

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



ITEM: 3.7
(ID # 29293)

MEETING DATE:
Tuesday, November 18, 2025

FROM : EXECUTIVE OFFICE

SUBJECT: EXECUTIVE OFFICE: Receive and File the Fiscal Year 2025/26 First Quarter Budget Adjustments; Approval of the recommendations and associated budget adjustments, All Districts. [\$28,239,601 - 13% General Fund, 87% Department budgets] (4/5 Vote Required)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the FY 2025/26 First Quarter Budget Adjustments;
2. Approve the recommendations and direct the Auditor-Controller to make the budget adjustments contained in Attachment A;
3. Approve the revised multi-year budget schedule contained in Attachment B;
4. Receive and file the FY 2024/25 Year-End Validation Report contained in Attachment C.
5. Receive and file the Riverside County Economic and Revenue Forecast as of October 2025 in Attachment D.

ACTION: 4/5 Vote Required, Policy


Jeff Van Wagenen, County Executive Officer 11/13/2025

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Medina, Spiegel, Washington, Perez, and Gutierrez
Nays: None
Absent: None
Date: November 18, 2025
xc: EO

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	\$28,239,601	\$ 0	\$28,239,601	\$0
NET COUNTY COST	\$3,810,800	\$ 0	\$3,810,800	\$0
SOURCE OF FUNDS: 13% General Fund, 87% Department Budgets			Budget Adjustment:	Yes
			For Fiscal Year:	25/26

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

This is the fourth year the First Quarter Budget Adjustments presents a slightly modified format, reflecting the Executive Office's continued efforts to enhance efficiency and streamline reporting. 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 and provide a forecast of their year-end fiscal position at midyear.

As of the First Quarter for Fiscal Year 2025/26, the County is maintaining a stable fiscal position. The projected General Fund reserves balance is \$746 million, with estimated discretionary revenue of \$1.344 billion representing a \$24 million, or 2% increase over the adopted budget. Net County Cost remains unchanged at \$1.393 billion, pending updated budget submissions from departments at midyear.

The forecasted General Fund reserves balance of \$746 million is primarily the result of two main factors: first, projected discretionary revenue for the current fiscal year indicates modest growth of \$24 million, from \$1.320 billion to \$1.344 billion. This increase is largely attributable to a \$17.8 million net increase in property tax revenue and a \$10 million net increase in projected interest earnings.

Second, favorable economic conditions in prior fiscal years contributed to higher rollover reserves. At the close of FY 2024/25, General Fund reserves reached \$795 million, exceeding the adjusted budget of \$720 million, largely due to much stronger-than-expected discretionary revenues. These revenues increased by an additional \$88 million from \$1.263 billion in the adjusted budget to \$1.351 billion at fiscal yearend.

The additional \$88 million received in discretionary revenue was primarily driven by higher one-time interest earnings, which contributed \$47.3 million, increased property tax collections of \$32.7 million, a \$3.2 million increase in Motor Vehicle In-Lieu revenues, and a \$3.2 million increase in RDA Residual Assets. *(Additional details are provided in Attachment C: FY 2024–25 Year-End General Fund Validation Report.)*

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
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It is important 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.

Overall, the County's fiscal position remains stable, supported by moderate revenue growth; however, departmental demand continues to exceed available resources, highlighting the need for ongoing prioritization and adherence to fiscal guidelines.

Looking ahead, uncertainties such as fluctuations in housing markets, interest rates, and the timing of federal funding could influence the County's financial position. Maintaining strong reserves and proactive fiscal management remains essential to ensuring long-term stability.

The Executive Office will provide a midyear review to update the Board once departments submit their updated budget forecasts.


Brett Austin, Supervising Accountant 11/13/2025



PREPARED BY THE EXECUTIVE OFFICE



COUNTY OF RIVERSIDE | STATE OF CALIFORNIA

FISCAL YEAR 2025/26

FIRST QUARTER BUDGET ADJUSTMENTS



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BUDGET OUTLOOK

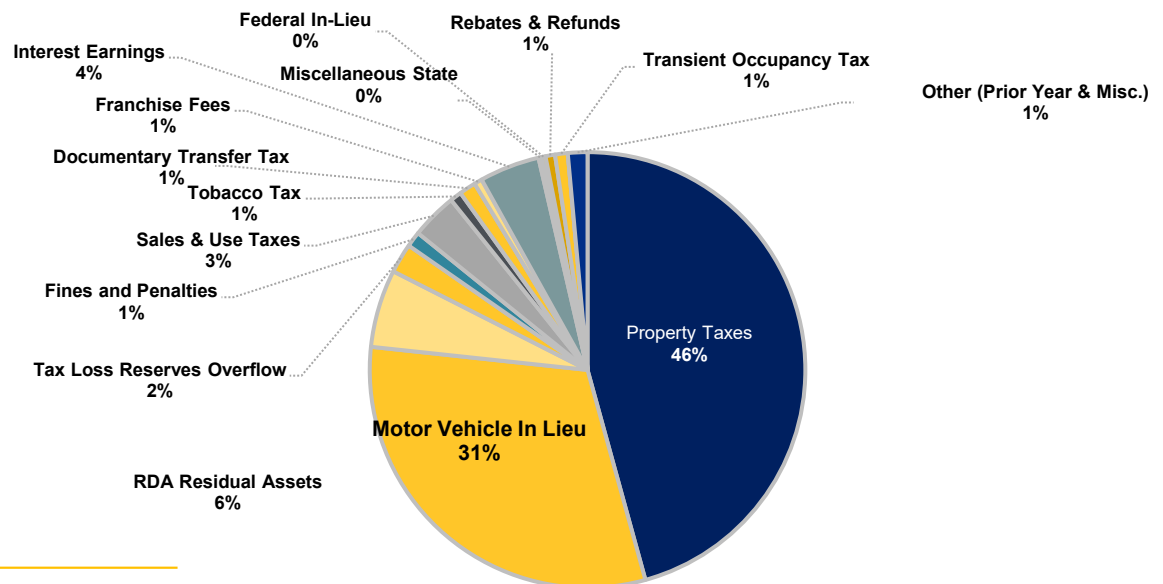
DISCRETIONARY REVENUE PROJECTIONS

Revenue Available for General Purpose Spending (Projected)

In Millions

	FY2025/26 Adopted Budget	First Quarter Estimate	Change From Adopted Budget	% Change
Property Taxes	\$596.6	\$614.4	\$17.8	3%
Motor Vehicle In-Lieu	417.0	416.3	(0.7)	0%
RDA Residual Assets	80.4	77.7	(2.7)	- 3%
Tax Loss Reserve Overflow	29.5	29.5	0	0%
Fines and Penalties	15.3	15.3	0	0%
Sales & Use Taxes	46.0	46.0	0	0%
Tobacco Tax	11.5	11.5	0	0%
Documentary Transfer Tax	16.6	16.6	0	0%
Franchise Fees	7.7	8.0	0.3	4%
Interest Earnings	50.0	60.0	10.0	20%
Miscellaneous State	4.8	2.9	(1.9)	- 41%
Federal In-Lieu	3.5	4.1	0.6	17%
Rebates & Refunds	9.5	9.5	0	0%
Transient Occupancy Tax	12.6	12.6	0	0%
Other (Prior Year & Misc.)	18.6	19.5	0.9	5%
	\$1,319.7	\$1,343.9	\$24.3	2%

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 supports a wide range of government functions and services, including mandates and other services not fully covered by state and federal funding, grants or service charges. As of First Quarter, total projected discretionary revenue estimates to be **\$24.3** million above the adopted budget. While this represents an increase, the growth is modest compared to prior years.



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 2025/26 Adopted Budget	First Quarter Estimate	Variance
Prop. 172 Public Safety Sales Tax	\$302.5	\$298.8	(\$3.6)

Prop 172 Public Safety Sales Tax 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 \$3.6 million lower than the adopted budget. Revenue is expected to hold at projected levels with nominal growth estimated in FY 2026/27.

PRELIMINARY YEAR-END FINANCIAL POSITIONS

Preliminary Financial Position General Fund 10000 (in millions)		
	FY 2025/26 Adopted Budget	First Quarter Estimate
Beginning Unassigned Fund Balance/Reserves	\$ 728	\$ 795
Plus: Projected Discretionary Revenue	1,320	1,344
Less: Net County Cost (NCC)	1,392	1,393
Net Savings/Deficit From Operation	(73)	(49)
Ending Reserves/Unassigned Fund Balance	\$ 655	\$ 746
Reserve Limit (Board Policy B-30, 25% of Discretionary Revenue)	\$ 330	\$ 336
GFOA Recommendation (2 months of operating expenditures)	\$ 775	\$ 853

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 \$24.2 million for contingency. The total net reduction to date is \$5.1 million bringing the remaining contingency total to \$19.1 million. There is no impact or use of General Fund contingency in this report.

Use of General Fund Appropriations for Contingency

Use of General Fund Appropriations for Contingency				
	Cost Adjustment	Replenish-ment	Total Adjustment	Balance Available
Adopted Budget Balance:				\$24,224,724
Adjustments to date:				
7/1/25 Item 3.4 EO Indigent Defense – Criminal Defense Lawyers Contract Adjustment	1,974,995	-	(1,974,995)	
7/29/25 Item 3.49 ROV – Special Election	3,000,000	-	(3,000,000)	
10/21/25 Item 3.8 Agricultural Commissioner – EV Testing Equipment	109,674	-	(109,674)	
Total as of October 21, 2025	5,084,669	-	(5,084,669)	\$19,140,055

Current Budget Status

SUMMARY OF BUDGET ADJUSTMENT RECOMMENDATIONS

Budget Adjustments				
Rec No.	Departments	Adjustment Description	Increase in Estimated Departmental Revenues	Estimated Use of Fund Balance
1	Executive Office	Increase revenues and expenditures to reimburse Facilities Management for the RCTC cost of reserved parking spots as part of the lease agreement.	75,000	
2	Executive Office	Request transfer of interest from ARPA fund into CIP funds.	2,470,000	
3	Facilities Management Pass-Thru Department	Increase revenues and expenditures from increased projects going through the Pass-Thru fund.	14,000,000	
4	Facilities Management	Increase revenues and expenditures from leases and lease interest payments.	2,914,438	
5	Sheriff Department	Transfer of budget between multiple Sheriff Dept IDs – No Impact to Budget.	N/A	N/A
6	Sheriff PSEC	Request to use the Five-Year Capital Asset Replacement Fund to replace critical assets.	1,260,846	
7	Sheriff Patrol	Previously approved Community Improvement Designation Funds (CID) for annual Trunk or Treat and Shop with a Cop community events.	5,000	
8	Sheriff Patrol	Request to use State Homeland Security Program Grant (SHSP) awarded to the Countywide Hazardous Material Group (CHOG) for the purchase of certified respirators.	67,000	
9	Sheriff Patrol	Request to use the Urban Area Security Initiative Grant Award (UASI) for the purchase of mobile barriers.	180,000	
10	Sheriff Patrol	Transfer of budget between Sheriff Patrol Dept ID to Sheriff Corrections – No Impact to Budget.	N/A	N/A
11	Sheriff Patrol	Request to use State Homeland Security Program Grant Award (SHSP) to purchase equipment and software.	100,000	
12	CFD 23-10M IA A	Increase in appropriations to cover street light fees.		1,000
13	CFD 23-10M IA B	Increase in appropriations to cover street light fees.		2,000
14	CFD 23-10M IA C	Increase in appropriations to cover street light fees.		2,500
15	CFD 23-10M IA D	Increase in appropriations to cover street light fees.		1,000
16	TLMA – County Airports	Request to use funds from six grants to cover the costs associated with construction invoices from existing capital improvement projects.	882,000	

Current Budget Status

Budget Adjustments				
Rec No.	Departments	Adjustment Description	Increase in Estimated Departmental Revenues	Estimated Use of Fund Balance
17	TLMA – Planning	Increase to cover expenditures related to the Mead Valley Community Plan.	500,000	
18	TLMA – Planning	Increase revenues and appropriations to use funds in current fiscal year for the Winchester Community Plan.	80,800	
19	TLMA – Code Enforcement	Request to use fund balance to cover revenue shortfall.		2,895,377
20	RUHS – Behavioral Health	Increase appropriations to build rooms for therapeutic care, administrative office functions, and ADA compliant restrooms.	2,970,000	
<i>All budget adjustment recommendations are shown in attachment A following the department summaries.</i>				

FINANCE & GOVERNMENT SERVICES

Executive Office

The Executive Office will pay for reserved parking spaces as part of the Riverside County Transportation Commission (RCTC) lease agreement. The department will also reimburse Facilities Management-Real Estate Division for historical costs of the parking spaces. The additional expenditures will be covered by departmental revenues from the lease agreement.

Recommendation 1: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Executive Office by \$75,000.*

The County received \$479 million in American Recovery Plan Act (ARPA) grant funding over the last four years. Based on United States Treasury guidance, the \$2.4 million in accrued interest earnings from these funds is available for general fund purposes and is not subject to the original ARPA grant restrictions. This \$2.4 million is being transferred to the Capital Improvement Program fund to support improvements at Harmony Haven, complementing existing ARPA funded projects at the site. A corresponding project adjustment for Harmony Haven is detailed in the Behavioral Health section of this report.

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Executive Office Capital Improvement Project Fund by \$2,470,000.*

INTERNAL SERVICES

Facilities Management

Facilities Management (FM) Pass-Thru Division is requesting a budget adjustment to support a higher volume of projects being processed through the Pass-Thru Fund. This fund facilitates all FM Maintenance, Custodial, Real Estate, and Project Management initiatives. The department expects to offset increased expenditures through customer reimbursements.

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Facilities Management Department by \$14,000,000.*

The Facilities Management Real Estate Division anticipates exceeding its budget appropriations for building lease expenses and lease interest payments. However, the department anticipates a proportionate amount of revenue to offset the increased costs derived from monthly lease collections.

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Facilities Management by \$2,914,438.*

PUBLIC SAFETY

Sheriff

The Riverside County Sheriff's office is requesting a budget adjustment to move the Concealed Carry Weapon (CCW) FY 2025/26 budget to the appropriate budget unit. This request will not impact the department's net county cost.

Recommendation 5: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments for the Sheriff's Department by \$1,223,985.*

The Riverside County Sheriff's Public Safety Enterprise Communication (PSEC) Division is requesting a budget adjustment of \$1.3 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 1, 2025, Agenda Item 3.09.

Recommendation 6: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff's PSEC Division by \$1,260,486.*

The Riverside County Sheriff's Patrol Division is requesting a budget adjustment of \$5,000 to recognize the Community Improvement Designation Funds (CID). This will fund San Jacinto Station's annual "Trunk or Treat" and "Shop with a Cop" community events. Funding was approved by the Board of Supervisors on July 29, 2025, Agenda Item 3.85.

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff's Patrol Division by \$5,000.*

The Riverside County Sheriff's Patrol Division is requesting a budget adjustment of \$67,000 to purchase certified respirators. The Board of Supervisors approved the State Homeland Security Program (SHSP) Countywide Hazardous Material Group (CHOG) award on July 30, 2024, Agenda Item 3.74. A modification was requested to extend the performance period through September 2025. Accordingly, the Sheriff's Office is requesting an increase in appropriations and estimated revenue associated with the CHOG award.

Recommendation 8: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments for the Sheriff's Patrol Division by \$67,000.*

The Riverside County Sheriff's Patrol Division is requesting a budget adjustment of \$180,000 to purchase mobile barriers. The FY 2023 Urban Area Security Initiative (UASI) Grant award was accepted by the Board of Supervisors on February 04, 2025, Agenda Item 3.21. The Sheriff's Office is requesting to increase the appropriations and estimated revenue related to the FY 2023 UASI Grant award.

Current Budget Status

Recommendation 9: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff's Patrol Division by \$180,000.*

The Riverside County Sheriff's Patrol Division is requesting a budget adjustment of \$4 million. This budget adjustment is requested to move the funding and revenue to be received for the RUHS Medical Center and Emergency Treatment Services (ETS) Arlington Campus positions from the Patrol Division to the Corrections Division. The Sheriff Office is recommending these budget adjustments as they will have no impact in net county cost.

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments for the Sheriff's Patrol Division by \$3,989,876.*

The Riverside County Sheriff's Patrol Division is requesting a budget adjustment of \$100,000 to purchase equipment and software. The FY 2023/24 State Homeland Security Program (SHSP) Grant award was accepted by the Board of Supervisors on July 29, 2025, Agenda Item 3.55. The Sheriff's Office is requesting to move the appropriations and estimated revenue related to the FY 2023/24 SHSP Grant award that was originally posted to Support Division to Patrol Division where the actual expenditures will post.

Recommendation 11: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments for the Sheriff's Patrol Division by \$100,000.*

PUBLIC WORKS AND COMMUNITY SERVICES

Community Facilities Districts (CFD)

CFD 23-10M IA A covers an area between Leon Road and Domenigoni Parkway in Winchester and requires a budget increase in appropriations to cover streetlight fees.

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CFD 23-10M The Woods IA A by \$1,000.*

CFD 23-10M IA B covers an area between Leon Road and Domenigoni Parkway in Winchester and requires a budget increase in appropriations to cover streetlight fees.

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CFD 23-10M The Woods IA B by \$2,000.*

CFD 23-10M IA C covers an area between Leon Road and Domenigoni Parkway in Winchester and requires a budget increase in appropriations to cover streetlight fees.

Recommendation 14: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CFD 23-10M The Woods IA C by \$2,500.*

CFD 23-10M IA D covers an area between Leon Road and Domenigoni Parkway in Winchester and requires a budget increase in appropriations to cover streetlight fees.

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CFD 23-10M The Woods IA D by \$1,000.*

TLMA – Aviation

The Aviation Division manages five airports. It receives grants from the Federal Aviation Administration (FAA) and Caltrans for capital improvement projects with a local match requirement. The division would like to transfer the local match portion for five grants from its Operational budget to Capital budget for \$382,000. The division was awarded a new grant for French Valley Airport for \$7.7 million in September of 2025 and is expecting significant construction invoices. The department requests to transfer another \$500,000 from Operations budget to Capital budget with a total transfer of \$882,000.

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the TLMA – County Airports Division by \$882,000.*

TLMA – Planning

The Board of Supervisors approved Agenda Item 3.73 on May 20, 2025, which approved the allocation of \$1.4 million in First District Unincorporated Communities Initiative (UCI) funding to TLMA-Planning for planning, development, and implementation of a proposed Mead Valley Community Plan. The Department requests an increase in estimated revenues and appropriations of \$500,000 to address project expenditures for FY 2025/26.

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the TLMA – Planning Division by \$500,000.*

The Board of Supervisors approved Agenda Item 3.3 on June 24, 2025, for the allocation of \$80,800 in Third District Unincorporated Communities Initiative (UCI) funding to TLMA-Planning for planning, development, and finalization of a region-wide Transportation Study associated with further development of the Winchester Community Plan. The Department requests an increase in estimated revenues and appropriations to recognize and deploy these funds in the current fiscal year.

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the TLMA – Planning Division by \$80,800.*

Current Budget Status

TLMA – Code Enforcement

The Code Enforcement Division budgeted to draw down \$2.9 million from the Code Enforcement Cost Recovery Fund to cover revenue shortfall in the General Fund.

Recommendation 19: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the TLMA – Code Enforcement Division by \$2,895,377.*

RUHS HEALTH AND HOSPITAL SERVICES

Behavioral Health

To accommodate patients at Harmony Haven, two existing classroom buildings, each comprised of 4,230 square feet of space, will undergo tenant improvements to provide therapeutic space, administrative office, and restrooms upgraded to Americans with Disabilities Act (ADA) code compliance. These improvements will help ensure youth receive the required care in a positive environment.

Funding for this project will come from two sources: \$500,000 in Unincorporated Initiative Funds from District 5, previously approved by the Board of Supervisors on October 21, 2025, Agenda Item 3.4, and CIP Funds, which relate to Agenda Item 3.10 approved by the Board of Supervisors on November 4, 2025.

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the RUHS – Behavioral Health Division by \$2,970,000.*

Attachment A Summary of Recommendations

Recommendation 1: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Executive Office by \$75,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	1100100000	Executive Office	
		528920 Car Pool Expense	75,000
10000	1100100000	Executive Office	
		740080 Interest-Departmental	1,427
10000	1100100000	Executive Office	
		741010 Lease Revenue-GASB87	73,573

Recommendation 2: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Executive Office Capital Improvement Project Fund by \$2,470,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
30700	1104200000	Cap Imp Prg-Capital Projects	
		551100 Contribution To Other Funds	2,470,000
30700	1104200000	Cap Imp Prg-Capital Projects	
		790600 Contrib Fr Other County Funds	2,470,000

Recommendation 3: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Facilities Management Department by \$14,000,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
30100	7200800000	FM-Department Pass-Thru	
		525500 Salary/Benefit Reimbursement	102,962
30100	7200800000	FM-Department Pass-Thru	
		528500 Project Cost Expense	1,380,646
30100	7200800000	FM-Department Pass-Thru	
		532690 Lease & SBITA Principal Pymt	119,193
30100	7200800000	FM-Department Pass-Thru	
		533750 Lease & SBITA Interest Pmt	258,861
30100	7200800000	FM-Department Pass-Thru	
		537180 Interfnd Exp-Salary Reimb	1,162,725
30100	7200800000	FM-Department Pass-Thru	
		542040 Buildings-Capital Projects	10,975,613
30100	7200800000	FM-Department Pass-Thru	
		790600 Contrib Fr Other County Funds	14,000,000

Recommendation 4: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Facilities Management Department by \$2,914,438.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
47220	7200400000	FM-Real Estate	
		532690 Lease & SBITA Principal Pymt	2,881,438
47220	7200400000	FM-Real Estate	
		533750 Lease & SBITA Interest Pmt	33,000
47220	7200400000	FM-Real Estate	
		741010 Lease Revenue-GASB87	2,914,438

Recommendation 5: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments for the Sheriff's Department by \$1,223,985.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	2500100000	Sheriff Administration	
		370100 Unassigned Fund Balance	1,223,985
10000	2500100000	Sheriff Administration	
		510040 Regular Salaries	(742,943)
10000	2500100000	Sheriff Administration	
		510320 Temporary Salaries	(262,671)
10000	2500100000	Sheriff Administration	
		510420 Overtime	(414,886)
10000	2500100000	Sheriff Administration	
		510520 Bilingual Pay	(3,510)
10000	2500100000	Sheriff Administration	
		510830 Armed Corrections Duty	(910)
10000	2500100000	Sheriff Administration	
		515200 Retiree Health Ins	(70)
10000	2500100000	Sheriff Administration	
		517000 Workers Comp Insurance	(183,245)
10000	2500100000	Sheriff Administration	
		518040 Transportation Admin Fee	(50)
10000	2500100000	Sheriff Administration	
		518100 Budgeted Benefits	(103,000)
10000	2500100000	Sheriff Administration	
		518170 Education Incentive	(8,503)
10000	2500100000	Sheriff Administration	
		518200 Uniform Allowance	(2,412)
10000	2500100000	Sheriff Administration	
		520230 Cellular Phone	(3,108)
10000	2500100000	Sheriff Administration	
		520705 Food	(450)
10000	2500100000	Sheriff Administration	
		520815 Cleaning and Custodial Supp	(500)
10000	2500100000	Sheriff Administration	
		520930 Insurance-Liability	(124,642)
10000	2500100000	Sheriff Administration	
		520945 Insurance-Property	(6,057)
10000	2500100000	Sheriff Administration	
		521500 Maint-Motor Vehicles	(5,500)
10000	2500100000	Sheriff Administration	
		521540 Maint-Office Equipment	(1,000)
10000	2500100000	Sheriff Administration	
		522385 ISF Maintenance	(9,363)

10000	2500100000	Sheriff Administration	523270	Special Events	(490)
10000	2500100000	Sheriff Administration	523600	Audiovisual Expense	(200)
10000	2500100000	Sheriff Administration	523640	Computer Equip-Non Fixed Asset	(1,983)
10000	2500100000	Sheriff Administration	523660	Computer Supplies	(28,476)
10000	2500100000	Sheriff Administration	523700	Office Supplies	(17,016)
10000	2500100000	Sheriff Administration	523720	Photocopying	(1,944)
10000	2500100000	Sheriff Administration	523800	Printing/Binding	(252)
10000	2500100000	Sheriff Administration	523820	Subscriptions	(4,800)
10000	2500100000	Sheriff Administration	524560	ACO Payroll Service Fees	(1,704)
10000	2500100000	Sheriff Administration	524700	County Counsel Legal Services	(718)
10000	2500100000	Sheriff Administration	524740	County Support Service	(6,255)
10000	2500100000	Sheriff Administration	524840	Fingerprinting Services	(305,124)
10000	2500100000	Sheriff Administration	525020	Legal Services	(4,764)
10000	2500100000	Sheriff Administration	525140	Personnel Services	(9,419)
10000	2500100000	Sheriff Administration	525440	Professional Services	(2,204)
10000	2500100000	Sheriff Administration	525500	Salary/Benefit Reimbursement	(2,170)
10000	2500100000	Sheriff Administration	525820	RCIT Pass-Thru Support	(227)
10000	2500100000	Sheriff Administration	525840	RCIT Enterprise	(23,797)
10000	2500100000	Sheriff Administration	526930	Flashlights/Batteries/Bulbs	(75)
10000	2500100000	Sheriff Administration	527280	Awards/Recognition	(100)
10000	2500100000	Sheriff Administration	528140	Conference/Registration Fees	(1,700)
10000	2500100000	Sheriff Administration	528900	Air Transportation	(1,500)
10000	2500100000	Sheriff Administration	528960	Lodging	(1,908)
10000	2500100000	Sheriff Administration	528980	Meals	(816)
10000	2500100000	Sheriff Administration	529080	Rental Vehicles	(360)
10000	2500100000	Sheriff Administration	536920	Interfnd Exp-Gen Office Exp	(491)
10000	2500100000	Sheriff Administration	726160	Permit-Gun (PC 12050)	(1,067,328)
10000	2500700000	Ben Clark Training Center	370100	Unassigned Fund Balance	(1,223,985)
10000	2500700000	Ben Clark Training Center	510040	Regular Salaries	742,943
10000	2500700000	Ben Clark Training Center	510320	Temporary Salaries	262,671
10000	2500700000	Ben Clark Training Center	510420	Overtime	414,886
10000	2500700000	Ben Clark Training Center	510520	Bilingual Pay	3,510
10000	2500700000	Ben Clark Training Center	510830	Armed Corrections Duty	910
10000	2500700000	Ben Clark Training Center	515200	Retiree Health Ins	70
10000	2500700000	Ben Clark Training Center	517000	Workers Comp Insurance	183,245
10000	2500700000	Ben Clark Training Center	518040	Transportation Admin Fee	50
10000	2500700000	Ben Clark Training Center	518100	Budgeted Benefits	103,000
10000	2500700000	Ben Clark Training Center	518170	Education Incentive	8,503
10000	2500700000	Ben Clark Training Center	518200	Uniform Allowance	2,412
10000	2500700000	Ben Clark Training Center	520230	Cellular Phone	3,108
10000	2500700000	Ben Clark Training Center	520705	Food	450
10000	2500700000	Ben Clark Training Center	520815	Cleaning and Custodial Supp	500
10000	2500700000	Ben Clark Training Center	520930	Insurance-Liability	124,642
10000	2500700000	Ben Clark Training Center	520945	Insurance-Property	6,057
10000	2500700000	Ben Clark Training Center	521500	Maint-Motor Vehicles	5,500
10000	2500700000	Ben Clark Training Center	521540	Maint-Office Equipment	1,000
10000	2500700000	Ben Clark Training Center	522385	ISF Maintenance	9,363
10000	2500700000	Ben Clark Training Center	523270	Special Events	490
10000	2500700000	Ben Clark Training Center	523600	Audiovisual Expense	200
10000	2500700000	Ben Clark Training Center	523640	Computer Equip-Non Fixed Asset	1,983
10000	2500700000	Ben Clark Training Center	523660	Computer Supplies	28,476
10000	2500700000	Ben Clark Training Center	523700	Office Supplies	17,016
10000	2500700000	Ben Clark Training Center	523720	Photocopying	1,944
10000	2500700000	Ben Clark Training Center	523800	Printing/Binding	252
10000	2500700000	Ben Clark Training Center	523820	Subscriptions	4,800
10000	2500700000	Ben Clark Training Center	524560	ACO Payroll Service Fees	1,704
10000	2500700000	Ben Clark Training Center	524700	County Counsel Legal Services	718
10000	2500700000	Ben Clark Training Center	524740	County Support Service	6,255
10000	2500700000	Ben Clark Training Center	524840	Fingerprinting Services	305,124
10000	2500700000	Ben Clark Training Center	525020	Legal Services	4,764
10000	2500700000	Ben Clark Training Center	525140	Personnel Services	9,419

10000	2500700000	Ben Clark Training Center	525440	Professional Services	2,204
10000	2500700000	Ben Clark Training Center	525500	Salary/Benefit Reimbursement	2,170
10000	2500700000	Ben Clark Training Center	525820	RCIT Pass-Thru Support	227
10000	2500700000	Ben Clark Training Center	525840	RCIT Enterprise	23,797
10000	2500700000	Ben Clark Training Center	526930	Flashlights/Batteries/Bulbs	75
10000	2500700000	Ben Clark Training Center	527280	Awards/Recognition	100
10000	2500700000	Ben Clark Training Center	528140	Conference/Registration Fees	1,700
10000	2500700000	Ben Clark Training Center	528900	Air Transportation	1,500
10000	2500700000	Ben Clark Training Center	528960	Lodging	1,908
10000	2500700000	Ben Clark Training Center	528980	Meals	816
10000	2500700000	Ben Clark Training Center	529080	Rental Vehicles	360
10000	2500700000	Ben Clark Training Center	536920	Interfnd Exp-Gen Office Exp	491
10000	2500700000	Ben Clark Training Center	726160	Permit-Gun (PC 12050)	1,067,328

Recommendation 6: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Sheriff's PSEC Division by \$1,260,486.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
45521	7400600000	PSEC Sheriff ISF	313300 Restricted Net Assets	(1,260,486)
45521	7400600000	PSEC Sheriff ISF	522380 Maint-Buildng Structure Repair	576,986
45521	7400600000	PSEC Sheriff ISF	546060 Equipment-Communications	683,500

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff's Patrol Division by \$5,000.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2500300000	Sheriff Patrol	520705 Food	2,500
10000	2500300000	Sheriff Patrol	526420 Advertising	2,500
10000	2500300000	Sheriff Patrol	790600 Contrib Fr Other County Funds	5,000

Recommendation 8: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments for the Sheriff's Patrol Division by \$67,000.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2500300000	Sheriff Patrol	527720 Safety-Security Supplies	67,000
10000	2500300000	Sheriff Patrol	572200 Intra-Grant	(67,000)

Recommendation 9: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff's Patrol Division by \$180,000.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2500300000	Sheriff Patrol	546380 Vehicles Other	180,000
10000	2500300000	Sheriff Patrol	767220 Fed-Other Operating Grants	180,000

Recommendation 10: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments for the Sheriff's Patrol Division by \$3,989,876.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2500300000	Sheriff Patrol	510040 Regular Salaries	(2,792,913)
10000	2500300000	Sheriff Patrol	513040 Retirement-Safety	(1,196,963)
10000	2500300000	Sheriff Patrol	773560 RCRMC Security Law Enforcement	(3,989,876)
10000	2500400000	Sheriff Correction	510040 Regular Salaries	2,792,913
10000	2500400000	Sheriff Correction	513040 Retirement-Safety	1,196,963
10000	2500400000	Sheriff Correction	773560 RCRMC Security Law Enforcement	3,989,876

Recommendation 11: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments for the Sheriff's Patrol Division by \$100,000.

