

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



**ITEM: 3.2**  
(ID # 12333)

**MEETING DATE:**  
Tuesday, May 19, 2020

**FROM :** EXECUTIVE OFFICE:

**SUBJECT:** EXECUTIVE OFFICE: Receive and File Fiscal Year 2019/2020 Third Quarter Budget Report; Approval of the recommendations and associated budget adjustments, All Districts. [\$65,691,791- 10% General Fund Contingency, 90% Department Budgets] (4/5 Vote Required)

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file the attached FY 19/20 Third Quarter Budget Report; and,
2. Approve the recommendations and direct the Auditor-Controller to make the budget adjustments contained in Attachment A of that report; and,
3. Approve and authorize the acceptance of the donation of five refrigerated trailers from HUB Group international to the Sheriff Department.

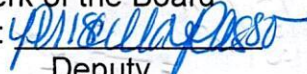
**ACTION:**4/5 Vote Required, Policy

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**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Spiegel, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt  
Nays: None  
Absent: None  
Date: May 19, 2020  
xc: EO, Auditor

Kecia R. Harper  
Clerk of the Board  
By:   
Deputy

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

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 65,691,791		\$ 65,691,791	
<b>NET COUNTY COST</b>	\$ 6,740,361		\$ 6,740,361	
<b>SOURCE OF FUNDS: 10% General Fund Contingency and 90% Department Budgets</b>			<b>Budget Adjustment:</b>	<b>Yes</b>
			<b>For Fiscal Year:</b>	<b>19/20</b>

**C.E.O. RECOMMENDATION: APPROVE**

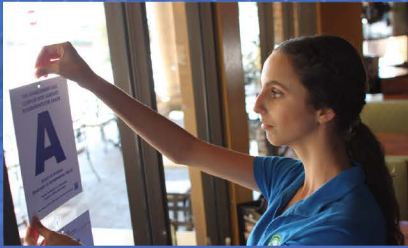
*Misley Wang*  
 Misley Wang, Supervising Accountant 5/13/2020





# COUNTY OF RIVERSIDE

## STATE OF CALIFORNIA



FISCAL YEAR 2019/2020  
**THIRD QUARTER**  
**BUDGET REPORT**

Prepared by  
**George A. Johnson**  
*County Executive Officer*

# COUNTY OF RIVERSIDE

## EXECUTIVE OFFICE

GEORGE A. JOHNSON  
COUNTY EXECUTIVE OFFICER



LISA BRANDL  
CHIEF OPERATING OFFICER

DON KENT  
ASSISTANT COUNTY EXECUTIVE OFFICER  
COUNTY FINANCE OFFICER

May 19, 2020

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

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### ***SUBJECT: Fiscal Year 19/20 Third Quarter Budget Report***

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Board Members:

As we approach the end of FY 19/20, we find ourselves in unprecedented times. COVID-19 is triggering a plunge in revenue estimated to be \$30 million in FY 19/20. Forecasted discretionary revenue will be reduced by \$10 million from \$857 million to \$847 million, combined with an anticipated drop in Prop. 172 revenue of \$20 million.

As of this report, the reduced general fund discretionary revenue projection is largely attributable to a shortfall in sales tax revenue, fines and penalties, and documentary transfer tax. Net county cost (NCC) is \$892 million, which includes the backfill of Prop. 172 revenue loss of \$20 million to public safety departments. This results in a net deficit from operations of \$45 million, reducing reserves from \$264 million to a projected \$219 million at FY 19/20 year-end.

In March, to blunt the projected revenue losses, all departments were directed to eliminate all non-mission critical, non-essential spending with impacts to NCC. A projected year-end savings of \$14 million has been reported from Correctional Health, Behavioral Detention Health, Probation, Public Defender, HR and EDA, mostly attributed to vacancies, and travel.

Last month, the County was the recipient of \$431 million in CARES Act stimulus bill funding from the U.S. government to cover expenses necessary to respond to the ongoing public health emergency. Unfortunately, short of any legislative updates, CARES Act funding cannot be used to backfill county revenue losses as result of economic damage due to the pandemic.

Within this report, there are a few budget requests for consideration affecting NCC. The Registrar of Voters is requesting a budget adjustment associated with an unanticipated Senate seat vacancy election and runoff in May. The Department of Animal Services is reporting a deficit and requesting a budget adjustment due to shortfall in revenue, additionally, the General Assistance program continues to rise and is seeking additional funds.

As we look ahead, discretionary revenue is projected with a shortfall of \$50 million in FY 20/21. This coupled with the uncertainty of negative impacts from the state in the coming months has increased the projected shortfall to \$100 million or more. The May 7 fiscal update from the state Department of Finance reports a revenue decline of \$41 billion, combined with \$13 billion in increased expenditures. This translates into an overall budget deficit of approximately \$54 billion, over three times the amount of balances in the state's \$16 billion Rainy Day Fund.



Maintaining fiscal discipline is needed to preserve the county's fiscal health. To align spending with the impact of the severe projected revenue shortfalls, and, weather the financial uncertainty during these difficult times, very hard decisions will need to be made.

General fund departments that are receiving NCC allocations have been directed to produce a two-phased budget cut, with the first phase of 5-10 percent, producing anticipated savings of \$65 million which will be presented during the June budget hearings. The second phase budget cut of an additional 5 percent with expected savings of \$37 million, will be evaluated for implementation as soon as the details of the Governor's revised budget is published which is expected in August. The estimated timeframe for phase two is August - September.

Internal service departments have been directed to follow the same guidelines.

We will come back to the Board with recommendations during budget hearings which are scheduled for June 15 – 16, and June 23, if necessary.

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

Receive and file the FY 19/20 Third Quarter Budget Report.

Respectfully,

  
George A. Johnson

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<b>ATTACHMENT B HDL COMPANIES SALES TAX UPDATE</b>	

### EXECUTIVE SUMMARY

The projected discretionary revenue has changed drastically as a result of the COVID-19 pandemic. As of this report, the FY 19/20 year-end discretionary revenue projection is \$847 million and net county cost is \$892 million, including the recommendations in this report. This results in a projected net deficit from operations of \$45 million reducing reserves from \$264 million to \$219 million.

As of this report, the projected revenues with major shortfalls are fines and forfeitures down by \$6.5 million, sales tax drop by \$3.7 million, and a reduction of \$1.3 million in documentary transfer tax. The most notable decline is in Prop. 172 revenue which is projected to be down \$20 million.

Looking ahead to FY 20/21, the carryover reserves of \$219 million can further be impacted based upon the projected discretionary revenue as well as any negative impact of the Governor's budget. The anticipated revenue shortfall is attributed to \$14 million in interest earnings, \$2.3 million in sales and use tax, \$16 million in Prop. 172, \$7.9 million in the documentary transfers, \$1.6 million in penalties and interest on delinquent taxes, and \$7.6 million in fines and forfeitures. This combined with uncertainty of negative impacts from the state in the coming months has increased the projected shortfall to \$100 million or more.

In this report, there are a few budget requests for consideration.

The Registrar of Voters is requesting a budget adjustment of \$2.8 million associated with an unanticipated Senate seat vacancy election and runoff in May.

The Department of Animal Services is reporting a deficit and requesting a budget adjustment of \$2.6 million due to shortfall in revenue. Additionally, the Department of Social Services, General Assistance program continues to rise and is seeking additional funds in the amount of \$1 million based on the current caseload trends.

Contingency adjustments are \$6.7 million with the balance of \$12.5 million as of this report. Additional information is summarized on page 8 of this report.

To align our spending with projected revenue losses, a two-phased budget cut approach was recommended for general fund departments that are receiving NCC allocations. The first phase of NCC cut of 5-10 percent, will produce an anticipated savings of \$65 million. The second phase, cut of an additional 5 percent is anticipated to produce a saving of \$37 million, which will be evaluated for implementation as soon as the details of the Governor's revised budget is published which is likely to occur in August. Likewise, Internal service departments have been directed to follow the same guidelines. The estimated timeframe for phase two is August - September.

The Executive Office is monitoring the revenue trends, and will continue to evaluate the revenue shortfall and adjust projections as necessary.



## **MULTI-YEAR BUDGET OUTLOOK**

The county's current FY 19/20 year-end reserve projection has decreased to \$219 million, resulting in a \$45 million draw on reserves.

The Executive Office is working with departments to reduce deficit spending in the coming year and will come back during budget hearings with recommendations. While the reserve requirement has currently been met, future obligations are projected to draw down reserves substantially below Board Policy of 25 percent of discretionary revenue; major corrective actions will need to be made. It is recommended to use additional fund balance in FY 19/20 to replenish reserves.

### **Discretionary Revenue Projections**

Due to the outbreak of COVID-19, the "stay in place" orders have resulted in a swift decline in spending on certain goods and services by consumers and businesses in the U.S. This has affected our discretionary revenue, mostly attributed to decreases in Sales and Use tax and Prop. 172 Public Safety Sales tax revenues.

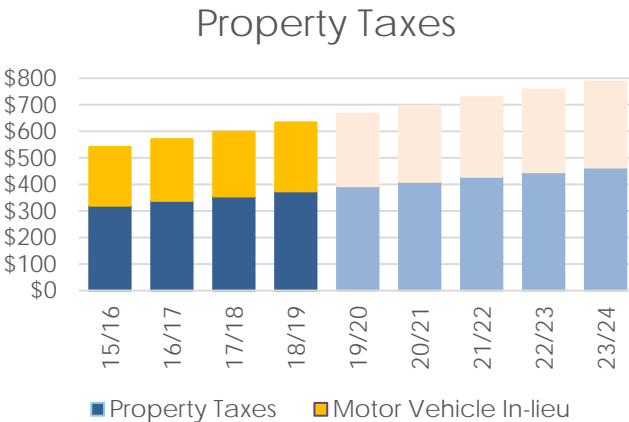
Overall, projected discretionary revenue estimates are down \$10.6 million from mid-year projections, but coupled with the loss of Prop. 172 revenue the total is down \$30.2 million, summarized at right. Highlights of the county's key general-purpose revenues are noted below.

In the budget, the Executive Office presented an updated long-term outlook on general-purpose revenue that was moderately cautious in the out-years. This was based on the historic probability of an economic slowdown at some point within our planning horizon. Now with the COVID-19 pandemic, this has become a reality. The Executive Office continues to model a long-term outlook with a more graduated approach, cooling the growth rate of key revenues. Originally, the model anticipated a blended growth rate around 4 percent for the next few years. However, as we obtain more information on the true economic effects of the crisis we will update projections accordingly in preparation for the FY 20/21 budget.

General Fund Projected Discretionary Revenue (in millions)			
	Budget Estimate	Current Quarter Estimate	Variance
Property Taxes	\$390.1	\$393.1	\$3.0
Motor Vehicle In Lieu	272.9	273.4	0.5
RDA Residual Assets	11.2	10.9	(0.3)
Tax Loss Reserve Overflow	16.0	16.0	-
Fines and Penalties	19.3	12.8	(6.5)
Sales & Use Taxes	32.1	28.4	(3.7)
Tobacco Tax	10.0	10.0	-
Documentary Transfer Tax	16.4	15.1	(1.3)
Franchise Fees	7.0	7.0	-
Mitigation Fees	0.1	0.1	-
Interest Earnings	18.0	21.0	3.0
Misc. Federal and State	4.5	4.5	-
Federal In-Lieu	3.4	3.4	-
Rebates & Refunds	6.6	6.9	0.3
Realignment	8.9	8.9	-
Other (Prior Year & Misc.)	18.4	22.9	4.6
Operating Transfers In	22.5	12.5	(10)
<b>Total</b>	<b>\$857.5</b>	<b>\$846.9</b>	<b>\$(10.6)</b>
Prop. 172 Public Safety Sales Tax	193.8	174.2	(19.6)
	<b>\$1,051.3</b>	<b>\$1,021.1</b>	<b>\$(30.2)</b>

**Property Taxes**

Property tax revenue, and motor vehicle fee revenue received in-lieu of property taxes, were both budgeted based on a forecasted 5 percent growth in assessed values. The FY 19/20 projected 5.86 percent assessed value growth prompted an increase in revenue projected for the current year. Due to uncertainty over the long-term, the Executive Office still assumes a graduated step-down



in the growth rate over the next several years, which will likely decline more due to the COVID-19 pandemic. As we obtain more information, we will update projections accordingly. In addition, residual assets distributed from former redevelopment agencies fluctuates as they are liquidated and are anticipated to decline over time as those agencies wind down.

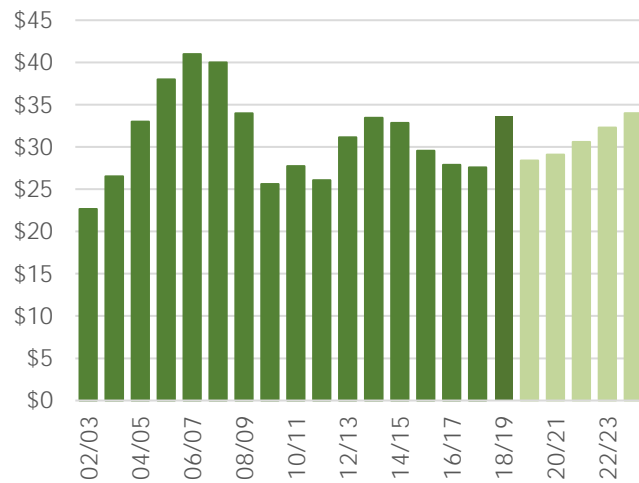
### Sales and Use Taxes

In the third quarter, the county's current sales and use tax projection has decreased \$3.7 million. This is due to declines, in business and industry, autos and transportation, food and drugs, and restaurants and hotels. HdL Companies' projections reflect a modest growth rate over the next several years. This assumes that "stay in place" orders will until the end of May 2020.

