby by \$250,000, as follows:

Increase appropriations:		
31550-914301-525440	Professional services	\$250,000
Use of restricted fund balance:		
31550-914301-322100	Restricted for construction/capital projects	250,000

Recommendation 39: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 143 by \$75,000, as follows:

Increase appropriations:		
24550-914301-523270	Special events	\$50,000
24550-914301-527780	Special program expense	<u>25,000</u>
	Total	75,000
Use of restricted fund balance:		
24550-914301-321101	Restricted program money	75,000

Recommendation 40: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 152 NPDES by \$385,000, as follows:

Increase appropriations:		
24625-915201-510040	Regular salaries	\$270,800
24625-915201-518100	Budgeted benefits	<u>114,200</u>
	Total	385,000
Increase estimated revenue:		
24625-915201-778280	Interfund – reimbursement for services	385,000

Attachment B Amendments to Ordinance 440

RESOLUTION NO. 440-9047


A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY RIVERSIDE
AMENDING ORDINANCE NO. 440

BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on December 6, 2016, that pursuant to Section 4(a)(ii) of Ordinance No. 440, the Executive Office is authorized to make the following listed change(s), operative on the date of approval, as follows:

<u>Job Code +/-</u>	<u>Department ID</u>	<u>Class Title</u>	<u>Type</u>
79534 +1	2600207000	Supervising Probation Officer	Regular
79532 +2	2600207000	Deputy Probation Officer II	Regular
74288 +1	2600700000	Deputy Director for Administration	Regular
86111 +1	2600700000	Business Process Analyst II	Regular
79838 +1	2600700000	Research Specialist II	Regular

ROLL CALL:

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


Approved by Michael T. Stock
Asst. County Executive Officer/
Human Resources Director

12-1-2016

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

KECIA HARPER-IHEM, Clerk of said Board

By 

Deputy

Attachment C Sales and Use Tax Update

Q1 2016



Riverside County Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Riverside County In Brief

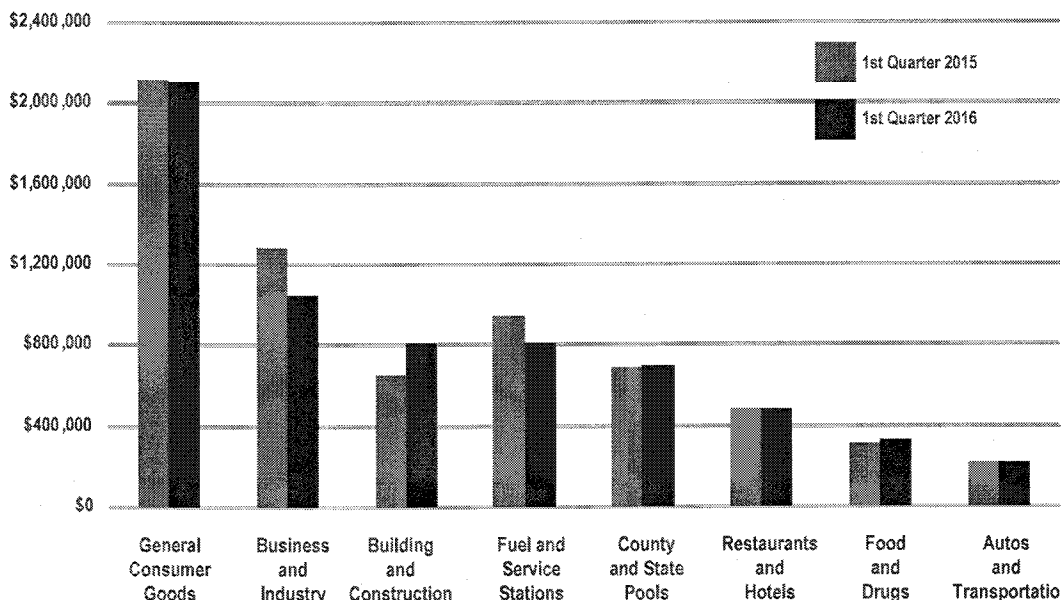
The unincorporated area's receipts from January through March sales were 2.4% lower than the same quarter of 2015, but the correction of a year-ago reporting error that depressed business and industry group results skewed the data. Actual sales activity rose 1.0% when this and other accounting anomalies were factored out.

Robust sales of contractor supplies were bolstered by a onetime use tax allocation while gains from wineries outpaced statewide results. A year-ago adjustment masked the impact of a new outlet on receipts from the food service sector.

Sales of consumer goods slipped 2.5% net of reporting problems that temporarily pared last year's postings from both women's and family apparel. Accounting events overstated the impact of lower fuel prices on service stations and exaggerated losses from garden/agricultural supplies.

Adjusted for aberrations, taxable sales for all of Riverside County increased 3.4% over the same period; Southern California regional totals were 3.1% higher.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Arco AM PM	Pilot Travel Center
Blattner Energy	Prada
Burberry	Ralph Lauren
California Trusframe	RDO Equipment
Calvin Klein	Russell Sigler
Coach	Spates Fabricators
Desert Sunlight	Stater Bros
General Electric	Superior Ready Mix Concrete
Gucci	Sysco
Heavy Equipment Rentals	Tory Burch
Holland Motor Homes	Volvo Construction Equipment
Michael Kors	Vons Fuel
Nike	

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$31,468,090	\$25,760,605
County Pool	3,205,757	3,013,031
State Pool	21,944	19,210
Gross Receipts	\$34,695,791	\$28,792,843
Less Triple Flip*	\$(8,673,948)	\$(5,562,700)

