



# COUNTY OF RIVERSIDE

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STATE OF CALIFORNIA

## FISCAL YEAR 2014/15 MIDYEAR BUDGET REPORT



PREPARED BY  
Jay E. Orr  
*County Executive Officer*





**JAY E. ORR**  
COUNTY EXECUTIVE OFFICER

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February 3, 2015

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

**4/5<sup>th</sup> Vote**

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**SUBJECT:**     *FY 14/15 Midyear Budget Report*

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Board members:

At midyear, we take stock of the county's current budget position and lay the groundwork for next fiscal year. While local economic indicators continue gradually trending positive, significant budgetary challenges lay ahead.

The recently appointed chief executive of the medical center continues installing a new leadership team at RCRMC. He projects the year-end cash deficit will be reduced to \$30 million from the \$80 million negative cash balance at the beginning of FY 13/14. In addition, he projects an estimated year-end operating shortfall of \$10 to \$18 million.

The Sheriff began the year projecting a \$46 million deficit, due in part to increased labor costs, but revised his projection down to \$40 million. Likewise, the District Attorney initially projected a \$10 million year-end shortfall, but has now revised that projection down to \$7.5 million.

The Fire Department's projected year-end shortfall due to increased labor costs for state firefighters, capital maintenance, and other fixed costs remains \$4.2 million. Canyon Lake's and other cities' failure to pay what they owe for contract fire services that already have been rendered could increase that shortfall. Taken together, these mission-critical public safety departments report potential shortfalls totaling \$51.7 million. These department heads continue working to reduce the shortfalls, and we will evaluate their positions in the third quarter report.

The Correctional Health program requests \$5 million in additional general fund support as a follow-on to funding provided in the final budget. The funding is needed to meet service levels in its memorandum of understanding with the Sheriff and Probation, and I recommend approving that request at this time.

The department of Animal Services approximately \$2 million will be needed by year-end

to cover reactivation of the Hemet-San Jacinto shelter and the costs of a settlement. However, I recommend deferring action on that request until later in the fiscal year.

Public Health requests four positions and additional ongoing general fund support to better monitor and respond to public health emergencies. The annualized FY 15/16 cost is estimated to be \$438,234. I recommend deferring consideration of this request to the FY 15/16 budget cycle in line with the FY 14/15 budget policies the Board approved this time last year.

Mental Health requests additional general fund support involving 75 additional positions and coverage of projected Prop. 47 costs. On an annualized basis, the projected FY 15/16 total costs would be at least \$6.3 million. These requests require thorough assessment of their sizeable long-term ongoing budgetary implications within the context of the Board's strategic priorities. As such, I recommend deferring consideration of those requests to the FY 15/16 budget cycle as well.

Several of the county's internal service funds also continue to struggle. The Information Technology department (RCIT) projects a \$3.2 million operating deficit for this fiscal year, down just slightly from first quarter. In addition, Facilities Management reports operating deficits in its Custodial Services, although Custodial Services predicts having sufficient cash to maintain necessary working capital at year-end.


Other departments are working within their budget allocations and available departmental resources, and the remaining recommendations in this report are routine. Future policy actions may be needed to address certain identified funding issues, but at this early stage, I recommend continuing to monitor those budget units and deferring action to address those matters until later in the fiscal year.

At this time, I recommend adjustment to only two one-time revenue sources: recognition of \$5.9 million in SB90 state mandate reimbursement received, and \$5.2 million from development impact fees to reimburse the general fund for the county's match on the Youth Treatment and Education Center. While property tax collections show modest signs of increasing, I recommend holding off on adjusting those sources at this time. Overall, this report contains \$5.3 million in reductions and \$10.9 million in increases to general fund contingency, for a net increase of \$5.5 million that takes the balance to \$29.6 million.

I will return to the Board in early May with the third quarter budget report assessing the current year financial position and previewing the budget challenges upcoming in FY 15/16. As noted in the FY 15/16 budget schedule in Attachment F, I plan to bring next year's recommended budget to the Board for approval on Monday, June 15, followed by the opening of budget hearings, and to return with adoption of the final budget in early to mid-September. The newly revised budget policies contained in Attachment E are in line with best practices and intended to tighten the budget process and move the county toward structural balance and fully funded reserve goals.

**IT IS RECOMMENDED** that the Board of Supervisors: 1) receive and file this report and all its attachments; 2) approve the recommendations and associated budget adjustments contained in Attachment A; 3) approve Resolution No. 440-8994 amending Ordinance No. 440 contained in Attachment B; and approve the FY 15/16 budget policies and schedule contained in Attachments E and F, respectively.

Respectfully,

  
\_\_\_\_\_  
Jay E. Orr  
County Executive Officer

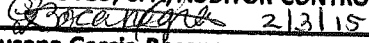
**FISCAL PROCEDURES APPROVED**  
**PAUL ANGULO, CPA, AUDITOR-CONTROLLER**  
BY  2/3/15  
**Susana Garcia-Bocanegra**



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## **A. EXECUTIVE SUMMARY**

At the beginning of FY 13/14, the Riverside County Regional Medical Center (RCRMC) projected a negative \$80 million year-end cash balance. However, RCRMC reports continued improvement, and based on quarter-end actuals through December 31, 2014, currently projects a year-end negative cash balance of **\$30 million**. Interim executive management was confident RCRMC would end FY 14/15 with a balanced budget. Huron initiatives and executive leadership have significantly improved the hospital's financial position as they continue to reduce the accounts receivable backlog and collect on prior year settlements with the state. Nonetheless, the new hospital CEO currently projects a year-end operating shortfall between **\$10 and 18 million**, primarily attributable to Medi-Cal, uncompensated care, and county programs that reimburse the hospital at rates below the cost to care for those patients.