<u>Fund</u>	<u>Dept ID</u>		<u>Account</u>	<u>Amount</u>
10000	2500200000	Sheriff Support	546160 Equipment-Other	(50,000)
10000	2500200000	Sheriff Support	546280 Capitalized Software	(50,000)
10000	2500200000	Sheriff Support	572200 Intra-Grant	100,000
10000	2500300000	Sheriff Patrol	546160 Equipment-Other	50,000
10000	2500300000	Sheriff Patrol	546280 Capitalized Software	50,000
10000	2500300000	Sheriff Patrol	572200 Intra-Grant	(100,000)

Recommendation 12: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CFD 23-10M The Woods IA A by \$1,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
20905	991255	CFD 23-10M The Woods IA A	
		321101 Restricted Program Money	(1,000)
20905	991255	CFD 23-10M The Woods IA A	
		529530 Street Lights	1,000

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CFD 23-10M The Woods IA B by \$2,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
20906	991256	CFD 23-10M The Woods IA B	
		321101 Restricted Program Money	(2,000)
20906	991256	CFD 23-10M The Woods IA B	
		529530 Street Lights	2,000

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CFD 23-10M The Woods IA C by \$2,500.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
20907	991257	CFD 23-10M The Woods IA C	
		321101 Restricted Program Money	(2,500)
20907	991257	CFD 23-10M The Woods IA C	
		529530 Street Lights	2,500

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CFD 23-10M The Woods IA D by \$1,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
20908	991258	CFD 23-10M The Woods IA D	
		321101 Restricted Program Money	(1,000)
20908	991258	CFD 23-10M The Woods IA D	
		529530 Street Lights	1,000

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the TLMA - County Airports Division by \$882,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
22350	1910900000	Aviation - Capital	
		321101 Restricted Program Money	882,000
22350	1910900000	Aviation - Capital	
		790500 Operating Transfer-In	882,000
40710	1910700000	County Airports	
		380100 Unrestricted Net Assets	(882,000)
40710	1910700000	County Airports	
		551000 Operating Transfers-Out	882,000

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the TLMA - Planning Division by \$500,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	3120100000	Planning	
		510040 Regular Salaries	100,000
10000	3120100000	Planning	
		525440 Professional Services	400,000
10000	3120100000	Planning	
		790600 Contrib Fr Other County Funds	500,000

Recommendation 18: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the TLMA - Planning Division by \$80,800.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	3120100000	Planning	
		537280 Interfnd Exp-Misc Project Exp	80,800
10000	3120100000	Planning	
		790600 Contrib Fr Other County Funds	80,800

Recommendation 19: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the TLMA - Code Enforcement Division by \$2,895,377.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
20270	3140100000	Code Enforcement	
		330100 Committed Fund Balance	(2,895,377)
20270	3140100000	Code Enforcement	
		551100 Contribution To Other Funds	2,895,377

Recommendation 20: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the RUHS - Behavioral Health Division by \$2,970,000.

<u>Fund</u>	<u>Dept ID</u>	<u>Account</u>	<u>Amount</u>
10000	4100200000	Mental Health Treatment	
		537320 Interfnd Exp-Improvements Bldg	2,970,000
10000	4100200000	Mental Health Treatment	
		790500 Operating Transfer-In	500,000
10000	4100200000	Mental Health Treatment	
		790600 Contrib Fr Other County Funds	2,470,000



Description	Fiscal Year 2025/26	Fiscal Year 2026/27*	Fiscal Year 2027/28*	Fiscal Year 2028/29*	Fiscal Year 2029/30*
First Quarter Department Adjustments Due to Executive Office	10/10/25	10/09/26	10/08/27	10/06/28	10/05/29
First Quarter Adjustments and Yearend Validation Report Due to Board of Supervisors	11/18/25	11/17/26	11/16/27	11/14/28	11/13/29
ISF and GSS Rate Approval for Next Cycle	01/13/26	01/12/27	01/11/28	01/09/29	01/15/30
Midyear Department Budget Status Due to Executive Office	01/16/26	01/15/27	01/14/28	1/16/2029	01/15/30
Budget Kickoff for Next Budget Cycle (Held by Executive Office Budget Team)	01/20/26	01/19/27	01/18/28	01/16/29	01/22/30
Midyear Budget Report Due to Board of Supervisors	03/03/26	03/02/27	02/29/28	02/27/29	02/26/30
Departments New Budget Cycle Submittals are Due to Executive Office	03/09/26	03/08/27	03/06/28	03/5/29	03/11/30
Third Quarter Department Budget Status Due to Executive Office	04/16/26	04/09/27	04/10/28	04/09/29	04/12/30
Suspend CTR	05/01/26	05/01/27	05/01/28	05/01/29	05/01/30
Third Quarter Budget Report Due to Board of Supervisors	06/02/26	05/18/27	05/16/28	05/15/29	05/14/30
Recommended Budget Available for the Public <u>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>	05/30/26	05/30/27	05/30/28	05/30/29	05/30/30
Recommended Budget Presentation and Budget Hearings	06/08/26	06/07/27	06/12/28	06/11/29	06/10/30
Continuation of Recommended Budget Hearings (if needed)	06/09/26	06/08/27	06/13/28	06/12/29	06/11/30
Recommend Budget Adoption	06/23/26	06/22/27	06/20/28	06/19/29	06/18/30
<i>Recommended Budget Statutory Deadline</i>	06/30/26	06/30/27	06/30/28	06/30/29	06/30/30
Yearend Cleanup of Previous Year Budgeted Appropriations (as needed)	08/07/26	08/06/27	08/07/28	08/06/2029	08/09/30
Adopted Budget Book Must be filed the State Controller's Office.	10/02/26	10/02/27	10/02/28	10/02/29	10/02/30

*Future fiscal year dates are preliminary and subject to revision.



Fiscal Year 2024/25 Yearend Validation Report

FY 2024/25 Yearend General Fund Financial Position (In Millions)

Description	Adjusted Budget FY 24/25	Third Quarter Projection	Year-end Actual*
Unassigned Fund Balance/Reserves Beginning Balance	\$ 698	\$ 762	\$ 762
Discretionary Revenue	1,263	1,324	1,351
Net County Cost (NCC)	1,240	1,268	1,318
Net (Deficit)/Savings from Operations	23	56	33
Year-end Changes in Fund Balance/Reserves	0	(90)	0
Projected/Actual Ending Unassigned Fund Balance/Reserves	\$ 720	\$ 728	\$ 795

Board Policy B-30 (25% of Discretionary Revenue)	\$ 316	\$ 331	\$ 338
Over/(Under) Fund Balance Threshold	\$ 404	\$ 397	\$ 457

GFOA Recommendation (2 months of operating expenditures)	\$ 775	\$ 775	\$ 853
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* Unaudited.

FY 2024/25 Yearend General Fund Discretionary Revenue
(In Millions)

Revenue Description	Adjusted Budget	3rd Quarter Estimate	Year-end Actuals*
Property Taxes	\$556.0	\$574.7	\$588.7
Motor Vehicle In Lieu	392.0	395.0	395.2
RDA Residual Assets	72.2	77.2	76.5
Tax Loss Reserves Overflow	27.5	27.5	27.5
Fines and Penalties	14.0	15.8	15.2
Sales & Use Taxes	48.6	47.3	49.7
Tobacco Tax	11.5	11.5	11.5
Documentary Transfer Tax	16.6	19.9	20.1
Franchise Fees	7.4	7.4	8.0
Interest Earnings	41.6	80.0	88.9
Misc. State	4.8	5.0	2.4
Federal In-Lieu	3.5	3.5	4.4
Rebates & Refunds	8.1	8.0	8.8
Transient Occupancy Tax	13.6	12.6	12.0
Other (Prior Year & Misc.)	17.2	22.7	26.0
Operating Transfers In	27.9	15.5	15.5
Total Discretionary Revenue	\$1,262.7	\$1,323.7	\$1,350.5

* Unaudited.

FY 2024/25 Yearend General Fund Unspent NCC Allocation

Department Name	NCC Unspent
Sheriff	5,197,614
EO – Interest On TRANS & Teeter	4,825,060
Probation	3,200,950
EO – Non-EO Operations	2,605,545
District Attorney	2,364,641
Environmental Health	2,233,380
County Counsel	1,790,553
EO – Court Facilities	1,553,819
EO – Contribution to Trial Court Funding	1,344,692
Registrar of Voters	1,207,804
EO – Contributions to Other Funds	1,080,500
Animal Services	985,704
Board Of Supervisors	924,376
Fire Department	754,838
Auditor-Controller	640,248
Treasurer-Tax Collector	600,533
EO – Confidential Court Orders	406,942
Department of Child Support Services	380,499
Executive Office Operations	356,661
EO – Court Transcripts	160,964
EO – Indigent Defense	150,297
Assessor/ County Clerk-Recorder	87,042
EO – Grand Jury Admin	66,603
Public Health/CCS	55,590
EO – Matured Financing	53,082
Purchasing	52,416
EO – NPDES	42,208
EO – Augmentation	35,790
DPSS	30,677
Planning	14,355
Cooperative Extension	4,651
Code Enforcement	770
EO – Contributions to Health and Mental Health	323
EO – Appropriation for Contingency	0
Sub-total Unspent NCC	33,209,127

FY 2024/25 Yearend General Fund NCC Allocation Deficits

Department Name	NCC Deficit
RUHS – MIS/Correctional Health	(3,889,533)
Public Defender	(3,101,110)
Behavioral Health	(2,436,075)
Emergency Management Department	(2,143,655)
Facilities Management	(335,525)
Agricultural Commissioner	(79,317)
Human Resources	(37,500)
Veterans Services	(15,666)
Auditor – COWCAP Reimbursement	(1)
Sub-total NCC Deficits	(12,038,382)
Total Unspent NCC	21,170,745



RIVERSIDE COUNTY ECONOMIC AND REVENUE FORECAST

OCTOBER 2025

THE 2025 ECONOMIC AND REVENUE FORECAST FOR RIVERSIDE COUNTY

OCTOBER 2025

Prepared for:



COUNTY OF RIVERSIDE EXECUTIVE OFFICE

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ECONOMIC OUTLOOK UNITED STATES

GENERAL ECONOMIC CONDITIONS

The outlook for **U.S. economic growth remains positive**, assuming that the Government shutdown will be short lived (lasting less than a month), and that neither President Trump will impose 100 percent tariffs on Chinese goods on November 1 nor that China will place restrictions on rare earth exports. The economy experienced strong growth in the second quarter of 2025 and we forecast a similarly high growth rate for the third quarter of 2025, before it will slow down somewhat for the fourth quarter of 2025. There is **no recession on the horizon**. **Inflation is still not entirely under control**, with the most recent observations close to 3 percent. Note that the Fed target is 2 percent.

President Trump's tariffs did not result in the significantly higher domestic prices many forecasters had predicted. The **labor market has shown first signs of softness**, judging by the low number of jobs created over the last six months (after heavy downward data revisions). However, this could also be due to reduced immigration numbers rather than cyclical factors. Labor market data for September 2025, which are not yet available, will be critical for this assessment. The best way to describe the state of the economy in 2025/2026 is "**stagflation lite**," meaning a small dose of elevated inflation coinciding with small increases in the unemployment rate.

Given the dual mandate of the Federal Reserve, we expect the Federal Funds Rate (and interest rates in general) to fall further until the middle of 2026. Tourism has experienced declining numbers of foreign travelers, and especially Canadians, coming to the U.S., but this is not driven by exchange rate movements. Instead it seems to be the result of negative sentiments, rational or not, about foreign travelers judging the degree to which they feel welcomed in the country. The winter months will reveal if these feelings are simply transitory or not. The **Government Shutdown**, which started

on October 1, had little impact so far on the economic report in terms of data collection. The most significant data points missing are for the national unemployment rate, which was supposed to be released by the Bureau of Labor Statistics on Friday, October 3, and September's level of the consumer price index. The release of the latter will simply be postponed until the end of October.

The unemployment rate for September 2025 is an important observation because it will shed more light on the question whether or not the recently observed slowdown in the national labor market was due to cyclical factors or falling immigration numbers. The lack of timely reporting creates further uncertainty for the Federal Reserve, which has to make a decision in December on whether or not to reduce the Federal Funds Rate by another 25 points (it lowered the rate by 25 points in its October meeting). If the shutdown does not end soon, then the Federal Reserve will miss additional observations on a host of other economic variables. The shutdown has now lasted beyond a few weeks, and the length of the continued shutdown makes our forecast which currently calls for no recession into the foreseeable future, less certain.

ECONOMIC GROWTH

For our previous report in May 2025, real GDP growth was only available for the fourth quarter of 2024. Since then, two more data points have been published: real GDP actually fell by 0.6 percent during the first quarter of 2025, but increased by 3.8 percent during the second quarter. Both the 0.6 percent decline and the 3.8 percent increase deserve additional explanation, since they were the result of unusual circumstances surrounding President Trump's tariff policies.

The negative growth during the first quarter of 2025 was very much of a concern for decision makers, since two quarters of negative economic growth is

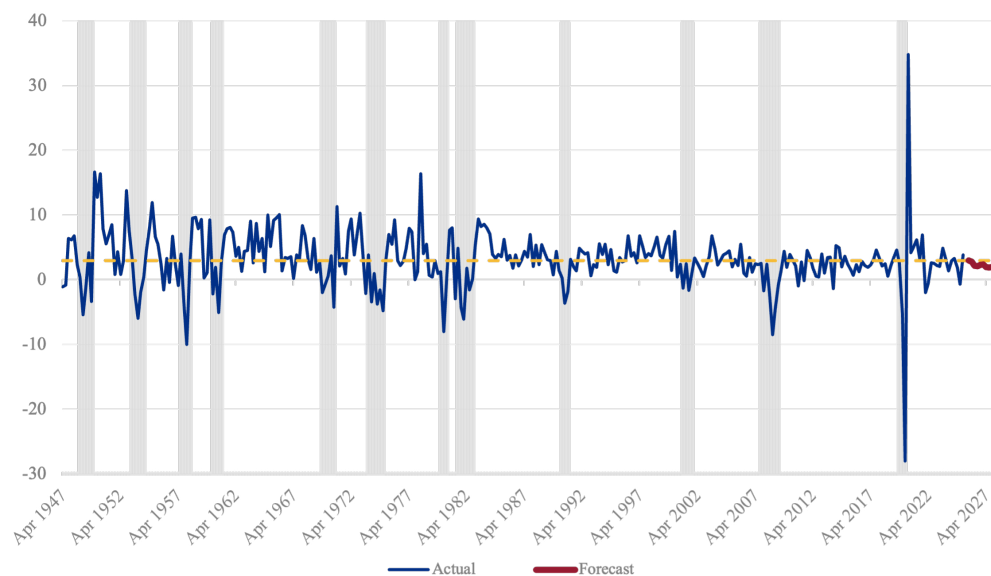
typically associated with an economic recession.¹ However, President Trump initially announced relatively high import tariffs on basically goods from all countries on April 2 (“Liberation Day”). While the rates were subsequently modified for many countries, the initial declaration resulted in an unusually large increase in imports (“hoarding”) of 38 percent compared to the fourth quarter of 2024. Outside of the COVID-19 episode, an increase of similar magnitude has not been observed since 1980. Since imports are subtracted from GDP, this caused the decline for the first quarter.²

Similarly the numbers for the second quarter of 2025 are overstating economic growth since the decline in imports compensated for the abnormally high levels in the first quarter: during the second quarter of 2025, imports decreased by 29 percent - again, this is unprecedented except for periods of economic recession. Combining the two quarterly growth rates points to an economy that is growing at

1.6 percent, or below 2 percent once you filter out the abnormalities caused by imports. We expect GDP growth of greater than 3 percent for the third quarter of 2025, but quarterly growth rates declining for the fourth quarter of 2025. This results in an annual estimated GDP growth for 2025 of 2.2 percent.

Figure 1 puts these numbers in a longer term perspective. Over the very long run (since 1900), U.S. real GDP growth has averaged roughly 3.0 percent, but slowed down since the beginning of the Great Recession (2008-2009). Since then, the average has been 2.0 percent. More recently, it was 2.4 percent during the last four years of the previous economic expansion (2017-2020), and 2.6 percent for the post COVID-19 years of 2021-2024. Note that the U.S. economy is currently in a 65-month economic expansion. In itself, this is not particularly long since the previous record breaking expansion lasted 128 months, and even then, was only interrupted by the abrupt COVID-19 downturn.

FIGURE 1: REAL GDP GROWTH, U.S., QUARTERLY GROWTH RATES ANNUALIZED, SAAR, BILLIONS OF CHAINED 2017 DOLLARS, 1947 Q1 - 2025 Q2



- The second quarter of 2025 showed real GDP growth of 3.8 percent. We expect the third quarter of 2025 GDP growth to be of a similar magnitude if not marginally higher (3.9 percent). For 2025 we predict growth of 2.2 percent.
- Looking at annual growth rates from a year ago over the last 12 months, we observe 2.1 percent growth, Long-run average is 3 percent (yellow line).
- Negative growth in the first quarter of 2025 was due to hoarding of imported goods by households and firms due to the initially announced high tariffs rates on “Liberation Day.”

1. It is actually the dating committee of the National Bureau of Economic Research (NBER) that decides the peaks and troughs of business cycles, and it does so by month. The committee takes into account more variables than just real GDP growth in its analysis.

2. National Income Accounting makes this more complicated to explain since imports are subtracted from the import components of consumption and investment to eliminate imports from GDP altogether. Households and firms switched from domestic consumption and investment to imported consumption and investment to avoid the higher prices forecasted as a result of the higher tariffs.

Our “no recession” belief is based on the fact that public and private investments in infrastructure and technology, and smart deregulation will outweigh the negative effects of fully implemented tariff rates, downsizing of the government sector, possible cuts in health related expenditures, and deportations.

INFLATION

The Fed’s preferred measure of **inflation**, which is the growth rate of the Personal Consumption Expenditure Price Index (PCEPI), stands at **2.7 percent**. The more commonly observed Consumer Price Index (CPI) shows an inflation rate for August 2025 of 2.9 percent (and rising), and an even slightly higher value of 3.1 percent once you remove the more volatile food and energy components. Regardless of which index you use, it is **significantly above the target inflation rate of 2 percent**. This is the last available data point and there will be no publication of inflation data until the last week of October.

To illustrate, 2 percent inflation means that the dollar loses half of its purchasing power every 35 years, meaning that you need twice as many dollars in 2060 to purchase your basket of consumption goods compared to now. With the currently observed inflation rate, Riverside County, assuming no structural adjustment, will need to double its budget by 2049, or in 24 years, to provide the same amount of services as it currently does.

The Federal Reserve has now missed the 2 percent target for 54 consecutive months, or 4.5 years. This impacts the credibility of the central bank in terms of being committed to a lower inflation rate target. It resembles a situation where a parent sets strict rules for the children with the threat of disciplinary actions if the rules are broken, only to repeatedly not act when the children misbehave. The fear is that labor market participants will have elevated inflationary expectations and therefore will bargain for higher nominal wage growth. This could trigger a wage-price spiral. You can think of missing the target repeatedly as a bad habit: the more it happens, the harder it is to break. As a result, the job of the Federal Open Market

Committee (FOMC) regarding the appropriate level of the Federal Funds Rate (FFR) has become even more difficult compared to the time they made the decision to lower the rate at their September meeting. Given the current political climate, we have no doubt that the FOMC will lower the FFR by another 25 basis points in each of their next two meetings (October and December), especially since Chairman Powell has now signaled that the Fed is more concerned about the weakness of the labor market than about inflation (“Rising downside risks to employment have shifted our assessment of the balance of risks.” October 15 statement). Financial markets mirror this belief. However, the Government Shutdown has two effects on the decision making of the FOMC: (i) the committee now lacks an important data point input due to economic data on the labor market not being released, and (ii) uncertainty arising from the shutdown itself. It is therefore highly unlikely that there will be a 50 basis point reduction - certainly not at the October meeting.

The reason for the previous 25 basis point reduction, which was agreed upon almost unanimously (with one dissent, a 11-1 vote), was the availability of revised labor market data (to be discussed below). It showed that, after large data adjustments by the Bureau of Labor Statistics (BLS), **the labor market appears weaker than previously thought**. The dual mandate of the Federal Reserve, and the fear of a rising unemployment rate, outweighed the concern of increasing inflation rates for the first time in the recent past, and triggered the loosening of monetary policy in the face of increasing inflationary pressures.

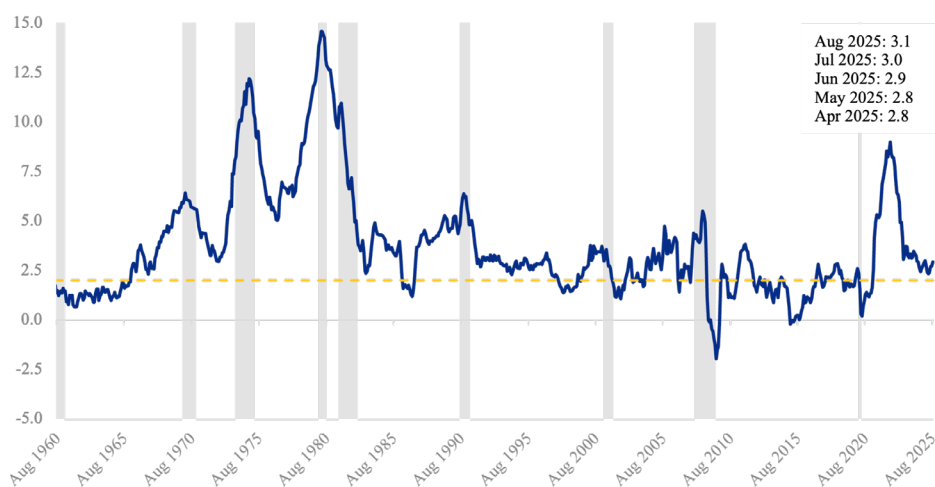
Our forecast is that inflation rates above the 2 percent target will be the norm even by the end of our forecast period in 2028. Perhaps it is time for the Federal Reserve to allow for a higher target inflation rate, such as 3 percent or even 4 percent. The FOMC has little choice but to lower the FFR at its October and December meetings, thereby continuing the policy it started at the September meeting. A lower FFR will not reduce the inflation rate from its current level, but may stimulate the economy mildly, especially interest rate sensitive markets (such

as automobiles, and residential construction).

Note that economic theory stresses that it is the **real interest rates** (or the nominal interest rate adjusted for inflationary expectations), **not the nominal interest rate itself**, that affects decisions by households and firms regarding consumption of durables and investment. With inflation rates creeping up and the

nominal interest rates being lowered, real interest rates have been declining more dramatically than just visibly through FFR decreases. This suggests a looser or expansionary monetary policy stimulus than is obvious from the lowering of the FFR.

FIGURE 2: INFLATION, “CORE” CONSUMER PRICE INDEX, U.S., AUGUST 1960 - AUGUST 2025,
PERCENTAGE CHANGE FROM A YEAR AGO, SA, ALL ITEMS



- Latest number is 2.7 percent for Personal Consumption Expenditure Price Index, and it remains above 2 percent target line (yellow).
- Inflation slowly decreased over the past 2 years after its peak at 8.9 percent (using the regular Consumer Price Index) in June of 2022.
- The Federal Reserve typically increases interest rates to counter inflation and lowers it to stimulate the economy.



LABOR MARKETS

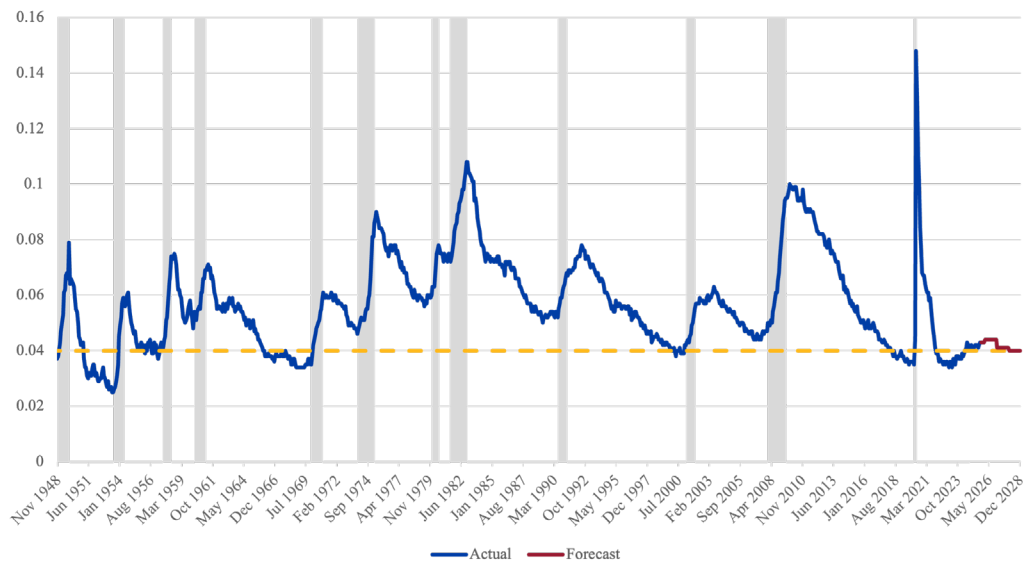
The biggest impact regarding economic data from the Government Shutdown is the missing September 2025 labor market report by the BLS. It comes at a crucial time, when forecasters had hoped to gain further insights regarding the recently observed labor market weakness. The data is supposed to shed light on the question if the low employment growth is due to the economy weakening in general (maybe a first sign of an economic downturn) or simply the result of lower immigration rates. To clarify, lower immigration rates mean a lower population level, and with employment to population ratios remaining constant, there is less of a need for the job market to create additional jobs.

Given the lack of publically available data for September, you can gain some insights into the current state of the labor market by looking at private sector data collections. The payroll processing firm Automatic Data Processing (ADP), for example, gathers data for a large number of firms (covering 26 million workers). It shows a decline of 32,000

jobs for September 2025.³ Data from the job-posting site Indeed indicates similar weakness.

Unemployment rates have started to increase slightly since our last report. The rate went up to 4.3 percent in August 2025. Note that the unemployment rate is one of the first measures to indicate whether or not the national economy is in a recession. It takes the dating committee of the NBER sometimes as long as a year to declare that the economy has reached a peak (it announced that the Great Recession had started in December 2007 a whole 12 months later). The so-called Sahm measure is very reliable in dating the start of a recession and it compares the three months average unemployment rate (say July to September 2025) with the lowest three months average over the previous year. In essence, while ignoring month-to-month changes in the unemployment rate, it rings the alarm bell if unemployment rates show a sustained increase. The rule says that if the difference exceeds 0.5, then a recession has started. The current value is 0.13 for August 2025.