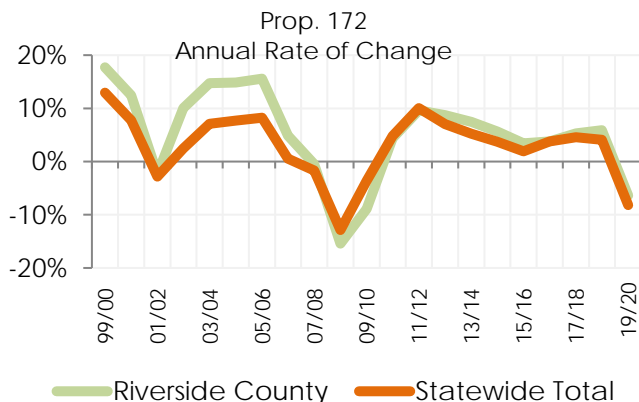
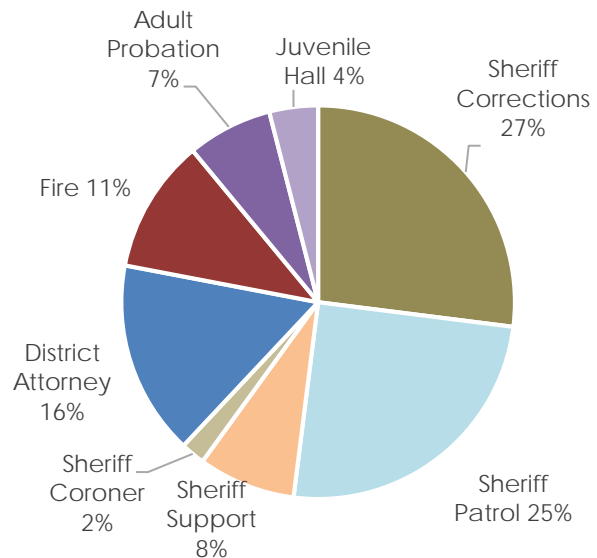
### Prop. 172 Public Safety Sales Tax

The county's Prop. 172 public safety sales tax revenue is affected both by changes in the overall statewide pool of revenue as well as changes in the county's pro rata share of that pool relative to other participants. During the Great Recession, the statewide pool of Prop. 172 revenue shrank, and then grew again as economic activity in the state's major metropolitan centers rebounded. As other counties emerged from the recession more rapidly, their allocation factors grew, causing the allocation factors of lagging counties such as Riverside to shrink. Consequently, while Riverside enjoyed double-digit growth in Prop. 172 revenue for several years, that growth rate slowed substantially in recent years. As of third quarter, HdL Companies is

Sales & Use Tax Revenue



Board-Approved Prop. 172 Disbursement Ratios





## Current Status

projecting FY 19/20 ending revenue to be \$174 million down from \$193 million predicted before the COVID-19 outbreak.

### Interest Earnings

The Treasurer's estimate for FY 19/20 county general fund interest earnings will be revised up to \$21 million from \$18 million, based on projections and third quarter results. The estimate includes factors such as general fund balances in the Treasurer's Pooled Investment Fund (TPIF) and current and projected levels of interest rates.

Worldwide, a historic amount of stimulus and support was provided by nations to stem the economic impact of the Coronavirus pandemic. With no known treatment or vaccine; affected communities have responded by limiting social contact and those policies have caused economic activity to plummet. The U.S. government enacted a \$2.1 trillion aid package and the Federal Reserve (FED) announced programs that will inject over \$2.3 trillion in support.

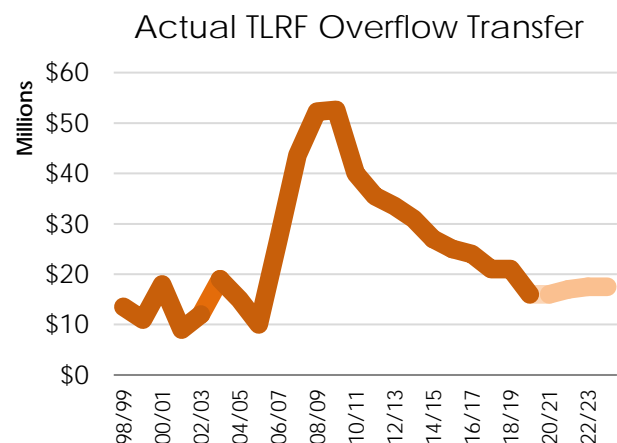
In unscheduled meetings on March 3rd and March 15th, the Federal Open Market Committee (FOMC) voted to cut the FED funds target range rate by half a percent and then a full percent in total lowering the target FED Funds rate range from a variable 1.50 - 1.75 percent to 0 - 0.25 percent. The cuts and announced multi trillion-dollar support programs marked an unprecedented level of FED activity to support economic activity and avoid a repeat of the Great Depression.

U.S. and global economic outlooks in the near future are dim; the market consensus is that we are in a severe recession, if not worse. There is little consensus on how deep it will be or how long it will last. In this near zero rate environment it is uncertain what additional tools are at the FED's disposal that may reduce investment rates further. Equally uncertain is how interest rates react to the expected increase in treasury supply as the U.S. Treasury increases issuance to finance the multi trillion-dollar Federal aid package, known as the CARES Act.

The outlook for interest earnings for next year is bleak. However, due to the current weighted average maturity profile of the TPIF, the impact from the reduced investment rates will not drag FY 19/20 earnings estimates down. At this time, the FY 19/20 earnings forecast is revised upward by \$3 million as a result of higher than expected balances, performed market operations, and unique market opportunities. The Treasurer will closely monitor earnings estimates and will provide updates to budget staff if there are any material changes.

### Teeter Tax Losses Reserve Fund (TLRF) Overflow

Under the California Teeter plan, the county advances to participating agencies property tax al-



locations based on enrolled assessed valuation. In return, the county retains the actual taxes received, plus penalties and interest on delinquent taxes. As part of the COVID-19 related response from the state, on May 6, 2020, Governor Newsom signed Executive Order N-61-20 granting County Tax Collectors the ability to cancel penalties, costs, and interest for taxes not timely paid on certain properties that were not delinquent prior to March 4, 2020. As we obtain more information we will update projections accordingly in preparation for the FY 20/21 budget.

The TLRP captures revenues and expenditures associated with the program. Revenue exceeding financing costs and the necessary tax loss reserve is discretionary revenue released to the general fund annually. The annual release is in accordance with the revenue and taxation code, and consistent with prudent risk management. At this time for FY 19/20, and FY 20/21, the forecast remains at \$16 million.

### *FY 19/20 Budget Cycle*

#### **Long-Range Budget Schedule**

Following are key dates, which remain subject to change as necessary and appropriate:

- **May 19, 2020:** FY 19/20 Third Quarter Report to the Board of Supervisors
- **June 15 - 16, 2020, and June 23, 2020** (as necessary): Presentation of the FY 20/21 Recommended Budget, opening of budget hearings, and approval of the budget.
- **June 30:** Statutory deadline by which Board must approve the Recommended Budget (GC 29064).
- **October 2, 2020:** Board of Supervisors must approve a resolution formally adopting the budget.

These dates have been coordinated to work with the Board's approved 2020 meeting calendar.

**CURRENT BUDGET STATUS**

**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 adopted budget appropriated \$17.6 million for contingency. This report contains a decrease of \$6.7 million at this time, taking the contingency level to \$12.5 million, as summarized in the table below.

Use of General Fund Appropriations for Contingency					
		Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
<b>Recommended Budget Balance:</b>					<b>\$ 20,000,000</b>
<b>Adjustments:</b>					
7/1/2019	Cooperative Extension	562,064		(562,064)	
7/1/2019	Code Enforcement	500,000		(500,000)	
7/1/2019	Economic Development Agency	1,300,000		(1,300,000)	
		2,362,064	-	(2,362,064)	
<b>Adopted Budget Balance:</b>					<b>17,637,936</b>
<b>Adjustments to date:</b>					
11/5/2019	Auditor-Controller	231		(231)	
Q1 Rec. 4	Human Resources	1,753,151		(1,753,151)	
Q1 Rec. 8	District Attorney	1,800,000		(1,800,000)	
Q1 Rec. 14	Sheriff - Helicopter	985,000		(985,000)	
Q1 Rec. 20	DPSS-UDW MOU	4,000,000		(4,000,000)	
Q1 Rec. 21	DPSS-Children's Services Division	3,177,864		(3,177,864)	
Q1 Rec. 25&26	Animal Services	3,150,000		(3,150,000)	
12/17/2019	Sheriff - Modulars	2,847,171		(2,847,171)	
Q2 Rec. 2	RCIT - HCM PeopleSoft Upgrade	1,398,260		(1,398,260)	
Q2 Rec. 5	Replenish Contingency		20,000,000	20,000,000	
Q2 Rec. 8	Sheriff - RSA Labor Contracts	9,000,000		(9,000,000)	
Q2 Rec. 13	Code Enforcement	300,000		(300,000)	
4/7/2020	Replenish Contingency		25,000,000	25,000,000	
4/7/2020	EMD - Medical Items	15,000,000		(15,000,000)	
		43,411,677	45,000,000	1,588,323	<b>19,226,259</b>
<b>Actions recommended in this report:</b>					
Q3 Rec. 6	Animal Services	2,680,956		(2,680,956)	
Q3 Rec. 11	DPSS -Foster Care	200,000		(200,000)	
Q3 Rec. 12	DPSS - General Assistance	1,000,000		(1,000,000)	
Q3 Rec. 23	Register of Voters - Election costs	2,859,405		(2,859,405)	
		6,740,361	-	(6,740,361)	
Total adjustments to Contingency upon approval of Q3 report =		52,514,102	45,000,000	(7,514,102)	
				<b>Contingency balance upon approval of Q3 report =</b>	<b>12,485,898</b>



## FINANCE & GOVERNMENT SERVICES

### Executive Office

The Health and Mental Health Realignment revenue has been trending higher than anticipated this fiscal year due to the economy and vehicle license fee (VLF) revenue. A budget adjustment is needed to receive the revenue and increase appropriations for distribution to the various departments. The departments are anticipating this funding in their current projections.

**Recommendation 1:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for County Contributions to Health and Mental Health Realignment by \$2,600,000, as follows:*

Increase appropriations:		
10000-1101400000-536100	Realignment – county match	\$ 2,600,000
Increase estimated revenue:		
10000-1101400000-750250	CA - realignment for VLF	2,600,000

The Court sub-fund budget is billed for the 2008 A Southwest Justice Center debt service for funding the Jail and Juvenile facility. For FY 19/20, a budget adjustment is needed in the amount of \$670,000 to make the debt service payment.

**Recommendation 2:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Court Sub-fund budget by \$670,000, as follows:*

Increase appropriations:		
10000-1101200000-537130	Interfund expense - rent CORAL	\$ 670,000
Increase estimated revenue:		
10000-1101200000-731080	Other court fines	653,067
Anticipated use of restricted fund balance:		
11050-1101200000-321101	Restricted program money	16,933

## PUBLIC SAFETY

### Department of Animal Services

Riverside County Animal Services needs to replace four dishwashers and two washing machines within the shelter system. Each dishwasher is an important tool, to help limit the spread of sickness and disease in shelter animals. Washing machines are used to wash cleaning cloths and towels used as bedding. The intent is to purchase two 90-pound washing machines for the Riverside facility. Animal Services would use \$17,846 for the dishwashers and \$44,834 for the washing machines from donations categorized as greatest need to purchase the assets.

Current Status

**Recommendation 3:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Animal Services by \$62,680, as follows:*

Increase appropriations:		
10000-4200600000-520805	Appliances	\$ 17,846
10000-4200600000-546160	Equipment - other	<u>44,834</u>
	Total	62,680
Increase estimated revenue:		
10000-4200600000-781220	Contributions & donations	62,680

The Volunteer Services division has requested to use funds to purchase food for two volunteer dinners and to purchase safety vests and shirts for Animal Services Volunteer staff. Volunteer dinners are used to celebrate more than 700 volunteers who donate over 35,000 hours annually. One dinner will be for the Riverside area and one for the Coachella Valley area. The safety vests and shirts for volunteers will allow for instant identification. Animal Services would use \$1,134 of donations categorized as volunteer donations to cover the cost of the annual dinners and uniform items.