The Sheriff began FY 14/15 with a projected \$46 million budget shortfall stemming from negotiated salary and benefits increases, increased staffing levels, and higher internal service rates. At this time, the Sheriff has revised his estimate downward by \$6 million to **\$40 million**. That change is due to slight increases in estimated revenue as well as revised estimates for overtime, computer lines, aircraft maintenance and utilities for the remainder of the fiscal year. Likewise, the District Attorney now projects a budget shortfall of **\$7.5 million**, down from the initial \$10 million projection.

The Fire Department projects a shortfall of **\$4.2 million** due in large part to an anticipated \$2.6 million increase in labor costs for state firefighters. The remainder is for station repairs and other capital maintenance, an administrative rate adjustment, training costs, and a lease not funded in the final budget.

In June 2014, the Board directed establishment of a fiduciary fund to provide water services to 140 families in Wildomar receiving substandard water from the privately-owned County Water Company. Through the county's intervention, these residents now have safe drinking water. The county is providing water services on a temporary basis until water districts that are taking over service complete infrastructure. However, reimbursements from the affected residents are not yet sufficient to recover the costs of restoring service and operating the receivership. Consequently, **\$270,400** in general fund support is requested to cover these estimated operational costs for this fiscal year. The Executive Office recommends funding this request and monitoring these overhead costs closely.

As reported in previous quarters, a pending lawsuit involves a personnel matter in the Animal Services Department. At this time the department requests **\$374,302** to cover associated settlement costs. The Executive Office recommends deferring consideration of this request until later in the fiscal year.

Shifting staff resources to address recent public health emergencies and disease outbreaks negatively impacted other vital public health programs. Consequently, Public Health requests **\$100,076** in ongoing general fund support for FY 14/15 to add four positions for ongoing monitoring and rapid response to emerging diseases and other pub-

lic health emergencies. The department projects the ongoing annualized cost of these additional positions next year will be **\$438,234**. The Executive Office recommends deferring consideration of Public Health's request until the FY 15/16 budget cycle.

To meet services levels established in the memoranda of understanding with the Sheriff and Probation departments, Correctional Health requests **\$5 million**. The funding is needed because of increased demand for service from inmates in county correctional facilities and juvenile detention centers and implementation of an electronic health care medical record system (EMR) in the county jails and juvenile detention centers. The Executive Office recommends funding this request from Contingency at this time.

Prop. 47 reduces the filing status of certain crimes from felonies to misdemeanors and transfers financial responsibility for mental health and substance abuse patients to the county. While the measure redirects a portion of the criminal justice system's net savings to counties, it took effect immediately without addressing financial aspects. The Mental Health Department is working to identify community-based residential-care and treatment facilities for these clients. The projected cost to the county for the 11 eligible clients at Patton State Hospital is **\$2.5 million** through June 30, 2015. Realignment funding is not available for this issue and Mental Health Service Act funds are not eligible for state hospital services. Consequently, the department requests funding to cover these expenses.

In addition, in seeking accreditation by the National Commission on Correctional Health Care, Mental Health requests **\$544,306** in ongoing funding and authority to add for 49 positions for expanded medical and mental health care in the jails. The department also seeks **\$246,020** and authority for phased addition of 26 positions for compliance with Title 15 staffing and service levels required in the Juvenile Halls and Youth Opportunity Programs. The total additional ongoing funding requested in this report by the Mental Health for the current year is **\$3.25 million**, and at least **\$6.3 million** in FY 15/16. The Executive Office recommends deferring consideration of all three of Mental Health's requests to the FY 15/16 budget cycle.

Facilities Management's Custodial Services internal service fund is structurally imbalanced, and requests a **\$485,000** transfer from the general fund to increase appropriations for salaries and benefits. The Executive Office recommends that we continue to monitor this internal service fund closely and defer consideration of the request until later this fiscal year.

In the first quarter report, the Executive Office reported about Riverside County Information Technology (RCIT) implementing measures to resolve a \$3.8 million budget deficit. At mid-year, the department reports reducing that gap to \$3.2 million.

The Executive Office recommends revision of two revenue estimates at this time to acknowledge receiving actual revenues that exceed original budget estimates. These include **\$5.9 million** in SB90 state mandate reimbursement and **\$5.2 million** from development impact fees targeted to match the county's share of constructing Youth Treatment and Education Center.

The unassigned fund balance assumed available for budgeting was subject to reconciliation with the Auditor-Controller's audited FY 13/14 ending unassigned fund balance. Auditing of the county's annual financial statements is now complete, and the Executive Office recommends reducing the budget stabilization account by **\$3.3 million** to reconcile the budgetable unassigned fund balance to the actual prior year balance carried forward.

In summary, this report contains \$5.4 million in reductions and \$10.9 million in increases, for a net increase in contingency by **\$5.5 million** to **\$29.6 million**.

