

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



ITEM: 3.3
(ID # 15210)

MEETING DATE:
Tuesday, May 18, 2021

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Receive and File the Fiscal Year 20/21 Third Quarter Budget Report; Approval of the recommendations and associated budget adjustments, All Districts. [\$100,398,453 - 49% General Fund, 51% Department budgets] (4/5 Vote Required)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the FY 20/21 Third Quarter Budget Report;
2. Approve the recommendations and direct the Auditor-Controller to make the budget adjustments contained in Attachment A.

ACTION: 4/5 Vote Required, Policy

Dave Rogers
Dave Rogers, Chief Administrative Officer

5/12/2021

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 received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez, and Hewitt
Nays: None
Absent: None
Date: May 18, 2021
xc: EO

Kecia R. Harper
Clerk of the Board

By: *[Signature]*
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$100,398,453	\$ 0	\$100,398,453	\$0
NET COUNTY COST	\$48,934,092	\$ 0	\$48,934,092	\$0
SOURCE OF FUNDS: 49% General Fund, 51% Department Budgets			Budget Adjustment:	Yes
			For Fiscal Year:	20/21

C.E.O. RECOMMENDATION: Approve

Heydee Koury

 Heydee Koury, Sr Accountant - Auditor

5/11/2021

[Signature]

 Jeff Van Wageningen, County Executive Officer

5/13/2021

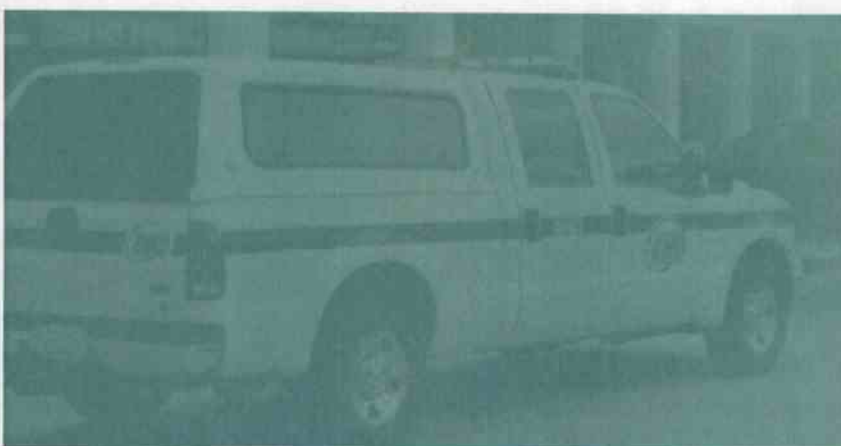
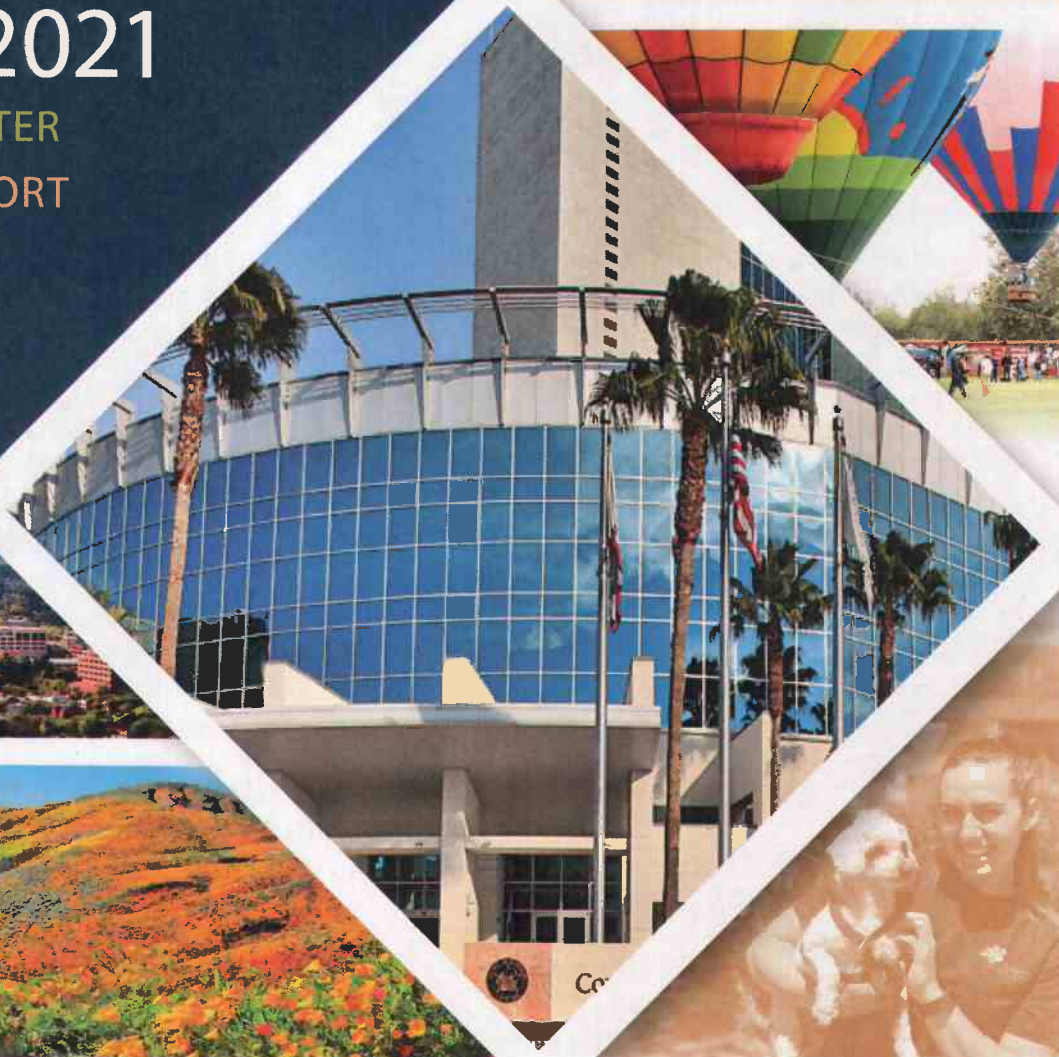
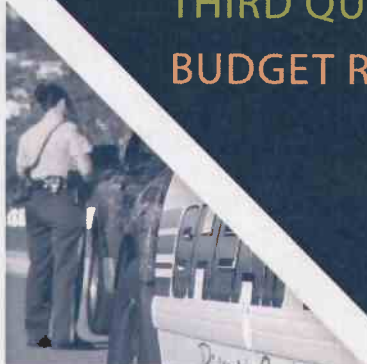


COUNTY OF RIVERSIDE

STATE OF CALIFORNIA

FISCAL YEAR
2020/2021

THIRD QUARTER
BUDGET REPORT



Prepared by
COUNTY EXECUTIVE OFFICE

COUNTY OF RIVERSIDE
EXECUTIVE OFFICE



May 18, 2021

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

SUBJECT: Fiscal Year 20/21 Third Quarter Budget Report

Members of the Board:

At third quarter, the financial position of the county continues to improve. We are currently projecting a net savings of \$7 million at year-end, a significant shift from the \$62 million deficit projected at the adoption of the budget.

The improved position is a result of many contributing factors. While discretionary revenue projections have increased from \$888 million to \$894 million, the primary reason for the more positive outlook is the shift of services, and the costs associated with those services, to support our COVID-19 response and recovery efforts. As a result, we are estimating a reduction in net county cost from \$908 million to \$887 million, a decline of \$21 million. Additionally, we have updated our projection to reflect a return of \$13 million in contingency funds by the Emergency Management Department contingent upon FEMA reimbursement. The combined effect of these factors is a projection that we will end the fiscal year with \$277 million in reserves.

**General Fund
Projected Year-end Financial Position FY 2020-21
As of Third Quarter
(\$ in Millions)**

Beginning FY 20/21 Reserves	\$258
Discretionary Revenue	894
Less: Net County Cost	887
Net Savings from Operations	7
Contingency Reimbursement	13
Ending FY 20/21 Reserves	\$277

As a reminder, CARES Act funding for emergency services dealing with the pandemic is considered one-time revenue. While the county budget benefited, it will require further impact analysis as the funding is exhausted and the next round of relief funding is received from the American Rescue Plan (ARP) Act. The ARP funds are also one-time revenue and our planning assumption is to avoid the use of these dollars to support on-going operations or to fill budget gaps in the next fiscal year.