FIGURE 3: UNEMPLOYMENT RATE, SA, U.S., NOVEMBER 1948 - DECEMBER 2028 (PROJECTION)



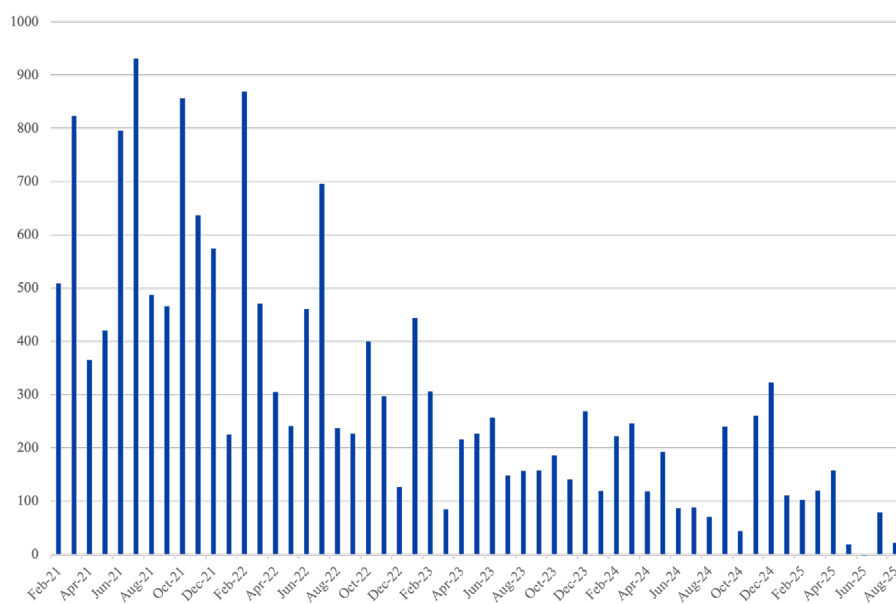
- The national unemployment rate rose slightly to 4.3 percent in August 2025, or over 0.7 percentage points from July 2023.
- An unemployment rate of close to 4 percent represents a low jobless rate by recent historical standards.
- In the post-pandemic context, we have reached labor market normalization with low unemployment levels.

3. This data is publically available from the Federal Reserve Economic Data bank. The ADP series is named ADPWNUSNERSA.

While the unemployment rate suggests that the labor market remains tight by historical standards, changes in non-farm employment paint a different picture. We, and the Federal Reserve, were misled by overly optimistic job growth numbers since May 2025. Subsequent revisions by the Bureau of Labor Statistics/Department of

Labor resulted in a significant downward revision in the numbers. July 2025 actually showed the first employment decline since December 2020. It can be argued that the Federal Reserve would have lowered the Federal Funds Rate during their end of July 2025 meeting had they received the downward revised numbers earlier.

FIGURE 4: MONTHLY JOBS CREATED, SA, U.S., FEBRUARY 2021 - AUGUST 2025



employment has coincided with a growth in the U.S. population. If President Trump’s reduction in net-migration (both legal and illegal) is as effective as some research indicates, then population growth will be significantly impacted and downward revised. In that situation, **fewer jobs need to be created** when compared to historical patterns, and even the low numbers currently observed could be relatively healthy. The U.S. Census Bureau, for example, estimates that only about 90,000 new jobs would be needed to keep the employment to population ratio from shrinking. This number could even be as low as 30,000 if you think that net migration is zero.

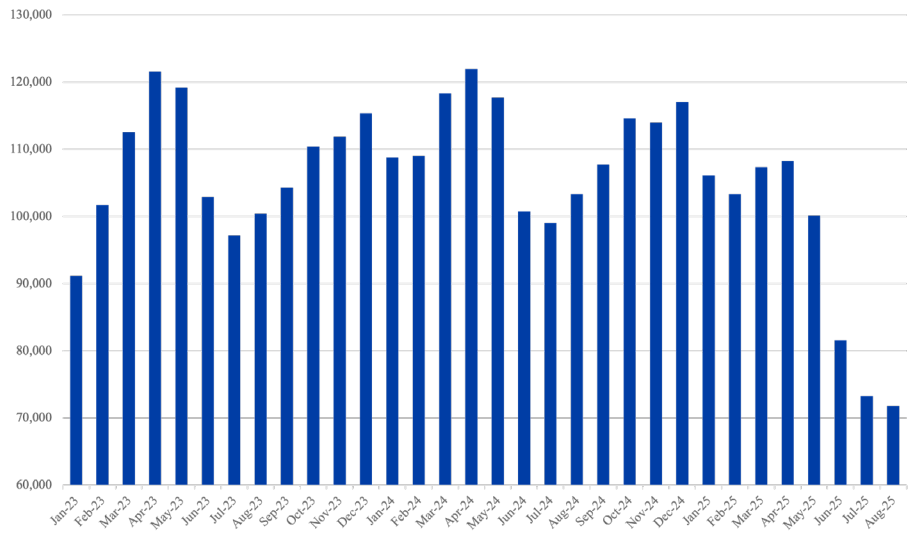
EXCHANGE RATE

There are two reasons to bring up the **exchange rate** in our discussion: movements in the U.S. dollar against the Canadian dollar and the Euro will affect **flows of tourists** (“snow birds”) in the Coachella Valley, especially during the high tourist season,

and exchange rate movements relative to Asian countries will **impact imports**. Hence they are of interest to businesses and policy makers in Riverside County even outside of the Coachella Valley.

While there has been a reduction in tourism flows from the Western Canadian Provinces last year, we will have to wait and look at hotel bookings and flight arrivals at Palm Springs International Airport (PSP) before we can judge by how much the **Leisure and Hospitality** Industry will be impacted. There is also the possibility that reduced international tourist flows will be made up, to some extent, by increases in domestic visitors. The earliest meaningful measures to look for will be in November - there is little to be gained by analysing traffic flows before that. At this point, we have to limit ourselves to numbers of international visitors to California and exchange rate movements when predicting tourism flows.

FIGURE 5: AIRLINE PASSENGERS ARRIVING IN CALIFORNIA FROM CANADA, NSA, JANUARY 2023 - AUGUST 2025



- Airline passengers arriving from Canada has significantly decreased recently.
- Summer months always show lower number of passengers arriving from Canada, but even compared to 2022, decline is dramatic.
- Airline passenger numbers were relatively stable from 2022 to end of 2024.

According to data published by Visit California, **international tourist visits are down by 8 percent or by 170,000 for the months June to August 2025.** However, that is for the state total and includes visits to the Bay area and the Greater Los Angeles area. Still, this is a significant reduction compared to a

year ago. What is more worrisome is the **32 percent decline of Canadian tourists**. If this translates into 1/3 fewer snowbirds starting to arrive in November, then this will have a significant impact on the Riverside County economy. However, it is less costly not to leave Canada in the summer months when the

weather and the climate in Vancouver and Calgary are quite pleasant, than during the winter months. We will not speculate as to what caused the decline, although finding underlying reasons is important for forecasting visitors. Moreover, passenger traffic at PSP currently is actually up from a year ago.⁴

The U.S. dollar has been relatively stable with respect to the relevant currencies over the last year (Figure 6). There had been a **small appreciation against the Canadian Dollar** when we wrote our previous report in April, but since

then, the small spike has disappeared. Compared to a year ago, the U.S. dollar has appreciated only by slightly more than 2 percent. The biggest relevant depreciation has come with respect to the Euro, and it is roughly 6 percent, which is too small to have a significant impact on decision making by tourists. If you add to that the fact that most European nations are experiencing stagnating economies currently, then you can safely assume that there will not be additional tourists from that part of the world to the Coachella Valley this season.

FIGURE 6: CANADIAN DOLLAR TO U.S. DOLLAR SPOT EXCHANGE RATE, DECEMBER 1971 - AUGUST 2025



- C\$/US\$ has remained fairly constant since September 2022, but the U.S. dollar depreciated by 4 percent from its peak recently.
- Canadian dollar depreciated by 0.6 percent from a year ago.
- Regarding most other currencies, the picture is mixed (depreciation against the Euro 6 percent), appreciation against the Yuan (0.8 percent), against the Won (5.7 percent) and the Yen (3.0 percent).

4. For those who have experienced winters in Canada, it is hard to imagine that the boycott movement will dominate the birthright of Canadians to spend some time during the winter in Florida or California, at least in the long run.

WHAT YOU CAN EXPECT

We want to stress from the beginning that we are **making the forecast** here under the assumption that (i) the **government shutdown will last less than a month**, (ii) there will be **no additional tariffs on Chinese goods of 100%** starting in November and that China will lift its export restrictions on rare earths, and (iii) that the **Federal Reserve will continue to be independent** in its policy decisions.

A year ago, most of the discussion regarding aggregate economic activity, focused on the question whether or not there would be a “soft landing” or a reduction in the inflation rate from its high levels (9 percent in June 2022) to the Federal Reserve target of 2 percent without a coinciding recession. While the inflation rate was reduced significantly to its current level of around 3 percent (depending on the measure you look at), the Federal Reserve has now failed to achieve its target for almost five years! Given the recent change in its policy stance, there is little doubt that the central bank will fail to achieve the target over the next year. Instead, we forecast that inflation will continue to creep up, and that this will coincide with a small increase in the unemployment rate. The best description of this scenario would be “**stagflation lite**” or a weaker labor market coinciding with increasing inflation. However, the term stagflation was coined in the 1970s when high inflation rates (up to 15 percent) coincided with high unemployment rates (over 10 percent). This is clearly not the case here.

President Trump’s **tariff policies continue to play a significant role** in the economic outlook for the nation. However, just as they did not result in the recession forecasted by some, we do not see negative output growth in the near term horizon for the U.S. economy.

Although not as much as in the immediate aftermath of the Liberation Day announcement, there remains **a degree of uncertainty for households and firms in their planning process**. This is not helped by the fact that the Supreme Court has to

rule on the legality of justifying the imposition of the tariffs as a result of a “national emergency.”

The consequences of the tariff policy for the economy will depend on whether or not these higher tariffs will result in higher inflation, or at least in a one-time increase in the price level. This is a crucial question since monetary policy by the Federal Reserve depends on the answer. If inflation remains stubborn, then the Federal Reserve will not lower the Federal Funds Rate (FFR), more than three more times, or by 75 basis points, before mid-2026). This will provide limited stimulus to the economy. Decreases of more than 50 basis points will be required to provide significant additional stimulus to the residential housing market.

In general, increased tariffs will lead to increased prices depending on whether (i) exporters in foreign countries are willing to lower export prices due to the fear of losing market shares, (ii) importers are willing to see their profit margins shrink by not passing on the import price increases, and (iii) consumers switching to substitutes for the more expensive imported goods. Until President Trump’s new executive order in early August, much of the evidence suggested that both exporters and importers had taken a hit on their profit margins rather than raising prices significantly - the president’s tactic of changing tariff rates repeatedly suggested a “wait and see” strategy for firms. With the new tariffs in place, we expect more of the price increases to be passed on to consumers. As (iii) suggests, it then depends on consumers to react to the price increases by either paying them, or by switching to substitutes. **As a result of these uncertainties, forecasting economic activity has become more difficult.** We have to weigh the negative effects from the just described uncertainties against the positive effects from President Trump’s policies on smart deregulation, potential increases in oil production, public investments in infrastructure and technology, paired with promises of Artificial Intelligence.

To summarize, market uncertainty remains elevated due to the speed of change that the administration is pursuing, but **there are several structural factors that provide reasons for optimism about long-term economic prospects**. In particular, continued improvements in economic efficiency - driven primarily by technological advancements, in turn enabled by business' capital expenditures - will ultimately benefit both the goods and equity markets by fostering higher profitability. Furthermore, potential reductions in the federal workforce and federal spending programs could ultimately lead to a serious downsizing of federal debt. Longer term interest rates would only respond positively to a balanced budget or an actual reduction in debt.

We believe that the most likely outcome is that the **national economy will continue to grow at a lower but positive rate over the next two years**. The current forward momentum, perhaps best compared to an oil tanker moving in a certain direction, will carry the economy through 2025. We see inflation rates to diverge from the 2 percent target, reaching levels of above 3 percent later this year before declining subsequently, but not reach the target by the end of 2026 or even 2028. As a result, the Federal Reserve cannot lower interest rates significantly to provide additional stimulus to the housing market. Furthermore, **mortgage rates will not decrease significantly**. Consequently there will not be

significantly higher sales numbers since owners will continue to stay in their current residences to avoid resetting upwards their current low interest rates.

Unemployment rates will increase slightly from the current levels. 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 Gaza/Israel. Instead we see potential upsides from resumed economic growth in Europe, especially given the size of the fiscal stimulus in Germany.

Though we, and other economists, have focused on tariffs as the primary source of market uncertainty, we also understand that this perspective may be overstated. The U.S. economy remains predominantly domestically driven, with tariffs having a greater impact on trading partners than on the U.S. economy itself. Therefore, the more significant and perhaps unexpected development in the policy trajectory of the new administration is the aggressive approach to government efficiency initiatives, particularly the speed of potential changes in Federal employment, uncertainty around existing government contracts, and rapid reductions in the size of Federal departments. These shifts affect multiple sectors including healthcare, consulting, education, and financial services.

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

United States	2023	2024	2025	2026	2027	2028
Real GDP Growth	2.9	2.8	2.2	2.5	2.6	2.4
Inflation	4.1	3.0	2.7	3.2	2.5	2.2
Unemployment Rate	3.6	4.0	4.2	4.5	4.4	4.2
Employment Growth	2.4	1.3	0.9	0.0	0.4	0.8

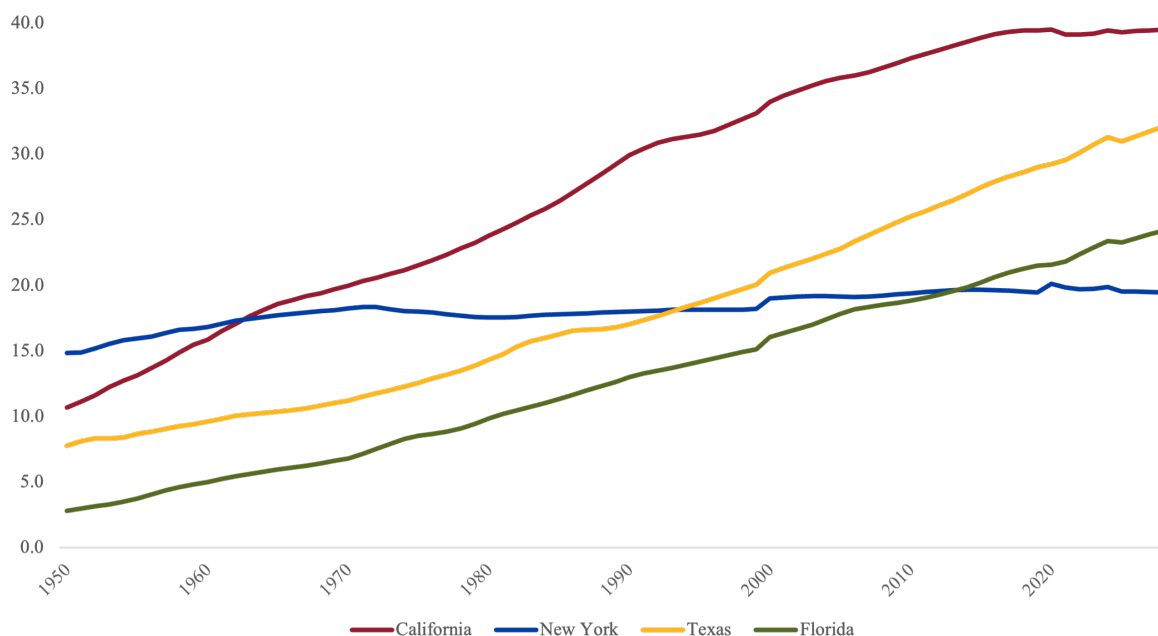
ECONOMIC OUTLOOK

CALIFORNIA

California has overcome its temporary population decline following COVID-19, which was unique in its 174 year history. Data revisions both published by the U.S. Census Bureau and the California Department of Finance show an increasing population. The state added roughly 108,000 residents in 2024, resulting in a total of slightly above 39.5 million people at

the end of 2024. The data revisions also resulted in an increased population in 2023 instead of the previously reported decline. The turnaround was partly the result of a lower number of deaths, but more significantly, less of a domestic out-migration and the surge of international in-migration.

FIGURE 7: POPULATION IN MILLIONS, CALIFORNIA, NEW YORK, TEXAS, AND FLORIDA, 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 until the early 1960s, but was passed by California, Texas, and Florida.
- Population growth in California has recovered from the COVID-19 episode.

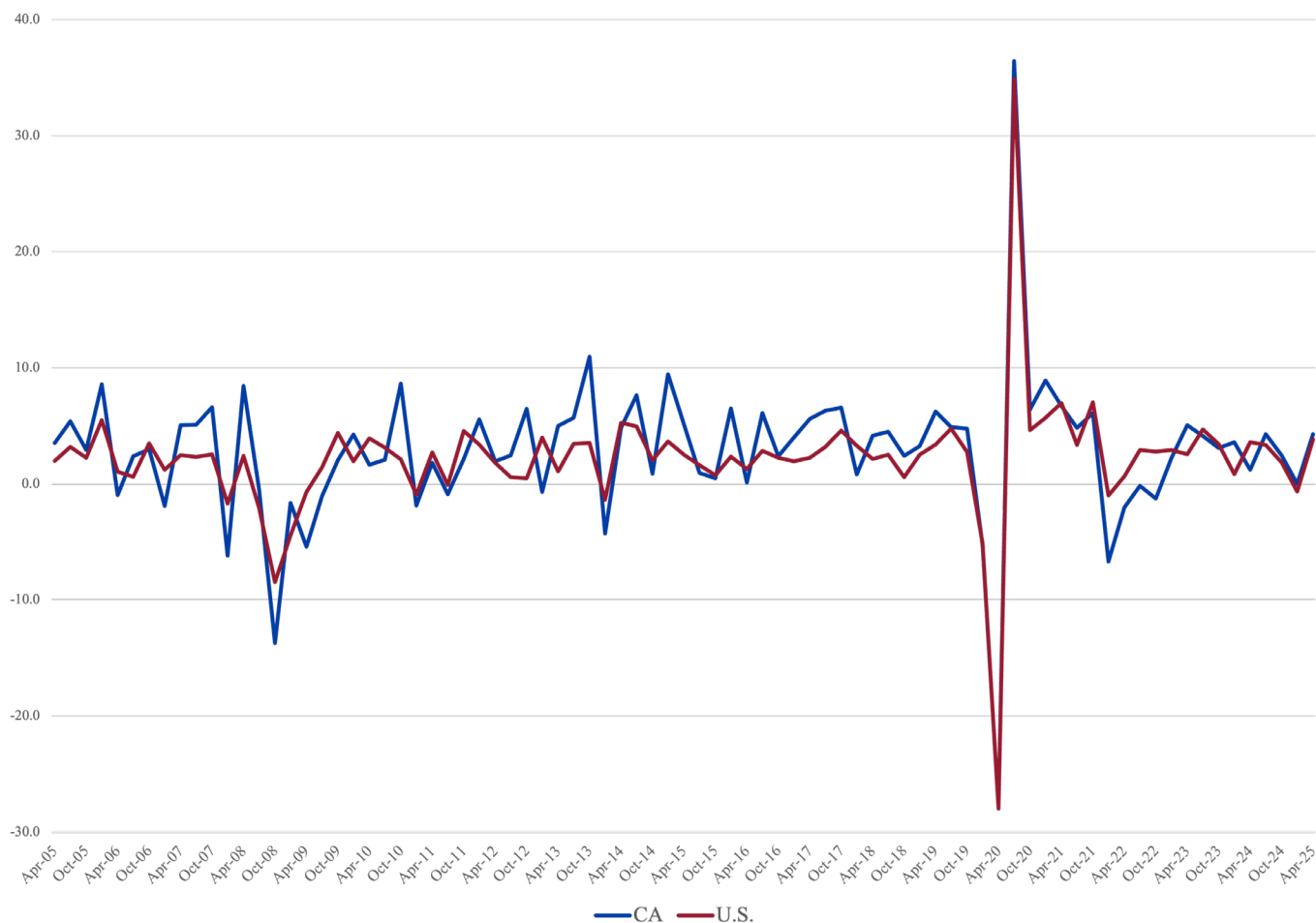
Turning to the State's economy, California currently finds itself in a peculiar situation. Its output growth, as measured by the Gross State Product, is doing well when compared to the nation, but labor markets show worrisome trends. There are some sectors, such as Information, that are doing well and they contribute significantly to the overall value added growth in state GDP. Others are underperforming. We will present the details behind this statement below. With respect to the level of goods and services produced within the state, California has now

surpassed Japan in terms of the value of its Gross State Product. If California was a country, it would rank number 4 in the world behind the U.S., China, and Germany. Note that the German economy is shrinking, while California's continues to grow. Remarkably, the state economy's value of output and services is larger than that of the U.K. or India. As for real GDP growth, the most recent data point is The second quarter of 2025, and it shows California growing at a strong rate of 4.3 percent. The U.S., during the same quarter, only grew at 3.8 percent.

The biggest contribution to this relatively high growth came from just two sectors, which generated 2.5 percent of the 4.3 overall growth rate. They were (i) the Information sector (contribution to overall growth: +1.7 of the overall 4.3 percent growth of the state economy), and (ii) Manufacturing (+0.8/4.3 percent). Other sectors worth mentioning were Health and Private Education (primarily Health, 0.5/4.3 percent), and Professional and Business Services (also 0.5/4.3 percent). It was a positive surprise to see the Information and Manufacturing sectors rebounding. The biggest losers were the

Government sector (-0.3/4.3 percent) and Retail Trade (-0.5/4.3 percent). Had these two sectors just stayed at their previous level, then the California economy would have grown at a rate of close to 5 percent. The 4.3 percent growth is also an improvement over the more recent performance: note that in 2022, for example, our state experienced four quarters of negative growth, suggesting that we avoided the national recession in that year, but not regional declines. Historically, state real GDP growth rates are higher than national growth rates, sometimes substantially so.

FIGURE 8: REAL GDP GROWTH, CALIFORNIA AND U.S., QUARTERLY GROWTH RATES ANNUALIZED, SAAR, BILLIONS OF CHAINED 2017 DOLLARS, APRIL 2005 - APRIL 2025

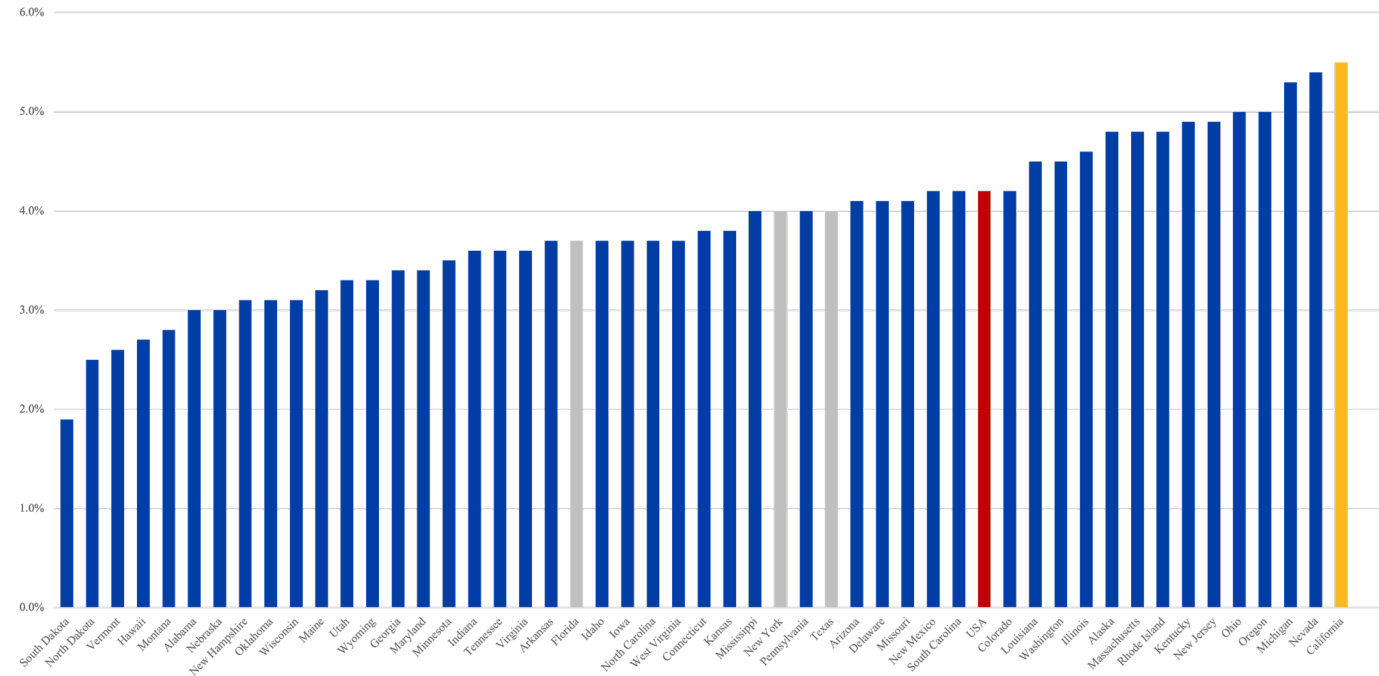


- California shows a 4.3 percent growth in the second quarter of 2025, which is higher than the national level.
- There were four quarters of negative growth in 2022.
- Compared to national growth rates, California typically displays higher growth rates.

Neither the size of the population nor the size of (real) GDP is a good measure of the “wealth of a nation.” A better indicator of the standard of living is per capita GDP (GDP divided by residents), since it gives you a rough estimate of average income per person (if most workers are employed within the geographic area). This measure correlates highly with other indicators of economic well being such as childhood mortality rates, doctors per resident, life expectancy, etc. Among U.S. states, California ranks fourth, only being outpaced by New York, Massachusetts, and Washington. It certainly and easily beats Texas (in 14th place) and Florida (in 34th place).

The California labor market picture is less encouraging. The August 2025 **unemployment rate of 5.5 percent is the highest among U.S. states.** In general, California unemployment rates tend to be higher than the national rate, regardless of cyclical fluctuations. However, a difference of the current magnitude of 1.3 percentage points or more is unusual, and typically due to extraordinary factors such as the shutdown of military bases and the decline of the aerospace industry in the ‘90s, the burst of the housing bubble during the first decade of the millennium, or the particularly hard hit of the leisure and hospitality following the Coronavirus downturn.

FIGURE 9: U.S. STATE UNEMPLOYMENT RATES, SA, JULY 2025

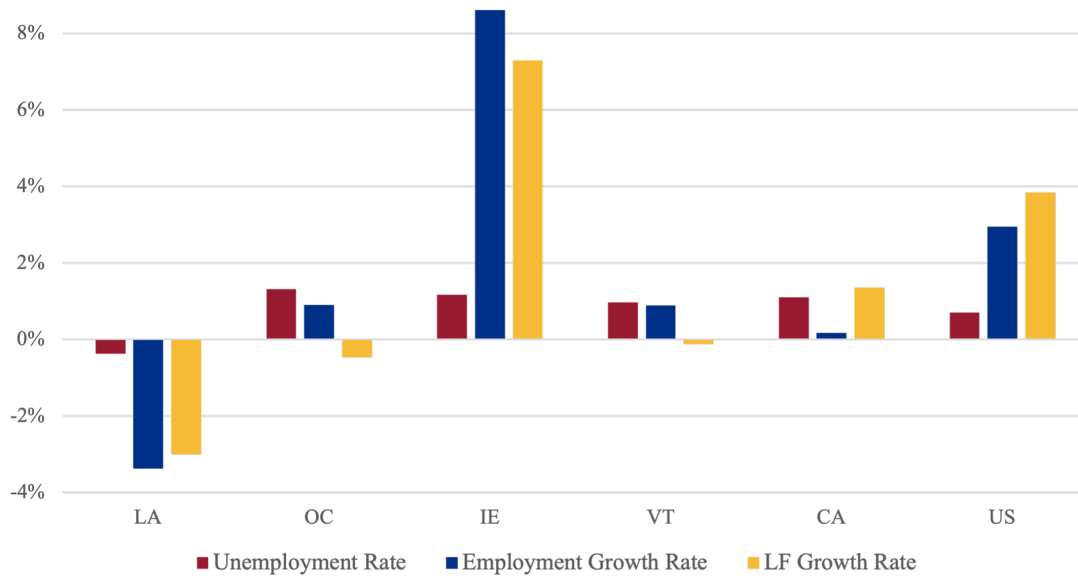


- California has the highest state unemployment rate at 5.5 percent.
- California unemployment rate levels are significantly higher than the national average (4.3 percent).
- Higher state unemployment rate is not a recent phenomenon, but can typically be observed over time.

Looking at the change in the unemployment rate compared to the last month prior to the Coronavirus downturn, we see that the state unemployment rate is higher than it was in February 2020. Unemployment rates can change if either the labor force is growing or employment is shrinking. California experienced both. Seeing employment declining while the labor force is growing is somewhat less worrisome, since it indicates at least that people are returning to the labor force because they think they can find a job. Figure 10 shows the decomposition of the change in the unemployment rate increase due to labor

force growth and employment growth. It also compares the state data with that of the nation, Los Angeles County, Orange County, Ventura County, and the Inland Empire. Here the Inland Empire displays the “healthiest” picture: while its unemployment rate also increased, it was the result of the increase in the labor force outpacing employment growth, which was strong at nearly 6 percent. Los Angeles County is the sick patient here. Had its labor force not shrunk by almost 4 percent, then the unemployment rate in Los Angeles County would have increased by over 5 percentage points.

FIGURE 10: CHANGE IN UNEMPLOYMENT RATE, EMPLOYMENT GROWTH RATE, AND LABOR FORCE GROWTH RATE, CA AND U.S., SA, FEBRUARY 2020 - AUGUST 2025



- Change in the unemployment rate is approximately the difference in growth rate of labor force and employment.
- Compared to pre-COVID-19 dates, California's unemployment rate has increased due to lower employment growth relative and a growing labor force.
- U.S. economy shows a healthier picture with employment growth outpacing the labor force growth. Los Angeles County's performance is the worst performing by comparison.