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

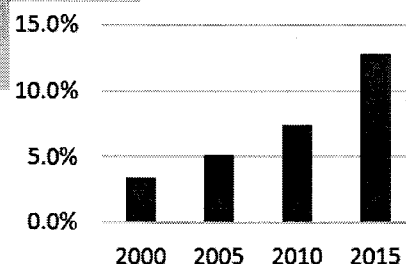
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

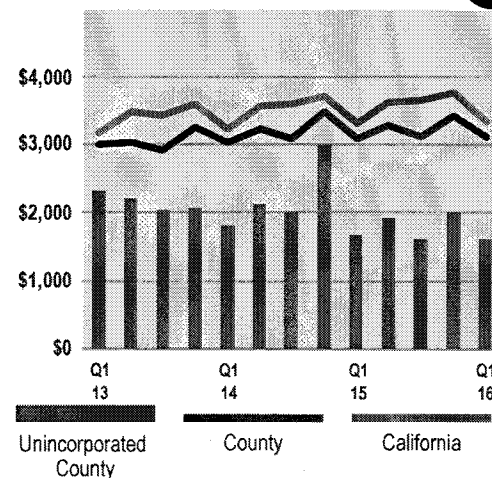
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

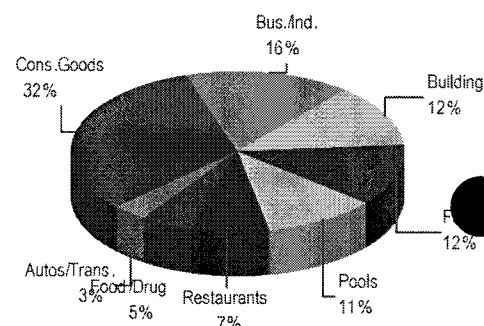
Online General Consumer Goods YOY Percentage Growth



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
	Q1 '16*	Change	Change	Change	Change
Casual Dining	124.5	-2.1%	7.1%	5.7%	
Contractors	687.0	28.9%	2.6%	3.3%	
Drug Stores	72.6	5.3%	2.0%	0.2%	
Energy/Utilities	— CONFIDENTIAL —		-36.9%	84.6%	
Family Apparel	983.4	3.6%	0.9%	-0.6%	
Food Service Equip./Supplies	144.9	3.1%	21.0%	-1.7%	
Garden/Agricultural Supplies	86.6	-21.7%	1.5%	0.0%	
Grocery Stores Liquor	147.8	5.6%	3.7%	1.7%	
Quick-Service Restaurants	247.1	2.5%	8.1%	6.4%	
Service Stations	798.0	-13.8%	-10.3%	-9.4%	
Shoe Stores	211.7	-2.0%	4.2%	4.6%	
Specialty Stores	191.1	-9.6%	2.8%	3.5%	
Warehouse/Farm/Const. Equip.	127.2	-2.7%	-19.6%	-6.4%	
Wineries	213.1	18.0%	17.8%	2.7%	
Women's Apparel	396.8	3.0%	-2.7%	-1.7%	
Total All Accounts	5,838.6	-2.9%	2.9%	1.8%	
County & State Pool Allocation	703.5	2.5%	8.7%	14.1%	
Gross Receipts	6,542.0	-2.4%	3.5%	3.2%	



JAY E. ORR
COUNTY EXECUTIVE OFFICER

COUNTY OF RIVERSIDE EXECUTIVE OFFICE

GEORGE A. JOHNSON
CHIEF ASSISTANT COUNTY EXECUTIVE OFFICER

ROB FIELD
ASSISTANT COUNTY EXECUTIVE OFFICER
ECONOMIC DEVELOPMENT AGENCY

MICHAEL T. STOCK
ASSISTANT COUNTY EXECUTIVE OFFICER
HUMAN RESOURCES

ZAREH SARAFIAN
ASSISTANT COUNTY EXECUTIVE OFFICER
HEALTH SYSTEMS

PAUL McDONNELL
ASSISTANT COUNTY EXECUTIVE OFFICER
COUNTY FINANCE DIRECTOR

Budget Policies December 2016

The budget will be maintained and amended, and future year budgets and long-range budget plans developed, based on the following budget policies:

1. **Strategic Objectives:** Allocation of the county's limited resources will be prioritized based on the following strategic organizational objectives:
 - a. **Public Safety** – Existing commitments to mission critical public safety functions.
 - b. **Healthy Communities** – Essential services that address public health mandates and foster healthy homes and workforces.
 - c. **Business Friendly Operations** – Maximizing use of fees and tax dollars most effectively, and making the county an efficient, timely partner with which to do business.
2. **Financial Objectives:** In addition to the basic requirements for a balanced budget required by the state Budget Act, the county budget shall also strive toward meeting the following financial objectives within all of its funds:
 - a. **Structural Balance:** Achieve a structurally balanced budget in which ongoing expenditures do not exceed ongoing revenues, and limit use of one-time resources only to one-time expenditures.
 - b. **Prudent Reserves:** Long-term, achieve and maintain prudent reserves and working capital in all funds as required by Board Policy B-30. Short-term, maintain general fund discretionary reserves above \$150 million, and replenish and rebuild these reserves as soon as financial conditions allow.
 - c. **Restricted fund balance and net assets:** Avoid accumulation of unexpended restricted fund balance and net assets, except where necessary for prudent reserves, working capital, or specified purposes as required by Board Policy B-30.
 - d. **Committed and Assigned Fund Balance and Net Assets:** Hold commitments and assignments of fund balance or net assets only as long as necessary to provide for the purpose for which they are established, and release those no longer necessary and apply them either to other one-time uses or reserves.
3. **One-time Resources:** In line with the financial objective of achieving structural balance, one-time resources derived from unexpected or excess revenue or cost savings should be set aside to build reserves, not to backfill ongoing operations.