And, while the current projected outlook for this fiscal year has improved significantly, we have challenges looming in the coming fiscal year that will need to be addressed in the FY 21/22 budget. That recommended budget will be published later this month, with budget hearings and adoption in June. We must continue to work toward structural balance and the development of healthy reserves going forward.

This report includes several adjustments to department budgets that will not have an impact on the general fund, as most departments will use reserves or increase revenue sources to balance these costs. Other departments have adjustments in this report to recognize previously approved CARES Act and/or other COVID-19 relief funding. There are, however, two adjustments that will impact our net county cost. The first is for the Fair and Date Festival and is the result of costs associated with the cancellation of this year's event due to the pandemic. The second is for the Energy Division of our Facilities Management Department and stems from increased costs. (We anticipate that both of these issues will continue into the next fiscal year.) After these two adjustments, our contingency balance will be at \$16 million. A summary of the adjustments and the contingency is shown in table form on pages 6 and 7 of this report.

In closing, I want to thank all of our departments for their continued efforts to meet the needs of our constituents while working to build resilient and fiscally sound operations.

IT IS RECOMMENDED that the Board of Supervisors:

Receive and file the FY 20/21 Third Quarter Budget Report and approve the recommendations as set forth therein.

Respectfully,



Jeffrey A. Van Wagenen, Jr.
County Executive Officer

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Budget Outlook

BUDGET OUTLOOK

Discretionary Revenue Projections

Overall, projected discretionary revenue estimates are up \$38.4 million from adopted budget projections. The largest portion of the increase is due to a change in the methodology for calculating the RDA Residual Assets due to each county from the State. The revised calculation resulted in the first increase in January 2021. Highlights of the county's other key general-purpose revenues are noted below.

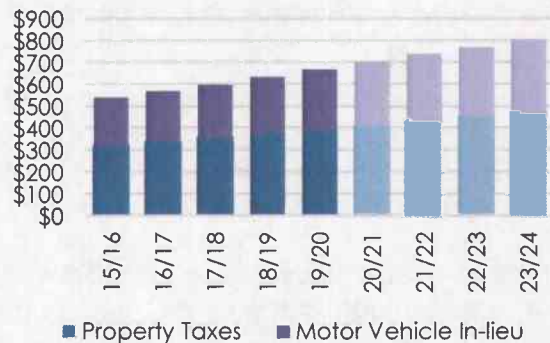
In the budget, the Executive Office presented an updated long-term outlook on general-purpose revenue that was moderately cautious in the out-years. The Executive Office continues to model a long-term outlook with a more graduated approach. Barring unforeseeable events, the anticipated average growth rate is approximately four percent for the next few years.

General Fund Projected Discretionary Revenue (in millions)			
	Adopted Budget	Current Quarter Estimate	Variance
Property Taxes	\$414.4	\$411.4	\$(2.9)
Motor Vehicle In Lieu	287.1	289.4	2.3
RDA Residual Assets	13.0	36.4	23.4
Tax Loss Reserve Overflow	16.0	18.0	2.0
Fines and Penalties	10.3	14.4	4.1
Sales & Use Taxes	29.4	32.4	3.0
Tobacco Tax	11.5	11.5	-
Documentary Transfer Tax	15.0	21.4	6.4
Franchise Fees	6.9	6.9	(0.0)
Mitigation Fees	0.1	-	(0.1)
Interest Earnings	4.0	4.2	0.2
Misc. State	4.5	4.6	0.1
Federal In-Lieu	3.6	3.8	0.2
Rebates & Refunds	5.5	5.6	0.1
Other (Prior Year & Misc.)	17.5	24.6	7.1
Operating Transfers In	16.9	9.5	(7.3)
Total	\$855.7	\$894.1	\$38.4
Prop. 172 Public Safety Sales Tax	179.0	199.1	20.1
	\$1,034.7	\$1,093.3	\$58.5

Property Taxes

Property tax revenue and motor vehicle fee revenue received in-lieu of property taxes, were both budgeted based on 5.83 percent growth in assessed values. From the adopted budget a decrease in contractual redevelopment has occurred due to a decrease in city revenue. From midyear to third quarter, projections assume a decrease in supplemental property tax collection due to a delay in preparing supplemental billing. This has caused an overall decrease of \$2.9 million.

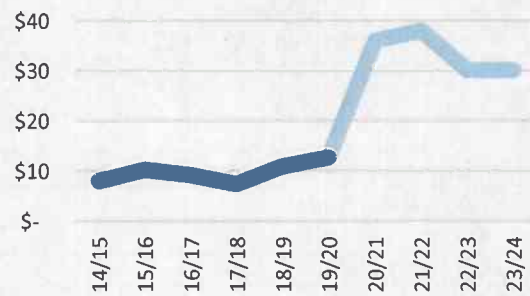
Property Taxes & Motor Vehicle In-lieu



RDA Residual Assets

On May 27, 2020, the California Court of Appeal for the Third Appellate District issued a decision in the case of City of Chula Vista v. Sandoval, et al. (49 Cal. App. 5th 539). In the case, the court considered a dispute regarding the allocation of residual funds related to the Redevelopment Property Tax Trust Fund (RPTTF) distribution. This residual allocation was previously calculated by deducting the passthrough payments before determining each taxing entity's AB8 share of the trust funds. According to the court's decision, the distribution methodology should not have deducted the pass-through amounts prior to determining the AB8 share. This change was reflected in the current year distribution beginning January 2021 and is causing a projected increase of \$23 million, from \$13 million to \$36 million. To date \$16 million of the \$36 million has been received.

RDA Property Tax, LMIH Residual Assets



Teeter Tax Losses Reserve Fund (TLRF) Overflow

Under the California Teeter plan, the county advances to participating agencies property tax allocations based on enrolled assessed valuation. In return, the county retains the actual taxes received, plus penalties and interest on delinquent taxes. The TLRF captures revenues and expenditures associated with the program. Revenue exceeding financing costs and the necessary tax loss reserve is discretionary

Actual TLRF Overflow Transfer

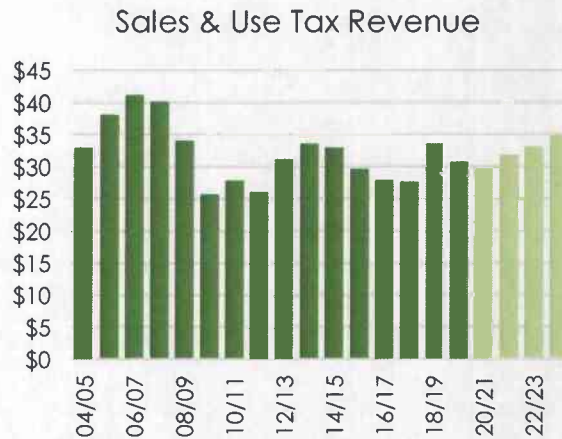


Budget Outlook

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. The TLRF revenue has been trending higher, hence the projection for FY 20/21 has been increased to \$18 million to reflect the higher trend.

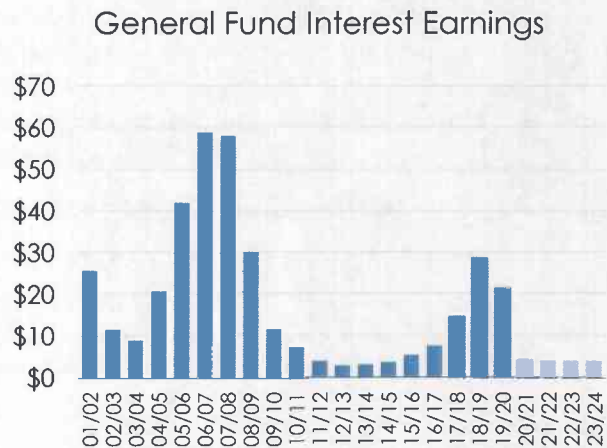
Sales and Use Taxes

At third quarter, the county's current sales and use tax projection has again increased from the adopted budget projections of \$29.7 million to \$32.4 million. Consumer spending continues to increase while restaurants continue to struggle as COVID-19 restrictions remain in place. Home improvement projects have increased the building and construction sectors. Also, the County's share of the statewide use tax pool increased 44.8 percent, with the unincorporated portion increasing 7.4 percent, when compared to the same period in the prior year due to the shift in online sales.