**B. ECONOMIC OUTLOOK**

**GENERAL OUTLOOK**

**California Unemployment**

The state’s unadjusted unemployment rate was 7.2 percent in November, up from 6.9 percent in September. By contrast, the U.S. unemployment rate in November was 5.8 percent, up slightly from 5.7 percent in September. In November 2014, 392,610 people were receiving regular unemployment insurance benefits in California, down from 465,581 in November 2013, and there were 60,211 new claims for unemployment insurance, down from 72,642 in the same period the year before.

**California Employment Trends**

The number of people in California holding non-farm payroll jobs in November increased by 474,000 over the year before. Total seasonally adjusted civilian employment in California has risen to 17,467,000. Eleven sectors posted gains in jobs over the year, with trade, transportation and utilities posting the highest percentage growth.

**California Real Estate Trends**

As of October 2014, the growth in residential valuation was 6 percent over the year. Statewide, the pace of home sales continued to cool, declining by 1.9 percent since October 2013. However, existing home prices increased by 5.4 percent on a year-over-year basis.

**LOCAL OUTLOOK**

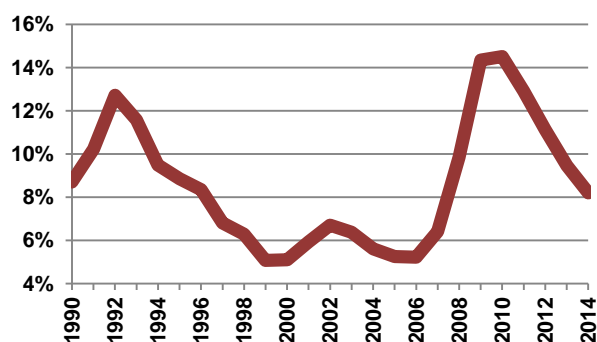
**Unemployment**

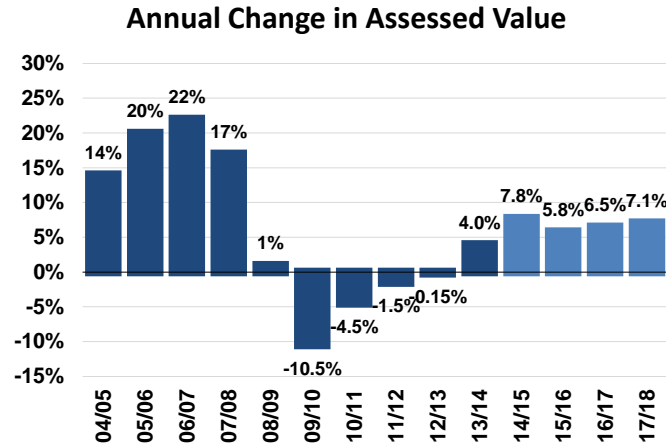
In September, Riverside County’s unemployment rate declined slightly to 8.2 percent, continuing to remain higher than neighboring San Bernardino County’s unemployment rate of 7.7 percent. By contrast, Riverside County’s historic, non-recessionary period annual average unemployment rate was 6.6 percent between 1995 and 2008. The blended unemployment rate of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) increased again to 8 percent.

**Employment Trends**

Professional and business services added the largest number of jobs over the year, with 9,300 – 80 percent of which was in administrative support and waste services.

**Riverside County  
Unemployment Rate**





Source of forward projections: California State University, Fullerton

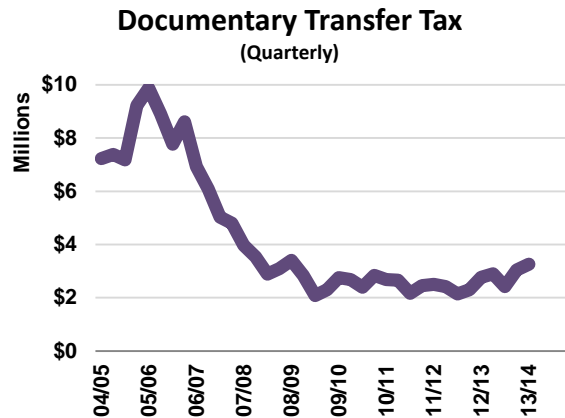
### Assessed Value

The median home value in Riverside County has remained around \$300,000 since the beginning of the fiscal year, following a steady value increase of 13.2 percent during FY 13/14. The Assessor will apply a 1.998 percent increase for Prop. 13 properties on lien date 2015; the final number came in just short of the traditional 2 percent increase.

### Recordation Activity

Documentary Transfer Tax appears to be on target due to the increased values of applicable properties. Although document recordings have yet to increase, indications are that real estate market activity is picking up and may soon generate more document recording activity.

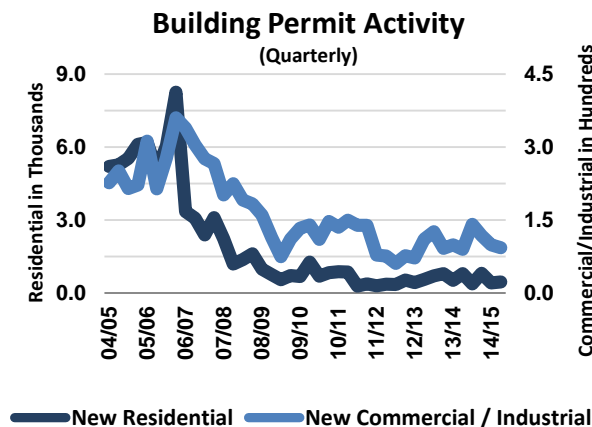
Documentary Transfer Tax appears to be on target due to the increased values of applicable properties.



