

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



**ITEM: 3.7
(ID # 26474)**

MEETING DATE:

Tuesday, December 03, 2024

FROM : EXECUTIVE OFFICE

SUBJECT: EXECUTIVE OFFICE: Receive and File the Fiscal Year 2024/25 First Quarter Budget Adjustments Report; Approval of the recommendations and associated budget adjustments, All Districts. [\$59,662,961 - 49% General Fund, 51% Department budgets] (4/5 Vote Required)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the FY 2024/25 First Quarter Budget Adjustments Report;
2. Approve the recommendations and direct the Auditor-Controller to make the budget adjustments contained in Attachment A;
3. Approve Resolution No. 440-9455 amending Ordinance 440 as contained in Attachment B;
4. Approve the revised multi-year budget schedule contained in Attachment C;
5. Receive and file the FY 2023/24 Year-End Validation Report contained in Attachment D.


ACTION:4/5 Vote Required, Policy


Jeff Van Wagenen, County Executive Officer 11/25/2024

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: December 3, 2024
xc: E.O., HR

Kimberly A. Rector
Clerk of the Board
By: 
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	\$59,662,961	\$ 0	\$59,662,961	\$0
NET COUNTY COST	\$29,427,023	\$ 0	\$29,427,023	\$0
SOURCE OF FUNDS: 49% General Fund, 51% Department Budgets			Budget Adjustment:	Yes
			For Fiscal Year:	24/25

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

This is the third year the First Quarter Adjustments Report presents a slightly modified format, aligning with the Executive Office's efforts to improve efficiency. Following a countywide evaluation, the process was adjusted to reduce the resource burden on departments, with departments now only required to submit time-sensitive or critical adjustments for the quarter.

As of the First Quarter Adjustments Report for Fiscal Year 2024/25, the County is maintaining a strong fiscal position. The projected General Fund reserves balance is \$718 million, which aligns with the estimated discretionary revenue of \$1.286 billion and an anticipated Net County Cost of \$1.240 billion, resulting in higher projected revenue of \$46 million. This represents a 4% increase over the original discretionary revenue projection.

The forecasted General Fund reserves balance of \$718 million is primarily the result of favorable economic conditions, as well as salary savings stemming from challenges in recruitment and retention experienced during previous, Fiscal Year 2023/24. These factors contributed to a higher reserves balance of \$762 million at the conclusion of FY 2023/24, significantly surpassing the initial projections for the year.

Two main factors are driving the County's improved fiscal position. First, the projected discretionary revenue for the current fiscal year has been revised upward by \$46 million, from \$1.240 billion to \$1.286 billion. This increase is largely attributable to a \$17 million net increase in property tax revenue, an \$18 million net increase in interest earnings, a \$4 million increase in Motor Vehicle in Lieu revenue, and a \$5 million increase in RDA Residual Assets.

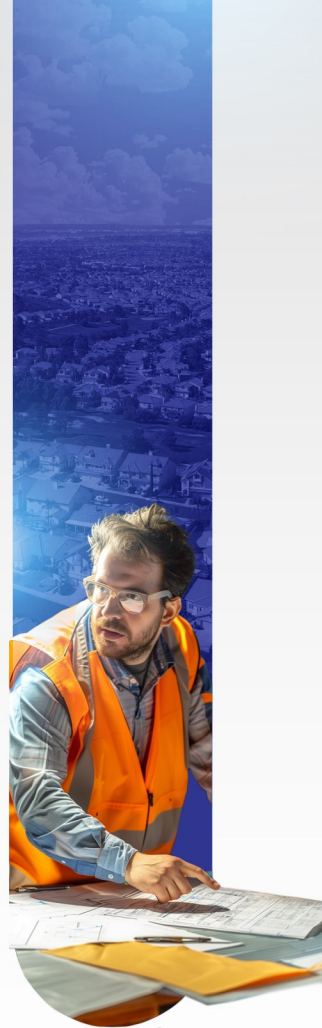
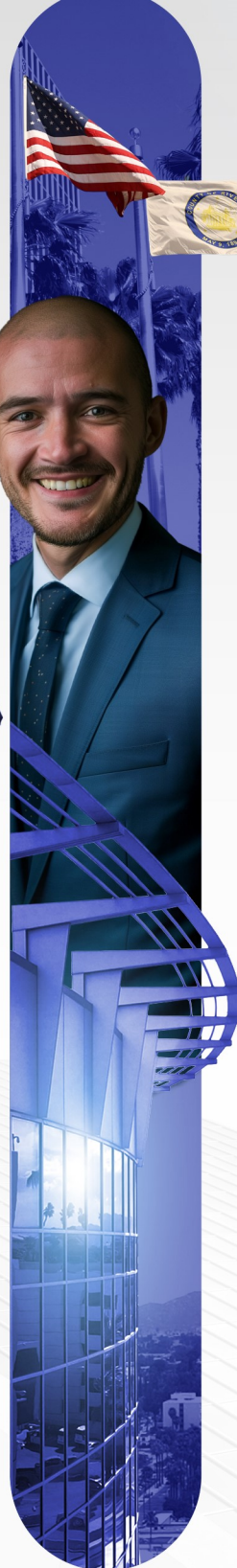
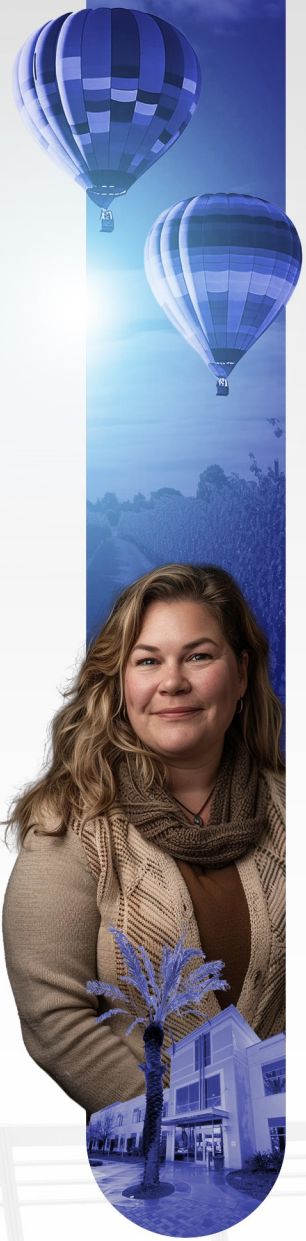
It is essential to note that some of these revenue sources, particularly the increases in property tax and interest earnings, may represent one-time increases or temporary upticks. As such, while they contribute positively to the fiscal year's financial outlook, their sustainability will be monitored closely.

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
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Second, it is important to highlight that the General Fund reserves at the close of FY 2023/24 were higher than initially projected in the adopted budget. The reserves increased from \$555 million to \$762 million, with this increase primarily attributable to the rollover of reserves from the prior fiscal year, as well as additional discretionary revenue, which was originally set at \$1.143 billion but realized a remarkable increase to \$1.263 billion at yearend. The \$120 million increase in discretionary revenue is largely due to a one-time boost in interest earnings of \$45 million, a \$38.5 million increase in property tax collections, a \$11 million increase in Motor Vehicle in Lieu, a \$9.5 million increase in RDA Residual Assets, and a smaller \$2.3 million increase in sales and use tax revenues. (Additional detail can be found in attachment D)

While the current fiscal year shows positive indicators of improvement in the County's financial outlook and discretionary revenue, it is critical to acknowledge the uncertainties that lie ahead, particularly regarding future housing markets and interest earnings. These areas present potential volatility that could impact the County's financial position. Challenges remain and demand our ongoing attention and proactive measures. Consequently, it is imperative that we remain committed to strengthening our reserves, as the broader economic future remains uncertain.

 Brett Austin, Supervising Accountant	11/21/2024	 Dave Rogers, Chief Administrative Officer	11/25/2024
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COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

FISCAL YEAR 2024/25

FIRST QUARTER BUDGET ADJUSTMENTS

PREPARED BY THE EXECUTIVE OFFICE

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BUDGET OUTLOOK

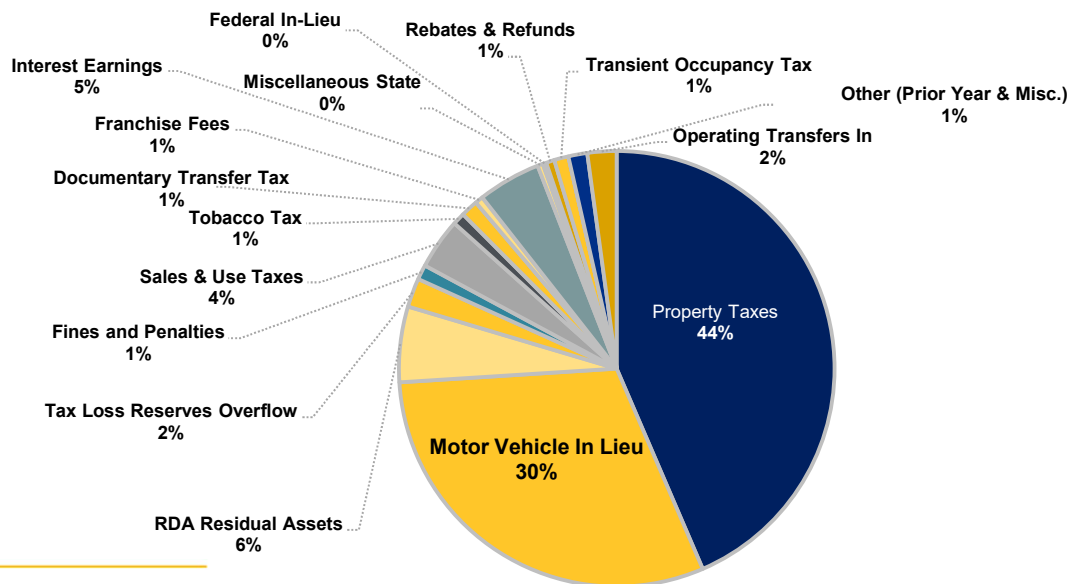
DISCRETIONARY REVENUE PROJECTIONS

Revenue Available for General Purpose Spending (Projected)

In Millions

	FY2024/25 Adjusted Budget	First Quarter Estimate	Change From Adjusted Budget	% Change
Property Taxes	\$542.6	\$560.0	\$17.4	3%
Motor Vehicle In-Lieu	388.0	392.0	4.0	1%
RDA Residual Assets	67.1	72.2	5.1	8%
Tax Loss Reserve Overflow	27.5	27.5	-	0%
Fines and Penalties	14.0	14.1	0.1	1%
Sales & Use Taxes	48.6	48.6	-	0%
Tobacco Tax	11.5	11.5	-	0%
Documentary Transfer Tax	16.6	16.6	-	0%
Franchise Fees	7.4	7.8	0.3	5%
Interest Earnings	41.6	60.0	18.4	44%
Miscellaneous State	4.8	5.0	0.2	4%
Federal In-Lieu	3.5	3.5	-	0%
Rebates & Refunds	8.1	8.0	(0.1)	-2%
Transient Occupancy Tax	13.6	13.6	-	0%
Other (Prior Year & Misc.)	17.2	18.1	0.9	5%
Operating Transfers In	27.9	27.9	0.0	0%
	\$1,240.2	\$1,286.4	\$46.2	4%

General purpose revenue, or discretionary revenue, is unrestricted funds that counties receive from various sources such as property taxes, sales and use taxes, motor vehicle in-lieu, interest earnings, and other revenue streams. Discretionary revenue is used to fund a wide range of government functions and services, including mandates and other services not covered by state and federal funding, grants or service charges. As of First Quarter, total projected Discretionary Revenue estimates are up **\$46.2** million from adjusted budget projections.



Percent of Total Projected Discretionary Revenue by Source

Budget Outlook

PROP. 172 PUBLIC SAFETY SALES TAX

Revenue Available for Public Safety Functions (Projected)

In Millions

	FY 2024/25 Adjusted Budget	First Quarter Estimate	Variance
Prop. 172 Public Safety Sales Tax	\$302.6	\$297.2	(\$5.4)

Prop 172 was enacted by California voters in November 1993 to establish a permanent statewide half-cent sales tax for support of local public safety functions. Currently, Prop 172 revenue is projected \$5.4 million lower than the adjusted budget. Revenue is expected to hold at projected levels with nominal growth estimated in FY 2025/26.

PRELIMINARY YEAR-END FINANCIAL POSITIONS

Preliminary Financial Position General Fund 10000 (in millions)		
	FY 2024/25 Adjusted Budget	First Quarter Estimate
Beginning Fund Balance	\$ 698	\$ 762
Plus: Projected Discretionary Revenue	1,240	1,286
Less: Net County Cost (NCC)	1,240	1,240
Net Savings/Deficit From Operation	-	46
Use of Unassigned Fund Balance	-	(90)
Ending Reserves/Unassigned Fund Balance	\$ 698	\$ 718
Reserve Limit (Board Policy B-30, 25% of Discretionary Revenue)	\$ 310	\$ 322
GFOA Recommendation (2 months of operating expenditures)	\$ 682	\$ 775*

* Data as of 11/5/24

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 \$5 million for contingency. The total net reduction to date is \$1.5 million. This report contains a request to replenish contingency by \$15 million taking the contingency level to \$18.5 million, as summarized in the table below.

Use of General Fund Appropriations for Contingency

Use of General Fund Appropriations for Contingency					
		Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Adopted Budget Balance:					\$5,000,000
Adjustments to date:					
7/30/24 Item 3.6	EO - Gray case legal costs.	100,000	-	(100,000)	
8/27/24 Item 3.15	OED - 2024 State of the County event.	75,000	-	(75,000)	
9/17/24 Item 3.43	Animal Services - Professional Services for Strategic Plan.	783,150	-	(783,150)	
10/29/24 Item 3.7	Planning Department - Additional positions per Ad Hoc Committee.	277,056	-	(277,056)	
10/29/24 Item 3.8	Executive Office - Travel reimbursements for Surviving Families of Riverside County Fallen Peace Officers.	137,635	-	(137,635)	
11/5/24 Item 3.52	Executive Office - Professional services for Planning Department.	100,000	-	(100,000)	
	Total as of November 5, 2024	1,472,841	-	(1,472,841)	3,527,159
Actions Recommended in this report:					
Recommendation 5	Replenish Contingency	-	15,000,000	15,000,000	
	Total Recommended		15,000,000	15,000,000	
	Total Adjustments to Contingency	1,472,841	15,000,000	13,527,159	
				Contingency balance	<u>\$18,527,159</u>

SUMMARY OF BUDGET ADJUSTMENT RECOMMENDATIONS

Budget Adjustments					
Rec No.	Departments	Adjustment Description	General Fund/NCC	Increase in Estimated Departmental Revenues	Estimated Use of Fund Balance
1	Assessor	Request discretionary funding/net county cost to address deficit caused by reduction in state revenue.			\$4,200,000
4	Executive Office- GF Contributions to Other Funds	Transfer to CIP Fund for Sheriff's BCTC campus.			3,291,860
5	Executive Office- Appropriations for Contingency	Contingency replenishment.			15,000,000
6	Executive Office- GF Contributions to Other Funds	Transfer of funds to Capital Improvement Program to meet annual budgetary practices.			5,247,489
Rec No.	Departments	Adjustment Description		Increase in Estimated Departmental Revenues	Estimated Use of Fund Balance
2	Auditor-Controller	Increase estimated revenues to align projection with actuals.		22,500,000	
3	Executive Office – GF Contributions to Other Funds	Transfer funds to Office of Economic Development for facilities management projects.			230,816
7	Office on Aging	Additional funding from the California Department on Aging (CDA).		2,433,130	
8	Purchasing	Addition of Procurement Contract Specialist.		166,000	
9	District Attorney	Budget adjustment required to account for awards issued by The California Office of Emergency finalized the Victim Witness and California Department of Insurance.		356,910	
10	Fire Department	Authority to purchase assets.		N/A	
11	Sheriff Correction	Reimbursement requests for August.		152,654	
12	Sheriff Patrol	Use of restricted program funds for the addition of deputy to RAID task force.			275,000
13	Sheriff Patrol	Increase estimated expenditures for lease with MS Perris, LLC.			1,132,730
14	Sheriff-PSEC	Budget adjustment to replace critical assets within PSEC system.			2,439,000
15	Sheriff Corrections	Increase appropriations for Sheriff's Inmate Welfare Fund PMO-22-197 for IWF Occupational Technology Air Conditioning project.			1,665,747

Rec No.	Departments	Adjustment Description	Increase in Estimated Departmental Revenues	Estimated Use of Fund Balance
16	Sheriff	Budget adjustments to allocate Officer Wellness and Mental Health Grant.	1,453,275	
17	Flood Control	The District's share of the Murrieta Creek Flood Control, Environmental Restoration and Recreation Project Phase 2B construction costs.		13,000,000
18	Code Enforcement	Increase estimated revenues and expenditures for business and residential revitalizations programs.	245,001	

All budget adjustment recommendations are shown in attachment A and all position requests are shown in attachment B, both following the department summaries.

Position Requests			
Rec No.	Departments	Positions	
8	Purchasing	1	15813 – Procurement Contract Specialist
Total		1	

Additional Assets			
Rec No.	Departments	Request	
10	Fire Department	1	Pro Rapid Deployment Kit
10	Fire Department	1	Host Controller Laptop Kit
10	Fire Department	7	Battery-powered fans
Total		9	

FINANCE & GOVERNMENT SERVICES

Assessor Clerk-Recorder

The Assessor department is requesting a budget adjustment. During the FY 2024/25 Budget Hearing on June 10, 2024, the department requested an increase in net county cost (NCC) of \$4.2 million for FY 2024/25 and subsequent years. This request addresses the structural deficit caused by the depletion of previously awarded State grant funds. The State no longer funds this grant thus, it is no longer available for budget consideration. The additional NCC enables the Assessor department to maintain base-line operations. The funding will come from the general fund's unassigned balance.

Recommendation 1: *That the Board of Supervisors approve and direct the Auditor-Controller to increase appropriations for the Assessor department by \$4,200,000.*

Auditor-Controller

The Auditor-Controller has requested to update the projections for certain discretionary revenues in the first quarter; Motor Vehicle In Lieu, RDA Residual Assets and Contractual Revenues. The FY 2024/25 Adopted Budget was established prior to the certified roll provided by the Assessor's Office; those estimates were based on a very conservative increase. The secured and unsecured assessment roll values increased 6.88% and 12.56%, respectively. An adjustment of \$22.5 million is requested to align the Budget with the revised projections.

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues for the Auditor-Controller by \$22,500,000.*

Executive Office

On June 27, 2023, the Executive Office adopted the Fiscal Year 2023/24 Budget that included an increase of \$250,000 to the Executive Office for service in the Highgrove area with D1 Public Benefit Funds, originally generated by cannabis retail facilities within the community. To date, \$19,184 was transferred to the Office of Economic Development and the remaining \$230,816 was assigned to fund balance for program money. On October 1, 2024, agenda item 3.51, the Board of Supervisors approved to transfer the remaining \$230,816 to Facilities Management for projects in Highgrove. An adjustment is necessary to transfer the remaining funds to Facilities Management in the current fiscal year.

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$230,816 for the Executive Office.*

The Riverside County Sheriff's Office is working toward building a new Ben Clark Training Center (BCTC) campus, which will be a P3 project. In order to set aside funding, the Executive Office has established a separate capital project fund 30704 and recommends transferring the Sheriff's Office remaining general fund balance at year end into this fund. For

FY 2023/24, \$3.3 million is available to transfer from the general fund to the capital project fund. As the BCTC project progresses, and providing enough funding is available, the Sheriff's Office will submit separate agenda items to the Board for project approval and cite the Sheriff CIP Fund 30704 as the source of funds.

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$3,291,860 for the General Fund Contributions to Other Funds and increasing appropriations and estimated revenues by \$3,291,860 for the Sheriff CIP Fund.*

The FY 2024/25 Adopted Budget included a contingency balance of \$5 million. The Appropriation for Contingency currently has a balance of \$3.5 million. It is recommended to transfer fund balance to replenish contingency in the amount of \$15 million to continue to cover urgent, unforeseeable events such as unanticipated expenditures, uncorrectable budget overruns and mission critical issues at the Board's discretion.

Recommendation 5: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$15,000,000 for the Appropriations for Contingency.*

A series of new budget practices were implemented to strengthen General Fund reserves and start building the deferred maintenance and capital improvement reserves for countywide projects. These practices encompass the allocation of 1% of General Fund discretionary revenue to General Fund reserves, earmarking 0.5% of General Fund discretionary revenue for deferred maintenance and capital improvement projects (CIP), and reserving unutilized General Fund Contingency funds for forthcoming countywide capital improvement projects.

The Executive Office will continue to monitor FY 2024/25 discretionary revenue projections. When discretionary revenue surpasses the projected level, a recommendation to transfer the 0.5% of General Fund discretionary revenue earmarked for CIP and deferred revenue will be incorporated into future reports.

Recommendation 6: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$5,247,489 for the General Fund Contributions to Other Funds and increasing estimated revenues and appropriations for the Capital Improvement Program Fund by \$5,247,489.*

HUMAN SERVICES

Office On Aging

Riverside County Office on Aging (RCOoA) receives federal and state funding to support the provision of services, programs and other activities for older adults and persons with disabilities, in accordance with Title III & Title VII of the Older Americans Act and the Older Californians Act. Countywide services include supportive services at resource centers (IIIB), congregate and home-delivered nutrition (IIIC & NSIP), preventive health and medication management (IIID), family caregiver support (IIIE), long-term care ombudsman services (VII-

Current Status

a), and elder abuse prevention (VII-b).

The department relies heavily on funding through the Older Americans Act (OAA) to provide core services to the county's most frail and vulnerable aging adults and persons with disabilities (age 18+). In recent years, OAA programs have required increased resources to maintain current programs due to the continued growth in aging adult populations. Between 2010 and 2060, Riverside County is projected to experience a 248% increase of adults over age 60, and a 711% increase for those over age of 85. In response, RCOoA has adapted new services and strategies that enhance resilience to health, reduce isolation, and ease the many challenges related with the impacts of COVID-19.

The department requests an additional \$2.4 million increase to previously submitted estimates for an amended annual budget of \$29.7 million. The FY 2024/25 budget was based on funding estimates that were available at the time from the California Department on Aging (CDA). Additionally, there were unspent supplemental funds that were projected to be exhausted by the end of FY 2023/24 that were not included in this year's budget submission.