Table 2 shows some worrisome facts regarding the California labor market. While total nonfarm employment grew by 0.4 percent compared to a year ago, the employment growth was limited to a few sectors of the economy. The data indicates that of the roughly 70,000 jobs created from a year ago, almost 160,000 came from a single sector: basically Health. This means that the other sectors combined showed a loss of employment of almost 90,000 positions (!). There were actually only four other sectors that saw marginal positive employment growth: Government (+32,000), Other Services (+1,500), Leisure and Hospitality (+5,000), and Retail Trade (+12,200). In particular, what is alarming is the blood letting we observe in Construction, Manufacturing, Financial Activities, Professional and Business Services, and Information (despite its positive contribution to GDP growth - clearly productivity is jumping up in that sector, or output growth without employment growth).

The issue dominating the state's labor market today is the **pervasive adoption of AI systems in the workplace**, principally in the industries of software development, web and computer design, professional services including legal, accounting,

and architecture, and scientific and technical consulting. Financial services has also substituted AI processes for human positions as has both the durable and non-durable manufacturing sectors.

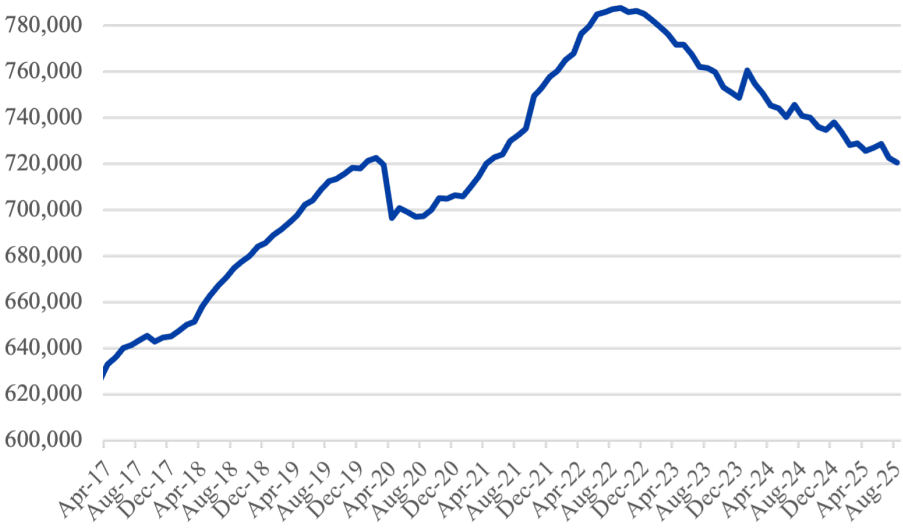
Consequently, **traditional business operations have been disrupted by the gradual adoption of AI that has directly impacted job formation this year.**

This is a principal reason why very few labor market sectors have contributed positive job creation in 2025. The volume of content generated from Hollywood studios is much lower today, exacerbated by the writers and actors labor dispute in 2023. Resolution of the strike was in November 2023 but industry employment, which had contracted by 60,000 workers, never fully rebounded. Entertainment companies, which plan productions many months in advance, cut spending dramatically when the strikes ended. Much of that was on labor to coincide with the 30 percent reduction in motion picture and television content. Approximately 20,000 positions have been ultimately rehired over the last two years with no indication that further growth will occur this year or into next. Content has been reduced a further 13 percent over the first 9 months of 2025.

TABLE 2: LABOR MARKET, CALIFORNIA, 2024-2025, SA

Industry (SA)	Aug-24	Jul-25	Aug-25	Percent Change	
				Month	Year
Civilian Labor Force	19,694,500	19,851,300	19,857,900	0.0	0.8
Civilian Employment	18,625,400	18,762,200	18,763,300	0.0	0.7
Civilian Unemployment	1,069,100	1,089,000	1,094,700	0.5	2.4
Unemployment Rate CA	5.4%	5.5%	5.5%		
Total Nonfarm	17,941,700	18,007,400	18,011,200	0.0	0.4
Mining and Logging	18,900	18,700	18,800	0.5	-0.5
Construction	909,900	895,500	893,000	-0.3	-1.9
Manufacturing	1,242,900	1,212,600	1,211,200	-0.1	-2.6
Logistics	1,489,300	1,487,800	1,487,700	0.0	-0.1
Retail Trade	1,582,800	1,584,700	1,584,000	0.0	0.1
Information	538,000	525,400	526,600	0.2	-2.1
Financial Activities	798,200	783,300	783,400	0.0	-1.9
Professional & Business Services	2,780,100	2,732,200	2,726,900	-0.2	-1.9
Education & Health Services	3,306,700	3,456,300	3,466,100	0.3	4.8
Leisure and Hospitality	2,007,400	2,003,000	2,012,300	0.5	0.2
Other Services	594,400	594,900	595,800	0.2	0.2
Government	2,673,100	2,713,000	2,705,400	-0.3	1.2

FIGURE 11: EMPLOYMENT IN TECHNOLOGY SERVICES, SA, CALIFORNIA, APRIL 2017 - AUGUST 2025



- Employment growth in Technology Services remains weak.
- AI is the most likely reason for recent job displacement.
- There is no sign yet of a recovery in job growth which remains negative through August 2025.

Over the last year, Construction shed almost 15,000 positions, which does not suggest that there are a large number of new development projects underway. However, the lack of skilled laborers together with worker attrition is principally responsible for the total workforce

decline. Heavy construction employment remains stable, reflecting the extent of new infrastructure development which includes the California high speed rail, LAX modernization, Pacheco reservoir expansion, and numerous ongoing highway and bridge improvement projects throughout the state.

COMMERCIAL REAL ESTATE

Migration into California will continue to favor the inland regions of the state, including the Central Valley, Inland Empire, Eastern Sierra, and Sacramento Valley. Rising populations will require more services, provided by businesses needing retail, professional, and office space. Industrial development has already become a principal driver of commercial real estate growth in the inland areas of California.

The California commercial real estate outlook for 2026 reflects a mixed but promising landscape. The industrial sector continues to thrive, primarily driven by e-commerce and California's strategic trade hubs. The demand for warehouse and logistics spaces is expected to grow strongly, except for in parts of the state where it will be limited due to environmental concerns (e.g. AB 98 in the Inland Empire). Retail spaces are evolving with a focus on experiential shopping, grocery-anchored centers, and high-end retail, maintaining steady leasing growth.

Industrial Market

Vacancy rates are rising in most regional markets for industrial products. This is due largely to the rate at which new supply has been delivered to the market, combined with a slowdown this year in demand. The industrial market is still healthy with many lease and purchase deals occurring throughout the state, and with much more new product under construction.

In the second quarter of 2025, the Inland Empire office market saw stable, positive momentum with a 60-basis-point year-over-year decrease in overall vacancy to a historic low of 4.9%, driven by steady demand for space. This affirms the need for additional industrial projects, notably warehouse and fulfillment center projects which are prolific across the Inland empire today.

The uncertainty that has haunted 2025 due to confusion regarding tariff policy and the fear of a

pullback in demand by consumers has interrupted companies' plans for adding new space, at least temporarily in California. This condition is likely to change as trade policy stabilizes and the uncertainty regarding costs fades. Therefore the outlook for the industrial market is for improvement in demand going into 2026. Declining interest rates would accelerate that demand.

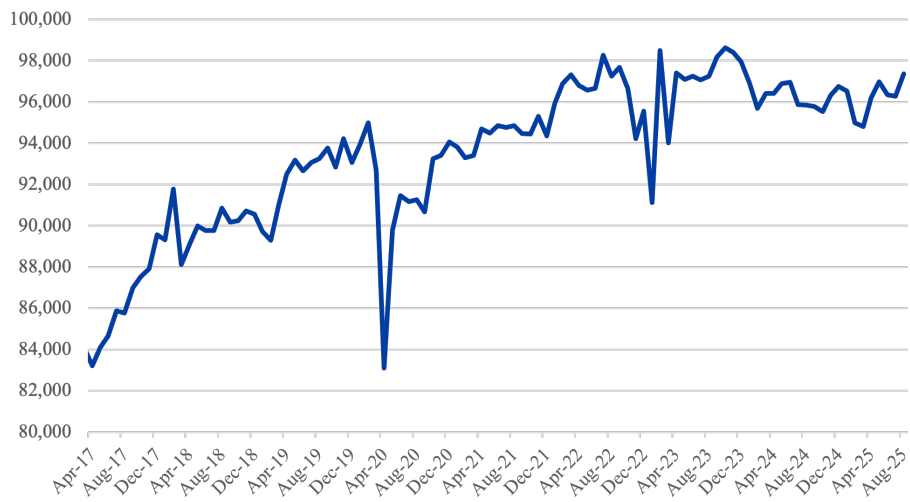
Office Market

The office market remains weak. Utilization today is similar to year ago levels or has even slightly declined. The lack of new job creation in the office using sectors - and most sectors for that matter - confirm the absence of new demand for office space. The hybrid work ethic remains in place in most large California markets though it has moderated gradually as more larger companies are insisting that workers return to the office at least three or four days per week. This has increased the demand for high-quality flexible office space. The market should only strengthen going into 2026 but the movement is gradual. No return to pre-pandemic levels of office market utilization is projected until after 2028.

Housing Market

Mortgage rates are now in decline and existing home sales have picked up in some markets of California. In general however, the number of transactions has not increased much in 2025. Neither have selling values which have remained relatively constant over the last 12 to 18 months. The median price of a home sold in California is now \$895,000. Selling values are rising more steeply in the Bay Area but not in Southern California where unsold inventory has increased sharply. Many markets have now become buyers markets where price concessions are occurring with more frequency. This condition has resulted in little to no price appreciation this year.

FIGURE 12: EMPLOYMENT IN HEAVY AND CIVIL ENGINEERING CONSTRUCTION, CALIFORNIA, APRIL 2017 - AUGUST 2025



- Heavy and Civil Engineering is not contributing currently to employment expansion.
- The sub-sector continues to employ a significant portion of total construction employment.
- No further contraction is expected in view of the volume of projects now underway.

TABLE 3: INDUSTRIAL REAL ESTATE MARKET, SIZE AND VACANCY RATES, 2025 Q2

Market	Size (millions ft²)	Vacancy (%)
Los Angeles County	905	6.2
Inland Empire	743	8.4
Orange County	223	5.5
Ventura County	51	6.2

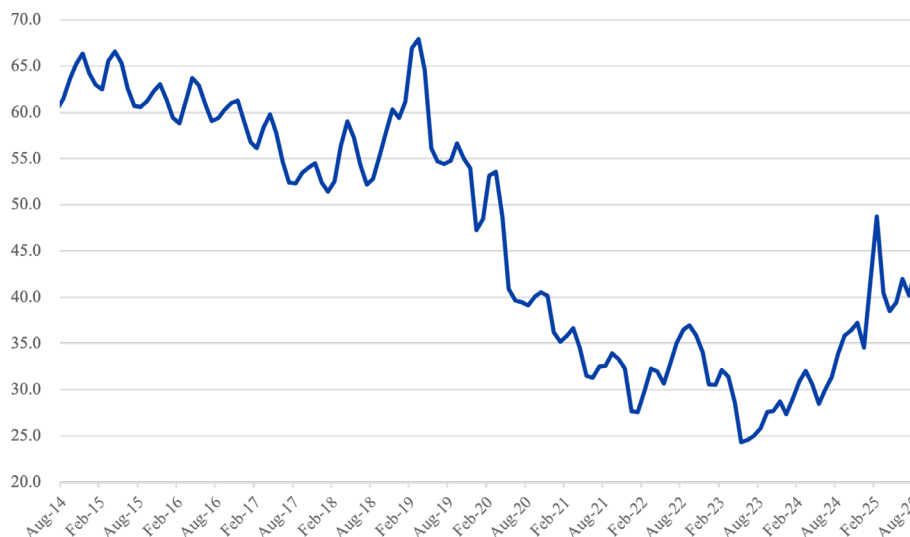
Source: NAI Capital

TABLE 4: OFFICE REAL ESTATE MARKET, SIZE AND VACANCY RATES, 2025 Q2

Market	Size (millions ft²)	Vacancy (%)
Los Angeles County	398	16.9
Inland Empire	66	4.9
Orange County	157	12.8
Ventura County	29	12.4

Source: NAI Capital

FIGURE 13: UNSOLD HOUSING INVENTORY, THOUSANDS OF HOMES, CALIFORNIA, AUGUST 2014 - AUGUST 2025



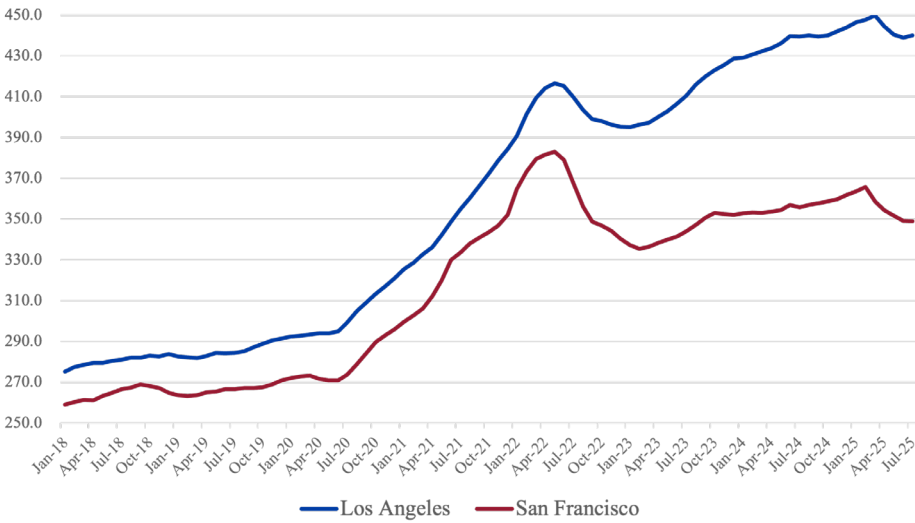
- Higher levels of housing inventory (compared to early 2023) are contributing to home price appreciation.
- Compared to pre COVID-19 historical levels, unsold housing inventory is very low.
- The temporary increase from late 2021 to early 2023 was temporary only.

FIGURE 14: EXISTING HOME SALES, THOUSANDS OF HOMES, CALIFORNIA, FEBRUARY 2017 - AUGUST 2025



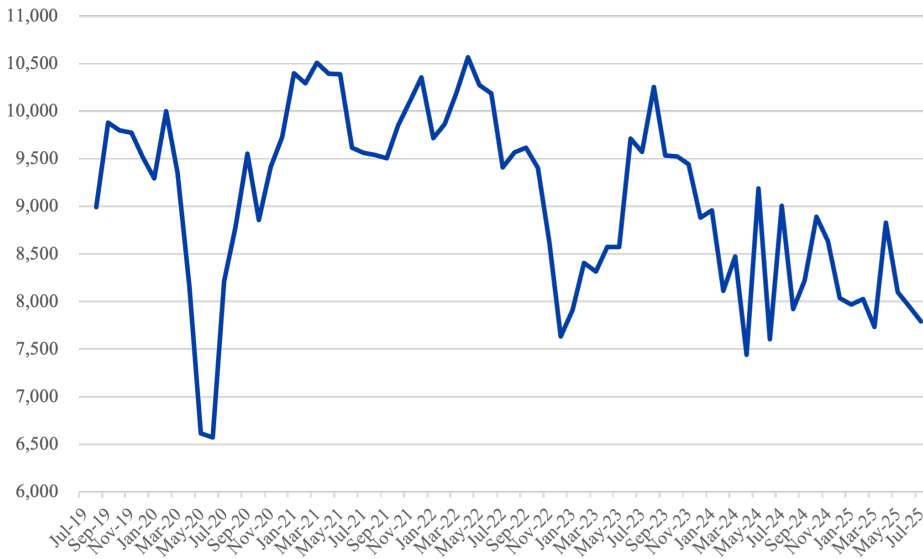
- Existing home sales remain low and are similar to the early 2023 levels.
- Relatively high home loan lending rates prevents owners to sell their homes.
- Some of the modest sales increases are the result of higher inventories.

FIGURE 15: CASE SHILLER HOME PRICE INDEX, LOS ANGELES METRO AND SAN FRANCISCO METRO, JANUARY 2018 - JULY 2025



- The price increases seen since late 2022 have continued in the two major markets.
- Los Angeles metro prices have risen relatively faster compared to San Francisco.
- Los Angeles home prices have climbed above the 2022 peak, San Francisco's have not.

FIGURE 16: NEW RESIDENTIAL UNITS, CALIFORNIA, JULY 2019 - JULY 2025



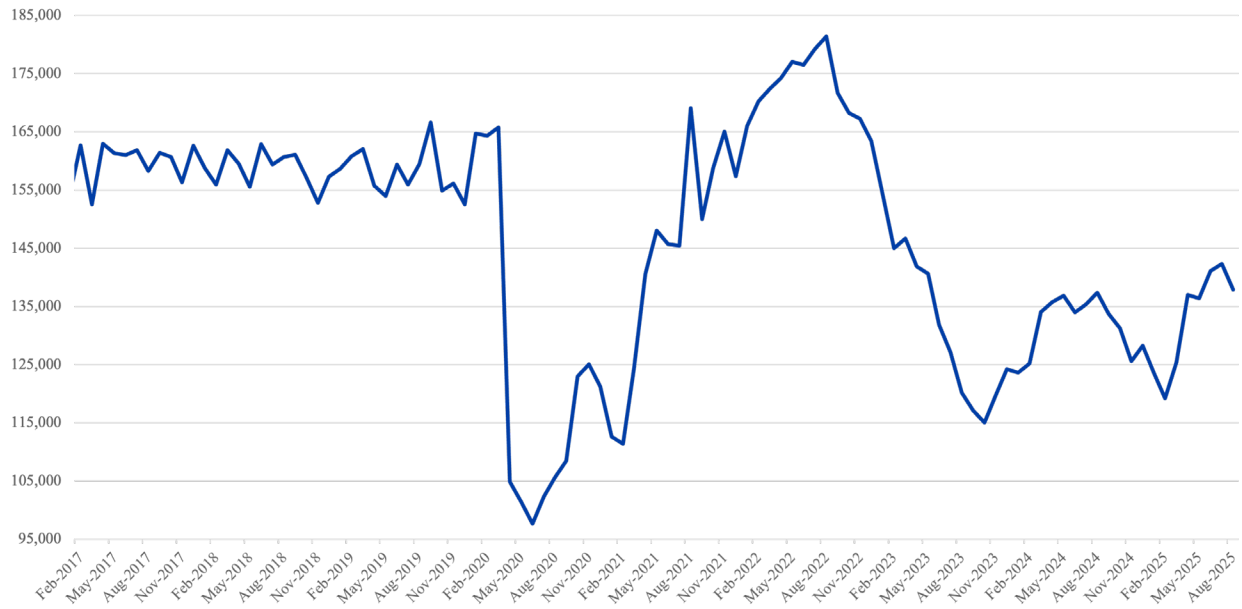
- New residential units are still relatively low compared to levels seen in 2021 and 2022.
- The increased number of units available in late 2023 was significantly higher than what we observe now.
- The trend increase observed in 2023 did not continue.

New housing has not increased in volume in California for several years. The 2025 level of new housing starts is on pace to equal the lowest level since 2017. Despite all new housing bills passed in the legislature in 2023, 2024 and 2025, an attendant rise in new housing has not been observed.

The hope that mortgage rates will continue to move lower for the remainder of 2025 and through 2026

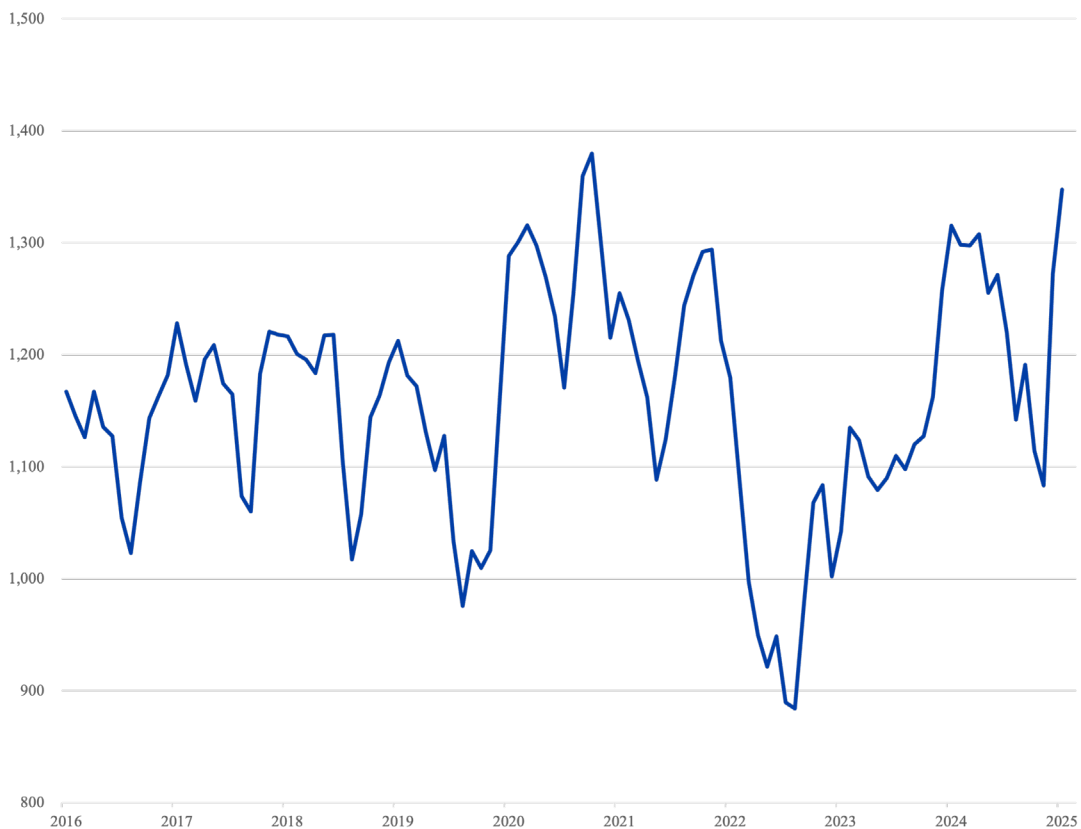
would certainly benefit both the existing and new housing market, providing more supply, more demand, and further stimulus to the California economy. While mortgage rates are expected to decline, downward movement is forecast to remain limited due to stubborn inflation that will only gradually reach the Fed's target but not until 2028. Federal debt levels are also elevating ten year treasury bond rates which directly drive the mortgage market.

FIGURE 17: EMPLOYMENT, MOTION PICTURES AND SOUND, CALIFORNIA, FEBRUARY 2017 - AUGUST 2025



- The industry labor dispute occurred in 2023 from March through November.
- Employment effectively crashed during the Actor's and Writer's strike.
- Only a modest recovery in jobs has occurred since the resolution of the strike.

FIGURE 18: CONTAINER TRAFFIC, TOTAL INBOUND AND OUTBOUND, PORTS OF LOS ANGELES, LONG BEACH, OAKLAND, 2016 - 2025



THE 2026 OUTLOOK

The outlook until 2028 is not as rosy as the current situation. We expect growth to slow down for the rest of 2025 and actually be barely above 1 percent for 2026 before rebounding for 2027 and 2028. Like the U.S. economy, **no recession is in the forecast for the California economy**. Positive growth due to higher worker productivity, ongoing new development of structures and infrastructure, and a busy international trade sector in terms of cargo volumes sent and received from the Ports of LA, Long Beach, and Oakland.

The labor market is unlikely to undergo a meaningful turnaround in job creation in 2026. The forces that have led to limited employment gains in 2025 are not only still in play but have not yet become more fully adopted by all labor market sectors in California yet. The current trajectory of AI use is in manufacturing, transportation and warehousing, technology, healthcare diagnostics, professional research, digital entertainment, customer service, and human resources. Less than 50 percent of firms in the most AI adaptive sectors currently have these systems implemented. Consequently the use of AI is still relatively new and unpredictable regarding its ultimate impact on the workforce. Until there is proof that the implementation of AI will actually create more jobs than it is currently replacing, it is difficult to proclaim a rapid turnaround in the labor market next year.

The unemployment rate peaks during the current cycle in 2026 before moving downward in 2027. Healthcare will continue to add meaningful employment, due largely to the current demographics of the State and the inability of AI to replace human-patient interactions yet. While ultimately this will occur, it is likely years away from pervasive adoption in the U.S. although robots in China are now replacing some of the functions typically performed by nurses and doctors. Cutbacks initiated at the Federal level could well limit the creation of new jobs in this sector.

As growth accelerates in 2027, more job opportunities will be created in services that directly interact with people, including personal services, amusement, recreation, the arts, alternative healthcare, and household and non-residential structure maintenance. A construction workforce will still be needed for onsite specific work including rehabilitation and new building. Ultimately, residential construction when performed in factories such as manufactured housing will require fewer workers. Smart housing and smart buildings will require less of a security, maintenance or parking workforce. In the short run, the state’s population is unlikely to change much, due to current immigration policy, the lack of new housing, and the unaffordability of housing.

TABLE 5: MAJOR ECONOMIC INDICATORS, CALIFORNIA, CURRENT AND FORECASTS

California	2023	2024	2025	2026	2027	2028
Real GDP Growth (%)	1.8	3.2	2.1	1.2	2.7	3.0
Inflation (% change in CPI)	4.0	3.1	3.5	3.5	2.7	2.4
Unemployment Rate (%)	4.7	5.3	5.5	5.9	4.6	4.4
Employment Growth (% change)	0.9	0.7	-0.1	0.1	2.2	1.9
Population (thousands)	39.1	39.2	39.2	39.3	39.3	39.4

ECONOMIC OUTLOOK

RIVERSIDE COUNTY

CURRENT CONDITIONS

General: Population, Commuting, Housing

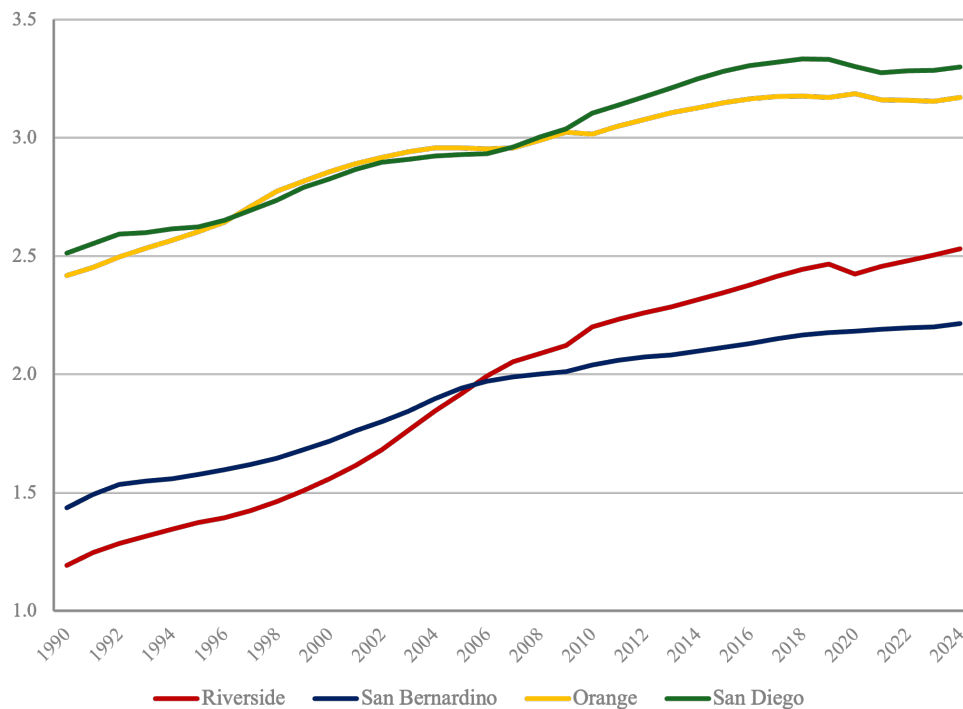
The following three basic facts stand out regarding the economy of Riverside County.

(i) A large number of people reside there.

Riverside County is the fourth most populous county in Southern California (after Los Angeles County, Orange County, and San Diego County) with **roughly 2,450,000 residents**. It is part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA), also known as the Inland Empire. MSAs consist of one or two counties and there are about 380 MSAs in the U.S. **The Inland Empire ranks 12th by population size**, having passed the San Francisco MSA according to Census data. There are some agencies that show

the Inland Empire in 11th place after passing the Boston-Cambridge MSA with Phoenix-Mesa in 10th place (roughly 250,000 more residents). The Inland Empire is adjacent to the Greater Los Angeles MSA (Los Angeles-Long Beach-Anaheim) and together they form a Combined Statistical Area (CSA). CSAs are made up of MSAs that have close economic ties and commuting patterns. Hence the analysis of Riverside County will have to address the ties to the coastal areas.

FIGURE 19: POPULATION, RIVERSIDE COUNTY, SAN BERNARDINO COUNTY, ORANGE COUNTY, SAN DIEGO COUNTY, ANNUAL, MILLIONS OF PEOPLE, 1990 - 2024



- Riverside County experienced the most significant population increase, with a growth of 109% since 1990.
- The area's population dropped 1.7% in 2020.
- In 2006 Riverside County has passed San Bernardino County in population size.

(ii) A large number of Riverside County residents commute into coastal areas.

The **second most important socio-economic characteristic** to understand the economy of 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. 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 relatively large compared 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.⁵ While Riverside County has more commuters leaving the county for work elsewhere 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.