### Building Permits

During the first quarter, the Building and Safety Department issued 461 new residential building permits, an increase from the 419 permits issued during the first quarter, and 26 percent below the eight quarter trailing average. The department issued 93 new commercial/industrial building permits, down slightly from the 99 permits issued during the first quarter, and 15 percent below the eight quarter trailing average.

During the first quarter, the Building and Safety Department issued 461 new residential building permits, an increase from the 419 permits issued during the first quarter, and 26 percent below the eight quarter trailing average.



Source: Building & Safety Department

From July 2014 through November 2014 (FY 14/15), the Building and Safety Department issued 4,987 building permits compared to 4,524 for the same period last fiscal year, resulting in a 10 percent increase. Combined deposit based fee (DBF) and flat fee receipts for July 2014 through November 2014 came in at \$3.3 million compared to \$3.4 million for the same period last year, a decrease of 2 percent. Overall, DBF receipts decreased during this period by 17 percent at the same time as flat-fee receipts increased by 27 percent. This mixed trend, with more cases but less overall revenue,

reflects the “solar heavy” nature of cases submitted to Building and Safety at this time.

Planning applications for July through November 2014 increased to 310 compared to 292 for the same period last fiscal year, an increase of 18 cases due to an increase in 31 minor cases. Even though the number of submittals has risen, receipts for July through November dropped by \$478,235. Customer count at the two TLMA regional offices increased by 901 to 10,535 from July through November, a 9 percent increase compared to the same period last fiscal year.

### ***FEDERAL UPDATE***

The 113th Congress’ second session ended with little progress toward major policy areas under consideration. Some successes include final negotiations on a farm bill and completion of the FY 2014 appropriations process, largely a result of agreements made late in 2013 when the Bipartisan Budget Act of 2013 passed.

The 2013 Budget Act was intended to simplify future budgets, but Congress could not reach agreement until the new session began. The House and Senate negotiated on a proposal and agreed on final FY 2015 funding levels for most federal programs and agencies. The President signed the Consolidated and Further Continuing Resolution December 16, 2014. Funding levels for many of the programs is similar to the prior year.

Congress left several unfinished tasks on the table, including comprehensive immigration reform, reauthorization of national surface transportation programs and national freight network trust fund.

### ***STATE UPDATE***

The state’s economy continued with very strong economic returns in the first half of the fiscal year, and all sectors continue to improve over the past year. Coupled with restrained state spending, the outlook appears very positive as growth is expected to continue for the second half of the year.

### ***State Revenue***

Significant momentum continues in the state’s economy, and California ended calendar 2014 with steady growth in tax receipts. Total revenues of \$47.4 billion for the first six months of the fiscal year beat estimates by \$3 billion, or 6.7 percent. State spending remains restrained in terms of state government operations. Disbursements were \$822.9 million or 1.2 percent less than anticipated.

The state ended December 2014 with a \$16 billion general fund cash deficit, down from last year, when the state faced an \$18.3 billion cash deficit at the end of December 2013. December cash flow was covered by \$13.2 billion in internal borrowing and \$2.8 billion in external borrowing.



**Governor's FY 15/16 Proposed State Budget**

The Governor's proposed 2015/16 state budget was released on January 9, focusing on fiscal discipline. The proposal projects a modest surplus that allows some additional investments in programs such as schools and healthcare. The Governor's proposal focuses on repaying the state's existing liabilities. The proposal touts its balance and continues to warn against exuberance.

The Governor proposes to pay local governments \$533 million for pre-2004 back-due mandate reimbursements, as the current year budget requires. About 73 percent of those funds, or \$390 million, would go to counties, of which Riverside County's share is \$26.6 million.

To account for increased caseloads and continued system functionality problems, the Governor proposed a \$150 million increase for county Medi-Cal administration, of which Riverside County anticipates an additional \$7.7 million to support its work in this area.

The Governor proposes using \$1 billion in cap-and-trade funding for programs to reduce greenhouse gas emissions, including \$200 million to fund the Affordable Housing and Sustainable Communities program.

Prop. 1 funds are introduced into this year's budget and the Governor proposed using \$532 million of the water bond, including \$22 million for groundwater and \$135 million for safe drinking water.

For the first time, the Governor included ongoing funding for payment in lieu of taxes (PILT) in the amount of \$644,000 and a combination of one-time and ongoing funding for county fairs totaling about \$10 million. The Executive Office is analyzing the county's share of PILT, estimated to be over \$2.6 million, and will keep the Board informed during the legislative session.

County Probation efforts will continue through funding of SB678 at \$125 million statewide. These funds continue to provide an incentive for keeping those on probation from reoffending.

The Governor proposes several changes to laws governing dissolution of redevelopment agencies. The intent is to minimize the erosion of the return to property taxes, clarifying various ambiguities in the dissolution statutes, and maintaining the wind down of RDA activities while adding new incentives for substantial compliance with the law.

While not directly affecting counties, the Governor proposes \$2.5 billion in Prop. 98 guarantee. Compared to 2011/12, this represents an increase of about \$2,600 per student. The budget also includes \$478 million for deferred maintenance at state facilities, but does not provide a plan to fund the huge maintenance needs of the state and local roads.