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues and appropriations in the amount of \$2,433,130 for the Riverside County Office on Aging.*

INTERNAL SERVICES

Purchasing and Fleet Services

Purchasing is requesting a budget adjustment of \$166,000 to accommodate a request to hire one additional FTE embedded Procurement Contract Specialist (PCS) for Facilities Management (FM). FM has indicated an increased volume of contract and procurement workload in their department, necessitating additional PCS to help maintain efficiency in department procurements. The PCS will be responsible for managing FM-related procurements and contracts above department buyer authority levels.

Recommendation 8: *That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations for Purchasing by \$166,000 and approve amending Ordinance 440 to add one Procurement Contract Specialist.*

PUBLIC SAFETY

District Attorney

The District Attorney's Office is requesting a budget adjustment to incorporate the final awards made by granting agencies pursuant to grantor notification. More specifically, the California Office of Emergency Services (CALOES) finalized the Victim Witness award plus an additional adjustment was made to reflect the end of a grant cycle for the CALOES XC program. The California Department of Insurance also finalized their Auto Insurance Fraud, Auto Insurance Fraud-Urban, Workers Compensation, Life & Annuity and Disability and HealthCare awards. This adjustment also reflects the conclusion and subsequent reduction of revenue from the

CALOES Unemployment Insurance Fraud program slated to end prior to the end of this fiscal year.

Recommendation 9: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the District Attorney Department by \$356,910*

Fire Department

The Fire Department will meet its NCC budgetary targets for FY 2024/25. The Hazmat Bureau within the Fire Department has the need of one Pro Rapid Deployment Kit and one Host Controller Laptop Kit for the detection of hazardous chemicals and radioactivity at a total cost of \$72,000. The assets are funded with the Countywide Hazmat Operations Group, which is part of the State Homeland Security Grant Program. In addition, the Fire Department has the need for seven battery-powered fans. Battery-powered smoke removal fans are an important tool used by firefighters to quickly remove smoke and other dangerous gases from a structure during a fire. These fans will replace gas-powered fans past their useful life. All items' costs are included in the Department's current budget and no additional funding is requested. The Fire Department is requesting asset authority for one Pro Rapid Deployment Kit, one Host Controller Laptop Kit, and seven battery-powered fans. The purchase will be completed following the standard county procurement policy.

Recommendation 10: *That the Board of Supervisors approve and authorize the purchase of a Pro Rapid Deployment Kit, a Host Controller Laptop Kit, and seven battery-powered fans.*

Sheriff

The Riverside County Sheriff's Correction Division is requesting a budget adjustment in the amount of \$152,654 for the claim for August for CIP Fund reimbursement as approved by the Board on April 4, 2023, agenda item 3.24. A claim was submitted to the Riverside County Executive Office for posted expenses on approved CIP projects for the division.

Recommendation 11: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff's department by \$152,654.*

The Riverside County Sheriff's Patrol Division is requesting a budget adjustment in the amount of \$275,000. RAID added a Deputy to the task force in the last fiscal year during the budget development process. The Sheriff's Office is recommending this budget adjustment now as it could not anticipate it in the FY 2024/25 budget.

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to increase appropriations for Sheriff Patrol by \$275,000.*

The Riverside County Sheriff's Patrol Division is requesting a budget adjustment in the amount of \$1.1 million. On June 4, 2024, agenda item 3.21, the Board of Supervisors approved a ten-year lease with MS Perris, LLC, commencing upon completion of tenant improvements. Per agenda item 3.21, the source of funds is split 50% Sheriff and 50% District

Current Status

Attorney. The Sheriff's Office is recommending the budget adjustments now as it could not anticipate in the FY 2024/25 budget.

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor-Controller to increase appropriations for Sheriff Patrol by \$1,132,730.*

Sheriff's PSEC is requesting a budget adjustment in the amount of \$2.4 million to use the Five-Year Capital Asset Replacement Fund to replace critical assets within the PSEC system as approved by the Board of Supervisors on January 9, 2024, agenda item 3.09.

Recommendation 14: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$2,439,000 for the PSEC Operating Restricted Capital Asset Fund.*

The Sheriff's Inmate Welfare Fund is requesting a budget adjustment in the amount of \$390,747 to reflect approved project PMO-22-197 for the IWF Occupational Technology Air Conditioning project. In addition, the Inmate Welfare Fund is requesting a budget adjustment in the amount of \$1.3 million to reflect the IWF Committee Approved Budget. The IWF Committee approved to increase appropriations to fund the Board approved contract with CA LEO Technologies, LLC.

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$1,665,747 for the Sherriff's Inmate Welfare Fund.*

The Riverside County Sheriff's office is requesting budget adjustments to allocate Officer Wellness and Mental Health Grant funds to the appropriate budget units. These budget adjustments are submitted for Board approval to ensure a balanced budget within the budgetary units before the close of the fiscal year. This request will not impact the department net county cost.

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff's Department by \$1,453,275.*

PUBLIC WORKS AND COMMUNITY SERVICES

Flood Control and Water Conservation District

The District is requesting an adjustment of \$13 million to increase appropriations within the Flood Control and Water Conservation District Zone 7 Const-Maint-Misc Fund 25170. Per the cooperative agreement with the U.S. Army Corps of Engineers approved by the Board on September 9, 2003, agenda item 11.4, the District is required to provide a non-federal cash contribution to fund its share of the Murrieta Creek Flood Control, Environmental Restoration and Recreation Project Phase 2B construction costs. Timing of the contributions depends upon the construction schedule for each phase of the project and can vary from year to year.

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for \$13,000,000 for the Zone 7 Const-Maint-Misc Fund.*

Code Enforcement

On October 3, 2023, agenda item 3.26, the Board of Supervisors approved the allocation of \$500,000 to the Business Revitalization Program abatement projects and \$1.2 million to the Residential Revitalization Program abatement services. Of this \$1.7M, the department expended \$1.2 million and encumbered \$279,082. The department is requesting a budget adjustment for the remaining \$245,001, which is committed and will be encumbered prior to December 2024.

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Code Enforcement Department by \$245,001.*

Attachment A Summary of Recommendations

Recommendation 1: That the Board of Supervisors approve and direct the Auditor-Controller to increase appropriations for the Assessor's Department by \$4,200,000.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	1200100000	Assessor	510040 Regular Salaries	4,200,000
10000	1200100000	Assessor	370100 Unassigned Fund Balance	(4,200,000)

Recommendation 2: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenues for the Auditor-Controller by \$22,500,000.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	1300100000	Auditor-Controller	370100 Unassigned Fund Balance	22,500,000
10000	1300100000	Auditor-Controller	715070 RDV Prty Tax, LMIH Resdul Asts	5,100,000
10000	1300100000	Auditor-Controller	750200 CA-Motor Vehicle In-Lieu Tax	4,000,000
10000	1300100000	Auditor-Controller	781000 Contractual Revenue-RDV	13,400,000

Recommendation 3: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$230,816 for the Executive Office.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	1102900000	Non-EO Operations	350100 AFB For Program Money	(230,816)
10000	1102900000	Non-EO Operations	551100 Contribution To Other Funds	230,816

Recommendation 4: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$3,291,860 for the General Fund Contributions to Other Funds and increasing appropriations and estimated revenues by \$3,291,860 for the Sheriff Capital Improvement Program Fund.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	1101000000	Contribution To Other Funds	370100 Unassigned Fund Balance	(3,291,860)
10000	1101000000	Contribution To Other Funds	551100 Contribution To Other Funds	3,291,860
30704	1104200000	Cap Imp Prg-Capital Projects	551100 Contribution To Other Funds	3,291,860
30704	1104200000	Cap Imp Prg-Capital Projects	790600 Contrib Fr Other County Funds	3,291,860

Recommendation 5: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$15,000,000 for the Appropriations for Contingency.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	1109000000	Approp For Contingency-General	581000 Approp For Contingencies	15,000,000
10000	1109000000	Approp For Contingency-General	370100 Unassigned Fund Balance	(15,000,000)

Recommendation 6: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$5,247,489 for the General Fund Contributions to Other Funds and increasing estimated revenues and appropriations for the Capital Improvement Program Fund by \$5,247,489.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	1101000000	Contribution To Other Funds	551100 Contribution To Other Funds	5,247,489
10000	1101000000	Contribution To Other Funds	370100 Unassigned Fund Balance	(5,247,489)
30700	1104200000	Cap Imp Prg-Capital Projects	536780 Interfnd Exp-Capital Projects	5,247,489
30700	1104200000	Cap Imp Prg-Capital Projects	790600 Contrib Fr Other County Funds	5,247,489

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue and appropriations in the amount of \$2,433,130 for Riverside County Office on Aging.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
21450	5300100000	Office On Aging-Title III	510040 Regular Salaries	1,000,000
21450	5300100000	Office On Aging-Title III	520805 Appliances	35,000
21450	5300100000	Office On Aging-Title III	521640 Maint-Software	80,000
21450	5300100000	Office On Aging-Title III	523100 Memberships	30,000
21450	5300100000	Office On Aging-Title III	523640 Computer Equip-Non Fixed Asset	250,000
21450	5300100000	Office On Aging-Title III	523750 Postage-Mailing Expense	500
21450	5300100000	Office On Aging-Title III	523800 Printing/Binding	13,500
21450	5300100000	Office On Aging-Title III	523820 Subscriptions	1,000
21450	5300100000	Office On Aging-Title III	528140 Conference/Registration Fees	1,500
21450	5300100000	Office On Aging-Title III	528980 Meals	4,000
21450	5300100000	Office On Aging-Title III	529000 Miscellaneous Travel Expense	5,000
21450	5300100000	Office On Aging-Title III	529540 Utilities	10,000
21450	5300100000	Office On Aging-Title III	536200 Contrib To Other Non-Co Agcy	992,130
21450	5300100000	Office On Aging-Title III	537080 Interfnd Exp-Miscellaneous	3,500
21450	5300100000	Office On Aging-Title III	537240 Interfnd Exp-Utilities	7,000
21450	5300100000	Office On Aging-Title III	751200 CA-Health Programs	366,961
21450	5300100000	Office On Aging-Title III	751220 CA-Congregate Nutrition	1,664,089
21450	5300100000	Office On Aging-Title III	751680 CA-State Grant Revenue	1,494,202
21450	5300100000	Office On Aging-Title III	755260 CA-Home Del Meals	(608,252)
21450	5300100000	Office On Aging-Title III	767140 Fed-Misc Reimbursement	(540,430)
21450	5300100000	Office On Aging-Title III	781850 Grants-Nongovtl Agencies	56,560

Recommendation 8: That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations for Purchasing by \$166,000 and approve amending Ordinance 440 to add one Procurement Contract Specialist.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	7300100000	Purchasing	510040 Regular Salaries	166,000
10000	7300100000	Purchasing	572900 Intra-Personnel	(166,000)

Recommendation 9: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the District Attorney by \$345,206.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2200100000	District Attorney	510040 Regular Salaries	(95,781)
10000	2200100000	District Attorney	518180 Other Post Employment Benefits	(53,290)
10000	2200100000	District Attorney	755320 CA-Misc State Reimbursements	(597,246)
10000	2200100000	District Attorney	755640 CA-Victim-Witness	827,130
10000	2200100000	District Attorney	755680 CA-Other Operating Grants	(355,790)
10000	2200100000	District Attorney	767280 Fed-Federal Revenue	(23,165)
11157	2200100000	District Attorney	537180 Interfnd Exp-Salary Reimb	(16,050)
11157	2200100000	District Attorney	755840 CA-LifeAnnuity Consmer Project	(16,050)
11118	2200100000	District Attorney	537180 Interfnd Exp-Salary Reimb	14,317
11118	2200100000	District Attorney	755460 CA-DA Auto Ins Fraud	14,317
11156	2200100000	District Attorney	537180 Interfnd Exp-Salary Reimb	64,424
11156	2200100000	District Attorney	755240 CA-Urban Auto Fraud Grant	64,424
11174	2200100000	District Attorney	537180 Interfnd Exp-Salary Reimb	103,290
11174	2200100000	District Attorney	755650 CA-Disability Healthcare Fraud	103,290
11158	2200100000	District Attorney	537180 Interfnd Exp-Salary Reimb	340,000
11158	2200100000	District Attorney	755360 CA-Workers Comp Ins Fraud	340,000

Recommendation 11: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Sheriff's Department by \$152,654.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2500400000	Sheriff Correction	522310 Maint-Building and Improvement	133,687
10000	2500400000	Sheriff Correction	542060 Improvements-Building	18,967
10000	2500400000	Sheriff Correction	790600 Contrib Fr Other County Funds	152,654

Recommendation 12: That the Board of Supervisors approve and direct the Auditor-Controller to increase appropriations for Sheriff Patrol by \$275,000.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
11013	2500300000	Sheriff Patrol	321101 Restricted Program Money	(275,000)
11013	2500300000	Sheriff Patrol	510040 Regular Salaries	123,750
11013	2500300000	Sheriff Patrol	510420 Overtime	55,000
11013	2500300000	Sheriff Patrol	513040 Retirement-Safety	96,250

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to increase appropriations for Sheriff Patrol by \$1,132,730

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
11013	2500300000	Sheriff Patrol	321101 Restricted Program Money	(1,132,730)
11013	2500300000	Sheriff Patrol	522310 Maint-Building and Improvement	995,472
11013	2500300000	Sheriff Patrol	526730 Rent-Lease Warehouse/Office	127,753
11013	2500300000	Sheriff Patrol	529540 Utilities	9,505

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$2,439,000 for the PSEC Operating Restricted Capital Asset Fund.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
45521	7400600000	PSEC Sheriff ISF	313300 Restricted Net Assets	(2,439,000)
45521	7400600000	PSEC Sheriff ISF	522310 Maint-Building and Improvement	480,000
45521	7400600000	PSEC Sheriff ISF	546060 Equipment-Communications	1,959,000

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$1,665,747 for the Sheriff's Inmate Welfare Fund.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
22270	2500400000	Sheriff Correction	321101 Restricted Program Money	(1,665,747)
22270	2500400000	Sheriff Correction	525440 Professional Services	1,275,000
22270	2500400000	Sheriff Correction	542060 Improvements-Building	390,747

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Sheriff's Department by \$1,453,275.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2500400000	Sheriff Correction	527880 Training-Other	50,660
10000	2500400000	Sheriff Correction	546160 Equipment-Other	37,944
10000	2500400000	Sheriff Correction	755680 CA-Other Operating Grants	88,604
10000	2500300000	Sheriff Patrol	527880 Training-Other	342,101
10000	2500300000	Sheriff Patrol	546160 Equipment-Other	170,462
10000	2500300000	Sheriff Patrol	755680 CA-Other Operating Grants	512,563
10000	2500200000	Sheriff Support	527880 Training-Other	15,169
10000	2500200000	Sheriff Support	546160 Equipment-Other	13,285
10000	2500200000	Sheriff Support	755680 CA-Other Operating Grants	28,454
10000	2500700000	Ben Clark Training Center	510040 Regular Salaries	288,945
10000	2500700000	Ben Clark Training Center	510420 Overtime	46,374
10000	2500700000	Ben Clark Training Center	518100 Budgeted Benefits	169,192
10000	2500700000	Ben Clark Training Center	521640 Maint-Software	106,250
10000	2500700000	Ben Clark Training Center	527880 Training-Other	141,038
10000	2500700000	Ben Clark Training Center	546160 Equipment-Other	71,855
10000	2500700000	Ben Clark Training Center	755680 CA-Other Operating Grants	823,654

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations by \$13,000,000 for the Zone 7 Const-Maint-Misc Fund.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
25170	947520	Zone 7 Constr, Maint, Misc	330100 Committed Fund Balance	(13,000,000)
25170	947520	Zone 7 Constr, Maint, Misc	525440 Professional Services	3,000,000
25170	947520	Zone 7 Constr, Maint, Misc	548200 Infrastructure	10,000,000

Recommendation 18: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Code Enforcement Department by \$245,001.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
21735	3140100000	Code Enforcement	527950 Abatement Services	245,001
21735	3140100000	Code Enforcement	763520 Fed-American Rescue Plan Act	245,001

RESOLUTION NO. 440-9455

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

BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on December 3, 2024, that pursuant to Section 4(a)(ii) of Ordinance No. 440, the Executive Office is authorized to make the following listed change(s), operative on the date of approval, as follows:

<u>Job Code</u>	<u>+/-</u>	<u>Department ID</u>	<u>Class Title</u>	<u>Type</u>
15813	1	7300100000	Procurement Contract Specialist	Regular



Description	Fiscal Year 24/25	Fiscal Year 25/26	Fiscal Year 26/27	Fiscal Year 27/28	Fiscal Year 28/29
First Quarter Department Adjustments Due to Executive Office	10/11/24	10/10/25	10/09/26	10/08/27	10/07/28
First Quarter Adjustments Report and Yearend Validation Report Due to Board of Supervisors	12/03/24	11/18/25	11/17/26	11/16/27	11/14/28
ISF and GSS Rate Approval for Next Cycle	01/14/25	01/20/26	01/19/27	01/18/28	01/16/29
Midyear Department Budget Status Due to Executive Office	01/17/25	01/19/26	01/22/27	01/21/28	01/19/29
Budget Kickoff for Next Budget Cycle Held by Executive Office Budget Team	01/21/25	01/20/26	01/19/27	01/18/28	01/16/29
Midyear Budget Report Due to Board of Supervisors	02/25/25	03/03/26	03/2/27	02/29/28	02/27/29
Budget Submittals Due for Next Budget Cycle	03/17/25	03/16/26	03/15/27	03/13/28	03/12/29
Third Quarter Department Budget Status Reports Due to Executive Office	04/11/25	04/10/26	04/09/27	04/10/28	04/09/29
Suspend CTR	05/01/25	05/01/26	05/01/27	05/01/28	05/01/29
Third Quarter Budget Report Due to Board of Supervisors	05/20/25	05/19/26	05/18/27	05/16/28	05/15/29
Recommended Budget Available for the Public <i><u>(B) On or before May 30, the board shall publish a notice stating that the recommended budget is available to members of the public, and that the board will conduct a public hearing on the recommended budget, including the time and place of that hearing (29063).</u></i>	05/30/25	05/30/26	05/30/27	05/30/28	05/30/29
Recommended Budget Presentation and Budget Hearings	06/09/25	06/08/26	06/07/27	06/12/28	06/11/29
Recommended Budget Hearings Continues (if needed)	6/10/25	06/09/26	06/08/27	06/13/28	06/12/29
Recommend Budget Adoption	06/24/25	06/23/26	06/22/27	06/20/28	06/19/29
<u>Recommended Budget Statutory Deadline</u> <i><u>The recommended budget shall be submitted to the board on or before June 30 of each year, as the board directs. (29063).</u></i>	06/30/25	06/30/26	06/30/27	06/30/28	06/30/29
Yearend Cleanup of Previous Year Budgeted Appropriations (as needed)	08/8/25	08/7/26	08/6/27	08/07/28	08/07/29
<i><u>Adopted Budget Book Must be filed with Clerk of the Board of the State Controller's Office.</u></i>	10/02/25	10/02/26	10/02/27	10/02/28	10/02/29

Board dates are tentative and subject to change. All dates in italic and underlined are statutory deadlines.



Fiscal Year 2023/24 Yearend Validation Report

FY 2023/24 Yearend General Fund Financial Position (In Millions)

Description	Adopted Budget FY 23/24	Third Quarter Projection	Year-end Actual*
Unassigned Fund Balance/Reserves Beginning Balance	\$ 537	\$ 624	\$ 624
Discretionary Revenue	1,143	1,225	1,263
Net County Cost (NCC)	1,125	1,125	1,125
Net Deficit/Savings from Operations	18	100	138
Year-end Changes in Fund Balance/Reserves	0	(27)	(1)
Projected/Actual Ending Unassigned Fund Balance/Reserves	\$ 555	\$ 698	\$ 762
Per Board Policy B-30 (25% of Discretionary Revenue)	\$ 286	\$ 306	\$ 316
Over/(Under) Fund Balance Threshold	\$ 269	\$ 391	\$ 446
GFOA Recommendation (2 months of operating expenditures)	\$ 612	\$ 682	\$ 775

* Data as of 11/5/24

FY 2023/24 Yearend General Fund Discretionary Revenue
(In Millions)

Revenue Description	Adopted Budget	3rd Quarter Estimate	Year-end Actuals*
Property Taxes	\$505.0	\$528.9	\$543.5
Motor Vehicle In Lieu	357.9	366.5	369.1
RDA Residual Assets	59.4	66.6	68.9
Tax Loss Reserves Overflow	20.0	20.0	20.0
Fines and Penalties	15.7	14.9	17.0
Sales & Use Taxes	49.4	50.3	51.7
Tobacco Tax	11.5	11.5	11.5
Documentary Transfer Tax	19.6	17.6	18.8
Franchise Fees	7.0	8.2	8.7
Interest Earnings	40.0	75.0	85.2
Misc. State	4.9	4.9	5.5
Federal In-Lieu	3.6	3.6	4.2
Rebates & Refunds	6.5	6.9	7.0
Transient Occupancy Tax	12.7	13.4	13.3
Other (Prior Year & Misc.)	17.5	24.3	26.8
Operating Transfers In	12.4	12.4	12.4
Total Discretionary Revenue	\$1,143.2	\$1,224.9	\$1,263.3

* Data as of 11/5/24

FY 2023/24 Yearend General Fund Unspent NCC Allocation

Department Name	NCC Unspent
District Attorney	\$7,470,351
EO - Appropriation for Contingency	5,247,489
Assessor/ County Clerk-Recorder	4,300,000
Sheriff	3,291,860
Auditor-Controller	3,225,636
Environmental Health	2,750,248
EO - Contributions to Other Funds	2,357,167
EO - Contribution to Trial Court Funding	1,338,523
Board Of Supervisors	1,064,273
EO - Non-EO Operations	635,848
RUHS - MIS/Correctional Health	599,027
Treasurer-Tax Collector	571,795
Fire Department	382,532
EO - Confidential Court Orders	314,276
EO - Court Facilities	280,850
EO - Indigent Defense	163,253
Executive Office Operations	155,302
Code Enforcement	129,889
Animal Services	121,313
EO - Grand Jury Admin	93,920
EO - Court Transcripts	80,170
Public Health/CCS	50,516
EO - Matured Financing	46,444
Veterans Services	34,871
EO - Augmentation	33,904
Cooperative Extension	8,050
DPSS	3,000
Planning	2,443
Department of Child Support Services	882
EO - Contributions to Health and Mental Health	323
Probation	4
Sub-total Unspent NCC	\$34,754,157