Budget Policies

4. Net Costs

- a. **General Fund Net County Cost (NCC):** Aggregate net county costs shall be held stable until the general fund is structurally balanced and discretionary reserves are rebuilt. Ongoing discretionary funding allocated to general fund departments shall be recommended by the Executive Office; and all general fund budgets will be submitted within these net cost allocations. Budget requests exceeding NCC allocations may either be returned by the Executive Office to department heads for adjustment, or modified by the Executive Office as necessary to meet net cost allocation objectives.
 - b. **Net Costs in Other Funds:** The net costs of other non-general fund budget units will be kept within levels sufficient to maintain budgetary balance and sustainable levels of working capital over the long-term.
5. **General Fund Support "Last In/First Out":** Unless otherwise mandated or restricted, all departmental revenues shall be recognized and fully expended in the year received, ensuring general fund support is provided only as necessary.
 6. **Departmental Revenue:** Departmental revenue shortfalls will not be backfilled by the general fund. Departments should adjust their estimated revenues and appropriations accordingly for expected reductions in all outside revenue including, but not limited to, property tax, grant funds, public safety sales tax, state and federal funding.
 7. **Budget Impacts:** If a department cannot provide core services within allocated NCC, it will be required to provide a plan for minimizing impacts through measures such as attrition, improved efficiency, or program reductions. Requests to backfill such impacts shall not be imbedded within budget submittals, but presented to the Executive Office in detail as separate documentation with the budget submittal. Per item 4 above, budgets submitted with backfill assumed and incorporated in their budget submittals, and that consequently exceed their NCC allocations, may have their budgets returned for adjustment or modified by the Executive Office as necessary to meet the NCC allocated.
 8. **Priorities in Budget Construction:** Budgets should be built prioritizing first all non-elective obligations, then mission-critical operational costs, and lastly all non-essential elective costs. So, the unavoidable basic costs of doing business, such as rent, debt service, and utilities should be budgeted first, including any anticipated increases for these expenditures. Next, budget for the operational costs of completing core missions, such as payroll, essential materials and services. Finally, budget for non-essential elective costs, such as subscriptions, memberships, travel, and redecoration.
 9. **Cost of Living Allowances (COLAs) and Other Labor Costs:** All departments will absorb all cost of living and other labor increases, including merit increases, cash outs of annual leave, and overtime.
 10. **Vacant Positions:** With the exception of extraordinary situations handled on a case-by-case basis, obsolete unfunded vacant positions shall be deleted.
 11. **Vehicles and other fixed assets:** Authorization for the acquisition of vehicles and other fixed assets shall only be valid for the year in which they are initially budgeted and shall expire at the end of that fiscal year. Authorized vehicles and other fixed assets for which purchase orders are not initiated by year-end shall not roll over to the subsequent fiscal

Budget Policies

year, but may be submitted for consideration for reauthorization the following fiscal year subject to availability of funding.

12. **Limited Interim Appropriations:** Interim appropriations increases outside the budget process should be limited so competing priorities are considered together at once within the context of the overall budget process.
13. **Position Activity:** Deletion, addition, or exchange of positions during budget preparation and approval should be limited to prevent conflicts or discrepancies with the requested position levels on which funding decisions depend.
14. **Submittal Deadlines:** All departments will submit their FY 17/18 budget requests to the Executive Office no later than Monday, March 13, 2017. To be considered on time, budget requests must be completed in accordance with these budget policies.

Attachment E Budget Schedule

County of Riverside Executive Office
High-level Budget Schedule

	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
1st quarter department status reports	10/11/16	10/10/17	10/09/18	10/07/19	10/13/20
1st quarter report to Board	12/06/16	11/14/17	11/13/18	11/19/19	11/17/20
2nd quarter department status reports	01/09/17	01/08/18	01/09/19	01/09/20	01/11/21
Budget kickoff for next budget cycle	01/17/17	01/16/18	01/17/19	01/16/20	01/19/21
ISF Rate Approval for next cycle	01/24/17	01/23/18	01/29/19	01/28/20	01/26/21
2nd quarter report to Board	02/07/17	02/06/18	02/05/19	02/04/20	02/09/21
Budget submittals due for next budget	03/13/17	03/12/18	03/11/19	03/09/20	03/15/21
3rd quarter department status reports	04/10/17	04/09/18	04/08/19	04/06/20	04/12/21
3rd quarter report to Board & budget preview	05/09/17	05/15/18	05/14/19	05/12/20	05/11/21
Recommended budget presented & budget hearings opened	06/12/17	06/11/18	06/10/19	06/15/20	06/14/21
<i>Statutory deadline by which Board must approve next recommended budget</i>	<i>06/30/17</i>	<i>06/30/18</i>	<i>06/30/19</i>	<i>06/30/20</i>	<i>06/30/21</i>
Adjustments to next recommended budget presented	07/25/17	07/31/18	07/30/19	07/28/20	07/27/21
Year-end clean-up of old year budgeted appropriations (as needed)	08/29/17	08/28/18	08/27/19	08/25/20	08/31/21
Next budget adopted	09/26/17	09/25/18	09/24/19	09/29/20	09/28/21
<i>Statutory deadline by which Board must formally adopt next budget</i>	<i>10/02/17</i>	<i>10/02/18</i>	<i>10/02/19</i>	<i>10/02/20</i>	<i>10/02/21</i>
<i>Statutory deadline by which to file next adopted budget with Clerk of the Board and State Controller</i>	<i>12/01/17</i>	<i>12/01/18</i>	<i>12/01/19</i>	<i>12/01/20</i>	<i>12/01/21</i>

All dates not in italics are tentative and subject to change.