**C. MULTIYEAR BUDGET OUTLOOK**

**LONG-RANGE PLAN**

In September 2013, the Executive Office presented the five-year public safety plan projecting additional operating expenditures and increased debt service costs, together with anticipated growth in estimated discretionary general fund revenue. As the table below reflects, the plan outlines the cumulative fiscal effect of Board-approved initiatives over the next five years weighed against projected revenue growth, including FY 14/15 final budget actions and current information.

**Five-Year Master Plan**

(cumulative additional amounts – dollars in millions)

	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>
<b><u>PROJECTED REVENUES</u></b>					
Discretionary Revenues	\$ 46.8	\$ 74.6	\$ 101.9	\$ 130.8	\$ 160.3
Prop 172 Allocation	21.8	32.0	50.1	50.2	50.4
<b>PROJECTED REVENUES</b>	<b>\$ 68.6</b>	<b>\$ 106.6</b>	<b>\$ 152.0</b>	<b>\$ 181.0</b>	<b>\$ 210.7</b>

**BOARD COMMITMENTS**

<b><u>Operational Costs</u></b>	<b>Amt</b>	<b>Amt</b>	<b>Amt</b>	<b>Amt</b>	<b>Amt</b>
Sheriff	24.3	58.6	93.4	115.7	132.9
Correctional Health	10.0	12.4	15.3	19.7	21.7
Fire - Salaries & Benefits	10.1	13.0	13.4	13.8	14.5
Fire - PSEC	1.5	1.5	1.5	1.5	1.5
Probation	4.6	6.9	9.3	12.7	12.9
<b>Total Labor Costs</b>	<b>\$ 50.5</b>	<b>\$ 92.4</b>	<b>\$ 132.9</b>	<b>\$ 163.4</b>	<b>\$ 183.5</b>
<b>Capital Costs</b>	<b>2.6</b>	<b>15.9</b>	<b>19.9</b>	<b>20.4</b>	<b>20.4</b>
<b>Final Recommendations</b>	<b>5.5</b>	<b>7.7</b>	<b>8.5</b>	<b>8.7</b>	<b>8.9</b>
<b>NCC Adjustments</b>	<b>(6.6)</b>				
<b>Contingency</b>	<b>2.9</b>				
<b>Budget Stabilization</b>	<b>13.7</b>				
<b>TOTAL COMMITMENTS</b>	<b>\$ 68.6</b>	<b>\$ 116.0</b>	<b>\$ 161.3</b>	<b>\$ 192.5</b>	<b>\$ 212.8</b>
<b>BALANCE/(DEFICIT)</b>	<b>\$ 0.0</b>	<b>\$ (9.4)</b>	<b>\$ (9.3)</b>	<b>\$ (11.5)</b>	<b>\$ (2.1)</b>

Funding Challenges

- 1 Salary / Pension Increases
- 2 DA
- 3 PD / Probation Building
- 4 ISF Increases
- 5 Union Negotiations
- 6 Prop. 47

The Sheriff was provided half the funding to move toward a patrol ratio of 1.2 officers per 1,000 residents, with additional funding provided as needed. Previous estimates included debt service for new buildings, funding the Executive Office expects will not be needed until FY 15/16.

**FY 15/16 BUDGET POLICY AND SCHEDULE**

The annual budget policies and schedule for FY 15/16 will be distributed to departments during a budget kickoff meeting in early February. Departments’ net county cost (NCC) targets remain mostly unchanged from current levels. These targets reflect the expectation that departments will absorb labor cost increases without additional general fund support, except for existing Board commitments. The Executive Office recommends the Board approve the key budget policies included in Attachment E.

The FY 15/16 budget schedule also is outlined in Attachment F. Under this modified schedule, departments’ FY 15/16 budget submittals are now due to the Executive Office on **Monday, March 16**. The Executive Office plans to present the third quarter budget report on **Monday, May 6**, including a preliminary analysis of the FY 15/16 budgetary impacts and challenges resulting from those submittals together with presentation of the county’s economic forecasts and revenue estimates.

The Executive Office plans to return **Monday, June 15**, with the FY 15/16 recommended budget for Board approval. Recommended budgets provide core spending authority for the new fiscal year, and by law must be approved by the Board on or before June 30 to have appropriations in place on July 1. Budget hearings can commence immediately after the Board approves the recommended budget. After considering open testimony from departments and the public during these hearings, the Board may provide further policy direction for the final budget.

The Executive Office will then prepare any necessary adjustments based on that Board direction and year-end financial results, and tentatively plans to return to the Board on **Tuesday, August 18**. The Executive Office will bring back a FY 14/15 fourth quarter year-end review and adoption of the FY 15/16 final budget.

**D. SECOND QUARTER ACTIVITY**

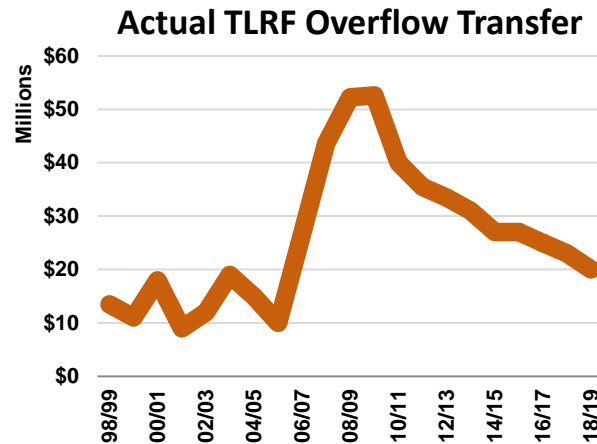
**DISCRETIONARY REVENUE**

**Property Taxes**

Property tax revenue was budgeted at \$295.8 million based on a forecasted 7.75 percent increase in assessed values. The Auditor-Controller projects property tax revenue will exceed the original forecast by \$3.3 million. The Executive Office continues to monitoring this key revenue closely and does not recommend any adjustments at this time.