FY 2023/24 Yearend General Fund NCC Allocation Deficits

Department Name	NCC Deficit
Public Defender	(5,080,656)
COWCAP Reimbursement	(687,842)
Agricultural Commissioner	(345,562)
Emergency Management Department	(323,818)
Registrar Of Voters	(255,397)
Behavioral Health	(209,627)
County Counsel	(146,397)
Purchasing	(48,628)
EO - Interest On TRAns & Teeter	(41,540)
Facilities Management	(29,574)
EO - NPDES	(12,380)
Human Resources	(1,498)
Sub-total NCC Deficits	(7,182,919)
Total Unspent NCC	27,571,238



RIVERSIDE COUNTY ECONOMIC AND REVENUE FORECAST

OCTOBER 2024

THE 2024 ECONOMIC AND REVENUE FORECAST FOR RIVERSIDE COUNTY

OCTOBER 2024

Prepared for:



COUNTY OF RIVERSIDE EXECUTIVE OFFICE

4080 Lemon Street, 4th Floor
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Prepared by:



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ECONOMIC OUTLOOK

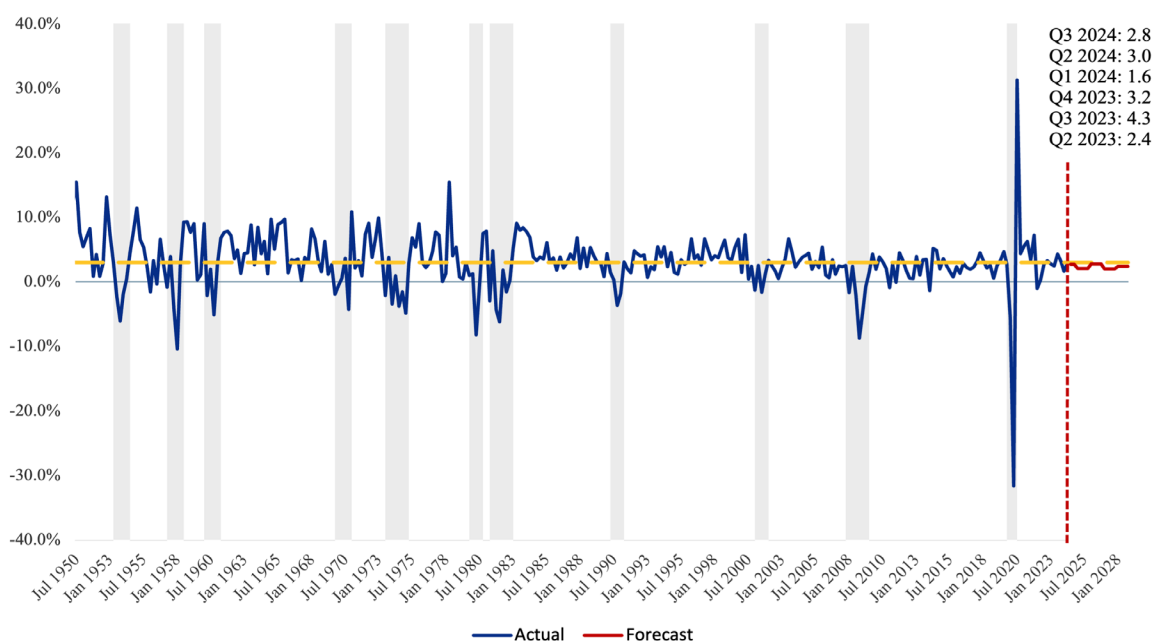
UNITED STATES

GENERAL CONDITIONS TODAY

ECONOMIC GROWTH

Inflation-adjusted (“real”) GDP grew at a rate of 3.0% (annualized) during the second quarter of 2024, the latest data point available to us at the time the report went to print. This is a relatively strong reading, given the average growth rate of 2% since the beginning of the Great Recession in 2008; 2.4% for the years 2017-2020; 2.6% for the 2021-2024 period. Remarkably, over the last four quarters, the year-to-year annual growth rate has been between 2.9% and 3.1%.

FIGURE 1: REAL GDP GROWTH, U.S., QUARTERLY, SAAR, BILLIONS OF CHAINED 2017 DOLLARS, 1947 Q1 - 2024 Q3



- Quarter 2 showed relatively high real GDP growth of 3.0%, following low growth of 1.4% in Quarter 1.
- Looking at annual growth rates from a year ago, we observe roughly 3% growth (yellow line) over the last 12 months.
- Two quarters of negative growth in 2022 published earlier were due to measurement error, not recession, and have now been revised to a single quarter of negative growth.

The Federal Reserve in Atlanta has a “GDPNow” measure which predicts current quarter real GDP growth based on data becoming available in real time: the forecast is 3.2% for Q3. The official release date is October 30. The scenario is consistent with a “**soft landing**” or, as Federal Reserve Chairman

Powell prefers to call it, “the good outcome” or “the thing we all want.” Monetary policy has shifted from restrictive mode into expansionary, as the U.S. central bank started to be concerned about a slowdown of economic activity. We assume the expansionary impulse will produce

a **no recession scenario in 2024/2025**, although growth will be somewhat below recently observed levels, implying a **slowdown in economic growth**.

INFLATION

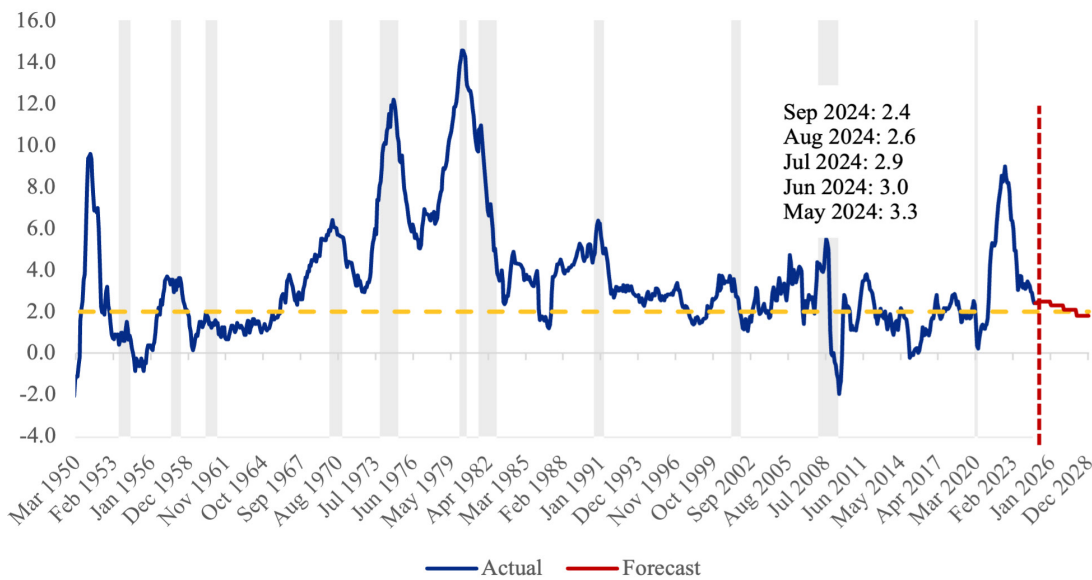
Following the Great Recession, the Federal Reserve kept the Federal Funds Rate at 0% from December 2008 to November 2015, and again from March 2020 to February 2022. By **June 2022 inflation rates reached 9%** (annual percentage change, “all items” Consumer Price Index) due to supply chain interruptions coinciding with the Biden administration spending \$3.1 trillion to stimulate the economy and reverse the decline from the Coronavirus downturn. Elevated unemployment rates, lasting over several years, were avoided at the cost of inflation. To this day, prices for goods and services are 21% higher than in early 2021. Subsequently, there was a rapid rise involving 11 step increases, at a pace not seen since the 1980s (5 percentage point increase in roughly a year), reaching a **peak in the 5.25% - 5.50% range** during the summer of 2023. The purpose of this policy was to slow down economic activity to lower the inflation rate. The Federal Reserve has an **inflation target of 2%**.

By now, inflation has (almost) been brought under control, falling to 2.4% in the latest release using the Consumer Price Index. The Fed focuses on an inflation measure derived from Personal Consumption Expenditures, but this measure also is below 2.5% from a year ago, at 2.2%. We forecast that the target **will not be reached soon** due to some technicality involving how rents filter into this measure, although it will be relatively close. The Federal Reserve **lowered the Federal Funds Rate** at its **September meeting** by half of a percentage point (50 basis points). We forecast two more rate cuts before the end of the year (in November and December). Given previous statements by Federal Reserve officials and the latest labor market data, we expect each cut to be 25 basis points (0.25%), bringing the total decline to 1 percentage point from the peak (100 basis points).

A word of caution. It is **real interest rates, not nominal interest rates**, that affect economic activity. Due to higher inflationary expectations, real interest rates were negative until mid-2022, and even recently only reached 5%, which is elevated, but not very high by historical standards. This explains, in part, why we have not seen a recession so far.



FIGURE 2: INFLATION, CONSUMER PRICE INDEX, U.S., JANUARY 1948 - AUGUST 2024, PERCENTAGE CHANGE FROM A YEAR AGO, SA, ALL ITEMS



- Inflation slowly decreased over the past 2 years after its peak at 8.9% in June of 2022, moving towards its 2% target (yellow line); latest number is 2.2% for Personal Consumption Expenditure Price Index.
- Prior to July 2024, the last time this figure was below 3% was in March 2021 .
- The Federal Reserve typically increases interest rates to counter inflation.

LABOR MARKETS

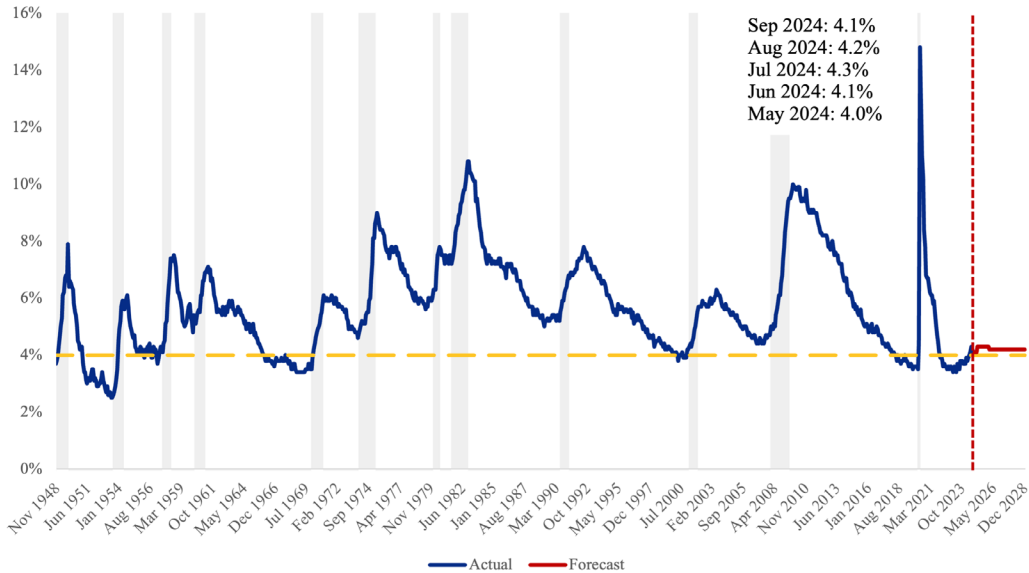
The **national labor market** continues to be **tight by historical standards**: the unemployment rate in September 2024 was 4.1%. Note that even during the recent 0.2% increase of the unemployment rate in July, there was positive job creation; it was just outpaced by more people entering the labor force. Given the pace at which the U.S. economy is still adding jobs, we view this as evidence of the economy continuing to expand rather than slowing down or even contracting. In addition, and differently from previous episodes of low unemployment rates, we currently observe a high volume of unfilled job openings, which has resulted in **relatively high levels of wage growth**. Nominal wages have grown at a rate about 4%. This statistic was as high as 6% in 2023, and it continues to outpace inflation, meaning that **real wages are still increasing**.

EXCHANGE RATE

Exchange rates and trade considerations, in general, are of little interest to most Riverside County businesses and policy makers. There are two exceptions: first, the volume of trade affects the Logistics Industry in Riverside County; second, the effect that exchange rates have on the economy of the **Coachella Valley**, which plays a significant economic role as part of Riverside County. The majority of the nine cities of the Coachella Valley heavily depend on tourism and a large fraction of the expenditures come from so-called “snow-birds,” including Canadian tourists, especially those from the Western Canadian provinces. There is also a significant fraction of real estate owned by Canadians, who have bought second residences here.

To illustrate the effect of the **Canadian Dollar exchange rate** on tourism and the residential housing market, consider a 40% depreciation of the Canadian dollar similar to what we observed

FIGURE 3: UNEMPLOYMENT RATE, SA, U.S., JANUARY 1948 - SEPTEMBER 2024



- The national unemployment rate fell slightly to 4.1%, marking a 0.6 percentage point rise from July 2023.
- The 4.1% unemployment rate still represents a low jobless rate by recent historical standards.
- In the post-pandemic context, we are approaching labor market normalization with low unemployment levels.

from 2010 to 2015. Tourism from Canada will suffer significantly as a result. In addition, think of a Canadian who purchased a house in Palm Springs in 2010. Putting the house on the market slightly below the local price allows Canadians to sell the house quickly while making a substantial profit. Reverse

calculations can be made easily for the 2001 to 2007 period when the Canadian Dollar appreciated by 40%. Current levels in the Canadian Dollar/U.S. Dollar exchange rate suggest that there will be **no additional movements** in Coachella Valley tourism or in the housing market triggered by **Canadian residents**.

FIGURE 4: CANADIAN DOLLAR TO U.S. DOLLAR SPOT EXCHANGE RATE, JANUARY 1971 - SEPTEMBER 2024



- C\$/US\$ has remained fairly constant since September 2022.
- Canadian dollar appreciated by roughly 40% from late 2007 to early 2016.
- Regarding most other currencies (Euro, Yen, Yuan, Won, etc.), the U.S. Dollar has depreciated over the last year, which is reduce imports slightly and encourage exports.

WHAT YOU CAN EXPECT

2024 is an election year. What makes the economic forecast more difficult than usual is that the path of major economic variables will depend, to some extent, on the election outcome. We assume here that the quasi-deadlock we have observed over the last four years will continue in Washington D.C., at least for the near future.

Forecasting economic activity has become more difficult since the massive and disruptive Coronavirus event. Economists use certain “sensors,” or leading economic indicators, to forecast recessions. These variables will ring alarms just in time to allow for counter-cyclical policy or, at the regional level, policy actions that help mitigate the effect of a downturn. Moreover, there are certain imbalances remaining from the COVID-19 episode and its aftermath, and it will take some time for households and governments to adjust their spending back to normal.

The reason for so many forecasters erring about a 2023/2024 recession was that many, not just a few, of these sensors were ringing an alarm. Some of these leading economic indicators still suggest that we are in the last 12 months of an economic expansion, or at least that the economy will slow down from its current pace. We strongly feel that the **lingering effects of the extraordinary recovery from the 2020 downturn**, still visible through the plunge in

labor force participation rates, massive immigration numbers in recent years, the rise of the logistics sector, vacancies in the office market, etc., contribute to our forecast of **“no recession in the near future.”** If you wish, **“this time it’s different”** is a good way to describe the current economic situation. **The national economy will continue to grow at a healthy pace.**¹ The U.S. economy will experience a “soft landing.” The inflation rate will continue to move towards the 2% target in late 2024/early 2025 but will not quite reach it yet. Mortgage rates, which have already declined 70 basis points since early June, will continue to fall with subsequent cuts in the Federal Funds Rate during the fall of 2024. This will also result in higher sales activity in the housing market since owners, who currently hold a low interest rate mortgage, will be more tempted to cash in their gains and move into larger houses. Unemployment rates will basically remain the same. We do not make forecasts regarding financial variables such as the stock market, exchange rates, or oil prices. There are several caveats resulting from the situation in Ukraine and Israel, where an escalation, particularly with the latter, could result in significant oil price increases. Instead we see potential upsides from resumed economic growth in Europe. Problems at Boeing and the effects of Hurricanes Helene and Milton will temporarily result in lower growth during the last part of 2024.

TABLE 1: U.S. ECONOMY, PRESENT AND FORECAST, 2023 - 2028

United States	2023	2024	2025	2026	2027	2028
Real GDP Growth	2.5	2.4	2.5	2.6	2.0	2.4
Inflation	4.1	3.3	2.7	2.2	2.2	2.0
Unemployment Rate	3.6	4.1	4.3	4.2	4.2	4.2
Employment Growth	2.4	1.6	1.0	0.8	0.7	0.7

1. UCLA Anderson Economic Forecast for the State and the Nation, October 2024 (2024 third quarter edition).

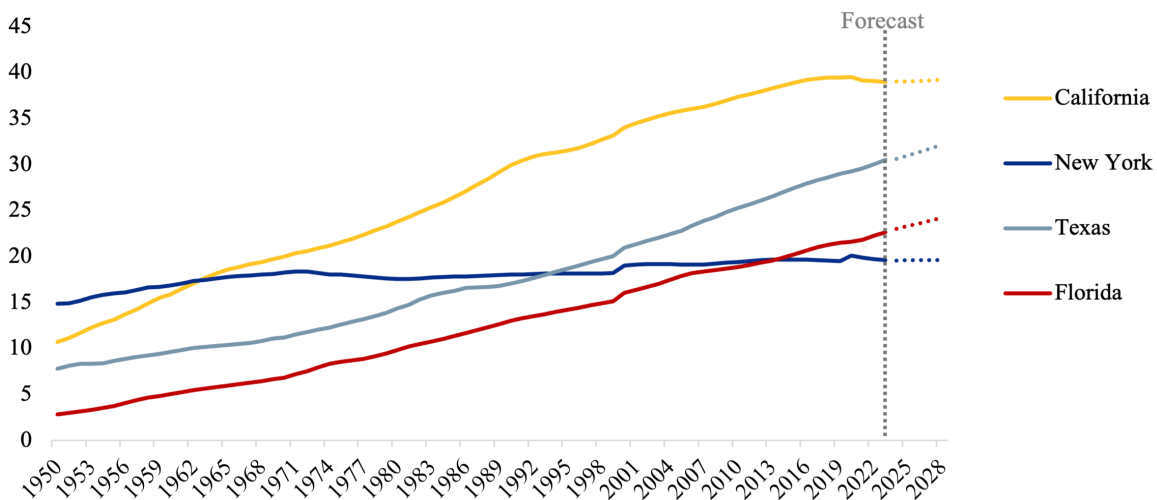
ECONOMIC OUTLOOK

CALIFORNIA

California has lost a congressional seat due to a **decline in population** from 2020 to 2023 for the first time in its nearly 175 year history. By 2023, the population had shrunk to the 2015 level, largely due to a **net out-migration of people**.

This exodus has been accompanied by high profile firms moving their headquarters (Chevron, Oracle, Hewlett-Packard, Toyota, Jamba Juice, Tesla, Space X, etc.). On a more positive note: California's population is growing again (slightly) in 2024.

FIGURE 5: POPULATION OF SELECT STATES, IN MILLIONS, 1950 - 2028 (PROJECTION)



- California is the most populous state in the U.S., followed by Texas, Florida, and New York.
- Rankings can change over time: New York used to be the biggest state, but was passed by California, Texas, and Florida.
- Population growth in California is flat since the start of the COVID-19 episode.

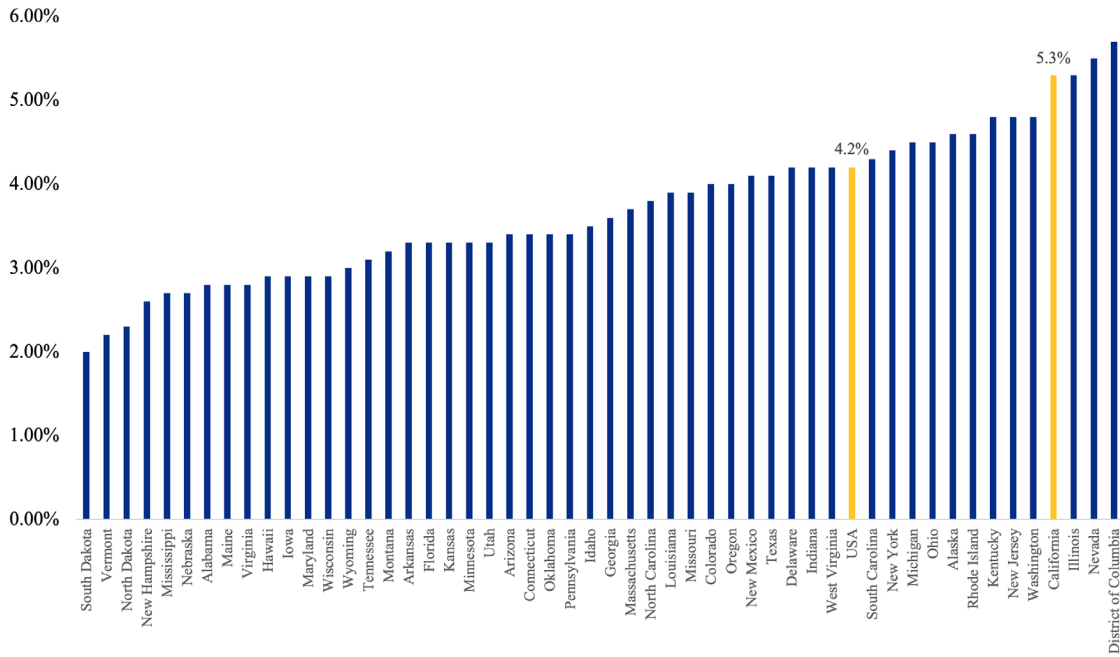
The size of California's Gross State Product ranks right behind Japan but is higher than that of India and the United Kingdom. A better measure of the "wealth of a region" is per capita GDP. Here California remains in 4th place behind New York, Massachusetts, and Washington. Texas is in 17th place and Florida in 36th place.

The current performance of California's **economy shows a mixed picture, at best**. California, more so than other states, shows signs of a possible regional contraction, and annual growth rates of its Gross State Product have gone from a relatively high 3.7% in 2023 to only 2.8% in

recent data. Still, this number is only slightly below the national real GDP growth rate.

The effects of the higher interest rate policies of the Federal Reserve are more visible here than elsewhere; reductions in the Federal Funds Rate, started in September 2024, should have a positive influence on output and employment. The August 2024 **unemployment rate of 5.3% is the second highest among U.S. states**, ranking California 49th (tied with Illinois, Nevada has the highest at 5.5%). In general, California unemployment rates tend to be higher than the national rate, regardless of cyclical fluctuations.