**Recommendation 4:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Animal Services by \$1,134, as follows:*

Increase appropriations:		
10000-4200600000-520105	Protective gear	\$ 341
10000-4200600000-520115	Uniforms-replacement clothing	541
10000-4200600000-520705	Food	<u>252</u>
	Total	1,134
Increase estimated revenue:		
10000-4200600000-781220	Contributions & donations	1,134

Animal Services has been awarded various grants. One grant was awarded from the PetSmart Charities Grant in the amount of \$50,000 and two grants were awarded from the California Department of Food and Agriculture in the amount of \$7,500 and \$37,740. The award for \$37,740 was for revenue brought into the state from sale of “Pet Lovers” license plates. Funding for all these grants was placed in a liability account until it was earned. At this time the funding has been earned and a journal will be done to move the funds into a revenue account. The grants will help cover the cost of Spay & Neuter surgeries.

**Recommendation 5:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Animal Services by \$95,240, as follows:*

Increase appropriations:		
10000-4200600000-522890	Pharmaceuticals	\$ 70,240
10000-4200600000-522860	Medical-dental supplies	10,000

10000-4200600000-525520	Veterinary services	<u>15,000</u>
	Total	95,240
Increase estimated revenue:		
10000-4200600000-781850	Grants-nongovernmental agencies	95,240

Animal Services is projecting to be over budget by \$3.2 million. Of this, \$2.6 million is due to delays in getting contract city rates approved and implemented. It should be noted that approved rates were not implemented at full cost recovery, but we will move toward full cost recovery over the next several years. An additional \$600,000 revenue shortage is projected due to the COVID-19 Pandemic. The department currently requests an adjustment of \$2.6 million and the remaining \$600,000 will be considered at year-end if needed

**Recommendation 6:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for Animal Services and decreasing Appropriation for Contingency by \$2,680,956 as follows:*

Increase appropriations:		
10000-4200600000-510040	Regular salaries	\$ 1,500,000
10000-4200600000-510420	Overtime	200,061
10000-4200600000-518100	Budgeted benefits	<u>980,895</u>
	Total	2,680,956

Anticipated use of unassigned fund balance:		
10000-4200600000-370100	Unassigned fund balance	2,680,956

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	2,680,956

Anticipated increase of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,680,956

### ***Emergency Management Department***

The Emergency Management Department (EMD) expenditures are currently within budgeted projections. EMD is working with the Executive Office to mitigate budget overages as a result of the current COVID-19 pandemic. The department will continue to monitor county response to the pandemic and communicate impacts to the Executive Office.

### ***Fire***

The Fire Department reports that it is currently on track to meet budget targets for FY 19/20. Due to spending restrictions the department is projected a budget surplus at the end of the fiscal year. The department will continue to monitor expenses related to the county's response to the COVID-19 pandemic and will communicate impacts to the Executive Office.

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

The Law Office of the Public Defender continues to provide efficient and effective services to its clients through experience and technology while exploring all revenue options. In

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the third quarter, the department implemented cost saving measures such as a hiring freeze on most positions and postponing needed capital improvement projects. As a result of these measures, the department will continue to be on target this fiscal year with a projected budget surplus at year end.

### *Office of District Attorney*

The District Attorney's Office (DAO) reports that there is no projected deficit anticipated this fiscal year. Due to the recent COVID-19 pandemic a few revenue streams may be negatively impacted one of the largest being Prop. 172. This potential impact is currently unknown. The DAO continues to remain fiscally prudent in ensuring allocated dollars are spent on critical hiring, service requests and procurement needs. The DAO continues to seek alternative grant revenue funding sources via competitive requests for proposals that will assist in plugging any holes in revenue that may result from this pandemic.

The DAO continues to meet regularly with the Executive Office to share issues of concern to public safety and to ensure fiscal transparency. The department remains committed to providing outstanding prosecutorial, investigative and victim services, while continuing to implement feasible cost saving measures.

### *Probation Department*

The Probation Department is projecting that, overall, expenditures will be within appropriations and net county cost (NCC) targets at yearend.

The Probation Department, in its efforts to improve and build efficiencies in its operations officially closed Riverside Juvenile Hall (RJH) effective March 30, 2020. The youth detention population housed at Riverside Juvenile Hall was relocated between the three remaining treatment and juvenile detention facilities, the Alan M. Crogan Youth Treatment and Education Center, the Indio Juvenile Hall, and the Southwest Juvenile Hall. The RJH closure included realignment of staffing to other vacant positions within the department ultimately returning 74 general fund positions to the Executive Office. The RJH facility has been transferred to EDA, upon which Riverside University Health System - Behavioral Health has now occupied. Behavioral Health requested that Probation not remove the existing RJH security camera system as this would allow the department to utilize the facility within the current fiscal year. In return, Behavioral Health has committed to reimbursing Probation for the security camera system upgrade at the Indio Juvenile Hall facility.

In order to submit a balanced FY 20/21 Probation Department budget, the department utilized a combination of one-time revenues; eliminated funding for 75 general fund vacant positions (not including RJH); and included only the essential materials and services needed to support core functions and meet its mission.

The FY 19/20 estimated impacts to operations include increases in overtime, safety-security supplies, and cleaning and janitorial costs due to additional safety precautions implemented within Institution and Field Services Operations in order to maintain mandated service levels.

Since the submittal of the balanced FY 20/21 budget on March 16, 2020, the State released information about their budget and how they will proceed in light of the COVID-19 financial impacts. The Governor's May Revise will most likely include a rollover budget and similar funding levels as provided in FY 19/20. However, included in Probation's FY 20/21 budget was \$3.5 million in Adult Probation Reform "Misdemeanor" new funding which could be impacted or eliminated due to the State rollover budget from FY 19/20. It is anticipated that the new funding will be included as an amendment to the State budget and will still be received in the FY 20/21 budget. Other potential impacts to Probation include a projected short fall in Sales Tax revenues, which could in turn adversely impact the AB109, Youthful Offender Block Grant, and Juvenile Re-Entry funding streams. Probation will continue to monitor communications from the State for financial impacts and report this information to the Executive Office.

### *Sheriff's Department*

The Sheriff's Department is projecting a balanced budget if the necessary budget adjustments and reimbursements are made for the COVID-19 pandemic and barring any further unforeseen emergencies, uptick in violent crime, unanticipated law enforcement operations or major expenditures. As mentioned in the mid-year report, staffing levels across the department continue to be a major concern for the Sheriff. The ramp up in hiring will need to slow due to the economic uncertainties on the horizon. The department have implemented a critical evaluation of every current vacant funded position to determine if it needs to be filled at this time. The Sheriff's is still focused on increasing the number of uniformed personnel throughout the department but realizes it may take longer than originally anticipated, because of the economic uncertainty with the COVID-19 crisis. The department will continue certain hiring targeted to restoring critical staff losses due to attrition, hiring for JJBDC, and restoring unincorporated patrol staffing to safe levels throughout the county. Overtime will continue to trend higher until staffing normalizes and newly hired uniformed personnel complete their training. However, due to the COVID-19 crisis, the county's courthouses have closed for nearly all civil and criminal proceedings. This has allowed the department to temporarily transfer those deputies to jail and patrol assignments and reduce overtime costs due to staffing shortages in both the contract cities and the unincorporated areas. Additionally, the court, District Attorney and Public Defender's Office have allowed many of the necessary court proceedings to occur via web-based video conferencing. This has reduced the number of corrections personnel required for transporting inmates to and from court. The state has also denied transfers to state prisons which have further temporarily reduced transportation costs. Crime trends and arrests have decreased during the crisis; therefore, associated operational costs with traditional enforcement activities such as vehicle costs and overtime are expected to decrease. During this pandemic, the department experienced the loss of two of our deputies who succumbed to the virus, as well as experiencing an inordinate amount of sick time directly related to COVID. A special payroll code was created to track lost work time due to the crisis.

The department has been successful in improving departmental efficiencies and reducing internal costs. To optimize patrol staffing and create greater efficiencies with our existing critical staffing levels, the department plans to implement a 3/12-4/12 work schedule for deputies who perform a patrol function in contract cities and unincorporated county areas.



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To reduce the negative impact on residents and the costs associated with costly litigation, the department has implemented several policies and procedures to decrease the department's civil liabilities. In the coming months, the department has plans for a restructure of personnel to proactively investigate and address use of force and other high liability incidents. The department continues to actively work with the Executive Office, Human Resources and County Counsel to streamline internal processes to further reduce costs.

Another area where the department feel savings can be achieved is facility and project management. The Board of Supervisors granted the Sheriff increased flexibility in project management and contracting services where appropriate. The department anticipates have a fully operational custodial division at the beginning of the new fiscal year and is in the process of transferring 19 full time custodial staff from EDA.

HUB Group International has donated five refrigerated trailers to the Sheriff's Coroner Unit as a result of the COVID-19 pandemic. The department is requesting authorization to accept the donation.

**Recommendation 7:** *That the Board approve and authorize the acceptance of the donation of five refrigerated trailers from HUB Group international to the Sheriff Department. The estimated book value of the trailers is \$97,000 or \$18,537 each.*

## HEALTH & HOSPITAL SERVICES

### Riverside University Health System

Riverside University Health System (RUHS) has been working around the clock in response to the COVID-19 Pandemic. RUHS has been engaged in scenario planning and surge preparation in anticipation of differing levels of community need. The RUHS teams from Public Health, Behavioral Health, Community Health Centers, and the Medial Center are working collaboratively with the Executive Office, County Departments and community partners to best coordinate the public safety response. The third quarter report largely reflects activities prior to the emergency. RUHS is evaluating the impact changing care priorities, delivery methods, and facility utilizations will have on financial performance. Federal, State, and Local reimbursing agencies are working collaboratively to provide financial support and assistance during this unprecedented health emergency. While the level of reimbursement to offset COVID-19 impacts is not entirely clear at this time, RUHS is pursuing all possible funding opportunities available to help mitigate the costs. RUHS will work closely with the Executive Office as more information becomes available.

### Medical Center

The Riverside University Health System – Medical Center (RUHS – MC) was projecting to end the year within budget targets. RUHS is assessing the impact the COVID-19 emergency will have on projected financial results and will keep the Executive Office updated on this key issue. On a positive note, the Medical and Surgical Center opening occurred in March and its opening is providing valuable options in the COVID-19 response planning efforts. The Medical Center is requesting a budget adjustment related to possible COVID-19 expenditures.

The requested budget adjustment is necessary to cover increased expenditures related to the COVID-19 pandemic and surge planning preparations. RUHS-MC will make every effort to recover/reduce the additional expenditures related to COVID-19 and surge planning preparations.

**Recommendation 8:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for the RUHS-MC fund by \$37,800,849, as follows:*

Increase appropriations:		
40050-4300100000-526700	Rent - lease buildings	\$ 6,831,000
40050-4300100000-525620	Temporary expense - nurse registry	18,989,263
40050-4300100000-522860	Medical - dental supplies	8,515,244
40050-4300100000-526530	Rent - lease equipment	933,139
40050-4300100000-523840	Computer equipment - software	416,990
40050-4300100000-525440	Professional services	<u>2,115,213</u>
	Total	37,800,849
Increase estimated revenue:		
40050-4300100000-767280	Fed - federal revenue	37,800,849

**County Federally Qualified Health Center Clinics**

The RUHS - Federally Qualified Health Center (FQHC) is projecting a year-end budget shortfall of approximately \$7.3 million as discussed in previous updates.

This projected shortfall is the result of decade-old clinic reimbursement rates that have seen rising labor, pension, and operating costs threaten financial viability. RUHS is in the midst of a multi-year plan that will ultimately improve care and operating results, but the timing of revenue receipts and cash flow will continue to remain a challenge due to the length of the process and delays in settlement payments by the state. RUHS is working closely with the Executive Office to address the operating shortfall and will continue to provide updates in the quarterly budget reports. RUHS is assessing the impact the COVID-19 emergency will have on projected financial results and will keep the Executive Office updated on this key issue.

**Behavioral Health Detention and Correctional Health**

Behavioral Health Detention and Correctional Health are expected to finish the fiscal year under their allocated net county cost by as much as \$4.5 million combined as RUHS continues to implement opportunities for efficiencies allowing the departments to meet inmate health care service level requirements with lower than anticipated expenditures. RUHS is assessing the impact the COVID-19 emergency will have on projected financial results and will keep the Executive Office updated on this key issue.

**Department of Public Health**

Since late January 2020, the Department of Public Health has been heavily involved in the COVID-19 pandemic response. Staffing demands started with the 14-day quarantine response at March Air Reserve Base (MARB). Many Public Health staff were involved in

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the effort, providing constant care to patients, including screening patients and obtaining samples from patients for testing. After the MARB response, many staff have been continuously participating in response efforts at the Department Operations Center (DOC) and later the Emergency Operations Center (EOC). Pandemic response efforts have included managing the EOC, developing policies and procedures for medical facilities and staff to follow, developing surge response plans, coordinating staff scheduling for the EOC, federal field hospitals and teams assisting skilled nursing facilities, assisting with drive through testing sites, training staff in fit testing of personal protective equipment (ppe), conducting case investigations, primary contact tracing, CalREDIE data inputting, transporting specimens to lab for testing, specimen testing, lab test result retrieving, data analysis and reporting, running a call center to assist with concerns from residents, and updating the County Coronavirus website with news releases, information videos, statistical data, and Public Health Officer directives.

Staffing demands have steadily increased and are expected to continue rising as we near the COVID-19 surge. Many temporary employees in various classifications such as nurses, microbiologists, office assistants, and others have been and will continue to be brought on board as needs arise.