Interest Earnings

The Treasurer's estimate for FY 20/21 County General Fund (GF) interest earnings is \$4 million, which incorporates the first three quarters of the year's interest earnings results. The estimate includes factors such as projected GF balances in the Treasurer-Tax Collector's Pooled Investment Fund (TPIF), in addition to current and projected levels of interest rates. Improved economic conditions and broadened vaccine programs continue to drive the Treasury yield curve steeper. While longer term interest rates are rising amid optimism about the pace of U.S. economic growth, short term interest rates remain persistently near zero. The TPIF is an investment fund structured to meet the expected and unexpected funding needs of its participants. Its structure requires that the majority of its funds be invested in short term interest rates.



On March 17th, the Federal Open Market Committee affirmed its monetary policy, and voted to keep the Federal Reserve (FED) funds rate at the range of 0.00 percent to 0.25 percent. Federal Reserve Chair Jerome Powell expressed that while inflationary pressures will be felt in the future, they will be temporary and should not require FED to make monetary policy changes anytime soon. The expected near zero rates on short term rates in the remaining quarter of the estimate horizon and the composition of TPIF

provide a high degree of confidence of the earnings estimate. However higher than expected GF balances may cause a positive deviation from the GF earnings estimates.

The Treasurer-Tax Collector will closely monitor earnings estimates and will provide updates to budget staff if there are any material changes.

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. As of midyear, HdL Companies is projecting FY 20/21 ending revenue to be \$199 million, an increase of \$20 million from the adopted budget projections. The increase was due to the overall increase in the statewide pool and the pro rata factor increasing by 0.679 percent.



Long-Range Budget Schedule

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

- **May 28, 2021** – Clerk of the Board to Publish Budget Hearing Notice and that the Recommended budget is available to members of public.
- **June 14 thru June 15, 2021 (as necessary)** - Presentation of the FY 21/22. Recommended Budget, opening of budget hearings, and approval of the budget.
- **June 29, 2021** – Approval of FY 21/22 Recommended Budget.
- **October 2, 2021** – Statutory deadline Adopted Budget.

Current Status

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 \$20 million for contingency. This report contains a decrease of \$1.4 million, for a total net decrease to date of \$3.7 million, taking the contingency level to \$16.3 million, as summarized in the table below.

Use of General Fund Appropriations for Contingency					
		Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Recommended/Adopted Budget Balance:					\$ 20,000,000
Adjustments to date:					
9/29/2020	Auditor Controller - Cash over/shortage	541		(541)	
1st Qtr. Rec. 5	Fair and Date Festival Revenue Loss	1,605,000		(1,605,000)	
2nd Qtr. Rec. 28	Public Health - Funding Position	104,760		(104,760)	
4/13/2021 3.32	District Attorney-Positions-Force Investigation Team	254,226		(254,226)	
4/20/2021 3.4	Auditor Controller - Cash over/shortage	920		(920)	
4/27/2021 3.4	Sheriff, Fire & Code - Illegal fireworks	100,000		(100,000)	
4/27/2021 3.34	District Attorney-Positions-Child Exploitation Team	231,515		(231,515)	
	Total To Date	2,296,962	-	(2,296,962)	17,703,038
Actions recommended in this report:					
3rd Qtr. Rec. 4	Fair and Date Festival - Operation costs	300,000		(300,000)	
3rd Qtr. Rec. 13	FM-Energy to cover utility cost	1,069,930		(1,069,930)	
	3rd Qtr. Report Total	1,369,930	-	(1,369,930)	
	Total adjustments to Contingency	3,666,892	-	(3,666,892)	
				Contingency balance	\$ 16,333,108

SUMMARY OF BUDGET ADJUSTMENT RECOMMENDATIONS

Budget Adjustments					
Rec. No.	Departments	Adjustment Description	General Fund/NCC		
4	Fair and Date Festival	Increasing appropriations to cover unforeseen staff costs and a shortfall in revenue.	300,000		
13	Facilities Management - Energy	Increasing appropriations for increased utility costs and solar debt service payments.	1,069,930		
Rec. No.	Departments	Adjustment Description	CARES/FEMA/Suppl. Bills	Other Sources	Fund Balance
1	County Service Area	Use of department fund balance to cover the cost of a new Deputy Director in Economic Development.			346,000
2	County Service Area 135	So Cal Edison rate increases for 2021, use of department fund balance.			3,000
3	County Service Area 143	Increased projects and maintenance services, use of department fund balance.			188,000
5	Executive Office	Recognize additional revenue from an existing tax sharing agreement.		15,000	
6	Executive Office - DIF	Increasing appropriations for use of proceeds.			8,000,000
7	EO - CARES Act*	Increasing appropriations for use of CARES funding through year-end.	40,136,317		
8	EO-Subfund Operations	Increase appropriations for dispute resolution services.			85,000
9	Department of Child Support Services	Increasing appropriation to recognize additional state and federal revenue.		1,200,000	
10	Office on Aging	Increasing appropriations to recognize additional revenue.		769,232	
11	Facilities Management - Custodial	Due to COVID-19, additional cleaning services resulted in pass-through expenses that are reimbursed by the user departments.		1,200,000	
12	Facilities Management - Community & Rec Centers	Increasing appropriations to cover insurance costs offset by lease revenue.		98,744	
15	Sheriff*	Increasing Contributions from Other Funds to offset COVID-19 expenses, a net increase of state revenue for reimbursement of housing state inmates, and reduction to other revenue sources.	13,691,782	9,859,422	
16	TLMA-Sup District 4	Increasing appropriations to fund two new projects with fund balance.			465,000
17	Public Health**	Increasing ELC Federal Grant, FEMA and appropriations to allow for the reimbursement of the year-end COVID-19 response costs.	20,434,144		
18	Registrar of Voters	Increasing appropriations to recognize additional state reimbursement for the November 2020 election.		3,650,000	
For more detail, please refer to Attachment A					
*Amount includes CARES #4 & #5 claim and year end payments.					
**\$3.2 million is a new request and pending eligibility from the remaining balance of CARES funding for COVID-19 expenses.					
Vehicle Requests					
Rec. No.	Departments	Positions			
14	Purchasing	Requests one vehicle for Animal Services who will be reimbursed from a contract city.			

All budget adjustment recommendations will be shown in Attachment A and all position requests will be shown in Attachment B, both following the department summaries.

Current Status

OFFICE OF ECONOMIC DEVELOPMENT

County Service Area

The CSA Administration budget unit requires a total increase of \$346,000 for expenses related to allocation of costs as the department continues its restructure. Of this total, \$123,000 is necessary to cover costs for a Deputy Director position originally filled in the CSA Admin budget in FY 19/20 that was to be transferred to a newly requested Deputy Director position and added to the FY 20/21 Business and Community Services (BCS) budget. This newly requested position was erroneously deleted during the vacant position cleanup process and then added back to the BCS Administration budget unit during the first quarter of this fiscal year. The position was successfully transferred to BCS in January; this budget adjustment will cover the salary expenses incurred while the transfer was pending. An additional \$223,000 is necessary for interfund expenses and salary reimbursements, as the department continues to improve efficiency through maximized cost allocation strategies.

Recommendation 1: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the CSA Administration Fund by \$346,000.*

Southern California Edison recently implemented their rate increases for 2021, impacting all County Service Areas (CSAs) providing street lighting services. Given its current budget size, CSA 135 will require a \$3,000 contribution from the CSA Administration budget unit to address the rate increase.

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue by \$3,000 for the CSA 135 Fund and increasing appropriations for the CSA Administration Fund by \$3,000.*

Increased activity in the housing and construction markets have led to increased need for projects and maintenance services. Street renovations in the community of Morgan Hill and increased provision of services at the Terracina development require a budget increase of \$188,000; fund balance will be used to offset these costs.