FIGURE 6: U.S. STATE UNEMPLOYMENT RATES, SEASONALLY ADJUSTED, AUGUST 2024



- California has the second-highest state unemployment rate (tied with Illinois).
- State unemployment rate levels are higher than the national average.
- The higher state unemployment rate is not a recent phenomenon, but can typically be observed over time.

Compared to February 2020, the last month in the unemployment rate can be approximated before the Coronavirus downturn, California’s by the difference between the growth rate of the unemployment rate is 0.9% higher. The change labor force and the growth rate of employment.

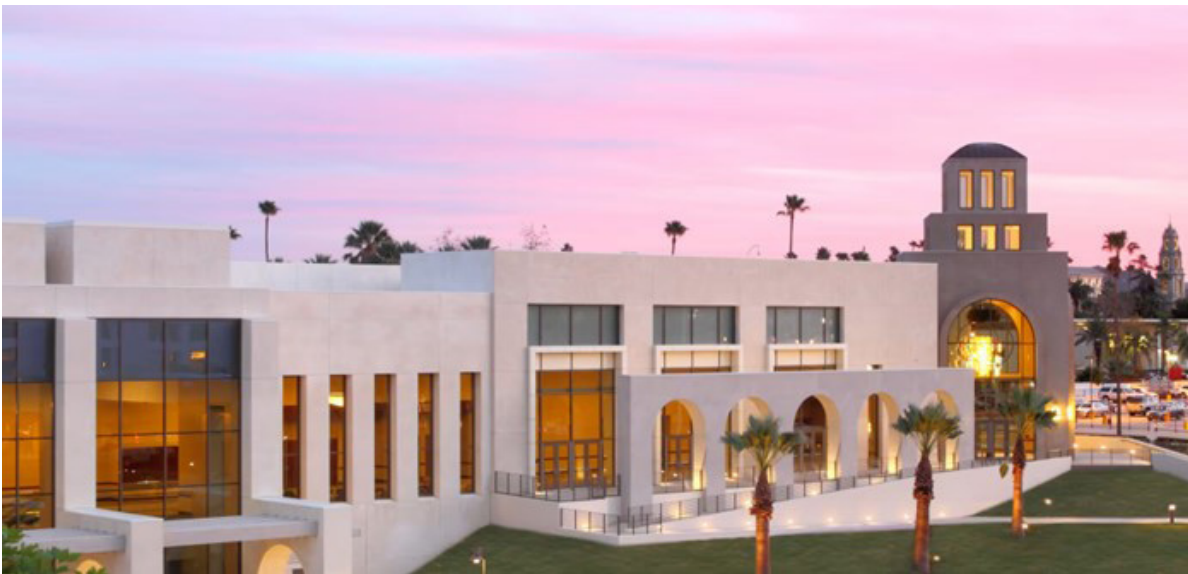
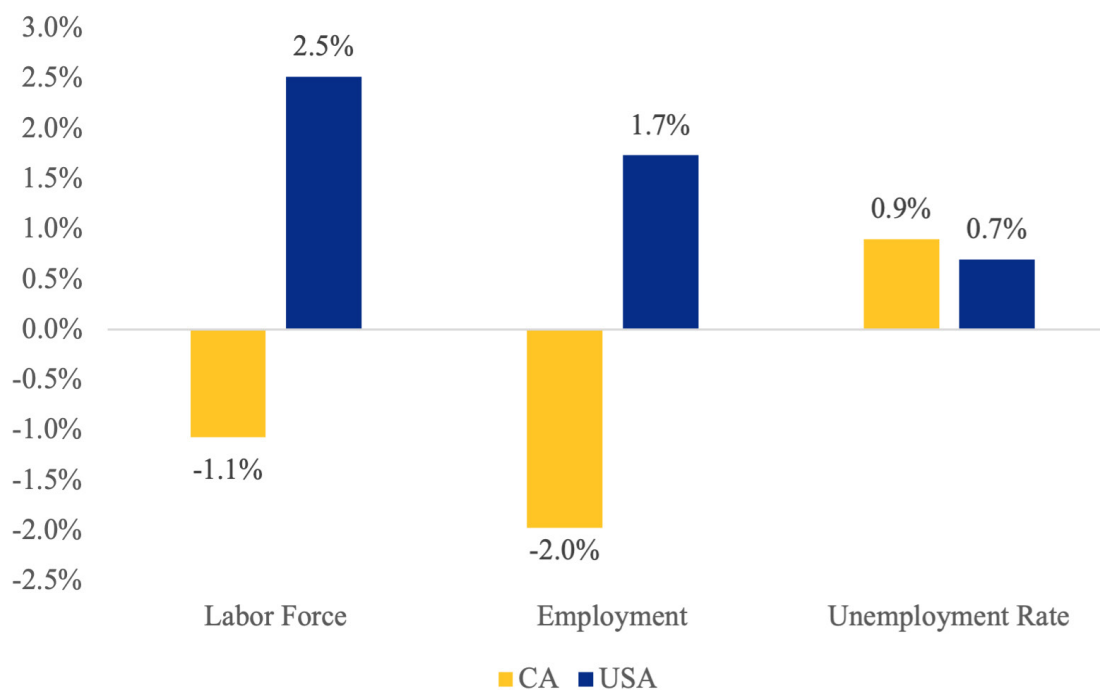


FIGURE 7: CHANGE IN UNEMPLOYMENT RATE, EMPLOYMENT GROWTH RATE, AND LABOR FORCE GROWTH RATE, CA AND U.S., SEASONALLY ADJUSTED, FEBRUARY 2020 - AUGUST 2024²



- Change in the unemployment rate is approximately the difference in growth rate of labor force and employment.
- Relative to pre COVID 19 dates, California's unemployment rate increased due to lower employment growth compared to a shrinking labor force.
- U.S. economy shows a healthier picture with both labor force and employment increasing.

Using most recent numbers and compared to February 2020, California's labor force shrunk by 210,000 people or by 1.1%, while employment fell by 370,000 or 2%. By comparison, the U.S. unemployment rate increased (by 0.7%) over the same period because the labor force grew by more (2.4%) than employment (1.7%). The national development is a relatively healthy picture: people are joining the labor force, but not all of those are able to work. Not so the state picture: the unemployment rate went up for a less desirable scenario.

The shrinking labor force, taken at face value, is of concern. Out-migration is the obvious explanation, but additional numbers may come from early retirements of discouraged workers, or some workers deciding to spend more time

raising children. If you dig deeper into these numbers by performing a regional analysis, you will notice that areas dominated by agriculture have traditionally been losing workers and that this has continued. However, it is the decline in the Bay Area that is new and worrisome. You will note below that Riverside County and the Inland Empire have not seen a shrinking labor force - but this should have no effect on state numbers.

Focusing more on **developments from a year ago**, California employment fell by 27,800 according to the **household survey** (negative growth) but increased by 287,100 according to the **establishment (enterprise) survey**. This means that non-farm payrolls increased by 1.6%. Discrepancies between the two surveys are not unusual, especially for

2. We did not include the September numbers for the U.S. here, since the California unemployment rate will not be available until the middle of October.

Riverside County where a large part of the difference is due to commuters (the household survey measures employment by residency, while the establishment survey asks firms about employment levels). One possibility is that the U.S. Census has not captured the relatively large influx of immigrants, which are therefore not included (yet) in the household survey.

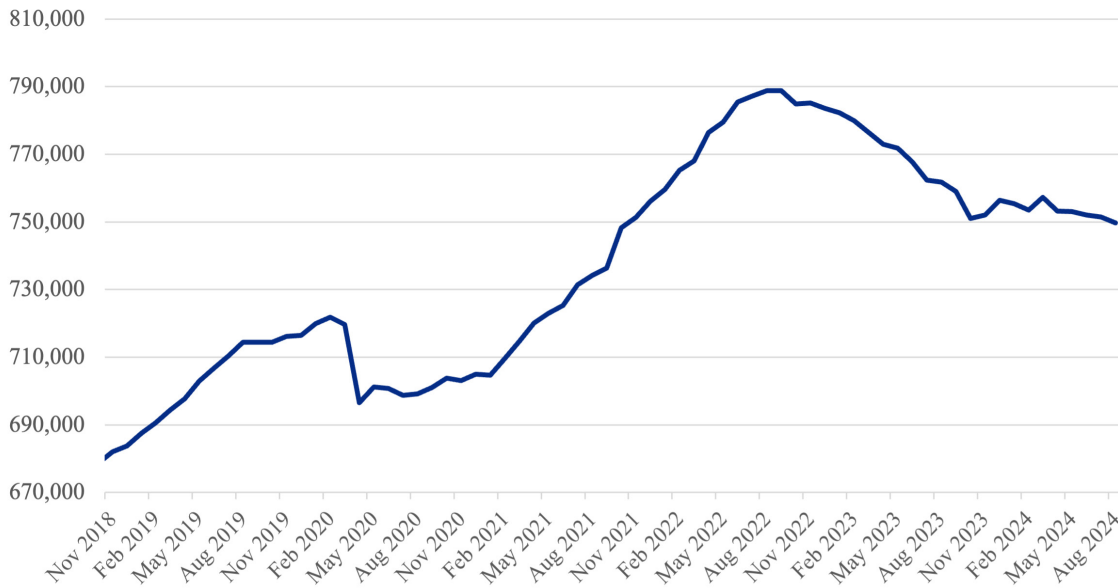
Using the establishment survey, the year-to-year increase in California employment looks relatively positive until you dig deeper to find that **84% of the 288,000 jobs created were generated by just two sectors: Private Education and Health (primarily Health) (157,600) and Government (83,000)**. Both sectors rely heavily on public expenditures, and given the current budget situation in the state, you can only expect cutbacks here in the near future. Employment in education is also bound to decline, given the fall in fertility rates in the state; add to that out-migration, and the education sector (both public and private) is about to suffer. There

will be a lower demand for workers involved in these sectors, both for teachers and administrators.

Given this situation, we do not see sufficient momentum for strong growth in California in 2025. Information, Manufacturing, and Financial Services suffered job losses. More importantly, the job growth that still occurs is not evenly spread across industries and/or regions: there will be regional variation with a **bifurcated recovery**. This time the **coastal regions are going to suffer more than the inland regions**.

Technology related jobs and employment in engineering are pillar industries for California. Technology Services has seen a worrisome downward movement in employment from the peak in mid-2022. While the decline may have bottomed out in early 2023, there is no sign of a reversal. Still, note that employment levels in the sector are significantly above the pre-pandemic numbers.

FIGURE 8: EMPLOYMENT IN TECHNOLOGY SERVICES, CALIFORNIA, SEPTEMBER 2018 - AUGUST 2024

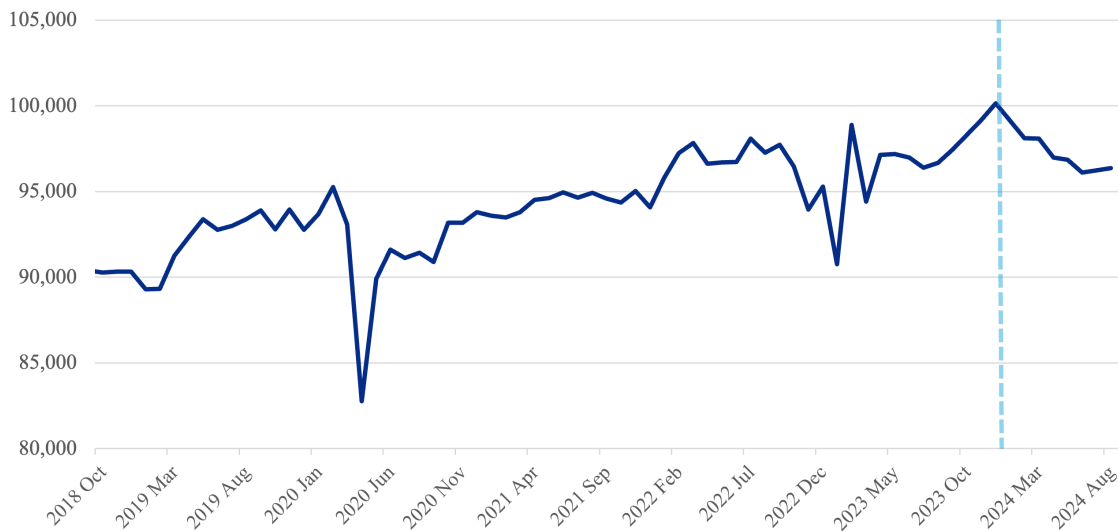


- Employment in Technology Services continues to be weak.
- Technology sector has seen significant layoffs, which were circulated by the popular press.
- There is no sign yet of a recovery from the lows reached at the end of 2023/beginning of 2024.

Over the last year, Construction only added 16,500 positions, which does not suggest that there are a large number of infrastructure projects in place. The Heavy and Civil Engineering Construction sector reached a peak early in 2024. Manufacturing (not

shown here) has not picked up either, with the whole sector shedding jobs (21,300) over the last year. There is no sign that onshoring of more business activity within California has happened so far.

FIGURE 9: EMPLOYMENT IN HEAVY AND CIVIL ENGINEERING, CALIFORNIA, SEPTEMBER 2018 - AUGUST 2024, SEASONALLY ADJUSTED



- Heavy and Civil Engineering is not contributing currently to employment expansion in the state.
- While recovering all jobs lost during the COVID-19 downturn, the expansion starting in early 2022 has not lasted.
- The sector is currently in decline.

COMMERCIAL REAL ESTATE

While utilization within the industrial market has only strengthened since the pandemic, the office market continues to weaken and shows no signs of recovery. Utilization estimated for the nationwide office market has been falling since before the pandemic. The **vacancy rate just eclipsed 20 percent** at the end of the second quarter of 2024, the **highest level since records have been kept**. This will represent a drag on state economic growth, although it is not a major factor.

Millions of square feet of space continued to be dumped on the sublease market. Present conditions reveal an office market having experienced the **worst year of absorption ever recorded**, comparable to the Great Financial Crisis of

2007-2009. The “poster child” for office market weakness is **San Francisco**, which not only has the highest vacancy rate in the State, but also in the nation. The 2024 Q2 vacancy rate has the city at 36.8% vacancy and 39.1% availability.³

Both tech-heavy and urban core markets are the hardest hit from a basis point change in vacancy, while suburban-centric markets showed more durability, illustrated by the Inland Empire posting a modest vacancy rate decline compared to pre-covid levels.

3. CBRE, San Francisco Office Market Figures, July 9, 2024, page 2, <https://www.cbre.com/insights/figures/greater-los-angeles-office-snap-shot-q1-2024>

TABLE 2: OFFICE MARKET VACANCY RATES, CALIFORNIA CITIES OR COUNTIES, 2024 Q1

Office Market Vacancy Rate
California Regions 2024 Q2

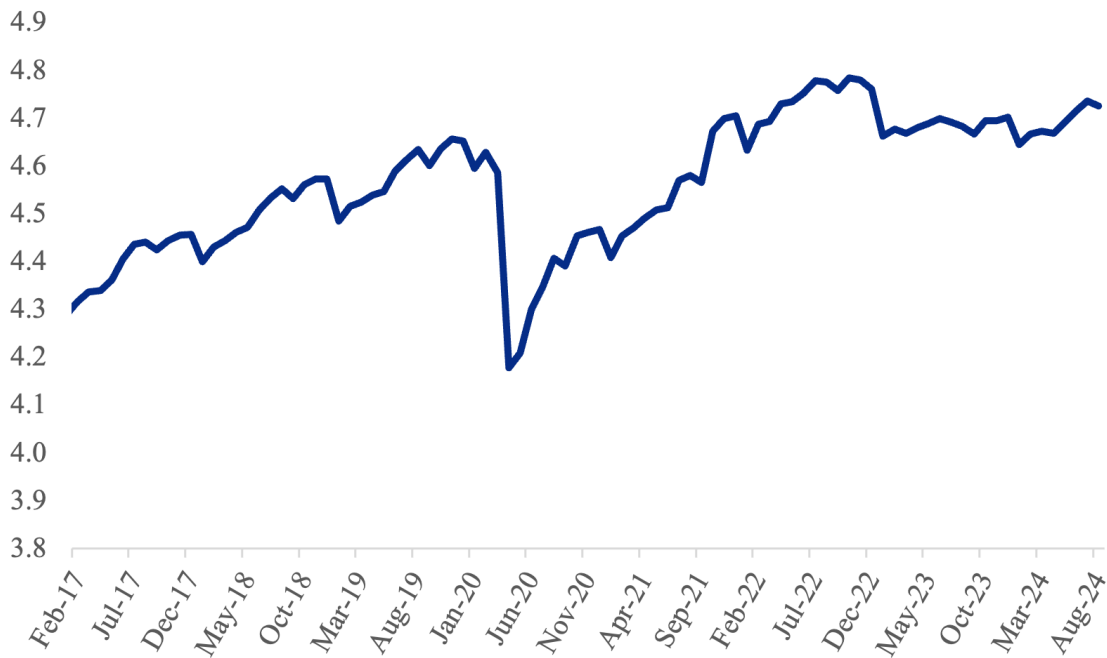
Jurisdiction	Rate	Source
San Francisco	36.8	CBRE
San Jose	17.8	Kidder Mathews
Silicon Valley	19.5	CBRE
San Mateo	20.3	Cushman & Wakefield
Palo Alto	8.7	Kidder Mathews
Los Angeles County	23.3	CBRE
Los Angeles downtown	31.5	CBRE
San Fernando Valley	19.5	CBRE
Orange County	14.7	CBRE
San Diego downtown	30.0	Kidder Mathews
San Diego County	14.3	CBRE
Sacramento	17.6	CBRE
Inland Empire	8.5	CBRE
Ventura County	17.2	CBRE

While office space supply is near the lowest levels observed in a generation, office-using employment is at or near record highs. Normally the office market should show low levels of vacancy and rising rents. The opposite is true **due to office-using**

workers no longer using office space at levels seen previously. The kinds of jobs that fueled a boom in office leases before the pandemic are also those most amenable to remote work. This has given rise to the high vacancy rates in metro California.



FIGURE 10: OFFICE USING EMPLOYMENT, CALIFORNIA, MILLIONS OF JOBS, JUNE 2019 - AUGUST 2024



- While new development has declined marginally since early 2024, industrial development remains strong.
- Decline coincides with softening demand for industrial product.
- Despite higher vacancy rates, there is optimism for this sector.

There has been a **strong run of new industrial development in recent years**, especially in **Southern California**. New development has diminished in 2024 in sync with higher financing rates, construction costs, and softening demand for industrial products.

HOUSING MARKET

Home sales in 2023 fell 33% from 2022. The pace of sales this year is the same as last. The weak market is largely due to the lack of for-sale inventory, currently at record lows. Mortgage rates are now easing from slightly over 7% to low levels of 6%. Still, they are nearly twice as high as they were in 2020. To illustrate, for a \$800,000 house, with lower interest rates the monthly principal and interest payments would fall by about \$800, assuming a 20% down payment. While high interest rates are a negative deterrent on housing demand for both new and existing products, they are secondary to inventory in explaining the extraordinarily low sales numbers today.

The return of traffic at California's seaports and continuing high consumption levels are contributing to more positive sentiment among industrial developers despite rising vacancy rates this year.

While **sales are at all-time record lows**, median **home selling values are at all-time record highs**. These have also been rising another 9% this year through June. Supply and demand fundamentals are responsible for the rebound in home prices this year.

Housing starts/building permits are some of the strongest leading economic indicators in business cycle analysis. While permits had returned to pre-pandemic levels in early 2021, they **are currently well below those levels**. It seems that builder sentiment has soured during the most recent months. There is hope that permits will rebound with the Federal Reserve easing its tight interest rate policy, starting with the 50 basis points cut, and

anticipated 50 points reduction by the end of the year. Lower interest rates should have a positive effect on this interest rate sensitive sector. The underlying

strength from the household sector continues to exist as can be seen from the relatively strong consumption figures during the last three quarters.

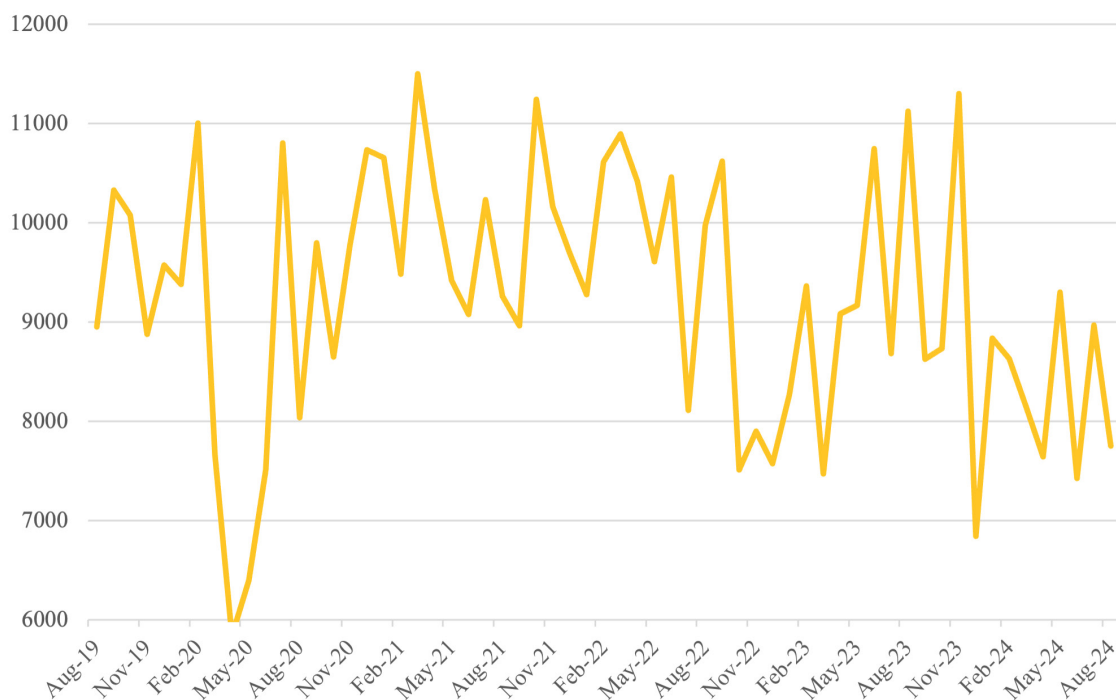
FIGURE 11: EXISTING HOME SALES, CALIFORNIA, SEASONALLY ADJUSTED, DECEMBER 2018 - AUGUST 2024



- Sales continue to be at a low level, although recovered from end-of-2022 levels. These are depression levels.
- The low levels of supply have contributed to continued rising median housing prices.
- Lower demand also plays a factor caused by higher interest rates.