TABLE 6: 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%

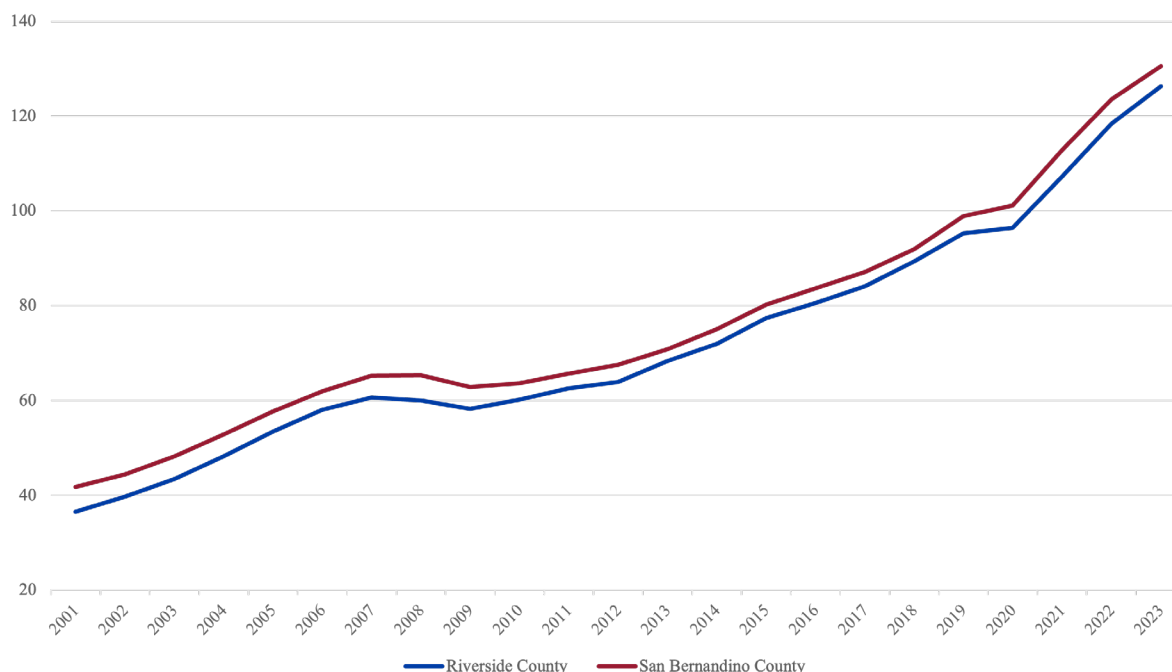
Given the commuting patterns, three remarkable effects surface: although Riverside County is more populous than San Bernardino County, the GDP produced within the county is \$4 billion higher in San Bernardino County than in Riverside County (Figure 20). At the same time, per capita personal income,

which is measured by residency and therefore includes incomes by commuters, in Riverside County is almost \$54,000 while in San Bernardino County it is just over \$51,000. The implication is that there is a relatively large fraction of Riverside residents who work at higher paying jobs in the coastal areas.



5. 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.

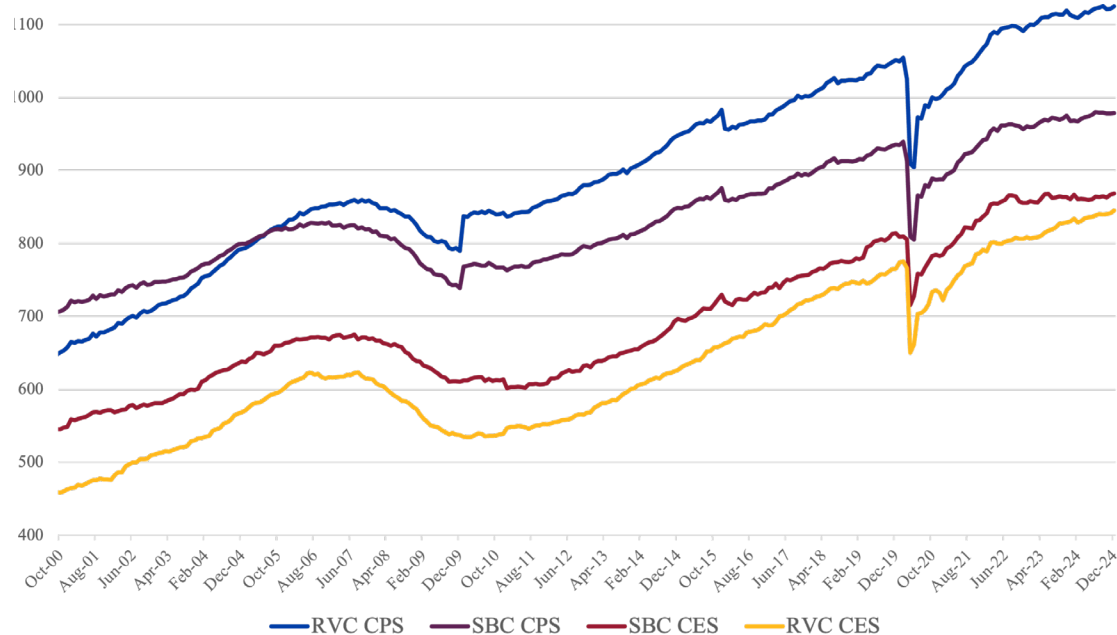
FIGURE 20: NOMINAL GDP, RIVERSIDE COUNTY AND SAN BERNARDINO COUNTY, 2001 TO 2023



- County GDP is higher for San Bernardino County than Riverside County.
- Implication is that residents of San Bernardino County work more frequently within county lines.
- The Great Recession was particularly damaging to both counties in terms of output and services produced.

Note that the household survey, which is also based on residency and includes commuters (Current Population Survey or CPS), currently shows more workers in Riverside County (1,121,900) than in San Bernardino County (978,000). The establishment survey (Current Economic Statistics or CES), which only counts workers who are hired within the county, displays the reverse, with more jobs in San Bernardino County (885,800) than in Riverside County (855,500) (see Figure 32).

FIGURE 21: THOUSANDS OF PEOPLE EMPLOYED, RIVERSIDE COUNTY (RVC) AND SAN BERNARDINO COUNTY (SBC), OCTOBER 2000 TO DECEMBER 2024, CPS AND CES, SA

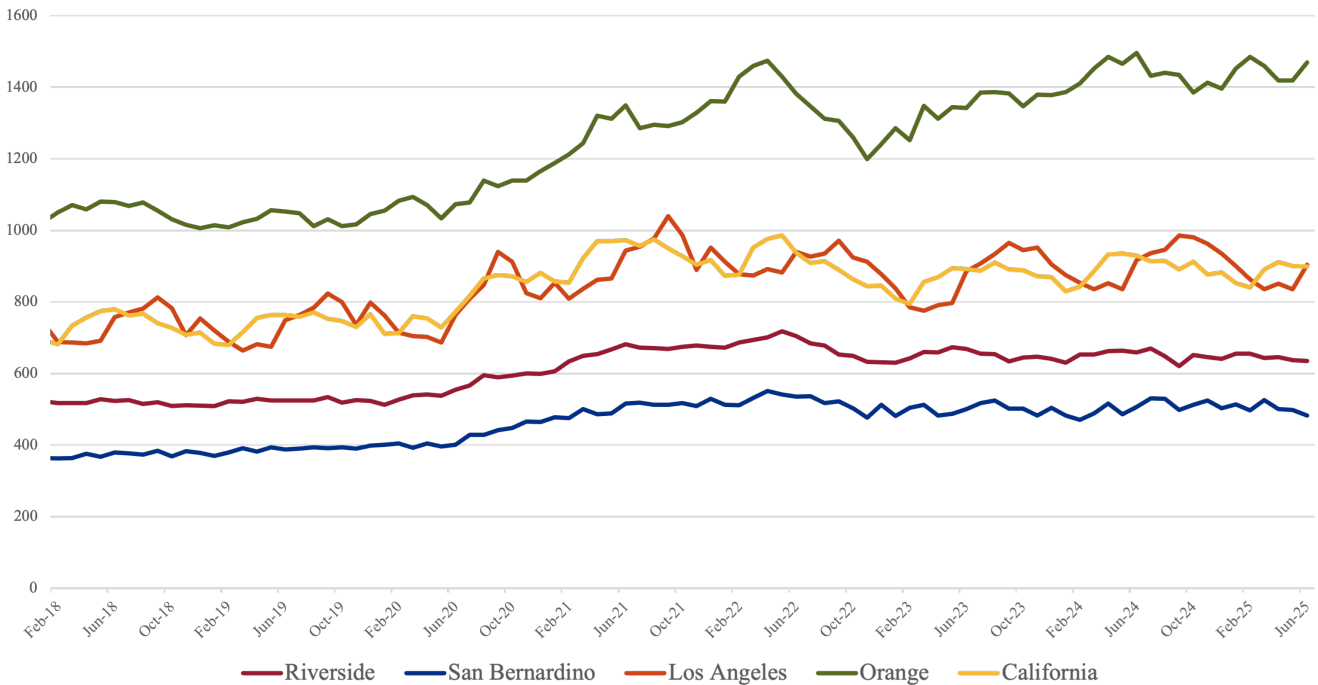


(iii) Housing Prices are significantly lower in Riverside County than in Coastal Areas.

Another reason for the large number of commuters into the coastal areas is that many employees who travel relatively large distances to work cannot afford to live there, or at least cannot have the type of house they are looking for. This implies that their human capital, on average, is higher than the jobs required in Riverside County (and San Bernardino County) but not high enough to afford living in Los Angeles County, Orange County, or San Diego County. Since no one enjoys sitting in traffic for hours or spending a significant

amount of time on the Metrolink or the L-Line (former Gold Line), then housing prices must be sufficiently lower in the Inland Empire counties for commuters to tolerate the pain of the daily round trip. Figure 22 presents the evidence. Note that housing prices are higher in Riverside County than in San Bernardino County. To put matters into perspective and to think about affordability, note that the U.S. Median House Price is close to the San Bernardino Median House Price.

FIGURE 22: REAL MEDIAN HOUSE PRICES, RIVERSIDE COUNTY, SAN BERNARDINO COUNTY, LOS ANGELES COUNTY, ORANGE COUNTY, CALIFORNIA, FEBRUARY 2018 - JUNE 2025



- Housing prices are higher in the coastal areas when compared to the Inland Empire.
- Riverside County has higher housing prices than San Bernardino County.
- Housing prices in the Inland Empire have been relatively stagnant recently.

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.

The well-known business cycle attribute attached to the Inland Empire of “First In, Last Out” follows directly from this observation. Consider the following labels for the people living in Southern California: Type A workers (these work and reside in the coastal areas), Type B workers (they reside in the Inland Empire but work in the coastal areas, meaning they are commuters), and Type C workers (who work and reside in the Inland Empire). On

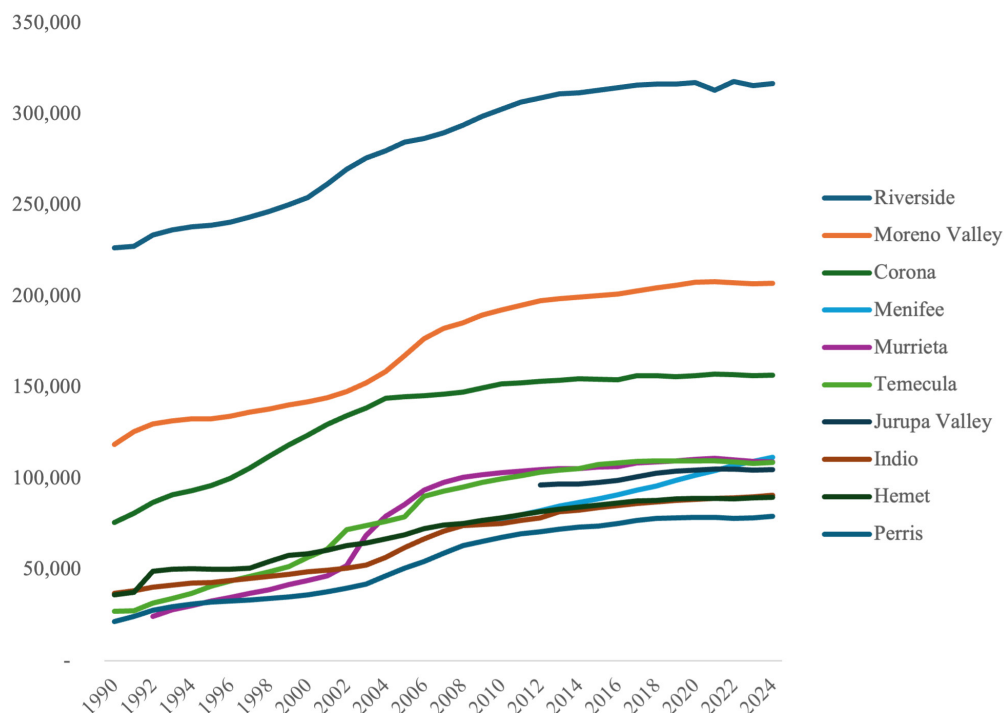
average, Type B workers must have more human capital than Type C workers, which explains why they can earn higher incomes by working in the coastal areas. If they chose to work in the Inland Empire, then the jobs there would pay them less than what they can make elsewhere. At the same time, Type B workers must have, on average, less human capital than Type A workers, because Type B workers do not earn enough money to afford the properties that they aspire to live in the coastal. Hence they live in less pricey homes in the Inland Empire.

Now consider what happens when the economy in the coastal areas contracts. Firms will first let go workers with less human capital, meaning Type B or the commuters. Unemployment rates are measured by residency, and hence unemployment rates in the Inland Empire go up first while they remain the same in the coastal areas (“First In”). As Type B workers spend less on goods purchased in the Inland Empire, type C workers will get laid off, and the unemployment rate in the Inland Empire increases

by an additional amount. As the economic situation deteriorates further, Type A workers will also get laid off. The reverse will hold during an economic recovery (“Last Out”) as Type A workers will get hired back first, followed by Type B workers, and finally Type C workers. The analogy is that of a lake which freezes from the periphery and thaws from the center.

We finish this section by pointing out that there is significant population size variation among the ten biggest cities within Riverside County. The three largest cities (Riverside, Moreno Valley, Corona) stand out by comparison. While Corona earlier seemed to be on a path to overtake Moreno Valley as the second largest city, this did not materialize. The remainder of the cities are bunched together more closely, with Menifee emerging as an unexpected leader among the rest. Murrieta, Temecula, and Menifee are relatively close together geographically and add up to about 300,000 residents. If they were one community, then that would push them up significantly in the rankings.

FIGURE 23: POPULATION IN 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.

Economic Conditions: Gross County Product

Real GDP (nominal GDP adjusted for inflation) is only published at the annual frequency at the county level, and is not yet available for 2024.⁶ For 2023, it grew at 1.4 percent which is below the national growth rate for that year (2.9 percent) and California’s (2.0 percent). As a reminder, while GDP is the most general measure of economic activity within an area, it does not include the GDP produced by commuters elsewhere. The fastest expanding sectors were Information, followed by the Retail Trade, and the Government (especially Local Government and hence Public Education).⁷

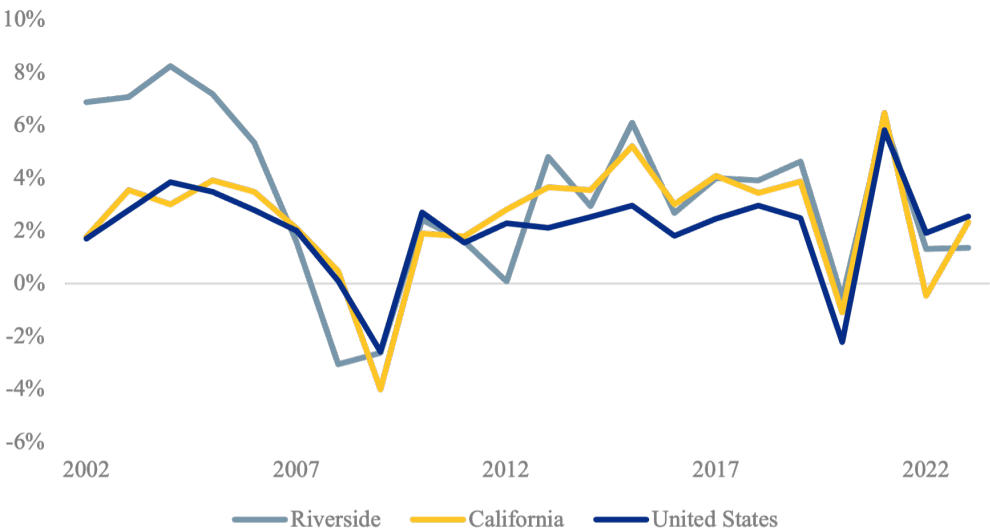
Recovery following the last economic downturn of 2020 was relatively swift. It only took Riverside County’s real GDP one year to get back to pre-Coronavirus levels. Hence the recovery was significantly faster than after the previous “Great Recession.” Riverside County was one of the epicenters for the housing bubble burst, and it was unable to reach pre-recession employment levels until 2013, or a full six years after the onset

in 2007. Note that real GDP for the nation had recovered by 2010 and for California by 2011.

To put the 1.4 percent growth rate for 2023 into perspective, Figure 24 shows real GDP growth rates since 2000 together with the state and national growth rates. Data for Riverside County’s real GDP is only available from 2000 onward.

While real GDP growth rates prior to the Great Recession are very high compared to the U.S. and California, these coincide with a large influx of people into Riverside County (see Figure 19). Note that a growth rate of 6 percent implies doubling of the level after roughly 12 years. This period of quickly growing real GDP was followed by a decline during the Great Recession that was more severe than for the state and the nation. From 2013 to 2019, both Riverside County and California outperformed the pace of national growth. More recently, Riverside County’s output growth is relatively slow.

FIGURE 24: 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.

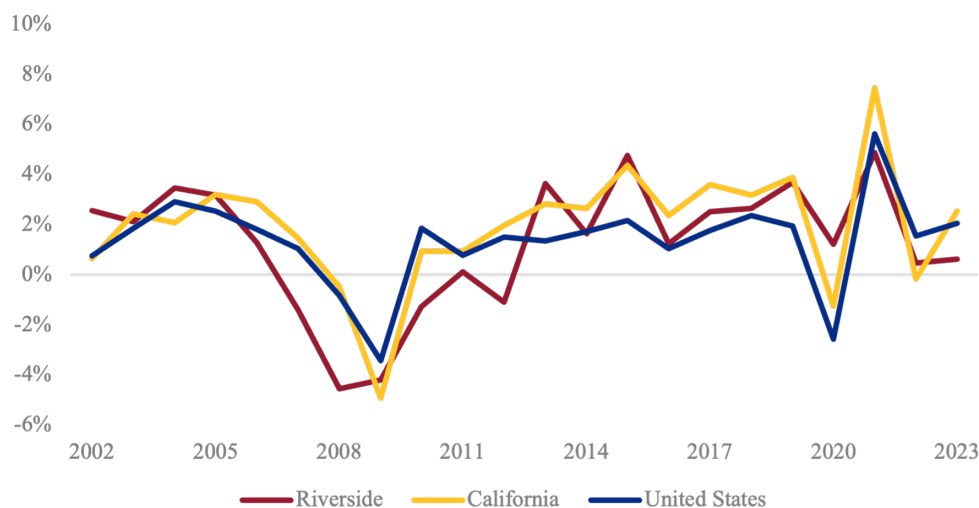
6. The U.S. Department of Commerce, Bureau of Economic Analysis only releases annual county GDP, and with a substantial delay. The 2024 publication will not be available until early December of 2025.

7. 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.

A superior measure of how well an area raises its standard of living is growth in per capita GDP (Figure 25), or output per person (“Wealth of a Region”). Given the population influx at the beginning of the millennium, it is not surprising to see the large

growth numbers of real GDP become more in line with that of the state and the nation. Note how much earlier the Great Recession hit Riverside County and how much more severe it was. The period from 2013 to 2019 looks less impressive now for the county.

FIGURE 25: 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.

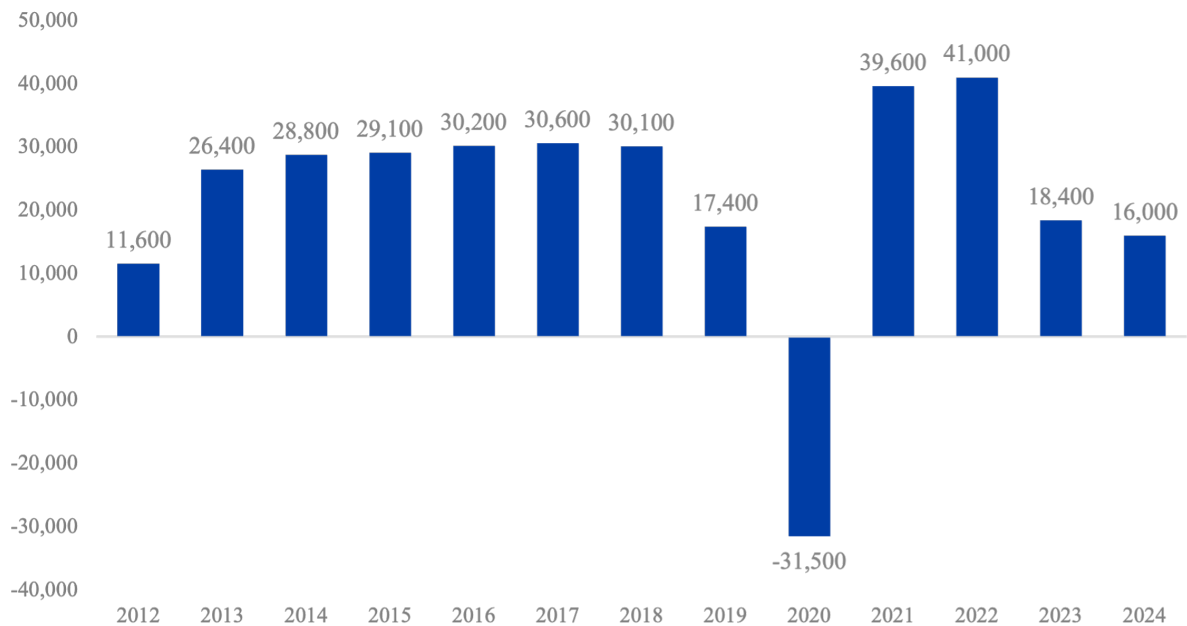
Labor Market

Figure 26 displays **year-to-year changes in employment growth** (measured from the establishment survey - meaning jobs created within Riverside County, ignoring commuters). The figure is the equivalent to Figure 4 above on the U.S. job market, although there we looked at recent monthly changes. Several facts that stand out from the graph.

First of all, and perhaps the most important impression for current policy makers, is the decline

in jobs created over the last two years (2023, 2024) for which non-farm jobs are available to us from the Employment Development Department (EDD). Establishments within Riverside County are (net) creating roughly half the number of jobs when compared to the longer term average of 2013 - 2018. There is also a big decline from 2021 and 2022, but these were inflated by recovering jobs lost during the COVID-19 downturn. This is not a healthy aggregate employment picture.

FIGURE 26: JOBS CREATED, RIVERSIDE COUNTY, 2011 - 2024



- Employment growth is low in 2023 and 2024 when compared with the two years following the Coronavirus downturn.
- More worrisome, in 2023 - 2024 it was significantly below the typical value seen from 2013-2018.
- 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.

Most recently (2024), total nonfarm employment grew by almost 15,500 in 2024, or by 1.8 percent. This is twice as much as in San Bernardino County (7,500 and 0.9 percent). The three sectors driving this growth were Private Education and Health Services (basically Health) with 10,200, Government (basically Public Education) with 3,800, and Logistics with 3,700. Together these three sectors generated 17,700 new jobs, meaning that the other sectors generated a loss of 2,300. The biggest job declines occurred in Leisure and Hospitality (-3,500), Construction (-1,500) and Financial Activities (-300). The situation regarding expanding and contracting sectors is similar in San Bernardino County, again with Health (8,400), Local Government (6,000), and Logistics (3,100) being the biggest winners, while most job losses came in Leisure and Hospitality (-3,700), Manufacturing (-2,500), and Construction (-1,600) experiencing the biggest losses.

The disturbing fact is that Riverside County (and San Bernardino County) have put all their eggs in one basket. The three sectors that generated the largest number of new jobs are identical with the

three sectors that have the most workers. Betting on Health, Local Government, and Logistics generating employment has served the county well in the past (similar to someone betting on three financial stocks that are winners), but the lack of diversification will potentially hurt Riverside County employment in the coming year, as tariffs, cutbacks in health expenditures, and cuts in Public Education will take their effect. Note that demographics show a smaller number of 5 to 18 year olds for the near future.

Note that Health, Local Government, and Logistics were not always the largest employers in Riverside County (and in San Bernardino County). Figure 27 compares the employment shares in the Inland Empire in 2024 with those that existed in 2005. The rise in Health and Logistics stands out. Government has seen a decline from being the leading employer to almost being taken over by Logistics (in San Bernardino County, Logistics is now the largest employer with a share of 20 percent of overall employment). Similarly, the decline in the Construction, Manufacturing, and Retail Share is eye catching.

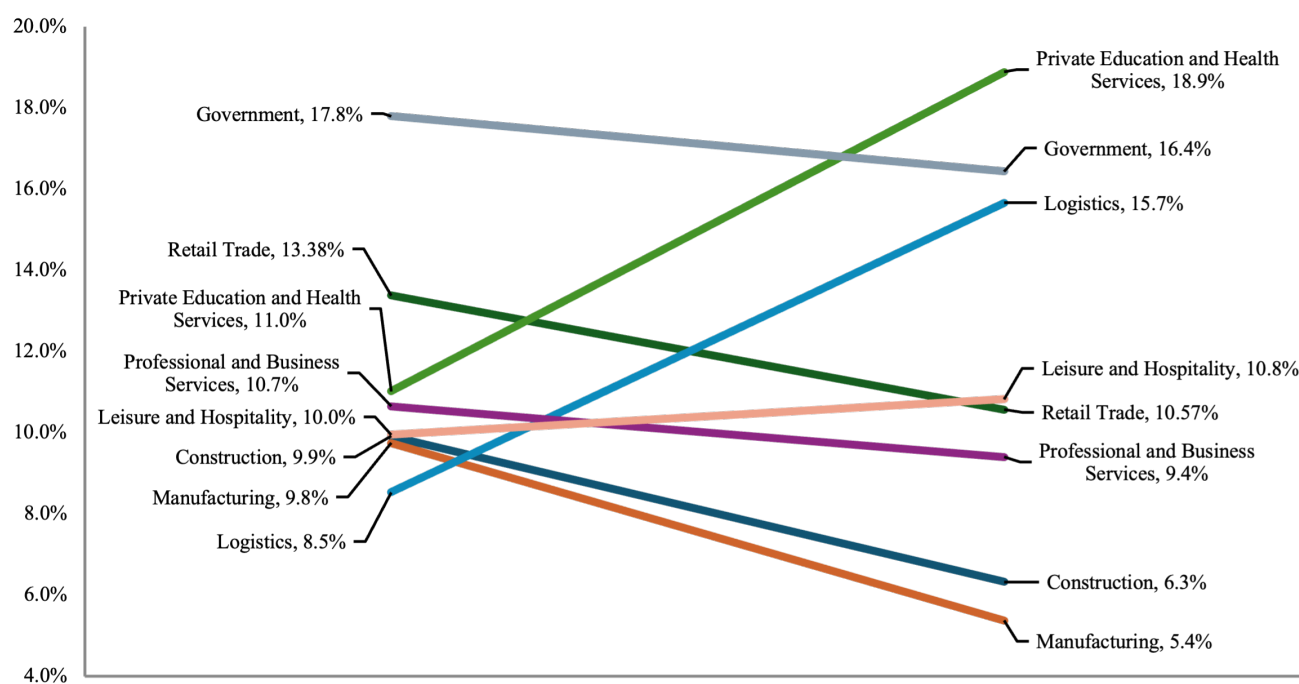
TABLE 7: SECTOR EMPLOYMENT, RIVERSIDE COUNTY, DECEMBER 2024, LEVEL AND CHANGES

Industry	Q4-2023	Q3-2024	Q4-2024	YTY	YTY %
Total Nonfarm	837,100	828,700	850,433	13,333	1.6%
Construction	75,133	75,633	74,300	-833	-1.1%
Manufacturing	44,233	44,500	43,867	-367	-0.8%
Retail Trade	96,600	93,233	96,567	-33	0.0%
Logistics	106,467	103,333	109,900	3,433	3.2%
Financial Activities	21,167	20,900	20,833	-333	-1.6%
Professional and Business Services	77,267	76,967	78,233	967	1.3%
Private Education and Health Services	148,100	154,500	158,733	10,633	7.2%
Leisure and Hospitality	105,167	101,433	101,367	-3,800	-3.6%
Other Services	26,000	26,400	26,333	333	1.3%
Government	130,900	125,567	134,100	3,200	2.4%

Source: EDD

Note that there has been a decline in the employment share for manufacturing elsewhere: in California, the share went down from 10.1 percent in 2005 to the current 6.7 percent share. Similarly for the U.S., the share is now 8.3 percent, down from 10.7 percent in 2005. However, the decline is steeper for the Inland Empire and the current share is lower when compared to state and national levels.