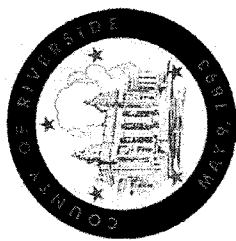
Attachment F Prop. 172 Distribution Table

FY 16/17 Prop 172 Revenue Allocation

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

	FY 14/15 Baseline	FY 14/15 Adjustment	FY 14/15 Allocation	FY 15/16 Adjustment	FY 15/16 Allocation	FY 16/17 Adjustment	FY 16/17 Allocation	FY 16/17 First Quarter Adjustment	FY 16/17 Revised Baseline	FY 16/17 Ratio	FY 17/18 Projected Adjustment	FY 17/18 Adjusted Allocation *	FY 17/18 Ratio
22001 District Attorney	22,818,306	-	22,818,306	8,000,000	30,818,306	-	30,818,306	(3,969,731)	26,848,575	16%	764,719	27,613,294	16%
25002 Support, Sheriff	14,854,774	-	14,854,774	-	14,854,774	-	14,854,774	(1,913,455)	12,941,319	8%	368,603	13,309,922	8%
25003 Patrol	39,577,269	4,400,000	43,977,269	4,400,000	48,377,269	-	48,377,269	(6,231,515)	42,145,754	25%	1,200,424	43,346,178	25%
25004 Corrections	23,538,900	10,000,000	33,538,900	17,500,000	51,038,900	-	51,038,900	(6,574,362)	44,464,538	26%	1,266,469	45,731,007	27%
25010 Coroner	3,577,381	-	3,577,381	-	3,577,381	-	3,577,381	(460,805)	3,116,576	2%	88,768	3,205,344	2%
26001 Juvenile Hall	8,592,633	-	8,592,633	-	8,592,633	-	8,592,633	(1,106,824)	7,485,809	4%	213,216	7,699,025	4%
26002 Probation	13,363,708	-	13,363,708	-	13,363,708	-	13,363,708	(1,721,390)	11,642,318	7%	331,604	11,973,922	7%
27002 Fire	6,677,029	7,376,549	14,053,578	5,576,712	19,630,290	-	19,630,290	-	19,630,290	12%	-	19,630,290	11%
Total Allocation =	\$133,000,000	\$21,776,549	\$154,776,549	\$35,476,712	\$190,253,261	\$0	\$190,253,261	(\$21,978,082)	\$168,275,179	100%	\$4,233,803	\$172,508,982	100%

*NOTE: The projected adjustments shown are for forward planning purposes only. Each year of the Prop. 172 Multi-year Solution, the amount of readjustment will need to be revised based on updated revenue forecasts until the original FY 16/17 Allocation baseline is regained.