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the CSA 143 Fund by \$188,000.*

Fair and Date Festival

The county postponed all 2021 fairground events to ensure safety of the community during the COVID-19 pandemic. Accordingly, the Fair and National Date Festival staffing budget was reduced by \$452,255 during the first quarter of this fiscal year through elimination of four full time positions, 100 temporary positions, and subsequent reduction in the need for full worker's compensation insurance. Full time staff in eliminated positions were not completely transitioned out until December and support costs continued longer than expected as there is an item coming forward to transfer facilities operation to the

Facilities Management Department. Combined with a loss of rental revenues of \$46,188, the department requests \$300,000 from the general fund to cover these costs.

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the National Date Festival Fund by \$253,812 and decreasing appropriations for Appropriation for Contingency and increasing appropriations for Contributions to Other Funds by \$300,000.*

FINANCE & GOVERNMENT SERVICES

Executive Office

In accordance with the cooperative agreement between the County of Riverside and City of Riverside approved by the Board on September 1, 1992 (Agenda Item No. 3.35), contractual revenue is higher than originally budgeted and requires a budget adjustment. This will allow the transfer of the tax increment received to be posted into the Casa Blanca Clinic Operations fund for the Neighborhood Clinic in Casa Blanca.

Recommendation 5: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Casa Blanca Clinic Operations Fund by \$15,000.*

The Development Impact Fee (DIF) may be imposed as a condition for approval after an application for a building permit has been received by the Transportation and Land Management Agency (TLMA) for construction within the County of Riverside. DIF fees are only charged to and collected from new development in unincorporated Riverside County, based on projects or facilities in the DIF Capital Improvement Plan. The DIF funds will need a budget adjustment to provide additional appropriation for the various projects authorized by the Board of Supervisors.

Recommendation 6: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Developers Impact Fee Fund by \$8,000,000.*

The County of Riverside is a recipient of CARES Act funding from the U.S. Treasury to cover expenses necessary to respond to the ongoing public health and economic emergency related to the COVID-19 pandemic. As stipulated through the U.S. Treasury CARES guidelines, the funding provided shall be used towards necessary expenses related to homelessness, public health, public safety, and other services necessary to combat the COVID-19 pandemic. A budget adjustment is requested by the Executive Office RivCo CARES Fund to increase appropriations by \$40.1 million in order to reimburse various county departments for eligible expenses incurred prior to the end the fiscal year.

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the EO-CARES Fund by \$40,136,317.*

Current Status

Executive Office Sub-Fund

The department requests a budget adjustment to increase appropriations within the Executive Office - Sub-Fund 11149. The increase in appropriations will be offset by fund balance. The county currently has contracts in place with the Riverside County Bar Association and Chapman University for dispute resolution services. There was a delay in the submittal of invoices for Chapman University resulting in FY 19/20 invoices being paid after the accrual process. This budget adjustment will also allow for future invoices to be processed.

Recommendation 8: *That the Board of Supervisors approve and direct the Auditor-Controller to make budgets increasing appropriations for the Disputes Resolution Fund by \$85,000.*

HUMAN SERVICES

Department of Child Support Services (DCSS)

The department requests a budget adjustment to reflect an increase in available funds of the additional State and Federal sources due to a midyear budget adjustment to the annual allocation. There is no impact to the county general fund.

Recommendation 9: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Child Support Services by \$1,200,000.*

Office on Aging

Office on Aging 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 #1 between California Department of Aging (CDA) and the Office on Aging for one-time-only funding and a slight increase in contributions and donations. The budget adjustment also reflects a decrease to grant revenue that will be rolled over to FY 21/22.

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Office on Aging Fund by \$769,232.*

INTERNAL SERVICES

Facilities Management

Facilities Management - Custodial Services requests a budget adjustment necessary to cover operating expenses related to additional cleaning requests due to COVID-19. These costs are a pass-through and will be offset with reimbursements from departments.

Recommendation 11: *That the Board of Supervisors approve and direct the Auditor-*

Controller to make budget adjustments increasing appropriations and estimated revenue for the Facilities Management - Custodial Services Fund by \$1,200,000.

The Facilities Management - Community and Recreational Centers commenced a new lease with First 5 which will help offset a portion of insurance cost. A budget adjustment is requested to increase appropriations for property insurance.

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Facilities Management - Community and Recreational Centers by \$98,744.*

The Facilities Management - Energy estimates that costs related to utility rate increases and solar debt service payments will exceed the allocated net county cost by \$2.2 million. The department will offset \$1.1 million of these costs with funds reserved for energy conservation. The department requests a budget adjustment of \$1.06 million from contingency necessary to cover utility expenses related to the utility rate increases.

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Facilities Management - Energy Department by \$1,069,930 and decreasing appropriations for Appropriations for Contingency by \$1,069,930.*

Purchasing and Fleet Services

In previous quarterly reports, the Purchasing Department informed the Board of a potential impact of approximately \$240,000 in retirement leave payouts. The department will continue to monitor the budget and provide updates to the Executive Office. As in the last report, the department is attempting to absorb a significant amount due to salary savings. This strategy is not sustainable in the future, as it is the intent of the department to be fully staffed by the end of the fiscal year.

Fleet Services requests authorization to purchase one vehicle for Department of Animal Services (DAS). It is a net new vehicle. Fleet Services does not require a budget adjustment at this time. DAS reports that this is a cash purchase and will be reimbursed by a contract city. DAS will request a budget adjustment in a corresponding narrative if necessary.

Recommendation 14: *That the Board of Supervisors 1) approve and authorize the purchase of one (1) vehicle.*

PUBLIC SAFETY

District Attorney

The District Attorney's Office (DAO) will be within appropriations and net county cost targets at yearend. This is a result of reduced operational costs in services and supplies and a higher than anticipated attrition rate. The COVID-19 pandemic continues to be an issue for the department due to the impact of extended court closures. These closures have impacted the department's ability to assess and receive fines, forfeitures, and penalties. The department continues to see a significant reduction in revenues related to its Consumer Protection Prosecution sub fund which funds the investigation and prosecution of

Current Status

white-collar fraud cases. The department is not expecting this funding source to return to normal levels until the end of the pandemic and will fund all cost related to this effort with existing net county cost allocation for the remainder of this fiscal year.

The CARES funding that was allocated by the Board of Supervisors assisted in addressing the significant backlog caused by the court closures. As part of the DAO commitment, most of the cases are assigned to existing staff versus hiring new prosecutors to deal with the backlog. The department has fully expended the CARES allocation and have submitted its claims for reimbursement.

The DAO remains fiscally prudent in ensuring allocated dollars are spent on critical hiring, service requests and procurement needs. Efforts remain to increase efficiency through self-funded technology upgrades and modernized deployment of the workforce. The department has seen savings as a result of reduced victim/witness travel and other operational expenses due to partial court closures.

The DAO meets regularly with the Executive Office to share issues of concern to the 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.

Emergency Management Department

The Emergency Management Department reports that it is currently on track to meet budget targets for FY 20/21. The department continues to play an important role in the COVID-19 testing and vaccination effort countywide. While the department anticipates ending the fiscal year with a budget surplus, this is dependent upon the timely reimbursements of FEMA related claims. In FY 19/20, the department received contingency funds of \$25 million to facilitate the purchase of emergency medical equipment and supplies related to COVID-19. The department returned \$12 million to the contingency fund at the end of that fiscal year and anticipates returning the remaining \$13 million to the contingency fund at the end of the fiscal year barring any unforeseen circumstances. The department will continue to work closely with the Executive Office on any issues or concerns.

Sheriff

The Sheriff's Department remains committed to ending the fiscal year with a balanced budget once the necessary CARES reimbursements are made for the COVID-19 pandemic and barring any further unforeseen emergencies or decrease in anticipated revenues. While the department anticipates ending the fiscal year within budget, there remains ongoing concerns regarding the structural deficit that is being offset by CARES reimbursement, revenue from the state to house inmates, and the decrease in revenue from other funding sources, including Trial Court funding and School Services Law Enforcement due to COVID-19 distance learning. In order to maintain current service levels, the department will continue to work closely with the Board of Supervisors and the County Executive Officer on a new budget strategy for FY 21/22.