FIGURE 27: CHANGE IN INDUSTRIAL SHARE OF EMPLOYMENT, INLAND EMPIRE, JULY 2005 TO JULY 2025

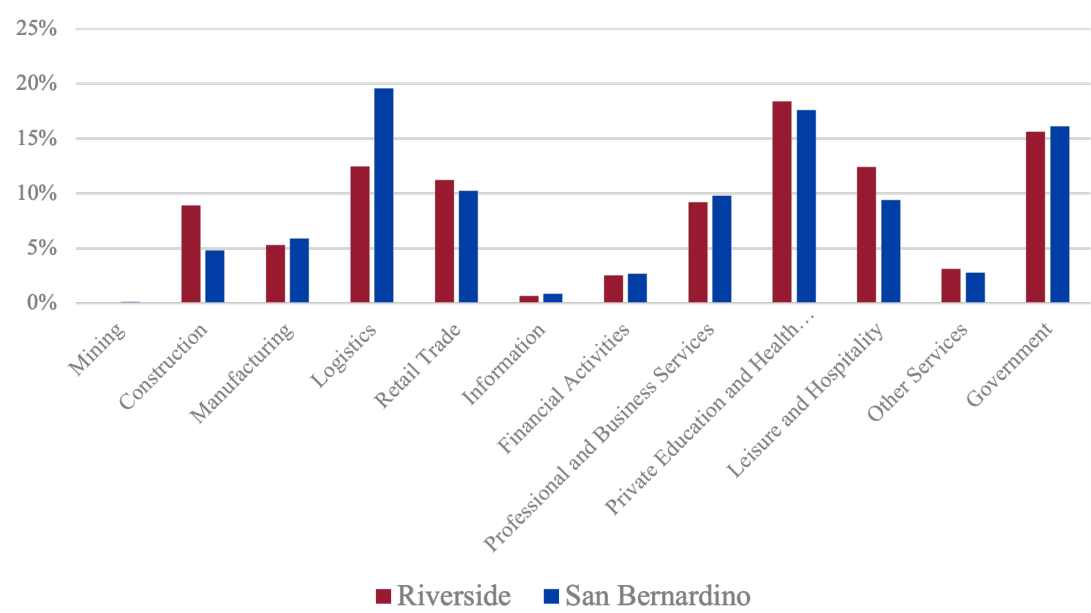


- Health Services and Logistics have seen the largest employment share increases over time.
- Manufacturing and Construction are the biggest losers, followed by Retail Trade.
- The three largest employment sectors are now Health Services, Government, and Logistics.

While Riverside County and San Bernardino County have similar employment shares of the various sectors, there are some noteworthy differences. These are displayed in Figure 28. Note that for San Bernardino County, almost every fifth

worker is now employed by the logistics sector. In Riverside County, Logistics ranks in fourth place after Health, Local Government, and Leisure and Hospitality. The Construction sector is also significantly more important for Riverside County.

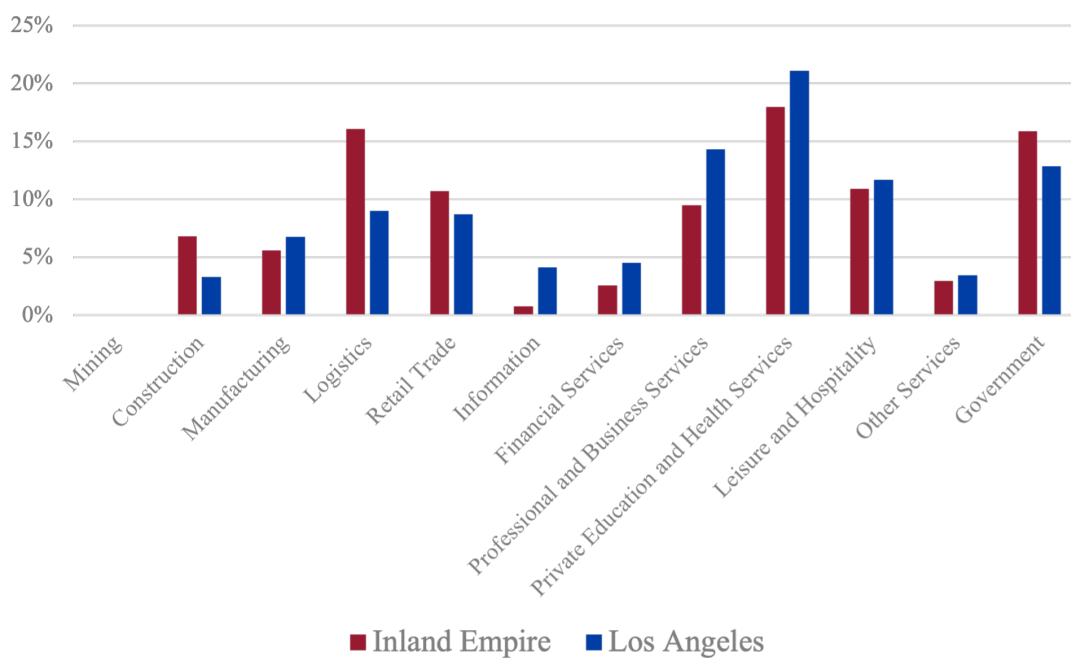
FIGURE 28: SHARE OF EMPLOYMENT BY INDUSTRY, RIVERSIDE COUNTY AND SAN BERNARDINO COUNTY, DECEMBER 2024



The differences between the Inland Empire and the Greater Los Angeles area (LA County and Orange County) stand out more (Figure 29). These differences also explain the current need for commuting. Professional and Business Services, for example, has a significantly higher employment share in the coastal areas. The Information sector is another branch that has a higher share in the LA County/Orange County area. Perhaps surprisingly, the employment share of the Leisure and Hospitality industry is similar, despite some dominant tourist attractions such as Disneyland, Universal Studios, etc. further west.

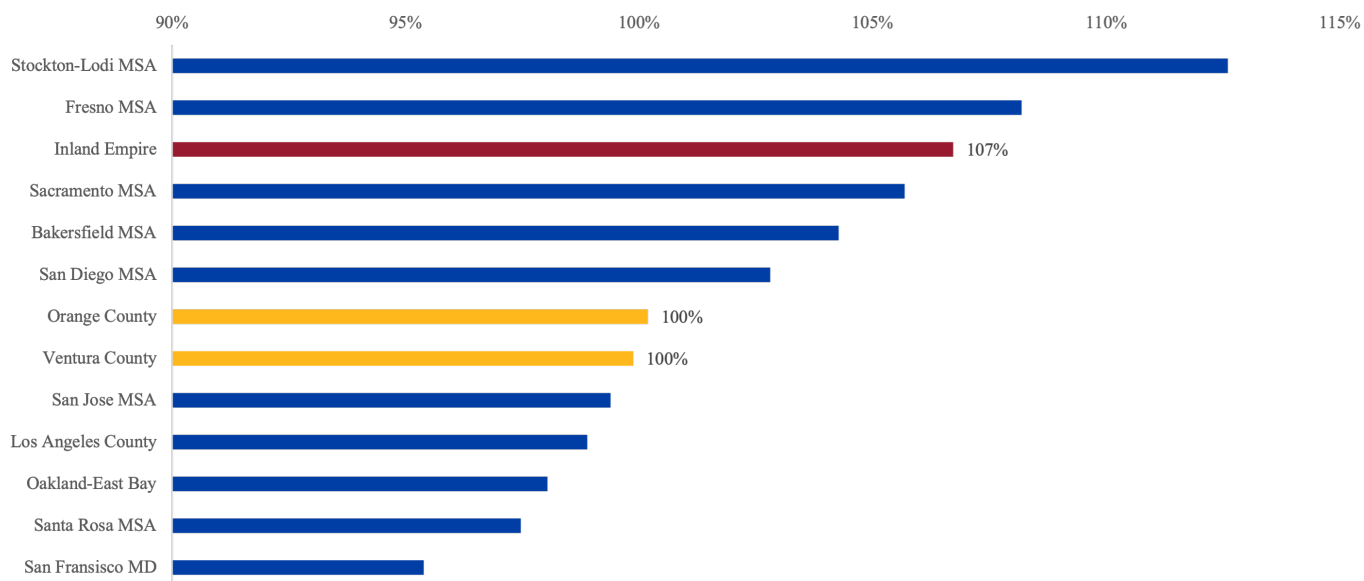
Looking back at the more recent job creation in California MSAs, you note (Figure 30) that the Inland Empire is one of the leaders in employment generated since the end of the prior economic expansion, or February 2020 (the Coronavirus downturn started in March 2020). The two counties also have generated the most jobs when compared to other areas in Southern California. Note that some, such as Los Angeles County and San Francisco, have not returned to job levels that existed pre COVID-19. Even Silicon Valley (San Jose MSA) has not fully recovered yet. The Inland Empire therefore continues to be a major job creation engine in our region.

FIGURE 29: SHARE OF EMPLOYMENT BY INDUSTRY, INLAND EMPIRE AND GREATER LOS ANGELES AREA, DECEMBER 2024



- 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.

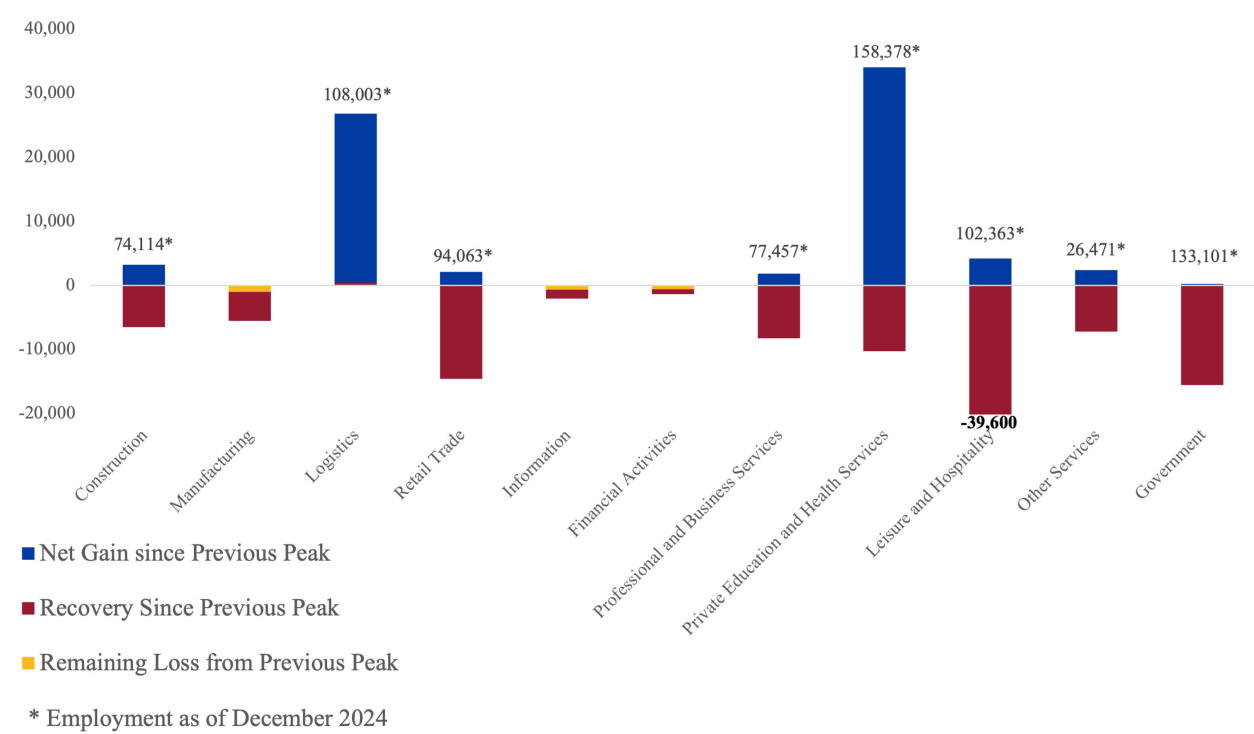
FIGURE 30: PANDEMIC JOBS RECOVERY, INLAND EMPIRE LEADS AND OTHER MSAs, CALIFORNIA, JULY 2025 TOTAL NONFARM EMPLOYMENT AS PERCENT OF FEBRUARY 2020



Of course recovering all jobs in the aggregate does not mean that each sector has done so, or that the expansion has been evenly distributed 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.) were also heavily affected, but the sector simply does not have a large number of workers to make a difference in the aggregate. Figure 31 displays the information for Riverside County. The graph shows quite remarkably how much the recovery has relied on Health and Logistics. Note that some of the sectors (Manufacturing, Information, Financial Activities, Government) have yet to return to pre-pandemic employment levels. Note also that the Logistics sector never contracted.

FIGURE 31: CHANGE IN EMPLOYMENT BY SECTOR, RIVERSIDE COUNTY, SA, FEBRUARY 2020 & DECEMBER 2024

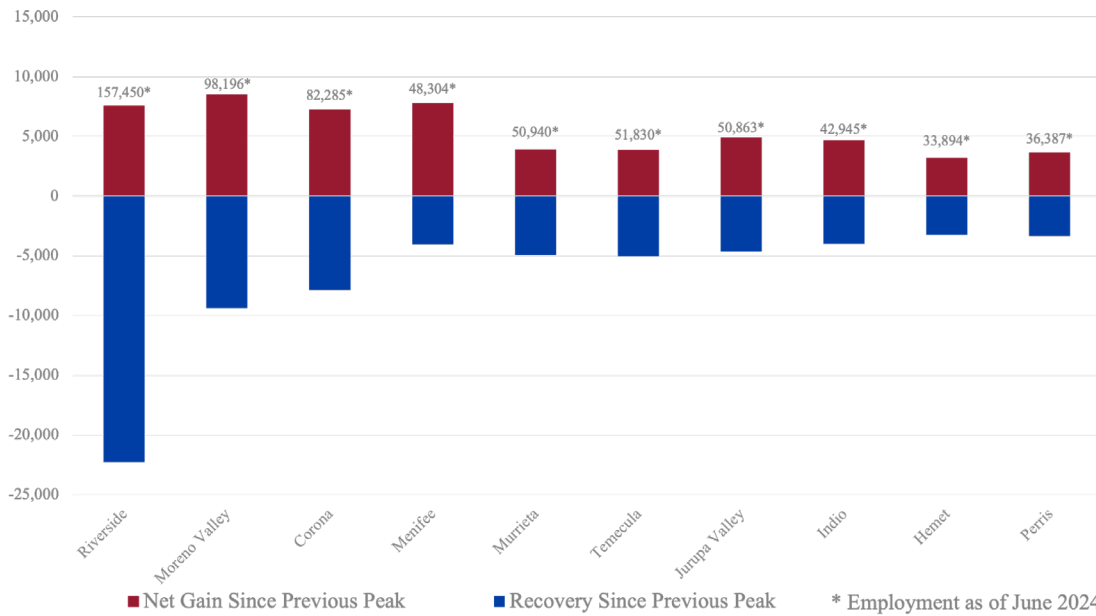


- Leisure and Hospitality saw the largest employment decline following the COVID-19 crisis, followed by Government, Retail Trade, and Health Services.
- Leisure and Hospitality not only recovered all jobs lost, but has expanded compared to February 2020.
- Manufacturing, Information, Financial Activities,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

We also looked for changes in employment across the ten largest cities within Riverside County. Cities have different industrial compositions, and you would therefore not expect the initial contraction and subsequent recovery to be evenly distributed. Furthermore, larger cities will experience higher job losses/gains even if percentage wise they

had the same experience. The City of Riverside is the most populous in Riverside County and lost close to 18,000 jobs, but it is three times the size of Murrieta and Temecula, both of which had about 7,500 fewer workers. Riverside also seems to have done relatively well in the recovery.

FIGURE 32: CHANGE IN EMPLOYMENT, TOP 10 CITIES IN RIVERSIDE COUNTY, SA, 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.

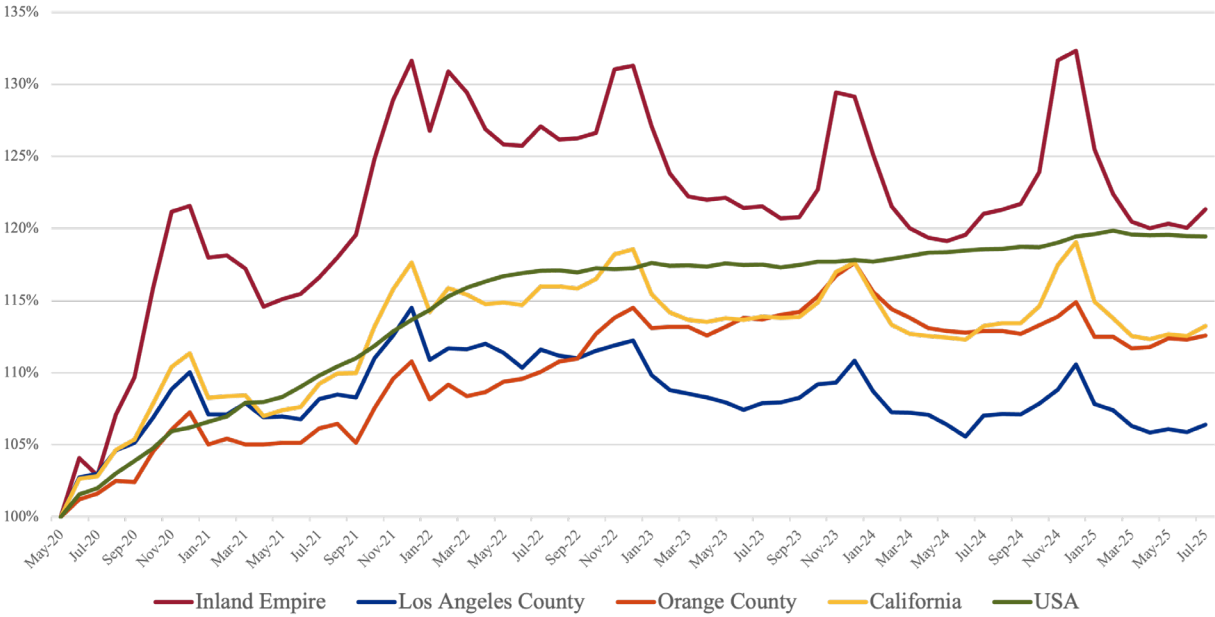
At this point, we want to focus on a few industries that are of special interest to Riverside County. We start with the Logistics industry, which, although only the fourth most important in terms of employment share, does have almost 112,500 workers. Looking at the number of workers added from May 2020 (the end of the Coronavirus downturn) to February 2022, this industry created almost 30,000 new jobs. Since mid-2022, not only Riverside County and the Inland Empire, but the U.S. as a whole has seen what the Wall Street Journal has now called a “Freight Recession.”

As consumers adjusted their spending habits away from durable goods back to Services, fewer goods needed to be transported, and the industry went into an adjustment mode.

The downward adjustment lasted until the end of 2023 in Riverside County. The good news is that for 2024, we now see more hiring taking place in this important industry.

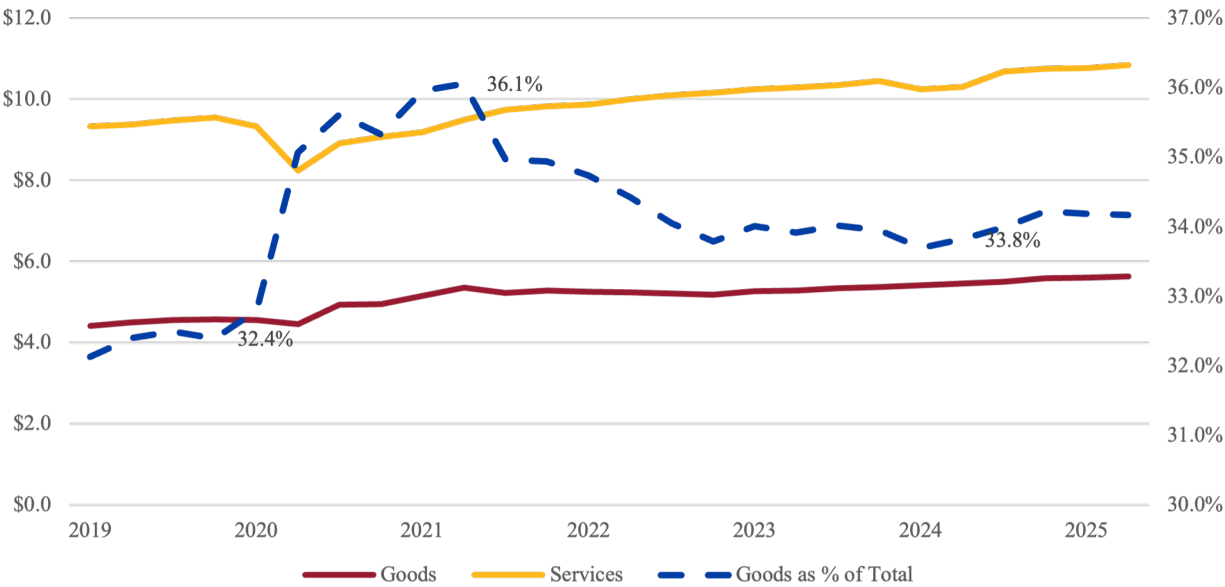


FIGURE 33: LOGISTICS EMPLOYMENT AS % OF MAY 2020, JULY 2025



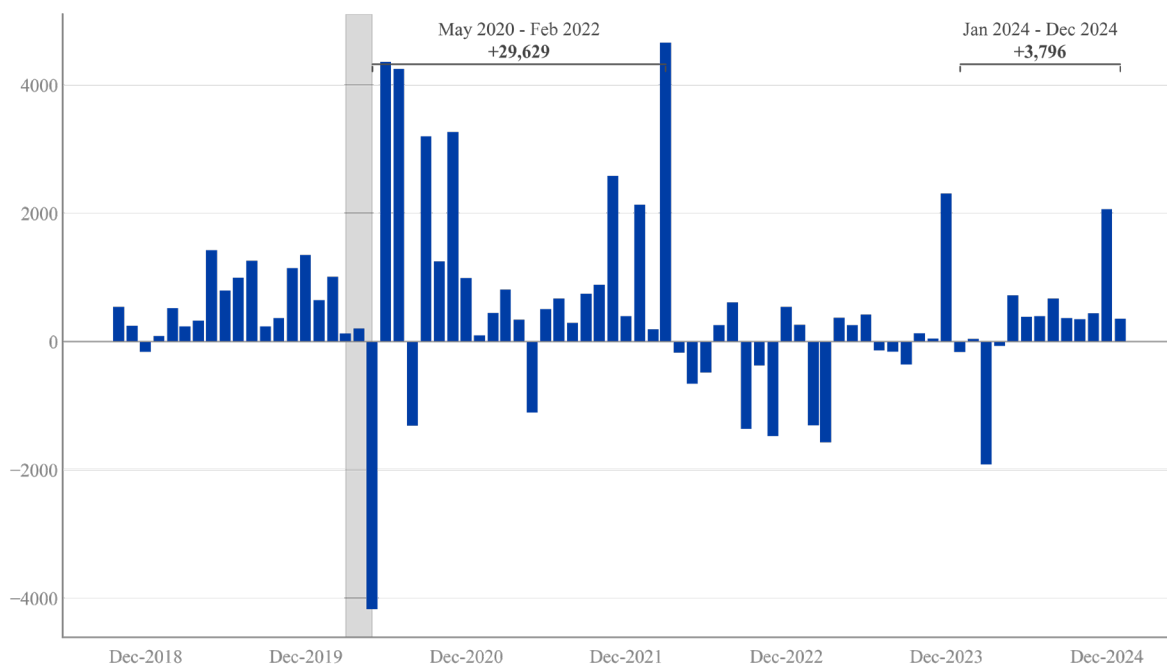
- Logistics employment rose dramatically in the aftermath of the Coronavirus downturn.
- Employment in the sector peaked early in 2022 and has decreased since then.
- For the U.S. as a whole, employment has simply flattened out since 2022.

FIGURE 34: CONSUMPTION MIX ADJUSTING, U.S. ECONOMY, 2019 - 2025,
CONSUMPTION EXPENDITURES FOR GOODS AND SERVICES, IN TRILLIONS OF DOLLARS AND SHARE OF TOTAL



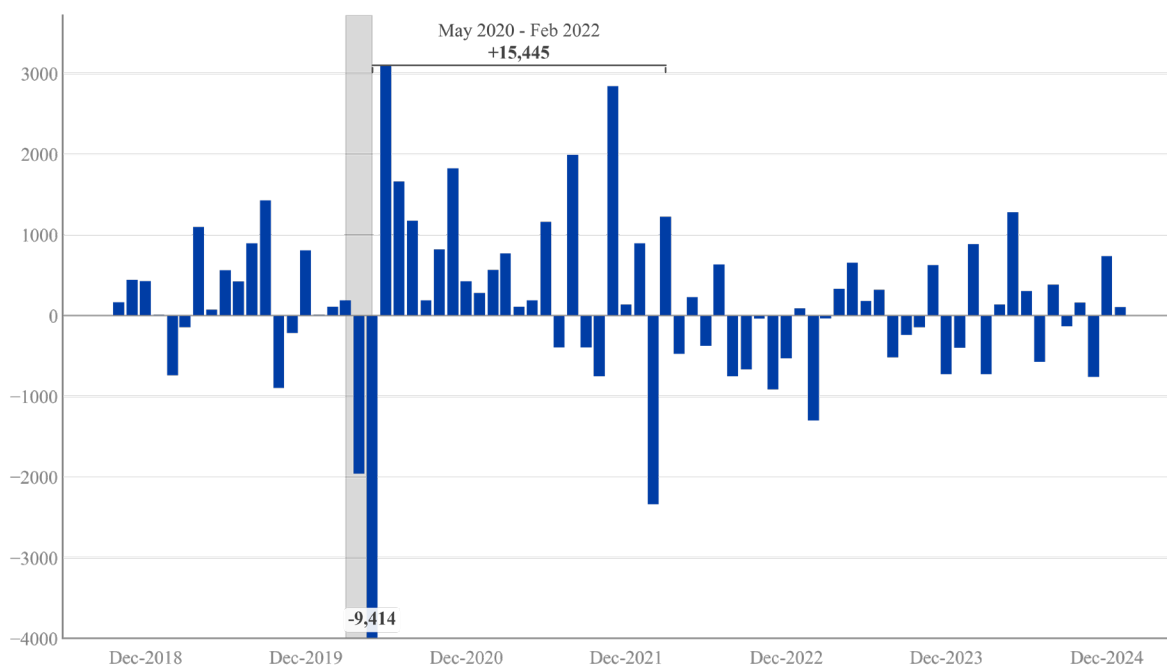
- Consumers increased the share of consumption expenditures towards goods coinciding with the Coronavirus downturn and the immediate period after it.
- Fewer trips to restaurants and hotels resulted in a lower share of expenditures going towards services.
- The situation started to reverse itself until 2023, but a higher level of expenditures continues to go towards goods.

FIGURE 35: CHANGE IN EMPLOYMENT, LOGISTICS, SA, RIVERSIDE COUNTY, DECEMBER 2018 - DECEMBER 2024



- The Logistics industry saw a massive expansion starting in May 2020 following the COVID-19 event.
- Following the initial recovery, there was a net decline in jobs from March 2022 to December 2023.
- 2024 shows a return to positive employment expansion by the sector.

FIGURE 36: CHANGE IN EMPLOYMENT, PROFESSIONAL AND BUSINESS SERVICES, SA ADJUSTED, IN 1,000S OF JOBS, RIVERSIDE COUNTY, DECEMBER 2018 - DECEMBER 2024



- 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.

We view the Professional and Business Services sector of special importance to Riverside County. Employment in this sector is approaching 80,000 and, while less significant in terms of the number of people who work in the sector, it is a more value adding sector compared to Logistics. It is from this sector that you would want to see more jobs created by 2045, say, to allow more Riverside County residents to work locally rather than commuting into the coastal areas. Figure 36 shows recent employment developments in this sector. Clearly the high employment generating phase following the COVID-19 event is over. There is no consistent picture we can extract from the various ups and downs since February 2022.

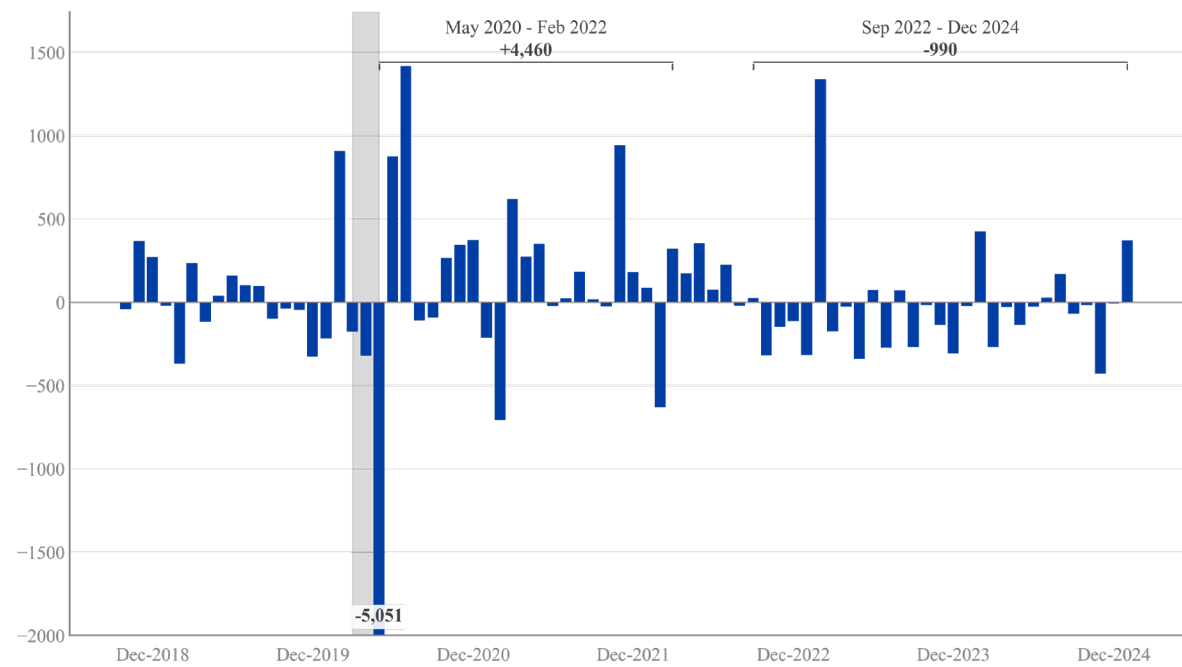
Manufacturing and Construction are sectors that have declined in importance to Riverside County when compared to the early 2000s. Manufacturing is a high value adding sector that could generate a higher GDP for the area. Unfortunately recent developments do not show an increase in employment: since September 2022, roughly 1,000 more jobs were lost here. There had been hope for expansion following the COVID-19 event with a net creation of 4,500 jobs, but upon closer inspection, these did not even offset the loss of jobs during the downturn.