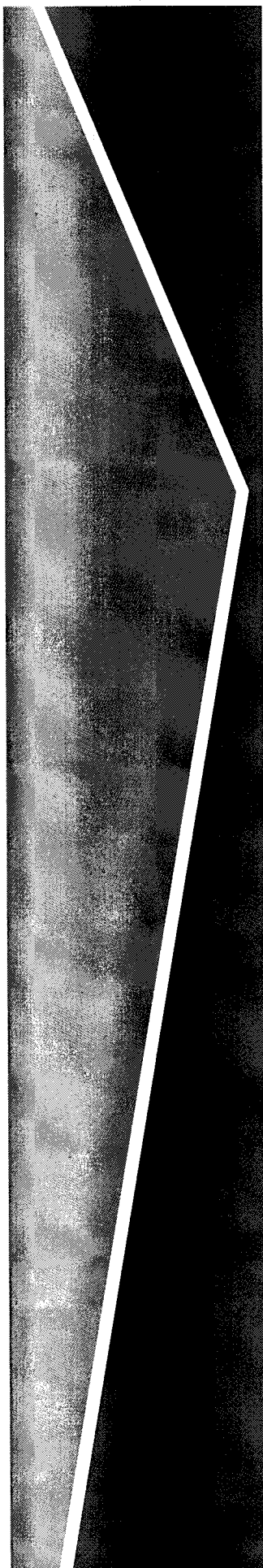


COUNTY OF RIVERSIDE FISCAL YEAR 2016/17 FIRST QUARTER BUDGET REPORT

PRESENTED BY THE

COUNTY EXECUTIVE OFFICE

DECEMBER 6, 2016



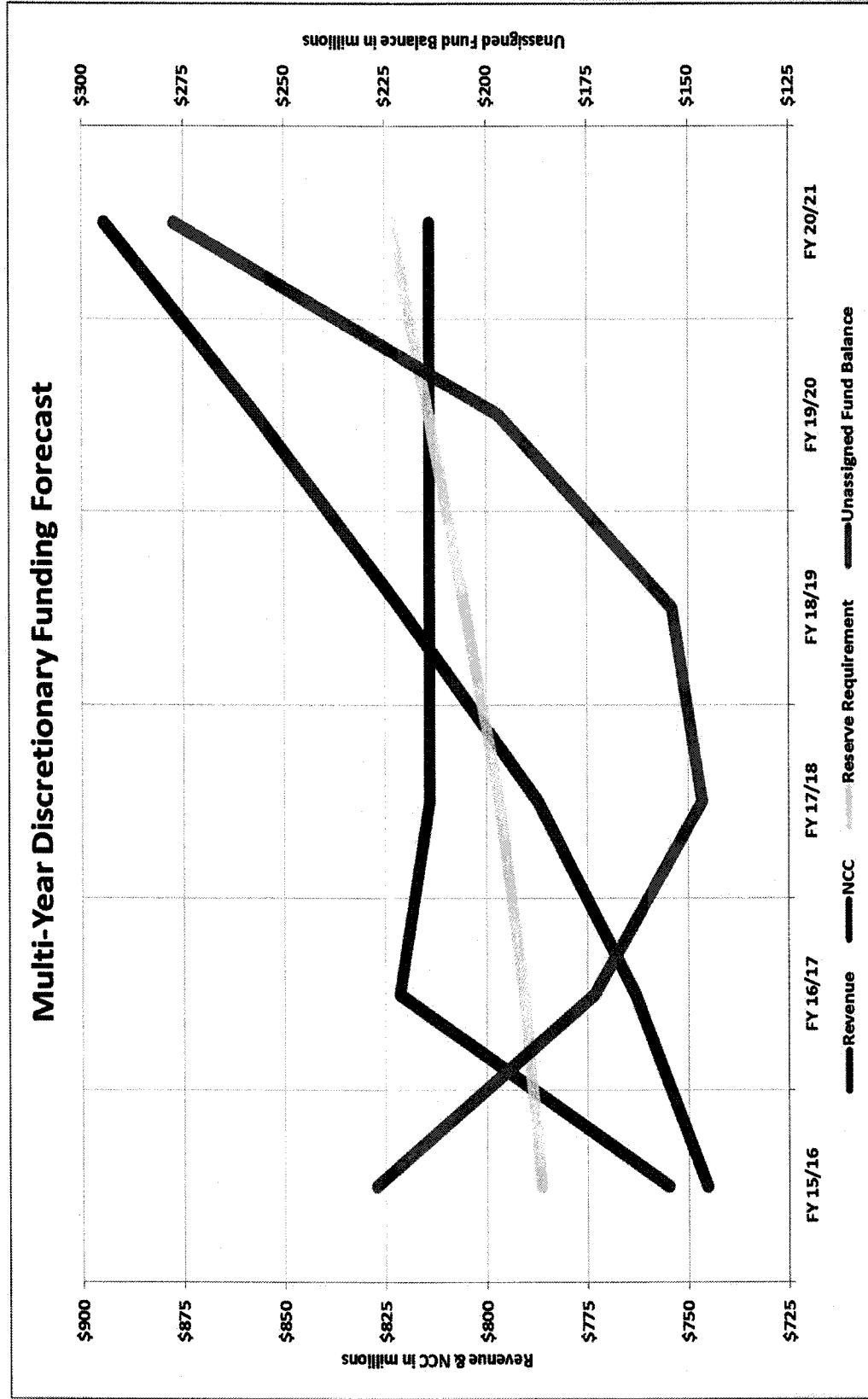
PRESENTATION OVERVIEW

- ▶ INTRODUCTION
- ▶ THE MULTI-YEAR PLAN
- ▶ STRATEGIC FINANCIAL OBJECTIVES
- ▶ CURRENT YEAR BUDGET ISSUES
- ▶ PROP 172 SALES TAX SHORTFALL
- ▶ THE PROP 172 SOLUTION
- ▶ OUR BUDGET STRATEGY
- ▶ FY 17/18 BUDGET POLICIES
- ▶ KEY BUDGET DATES
- ▶ RECOMMENDATIONS

INTRODUCTION

- ▶ Quarterly budget reports identify budgetary trends & policy issues:
 - ▶ First quarter report in Fall recommends course corrections if adopted budget assumptions prove wrong.
 - ▶ Midyear report in February lays groundwork for the subsequent year's budget.
 - ▶ Third quarter report in Spring outlines year-end projections and previews following year's budget challenges.
- ▶ FY 16/17 first quarter financial results:
 - ▶ Expenses close to appropriated levels.
 - ▶ Revenues on target, with exception of Prop. 172 sales tax.
- ▶ Policy issues:
 - ▶ Sheriff requesting additional staff for ECDC, settlement costs, etc.
 - ▶ District Attorney continues to project deficit
 - ▶ Animal Services projects shortfall.
 - ▶ DPSS projecting continued caseload growth.

MULTI-YEAR PLAN



STRATEGIC FINANCIAL OBJECTIVES

Three key objectives emerged from the FY 16/17 budget process:

- ▶ Maintaining general fund reserves above \$150 million
- ▶ Holding overall general fund net county costs stable while discretionary general fund revenues rise to close the gap.
- ▶ Maximizing departmental resources, revenues, and reserves.

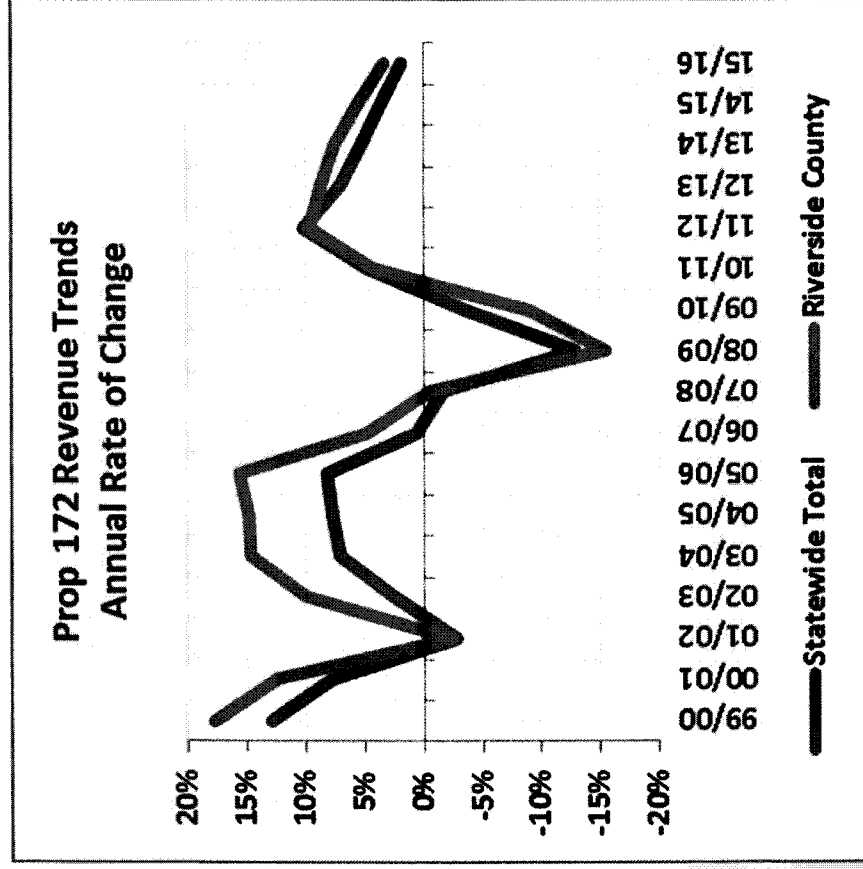
These short-term objectives frame a budget strategy aimed at achieving structural balance within two years and required reserves within 4 years.