FIGURE 12: NEW PRIVATE HOUSING UNITS AUTHORIZED BY BUILDING PERMITS FOR CALIFORNIA, UNITS, MONTHLY, SEASONALLY ADJUSTED, AUGUST 2019 - AUGUST 2024



- Housing Permits have weakened in 2024.
- Permits are significantly below previous peak levels.
- There is hope for a reversal of the negative trend when the Federal Reserve lowers interest rates in September.

THE 2025 OUTLOOK

The California labor market is weak, judging either by unemployment rates or by the vast majority growth in employment being concentrated in sectors that depend on public funding. We expect cutbacks in government expenditures to have a negative impact on employment in the **Government** and **Health** sectors. Of particular concern is also the relative decline of employment for the High Tech and Film (**Information**) industry. This industry will continue to be a problem sector and generate a drag on California employment growth, especially in the Greater Los Angeles area. In addition, California receives a disproportionate amount of the southern border immigration surge. This group of immigrants has shown a higher unemployment rate than native born workers given recent data.

Further indications for a weakening state economy

are the relatively **high vacancy rates** in the office market and the low level of new housing permits. However, the outlook for the 2025 economy is more auspicious than a year ago. Lower levels of inflation should result in more positive consumer sentiment and increased aggregate demand despite the depletion of household savings recently observed. The hope is that lower interest rates will provide a stimulus for these industries, especially sales in the new and existing home markets, but also in the industrial market.

Additional stimulus should come from the **Leisure and Hospitality** sector as more Chinese tourists visit California. Airline passenger traffic is almost back to 2019 levels at the major airports. In anticipation, hotel **Construction** is sharply higher now already. While residential construction will

favor the inland areas, there is much infrastructure work currently underway, and will continue to play a role according to the Governor’s five year plan. The reduction in mortgage lending rates will stimulate the existing housing market and will contribute more to general economic growth in 2025.

Logistics should also play a more significant role in 2025 as trade flow volumes expand at the Ports of Los Angeles, Long Beach, and Oakland. The Panama Canal continues to see a lower number of passages given the drought in the region. The East Coast Dock Strike would have resulted in additional container traffic routed to California and away from Houston, Savannah, and the East Coast and Gulf Ports, but the parties came to an agreement in early October. Finally there is the issue of uncertainty regarding federal economic policies due to the upcoming election in November. Looking at the more distant future, we believe that the film industry will continue to decline in importance in the Greater Los Angeles area, but that technology related job growth will resume

starting in 2026. There is hope of additional impulses from the Aerospace industry related to defense spending and from medical device manufacturing.

The bottom line is that we forecast a **geographically uneven development**, with coastal areas hurting more than inland areas. Different from the Great Recession of 2008/2009, the inland areas, including Riverside County, are in better shape than the coastal areas, where the brunt of the relative decline of certain sectors, such as Information (Film) will be felt. The lost jobs in Hollywood are gone permanently, not just temporarily. However, laid off workers in that industry are not going to remain unemployed for years. Instead, they will move on to other lines of work (meaning they will drop out of the entertainment industry) or they will follow the industry to wherever it is moving (other states, countries). This adjustment will take time, though. There is one dark horse: Artificial Intelligence. It is not clear yet to what extent the increased use of AI will create jobs in the state, but there is upside potential here.

TABLE 3: MAJOR ECONOMIC INDICATORS, CALIFORNIA, CURRENT AND FORECASTS

California	2023	2024	2025	2026	2027	2028
Real GDP Growth	2.7	3.1	3.3	3.5	2.9	3.2
Inflation	4.0	3.1	2.7	2.4	2.2	2.1
Unemployment Rate	4.7	5.2	4.8	4.4	4.3	4.4
Employment Growth	0.9	1.4	1.7	1.2	1.7	1.4
Population	38.9	39.0	39.1	39.3	39.3	39.4

ECONOMIC OUTLOOK

RIVERSIDE COUNTY

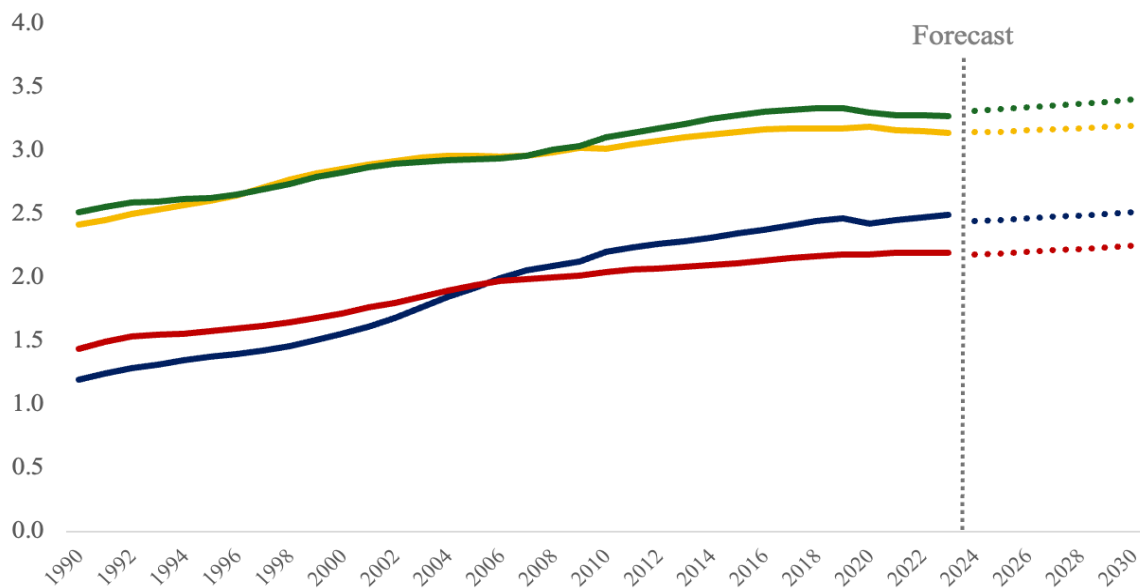
CURRENT CONDITIONS

GENERAL: POPULATION, COMMUTING, HOUSING

Riverside County is the fourth largest county in Southern California when measured by population. Together with San Bernardino County, the Riverside-San Bernardino-Ontario Metropolitan Statistical Areas (MSA) recently became the 12th most populous in the U.S. (4.7 million residents), passing the San Francisco MSA. There are roughly 385 MSAs consisting of one or two counties. New York-Jersey City-Newark is the largest, with Greater Los Angeles MSA (Los Angeles-Long Beach-Anaheim) in 2nd place. To realize the significance

of this, the Boston-Cambridge MSA is in 11th place (250,000 more residents and shrinking), with Greater Phoenix-Mesa in 10th. Together, Greater Los Angeles and the Inland Empire form the Los Angeles-Long Beach Combined Statistical Area (CSA). CSAs are made up, in general, of adjacent Metropolitan Statistical Areas (MSAs) with economic ties measured by commuting patterns. Hence when we analyze the Riverside County economy, we have to take into account its interaction with the other three counties in the CSA.

FIGURE 13: POPULATION, RIVERSIDE COUNTY, SAN BERNARDINO COUNTY, ORANGE COUNTY, SAN DIEGO COUNTY, ANNUAL, MILLIONS OF PEOPLE, 1990 - 2023



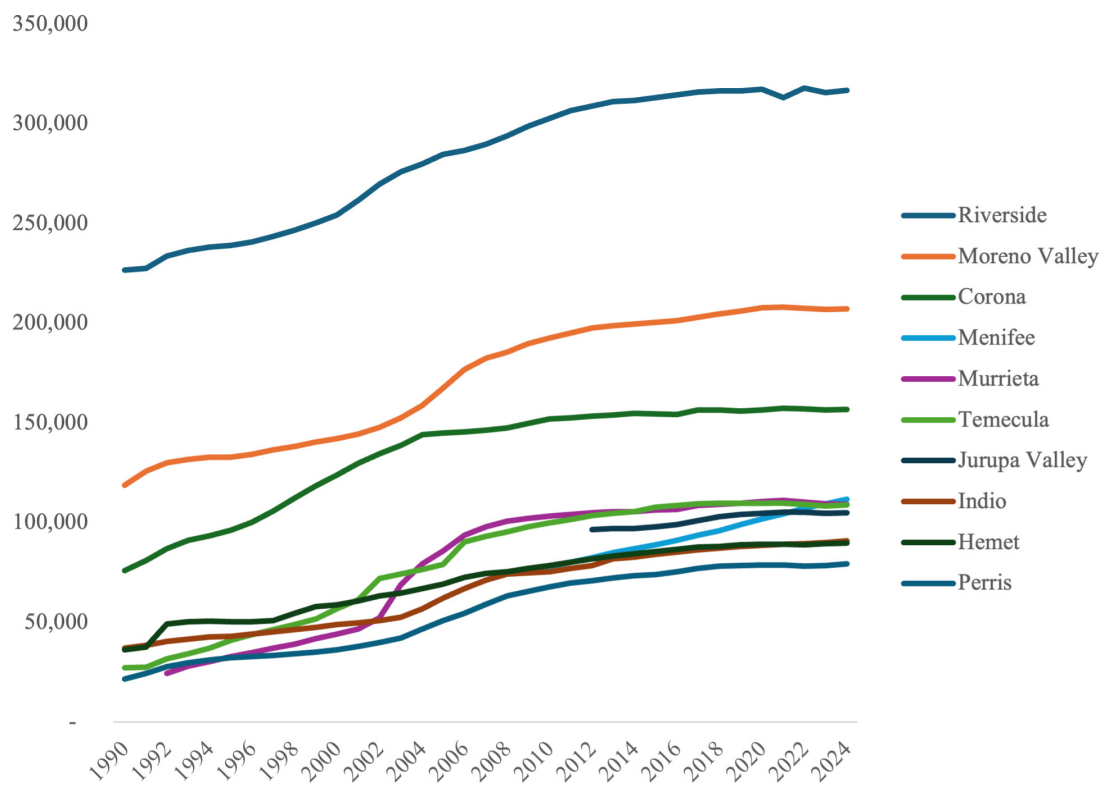
- Riverside County experienced the most significant population increase, with a growth of 109% since 1990.
- The area's population dropped 1.7% in 2020.
- Since 2006, Riverside County is more populous than San Bernardino County.

Riverside County has approximately 2.5 million residents, ahead of San Bernardino County with close to 2.2 million. 9.7 million people reside in Los Angeles County. San Diego County and Orange County have around 3.3 million each. The population of Riverside County has resumed growth previously interrupted by the COVID-19 episode and now has more residents than it had prior to 2020. Note that Riverside County was smaller than San Bernardino County until 2006.

Some are larger by a significant number (**Riverside, Moreno Valley, Corona**) while the rest are bunched together. Menifee has seen significant growth recently and it is now in 4th place, perhaps at the expense of neighboring Murrieta and Temecula. The three cities at the southern tip of the I-15 together have approximately 300,000 residents. Corona was on the path to become the second largest city until about 2003, with Moreno Valley’s growth slowing down significantly. However, the gap between the two cities has widened since then. In general, growth has slowed down following the housing bubble bust.

There is variation in the number of residents among the ten **biggest cities** within Riverside County.

FIGURE 14: TEN LARGEST CITIES IN RIVERSIDE COUNTY, 1990 - 2024



- Growth in the ten largest cities has slowed since the Great Recession of 2008/2009.
- The three largest cities (Riverside, Moreno Valley, Corona) are in a higher population category.
- The three cities in Southern Riverside County are all at the same population level, with Menifee having made the most gains since its incorporation.

The second most important socio-economic characteristic to understand Riverside County is the number of commuters who travel daily into the coastal area and back. Here Riverside County is at par with

San Bernardino County, although significantly more commuters from Riverside County travel into Orange County, while San Bernardino commuters end up more frequently in Los Angeles County. The numbers

are remarkable relative to the overall labor force, and explain why the I-10/CA-60/I-210 and the CA-91 experience such slow moving traffic during rush hour. While Riverside County has more commuters leaving the county than San Bernardino County, the number of commuters into the coastal areas is almost identical: Riverside County has 176,000, while San

Bernardino County has 173,000. To put this into perspective, the number of commuters from Riverside County into the coastal areas is the equivalent of roughly half the population of the Coachella Valley being on the road (and on trains). Note that a larger number of commuters travel from Riverside County into San Bernardino County than the reverse.⁴

TABLE 4: COMMUTERS, RIVERSIDE COUNTY AND SAN BERNARDINO COUNTY, ORIGIN AND DESTINATION, 2022

	INTO San Bernardino	FROM San Bernardino	INTO Riverside	FROM Riverside
San Bernardino	---	---	78,500	114,000
Riverside	114,000	78,500	---	---
LA County	61,000	133,000	17,000	53,000
Orange	13,000	37,000	16,000	76,000
San Diego	1,000	3,000	7,000	47,000
Total	189,000	251,500	118,500	290,000
Share of Total Empl	23%	30%	14%	34%

The third most important characteristic to know if you want to understand the dynamics of Riverside County is related to its **housing market**. Table 6 gives you information on median prices and year-to-year changes in sales for Riverside County, and compares this to other areas in Southern California. Home selling values are at all-time record highs, having overcome the price correction in early 2023. The principal reason for higher prices is the lack of inventory which has constrained supply proportionately more than demand. Homes in Riverside County are clearly more affordable compared to the coastal areas. Housing

prices are also higher than in San Bernardino County. Home selling values are at all-time record highs, having overcome the price correction in early 2023.

The bottom line is that a significant number of Riverside County residents are willing to undertake long and tedious commutes into the coastal areas because they cannot afford housing there. They would prefer to work in Riverside County or the Inland Empire, but jobs there, on average, are not as well-paying as they are in the coastal areas: hence the commute.

TABLE 5: MEDIAN SINGLE FAMILY HOME PRICES, CHANGE IN PRICE AND SALES, 2023-2024

County	August 2023	August 2024	% Change
Riverside	\$ 604,000	\$ 624,500	6.8
San Bernardino	\$ 515,000	\$ 535,000	7.7
Orange	\$ 1,285,000	\$ 1,357,500	11.2
Los Angeles	\$ 928,000	\$ 988,000	12.9

4. The distance from Moreno Valley to Anaheim is 47 miles. Driving at 60 mph, the round trip would take roughly 1 hour and 40 minutes. Leaving Moreno Valley on a Thursday at 7am and returning from Anaheim at 4pm., the trip will take 3 hours and 20 minutes.

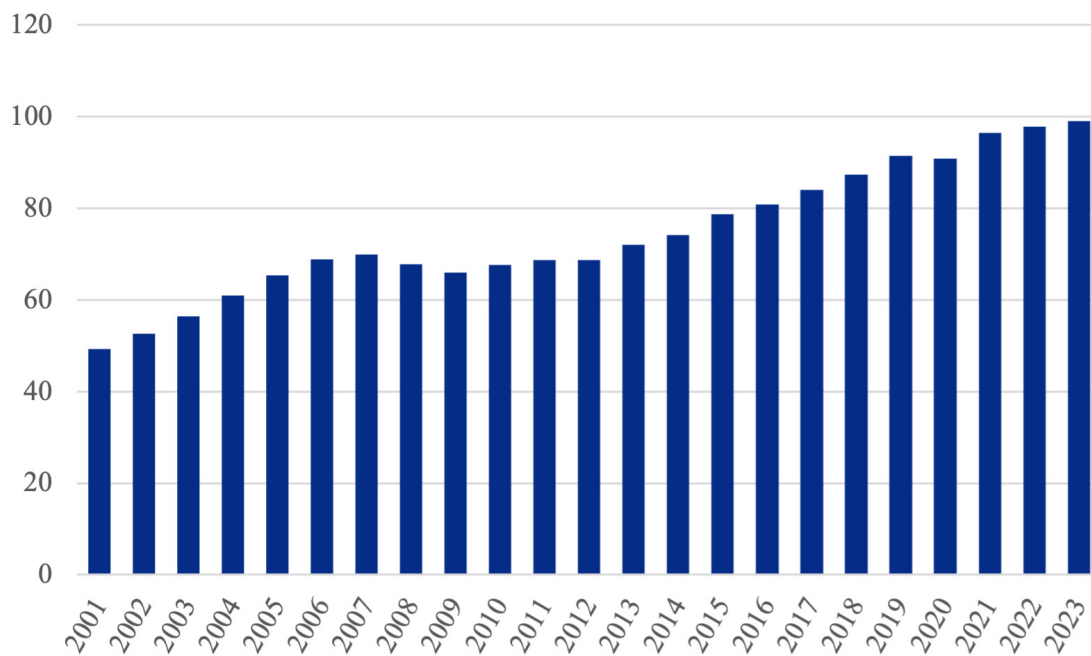
Note that this description of commuters also explains why the Inland Empire has the “**First In, Last Out**” attribute attached to it regarding business cycles. Consider there being three types of employees in the Southern California area: those who work and reside in the coastal areas (Type A), those who commute from the Inland Empire (Type B), and those who work and reside in the Inland Empire (Type C). Type B must be endowed, on average, with higher human capital than Type C, otherwise they would not undertake the tedious and costly commutes, since clearly they would prefer to work in Riverside County (or possibly San Bernardino County) if the salaries were higher. The commuters also must have lower human capital than Type A, because otherwise they could afford to live in the coastal areas. Assume that economic activity starts to slow down in the coastal areas: Type B workers will be laid off first before Type A lose their jobs. But unemployment is measured by residency, and

therefore unemployment rates in Riverside County will go up while in the coastal areas they remain the same initially. The reverse is true in the recovery: lakes freeze from the periphery and melt from the center. Hence it appears as if the inland regions are a leading economic indicator for the coastal regions. Turning to **economic conditions**. The latest available

ECONOMIC CONDITIONS: GROSS COUNTY PRODUCT

data for **real GDP**, the most general measure of economic activity within the region, show that Riverside County’s real Gross County Product grew at a rate of 0.8% in 2022.⁵ Note that GDP does not measure the output produced by commuters. This is a **slow growth rate** when compared to the nation (1.9%), but it was at par with the state’s performance in 2022 (0.7%). The fastest expanding sectors were Finance, Insurance, and Real Estate (FIRE), followed by the Government sector

FIGURE 15: GROSS COUNTY PRODUCT, \$ BILLIONS OF 2017 DOLLARS, RIVERSIDE COUNTY, 2001 - 2022, 2023



- By 2021, real Gross County Product recovered the losses from the COVID-19 downturn, faster than the recovery from the Great Recession.
- 2022 real Gross County Product growth was positive but low compared to historical levels.
- Riverside County’s lower output growth in 2022 reflects lower growth for the state.

5. The U.S. Department of Commerce, Bureau of Economic Analysis only releases annual county GDP, and with a substantial delay. The 2023 publication will not be available until early December of 2024.

6. We listed these three sectors in terms of their contribution to Gross State Product Growth. This does not necessarily coincide with employment growth from a year ago, which only focuses on workers added, not their contribution to output added. For employment numbers, check the report below.

(especially Local Government), and Transportation, Warehousing, and Wholesale (Logistics).⁶

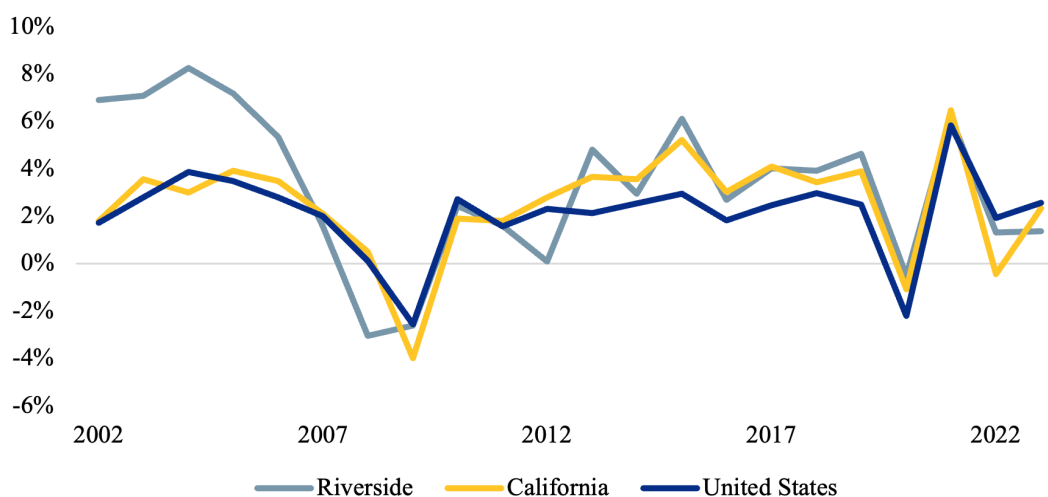
Note that Riverside County only took one year to recover the lost output from the Coronavirus downturn. This is very different from the **Great Recession recovery**, when **Riverside County did not reach 2007 pre-recession levels until 2013 or six years later**. Riverside County was one of the epicenters of the burst of the housing bubble and the initial recovery took much longer here than in the state and country. U.S. real GDP had recovered by 2010, and California's by 2011.

In order to have a gauge of how well an area is doing, we should compare the growth rate of the Gross County Product with the **growth rates of the Gross State Product (of California) and the**

Gross Domestic Product (of the U.S.). Gross County Product is not available prior to 2000.

Before the Great Recession, Riverside County saw truly amazing growth rates of 6% or more (by comparison, U.S. real GDP has grown at an annual average of 3% since 1896 and slightly less recently). To understand growth rates of this magnitude, note that a growth rate of 7% a year implies that it will only take roughly 10 years for output to double. The Great Recession hit Riverside County early and particularly hard in 2008. During the 2013-2019 period, both Riverside County's output and the state output grew at similar magnitudes, and certainly outpaced growth in the nation. Over the last two years, growth in the county has been lower than that at the national level, and lower than California's for 2023.