At this time, the department is waiting for clarification from grantors on whether costs for staff participating in the COVID-19 response along with a share of indirect costs will be reimbursed by grants. If these costs are not reimbursed, the department will need assistance from the county and is estimating these costs at \$1.7 million at this time (general fund \$1.5 million and \$167,400 special revenue fund). This projection does not include expenses for the COVID-19 response that will be either charged to or reimbursed by the Emergency Management Agency (EMD) which include capital equipment purchases of \$863,000 for lab equipment and 50 percent of the cost for a forklift, \$309,000 for lab and personal protective equipment supplies, \$203,000 for projected overtime, and \$403,000 for temporary staff, totaling \$1.7 million.

The Department is working with EMD and evaluating if new federal funding received by the County will cover these expenses and the costs for reassigned grant staff. The Department will continue to monitor the situation and update the Executive Office on any changes as they occur.

California Children's Services (CCS) has allocated a significant amount of nursing staff who assisted in the March Air Reserve Base (MARB) response by completing screenings and collecting samples from patients for testing. After the MARB response, nursing staff have been continuously participating in response efforts at the Department Operations Center (DOC) and later the Emergency Operations Center (EOC). The increasing staffing demands have impacted program operations, as many positions such as technicians, administrative assistants, and office assistants, in addition to more nursing staff have been called to assist. At the beginning of the FY 19/20 fourth quarter, CCS sent 30 staff members to the EOC and plans on sending 9 more staff as the County gets closer to the pandemic surge.

At this time, the department is waiting for clarification from the State on whether costs for staff participating in the COVID-19 response along with a share of indirect costs will be

reimbursed by grants. If these costs are not reimbursed, the department will need assistance from the county and is estimating these costs at \$859,000 at this time. This cost estimate does not include expenses that will be reimbursed by the Emergency Management Department (EMD) and which include \$37,000 of overtime for the virus response. The Department will continue to monitor the situation and update the Executive Office of any changes as they occur.

The county’s financial obligation to the Optional Targeted Low-Income Children’s Program population under the California Children Services program has increased from 6 percent to 11.75 percent, resulting in an additional cost of \$900,000 for Support and Care of Persons in the fiscal year. The additional cost will be covered by an increase in realignment revenue. The department is requesting a budget adjustment for the cost increase.

**Recommendation 9:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for California Children’s Services by \$900,000, as follows:*

Increase appropriations:		
10000-4200200000-530220	Support & care – persons	\$ 900,000
Increase estimated revenue:		
10000-4200200000-751500	CA – realignment - health	900,000

## HUMAN SERVICES

### Department of Public Social Services (DPSS)

Year-over-Year caseload growth figures for the twelve months ending in February 2020 are: CalWORKs -10 percent, WTW -13 percent, Medi-Cal 2 percent, CalFresh 2 percent, CWS 0 percent, Adoptions -1percent, Foster Care 1 percent, APS 23 percent, and IHSS 4 percent.

### Self-Sufficiency Programs

The department experienced a slight decrease in the CalWORKs program caseload during the third quarter of the current fiscal year. The average caseload for CalWORKs was at 20,306 which is a 6.2 percent decrease in comparison to the average caseload during the third quarter of FY 18/19. Both the CalFresh (CF) and Medi-Cal programs experienced an increase of 0.4 percent and 0.1 percent, respectively, with an average caseload of 96,870 for CF and average caseload of 351,438.

Able-Bodied Adults Without Dependents (ABAWDS) - Effective April 1, 2020, Federal rule changes affecting CalFresh clients considered Able Body Adults Without Dependent (ABAWD) will take effect. The change will limit CalFresh eligibility to three months every three years for persons that do not meet exemption criteria (disabled, working, enrolled in education/training or volunteering). Preliminary department projections indicate that approximately 5,400 CalFresh customers will become ineligible due to their non-exempt status and would likely apply for other programs to assist in meeting their needs. General

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Assistance caseloads may increase due to the impacts from the ABAWD changes. The department will closely monitor the projections of the ABAWD impacts as well as any increases to the GA program.

**Stage One Child Care - The California Work Opportunity and Responsibility to Kids (CalWORKs) Stage One Child Care** is an entitlement program that provides childcare services to CalWORKs clients participating in work or welfare to work activities. The California Department of Social Services (CDSS) administers the Stage One childcare program through County Welfare Departments (CWD). Beginning October 1, 2019, counties were required to provide 12 months of continuous eligibility of Stage One Child Care to CalWORKs clients. The department continues to evaluate the impact on clients and workload as these benefits are requested and issued.

Historically, the CalWORKs Single Allocation provided funding for the following components: Eligibility, Employment Services, CalLearn, and Stage One Child Care. The Single Allocation provides flexibility for counties to move funding between components to meet caseload and service delivery demands. With the proposed eligibility changes, provisions were included to remove the Stage One Child Care component from the CalWORKs Single Allocation effective July 1, 2020. The department's childcare administrative costs are currently subsidized by the other components within the Single Allocation to meet Child Care caseload demands. CWDA and CDSS will work together to determine a methodology to separate funding for Child Care from the Single Allocation in FY 20/21. The department will monitor the progress on allocation discussions and provide an update in the first quarter of FY 20/21 budget report.

The General Assistance (GA) program caseload experienced a one percent decrease compared to the previous quarter. However, the client benefits costs are projected to be slightly over the approved budget by 6.6 percent which will result in additional net county cost (NCC) need of \$1 million. The GA staffing levels to administer the program are projected to be within the FY 19/20 approved budget. The program anticipates potential caseload increase into the upcoming fiscal year with the implementation of the Federal ABAWD rule.

**Coronavirus Disease 2019 (COVID-19) Admin Funding** - The department anticipates significant caseload increases for all programs in the upcoming quarter due to the current and ongoing Coronavirus Disease 2019 (COVID-19). Efforts are being implemented to suspend program reporting requirements and negative case action to assist our customers. As a result of the anticipated caseload increase, California Department of Social Services (CDSS) is providing State general funds of \$45 million statewide to counties to fund the anticipated increase in administrative workload and expenditures resulting from the COVID-19 public health emergency and response. The anticipated share for Riverside County is approximately \$2.3 million.

**Medi-Cal Health Navigators Project** - The Medi-Cal Health Navigators project was enacted in accordance with the 2019 Budget Act and authorized by Assembly Bill (AB) 74 (Chapter 23, Statutes 219). The project supports navigation services which are activities related to outreach, enrollment, retention, and utilization assistance to customers including but not limited to persons who are: homeless, with Mental Health or Substance Use



Disorder, in County Jail, state prison, state parole, on county probation, or under Post-release Community Supervision. A total of \$59.7 million statewide was allocated by the Department of Health Care Services for the Medi-Cal Health Navigators Project.

On February 27, 2020, the department was allocated \$2.1 million and currently in the process of completing the contract agreement with Department of Health Care Services. The department is working to coordinate and execute the necessary training, and develop the appropriate policies and procedures required for full program implementation.

### Child Welfare Services (CWS)

The Children's Services Division (CSD) has a responsibility to investigate allegations of child abuse and neglect and offer programs that help promote the safety, permanency, and well-being of vulnerable children. The (CSD) received 10,656 reports of abuse, which resulted in 3,470 investigations between January and February 2020. As of February 2020, the CSD has served 3,788 children in open cases.

The average caseload size for investigative and continuing services is 22 and 26, respectively, higher than our targeted goal. During the quarter, the CSD temporarily shifted resources to support continued operations. The CSD continues to strategize to gain efficiencies to mitigate the workload and has intensified recruitment efforts, increasing the frequency of the posting and interviewing cycles.

The Continuum of Care Reform (CCR) initiative was implemented statewide in January 2017 with the key objectives to reduce the number of children living in congregate care, improve the recruitment, selection, and training of relatives and foster families, and to enhance the quality of therapeutic interventions for at-risk youth. Included in CCR is the Resource Family Approval (RFA) program, designed to be a family-friendly and child-centered caregiver approval process. As of March 30, 2020, the RFA program has 1,015 active approved homes. There are 455 families going through the RFA process, and 190 of these families have children placed because of an emergency placement. In March of 2018, legislation was approved to allow payment to caregivers that are in a pending RFA approval status.

To meet the requirements of CCR, existing group home providers are required to transition to Short-Term Residential Treatment Programs (STRTPs) by December 31, 2019, unless they receive an extension by the California Department of Social Services (CDSS). There are eighteen operational congregate care facilities in Riverside County. All STRTPs will be required to provide specialized and intensive care and supervision, treatment, and access to medication management, behavioral health services, crisis intervention, and targeted case management. The department continues to collaborate with the County Office of Education, Behavioral Health, and Probation to assist Group Homes and Foster Family Agencies to prepare for the State required transition.

Transitional Housing Program (THP) and Housing Navigation Program (HNP) - In accordance with the 2019 Budget Act (Chapter 23 of the Statutes of 2019) and Chapter 11.7 (commencing with Section 50807) of Part 2 of Division 31 of the Health and Safety Code (HSC), the Department of Housing and Community Development (HCD) allocated

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statewide funding of \$8 million for the Transitional Housing Program (THP) and \$5.0 million for the Housing Navigation Program (HNP) to counties for the purpose of housing stability to help young adults 18 to 25 years secure and maintain housing, with priority given to young adults formerly in the foster care or probation systems.

The Department of Housing and Community Development (HCD) which is administering the Transitional Housing (THP) and Housing Navigation (HNP) funding, released the FY 19/20 applications on February 7, 2020, with a due date of April 15, 2020. The department was allocated \$257,600 and \$223,940 for the Transitional Housing (THP) and Housing Navigation (HNP) programs respectively. The department is in the process of completing the contract agreements and funding acceptance requirements with Department of Housing and Community Development. The department is working to coordinate and execute the necessary training, and develop the appropriate policies and procedures required for full program implementation. No budget adjustment is requested at this time.

### Adult Protective Services (APS)

APS received a total of 3,800 reports of abuse, which is a 2 percent increase over the same quarter last fiscal year. APS investigated a total of 3,675 reports of abuse, resulting in a 16 percent increase in the rate of referrals requiring an investigation over the same quarter last fiscal year (81 percent in Q2 FY 18/19; 97 percent in Q2 FY 19/20). The number of active clients with an open case totaled 7,939, a 24 percent increase from the same quarter last fiscal year. Currently, each of the 72 APS case-carrying social workers has an average of 40 open cases per month. This is higher than the DPSS caseload target of 25 maximum open cases per social worker each month (combined workload of new and ongoing investigations) set by the National Adult Protective Services Association (NAPSA – 1997). APS has 9 vacant funded caseworker positions as of pay period 3. The department is actively recruiting and hiring for these vacancies expecting to fill all positions by the end of June 2020.

The Home Safe pilot program is authorized per AB 1811 and was signed into law by Governor Brown on June 27, 2018 provides funding for APS clients experiencing homelessness or are at imminent risk of homelessness due to abuse, neglect, self-neglect, or financial exploitation was fully implemented July 1, 2019. Through a competitive proposal process, the State allocated \$1.9 million to the department to administer the Home Safe pilot program through FY 20/21. The department is currently working to finalize several Home Safe funded contracts with agencies to provide ongoing case management and benefits advocacy services to eligible clients. The Home Safe Program has provided housing and housing-related services to over 470 homeless/unstably housed APS clients since its implementation. No budget adjustment is requested at this time.

### In-Home Supportive Services (IHSS)

During this quarter, IHSS received 3,343 new applications and managed 38,150 continuing cases, which is an increase of 7 percent from 35,613 for the same period in FY 18/19. The division received a total of 15,257 new IHSS applications in FY 18/19. The total annual IHSS workload (new IHSS applications combined with continuing workload) is 53,407 cases. IHSS currently has 142 case-carrying social workers with an average annual caseload of 375 cases per social worker. There are currently 13 vacant funded

casework positions in IHSS as of pay period three. The department is actively recruiting and hiring for these vacancies expecting to fill all positions by the end of June 2020.

The department implemented a centralized IHSS call center in October 2018 which consolidated resources to more effectively and efficiently address client needs; allow social workers to focus on completing home visits and assessments; and, reduce the need for clients and providers to walk-in to district offices for service. During the second quarter of FY 19/20, the call center received a total of 130,407 calls.

IHSS Electronic Visit Verification (EVV) - The EVV system was enacted in accordance with the 2019 State Budget and the Social Security Act (42 U.S.C. 1396b, Section 1903, Subsection I). As a federal mandate, all states are required to establish an EVV system for all Medicaid personal care and home health care services that require an in-home visit by an IHSS provider. The department received an allocation of \$226,327 for administrative activities associated with providing provider and recipient outreach, training, and technical assistance for the new EVV automated system. Riverside County is scheduled to implement EVV by April 2020 which is expected to significantly increase the workload of social work and call center staff. Prior to EVV implementation, enrollment rates for registration in electronic timesheets by either online portal or telephone was at 83 percent of IHSS home care providers and 77 percent of IHSS recipients of service. After EVV implementation, the enrollment rates are at 93 percent and 88 percent, respectively. The department filled a total of 41 positions comprised of 23 Office Assistants and 18 Community Services Assistants to provide EVV services.