CURRENT YEAR BUDGET ISSUES

- ▶ Prop. 13 sales tax is falling below projections, causing a shortfall in the public safety departments.
- ▶ The Prop. 13 shortfall can be met this year through a combination of cost savings, potential revenue increases, and contingency draws.
- ▶ FY 16/17 adopted budget underfunded DA's requests. We are working to close a \$5 million gap.
- ▶ Inmate care and other public safety costs (Animal Control, Fire and Public Defender) may require more funding.

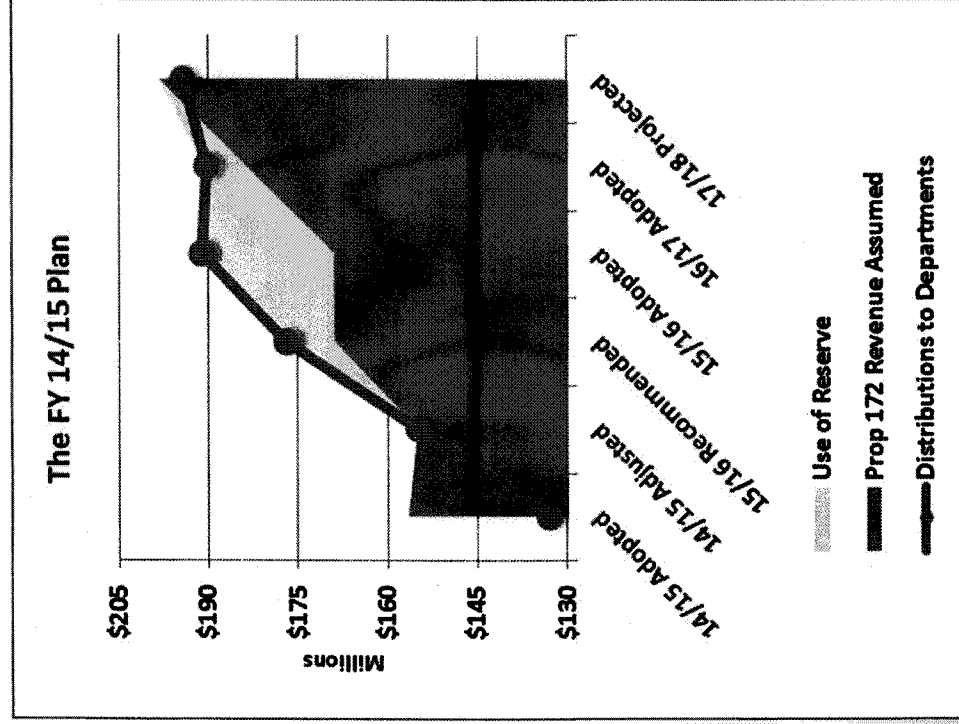
PROP. 172 VOLATILITY

- ▶ Public safety sales tax is collected throughout the state and allocated to counties for public safety.
- ▶ Growth rate has been volatile since inception, with wide swings influenced by economic factors.