**Redevelopment Dissolution Related Revenue**

In 2011, the Governor signed ABX1 26, dissolving redevelopment agencies statewide, and the courts upheld the law. Consequently, redevelopment agencies were dissolved February 1, 2012. Under ABX1 26, redevelopment agencies’ assets not essential to meet enforceable obligations must be liquidated and distributed to taxing entities, such as the county. At this time, the Auditor-Controller’s Office anticipates allocating \$5.6 million in residual assets to the county general fund this fiscal year, \$3.6 million more than currently budgeted. In the January allocation, the Auditor-Controller allocated \$2.2 million in residual assets. The Executive Office recommends continuing to monitor this revenue and defer action until third quarter.

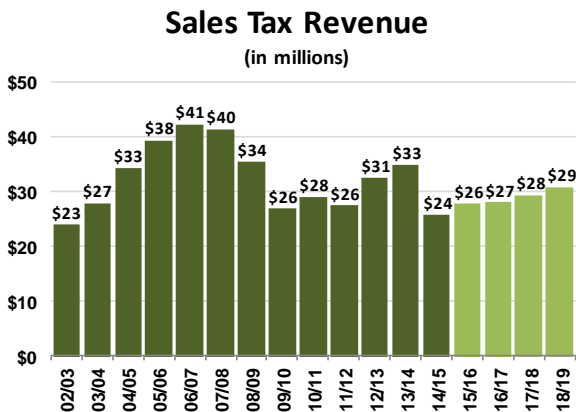


**Teeter Tax Losses Reserve Fund (TLRF) Overflow**

Under the California Teeter plan, the county advances participating local agencies their property tax allocations based on enrolled assessed valuation. In return, the county collects and retains the actual taxes received, plus any penalties and interest on delinquent taxes. The tax losses reserve fund manages revenues and expenditures associated with the program. Revenue that exceeds financing costs and the necessary tax loss reserve is discretionary revenue released to the general fund. As delinquency rates continue to decline, the associated overflow projection of \$27 million remains unchanged for this fiscal year. As the real estate market stabilizes over the next several years, this revenue will continue to erode, as projected in the chart at left.

**Sales and Use Taxes**

Total sales and use tax receipts from the most recent quarter rose 8.2 percent from the same quarter a year ago for all jurisdictions in the county, according to Hinderliter de Llamas & Associates (HdL), Riverside County’s sales tax consultant. This is notably higher than reported among other counties in the region, and the state as a whole. The state’s overall growth rate was 6.1 percent over the same quarter a year ago.



Source: HdL Companies

Adjusted for one-time allocations and corrections, the county’s year-over-year change in sales and use taxes increased 6.9 percent last quarter, held back somewhat by a 4.3 percent continued decline in the energy sector as construction of two solar projects draws to a close. However,

gains in sales of consumer goods at the factory outlet stores in Cabazon, building and construction materials, and service stations remain strong. Sales at wineries continue to grow steadily as that sector emerges.

Short-term receipts from construction of solar projects drove a temporary increase both in Riverside County’s share of the pooled use tax allocated within the county and the county’s Prop. 172 allocation factor. Construction-related sales and use tax receipts from solar projects were significant over the last two fiscal years, such projects are short-lived, and receipts on current projects continue declining. While the Executive Office anticipates other recently approved energy projects will generate sales and use tax revenue soon, we cannot forecast when that will occur, or in what amounts. Consequently, HdL’s original revenue forecast of \$24 million did not include speculative assumptions regarding the energy and utilities sector.

The county’s FY 14/15 budgeted estimate for sales and use tax revenue is \$33.5 million, which does assume some continued one-time receipts from solar projects this fiscal year, as well as growth in other sales sources. Recent expansion of the factory outlets in Cabazon is expected to substantially increase sales tax revenue beginning this fiscal year. However, the Board’s recent decision to set aside a portion of the revenue from that growth will dampen the effect when it occurs.

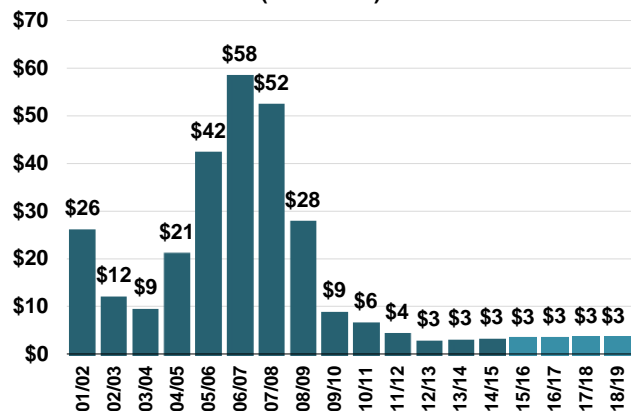
This fall, the state adjusted Prop. 172 revenue to correcting a recently confirmed state error made in computing the gas tax swap. This one-time adjustment was not built into budget assumptions. Additional economic detail from HdL is contained in Attachment C.