Unemployment

We have focused so far on output and employment. Unemployment rates are available by county from the CPS and hence we can have data up to August 2025. Riverside County’s unemployment rate has been basically the same as for the state since mid 2018. This is somewhat surprising since historically, Riverside County’s unemployment rate was higher than the state unemployment rate. This was certainly the case in the 1990s in the aftermath of the peace dividend, and again after the Great Recession, where Riverside County was one of the epicenters of the housing bubble burst. Between the dot.com recession and the Great Recession, Riverside County’s unemployment rate was basically at the same level as California’s.

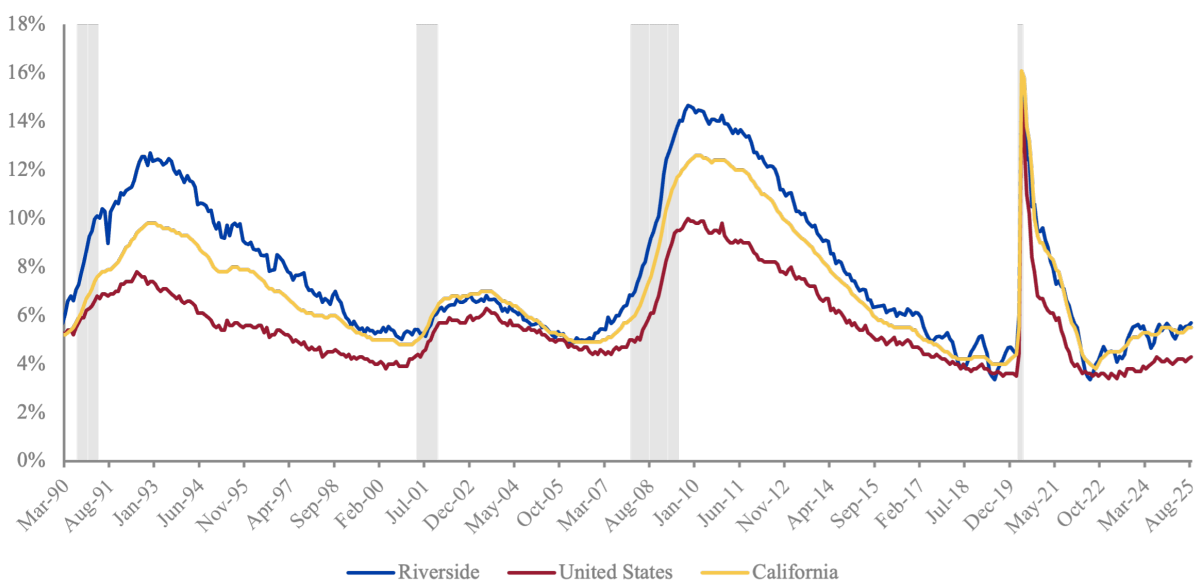
As with employment growth, unemployment rates can differ significantly within the county. Table 8 shows some of the variations across the 15 largest cities within the county. The City of Coachella is at the bottom of the table, which is typically the case for a cross section comparison of county unemployment rates. Differences between the unemployment rates are more pronounced during economic downturns.

FIGURE 37: CHANGE IN EMPLOYMENT, MANUFACTURING, SA, IN THOUSANDS OF JOBS, RIVERSIDE COUNTY, DECEMBER 2018 - DECEMBER 2024



- Manufacturing recently is consistently shedding small number of jobs.
- 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.

FIGURE 38: UNEMPLOYMENT RATE, RIVERSIDE COUNTY, SA, MARCH 1990 - AUGUST 2025



- 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.

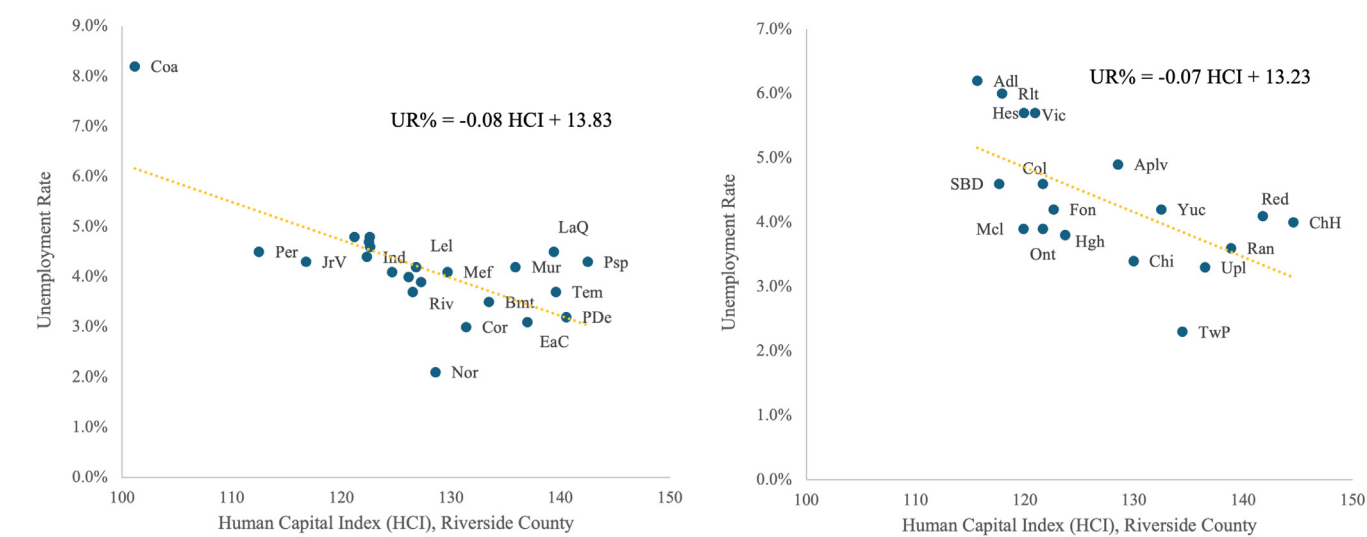
TABLE 8: UNEMPLOYMENT RATES, RIVERSIDE COUNTY CITIES, 2024

City Name	Abbreviation	Unemployment Rate
Eastvale	Eac	7.0%
Temecula	Tem	5.0%
Murrieta	Mur	5.2%
Corona	Cor	4.7%
Norco	Nor	5.1%
Beaumont	Bmt	5.2%
Palm Springs	Psp	7.1%
Jurupa Valley	Jrv	5.3%
Cathedral City	Cat	8.0%
Wildomar	Wil	6.0%
Riverside	Riv	6.3%
Palm Desert	Pde	8.9%
La Quinta	LaQ	8.2%
Lake Elsinore	Lel	5.2%
Moreno Valley	Mrv	6.1%
Menifee	Mef	5.6%
Indio	Ind	8.5%
San Jacinto	Sja	6.7%
Perris	Per	6.4%
Desert Hot Springs	DHS	7.5%
Banning	Ban	7.3%
Hemet	Hem	7.0%
Coachella	Coa	12.5%

When it comes to cross sectional unemployment variations, the typical explanation focuses on the amount of human capital in the local labor force. Communities with higher levels of human capital, as measured perhaps by the amount of schooling, tend to have lower unemployment rates. To test this theory, Figure 39 plots the city unemployment rates of Riverside County and San Bernardino County against the average school attainments (the human capital index is basically the number of years of schooling times 10, meaning that 120 indicates that the average person in the city has a high school

diploma). There are a variety of reasons that can explain these variations. 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). Other reasons, include the proximity to the county line which makes commuting to coastal areas easier. What is remarkable is how similar the trend lines are for both counties.

FIGURE 39: UNEMPLOYMENT RATE DIFFERENCES BY MAJOR CITIES, RIVERSIDE COUNTY AND SAN BERNARDINO 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.

NEW DEVELOPMENT

The West Campus Upper Plateau Specific Plan is a three million square foot proposed development project in Riverside, California, that has been significantly debated and rebranded, most recently as the “March Innovation Hub”. While the initial plan, which included substantial warehouse space, faced strong community opposition due to concerns about truck traffic and environmental impact, a revised version which focused on innovation, technology, and clean energy was recently rejected by the Planning Commission in May 2025. It will likely be revised and repropoed in 2026. Beaumont Point a 5.3 million square feet industrial project is nearly ready to begin construction

in Beaumont. The development also includes 246,000 square feet of commercial space, and a 125-room hotel. Construction on the first phase, which includes 2 million square feet of industrial space, is set to begin in early 2026.

A 624,500-square-foot project called the Coachella Airport Business Park is a new development that includes industrial uses, large and small warehouses, and self-storage units. The public review period for the Draft EIR was completed in September 2025. If approved, construction would take one to five years beginning in the Fall of 2027.

A mega-warehouse, akin to Amazon warehouse projects, sized at 727,360 square feet will be located in Palm Springs and generate 800 to 1,000 permanent jobs and significant tax revenue for the city. The project was approved in July 2025.

Another 2 million square foot project also in Palm Springs along North Indian Canyon Drive was approved in July 2025 by the Planning Commission. The project will start construction following completion of mitigation measures with completion projected in 2029.



Cajalco Commerce Center

The Cajalco Commerce Center was approved by the Riverside County Planning Commission in September 2025. The project is one million square feet and is located near Perris in unincorporated Mead Valley.

The World Logistics Center in Moreno Valley is now in the 2nd year of construction. The logistics facility will be the largest in North America with 40 million square feet in 27 buildings. The project will be nearly entirely powered by solar energy. It represents a major economic stimulus in Riverside County at this time.

Villages of Lakeview between Perris and San Jacinto has been in planning for many years. It is an 8,725 home mixed use approved project that was planned to break ground this year. Recent developments have involved legal agreements to protect local wildlife habitats, although approvals for the project have faced setbacks. Today construction is ongoing, and there is progress on infrastructure amenities such as baseball and soccer fields.

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. The project was approved by the Moreno Valley city council in November 2024. A significant milestone occurred

in June 2025 where the project was approved for development into a town center and residential area.

The City of La Quinta loaned the developers of the long delayed Talus luxury resort up to \$11 million for the year ending December 31, 2025. In September 2025, SilverRock Development Company requested that the bankruptcy court approve the sale of its assets. The project is half-built, and idle for two years due to the developer filing bankruptcy. The project is expected to be sold this year and restarted in 2026. New plans for the site may see many of the half built buildings demolished. These plans include: a 154 unit hotel, 445 units, including condos and homes, 40,000 square foot commercial area, 20,000 square feet of residential amenities, and 17,000 square feet of golf clubhouse.

The Disney “Cotino” community is planned for 1,932 residential units in Rancho Mirage. At the heart of the development is Cotino lagoon with beaches and water sports. A hotel, community park with shopping and dining is part of the development plan. Homes start at \$4 million. The project is in the early stages of development with the first residents having moved in during early 2025. Long Table Park for residents aged 55 and above is now complete. The planned Town Center and public beach will open in 2026.



Cotino Lagoon in Rancho Mirage

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 a 146 single family home project now under construction.



Riverside Sports Complex and Entertainment District featuring a 5,005 seat stadium

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 latest update for the development includes the recent approval of an exclusive negotiating agreement for a large sports and entertainment complex on the site, which is the single largest vacant plot of land in the City. The developers are also proposing a \$200

million, 92,000 square foot “Adventure Center” that includes a public park, biking and hiking trails, a world-class aquatic recreation facility for white water rafting, kayaking and canoeing, with a wave lagoon, surf park, boathouse, zip-line and amphitheater. The developer will design the facility to Olympic standards so that it might become a venue for the Los Angeles 2028 Olympic Games.

FACTORS DRIVING THE ECONOMIC OUTLOOK

The Regional Forecast

There is a short term forecast (until 2028) and a long term outlook (to 2045). We will address the long term outlook first, since it is shorter and less certain.

For the long term outlook, there is a fundamental problem that policymakers and other decision makers have to address: While the population of Riverside County is large and growing, there is a lack of higher value adding industry within the county. This does not bode well for enticing younger people to stay in the area after graduating from high school and college/university, since it means that the average wage will be low. As a result, it will be hard to raise the human capital level to those of the state and the country, or to MSAs that lie ahead of Riverside County (e.g. Boston-Cambridge, Phoenix-Mesa). The percent of residents 25 years or older in Riverside County with a bachelor degree or more is currently about 25 percent, while the U.S. average is 38 percent. The same number holds for California. In addition, there are various reports that have ranked the Inland Empire MSA near the bottom in terms of average educational attainment. One such study undertaken by WalletHub in 2025 lists the Riverside-San Bernardino-Ontario MSA as 138 out of 150 MSAs it considered, only marginally ahead of Salinas and Stockton.

There is little hope currently that higher value adding industries will settle in Riverside County (or San Bernardino County). To show the significance of this, the Inland Empire falls from rank 11 in terms of population size, to 290 out of 380 MSAs when it comes to per capita GDP. The Inland Empire ranks next to Waco, Texas on this scale. Younger people with a higher level of human capital will not want to stay in the area if the Inland Empire cannot attract better paying jobs. ADP, a private firm, recently published a study analyzing larger MSAs in terms of attractiveness to settle for 20 to 29 year olds. The findings are disillusioning

for the Inland Empire: Out of the 55 metro areas with at least 1 million residents considered, and using the criteria “wages, affordability, and job availability”, the Inland Empire comes in at 52, barely beating Salt Lake City and Virginia Beach.

Without higher levels of human capital, firms will resort to capital labor substitution in the form of automation and robotics when it comes to filling positions that require higher levels of skills. Better educated residents will continue to commute into the coastal areas and thereby continue to create the traffic nightmares that Southern California experiences not only during rush hours. “Traffic” will remain Los Angeles’s middle name.

Now to the short run outlook. Regional economic growth is expected to rise modestly in 2026 as uncertainty regarding government downsizing and trade policy diminish. The beginning of an expansive consumer credit policy has begun with Federal Reserve interest rate reductions in September and October. More cuts are expected in December and into 2026. The Riverside County labor market generates only modest growth of new employment, in sync with a slower State and Southern California economy forecast for 2026. As we pointed out, there is a lack of diversification with too much reliance on the Health sector and Local Government (public education). Logistics employment has stabilized, but it is hard to see how it will contribute to employment growth in the face of higher tariffs and the resulting lower number of imports into the Ports of Los Angeles and Long Beach.

In addition, there is the AI problem. Limited but positive job creation returns to many labor market sectors, but the ongoing transition into AI systems by more firms in more industries remains a disruption to workforce expansion. It is likely however, that with larger participation by firms

8. McCann, Adam (2025). “Most and Least Educated Cities in America (2025), <https://wallethub.com/edu/e/most-and-least-educated-cities/6656>

9. <https://www.adpresearch.com/youve-graduated-now-what-2/>

to adopt AI systems for their business functions, more jobs will be created to innovate, adapt, implement, maintain, and improve the technology across the spectrum of industry usage. While this concept has yet to be proven, there is a likelihood that in the short run, job creation may eclipse job disruption. Hence the forecast for modest but positive job creation for the remainder of the decade.

The labor force rises 1.4 percent next year. But residents working increase only one percent. The absence of job opportunities not only inside the county but in adjacent regions generate an increase in the unemployment rate to 6.1 percent. A modest increase in job creation in 2027 provides residents with more employment opportunities and the unemployment rate is therefore forecast to contract.

TABLE 9: RIVERSIDE COUNTY ECONOMIC FORECAST SUMMARY
2020-2025 HISTORY, 2026 - 2030 FORECAST

Year	Population (people)	Households (thousands)	Net Migration	New homes permitted (homes)	Personal Income (billions)	Real per capita income (dollars)
2020	2,422,008	763.3	12,170	9,147	\$118.9	\$58,547
2021	2,430,141	764.8	5,064	8,737	\$130.4	\$61,618
2022	2,439,655	773.4	3,268	10,048	\$130.0	\$56,978
2023	2,451,185	785.1	4,682	12,425	\$138.1	\$58,192
2024	2,455,509	793.8	-3,145	9,195	\$143.3	\$58,350
2025	2,460,046	803.8	-2,624	8,584	\$149.2	\$58,830
2026	2,470,769	808.2	2,222	9,094	\$156.3	\$59,764
2027	2,482,952	815.9	4,383	9,103	\$163.7	\$60,755
2028	2,494,928	823.6	4,676	8,940	\$171.7	\$61,940
2029	2,507,143	831.1	5,472	8,655	\$178.1	\$62,564
2030	2,519,662	838.4	6,251	8,565	\$185.6	\$63,387
Year	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Unemployment Rate	Labor Force (thousands)	Existing Home Sales	Median Home Selling Value (thousands)
2020	\$30.8	\$46.0	10.2	1,100	37,041	461.1
2021	\$42.0	\$57.2	7.4	1,119	40,037	558.8
2022	\$46.1	\$63.8	4.3	1,140	30,650	618.3
2023	\$44.5	\$62.8	4.8	1,166	24,113	615.4
2024	\$45.0	\$62.2	5.3	1,181	24,979	644.8
2025	\$44.4	\$63.4	5.6	1,202	24,715	646.9
2026	\$47.4	\$66.7	6.1	1,219	26,136	645.6
2027	\$50.2	\$70.5	5.1	1,236	28,067	685.8
2028	\$53.0	\$74.5	4.7	1,254	28,917	708.5
2029	\$55.8	\$78.3	4.5	1,264	30,213	745.9
2030	\$58.6	\$82.3	4.3	1,277	30,235	775.8

Employment (thousands of jobs)						
Year	Total Wage & Salary	Farm	Construction	Manufacturing	Transportation, Utilities	Wholesale & Retail Trade
2020	734.0	11.8	66.8	43.0	61.7	111.5
2021	773.2	11.4	70.9	43.7	71.1	117.1
2022	813.9	11.3	73.9	44.9	78.1	119.8
2023	829.3	10.8	73.7	45.1	75.5	121.5
2024	839.6	11.2	74.3	43.6	75.2	121.2
2025	843.5	11.3	70.4	42.2	75.6	121.2
2026	850.2	11.3	71.4	42.6	76.1	120.9
2027	865.5	11.3	74.0	42.8	77.4	123.1
2028	876.8	11.2	74.2	43.0	78.1	124.3
2029	882.2	11.1	73.2	43.1	78.5	125.4
2030	893.1	11.1	73.5	43.2	78.8	126.4
Year	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
2020	20.9	71.5	5.3	119.6	77.6	124.0
2021	21.4	77.2	5.3	124.6	88.6	119.8
2022	22.5	78.6	5.5	131.7	101.1	121.7
2023	21.2	76.3	5.7	141.4	104.7	127.6
2024	20.8	75.0	5.6	150.3	103.4	132.5
2025	20.1	74.6	5.4	158.7	99.8	137.7
2026	20.1	75.0	5.3	164.8	98.3	137.9
2027	20.4	76.4	5.3	168.9	100.3	139.1
2028	20.6	79.0	5.3	172.6	102.8	139.0
2029	20.6	79.7	5.4	176.2	104.5	137.8
2030	20.7	80.7	5.4	180.7	106.1	139.6