FIGURE 16: REAL GDP GROWTH RATES, RIVERSIDE COUNTY, CALIFORNIA, AND THE UNITED STATES, 2001 - 2023

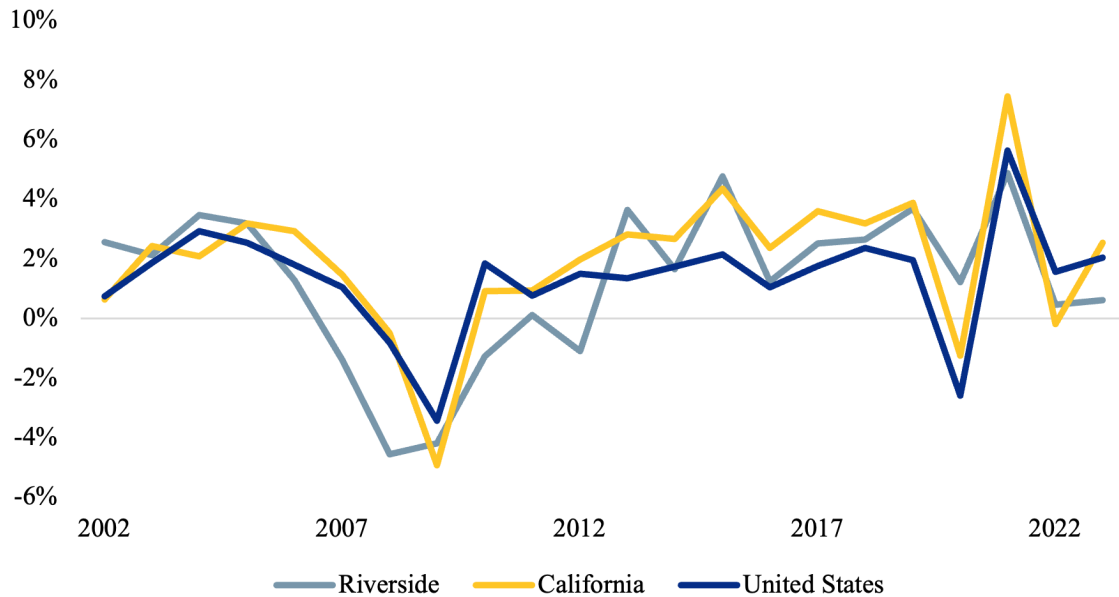


- Riverside County saw extremely high growth rates in real GDP until the Great Recession.
- The county took longer to recover lost output in post 2009 recovery.
- There were higher growth rates mirroring the state output growth in the run-up to the COVID-19 downturn.

Growth in output, however, depends to a large extent on the growth in the labor force. In the short run, growth in the labor force is particularly sensitive to changes in the population in the form of in-migration of people. A better measure of how much the “wealth of the region” is improving is when we take into account the number of residents in the area. This is called the **per capita Gross County Product**. Riverside County's earlier stunning performance is less impressive when

we realize that much of the growth in output was generated by a relatively large inflow of residents. The Great Recession now looks definitely worse with per capita growth rates basically being negative for six years (for the county, this must have been the “Really Great Recession”). The recovery was solid but not spectacular when compared to the state recovery. Growth over the last three years is less impressive.

FIGURE 17: REAL GDP PER CAPITA GROWTH RATES, RIVERSIDE COUNTY, CALIFORNIA, AND THE UNITED STATES, 2001 - 2023



- Per Capita growth rates are less impressive early in the new millennium.
- The Great Recession was particularly painful when measured by per capita real GDP growth.
- Riverside County's recent performance is less impressive.

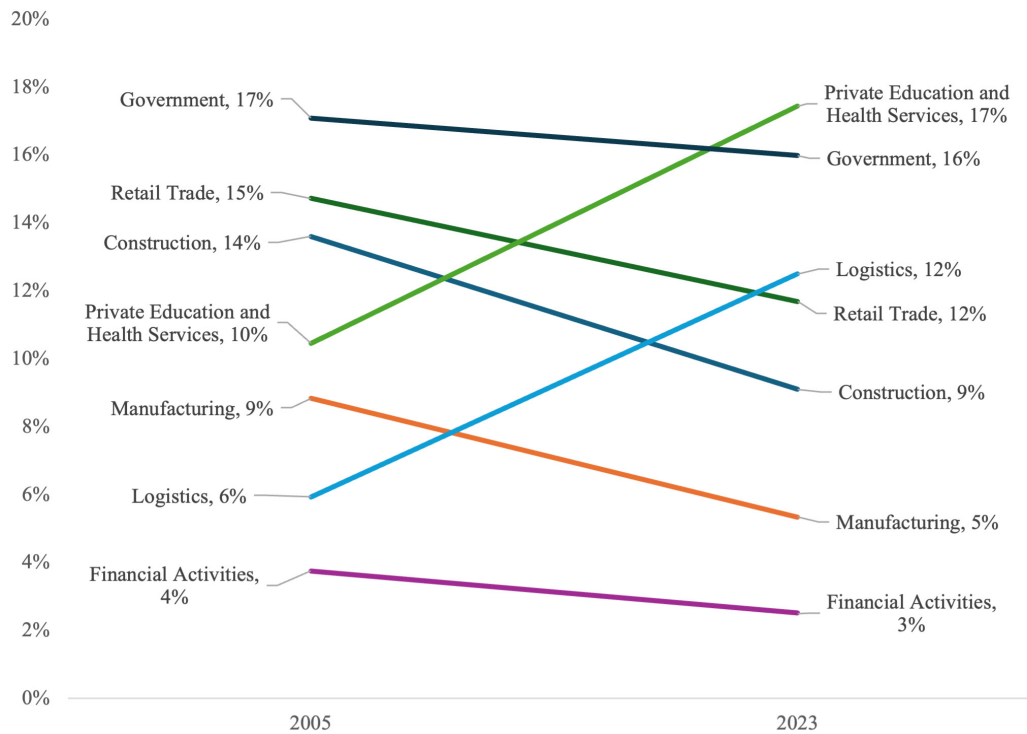
LABOR MARKET

Labor market data at the county level is available until December 2023 - or even until September 2024 if we look at either the household survey, or both the household survey and the establishment survey for Riverside County and San Bernardino County combined (Inland Empire). The data show large employment increases starting in May of 2020, at the end of the Coronavirus downturn. It only took until October 2021 for the county to retrieve

all jobs lost during the COVID-19 episode. Since then, the county has added another 51,200 non-farm jobs. At the end of December 2023, there were 838,500 workers in Riverside County. The **three largest employment industries were: (i) Private Education and Health Services (17.4% of all jobs), (ii) Government (16.0%), and (iii) Logistics (12.5%).**



FIGURE 18: CHANGE IN INDUSTRIAL SHARE OF EMPLOYMENT, RIVERSIDE COUNTY, DEC 2005 AND DEC 2023



- Health Services and Logistics have seen the largest employment share increases over time.
- Manufacturing and Construction are the biggest losers, followed by Retail Trade.
- The three largest employment sectors are now Health Services, Government, and Logistics.

These three sectors were not always as dominating in Riverside County. It is informative to compare the employment share in 2023 with the situation just before the burst of the housing bubble in 2005 (Figure 18). Note the sharp increase in Education and Health Care, and in Logistics. Construction and Manufacturing have seen significant declines, which is not surprising since the Great Recession sometimes was referred to as a “Mancession.” Most of the jobs lost then were in the two industries dominated by males.

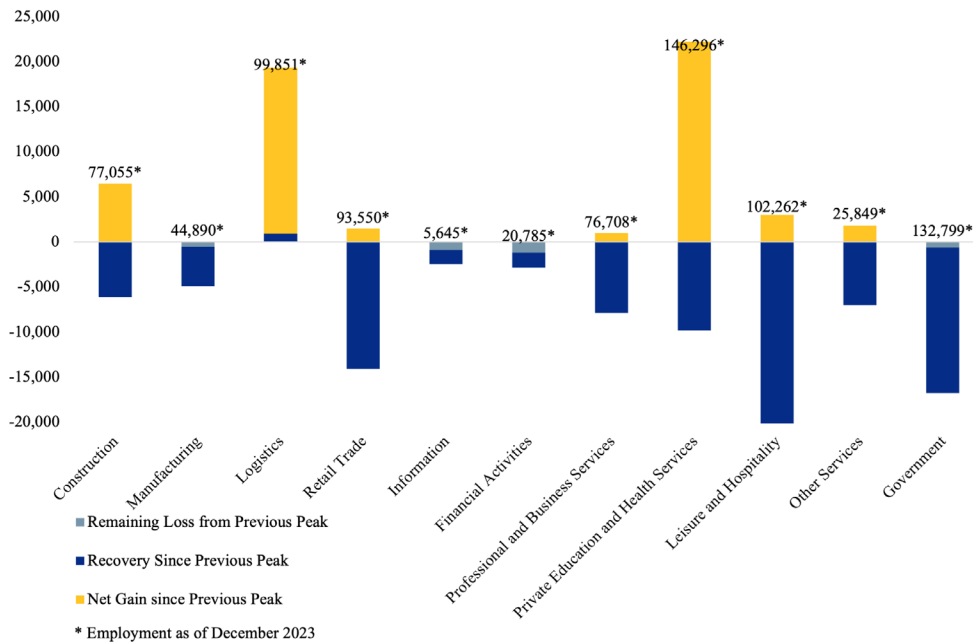
Of course recovering all jobs in the aggregate does not mean that each sector has done so, or that the expansion has been equal across sectors. It is well-known that the COVID-19 downturn primarily affected employment in the Leisure and Hospitality Sector, Retail Trade, and Health Services (somewhat surprisingly, at first; however patients avoided going to hospitals and/or see doctors, including dentists, if at all possible). “Other Services” (Spas, Manicure and Pedicure, Tattoo Parlours, hairdressers, etc.) was also heavily affected, but the sector simply does not have a large number

of workers to make a difference in the aggregate. Figure 19 shows the initial impact on the sectors (in blue) and the subsequent recovery/expansion (in yellow) until December 2023. The Logistics sector never contracted (using monthly data) and shows the second largest expansion. Health Services, while contracting heavily initially, not only recovered all positions lost but led in terms of employment expansion. Manufacturing, Information, Financial Activities, and Government have not returned to February 2020 levels of employment. Note that Leisure and Hospitality has seen an expansion since then.

Given that the ten largest cities in Riverside County have different industrial compositions, and are of different population size, it is not surprising to see that they show different paths during the shutdown and the subsequent recovery. The City of Riverside lost close to 18,000 jobs, but it is three times the size of Murrieta and Temecula, both of which lost about 7,500 positions. Riverside also seems to have done relatively well in the recovery.⁷

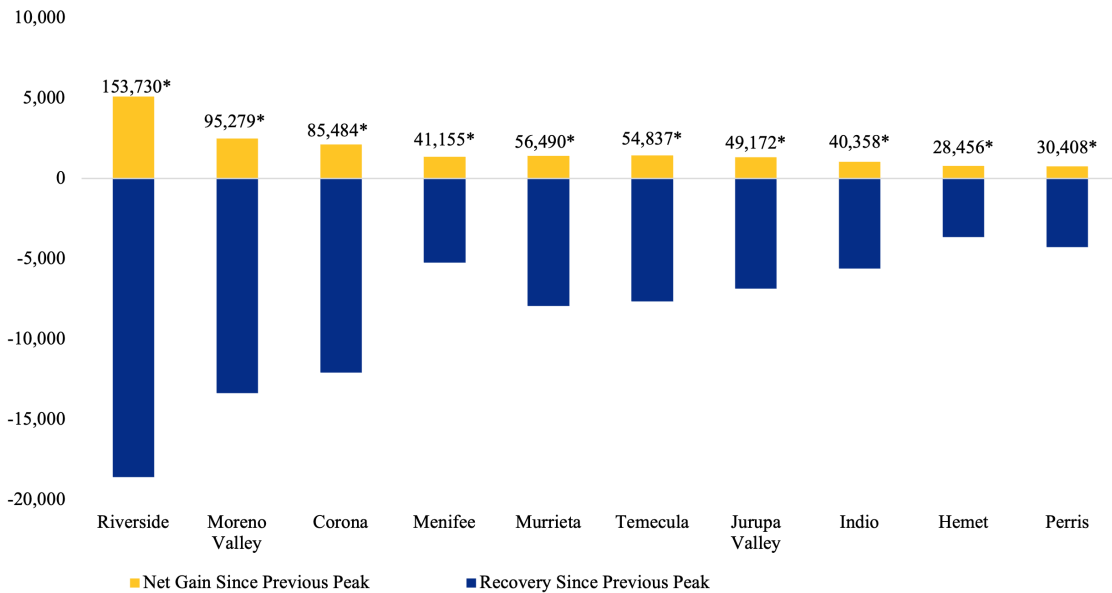
7. It is relatively easy to calculate percentage changes given that we provide the total employment in the graph.

FIGURE 19: CHANGE IN EMPLOYMENT BY SECTOR, RIVERSIDE COUNTY, SEASONALLY ADJUSTED, FEBRUARY 2020 AND DECEMBER 2023



- Leisure and Hospitality saw the largest employment decline following the COVID-19 crisis, followed by Government, Retail Trade, and Health Services.
- Leisure and Hospitality not only recovered all jobs lost, but has expanded compared to February 2020.
- Manufacturing, Information, Financial Activities, and Government still have not fully recovered.

FIGURE 20: CHANGE IN EMPLOYMENT, TOP 10 CITIES IN RIVERSIDE COUNTY, SEASONALLY ADJUSTED, FEBRUARY 2020 & JUNE 2024

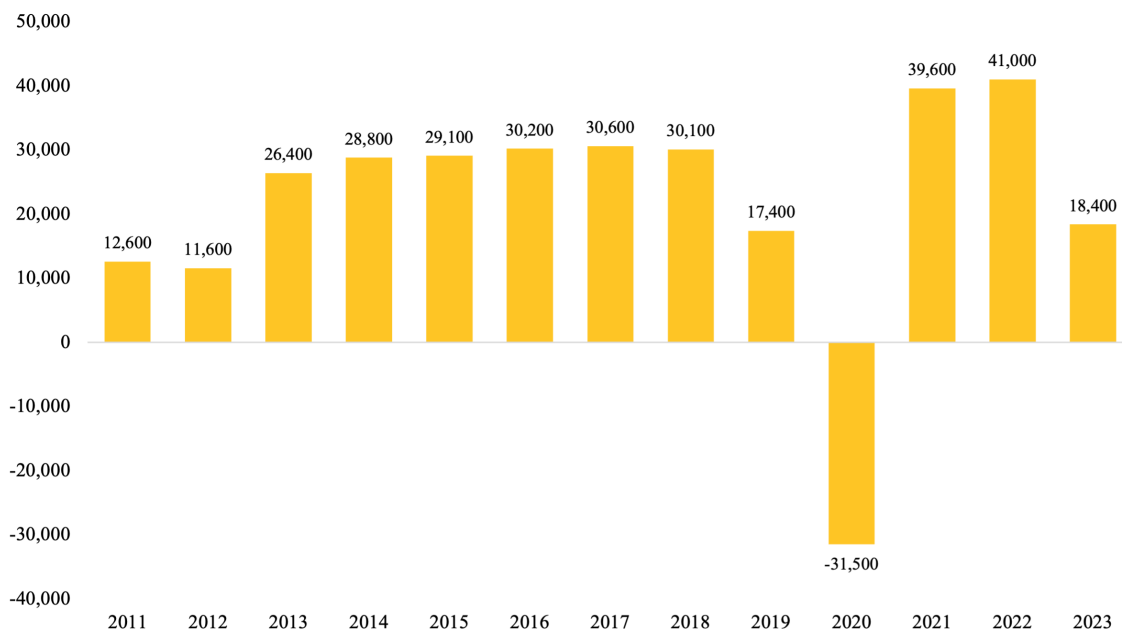


- The City of Riverside was most affected by job losses, but also has gained the most subsequently; not surprisingly given the size of the city.
- Job losses during the COVID-19 follow size differences in the labor force of the cities with a few exceptions.
- Menifee seems to have performed slightly better than expected given its relative size.

The initial recovery phase (second half of 2020 and early 2021) was more beneficial for the inland regions. The bifurcated recovery favored Riverside County (and San Bernardino County) due to the role that the Logistics industry (Warehousing, Transportation, Wholesale) played here. There was already an increased trend in online purchases of goods prior to the pandemic, which accelerated due to the shut down of in-person shopping. Amazon, in particular, but also large retailers, increased deliveries. This, and continued container import shipments from Asia through the Ports of Los Angeles and Long Beach, also required an expansion in warehouse spaces - *The Economist* magazine now refers to the Inland Empire as the “warehouse capital of the world.” Similarly, the real estate company CBRE just announced that the Inland Empire has the largest number of industrial

leases in the U.S. during the first half of 2024. This development can clearly be seen in year-to-year changes in employment growth (measured from the establishment survey - meaning jobs created within Riverside County, ignoring commuters). The job loss of 31,500 in 2020 was erased by a gain of 39,600 in 2021. It is 2022 that is the outlier with a 5.4% rate of growth. While the 2023 gain of 18,400 or 2.3% growth is similar to what Riverside County observed in the pre-COVID-19 year of 2019, it is significantly lower than the job growth seen during the years 2013 to 2018 - a “soft patch” to say the least. An astonishing 75% of all new jobs created since October 2021 were concentrated in just three sectors: Private Education and Health Care, Government, and Leisure and Hospitality.

FIGURE 21: JOBS CREATED, RIVERSIDE COUNTY, 2011 - 2023



- Employment growth is low in 2023 when compared with the two years following the Coronavirus downturn.
- More worrisome, in 2023 it was significantly below the typical value seen from 2014-2018.
- Employment growth in 2019 was also lower and many forecasted an economic recession for 2020. Instead the COVID-19 event happened, which obviously could not be predicted.

The **largest gains** came from just three sectors: (i) Private Education and **Health** (10,400), (ii) **Government** (8,500), and (iii) **Construction** (4,800). These three sectors created more jobs than the total number of new positions, meaning that the other sectors had a net loss. **92% of the**

additional employment was simply generated by Private Education and Health, and Government. The two sectors that caused the **slower aggregate hiring** due to layoffs were the **Logistics Sector, and Professional and Business Services**, especially during the first part of 2023.⁸ Initially some

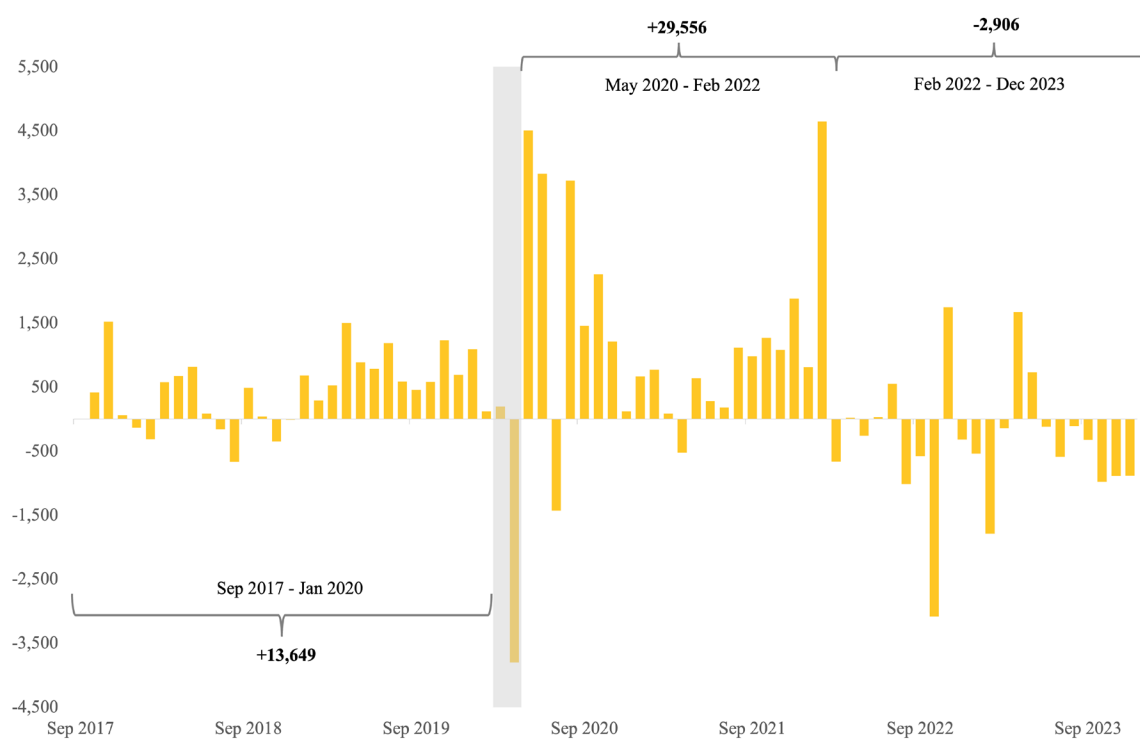
8. Since these numbers are from the establishment survey, they do not include slower hiring in the coastal areas in the Professional and Business Services sector.

interpreted the slowdown in the Logistics sector as being related to the dockworkers strike at the two major ports, since there was a reduced flow of cargo volumes into the warehouse and distribution. However, the resolution of the labor dispute did not result in higher employment levels and jobs continue to have declined by significant numbers.

Note that almost 105,000 employees work in the Logistics Industry. With hindsight, it seems that the Logistics industry was overly optimistic in terms of its future, perhaps extrapolating the employment

gains since the pandemic into the future, and being worried about finding sufficient workers for the increased demand. Employers did not correctly predict the shift back of consumption from durable goods to services (restaurants, hotels, etc.). This has resulted in major layoffs in the Logistics industry and a coinciding decline in value added. While the **Logistics industry clearly has expanded in Riverside County compared to February 2020** (the last month of the previous expansion), it has **contracted from its peak in mid-2022**.

FIGURE 22: CHANGE IN EMPLOYMENT, LOGISTICS, SEASONALLY ADJUSTED, RIVERSIDE COUNTY, SEPTEMBER 2017 - DECEMBER 2023



- The Logistics industry saw a massive expansion starting in 2018 prior to the COVID-19 event and is at roughly 100,000 employees currently.
- The hiring boom intensified with the Coronavirus downturn and the initial recovery.
- Since 2022, and especially the middle of the year, the Logistics industry has contracted.