**Interest Earnings**

The Treasurer’s estimate for general fund interest earnings continues to reflect low level of interest rates resulting from current Federal Reserve (FED) monetary policy. Current sentiment remains for a mid-2015 increase in the federal funds rate; however, the timing will not have any significant effect on interest-earning revenues for this fiscal year.

Events that can alter FED activity include lower-than-expected inflation due to the major decline in crude oil prices, a weakening and deflationary European economy, geopolitical unrest in the Middle East, and renewed terrorism threats in western economies. Historically, those forces have driven a flight to quality to the U.S. bond market, specifically treasury securities, which will place further downside pressure on the general level of interest rates. The Treasurer expects continued “dovish” policies geared toward fostering maximum employment and price stability. Updates will detail any material impacts to the

**General Fund Interest Earnings**  
(in millions)



county general fund.

**SB90 Reimbursements**

As part of the Governor’s plan to pay off debt to local agencies, the county received **\$5.9 million** in SB90 reimbursable state mandates, including the Peace Officer Procedural Bill of Rights and the Child Abduction and Recovery program. The Executive Office recommends placing this one-time revenue into general fund contingency.

**Recommendation 1:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for Contingency and estimated revenues for the general fund by \$5,867,859, as follows:*

Increase estimated revenue:		
10000-1300100000-753620	CA – mandate reimbursement	\$5,867,859
Increase unassigned fund balance:		
10000-1300100000-370100	Unassigned fund balance	5,867,859
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	5,867,859
Use of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	5,867,859

**Revenue Summary**

Projections of discretionary general fund revenues continue to remain stable through the second quarter, summarized in the chart at right. Overall, net general fund discretionary revenues appear likely to increase \$12.8 million beyond original estimates, due primarily to one-time receipts of \$3.6 million in residual redevelopment assets and an increase in forecasted property tax revenue in addition to the receipt of \$5.9 million in SB90 reimbursement, noted above. The Executive Office recommends only minor adjustments to property tax revenue estimates at this time to accommodate unavoidable contractual obligations.

**General Fund  
Projected Discretionary Revenue  
(in millions)**

	Budgeted Estimate	Current Quarter Estimate	Variance
Property Taxes	\$295.8	\$299.1	\$3.3
RDA Residual Assets	2.0	5.6	3.6
Motor Vehicle In Lieu	208.6	208.6	0.0
Tax Loss Reserve	27.0	27.0	0.0
Fines and Penalties	22.8	22.8	0.0
Sales & Use Taxes *	33.5	33.5	0.0
Tobacco Tax	10.0	10.0	0.0
Documentary Transfer	12.4	12.4	0.0
Franchise Fees	5.0	5.0	0.0
Interest Earnings	2.9	2.9	0.0
Misc. Federal and State	10.7	10.7	0.0
Other (Prior Year & Misc.)	6.7	12.6	5.9
<b>Total</b>	<b>\$637.4</b>	<b>\$650.2</b>	<b>\$12.8</b>

*\* Does not include public safety sales tax revenue*

**FUND BALANCE**

Based on the actual FY 13/14 final audited financial information, the actual unassigned fund balance available carried over into FY 14/15 was **\$3.3 million** less than assumed in the final adopted budget. Consequently, at this time the Executive Office recom-

mends reducing the amount in the budget stabilization account to adjust for this lower actual beginning fund balance.

**Recommendation 2:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to unassigned fund balance by \$3,262,627, as follows:

Decrease unassigned fund balance:

10000-1100100000-370106 Unassigned fund balance for budget stabilization \$3,262,627

Increase unassigned fund balance:

10000-1100100000-370100 Unassigned fund balance 3,262,627

**General Fund Commitments and Designations**

The county maintains a number of Board-established general fund commitments and fund balance designations. The listing at right takes into account recommendations in this report, including the recommendation above to reduce the budget stabilization account by **\$3.3 million**. The Board’s previously established objective is to achieve and then maintain at least \$250 million in unrestricted general fund reserves.

**General Fund Commitments and Designations**

(in millions)

	FY 12/13 Ending Balances	FY 13/14 Ending Balances	Adj. for Budget Use	FY 14/15 Beginning Balances	Balance Upon Approval
Economic uncertainty	\$124.7	\$124.7	\$0.0	\$124.7	\$124.7
Budget stabilization	34.1	53.9	0.0	\$53.9	50.6
Disaster relief	15.0	15.0	0.0	\$15.0	15.0
Property tax system	6.1	0.0	0.0	\$0.0	0.0
SB90 deferral	1.4	1.4	0.0	\$1.4	1.4
Historic courthouse remodel	0.5	0.5	0.0	\$0.5	0.5
CAC remodel	0.5	0.5	0.0	\$0.5	0.5
Community improvement	0.0	0.0	2.0	\$2.0	2.0
ACO internal audits unit	0.1	0.1	0.0	\$0.1	0.1
DPSS realignment growth	4.3	4.3	0.0	\$4.3	4.3
Legal liabilities	3.7	3.7	0.0	\$3.7	3.7
<b>TOTAL</b>	<b>\$190.4</b>	<b>\$204.1</b>	<b>\$2.0</b>	<b>\$206.1</b>	<b>\$202.8</b>

**APPROPRIATIONS FOR CONTINGENCY**

Appropriations for contingency are intended to cover urgent, unforeseeable events such as discretionary revenue shortfalls, unanticipated expenditures, uncorrectable departmental budget overruns and other mission-critical issues at the Board’s discretion. The Board-approved contingency level at the beginning of FY 14/15 was \$24.1 million, or 1.6 percent of ongoing discretionary revenue. This report contains \$5.4 million in uses of contingency and \$10.9 million in additions, for a net increase of \$5.5 million at this time, raising the contingency level to **\$29.6 million**.