The Sheriff's Department continues its focus on restoring critical staff losses due to attrition, continued hiring for the John J. Benoit Detention Center (JJBDC), restoring unincorporated patrol staffing to safe levels throughout the county, and evaluating all positions to

free up sworn staff with classified civilians when appropriate to achieve operational efficiencies. The department continues to make staffing changes at the courts by exchanging regular deputies for court deputies. Over this fiscal year, Deputy Sheriff positions have been replaced with newly created Court Deputy positions which has freed up regular deputies for patrol functions, reduce the court security cost, and ultimately provide a cost savings to the courts and the county.

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. Since the beginning of this fiscal year, the department has restructured personnel to better pro-actively investigate and address use of force and other high liability incidents and has coordinated with Risk Management for early settlements whenever possible. The department continues to actively work with the Executive Office, Human Resources Risk Management and County Counsel to streamline internal processes to further reduce costs.

On March 24, 2020, CDCR halted the intake and transfer of county jail inmates per Governor Gavin Newsom's Executive Orders 20/21-220 and 20/21-221. Pursuant to Government Code section 8690.6 the state is responsible to reimburse counties for housing state inmates due to temporary stoppage of prison intake. The Sheriff Department projects to receive over \$14 million in revenue that was not anticipated at budget submission. The department is currently working with the Auditor-Controller's Office (ACO) to determine whether these revenues can be included within the general fund or if the county is required to establish a sub fund. If the funds are allowed to be deposited into the general fund, the department is anticipating returning approximately \$7 million to the general fund. The department will continue to work closely with the Auditor-Controller and the Executive Office on how these funds can be used.

The department continues to find areas within the organization where operational efficiencies can be achieved. As a result of certain operational changes including programs changes and movement of positions, the department is requesting budget transfers between orgs. This request will not impact the department net county cost.

The Executive Office recommends making budget adjustments to appropriations to account for the increase of funding from the State to house inmates in the amount of \$14 million, to accept previously approved CARES reimbursement in the amount of \$13.7 million and the loss of other revenue in the amount of \$4.2 million.

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Sheriff by \$23,551,204.*

PUBLIC WORKS, LAND USE AND ENVIRONMENT

Transportation

During FY 20/21, two projects were added to District Four, the 22nd Avenue project in the amount of \$381,000 and the Buck Boulevard project in the amount of \$84,000. The department requests a budget adjustment for District Four to fund the additional projects. This department has sufficient fund balance to cover the additional expenditures.

Current Status

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Supervisorial Road District 4 Fund by \$465,000.*

HEALTH & HOSPITAL SERVICES

Public Health

Public Health and California Children's Services have continued to oversee efforts to combat the COVID-19 pandemic in the third quarter of the fiscal year. Response efforts include coordinating staff scheduling for COVID vaccination teams at multiple clinic sites, testing teams at test sites, teams assisting skilled nursing facilities, conducting case investigations and contact tracing, CalREDIE data inputting, transporting specimens to lab for testing, specimen testing, lab test result retrieving, data analysis and reporting, and updating the County Coronavirus website with news releases, information videos, and statistical data.

Public Health COVID-19 response costs for the second half of the fiscal year total \$38.1 million for continued reassignment of permanent staff, use of temporary staff, supplies and services, and Vaccination Operations. Epidemiology and Laboratory Capacity (ELC) federal grants will cover \$21.8 million of these costs and \$13.1 million will be invoiced to FEMA leaving a remaining balance of \$3.2 million to be covered by CARES funding (Public Health \$2.8 million and California Children's Services \$357,000). If at some point FEMA notifies Public Health that funds have been exhausted, additional financial assistance will be requested from the county for the unbillable balance. Budget adjustments are requested to increase budget capacity for the ELC grants and the FEMA billing. No budget adjustment is required at this time for California Children's Services. The department will continue to monitor appropriations.

Public Health is also requesting approval for capital purchases of \$320,402 for PH Lab equipment for the Starlims system upgrade, specimen storage expansion, and printers. ELC federal grants will cover this purchase. The Local Oral Health Program is also requesting approval for a capital purchase of a portable X-Ray machine totaling \$13,847. Public Health is requesting a transfer of budget from appropriation 2 to 4 for the purchase.

The department has available appropriations to cover a portion of the ELC federal grants, FEMA and CARES anticipated revenue. The Executive Office recommends making budget adjustments to appropriations to account for \$14.6 million of funding for the ELC federal grant and \$5.8 million for FEMA and CARES anticipated revenue.

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Public Health by \$20,434,144.*

REGISTRAR OF VOTERS

The Registrar of Voters is requesting a budget adjustment due to increased expenditures and reimbursement revenue resulting from COVID-19 expenses. Expenditures were incurred from COVID-19 expenses during the November 2020 Election. The Riverside County Registrar of Voters implemented voter assistance centers in compliance with the

Governor's Executive Order. Additional state reimbursement of the COVID-19 expenses relating to the November 2020 Election will offset the cost.

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Registrar of Voters by \$3,650,000.*

Appendices

Attachment A Summary of Recommendations

Attachment A Summary of Recommendations

Recommendation 1: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the CSA Administration Fund by \$346,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
23010	915202	CSA Administration Operating 510040 Regular Salaries	79,950
23010	915202	CSA Administration Operating 518100 Budgeted Benefits	43,050
23010	915202	CSA Administration Operating 536920 Interfund Exp-General Office Exp	156,000
23010	915202	CSA Administration Operating 537180 Interfund Exp-Salary Reimbursement	67,000
23010	915202	CSA Administration Operating 321101 Restricted Program Money	(346,000)

Recommendation 2: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue by \$3,000 for the CSA 135 Fund and increasing appropriations for the CSA Administration Fund by \$3,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
24450	913501	CSA 135 Temescal Canyon Lghtg 529530 Street Lights	3,000
24450	913501	CSA 135 Temescal Canyon Lghtg 790600 Contributions From Other County Fund	3,000
23010	915202	CSA Administration Operating 551100 Contributions To Other Funds	3,000
23010	915202	CSA Administration Operating 321101 Restricted Program Money	(3,000)

Recommendation 3: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the CSA 143 Fund by \$188,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
24550	914301	CSA 143 Rancho CA Park & Recr 522320 Maint-Grounds	80,000
24550	914301	CSA 143 Rancho CA Park & Recr 537180 Interfund Exp-Salary Reimb	108,000
24550	914301	CSA 143 Rancho CA Park & Recr 321101 Restricted Program Money	(188,000)

Recommendation 4: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the National Date Festival Fund by \$253,812, and decreasing appropriations for Appropriation for Contingency and increasing appropriations for Contributions to Other Funds by \$300,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	1101000000	Contribution To Other Funds 551100 Contribution To Other Funds	300,000
10000	1101000000	Contribution To Other Funds 370100 Unassigned Fund Balance	(300,000)
10000	1109000000	EO-Approp For Contingency-General 581000 Approp For Contingencies	(300,000)
10000	1109000000	EO-Approp For Contingency-General 370100 Unassigned Fund Balance	300,000
22200	1920100000	Fair And National Date Fest 510040 Regular Salaries	54,997
22200	1920100000	Fair And National Date Fest 517000 Workers Comp Insurance	50,146
22200	1920100000	Fair And National Date Fest 525840 RCIT Enterprise	53,661
22200	1920100000	Fair And National Date Fest 537090 Interfund Exp-Personnel Svcs	95,008
22200	1920100000	Fair And National Date Fest 741460 Rental Of Buildings	(46,188)
22200	1920100000	Fair And National Date Fest 790600 Contributions From Other County Fund	300,000

Recommendation 5: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Casa Blanca Clinic Operations Fund by \$15,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
22850	1100100000	Executive Office 551100 Contribution To Other Funds	15,000
22850	1100100000	Executive Office 781000 Contractual Revenue-RDV	15,000

Recommendation 6: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Developers Impact Fee Fund by \$8,000,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
30500	1103700000	EO-Devel. Impact Fees Op Org 551100 Contribution To Other Funds	8,000,000
30500	1103700000	EO-Devel. Impact Fees Op Org 322103 Restricted For Capital Project subfunds	(8,000,000)

Attachment A Summary of Recommendations

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for EO-CARES Fund by \$40,136,317.*