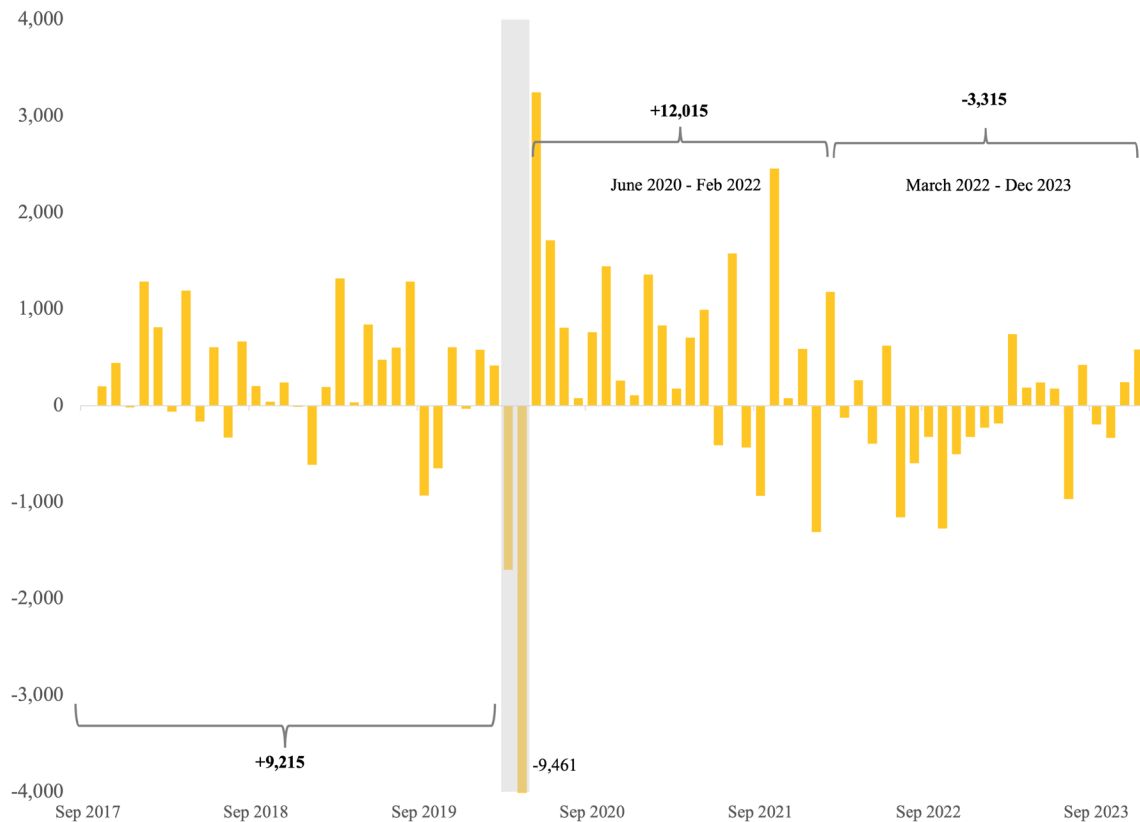
Data for 2024 are not yet available at the county level. However, employment data for the Inland Empire show that the adjustment process is over and

that the Logistics industry has seen small job gains in 2024. The correct image is a large expansion, followed by a much smaller downward correction.

While most of the year-to-year decline in employment in Riverside County is related to the Logistics industry, the job losses in Professional and Business Services, while not of the same magnitude, are perhaps more worrisome. The sector employs fewer people (80,000) but generates more value added than the logistics sector; also, you would hope that over the next 20 years or so, this sector

will expand significantly to allow for fewer people to commute to office jobs in the coastal regions. While we have argued that the Logistics sector is simply adjusting from overly optimistic projections, the same argument cannot be made here. The recent losses in the industry have nearly wiped out much of the gains we saw in 2021. This could be an alarm signal for an overall economic slowdown.

FIGURE 23: CHANGE IN EMPLOYMENT, PROFESSIONAL AND BUSINESS SERVICES, SEASONALLY ADJUSTED, IN THOUSANDS OF JOBS, RIVERSIDE COUNTY, SEPTEMBER 2017 - DECEMBER 2023

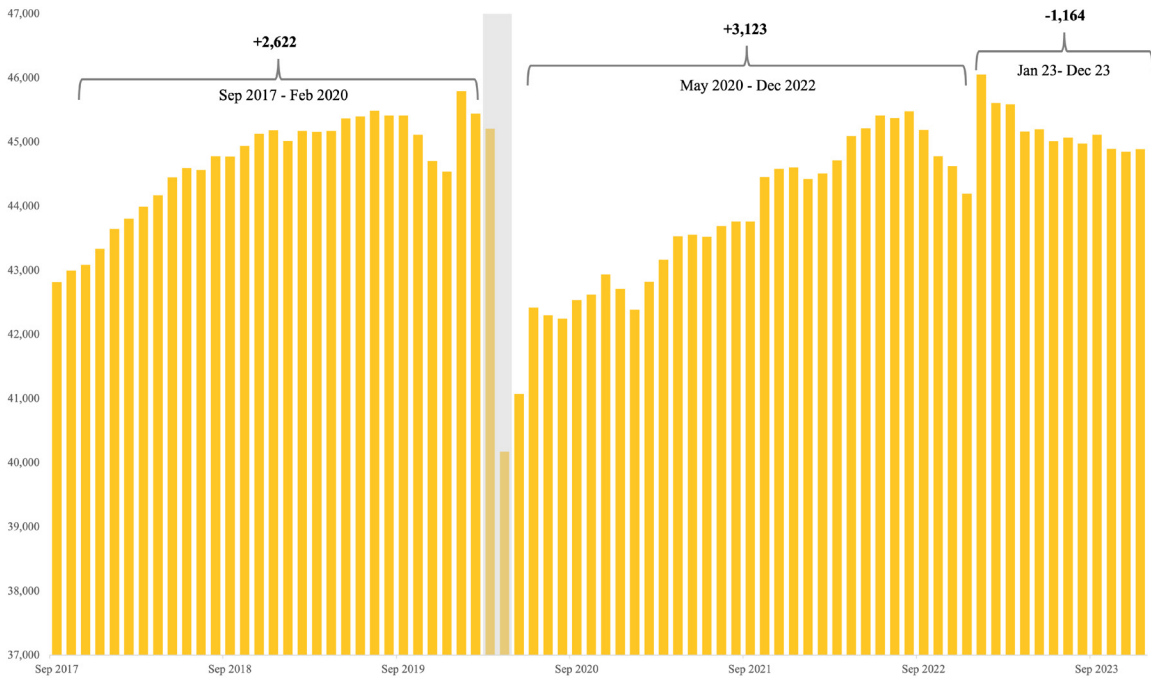


- Professional and Business Services have seen the second most year-to-year job losses recently
- While the sector is not among the top three top employment sector, there are roughly 80,000 positions here.
- Given the profile of commuters, you would hope to see continuous employment expansion in this sector.

Manufacturing and Real Estate were weak, but not contracting. Note that while manufacturing is a relatively high value added sector, only

1 out of 20 workers in Riverside County are employed here. The sector has lost importance over time, similar to the Construction sector.

FIGURE 24: MANUFACTURING EMPLOYMENT, SEASONALLY ADJUSTED, IN THOUSANDS OF JOBS, RIVERSIDE COUNTY, SEPTEMBER 2017 - DECEMBER 2023



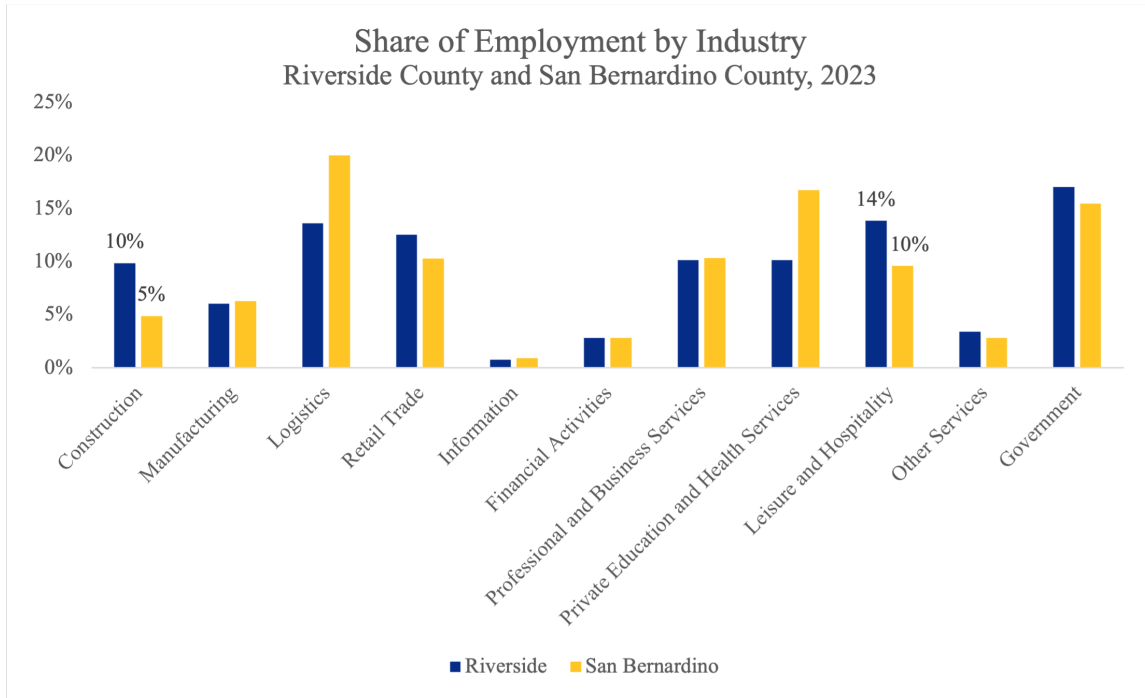
- Manufacturing recently is consistently shedding small number of jobs, with the exception of one relatively large hiring spike.
- The relative decline in this sector is a reflection of manufacturing shrinking both at the national and state level.
- Only 5% of all jobs in Riverside County are in Manufacturing.

As a final analysis of employment, we compare the employment share between Riverside County and San Bernardino County. While the industrial composition is similar, there are some important differences: San Bernardino County has a significantly higher share of employment in Logistics and Health Care, Riverside County employs more people (percentage wise) in Construction and in Leisure and Hospitality; the

other sectors look very similar. Existing labor shares between the two counties remained relatively constant (as measured by the sum of absolute differences) between 2006 and 2019, but somewhat increased as a result of the Coronavirus downturn and the subsequent recovery. Note also that the picture looks strikingly different if we perform the same analysis between Riverside County and the coastal areas.



FIGURE 25: SHARE OF EMPLOYMENT BY INDUSTRY, RIVERSIDE COUNTY AND SAN BERNARDINO COUNTY, 2023



- Riverside County has a relatively higher share of employment in Construction and Leisure and Hospitality.
- San Bernardino County has a relatively higher share in Logistics and Health Services.
- The employment share differences in the other sectors are negligible.

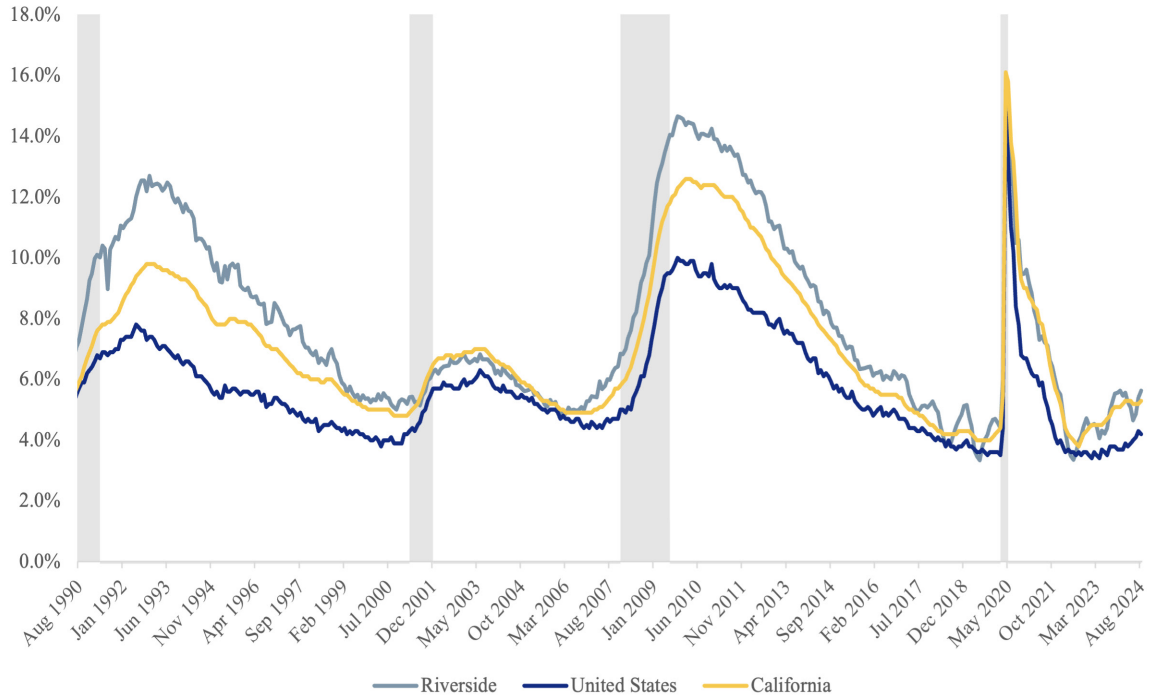
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UNEMPLOYMENT

Shifting from employment to unemployment, we note that the unemployment rate in Riverside County increased from 3.9% to 5.1% from mid-2022 until now, which is a significant jump. The end of 2023 unemployment rate is still low by historical standards (see Figure 26), but not particularly low if we look at business cycle peaks (unemployment rates just to the left of the gray shaded areas).

The overall unemployment rate for the county masked quite some large variation across the cities within the county. Table 6 shows the unemployment rate of the 15 largest cities within Riverside County. Note that the lowest unemployment rate observed in 2022 is a substantial level below the unemployment rate of the City of Coachella. These differences are even more pronounced during recessions.

FIGURE 26: UNEMPLOYMENT RATE, RIVERSIDE COUNTY, JANUARY 1990 - AUGUST 2024



- Unemployment rates in Riverside County tend to be higher than for the state and the nation.
- The exception is the dot.com recession at the turn of the millennium when the contraction was centered in the Bay area.
- Following the Coronavirus downturn, unemployment rates in Riverside have mirrored those at the state level.

TABLE 6: UNEMPLOYMENT RATES, RIVERSIDE COUNTY CITIES, SEPTEMBER 2024

City Name	Abbreviation	Unemployment Rate
Eastvale	Eac	3.8%
Corona	Cor	4.1%
Norco	Nor	4.2%
Murrieta	Mur	4.3%
Temecula	Tem	4.3%
Beaumont	Bmt	4.5%
Wildomar	Wil	4.6%
Riverside	Riv	4.8%
Jurupa Valley	Jrv	4.9%
Lake Elsinore	Lel	5.3%
Menifee	Mef	5.3%
Moreno Valley	Mrv	5.5%
Palm Springs	Per	5.6%
San Jacinto	Sja	6.2%
La Quinta	LaQ	6.4%
Perris	Psp	6.4%
Banning	Ban	6.6%
Cathedral City	Cat	6.6%
Palm Desert	Pde	6.9%
Hemet	Hem	7.1%
Indio	Ind	7.7%
Desert Hot Springs	DHS	8.1%
Coachella	Coa	13.1%

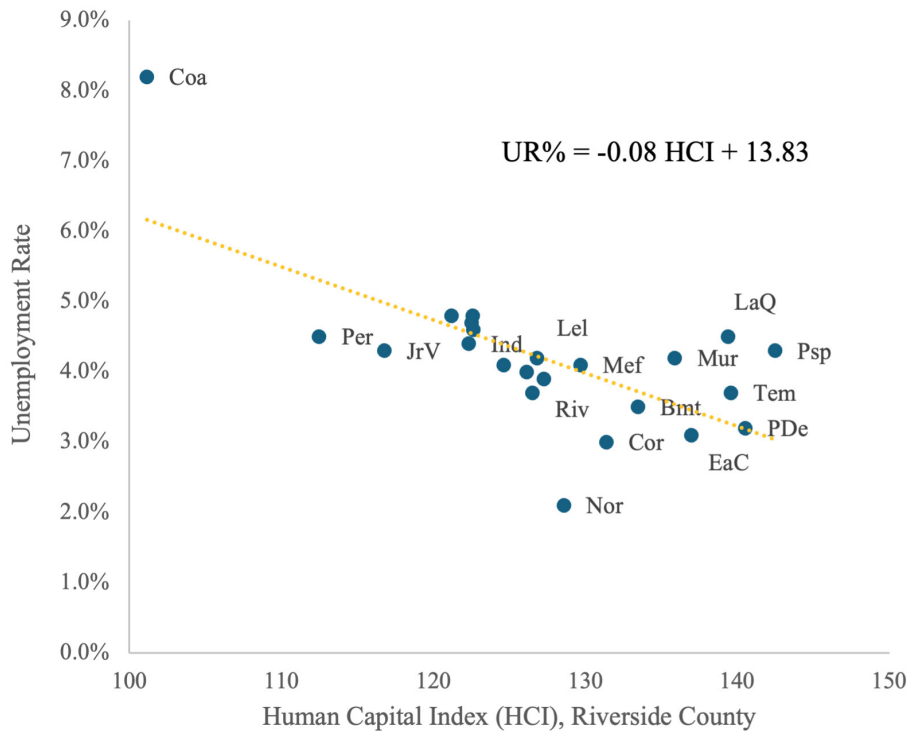
There are a variety of reasons that can explain these differences. First and foremost must be the average level of education across the cities. Here we have developed a “human capital index” which, in essence, reflects the average years of education (a level of 120 is the equivalent of 12 years of average number of years of education in that community). Unemployment rates differ by cities for a host of other reasons, which we have not taken into account (controlled for) here. Initial experimentation shows that the geographical proximity to the coastal areas matters, particularly when it comes to economic downturns.

Note that Riverside County has 25% of prime-age workers with at least a Bachelor’s Degree. That number for the nation is 37% and explains, in part, why the county has such difficulties attracting higher paying industries into the area (which is the major reason for the large fraction of commuters into the coastal areas).⁹

NEW DEVELOPMENT

Logistics facilities are still in meaningful development in Riverside County and adjacent San Bernardino Counties, despite recent local moratoriums throughout the two-county region. In 2023, most of the 27 million square feet of industrial space was completed in San Bernardino County. This year, the number is much lower at 1.8 million square feet. Also 3.5 million square feet is still underway in Riverside County with the Perris market leading the way (2.5 million square feet). More projects are in planning. Only one space totaling 203 acres is remaining at Majestic Freeway Business Center in Perris. Phase I is completed and Phase II is nearly entirely built out with 650,000 square feet underway. Four buildings in Phase III totaling 650,000 square feet are completed and available for lease. On May 1, 2024, a 613,000 square foot industrial project in Riverside broke ground. The \$87 million project is called the Sycamore Hills Distribution Center. The space is currently available for lease.

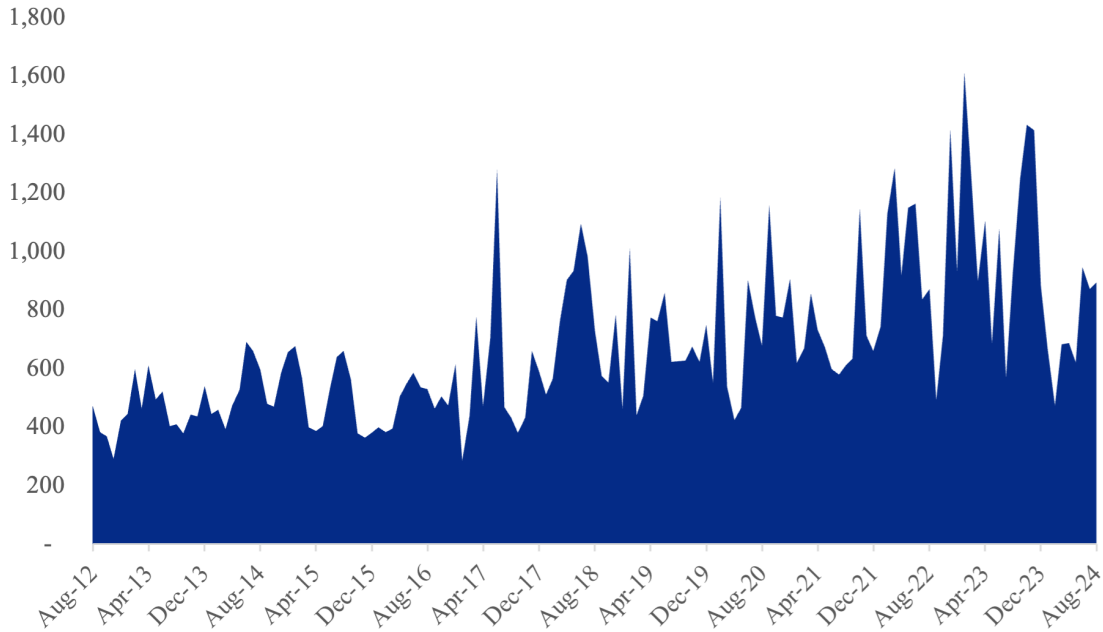
FIGURE 27: UNEMPLOYMENT RATE DIFFERENCES BY MAJOR CITIES, RIVERSIDE COUNTY, 2023



- Cities with lower human capital have, on average, higher unemployment rates.
- The City of Coachella stands out with a significantly lower level of education among the Riverside County cities.
- Palm Springs, Palm Desert, Temecula, and La Quinta have the highest level of average human capital.

9. San Bernardino County’s number is almost identically low.

FIGURE 28: RESIDENTIAL UNITS PERMITTED, RIVERSIDE COUNTY, AUGUST 2017 - AUGUST 2024



The proposed Crystal Windows West Coast Headquarters project in Moreno Valley would develop 366,000 square feet of light industrial space in two buildings. An EIR is now being prepared for the project. The Aquabella Specific Plan is a phased development of 15,000 residential units, 50,000 square feet of commercial, 80 acres of parks, three elementary schools and one middle school. This Moreno Valley Specific Plan Amendment is under environmental review.

Additional developments of industrial buildings are also proposed in Moreno Valley. The Bay and Day project is 193,000 square feet, and the First Industrial warehouse at Day Street is a 165,000 square foot warehouse/distribution facility. A total of 325 homes are under construction in the City of Coachella by Pulte Homes in the Bellissima and Sevilla housing developments. A follow-up development of 204 homes in the Sevilla II project is under review. D.R. Horton is currently building 155 single family homes in the Mariposa Pointe development. The Coachella Specific Plan enabling the construction of 9,536 units on 305 acres by KPC Development Company is under review. Avalon 1150 is in the final development plan stage for 130 single-family residential units in Phase 2 of the Miralon development in Palm Springs by Lennar. Travertine in La Quinta would amend the

already adopted specific plan to accommodate a variety of mixed uses and 1,200 residential units. A 45,000 square foot hotel, spa center, restaurants, banquet facilities, clubhouse, and a golf academy are included in the development. The City Council approved the project in August 2024. A 252 unit apartment project called La Quinta Village Apartments is also approved in the City of La Quinta.

The DSRT SURF project is approved in Palm Desert. The ambitious project calls for the development of a six acre lagoon for surfing, 92 hotel rooms, 83 residences, support facilities, and an 18 acre site for the Desert Willow Golf Resort. The project broke ground in late May of 2024 and is scheduled for opening in the summer of 2026. Serena Park is a 126 acre golf course with 386 residential units that is approved in the City of Palm Springs. With the approval of the final development plan, the project will begin construction in June 2025, and be completed in late 2027 or early 2028.