The department is providing outreach efforts to providers and recipients which include: (1) Calls to those not yet registered in electronic timesheets (if providers or recipients expressed difficulty understanding telephone guidance, they were referred to an in-person training event); (2) EVV registration information shared during provider orientation and Public Authority registry recruitments, as well as annual and intake home visits (by social workers); (3) Call Center staff assisting callers with navigation to the website (using Eventbrite for EVV training registration sign-ups) and responding to a 4 percent increase in January 2020 call volume (compared to January 2019 call volume); (4) Bi-weekly email, text messaging, and robocall outreach, targeting providers and recipients who are not yet enrolled; (5) Mailing of an EVV flyer with each Notice of Action and targeted EVV flyers to all non-registered recipients and providers; (6) Hosting of webinar days to invite the Public to join State-led EVV webinars from central locations, providing opportunities to get assistance with sign-ups; and (7) Provision of in-home assistance for recipients who are unable to attend an in-person training (i.e., are bed-bound). No budget adjustment is requested at this time.

### Categorical Aid

Federal Medical Assistance Percentage (FMAP) - The Families First Coronavirus Response Act authorizes increased federal funding to states through a 6.2 percent increase in the federal medical assistance percentage (FMAP), also known as the Medicaid matching rate. This expanded federal support is available to states that meet specific Medicaid program requirements and is made effective retroactive to January 1, 2020, the first day of the calendar year quarter in which the U.S. Secretary of Health and Human Services

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declared a public health emergency. The increase will remain in place until the last day of the calendar year quarter in which the public health emergency period ends. The FMAP is used to determine the federal share of costs in Medicaid and other programs, including the Foster Care, Prevention, and Permanency program, authorized in Title IV-E of the Social Security Act (SSA). As a result, the department is projecting a local funding savings of approximately \$610,000 for each implemented month under this federal legislation.

**CalWORKs Assistance** – The CalWORKs assistance program expenditures are projected to be within the adopted budget. No budget adjustment is requested at this time.

**Foster Care & Adoptions Assistance** – The department is currently projecting an increase in Foster Care Assistance, Emergency Assistance, and Adoptions Assistance of \$13.7 million with a total local funding impact of \$1.8 million. Realignment growth revenue will be used to cover the estimated increased need. The following budget adjustment is requested.

**Recommendation 10:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Categorical Aid by \$13,700,000, as follows:*

Increase appropriations:		
10000-5100300000-530480	Categorical assistance	\$ 13,700,000
Increase estimated revenue:		
10000-5100300000-761000	Fed - public assistance programs	6,500,000
10000-5100300000-750700	CA - public assistance program	5,400,000
10000-5100300000-750740	CA - DPSS realignment	<u>1,800,000</u>
	Total	13,700,000

## County Funded Programs

**County Funded Foster Care** – The County Funded Foster Care expenditures are projected to be over the adopted budget by approximately \$200,000. The County Funded Foster Care expenditures are projected to increase as a result of extended placements for foster youth the courts have deemed not ready to emancipate, rate patches for foster homes where the child's mental health and medical needs cannot be met with the existing foster care rate, court ordered placements with relatives pending background clearance, and foster care for undocumented children. The following budget adjustment is requested.

**Recommendation 11:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for DPSS-Other Aid and decreasing Appropriation for Contingency by \$200,000, as follows:*

Increase appropriations:		
10000-5100400000-530520	County funded assistance	\$ 200,000
Anticipated use of unassigned fund balance:		
10000-5100400000-370100	Unassigned fund balance	200,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	200,000

Anticipated increase of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	200,000

General Assistance Program – As indicated above, the General Assistance client benefits caseload continued to increase over the adopted budget for the current fiscal year. Based on the current caseload trends, the department is estimating an increase of \$1 million over the approved budget in client benefits costs for the remainder of the current fiscal year. The increase in County Funded Foster care and the General Assistance programs will result in a total NCC need of \$1 million. In addition, the department is projecting the FY 20/21 GA caseload to continue to increase resulting in an increased net county cost need of \$5.1 million for GA client benefit costs in the next budget year. The following budget adjustment is requested at this time.

**Recommendation 12:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for DPSS-Other Aid and decreasing Appropriation for Contingency by \$1,000,000, as follows:*

Increase appropriations:		
10000-5100400000-530520	County funded assistance	\$ 1,000,000

Anticipated use of unassigned fund balance:		
10000-5100400000-370100	Unassigned fund balance	1,000,000

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

Anticipated increase of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,000,000

## Homeless Programs

Consolidation of Homeless Services - Riverside County announced the consolidation of the county's homeless services into one distinct Housing, Homeless Prevention and Workforce Solutions Department. DPSS and the Housing, Homeless Prevention and Workforce Solutions Department have been working collaboratively since late February to transition the homeless function along with the Continuum of Care responsibilities. The collaborative work continues, and it is anticipated that on April 21, 2020 an item will be brought forward to the board formalizing the administrative responsibilities of the new department to become the Administrative Entity and Collaborative Applicant, and to accept and process HUD grants Emergency Solutions Grants, and California Emergency Solutions and Housing Program grants. In addition, all subrecipient agreements have been transitioned to the new department for monitoring and processing.

In addition, both departments agreed that the funding and staffing will remain administratively with DPSS until the start of FY 20/21. Functionally, all responsibilities will be transitioned to the new department. Meanwhile, the new department will approve all financial



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transactions, provide staffing leadership and workload assignments during the interim process. On July 2, 2020 the Housing, Homeless Prevention and Workforce Solutions Department will establish a fund, and necessary appropriations to process operations for this group including the needed staffing.

The leadership transition has occurred and on April 9th, 12 staff transitioned to the new department for reporting purposes. Effective April 23, 2020, another six staff will transition for training purposes only. These staff have elected to continue with DPSS however are committed to providing critical training to the new department to ensure successful transition of responsibilities are seamless to the community during this transition. DPSS and the Housing, Homeless Prevention and Workforce Solutions Department will continue to meet frequently to ensure that all duties are carefully transitioned for all tasks and responsibilities. It is the desire of DPSS to provide the support and technical expertise to aid our constituency and the new department with continuing success.

Homeless Emergency Aid Program (HEAP) – The HEAP program is a \$500 million State Block Grant Program designed to provide direct assistance to cities, counties and Continuums of Care (CoC) to address the homeless crisis throughout California. The HEAP program is authorized by SB850, which was signed into law by Governor, Brown on June 27, 2018 and administered by the State’s Business, Consumer Services and Housing Agency (BCSH).

The department is currently working with HEAP subrecipients to finalize 14 HEAP service contracts and six capital projects. As of March 2020, 11 services and one capital project contracts are fully executed. HEAP funded capital projects are expected to add housing inventory in the form of emergency shelters, rapid rehousing and permanent supportive housing throughout Riverside County. The HEAP statute mandates that 50 percent of the awarded funds must be contractually obligated by January 2020. Additionally, 100 percent of the funds must be expended by June 30, 2021. As of March 2019, 65.6 percent of the HEAP awarded funds are contractually obligated.

California Emergency Solutions and Housing (CESH) – The CESH program provides funding for a variety of activities to assist clients experiencing or at risk of homelessness as authorized by SB850 (Chapter 48, Statutes of 2018). The California Department of Housing and Community Development (HCD) administers the CESH Program with funding received from the Building Homes and Jobs Act Trust Fund (SB2, Chapter 364, Statutes of 2017). HCD grants CESH Program funds in the form of five-year grants to eligible applicants.

The State allocated \$1.3 million to Riverside County Continuum of Care for the CESH program, covering a period of five years. The funding will be allocated to two service projects that will provide bridge housing and rapid rehousing beds to the County. The CESH funding also provides support for the Homeless Management Information System (HMIS) to allow the integration with the countywide homeless Coordinated Entry System (CES) and the development of a CoC homeless plan.

The department is currently working with CESH subrecipients to finalize four CESH service contracts. As of March 2020, two contracts are fully executed and two are in process.

Homeless Housing, Assistance and Prevention (HHAP) & CESH (Round 2) - The HHAP is a \$650 million, one-time block grant that provides local jurisdictions with funds to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges. The 44 Continuums of Care will share a total funding of \$190 million for services under the HHAP program. The department will serve as the Administrative Entity (AE) and applicant for the HHAP funding. On February 13, 2020, the department submitted an application on behalf of the CoC and received the award letter on March 30, 2020. The Riverside County Continuum of Care (CoC) allocation administered by the department is \$3.3 million.

On March 21, 2019, the California Department of Housing and Community Development (HCD) announced CESH (2) funding availability of approximately \$29 million to assist persons experiencing or at risk of homelessness. On June 25, 2019 and as the designated Administrative Entity (AE), the department submitted an application and funding request in the amount of \$747,716. A Request for Proposal will be released based on the funding priorities that will be identified by the Board of Governance Strategic Planning.

COVID-19 Emergency Homelessness Funding - In response to the COVID-19 outbreak and to protect the health and safety of people experiencing homelessness, On March 17, 2020, the Governor signed SB89 which authorizes \$100 million in statewide funding allocated to local governments, for shelter support and emergency housing to address COVID-19 among the homeless population. As a result, the department was awarded \$547,812 and the Continuum of Care, administered by the department was awarded \$504,002. The purpose of these funding is to protect the health and safety of people experiencing homelessness and reduce the spread of the COVID-19 outbreak. The following budget adjustment is requested at this time.

**Recommendation 13:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for DPSS-Homeless by \$547,812, as follows:*

Increase appropriations:		
21300-5100600000-536200	Contribution to other non-county agency	\$ 547,812
Increase estimated revenue:		
21300-5100600000-755680	CA-Other operating grants	547,812

**Office on Aging**

Riverside County Office on Aging (RCOoA) continues to strategically perform the operations of the department to mitigate service level impacts by enhancing efficient operations and by continuing to exercise sound fiscal management. The department is closely monitoring all expenditures and anticipates ending the fiscal year within budget.

The department requests a budget adjustment to reflect an increase in available funds based on Area Plan Contract Amendment #2 between California Department of Aging (CDA) and Riverside County Office on Aging for a slight increase in baseline funding and one-time-only funding in the amount of \$976,937. In addition, the budget adjustment

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reflects the federal fiscal reduction in Health Insurance Counseling Advocacy Program (HICAP) – Financial Alignment funds in the amount of \$23,732 and an overestimation of local revenue by governmental partners in the amount of \$27,800 and an increase of revenue in contributions and donations in the amount of \$16,100 made by other governmental partners to support senior services provided to the community.

**Recommendation 14:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments adjusting estimated revenue and appropriations for Riverside County Office on Aging by \$941,505, as follows:*

Increase estimated revenue:

21450-5300100000-751200	CA – health programs	\$ 243,170
21450-5300100000-751220	CA – congregate nutrition	262,889
21450-5300100000-755260	CA – home deliver meals	525,027
21450-5300100000-781220	Contributions & donations	<u>16,100</u>
	Total	1,047,186

Increase appropriations:

21450-5300100000-527780	Special program expense	16,100
21450-5300100000-536200	Contribution to other non-county agency	<u>1,031,086</u>
	Total	1,047,186

Decrease estimated revenue:

21450-5300100000-767140	Fed – miscellaneous reimbursement	77,881
21450-5300100000-778200	Interfund – miscellaneous	<u>27,800</u>
	Total	105,681

Decrease appropriations:

21450-5300100000-510040	Regular salaries	59,852
21450-5300100000-513000	Retirement - misc	8,617
21450-5300100000-515040	Flex benefit plan	6,854
21450-5300100000-527780	Special program expense	9,000
21450-5300100000-536200	Contribution to other non-county agency	<u>21,358</u>
	Total	105,681

## PUBLIC WORKS

### Special Aviation

In FY 19/20, the Desert Center department budgeted \$124,100 in contributions to other county funds to assist the County’s Airports throughout the year. The department did not anticipate additional expenses at French Valley Airport which resulted in a negative fund balance. Aviation is requesting an increase of \$227,475 in contributions to other county funds under Desert Center to provide contributions to French Valley. The department has sufficient fund balance to cover the increase in appropriations.

**Recommendation 15:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for the Special Aviation Desert Center and increasing estimated revenue for the Special Aviation French Valley Airport by \$227,475, as follows:*

Increase appropriations:		
22350-1910500000-551100	Contribution to other funds	\$ 227,475
Anticipated use of restricted fund balance:		
22350-1910500000-321101	Restricted program money	227,475
Increase estimated revenue:		
22350-1910600000-790600	Contribution from other county funds	227,475
Anticipated increase of restricted fund balance:		
22350-1910600000-321101	Restricted program money	227,475

## ***ECONOMIC & COMMUNITY DEVELOPMENT***

### ***Agricultural Commissioner***

Considering the slowdown in business activities due to COVID-19 pandemic outbreak, the Agricultural Commissioner's Office is anticipating a slight decline in revenue. The revenue stream is directly related to state contracts, requests for service and business registrations. The department receives the majority of its revenue in the third/fourth quarters, due to the fulfilled State of California contract reimbursements may only be billed in arrears. The department is seeking alternative revenue streams, maximizing contracts with the current level of staffing, encouraging voluntary furloughs, adjusting schedules to avoid any shift differential pay, and suspending all other discretionary spending and travel until further notice.

### ***Economic Development Administration***

The department requests a budget adjustment for the Robert Wood Johnson Foundation. The request is to cover final expenditures anticipated to be posted so the fund can be closed by 6/30/2020.