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
21730	1107000000	EO-CARES Act Coronavirus Relief	551100 Contribution To Other Funds	40,136,317
21730	1107000000	EO-CARES Act Coronavirus Relief	763510 Fed-CARES Act	40,136,317

Recommendation 8: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Disputes Resolution Fund by \$85,000.*

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
11149	1103800000	EO Subfund Operations	525480 Arbitration Services	85,000
11149	1103800000	EO Subfund Operations	321101 Restricted Program Money	(85,000)

Recommendation 9: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Child Support Services by \$1,200,000.*

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2300100000	Department of Child Support Services	510040 Regular Salaries	650,000
10000	2300100000	Department of Child Support Services	513000 Retirement-Misc.	450,000
10000	2300100000	Department of Child Support Services	513120 Social Security	100,000
10000	2300100000	Department of Child Support Services	532510 Cap Lease-Equip Principal Pmt	586,347
10000	2300100000	Department of Child Support Services	533740 Capital Lease-Interest	(586,347)
10000	2300100000	Department of Child Support Services	542060 Improvements-Building	(300,000)
10000	2300100000	Department of Child Support Services	542080 Improvements-Leasehold Blds	300,000
10000	2300100000	Department of Child Support Services	750320 CA-Support Enf Incentive	408,000
10000	2300100000	Department of Child Support Services	761020 Fed-Family Support Reimb	792,000

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Office on Aging Fund by \$769,232.*

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
21450	5300100000	Office On Aging-Title III	510040 Regular Salaries	(67,386)
21450	5300100000	Office On Aging-Title III	515040 Flex Benefit Plan	(26,953)
21450	5300100000	Office On Aging-Title III	520705 Food	(171,098)
21450	5300100000	Office On Aging-Title III	523640 Computer Equip-Non Fixed Asset	39,653
21450	5300100000	Office On Aging-Title III	527780 Special Program Expense	(22,305)
21450	5300100000	Office On Aging-Title III	528920 Car Pool Expense	30,000
21450	5300100000	Office On Aging-Title III	536200 Contribution To Other Non-County Age	900,242
21450	5300100000	Office On Aging-Title III	537120 Interfund Exp-Prof & Spec Svcs	(423,552)
21450	5300100000	Office On Aging-Title III	537180 Interfund Exp-Salary Reimb	510,631
21450	5300100000	Office On Aging-Title III	751220 CA-Congregate Nutrition	39,921
21450	5300100000	Office On Aging-Title III	751600 CA-Other Aid to Health	121,575
21450	5300100000	Office On Aging-Title III	751680 CA-State Grant Revenue	(439,848)
21450	5300100000	Office On Aging-Title III	755260 CA-Home Del Meals	120,389
21450	5300100000	Office On Aging-Title III	767140 Fed-Misc. Reimbursement	927,195

Recommendation 11: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Facilities Management-Custodial Services Fund by \$1,200,000.*

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
47200	7200200000	FM-Custodial Services	520820 Janitorial Services	580,000
47200	7200200000	FM-Custodial Services	528500 Project Cost Expense	620,000
47200	7200200000	FM-Custodial Services	777540 Reimbursement Of Salaries	1,200,000

Attachment A Summary of Recommendations

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Facilities Management Community and Recreational Centers Department by \$98,744.*

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	7201300000	FM-Community & Rec. Centers 520945 Insurance-Property	98,744
10000	7201300000	FM-Community & Rec. Centers 741460 Rental Of Buildings	98,744

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor Controller to make the budget adjustments increasing appropriations for the Facilities Management Energy Department by \$1,069,930 and decreasing appropriations for Appropriation for Contingency by \$1,069,930.*

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	1109000000	EO-Approp For Contingency-General 581000 Approp For Contingencies	(1,069,930)
10000	1109000000	EO-Approp For Contingency-General 370100 Unassigned Fund Balance	1,069,930
10000	7200600000	FM-Energy 529500 Electricity	900,000
10000	7200600000	FM-Energy 529510 Heating Fuel	160,000
10000	7200600000	FM-Energy 529520 Sewer System	9,930
10000	7200600000	FM-Energy 370100 Unassigned Fund Balance	(1,069,930)

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Sheriff by \$23,551,204.*

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	2500100000	Sheriff Administration 510040 Regular Salaries	245,981
10000	2500100000	Sheriff Administration 510320 Temporary Salaries	382,000
10000	2500100000	Sheriff Administration 518100 Budgeted Benefits	105,420
10000	2500100000	Sheriff Administration 520105 Protective Gear	23,000
10000	2500100000	Sheriff Administration 523600 Audiovisual Expense	43,907
10000	2500100000	Sheriff Administration 523640 Computer Equip-Non Fixed Asset	100,000
10000	2500100000	Sheriff Administration 524840 Fingerprinting Services	160,000
10000	2500100000	Sheriff Administration 726160 Permit-Gun (PC 12050)	542,000
10000	2500100000	Sheriff Administration 790600 Contrib Fr Other County Funds	518,308
10000	2500200000	Sheriff Support 522310 Maint-Building and Improvement	342,148
10000	2500200000	Sheriff Support 523640 Computer Equip-Non Fixed Asset	320,000
10000	2500200000	Sheriff Support 525060 Medical Examinations-Physicals	105,000
10000	2500200000	Sheriff Support 525840 RCIT Enterprise	350,000
10000	2500200000	Sheriff Support 528920 Car Pool Expense	400,000
10000	2500200000	Sheriff Support 546080 Equipment-Computer	550,000
10000	2500200000	Sheriff Support 546140 Equipment-Office	89,000
10000	2500200000	Sheriff Support 546160 Equipment-Other	85,000
10000	2500200000	Sheriff Support 546280 Capitalized Software	175,000
10000	2500200000	Sheriff Support 790600 Contrib Fr Other County Funds	2,416,148
10000	2500300000	Sheriff Patrol 370100 Unassigned Fund Balance	(21,506,638)
10000	2500300000	Sheriff Patrol 522320 Maint-Grounds	180,000
10000	2500300000	Sheriff Patrol 527920 Emergency Services	1,300,000
10000	2500300000	Sheriff Patrol 532520 Cap Lease-Vehicle Principal Pmt	150,000
10000	2500300000	Sheriff Patrol 546160 Equipment-Other	1,585,000
10000	2500300000	Sheriff Patrol 546320 Vehicles-Cars/Light Trucks	2,400,000
10000	2500300000	Sheriff Patrol 546380 Vehicles Other	1,300,000
10000	2500300000	Sheriff Patrol 773570 School Services Law Enforcement	(1,780,000)
10000	2500300000	Sheriff Patrol 773590 Sheriff Extra Duty (GC53069.8)	(2,500,000)
10000	2500300000	Sheriff Patrol 790600 Contrib Fr Other County Funds	(10,311,638)
10000	2500400000	Sheriff Correction 370100 Unassigned Fund Balance	24,296,638
10000	2500400000	Sheriff Correction 510040 Regular Salaries	(5,500,000)
10000	2500400000	Sheriff Correction 521560 Maint-Other	1,100,000
10000	2500400000	Sheriff Correction 522310 Maint-Building and Improvement	900,000
10000	2500400000	Sheriff Correction 523640 Computer Equip-Non Fixed Asset	250,000