Source: California Economic Forecast, October 2025

FIGURE 40: NEW RESIDENTIAL UNITS, RIVERSIDE COUNTY, 2020 - 2030

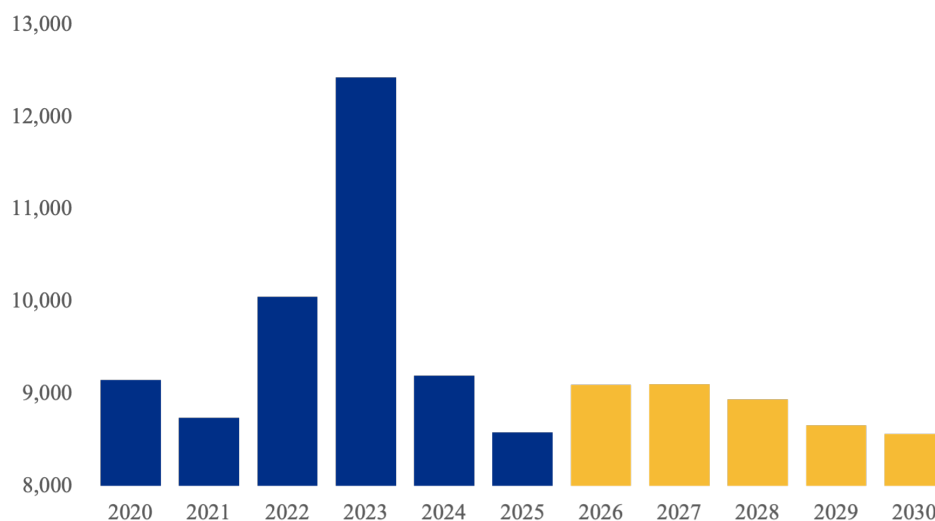


FIGURE 41: NON-FARM JOB GROWTH, YTY PERCENT CHANGE, RIVERSIDE COUNTY AND SOUTHERN CALIFORNIA, 2020 - 2030

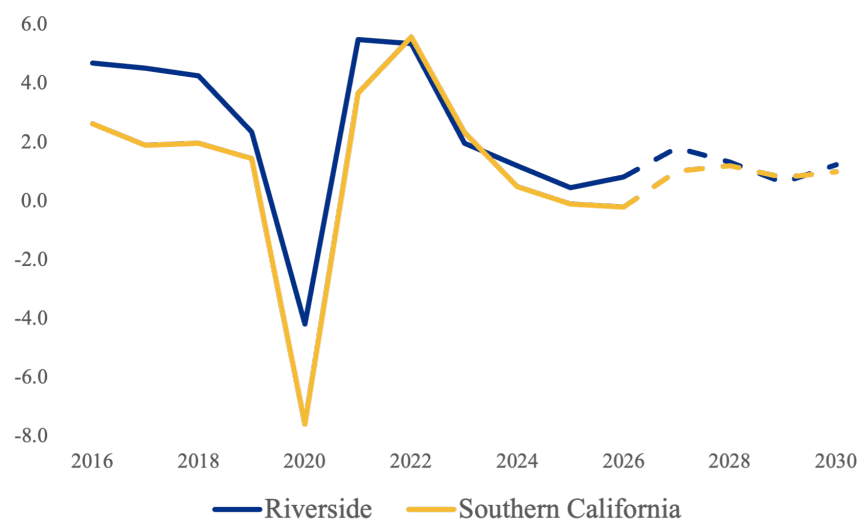


FIGURE 42: MANUFACTURING EMPLOYMENT, THOUSANDS OF JOBS, RIVERSIDE COUNTY, 2020 - 2030

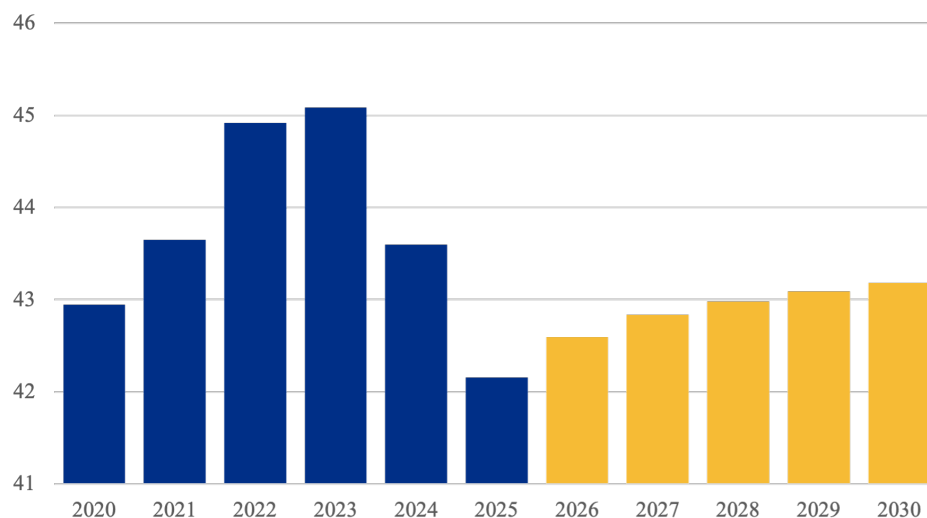


FIGURE 43: TRANSPORTATION AND WAREHOUSING EMPLOYMENT, THOUSANDS OF JOBS, RIVERSIDE COUNTY, 2020 - 2030

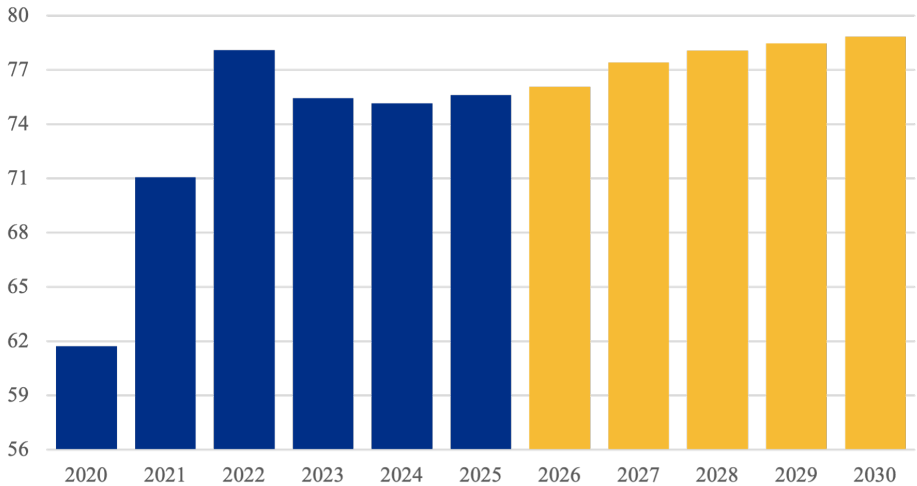


FIGURE 44: PROFESSIONAL AND BUSINESS SERVICES EMPLOYMENT, THOUSANDS OF JOBS, RIVERSIDE COUNTY, 2020 - 2030

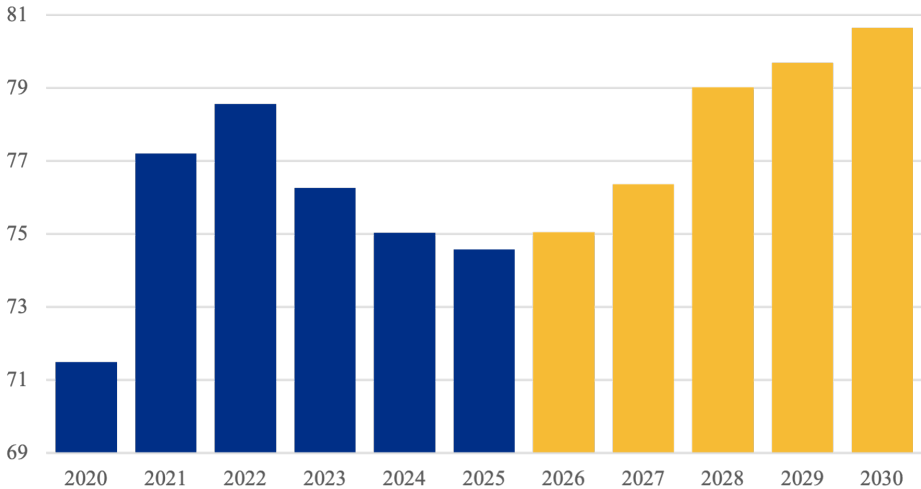


FIGURE 45: EDUCATION AND HEALTHCARE EMPLOYMENT, THOUSANDS OF JOBS, RIVERSIDE COUNTY, 2020 - 2030

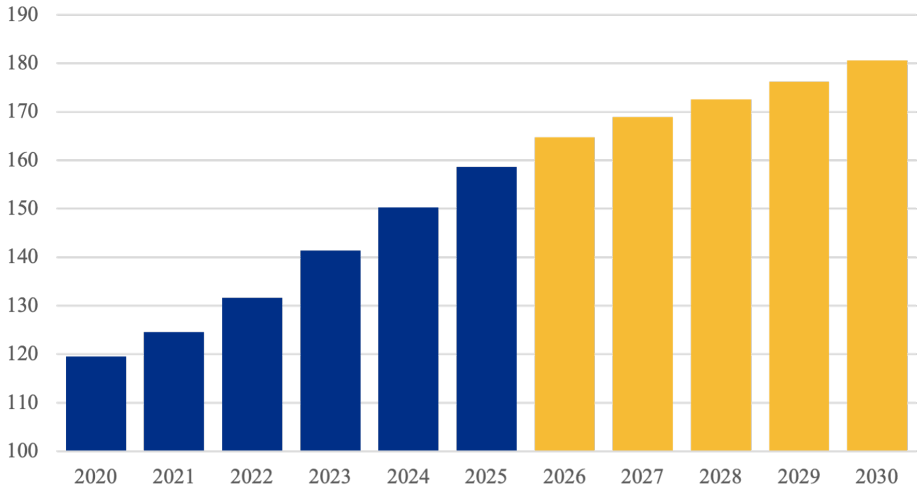


FIGURE 46: LEISURE AND HOSPITALITY EMPLOYMENT, THOUSANDS OF JOBS, RIVERSIDE COUNTY, 2020 - 2030

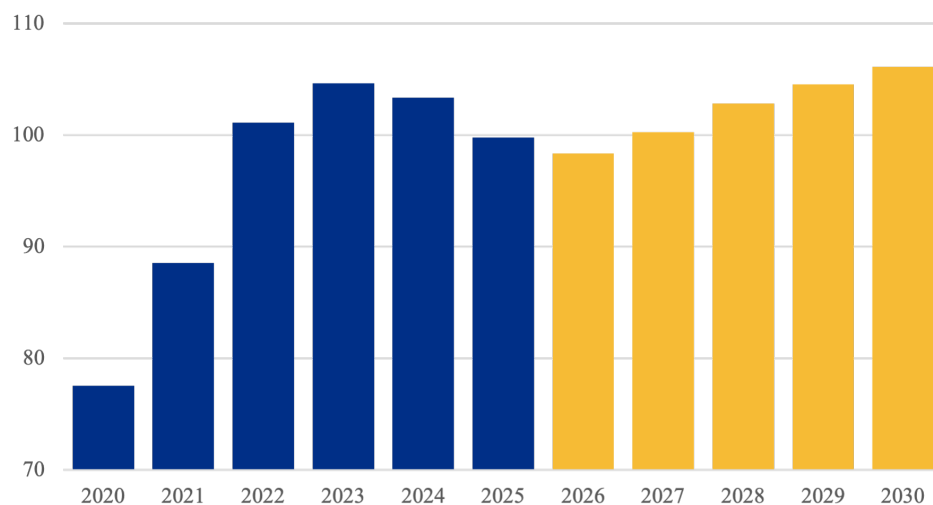


FIGURE 47: POPULATION (THOUSANDS) AND POPULATION GROWTH RATE (PERCENT CHANGE), RIVERSIDE COUNTY, 2020 - 2030

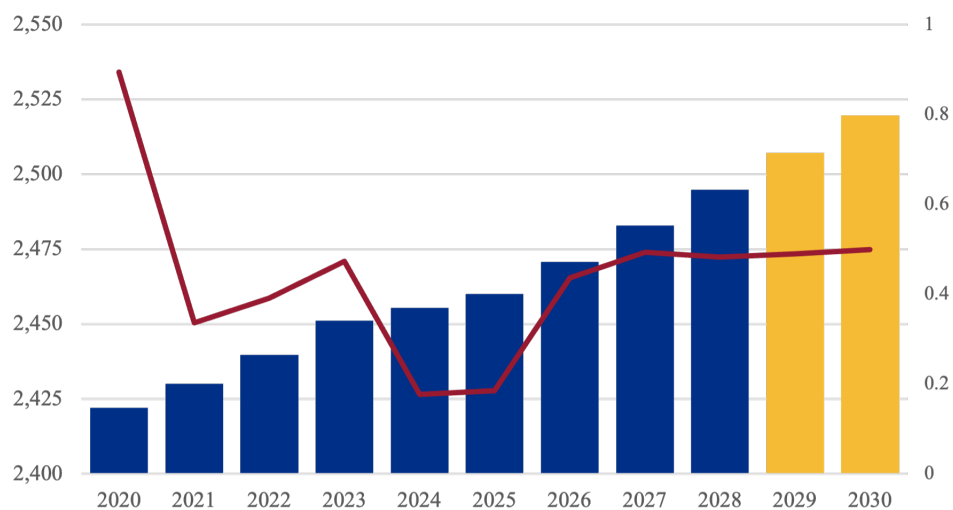


FIGURE 48: UNEMPLOYMENT RATE, RIVERSIDE AND SAN BERNARDINO COUNTIES, 2020 - 2030

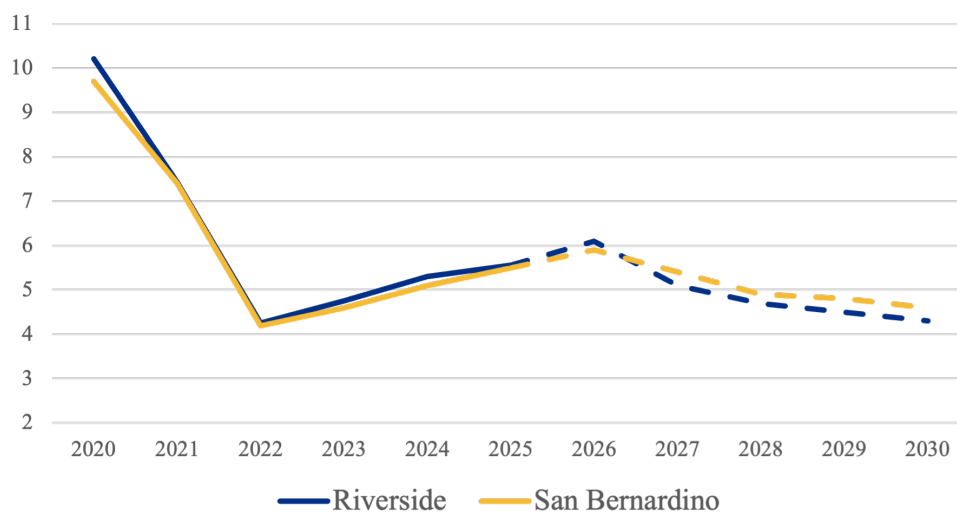


FIGURE 49: REAL PERSONAL INCOME PER CAPITA, CONSTANT 2024 DOLLARS PER PERSON, RIVERSIDE COUNTY, 2020 - 2030

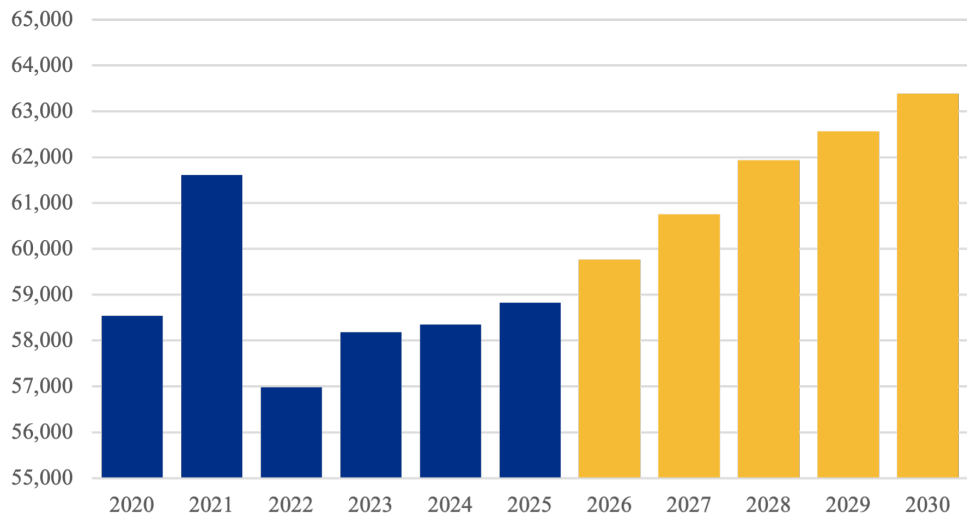
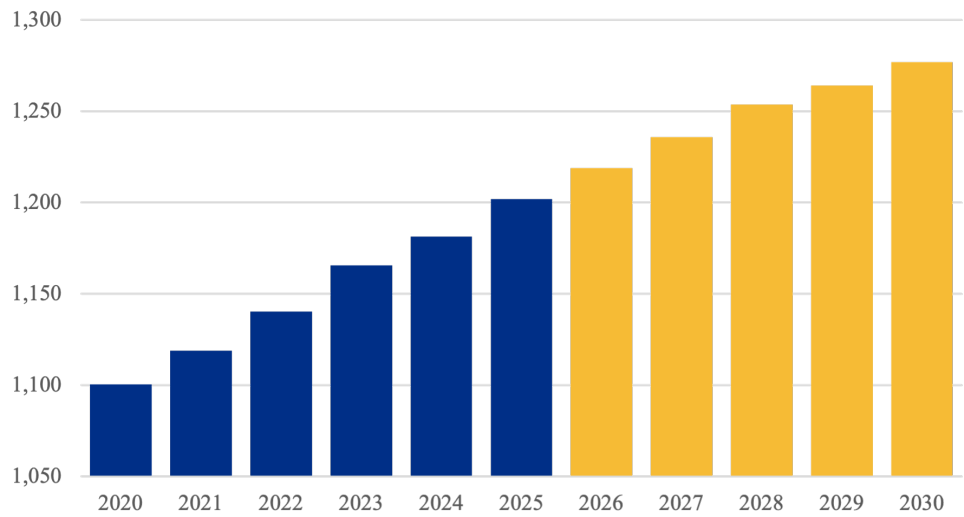


FIGURE 50: LABOR FORCE, THOUSANDS OF RESIDENTS, RIVERSIDE COUNTY, 2020-2030



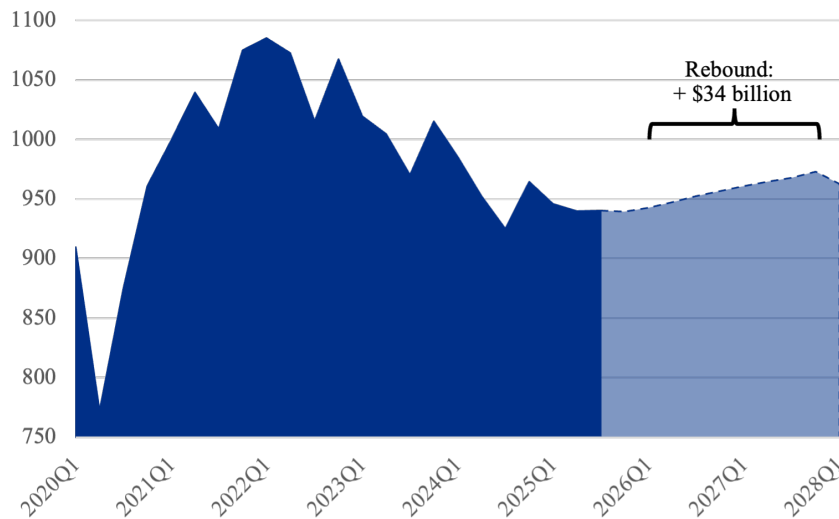
REVENUE FORECAST

RIVERSIDE COUNTY

Real taxable sales in 2026 for California are forecast by the UCLA Anderson Forecast to recover from the three year downturn. Under that scenario, because taxable sales in the region are highly correlated with

statewide taxable sales movements, total taxable sales in Riverside County (adjusted for inflation) will also recover in tandem with statewide sales.

FIGURE 51: TOTAL TAXABLE SALES, BILLIONS OF CONSTANT 2025 DOLLARS, CALIFORNIA, 2020 Q1 - 2028 Q1



The Riverside County 172 Apportionment revenue and sales tax receipts are also forecast to demonstrate signs of a rebound in step with statewide taxable sales during fiscal 2026. Sales taxes rise only 2.5 percent, probably not enough to eclipse inflation in 2026, and 172 apportionment revenues rise just 0.1 percent. After 2026, the gains are more significant.

With interest rates forecast to gradually decline in 2026, more sales of existing and new homes will ensue. New development completions and a slowly recovering housing market will maintain solid growth in assessed property valuations and therefore, the property tax obligation. The gains are modest in FY26 and more deliberate in FY27.

Assessed valuation is forecast to increase 6.5 percent in FY26 following a 7.1 percent increase in FY25. The property tax obligation rises 4.7 percent in FY26 and 6.2 percent in FY27.

The rebound in existing home sales that occurs from the recent expansion of inventory and more new homes completed during 2026 will move property transfer taxes higher by 3.0 percent. The median price of existing homes sold is also expected to rise over the forecast but at lower than historical rates of appreciation. In FY27, transfer taxes are forecast to jump 11.3 percent on the coattails of a stronger economy that approaches long term growth of 3 to 4 percent. Job creation also rises more sharply in 2027 in sync with a more optimistic job outlook for California. By this time, it is believed that an expansion in job opportunities are the result of more widespread adoption and implementation of AI systems within the broader business sector.

FIGURE 52: JOB CREATION, THOUSANDS OF JOBS, RIVERSIDE COUNTY, 2020 - 2030

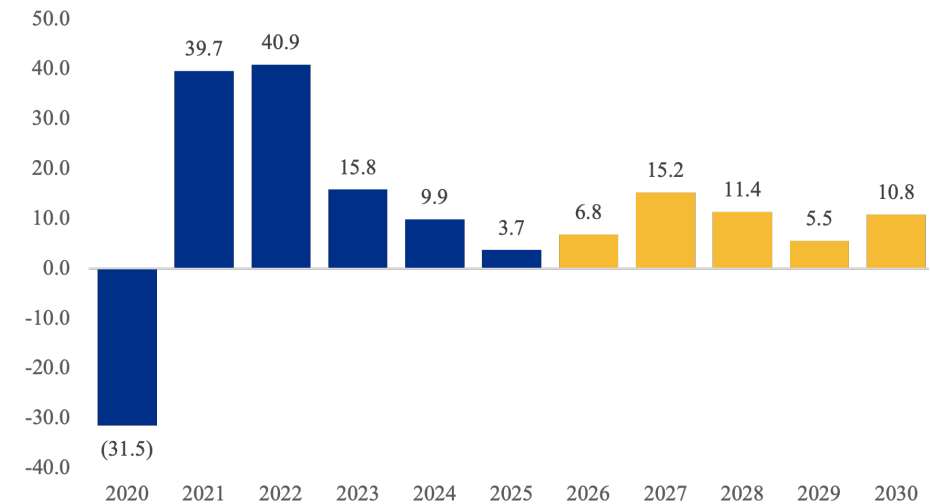


FIGURE 53: EXISTING HOME SALES, RIVERSIDE COUNTY, 2020 - 2030

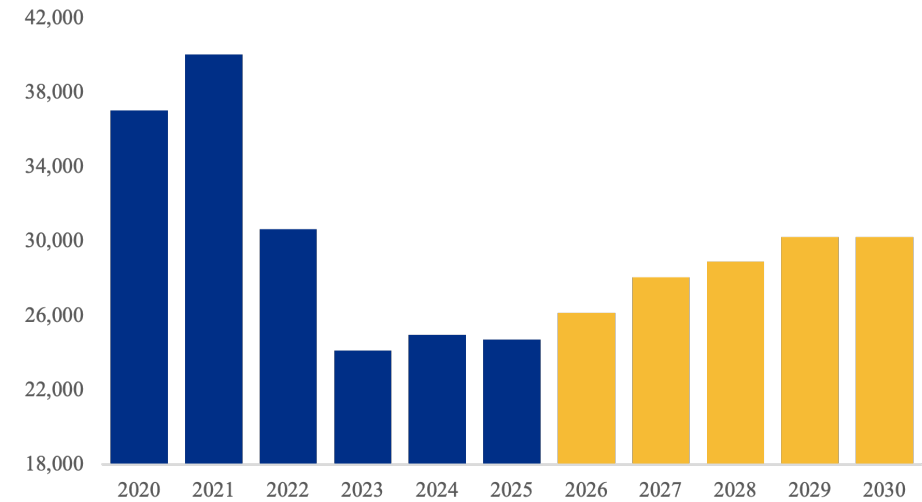


FIGURE 54: MEDIAN HOME SELLING PRICE, DOLLARS, RIVERSIDE COUNTY, 2020 - 2030

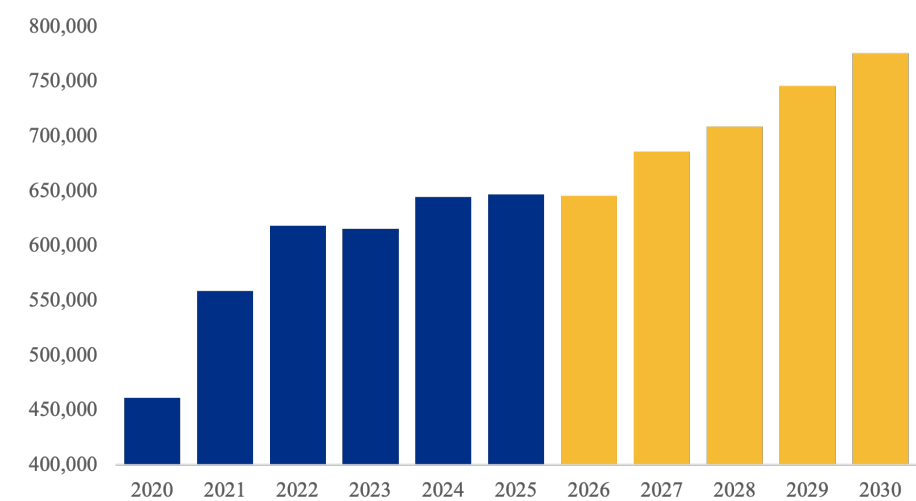


TABLE 10: REVENUE FORECASTS, RIVERSIDE COUNTY

Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Prop 172 County Apportionment (\$ millions)	216.8	275.9	296.0	296.4	295.8	296.2	312.3	330.3	348.9	366.8
percent change	16.1	27.3	7.3	0.1	-0.2	0.1	5.4	5.8	5.6	5.1
Assessed Valuation (\$ billions)	320.4	338.3	369.6	404.2	433.0	461.0	491.1	525.3	561.6	599.4
percent change	5.8	5.6	9.3	9.4	7.1	6.5	6.5	7.0	6.9	6.7
Property Tax Receipts (\$ millions)	747.9	791.6	888.1	981.4	1060.4	1109.9	1178.2	1260.0	1346.3	1434.6
percent change	9.9	5.8	12.2	10.5	8.0	4.7	6.2	6.9	6.8	6.6
Taxable Sales (\$ millions)	39.2	49.0	55.0	51.7	49.7	51.0	54.6	58.7	63.1	67.2
percent change	27.5	25.0	12.2	-6.0	-3.9	2.5	7.1	7.6	7.4	6.6
Property Transfer Tax Receipts (\$ millions)	24.6	31.1	21.7	18.8	20.1	20.6	23.0	24.8	27.0	28.7
percent change	46.9	26.4	-30.2	-13.4	6.9	2.7	11.3	7.9	8.9	6.2

Source: California Economic Forecast, October 2025

FIGURE 55: ASSESSED VALUATION, BILLIONS OF DOLLARS, RIVERSIDE COUNTY, FY 2020 - FY 2030

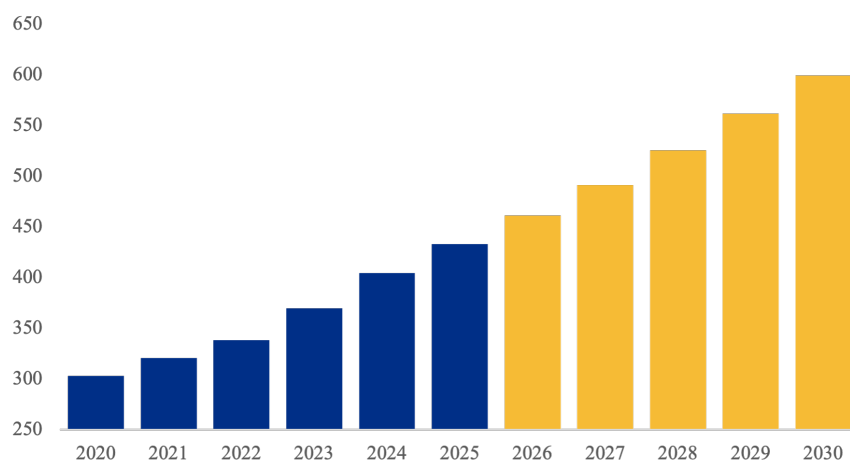


FIGURE 56: PROPERTY TRANSFER TAXES, MILLIONS OF DOLLARS, RIVERSIDE COUNTY, FY 2020 - FY 2030

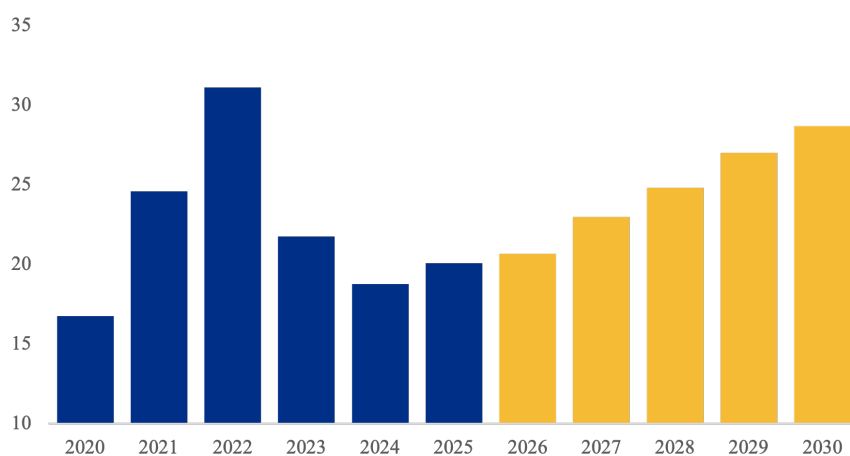


FIGURE 57: SALES/USE TAX RECEIPTS, MILLIONS OF DOLLARS, RIVERSIDE COUNTY, FY 2020 - FY 2030

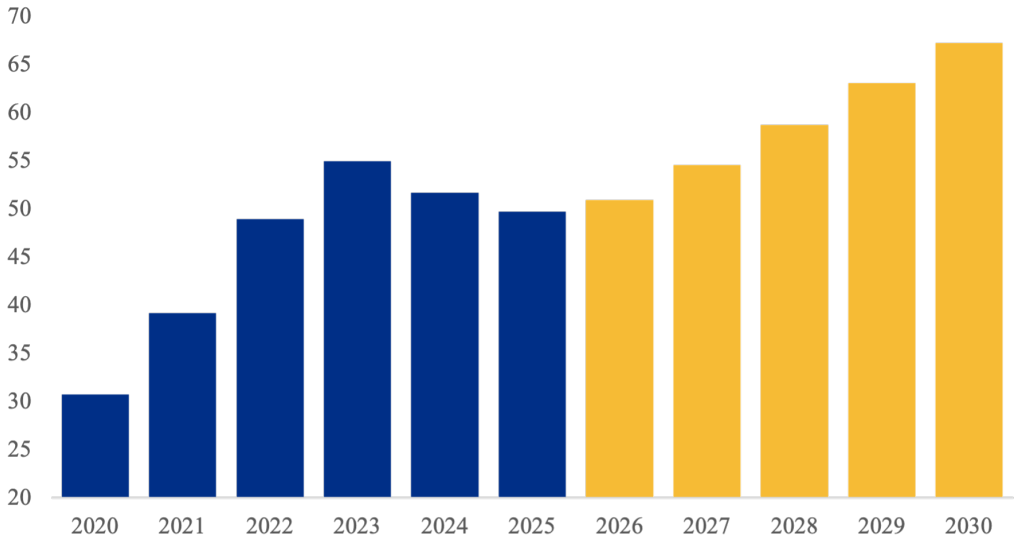
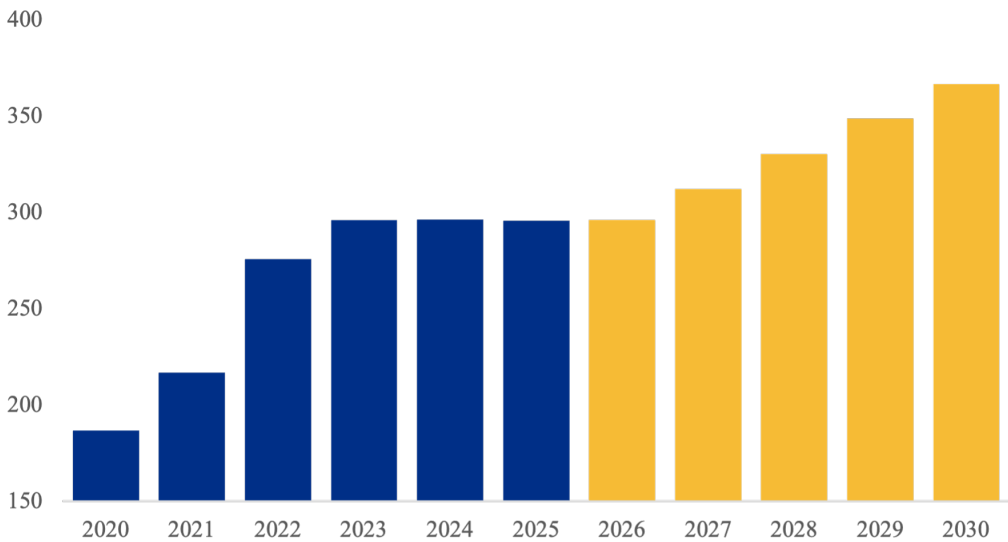


FIGURE 58: PROP 172 APPORTIONMENT, RIVERSIDE COUNTY, FY 2020 - FY 2030



FORECAST METHODOLOGY: A BRIEF PRIMER

A large macroeconomic forecasting model of Riverside County is used for the purpose of generating forecasts of these indicators. The model which was developed for the purpose of forecasting the general economy of Riverside County at least once a year, produces annual forecasts currently used by the California Department of Transportation and The Southern California Association of Governments.[1] The model is an econometric model comprised of 70 equations that are updated at least semi-annually with actual data for all Riverside County economic and demographic variables.

The County model is composed of 6 blocks of equations: 40 to 50 stochastic behavioral relationships and 20 to 25 accounting identities.¹⁰ The model is characterized by simultaneous interaction and determination of local employment, income, population, wages, retail spending, and the demand for housing.

The stochastic equations are estimated using the ordinary least squares regression method and the entire system is solved using the Gauss-Seidel iterative algorithm. The model is a “satellite model,” requiring forecasts of various California and U.S. economic variables which are treated as exogenous to the local county area. All of the exogenous forecasts are generated by the UCLA Anderson Forecast every March, June, September, and December. Consequently, the regional forecasts of economic indicators which incorporate the latest UCLA forecast will always embody the most current thinking about the direction of the national and state economy. For this report, the most recent (September 2025) U.S. and California economic forecast has been used to generate the regional forecasts for Riverside County.

The equation specifications are based on economic theory. The specifications of the estimated equations do change over time, as

current thinking and theory regarding causality evolve and/or as the actual data evolve.

At least twice a year, the model is updated with the most recent actual data for all of the indicators in the model. All of the equations are re-estimated with the expanded data to (1) ensure that the statistical specification is still robust, and (2) to update the elasticities of the independent variables. It is the parameter estimates combined with the revised forecast data that generate the general economic and revenue forecasts.

OUTPUTS

The economic and demographic indicators that are forecast for each county are shown in the following table. Forecast values are prepared over a 5 year time period beginning with the year in which actual data are not yet available.

Principal Indicators Forecast by the Riverside County Model

- Non-farm employment by principal two-digit NAICS sector
- Farm employment
- Total wage and salary employment
- Unemployment rate
- Personal income
- Per capita personal income
- Number of housing units permitted and total housing stock
- Taxable retail and total taxable sales
- Population
- Births
- Deaths
- Net in-migration
- Number of households
- Number of vehicle registrations
- Existing home sales
- Median housing values
- Total value of agricultural production
- The regional inflation rate
- Total value of industrial production

10. It has also been used to forecast single and multi-family housing for the Construction Industry Research Board, for general economic forecasts for 26 California counties by Kaiser Permanente, and for forecasting home sales for Riverside County for the California Association of Realtors.

In addition to these general economic indicators, the model has been expanded to develop forecasts for The Riverside County Revenue categories provided to the California Economic Forecast by the Riverside County Executive Office.

MODEL STRUCTURE

General Characteristics

The county models use a macroeconomic structure consisting of interdependent equations. Each endogenous variable (determined by the model) is a function of other endogenous variables, exogenous variables (determined outside the model), and an error term. Implicitly, each equation may be represented as:

$$Y_{it} = f(Y_{jt}, X_{kt}, u_t)$$

where

- Y_{it} = endogenous variable i in period t
- Y_{jt} = endogenous variable j in period t
- X_{kt} = exogenous variable k in period t
- u_t = error term in period t

The determination of Y_{it} by a variable determined elsewhere in the model is the essence of a simultaneous equation model. The endogenous variables interact within the model as they do in the real world. For example, retail sales in the county will increase as population increases and/or as income increases.

The structure of the model is simultaneous, arranged in blocks of equations. Each block is comprised of a system of equations that define the block, or sector. All sectors are linked, meaning feedback exists between blocks. The equations within each block are either stochastic (that is, measured with error) or deterministic (i.e., are determined by an identity or formula having no measurable error).

The equations have been arranged in 6 blocks to aid in organizing the model.

- Sector 1: Housing and new building
- Sector 2: Demographics
- Sector 3: Income
- Sector 4: Consumer spending
- Sector 5: Employment
- Sector 6: All other equations including the Riverside County revenue indicators

For each sector, a particular set of endogenous variables are specified to meet the principal objectives of the county forecasting model, which are to generate forecasts for the indicators listed in the table above. A number of other endogenous variables are needed as intermediate stages in the determination of the key variables that are typically reported in the long term forecast tables.