**Recommendation 16:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations for Robert Wood Johnson Foundation by \$13,630, as follows:*

Increase appropriations:		
21240-1901100000-525440	Professional services	\$ 13,630
Anticipated use of restricted fund balance:		
21240-1901100000-321101	Restricted program money	13,630

The department requests a budget adjustment for the USEDA Grant fund. The Revolving Loan Fund has committed funds for loan disbursement in excess of budget in FY 19-20. Grant funds from the U.S. Department of Commerce are available.

**Recommendation 17:** *That the Board of Supervisors approve and direct the Auditor-*

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Controller to make the budget adjustment increasing appropriations and estimated revenue for USEDA Grant Fund by \$135,000, as follows:

Increase appropriations:		
21150-1900100000-527780	Special program expense	\$ 135,000
Increase estimated revenue:		
21150-1900100000-767280	Fed - federal revenue	135,000

County Service Areas

CSA 105 requests a budget adjustment to cover one-time increased road repair costs due to storm damage. Expenses will be paid to County Transportation for granite construction road work repair needed in Indio Hills.

**Recommendation 18:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations for CSA 105 by \$151,000, as follows:

Increase appropriations:		
24125-910501-537160	Interfund expense – road maintenance grading	\$ 151,000
Anticipated use of restricted fund balance:		
24125-910501-321101	Restricted program money	151,000

CSA 143 requests a budget adjustment to cover increased costs associated with the landscape maintenance contract due to higher labor costs. Costs will be offset by additional tax revenue expected to be received for new development.

**Recommendation 19:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for CSA 143 by \$176,000, as follows:

Increase appropriations:		
24550-914301-522320	Maintenance - grounds	\$ 176,000
Increase estimated revenue:		
24550-914301-770100	Special assessments	176,000

Regional Parks and Open Space District

The District has been severely impacted by the COVID-19 pandemic. The stay-at-home measures and park closures had an immediate and dramatic impact on District’s ability to collect revenue. Our regional parks, interpretive sites, and recreation facilities have been hit the hardest. As of third quarter, District revenues collected have only amounted to 47 percent of its targeted budget. The District will need to use fund balance to cover appropriations for the remainder of the year.

**Recommendation 20:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment decreasing estimated revenue for the Regional



*Park and Open Space District by \$1,850,000, as follows:*

Decrease estimated revenue:		
25400-931104-776700	Camping	\$ 1,250,000
25400-931104-741020	Admissions	525,000
25400-931104-776710	Day use	<u>75,000</u>
	Total	1,850,000
Anticipated use of committed fund balance:		
25400-931104-330100	Committed fund balance	1,850,000

The District has implemented drastic cost-cutting measures due to the impact of the pandemic. In order to keep the District solvent and not deplete its reserves, 23 positions will be eliminated by May 1<sup>st</sup>. The net savings \$106,575 includes salary savings and leave balance payouts.

**Recommendation 21:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment decreasing appropriations and estimated revenue for the Regional Park and Open Space District by \$106,575, as follows:*

Decrease appropriations:		
25400-931104-510040	Regular salaries	\$ 106,575
Decrease estimated revenue:		
25400-931104-776700	Camping	106,575

The District has projected that its Lake Skinner fund will require additional operational support this fiscal year due to the extended closure related to the COVID-19 pandemic. The District's operating fund will need to transfer \$100,000 from its fund balance reserves to support continued operations of other programs within Lake Skinner fund for the remainder of the fiscal year.

**Recommendation 22:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for the Regional Park and Open Space District and increasing estimated revenue for Lake Skinner fund by \$100,000, as follows:*

Increase appropriations:		
25400-931104-551000	Operating transfers - out	\$100,000
Anticipated use of committed fund balance:		
25400-931104-330100	Committed fund balance	100,000
Anticipated increase restricted fund balance:		
25620-931750-321101	Restricted program money	100,000
Increase estimated revenue:		
25620-931750-790500	Operating transfers - in	100,000

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**Registrar of Voters**

The Registrar of Voters is required to conduct six elections during FY 2019/20. The August 27, 2019 Mail Ballot Election involved approximately 4,000 voters. The November 5, 2019 Election involved approximately 105,000 voters. The March 3, 2020 Presidential Primary Election involved approximately 1,116,000 voters. The April 14, 2020 City of Rancho Mirage Election involved approximately 11,500 voters. The May 5, 2020 City of Blythe Election will involve approximately 4,700 voters. In addition, a special election has been called for May 12, 2020.

The Registrar of Voters expects to have higher than anticipated expenditures for FY 19/20 due to the special vacancy election for the 28th Senate District. The Registrar of Voters now requests a budget adjustment of \$2.9 million to cover the costs of the special vacancy election.

**Recommendation 23:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for the Registrar of Voters and decreasing appropriations for Appropriation for Contingency by \$2,859,405, as follows:*

Increase appropriations:		
10000-1700100000-510320	Temporary Salaries	\$ 650,000
10000-1700100000-510420	Overtime	96,350
10000-1700100000-523800	Printing/binding	1,100,000
10000-1700100000-527380	Elections	<u>1,013,055</u>
	Total	<u>2,859,405</u>
Anticipated use of unassigned fund balance:		
10000-1700100000-370100	Unassigned fund balance	2,859,405
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	2,859,405
Anticipated increase of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,859,405

**INTERNAL SERVICES**

**Riverside County Information Technology**

The Riverside County Information Technology department (RCIT), RCIT – Geographical Information Systems (GIS) and RCIT – Public Safety Enterprise Communications (PSEC) report that they will not exceed budgeted targets for FY 19/20.

In 2009, the PSEC project entered into various long-term ground use leases with various vendors. These long-term ground use leases were utilized by PSEC in situations where the site owner would not sell the small land parcel required for the wireless communication site. These ground use leases were classified as a prepaid in the capital project fund. This is no longer functioning as the PSEC fund, and the prepaid balance will need to be

transferred to the PSEC operating fund. This is an accounting entry only. RCIT – PSEC requests a budget adjustment to transfer the remaining prepaid balances from fund 33500 to the PSEC operating fund 45520.

**Recommendation 24:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for the PSEC fund and increasing estimated revenue for the RCIT-PSEC Operation fund by \$443,041, as follows:*

Increase appropriations:		
33500-7400300000-551100	Contribution to other funds	\$443,041
Anticipated use of assigned fund balance:		
33500-7400300000-350200	AFB for construction/capital projects	443,041
Increase estimated revenue:		
45520-7400600000-790600	Contribution from other county funds	443,041
Anticipated increase of unrestricted net assets:		
45520-7400600000-380100	Unrestricted net assets	443,041

In FY 18/19, PSEC prepaid \$433,000 for equipment listed under the Service Use Agreement (SUA) with Motorola for equipment that was not received until FY 19/20.

The equipment is an upgrade of software enhancements and hardware which support the PSEC radio system. The equipment has now been received and PSEC requests a budget adjustment to release the prepaid and recognize an expense in FY 19/20.

**Recommendation 25:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations in the Public Safety Enterprise Communications fund by \$433,000, as follows:*

Increase appropriations:		
45520-7400600000-546060	Equipment – communications	\$ 433,000
Anticipated use of unrestricted net assets:		
45520-7400600000-380100	Unrestricted net assets	433,000

## HUMAN RESOURCES

### Workers' Compensation

Workers' compensation service expenses and claims expenses are expected to exceed the current appropriation. Use of unrestricted net assets is adequate to offset the increased claims costs.

**Recommendation 26:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations of the Workers' Compensation Fund by \$6,000,000, as follows:*

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Increase appropriations:		
46100-1130800000-534220	Comp claims	\$ 6,000,000

Anticipated use of unrestricted net assets:		
46100-1130800000-380100	Unrestricted net assets	6,000,000

### *Long Term Disability Insurance*

Governmental Accounting Standards Board Statement 84 (GASB 84) requires all internal service-type activities to be recorded in an Internal Service Fund (ISF). Human Resources manages activity related to Long Term Disability insurance, a program that is funded by county departments and benefits county employees. These funds currently reside in an agency trust fund.

Compliance with GASB84 regulations is required by June 30, 2020. In order to bring the Long-Term Disability insurance accounting into compliance, the current fund will be closed, and all general ledger balances will be moved to an ISF fund. In order to ensure continuity of processing for the remainder of FY 19/20, appropriations must be established in the ISF fund.

**Recommendation 27:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Human Resources by \$800,000, as follows:*

Increase estimated revenue:		
45980-1131400000-781220	Contributions & Donations	\$ 800,000

Increase appropriations:		
45980-1131400000-520940	Insurance – other	800,000

## Attachment A Summary of Recommendations

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

**Recommendation 1:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for County Contributions to Health and Mental Health Realignment by \$2,600,000, as follows:*

Increase appropriations:		
10000-1101400000-536100	Realignment – county match	\$ 2,600,000
Increase estimated revenue:		
10000-1101400000-750250	CA - realignment for VLF	2,600,000

**Recommendation 2:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Court Sub-fund budget by \$670,000, as follows:*

Increase appropriations:		
10000-1101200000-537130	Interfund expense - rent CORAL	\$ 670,000
Increase estimated revenue:		
10000-1101200000-731080	Other court fines	653,067
Anticipated use of restricted fund balance:		
11050-1101200000-321101	Restricted program money	16,933

**Recommendation 3:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Animal Services by \$62,680, as follows:*

Increase appropriations:		
10000-4200600000-520805	Appliances	\$ 17,846
10000-4200600000-546160	Equipment - other	<u>44,834</u>
	Total	62,680
Increase estimated revenue:		
10000-4200600000-781220	Contributions & donations	62,680

**Recommendation 4:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Animal Services by \$1,134, as follows:*

Increase appropriations:		
10000-4200600000-520105	Protective gear	\$ 341



## Attachment A

10000-4200600000-520115	Uniforms-replacement clothing	541
10000-4200600000-520705	Food	<u>252</u>
	Total	1,134
Increase estimated revenue:		
10000-4200600000-781220	Contributions & donations	1,134

**Recommendation 5:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Animal Services by \$95,240, as follows:

Increase appropriations:		
10000-4200600000-522890	Pharmaceuticals	\$ 70,240
10000-4200600000-522860	Medical-dental supplies	10,000
10000-4200600000-525520	Veterinary services	<u>15,000</u>
	Total	95,240
Increase estimated revenue:		
10000-4200600000-781850	Grants-nongovernmental agencies	95,240

**Recommendation 6:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for Animal Services and decreasing Appropriation for Contingency by \$2,680,956 as follows:

Increase appropriations:		
10000-4200600000-510040	Regular salaries	\$ 1,500,000
10000-4200600000-510420	Overtime	200,061
10000-4200600000-518100	Budgeted benefits	<u>980,895</u>
	Total	2,680,956
Anticipated use of unassigned fund balance:		
10000-4200600000-370100	Unassigned fund balance	2,680,956
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	2,680,956
Anticipated increase of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,680,956

**Recommendation 8:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for the RUHS-MC fund by \$37,800,849, as follows:

Increase appropriations:		
40050-4300100000-526700	Rent - lease buildings	\$ 6,831,000
40050-4300100000-525620	Temporary expense - nurse registry	18,989,263
40050-4300100000-522860	Medical - dental supplies	8,515,244
40050-4300100000-526530	Rent - lease equipment	933,139
40050-4300100000-523840	Computer equipment - software	416,990

40050-4300100000-525440	Professional services	<u>2,115,213</u>
	Total	37,800,849

Increase estimated revenue:		
40050-4300100000-767280	Fed - federal revenue	37,800,849

**Recommendation 9:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for California Children’s Services by \$900,000, as follows:

Increase appropriations:		
10000-4200200000-530220	Support & care – persons	\$ 900,000

Increase estimated revenue:		
10000-4200200000-751500	CA – realignment - health	900,000

**Recommendation 10:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Categorical Aid by \$13,700,000, as follows:

Increase appropriations:		
10000-5100300000-530480	Categorical assistance	\$ 13,700,000

Increase estimated revenue:		
10000-5100300000-761000	Fed - public assistance programs	6,500,000
10000-5100300000-750700	CA - public assistance program	5,400,000
10000-5100300000-750740	CA - DPSS realignment	<u>1,800,000</u>
	Total	13,700,000

**Recommendation 11:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for DPSS-Other Aid and decreasing Appropriation for Contingency by \$200,000, as follows:

Increase appropriations:		
10000-5100400000-530520	County funded assistance	\$ 200,000

Anticipated use of unassigned fund balance:		
10000-5100400000-370100	Unassigned fund balance	200,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	200,000

Anticipated increase of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	200,000

## Attachment A

**Recommendation 12:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for DPSS-Other Aid and decreasing Appropriation for Contingency by \$1,000,000, as follows:

Increase appropriations:		
10000-5100400000-530520	County funded assistance	\$ 1,000,000
Anticipated use of unassigned fund balance:		
10000-5100400000-370100	Unassigned fund balance	1,000,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	1,000,000
Anticipated increase of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,000,000

**Recommendation 13:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for DPSS-Homeless by \$547,812, as follows:

Increase appropriations:		
21300-5100600000-536200	Contribution to other non-county agency	\$ 547,812
Increase estimated revenue:		
21300-5100600000-755680	CA-Other operating grants	547,812