Attachment A Summary of Recommendations

10000	2500400000	Sheriff Correction	528920	Car Pool Expense	400,000
10000	2500400000	Sheriff Correction	529540	Utilities	800,000
10000	2500400000	Sheriff Correction	542060	Improvements-Building	10,500,000
10000	2500400000	Sheriff Correction	546160	Equipment-Other	800,000
10000	2500400000	Sheriff Correction	546320	Vehicles-Cars/Light Trucks	90,000
10000	2500400000	Sheriff Correction	755720	CA-Trans Of Prisoners PC4750	14,071,313
10000	2500400000	Sheriff Correction	790600	Contrib Fr Other County Funds	19,565,325
10000	2500500000	Sheriff Court Services	370100	Unassigned Fund Balance	(1,500,000)
10000	2500500000	Sheriff Court Services	510040	Regular Salaries	300,000
10000	2500500000	Sheriff Court Services	510200	Payoff Permanent-Seasonal	700,000
10000	2500500000	Sheriff Court Services	772870	Reimb From Trial Court Funding	(500,000)
10000	2500600000	Sheriff-CAC Security	370100	Unassigned Fund Balance	(70,000)
10000	2500600000	Sheriff-CAC Security	510040	Regular Salaries	75,725
10000	2500600000	Sheriff-CAC Security	790600	Contrib Fr Other County Funds	5,725
10000	2500700000	Sheriff-Ben Clark Training Center	370100	Unassigned Fund Balance	(800,000)
10000	2500700000	Sheriff-Ben Clark Training Center	510040	Regular Salaries	1,125,013
10000	2500700000	Sheriff-Ben Clark Training Center	790600	Contrib Fr Other County Funds	325,013
10000	2501000000	Sheriff Coroner	370100	Unassigned Fund Balance	(420,000)
10000	2501000000	Sheriff Coroner	520105	Protective Gear	20,000
10000	2501000000	Sheriff Coroner	526900	Instrument-Minor Medic Equip	125,000
10000	2501000000	Sheriff Coroner	540060	Improvements-Land	1,040,000
10000	2501000000	Sheriff Coroner	542040	Buildings-Capital Projects	290,000
10000	2501000000	Sheriff Coroner	546320	Vehicles-Cars/Light Trucks	95,000
10000	2501000000	Sheriff Coroner	777090	Collections Program	26,109
10000	2501000000	Sheriff Coroner	790600	Contrib Fr Other County Funds	1,123,891
10000	2501100000	Sheriff-Public Administrator	510040	Regular Salaries	(100,000)
10000	2501100000	Sheriff-Public Administrator	546320	Vehicles-Cars/Light Trucks	149,010
10000	2501100000	Sheriff-Public Administrator	790600	Contrib Fr Other County Funds	49,010
22250	2505100000	Sheriff Cal-Id	528900	Air Transportation	(7,540)
22250	2505100000	Sheriff Cal-Id	536840	Interfund Exp-Co Support Svc	7,540

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Supervisorial Road District Fund by \$465,000.*

Fund	Dept ID	Account	Amount	
22400	3130400000	TLMA-Supervisorial Dist No 4	536890 Interfund Exp-Equipment Rental	116,250
22400	3130400000	TLMA-Supervisorial Dist No 4	537080 Interfund Exp-Miscellaneous	97,650
22400	3130400000	TLMA-Supervisorial Dist No 4	537220 Interfund Exp-Labor	251,100
22400	3130400000	TLMA-Supervisorial Dist No 4	321101 Restricted Program Money	(465,000)

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Public Health by \$20,434,144.*

Fund	Dept ID	Account	Amount	
10000	4200100000	Public Health	510040 Regular Salaries	175,720
10000	4200100000	Public Health	510240 Per Diem Salaries	948,600
10000	4200100000	Public Health	510320 Temporary Salaries	2,709,464
10000	4200100000	Public Health	510420 Overtime	1,483,755
10000	4200100000	Public Health	518100 Budgeted Benefits	1,719,146
10000	4200100000	Public Health	520115 Uniforms-Replacement Clothing	5,000
10000	4200100000	Public Health	520230 Cellular Phone	42,308
10000	4200100000	Public Health	520240 Communications Equipment	1,794
10000	4200100000	Public Health	520330 Communication Services	138,729
10000	4200100000	Public Health	520705 Food	361,479
10000	4200100000	Public Health	520815 Cleaning and Custodial Supp	84,386
10000	4200100000	Public Health	520820 Janitorial Services	9,000
10000	4200100000	Public Health	522860 Medical-Dental Supplies	184,571
10000	4200100000	Public Health	523640 Computer Equip-Non Fixed Asset	1,040,358

Attachment A Summary of Recommendations

10000	4200100000	Public Health	523660	Computer Supplies	31,570
10000	4200100000	Public Health	523700	Office Supplies	152,700
10000	4200100000	Public Health	523800	Printing/Binding	2,500
10000	4200100000	Public Health	523840	Computer Equipment-Software	20,238
10000	4200100000	Public Health	525100	Medical-Lab Services	135,204
10000	4200100000	Public Health	525220	Pre-Employment Services	14,748
10000	4200100000	Public Health	525320	Security Guard Services	173,250
10000	4200100000	Public Health	525440	Professional Services	8,712,235
10000	4200100000	Public Health	526530	Rent-Lease Equipment	129,720
10000	4200100000	Public Health	526700	Rent-Lease Bldgs	194,478
10000	4200100000	Public Health	527180	Operational Supplies	1,100,816
10000	4200100000	Public Health	529040	Private Mileage Reimbursement	28,870
10000	4200100000	Public Health	529540	Utilities	20,000
10000	4200100000	Public Health	537320	Interfund Exp-Bldg Improvements	493,103
10000	4200100000	Public Health	546160	Equipment-Other	320,402
10000	4200100000	Public Health	767220	Fed- Other Operating Grants	14,591,242
10000	4200100000	Public Health	790600	Contrib From Other County Funds	5,842,902
21840	4200100000	Public Health	527180	Operational Supplies	(13,847)
21840	4200100000	Public Health	546160	Equipment-Other	13,847

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Registrar of Voters by \$3,650,000.*

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>	
10000	1700100000	Registrar Of Voters	510320	Temporary Salaries	900,000
10000	1700100000	Registrar Of Voters	510420	Overtime	500,000
10000	1700100000	Registrar Of Voters	523660	Computer Supplies	750,000
10000	1700100000	Registrar Of Voters	523800	Printing/Binding	750,000
10000	1700100000	Registrar Of Voters	527380	Elections	750,000
10000	1700100000	Registrar Of Voters	753300	CA-Election Reimb Secretary State	3,650,000

Attachment B HdL March 2021 Economic Forecast

MARCH 2021

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CALIFORNIA FORECAST

SALES TAX TRENDS

AND ECONOMIC DRIVERS



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HDL CONSENSUS FORECAST – MARCH 2021 STATEWIDE SALES TAX TRENDS

HdL Companies

 **TOTAL** 2020/21 | 2021/22
4.1% | 7.2%



Autos/Transportation

2020/21 | 2021/22

6.2% | 3.0%

The autos/transportation sector continues to recover as consumers treat themselves to more expensive vehicles at a time when other spending opportunities have been curtailed by the COVID-19 pandemic. The average price of a new car increased 6% compared to last year as attractive financing rates sustained demand while production stoppages early in the crisis limited supply. Sales are expected to continue to grow as the economy recovers, with automotive executives hopeful the industry will return closer to normal this year. Recreational vehicle (RV) purchases continue to be a bright spot as many feel they offer a safer way to travel. Receipts for this category were up 27% in the most recent quarter; the RV Industry Association is projecting industry volume may grow by as much as another 20% in 2021, boosted by millennial buyers newly introduced to the lifestyle during lockdowns.



Building/Construction

2020/21 | 2021/22

6.8% | 1.7%

Issued construction permit values continued to decline since the end of 2019, however, household projects filled the gap in spending for the construction industry. Through January, traffic at home improvement stores increased as stimulus recipients spent up to 28% of those payments on renovation products. As the State pulls back restrictions on business openings, consumer spending will shift to other goods and services. Contractors are active, addressing the backlog of projects created by the pandemic slowdown. Lumber prices, up 170% in the last 10 months, should push up taxes. 2021 is expected to see an extension of growth in warehousing; recent permit activity indicated office space is still in demand. Across California, new home construction is showing no signs of slowing down, supported by the persistent affordability of mortgages. All areas of the state will see at least modest growth in the coming year.



Business/Industry

2020/21 | 2021/22

-0.4% | 6.5%

As the economy reopens, some sectors in the category are slowly rebounding – with improvement extending into FY 2021/22. Despite challenges brought on by the virus, agriculture and farming reported a strong 4Q20. Medical/biotech also surged last year, with purchases of medical equipment, pharmaceuticals and the return of elective and non-emergency medical procedures. Conversely, business closures plagued areas such as food service equipment, office supplies/furniture, business services, and the entertainment industry. Fulfillment center's revenue boomed with the massive shift to online sales. Recognizing much of this buying preference shift is permanent, HdL's forecast indicates moderate growth. Pandemic challenges such as absenteeism, qualified worker shortages, sanitization protocols in the Golden State are lagging compared to prior periods – even with the national manufacturing sector gaining strength. Overall, tax revenues are projected to achieve pre-pandemic levels next fiscal year. However, given its unique mix, each local jurisdiction's experience will differ according to the size and character of its specific business/industrial base.