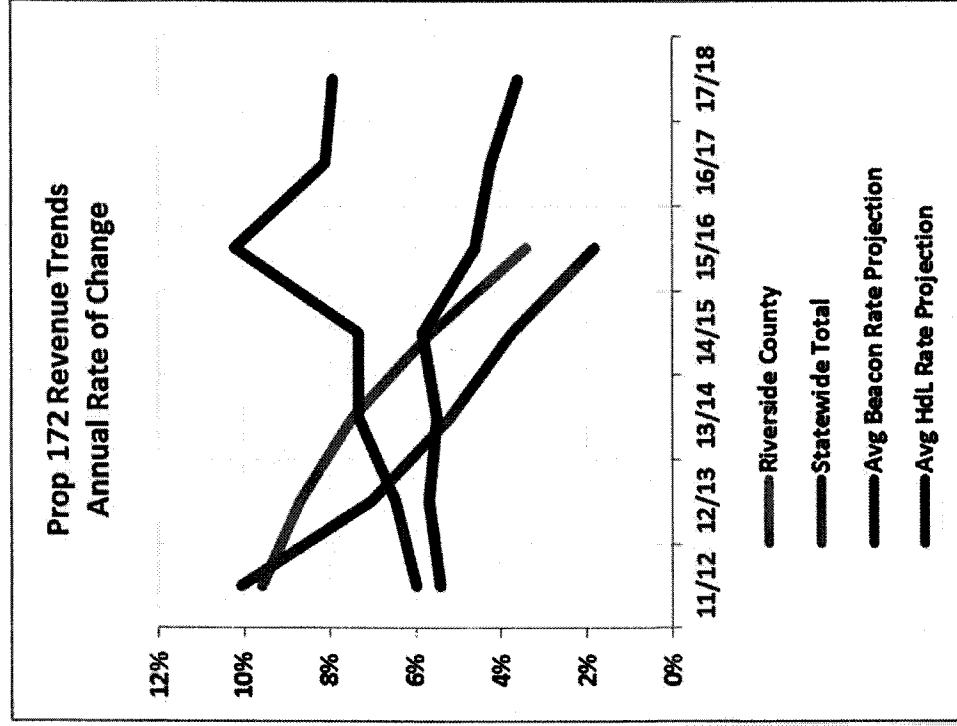
PROP. 172 – OUR ALLOCATION HISTORY

- ▶ Prior to FY 14/15, distribution to departments held at \$133 million to accumulate a reserve for ECDC operations.
- ▶ Distributions in FY 14/15 and FY 15/16 rose above the annual revenue to \$190.3 million, assuming drawdown of existing ECDC reserve by end of FY 16/17.
- ▶ Prior forecasts (Beacon Economics) indicated annual Prop. 172 revenue exceeding \$190 million in FY 17/18 and covering the increased distribution.



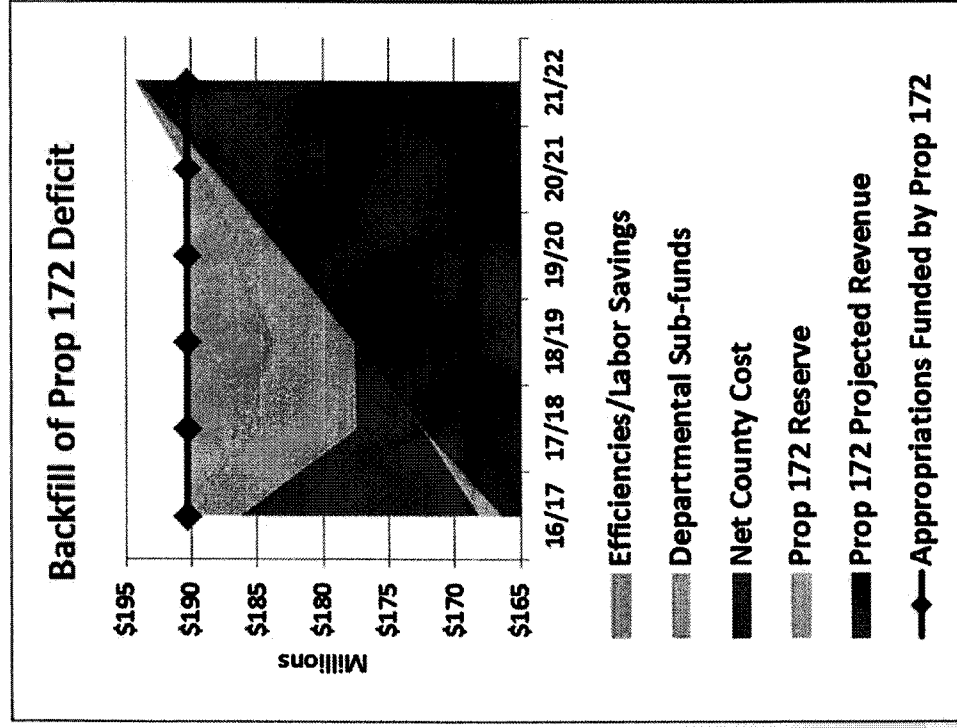
PROP. 172 – SHORTEFALL BACKGROUND

- ▶ In October, HdL Companies, the county's sales tax consultant, reported growth significantly lower than anticipated.
- ▶ Decline masked in FY 15/16 by unrelated actions by the Board of Equalization withholding portions of counties' Prop. 172 and realignment.
- ▶ When full allocations resumed, underlying revenue shortfall emerged.
- ▶ Combined with the lowered reserve caused by the Board of Equalization's actions, this requires a \$22 million reduction in distributions.