**Recommendation 14:** That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments adjusting estimated revenue and appropriations for Riverside County Office on Aging by \$941,505, as follows:

Increase estimated revenue:		
21450-5300100000-751200	CA – health programs	\$ 243,170
21450-5300100000-751220	CA – congregate nutrition	262,889
21450-5300100000-755260	CA – home deliver meals	525,027
21450-5300100000-781220	Contributions & donations	<u>16,100</u>
	Total	1,047,186
Increase appropriations:		
21450-5300100000-527780	Special program expense	16,100
21450-5300100000-536200	Contribution to other non-county agency	<u>1,031,086</u>
	Total	1,047,186
Decrease estimated revenue:		
21450-5300100000-767140	Fed – miscellaneous reimbursement	77,881
21450-5300100000-778200	Interfund – miscellaneous	<u>27,800</u>
	Total	105,681
Decrease appropriations:		
21450-5300100000-510040	Regular salaries	59,852

21450-5300100000-513000	Retirement - misc	8,617
21450-5300100000-515040	Flex benefit plan	6,854
21450-5300100000-527780	Special program expense	9,000
21450-5300100000-536200	Contribution to other non-county agency	<u>21,358</u>
	Total	105,681

**Recommendation 15:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for the Special Aviation Desert Center and increasing estimated revenue for the Special Aviation French Valley Airport by \$227,475, as follows:*

Increase appropriations:  
 22350-1910500000-551100      Contribution to other funds      \$ 227,475

Anticipated use of restricted fund balance:  
 22350-1910500000-321101      Restricted program money      227,475

Increase estimated revenue:  
 22350-1910600000-790600      Contribution from other county funds      227,475

Anticipated increase of restricted fund balance:  
 22350-1910600000-321101      Restricted program money      227,475

**Recommendation 16:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations for Robert Wood Johnson Foundation by \$13,630, as follows:*

Increase appropriations:  
 21240-1901100000-525440      Professional services      \$ 13,630

Anticipated use of restricted fund balance:  
 21240-1901100000-321101      Restricted program money      13,630

**Recommendation 17:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for USEDA Grant Fund by \$135,000, as follows:*

Increase appropriations:  
 21150-1900100000-527780      Special program expense      \$ 135,000

Increase estimated revenue:  
 21150-1900100000-767280      Fed - federal revenue      135,000

**Recommendation 18:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations for CSA 105 by \$151,000, as follows:*

## Attachment A

Increase appropriations:		
24125-910501-537160	Interfund expense – road maintenance grading	\$ 151,000
Anticipated use of restricted fund balance:		
24125-910501-321101	Restricted program money	151,000

**Recommendation 19:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for CSA 143 by \$176,000, as follows:*

Increase appropriations:		
24550-914301-522320	Maintenance - grounds	\$ 176,000
Increase estimated revenue:		
24550-914301-770100	Special assessments	176,000

**Recommendation 20:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment decreasing estimated revenue for the Regional Park and Open Space District by \$1,850,000, as follows:*

Decrease estimated revenue:		
25400-931104-776700	Camping	\$ 1,250,000
25400-931104-741020	Admissions	525,000
25400-931104-776710	Day use	<u>75,000</u>
	Total	1,850,000
Anticipated use of committed fund balance:		
25400-931104-330100	Committed fund balance	1,850,000

**Recommendation 21:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment decreasing appropriations and estimated revenue for the Regional Park and Open Space District by \$106,575, as follows:*

Decrease appropriations:		
25400-931104-510040	Regular salaries	\$ 106,575
Decrease estimated revenue:		
25400-931104-776700	Camping	106,575

**Recommendation 22:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for the Regional Park and Open Space District and increasing estimated revenue for Lake Skinner fund by \$100,000, as follows:*



Increase appropriations:		
25400-931104-551000	Operating transfers - out	\$100,000
Anticipated use of committed fund balance:		
25400-931104-330100	Committed fund balance	100,000
Anticipated increase restricted fund balance:		
25620-931750-321101	Restricted program money	100,000
Increase estimated revenue:		
25620-931750-790500	Operating transfers - in	100,000

**Recommendation 23:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for the Registrar of Voters and decreasing appropriations for Appropriation for Contingency by \$2,859,405, as follows:*

Increase appropriations:		
10000-1700100000-510320	Temporary Salaries	\$ 650,000
10000-1700100000-510420	Overtime	96,350
10000-1700100000-523800	Printing/binding	1,100,000
10000-1700100000-527380	Elections	<u>1,013,055</u>
	Total	2,859,405
Anticipated use of unassigned fund balance:		
10000-1700100000-370100	Unassigned fund balance	2,859,405
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	2,859,405
Anticipated increase of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,859,405

**Recommendation 24:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations for the PSEC fund and increasing estimated revenue for the RCIT-PSEC Operation fund by \$443,041, as follows:*

Increase appropriations:		
33500-7400300000-551100	Contribution to other funds	\$443,041
Anticipated use of assigned fund balance:		
33500-7400300000-350200	AFB for construction/capital projects	443,041
Increase estimated revenue:		
45520-7400600000-790600	Contribution from other county funds	443,041
Anticipated increase of unrestricted net assets:		
45520-7400600000-380100	Unrestricted net assets	443,041

## Attachment A

**Recommendation 25:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations in the Public Safety Enterprise Communications fund by \$433,000, as follows:*

Increase appropriations:		
45520-7400600000-546060	Equipment – communications	\$ 433,000

Anticipated use of unrestricted net assets:		
45520-7400600000-380100	Unrestricted net assets	433,000

**Recommendation 26:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations of the Workers' Compensation Fund by \$6,000,000, as follows:*

Increase appropriations:		
46100-1130800000-534220	Comp claims	\$ 6,000,000

Anticipated use of unrestricted net assets:		
46100-1130800000-380100	Unrestricted net assets	6,000,000

**Recommendation 27:** *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustment increasing appropriations and estimated revenue for Human Resources by \$800,000, as follows:*

Increase estimated revenue:		
45980-1131400000-781220	Contributions & Donations	\$ 800,000

Increase appropriations:		
45980-1131400000-520940	Insurance – other	800,000

# Q4 2019



# Riverside County Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2019)*

## Riverside County In Brief

The unincorporated area's receipts from October through December were 9.5% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 5.9%.

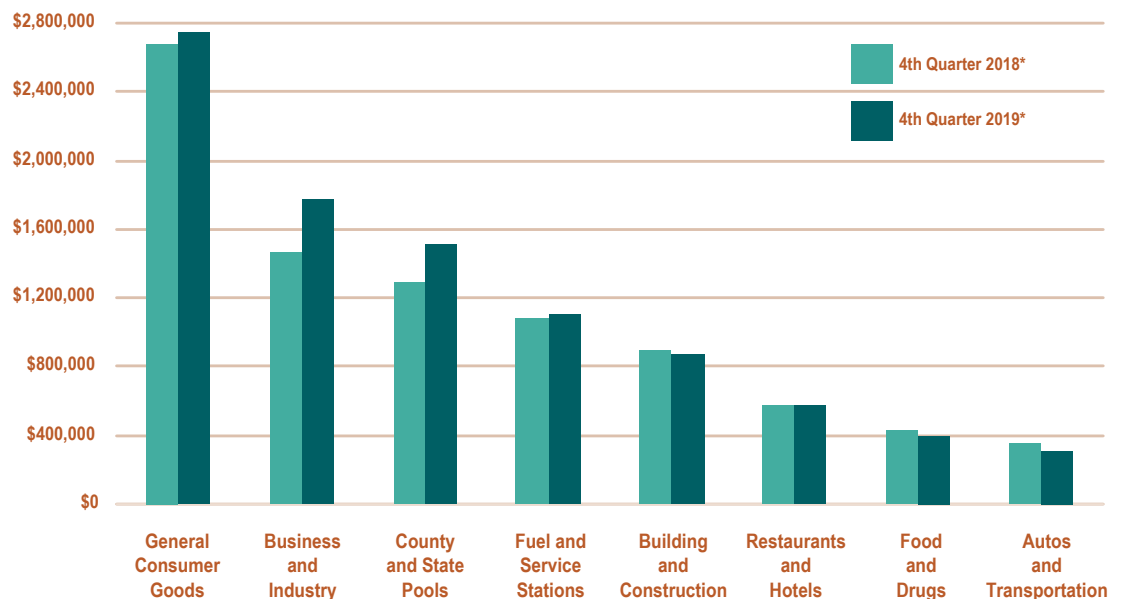
The receipt of one-time use tax helped spike heavy industrial receipts while the recent addition of a new vendor boosted the light industrial sector, both combining for a dramatic gain from the business & industry group. General consumer goods experienced solid growth from multiple categories including family apparel and home furnishings.

These local point of sale improvements combined with increased taxes collected for online purchases of items shipped into the region compared to last year, boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

Partially offsetting the gains were weak returns from the trailer/RV dealers compared to last year.

Net of aberrations, taxable sales for all of Riverside County grew 4.8% over the comparable time period; the Southern California region was up 4.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



*\*Allocation aberrations have been adjusted to reflect sales activity*

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Ralph Lauren
Burberry	RDO Equipment
California Trusframe	Shell
Calvin Klein	Sigler HVAC
Circle K	Spates Fabricators
Coach	Stater Bros
GameChange Racking	Superior Ready Mix Concrete
Gucci	Sysco
Hajoca Corporation	Tory Burch
Michael Kors	Vans
Nike	Volvo Construction Equipment
Pilot Travel Center	Vons Fuel
Prada	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$15,865,970	\$15,293,978
County Pool	2,542,519	2,532,280
State Pool	8,082	6,818
<b>Gross Receipts</b>	<b>\$18,416,571</b>	<b>\$17,833,077</b>

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

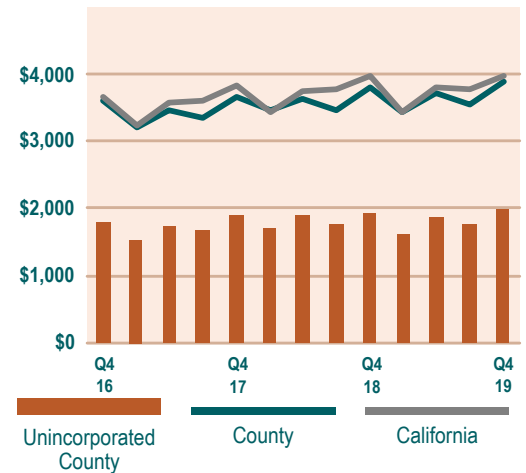
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

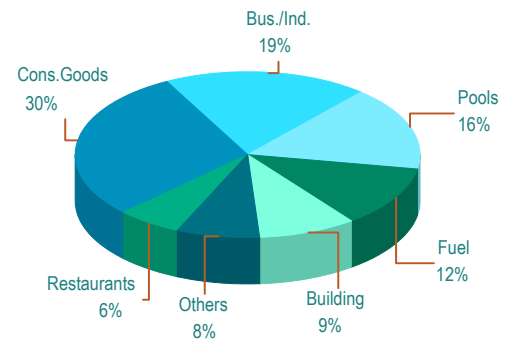
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

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



\*Allocation aberrations have been adjusted to reflect sales activity

**RIVERSIDE COUNTY TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Unincorporated County Q4 '19*	Change	County Change	HdL State Change
Casual Dining	142.5	-1.6%	3.5%	3.8%
Contractors	754.3	-3.2%	-5.5%	-4.5%
Family Apparel	1,414.9	6.6%	7.2%	1.3%
Food Service Equip./Supplies	221.1	28.4%	9.4%	-2.0%
Garden/Agricultural Supplies	179.5	0.1%	-2.4%	-0.3%
Grocery Stores	236.4	-8.5%	1.1%	1.3%
Heavy Industrial	— CONFIDENTIAL —		12.8%	-3.3%
Light Industrial/Printers	133.7	174.0%	16.8%	-7.0%
Quick-Service Restaurants	292.1	3.9%	3.6%	1.9%
Service Stations	1,042.6	0.2%	2.0%	0.2%
Shoe Stores	274.2	-0.3%	-1.4%	-0.3%
Specialty Stores	197.8	-3.7%	-3.0%	-3.8%
Warehse/Farm/Const. Equip.	296.3	-2.6%	3.7%	0.0%
Wineries	335.2	2.1%	2.3%	-1.2%
Women's Apparel	461.4	-2.3%	-8.1%	-4.8%
<b>Total All Accounts</b>	<b>7,785.9</b>	<b>4.0%</b>	<b>3.4%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,505.1</b>	<b>16.8%</b>	<b>12.6%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>9,291.0</b>	<b>5.9%</b>	<b>4.8%</b>	<b>4.2%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.



# CALIFORNIA FORECAST SALES TAX TRENDS AND ECONOMIC DRIVERS

APRIL 2020 REVISED

HdL Companies



Sierra Foothills, California

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

**HdL serves over 500 cities, counties and special districts in California and across the nation.**



*Delivering Revenue, Insight and Efficiency  
to Local Government Since 1983*



# HdL<sup>®</sup> Companies

## FY 19/20 & 20/21 FORECAST

Given the unusual circumstances we are all living in today, we have modified the April 2020 HdL Consensus Forecast. We are providing broader explanations about two major ongoing events which impact fiscal year 2019/20 and 2020/21 statewide sales tax trends. As is our tradition, we also offer context that supports our major industry group projections. We trust this information communicates clearly a broad understanding of where sales tax revenue is headed, knowing these vital resources are essential to addressing your communities needs during these trying times.