Food/Drugs

2020/21 | 2021/22

4.4% | 2.5%

Overlapping issues with other groups listed herein affected cash registers as taxable receipts at grocery, convenience and liquor stores climbed throughout 2020. The continued expansion of cannabis also provided fuel to this segment. The outlook for grocery stores is bright and focuses on broadening merchandise, retaining customer loyalty and deepening online efficiency deployment – approaches all aimed at keeping up with a steady expansion of more companies battling in a highly competitive marketplace. As cannabis outlets multiply, saturation levels may impact expected returns. Overall, growth is moderate as pent-up demand to eat out while spending stimulus checks and savings accounts is redirected to other household preferences.

HDL CONSENSUS FORECAST – MARCH 2021

STATEWIDE SALES TAX TRENDS

HdL Companies

2020/21 | 2021/22
 **TOTAL** 4.1% | 7.2%

2020/21 | 2021/22



Fuel/Service Stations -7.6% | 15.5%

While the pandemic significantly hammered this industry during the past year, most signs are pointing toward upward pressure on prices, consumption, and demand for fuel. Recently, the average cost of gas rose to the highest level since last February and is expected to exceed \$4 per gallon by mid-summer 2021. Temporary shutdown of a refinery in Texas and conflict in the Middle East have restricted supplies of oil. Oil barrel prices are estimated to move into the low \$70 range in the summer. Jet fuel rates are the highest since January 2020. We anticipate COVID vaccines will begin to stabilize the virus, which in turn stimulates consumer confidence and the desire to travel. Based on these factors, HdL is projecting sales taxes associated with fuel and service stations to increase beginning in late first quarter 2021.



General Consumer Goods 3.7% | 6.8%

Retail has long been an evolving segment spurred by technology advancements, changing expectations, and generational behavioral shifts. Many establishments were not prepared to adapt as these trends were expedited by the global pandemic throughout 2020. Despite this turbulence, customer spending shifted from services to more taxable goods lifting local tax receipts higher than early estimates. With additional federal stimulus, a gradual return of foot traffic, and consumer resilience lifted by a wide deployment of vaccines, this group is expected to post strong results in 2021. Most COVID-19 induced changes to shopping behavior should be permanent. Anticipate store concepts focused on convenience and experience plus sustained upticks from big box retailers. Total receipts are not expected to reach their pre-pandemic peak until fiscal year 2022-23.

2020/21 | 2021/22



Restaurants/Hotels -13.2% | 23.9%

The long road to recovery continues with a small set back from the December/January shelter-in-place order. The recovery in this sector is complicated; it is geographically uneven, with variations across restaurant types. There have been shifts to digital and alternative formats that accommodate social distancing and rising labor costs. These challenges result in restaurants increasing menu prices. The industry anxiously awaits the boom from pent up demand and anticipates summer 2021 to deliver multitudes of diners. Hotels are expected to gain more overnight stays; recovery in this sector depends upon vacation destination upticks. Expect slow recovery to progress over several years. Another glimmer of hope is provided as sporting events and amusement parks begin to reopen in April.



State and County Pools 21.6% | 4.2%

A unique convergence of bigger ecommerce spending (further accelerated due to COVID-19 related store closures) and new taxpayers coming from Wayfair's AB147 implementation produced statewide growth of 32% for 2020. Forward thinking businesses are evolving customer experiences as procuring goods via warehouses and delivery trucks has become a trend that is here to stay. HdL's forecast expects healthier use tax collections, but at a more measured pace given the spectacular outcomes from the prior calendar year. Future allocations to local agencies might vary as some regions experience in-state fulfillment center expansion. Additionally, use tax allocations could adjust up or down as company business structures are altered to address intense demand for online sales.

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 increase of 4.5% for Fiscal Year 20/21 and 7.7% for 2021/2022.

NATIONAL AND STATEWIDE ECONOMIC DRIVERS



U.S. Real GDP Growth

2020/21 | 2021/22

15.1% | 4.6%

A year ago, the US economy began to contract at a pace never experienced before. In comparison to the slow declines seen at the start of the Great Recession, it might be natural to leap to the worst possible conclusion – that the U.S. was going to suffer from massive recession. But as noted in past reports, the last recession was completely different than this one, hence one cannot draw such conclusions. By the end of 2020 the economy had regained 70% of the activity lost in the first two months – the first part of the “V”. The enormous surge in new Coronavirus cases at the end of 2020 only caused the recovery to slow modestly, thus there was no “W”, no “L” and clearly no “U”. One reason for the sharp rebound was because the supply shock reallocated demand within the economy, rather than the general malaise across most of the economy seen post-Great Recession. Frustrated consumers who were denied an opportunity to eat at a favorite restaurant or fly to Disney World spent unused dollars in other parts of the economy such as buying homes, campers and other goods.



U.S. Unemployment Rate

7.0% | 4.1%

The weakest part of the economy remains aggregate employment, with 9 million fewer payroll jobs in the economy than pre-pandemic. A more in-depth look reveals this number is not as scary as it appears to be. For example, the unemployment rate in February of this year was already down to just 6.2%. Recall the unemployment rate was above 6% for six years in the aftermath of the Great Recession. A quarter of these people are still on temporary layoff (not looking for a new job) and a far higher share are receiving unemployment benefits than in the last downturn. In addition, outside the sectors directly impacted by the epidemic, labor markets were fairly tight and should gather momentum in the spring as the worst effects of COVID-19 are behind us.



CA Total Nonfarm Employment Growth

-3.1% | 7.9%

Since the record drop in employment in April 2020, California's labor market has underperformed compared to the U.S. labor market. The number of jobs decreased by 6.2% nationally since February 2020 while in California the number of jobs fell by 9.4%, and only 39% of the jobs lost by April have been recovered in the state. As of February 2021, there were 1.67 million fewer workers employed in the state than there were in February 2021. One key feature of the recovery of the labor market has been the extent to which job losses have disproportionately impacted low-income workers. Because the recovery in California has lagged the national economy to this point, this should mean that, once a vaccine is widely distributed and some normality resumes in 2021, employment growth in California will outpace the growth in the national economy. This was evident in the job figures from February, with California accounting for 37% of the jobs created in the nation.



CA Unemployment Rate

2020/21 | 2021/22

8.8% | 4.6%

California's unemployment rate fell to 8.5% in February 2021 – down from 9.0% in the previous month and a peak of 16.0% in April 2020 – but remains elevated relative to the 6.2% rate in the U.S. overall. This decline is a positive sign but is as much due to a contracting labor force as it is to employment gains. In February 2021, there were 488,500 fewer people looking for work in the state compared to February 2020. Under normal circumstances, the state's labor force would have expanded over this period. Our outlook remains positive, with cases remaining and restrictions being eased, there will be upward pressure on job creation in the coming months. In addition, as the vaccine rollout picks up speed in the spring, we should see the unemployment rate fall significantly as the year progresses.



CA Median Existing Home Price

\$585,710 | \$616,288

The state's housing market has been by far the brightest spot of the 2020 economy. Single family home prices have surged compared to last year, growing by 15% percent from Q4 2019 to Q4 2020. In 2020, existing homes were around 8,500 units lower compared to 2019, with sales surging in the third and fourth quarters. This is an extraordinary feat given the performance of the state's labor market this year. The strong performance of the state's housing market is likely driven by three factors. First, typical homebuyers (higher income earners) have been less affected by the labor market fallout. Second, mortgage rates are at historically low levels, spurring purchasing activity. Third, inventories are near historic lows in many parts of the state. That said, the growth in home prices this year is unsustainable, and we should expect interest rates to tick up at some point in 2021.



CA Residential Building Permits

116,635 | 114,475

The increase in home prices this year have once again brought California's housing shortage to the forefront. Until the supply of housing picks up considerably, there will be upward pressure on home prices in the state. For 2020, around 4,570 fewer permits were issued in the state compared to 2019. This will do little to help the state's chronic housing shortage, but the expectation is that housing permits will rebound in 2021 as the economy continues to recover.

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California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

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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.



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