In Temecula, the Altair Specific Plan is a 1,750 unit residential project including commercial space, an elementary school, other civic facilities, and parks. The first project, Village A by Brookfield Properties, is moving forward with 146 single family homes. Prado my Meritage Homes will add 230 single family

homes to the Temecula housing stock when completed. The project is in the pre-construction phase but pre-selling of homes will begin in December 2024. Avalino by D.R. Horton is underway in Wildomar. The project will include 117 single family homes many of which will be completed in the fall of 2024. The Arlington mixed use project in the City of Riverside proposes the development of nearly 600,000 square feet of residential and commercial-retail uses, specifically: 388 dwelling units and 25,000 square feet of supporting retail. The final environmental impact report for the project was just completed in September 2024. As of October, 2024, the first portion of a nearly 2,000 acre tract of land is being made available for development by the City of Riverside as part of the Northside Specific Plan. The property, south of Colton is known as the Northside, made up of a collection of neighborhoods, including Jefferson North Grove, a 482 home development currently under construction.

The Motte Business Center in Menifee survived an appeal to the City Council to reverse approval of the project by the Planning Commission. The Council denied the appeal in February 2024. The Business Center is a single story building totaling 1.1 million square feet dedicated to warehousing. The project will start construction this year. Southeast of Temescal Canyon Road at I-15 interchange is the location of the Serrano Commerce Center which would replace commercial retail uses with expanded light industrial development of up to 6.5 million square feet. The project seeks a General Plan Amendment and zoning change to the original specific plan. It represents one of the largest logistics projects proposed in the entire Inland Empire. In June 2024, the Environmental Impact Report commenced.

THE 2025 OUTLOOK

The outlook for the Riverside County economy in 2025 is mixed, but its economy will outperform the state economy. Part of this is the larger role that the Logistics industry plays in the county. Transportation, Warehousing, and Wholesale have now moved into third place in terms of overall employment share. The opening of new facilities will require new workers, and the continuation of import goods consumption by U.S. consumers should drive transportation and distribution upwards through 2025. Rising container

volumes at the Ports of Los Angeles and Long Beach that have been restored and further enhanced by ship congestion at the Panama Canal will drive the need for warehouse and distribution space, and trucking service in Southern California, including the Inland Empire. Regional economic growth is expected to rise modestly in 2025 as two major headwinds diminish. Any uncertainty that the current presidential election year has imposed on consumer and business spending decisions will be resolved. The beginning of an expansive consumer credit policy has begun, and it is expected to continue with interest rate cuts during the fall quarter and throughout 2025 and into 2026.

There are some clouds on the horizon for the Logistics sector: Governor Newsom signed AB 98 which focuses on siting and design standards in this industry. Starting in 2026, new and expanding distribution centers can only be built if certain new standards are being met. These include restrictions on the distance from so-called sensitive sites, and requires that new developments are limited to roads that serve commercial uses. While much of the currently allocated space is already in the entitlement process and therefore will be exempt, these regulations will certainly play a role regarding future investment plans for this industry. The two sectors with the highest employment share in Riverside County, Private Education and Health, and Government, will not contribute much to employment growth in 2025. The Private Education and Health industry is dominated by the latter, and a large share of expenditures on health comes from public sources. Given the budget problems that the state faces, expect public expenditures to be curtailed for the next year, although current developments in the stock market should result in less of a state budget problem during the second half of 2025. Construction and the Riverside County housing sector will benefit from the lowering of interest rates started by the Federal Reserve in September. The Federal Funds Rate will fall by an additional 150 basis points between now and December 2025. This will stimulate housing sales and housing starts. In addition, there is pent-up demand from two sources: (i) many workers will continue to work from home (despite some companies, such as Amazon, demanding for their employees to now work five days at the office), and (ii) households who were holding on to their

low-interest mortgage rates rather than moving into higher valued houses, will finally be enticed to trade-up from their old properties. In addition, there is a large chunk of households with members in their early 30s who are looking for their first home to buy. Both effects will stimulate the housing sector and the construction industry. More home sales and at

current or higher selling values will drive property transfer tax receipts, augment assessed valuations, and result in higher property tax collections.

FIGURE 29: JOB CREATION, RIVERSIDE COUNTY, 2015-2027

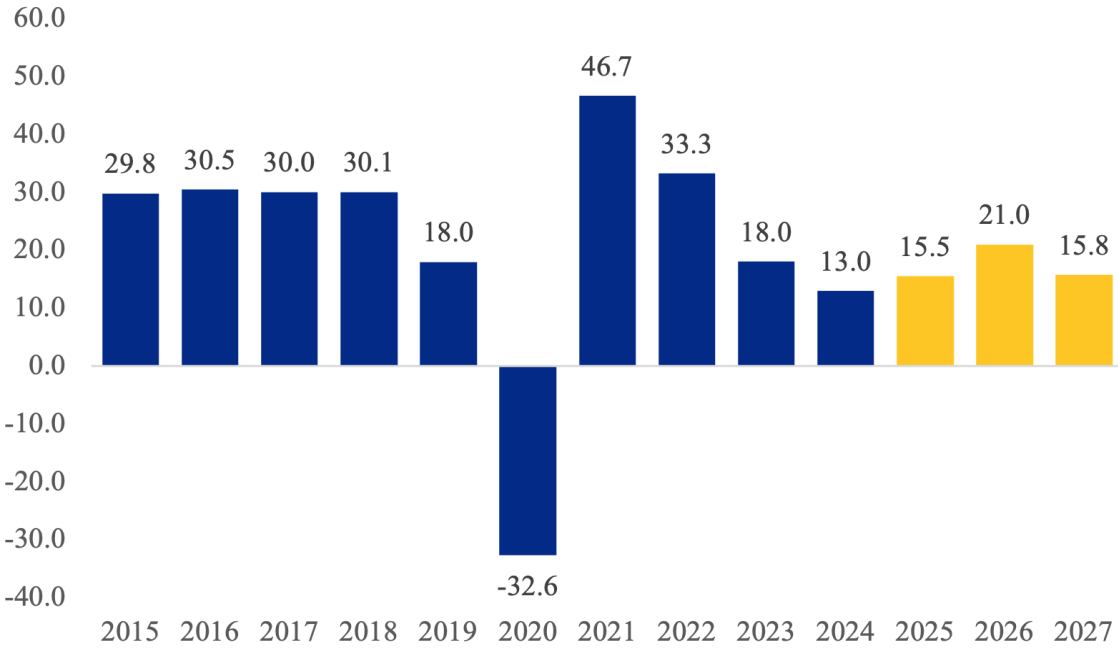


FIGURE 30: NEW RESIDENTIAL UNITS, RIVERSIDE COUNTY, 2025-2027

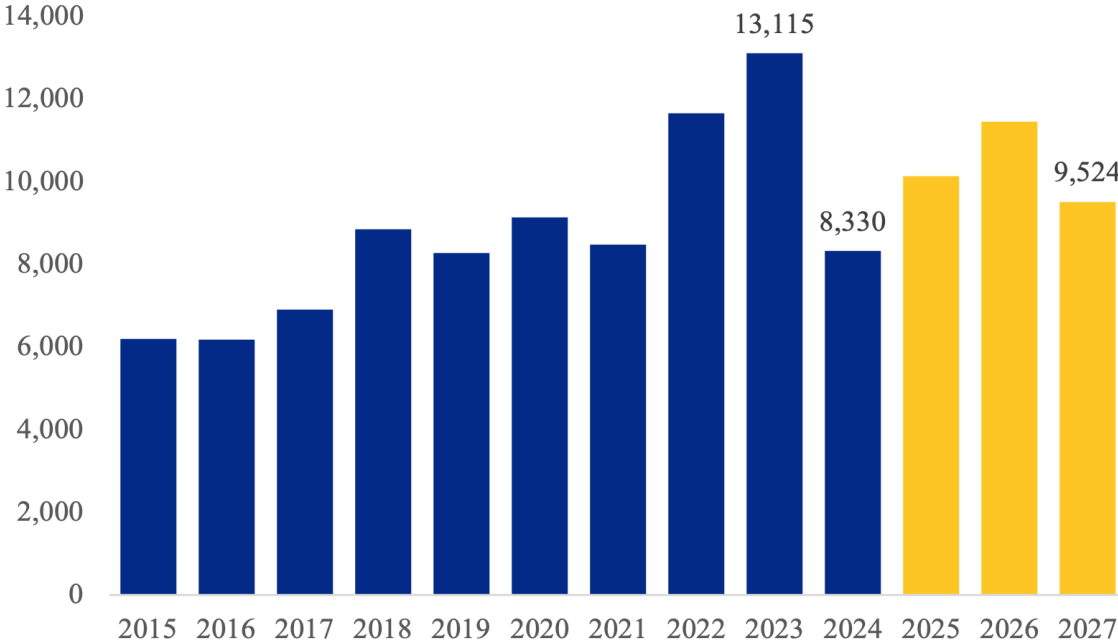


FIGURE 31: EXISTING HOME SALES, RIVERSIDE COUNTY, 2015-2027

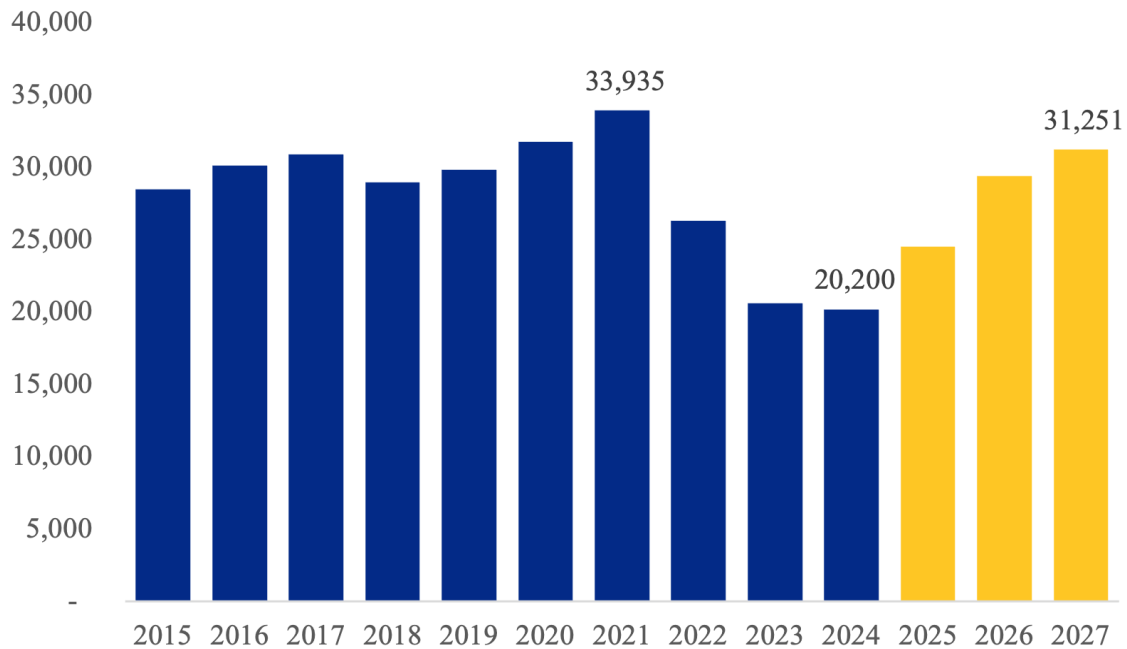


TABLE 7: MAJOR ECONOMIC INDICATORS, RIVERSIDE COUNTY, CURRENT AND FORECASTS

Riverside County	2023	2024	2025	2026	2027	2028
Inflation	3.5	3.0	2.6	2.3	2.1	1.9
Unemployment Rate	4.8	5.7	5.1	4.8	4.7	4.9
Employment Growth	2.3	1.5	1.8	2.5	2.3	1.8
Population (millions)	2.431	2.445	2.45	2.46	2.47	2.485
New Housing Units	13,115	8,330	10,150	11,450	9,525	9,830

REVENUE FORECAST RIVERSIDE COUNTY

COUNTY OF RIVERSIDE PRINCIPAL REVENUE INDICATORS

The 172 Apportionment revenues recover in tandem with taxable sales during fiscal 2025. New development completions and a recovering housing market will maintain solid growth in assessed property valuations and therefore, the property tax obligation. Property transfer tax collections rise with increased transactions in existing and new home sales.

Amounts in millions of \$, unless stated otherwise	2021	2022	2023	2024	2025	2026	2027	2028
Prop 172 County Apportionment	216.8	275.9	296	296.4	297.4	317.9	334.1	351.7
<i>Percent change</i>	16%	27%	7%	0%	0%	7%	5%	5%
Assessed Valuation (\$ billions)	320.4	338.3	369.6	404.2	425.1	448.7	475.8	504.5
<i>Percent change</i>	6%	6%	9%	9%	5%	6%	6%	6%
Property Tax Receipts	747.9	791.6	888.1	981.4	1028	1070.2	1137	1203
<i>Percent change</i>	10%	6%	12%	11%	5%	4%	6%	6%
Taxable Sales	39.2	49	55	51.7	54.2	58.3	62.1	66.1
<i>Percent change</i>	28%	25%	12%	-6%	5%	8%	6%	7%
Property Transfer Tax Receipts	24.6	31.1	21.7	18.8	20	24.8	29.9	32.2
<i>Percent change</i>	47%	27%	-30%	-14%	7%	24%	20%	8%

Source: California Economic Forecast, October 2024

FIGURE 32: PROPOSITION 172 APPORTIONMENT, IN MILLIONS OF DOLLARS, RIVERSIDE COUNTY, FY 1999 - 2027

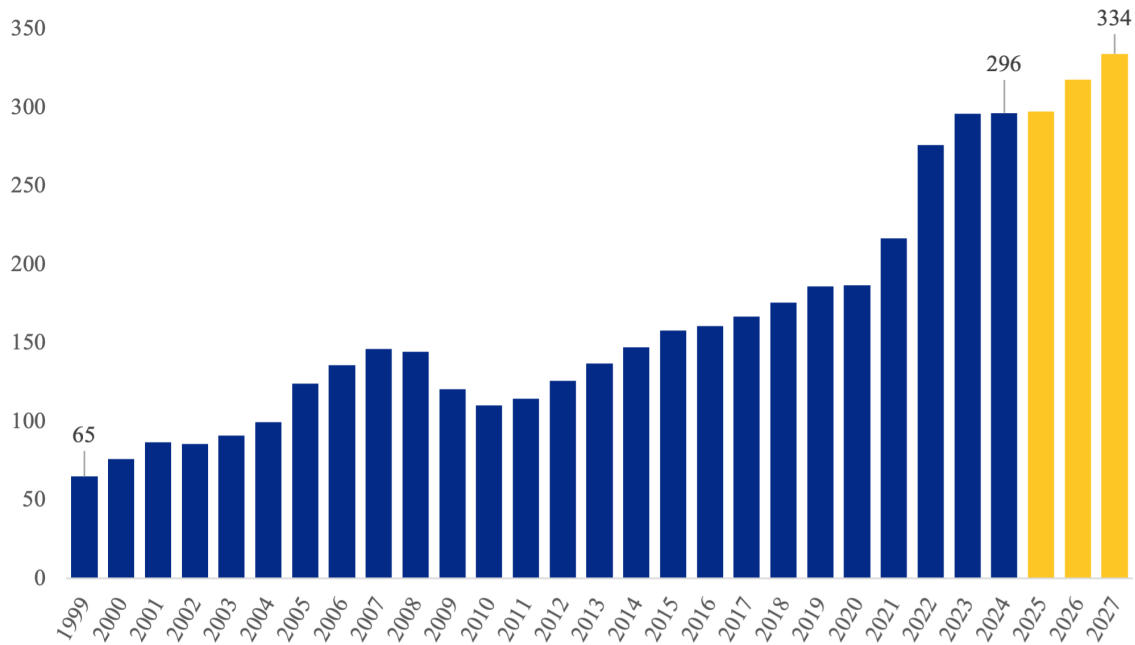


FIGURE 33: ASSESSED VALUATION, IN BILLIONS OF DOLLARS, RIVERSIDE COUNTY, FY 1994 - 2024

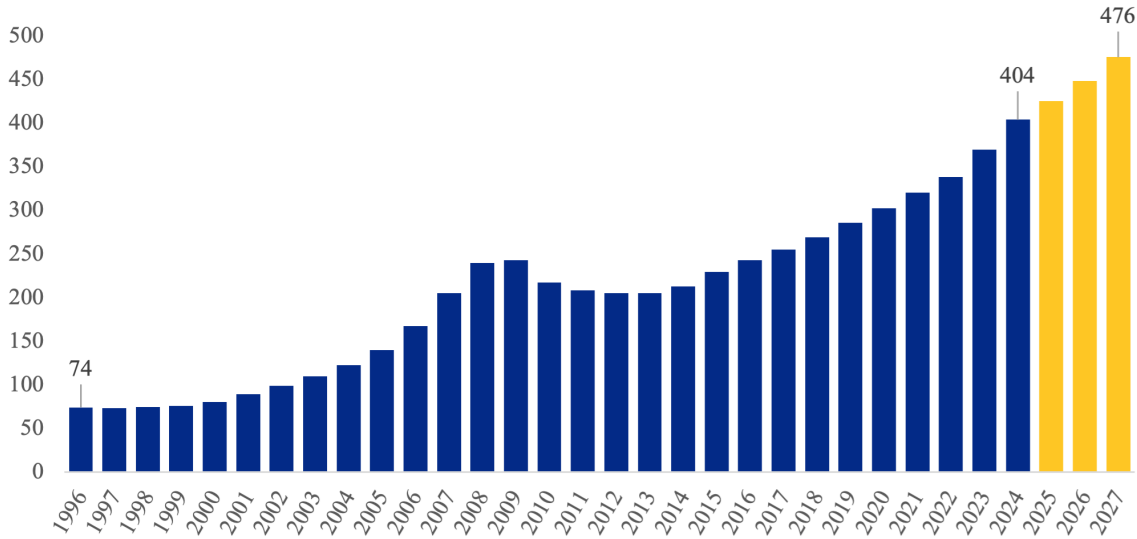


FIGURE 34: PROPERTY TAX RECEIPTS, IN MILLIONS OF DOLLARS, RIVERSIDE COUNTY, FY 1994 - 2024

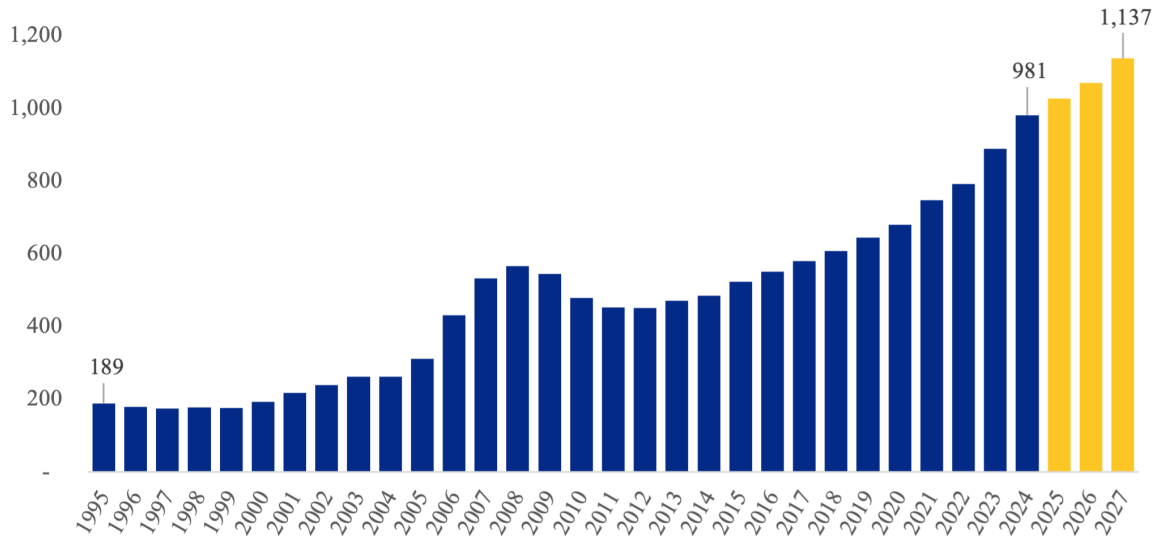


FIGURE 35: SALES/USE TAX RECEIPTS, MILLIONS OF DOLLARS, RIVERSIDE COUNTY, 1995-2027

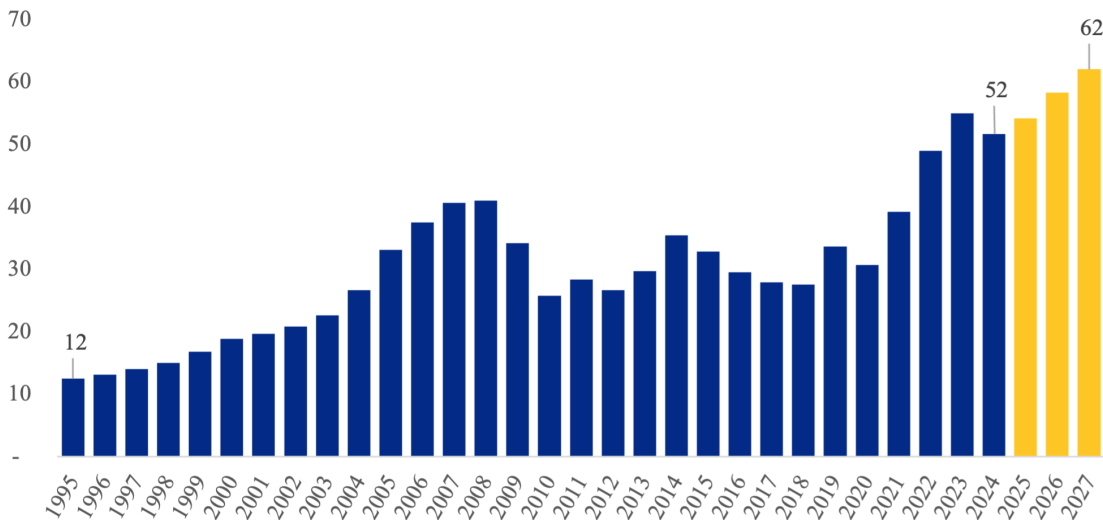


FIGURE 36: PROPERTY TRANSFER TAXES, MILLIONS OF DOLLARS, RIVERSIDE COUNTY, 1995-2027