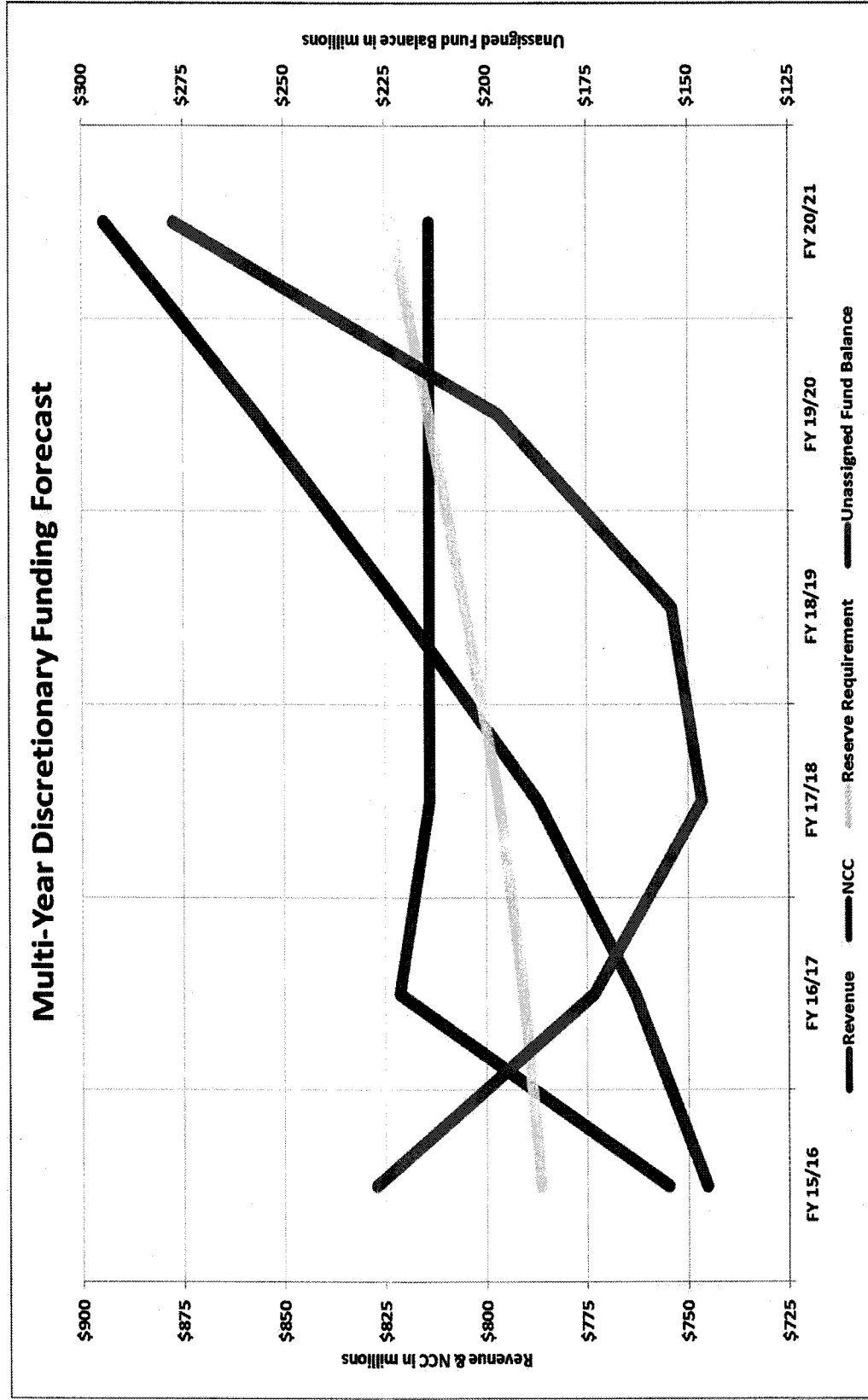


PROP. 172 – SHORTEFALL SOLUTION

- ▶ Our solution recommends covering shortfall until revenue growth fills the gap:
 - ▶ General fund covers \$18 million in FY 16/17 & \$5 million in FY 17/18
 - ▶ Booking fees cover Sheriff's corrections budget unit throughout plan.
 - ▶ Beginning in FY 17/18, other departmental reserves and cost savings cover other Sheriff and Probation department budgets.
 - ▶ District Attorney's departmental reserves cover its budget unit throughout plan.
 - ▶ Fire Department Prop. 172 distribution not cut.



MULTI-YEAR PLAN



BUDGET STRATEGY RECAP

- ▶ Net County Cost Allocations (NCC)
 - ▶ First maximize departmental annual revenues and accumulated reserves.
 - ▶ Increase NCC allocations only to preserve existing staff *if* there is no alternative *and* offsetting cost reductions are possible.
 - ▶ Allow program enhancements or expansion only with sustainably funded 5-year operational plans based on metric-driven strategic objectives.
- ▶ Staffing & Labor Costs
 - ▶ Hold realistic position on negotiations.
 - ▶ Limit hiring to replace recently vacated mission-critical positions.
 - ▶ Deauthorize unfunded vacant positions serving no operational purpose.
 - ▶ Capture salary savings by deauthorizing non-essential funded vacant positions.
 - ▶ Tightly tie position authorization to appropriations & funding availability.
- ▶ Achieving Efficiencies
 - ▶ Implement & expand on recommendations from KPMG & California Forward.
 - ▶ Find additional efficiencies in internal operations.

FY 17/18 BUDGET POLICIES

- ▶ Budget policies and schedule typically presented in midyear report.
- ▶ Recommending early approval to accelerate budget discussions.
- ▶ Key budget policies recommended at this time:
 - ▶ Rollover ongoing FY 16/17 net county cost allocations (NCC).
 - ▶ Eliminate limited one-time allocations made in FY 16/17.
 - ▶ Assume no COLAs beyond current labor contracts.
 - ▶ Departments absorb increased pension obligations, insurance, internal services, etc.
 - ▶ Apply one-time revenues to rebuild reserves or mission-critical one-time costs.
 - ▶ No backfill of departmental revenue shortfalls.
 - ▶ Departmental revenues must be recognized in the fiscal year received, unless legally restricted otherwise.
 - ▶ Assume no additional hiring to enhance patrol ratio.

KEY BUDGET SCHEDULE DATES

- ▶ January 17 – Budget kickoff meeting with departments
- ▶ February 7 – Midyear Report
- ▶ March 13 – Departments submit budgets to CEO
- ▶ May 9 – Third Quarter Report & FY 17/18 Budget Preview
- ▶ June 12 – Present FY 17/18 Recommended Budget & open budget hearings
- ▶ July 25 – Amend Recommended Budget
- ▶ September 26 – Adopt FY 17/18 Budget

RECOMMENDATIONS

- ▶ Receive and file the report and its attachments;
- ▶ Approve the recommendations and budget adjustments contained in the first quarter report, which include:
 - ▶ Budget adjustments in Attachment A (4/5ths vote required);
 - ▶ Resolution 440-9047 amending authorized positions in Ordinance 440 contained in Attachment B;
 - ▶ FY 17/18 budget polices, which incorporate rollover Net County Cost for most departments, contained in Attachment D;
 - ▶ FY 17/18 budget schedule contained in Attachment E; and,
 - ▶ Revised FY 16/17 and FY 17/18 Prop. 172 distribution schedule contained in Attachment F.