### **CORONAVIRUS (COVID-19) Impacts on California Sales Tax**

The swift reaction by consumers and businesses to the outbreak of coronavirus (Covid-19) in the U.S. has caused a massive decrease in spending on certain goods and services. The national and state response combined with the uncertainty of how long the presence of the virus will disrupt the U.S. economy has made forecasting local government revenues particularly challenging. This forecast was developed in early April after numerous news updates detailing "shelter-in-place" related impacts, comparisons to previous economic downturns like the Great Recession, studying the data, reports and projections of many industry specific analysts and monitoring various updates up to that time.

The forecast assumes that the statewide 'shelter-in-place' directive will continue until the end of May 2020, although volume testing may allow health care agencies an understanding of the extent of the virus and implement more site specific containment actions that allow some businesses and schools to slowly reopen and return to work. Based on recovery reports from China and South Korea, our forecast still assumes that the virus will have run its course by the end of September, however it does not consider a return of the virus and potential economic impacts after the current period at this time. Under our 'end of May' scenario, declines in sales tax revenues are expected to continue through the fourth quarter of 2020 with only moderate gains for several quarters thereafter. With the most dramatic decreases expected during the first and second quarters of 2020, future comparisons to these periods will be positive. However, overall dollars will still be less than the same period in 2019 noting a prolonged flat rebound.

Already marginal or overly leveraged businesses still may not survive a lengthy shutdown even with federal subsidies and our observation from previous downturns; the return to previous spending patterns after significant income interruptions is not immediate and often evolves. Consumers may now take even more time to fully get back to previous leisure travel, dining and discretionary spending habits. Businesses similarly may become more cautious about capital investment and the number of employees to hire after emerging from an economic crisis. Business travelers who had to resort to teleconferencing may continue to teleconference. Formerly avid brick-and-mortar shoppers may find that online shopping and delivery services suits them just as well.

The percentage changes in HdL's quarterly forecasts are statewide. Every local jurisdiction has its own distinctive sales tax demographics and business characteristics and the depth of the impact will vary. Further, as individual client budget forecasts are constructed, we will continue to monitor for subsequent economic changes that may have not been reflected in earlier forecasts.



# HDL CONSENSUS FORECAST – APRIL 2020

## STATEWIDE SALES TAX TRENDS

HdL Companies

 **TOTAL** 1Q20 -7.5% | 2Q20 -36.1% | 2020/21 -1.5%



### Autos/Transportation

**1Q20 -12.0% | 2Q20 -55.0% | 2020/21 -6.3%**

Numerous industry observers including Cox and JD Power have predicted 80% or more declines in auto sales while Shelter-in-Place (SIP) regulations are in force, similar to reported results from Chinese auto dealers in February. Anecdotal reports indicate sales may now indeed be declining near that amount. Once showrooms are fully reopened, sales are expected to remain depressed as consumers suffer from job losses and heightened levels of economic anxiety. Recent industry forecasts from ALG, JD Power, RBC and others predict new car sales decreases anywhere from 10 to 34% in 2020 overall. HdL is projecting a decrease of 25% for the auto/transportation category as a whole, exceeding the 20% worst annual decline seen in 2008 during the Great Recession.



### Building/Construction

**1Q20 -7.0% | 2Q20 -40.0% | 2020/21 -0.1%**

Recent regional decision makers have put most construction on hold; the threat remains that jurisdictions outside the Bay Area will stop work for prolonged periods during the next 3 months. Supply chain issues are a problem but manageable in the near term. Some jurisdictions are having difficulty keeping up with required inspections with some handling it remotely or others allowing self-inspection. As the pandemic continues, permit levels will decline, leading to less work for future periods. Without government incentives, housing development is likely to dry up as the effects of growing unemployment further limit the pool of prospective buyers. Commercial projects, although holding entitlements and permits, may no longer pencil. Even if construction demand remains strong after the pandemic passes, existing capacity limits will throttle growth as crews must first deal with the growing backlog of work.



### Business/Industry

**1Q20 -15.0% | 2Q20 -30.0% | 2020/21 -5.4%**

Most categories within this group are expected to decline over next few quarters with the Coronavirus disruption of supply chains deepest in first and second quarters. Companies needing components for manufacture of consumer electronics, pharmaceuticals, machinery and trucks may be particularly impacted. Depending on inventory availability, there may be a temporary boost in the demand for food processing, medical, and telecommunication equipment and supplies. The major winner will be for industrial zoned fulfillment and logistics centers that also happen to be “point of sale” for the products that they ship. The Coronavirus quarantines are expected to accelerate the shift from brick and mortar stores to online shopping and produce double digit gains in those specific cases.



### Food/Drugs

**1Q20 5.0% | 2Q20 5.0% | 2020/21 2.0%**

The current pandemic has not restricted access to grocery and drugs stores. While operational and safety modifications have occurred, consumers can still acquire household essentials at both chain and local establishments. Some products are in short supply, temporarily, as anxious shoppers acquire larger quantities of certain products. Cannabis businesses are also open and expected to perform fairly well, given the circumstances. The SIP mandates create expectations to merchandise from this group being delivered directly to homes or through curbside pickup.



### Fuel/Service Stations

**1Q20 -10.0% | 2Q20 -50.0% | 2020/21 0.0%**

As a result of COVID-19, the consumption of fuel, have either slowed or stopped. The combination of strong supply and weak demand for fuel has pushed oil barrel prices down to historically low levels. Fuel prices in California are now averaging less than \$3 per gallon. With lower prices and less fuel being consumed because of SIP restrictions, taxes generated are expected to significantly drop in the second quarter of 2020 and remain down until the middle of the first quarter of 2021. Oil prices should then increase into the range of \$45 to \$55 per barrel toward the end of 2021 and into 2022. However, oversupply may keep gas prices relatively low and moderate potential sales tax recovery.



# HDL CONSENSUS FORECAST – APRIL 2020

## STATEWIDE SALES TAX TRENDS

HdL Companies

 **TOTAL** 1Q20 -7.5% | 2Q20 -36.1% | 2020/21 -1.5%

### **General Consumer Goods**

**1Q20 -15.0% | 2Q20 -45.0% | 2020/21 -2.5%**

Core retail sales are expected to see significant drops as society practices social distancing measures to combat the spread of COVID-19 at the recommendation of health professionals and government leaders. With SIP orders expected to continue well into the second quarter of 2020, the effect on consumer spending and retail sales are expected to be extremely disturbed. Shuttered malls, shopping centers and retailer stores all will be adversely impacted. State and federal programs are being set up to assist small businesses to temper short term cash flow declines and permanent closures. While the immediate fallout subsides, brick and mortar retail sales are expected to be bleak into the summer months. As consumer confidence drops and employment woes set in, the effects are projected to negatively impact discretionary spending throughout the remainder of 2020.

### **State and County Pools**

**1Q20 15.0% | 2Q20 10.0% | 2020/21 7.3%**

This is one segment that is expected to stay positive, even in the midst of the virus crisis. The primary driver is the coincidental arrival of new out of state taxes; early results from the Wayfair decision implementation, which launched in the second quarter of 2019 under AB147, added new revenues at the State and local level. The marketplace facilitator phase started October 1st; current and next year forecasting comprises Wayfair's total impact on anticipated use taxes distributed via the countywide pools. Online shopping surged in March as buyers complied with crowd avoidance mandates; some chose to stock up early expecting weeks of limited store access. Going forward, spending will be focused on high priority necessities, balanced against available retailer inventories and rapid increases in unemployment which shrinks overall purchasing capacity.

### **Restaurants/Hotels**

**1Q20 -10.0% | 2Q20 -60.0% | 2020/21 -6.5%**

The restaurant industry is reporting 65% drops in revenue and the hotel industry is reporting drops of over 85% due to the COVID-19 shelter-in-place. Restaurants and other facilities that prepare and serve food are restricted to delivery or take-out. Consumers are shifting their food spending to groceries as quarantines continue, which could impact the long-term outlook for the sector if dining habits change. After the shelter-in-place is lifted, dining rooms are expected to operate at reduced capacity for continued social distancing. This industry is very vulnerable to closure given the already increasing tight operating margins and staff costs pre virus impacts. Most major hotels have laid off most of the staff, while others have announced they will temporarily shut down.

*Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. HdL forecasts a statewide decrease of -8.19% for Fiscal Year 2019/2020 and -1.82% in 2020/2021.*



# NATIONAL AND STATEWIDE ECONOMIC DRIVERS



## U.S. Real GDP Growth 2020/21 | 2021/22 0.1% | 2.0%

The current state of affairs in the global and U.S. economy is unlike anything experienced in modern times, and like many forecasting organizations, Beacon Economics is working to fully grasp the scope of what is happening and exactly how it might shift the economic outlook. There are many potential outcomes to this crisis. And while it is easy to underestimate the resilience of the U.S. economy, that does not diminish the risks posed by the worldwide Coronavirus (Covid-19) pandemic – it is the greatest threat to the nation's economic expansion in over a decade. Despite it all, it is by no means fait accompli that the U.S. economy is about to fall into a recession of any scale, much less a major one. At the center of the uncertainty are the actions being taken by businesses, consumers, and regulators to contain the disease. There have been wholesale cancellations of conferences, travel, sporting events, live entertainment, and really any forum in which large groups of people gather. Public health mandates, both voluntary and otherwise, have led many businesses to implement short run work-from-home policies for their employees and caused restaurants and bars across the nation to close temporarily. This sudden halt in economic activity will create turmoil in the economy in the coming weeks and it is highly likely that the U.S. economy will experience negative growth in the second quarter. But if the shock is short lived enough, the economy will catch up, possibly with a positive third quarter that makes up for much of the loss in the second.



## U.S. Unemployment Rate 5.0% | 3.4%

The March employment numbers will surely be grim. Initial unemployment claims are already crashing some state's computer systems due to demand and will likely jump more quickly than ever before. Many businesses will continue to operate but will experience a loss in productivity driven by absent employees and the basic complications of unexpected work-from-home policies. But as dramatic as these changes are, such a shock is not necessarily recession causing. As long as current public health measures are sufficient to prevent the Coronavirus from becoming truly widespread across the nation, it is business delayed rather than business cancelled.



## CA Total Nonfarm Employment Growth 1.5% | 1.3%

The fourth quarter of 2019 marked the end of ten years of strong expansion for the California economy. Over the course of the past decade, nearly 3.5 million nonfarm jobs were added to the state, at a growth rate of 23%. In the preceding decade, fewer than one-quarter of a million jobs were added to California's economy, a growth rate of 1.5%. However, the state is in a different economic reality than before the COVID-19 pandemic hit. The California economy does enter this crisis from a position of strength.



## CA Unemployment Rate 4.0% | 4.0%

The big unknown is how long the shock to the economy will last. The CDC has recommended that public gatherings of more than 50 people cease for 8 weeks. In addition, we know that university closures will last for many months. While university employees will be paid, many businesses surrounding universities will be adversely affected as staff and students are their primary source of income. Coupled with federal stimulus, and a resumption of some semblance of normalcy within a couple of months, immediate economic hardship could be somewhat temporary, with consumption deferred to a later period. But those dark clouds could turn into a storm for the state's economy if this unprecedented draw down in peacetime consumption endures into the summer.



## CA Median Existing Home Price \$532,216 | \$564,823

The state's strong fourth quarter paints a picture that is a far cry from the beginning of the year when the stock market had just seen a major correction, there was anxiety about trade uncertainty, and forecasts about a national and global slowdown were coming from all quarters. Unfortunately, the anxiety has returned due to the COVID-19 pandemic. Home prices won't drop under our baseline scenario, but the likelihood of them being affected continues to increase the longer the situation drags on.



## CA Residential Building Permits 126,449 | 131,572

The number of housing permits issued in the state peaked in the first quarter of 2018 and has trended lower since then. Even before this downturn, the state was in the midst of a housing shortage. As the shortage persists, it will create two primary effects. First, it will put upward pressure on housing prices, exacerbating affordability problems, and second (relatedly), it will shape the nature of the state's labor force.

## Beacon Economics

Southern California Office  
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Los Angeles, CA 90045  
Telephone: 310.571.3399  
Fax: 424.646.4660

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



# Riverside County Board of Supervisors Request to Speak

Submit request to Clerk of Board (right of podium), Speakers are entitled to three (3) minutes, subject to Board Rules listed on the reverse side of this form.

SPEAKER'S NAME: Roy Blockert

Address: \_\_\_\_\_

City: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone #: \_\_\_\_\_

Date: \_\_\_\_\_ Agenda # 3.2

## PLEASE STATE YOUR POSITION BELOW:

Position on "Regular" (non-appealed) Agenda Item:

       Support             Oppose       Neutral

**Note:** If you are here for an agenda item that is filed for "Appeal", please state separately your position on the appeal below:

  /   Support             Oppose             Neutral

I give my 3 minutes to: \_\_\_\_\_