**Use of General Fund Appropriations for Contingency**

	Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
<b>Beginning Balance:</b>				<b>\$24,060,882</b>
<b>Adjustments to date:</b>	-	-	-	
<b>Actions recommended in this report:</b>				
SB90 Mandates reimbursement		5,867,859	5,867,859	
DIF reimbursement of Van Horn match		5,000,000	5,000,000	
Board of Supervisors legislative travel	100,000		(100,000)	
Water Service Fiduciary Fund	270,400		(270,400)	
Correctional Health Services	5,000,000		(5,000,000)	
	5,370,400	10,867,859	5,497,459	
<b>Contingency balance upon approval of this report =</b>				<b>\$29,558,341</b>

**E. DEPARTMENTAL STATUS**

**INTERDEPARTMENTAL AND CAPITAL PROJECTS**

**Developer Agreement / Development Mitigation Program**

On February 1, 2011 (Item 3.14), the Board of Supervisors accepted a \$24.7 million award from the Corrections Standards Authority for the Youth Treatment and Education Center in Riverside. The source of the county’s **\$5.2 million** cash match was identified as future development impact fees (DIF), and the facility was included in the proposed DIF Capital Improvement Plan. However, because the new DIF plan had not yet been updated, the Board approved a general fund loan to the project until the new DIF took effect (Item 3.25 of April 17, 2012). However, the new DIF plan was recently adopted and is anticipated to take effect in March 2015. Appropriations of DIF are now necessary to reimburse the general fund when the new DIF plan goes into effect.

**Recommendation 3:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance in the development impact fee fund and increasing appropriations and estimated revenue for contingency by \$5,200,000 in order to repay the general fund loan made for the grant match for the Youth Treatment and Education Center, as follows:*

Increase appropriations:		
30500-1103700000-551100	Contributions to other funds	\$5,200,000
Use of restricted fund balance:		
30501-1103700000-322103	Restricted for construction/capital project subfunds	5,200,000
Increase estimated revenue:		
10000-1109000000-790600	Contributions from other county funds	5,200,000



Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	5,200,000

## **GENERAL GOVERNMENT**

### **Executive Office**

#### **Solar Program**

On June 17, 2014, (Item 3-14) the Board approved appropriating up to \$138,728 of fund balance in the solar payments fund set aside for community benefit in order to reimburse CSA 51 for reroofing the Lake Tamarisk clubhouse. Of that, \$66,770 was reimbursed by year's end. It is anticipated the remaining balance of \$71,958 will be fully reimbursed this fiscal year, and renewed appropriations are necessary to cover that remainder.

**Recommendation 4:** *That the Board approve and authorize the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance committed for solar community benefit in the solar payments fund by \$71,958, as follows:*

Increase Appropriations:		
22840-1104100000-551100	Contribution to other funds	\$71,958

Use of fund committed balance:		
22840-1104100000-330156	Committed fund balance – solar community benefit	71,958

#### **Casa Blanca Pass-through Fund**

A pass-through agreement between the County of Riverside and the City of Riverside was approved by the Board of Supervisors on September 1, 1992 (Item 3.35). The specified pass-through revenue from the city's Casa Blanca redevelopment project area is obligated toward operating the county's health clinic built in the Casa Blanca neighborhood with the assistance of the city redevelopment agency. The X-ray machine at the Casa Blanca clinic needs to be replaced, and the department requests using the available resources in the Casa Blanca pass-through fund to pay for a portion of the estimated \$300,000 capital cost (see p. 29 for approval of the equipment acquisition). The budget adjustment recommended below appropriates a portion of the available fund balance for transfer to the clinic. This amount, together with already appropriated current year estimated revenue, is sufficient to cover the acquisition of the new X-ray equipment.

**Recommendation 5:** *That the Board approve and authorize the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance from the Casa Blanca Pass-through fund by \$72,875, as follows:*

Increase appropriations:		
22850-1100100000-551100	Contribution to other funds	\$72,875

Use of restricted fund balance:  
 22850-1100100000-321101      Restricted program money      72,875

**Board of Supervisors / Clerk of the Board**

During the second quarter, the Clerk of the Board’s expenditures were well within budgeted appropriations. Revenues are low compared to budgeted estimates, but are typically not realized until third quarter. Presently, each supervisorial district expenses its travel costs to the same budget line items, whether related to serving constituents within individual districts, or in representing the county as a whole at regional governing boards and commissions, state and federal associations, and other organizations or events. Consequently, the impact of those countywide costs cannot be tracked separately and may negatively impact the resources available to serve constituents within particular supervisorial districts. To resolve this, the Executive Office recommends budgeting **\$100,000** to a separate travel account to be used for board expenses incurred as part of their duties representing the county at large, and for their individual districts.

**Recommendation 6:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Board of Supervisors and decreasing appropriations for general fund contingency by \$100,000, as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$100,000
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	100,000
Increase appropriations:		
10000-1000100000-529000	Miscellaneous travel expense	100,000
Use of unassigned fund balance:		
10000-1000100000-370100	Unassigned fund balance	100,000

**Assessment Appeals Board**

At the end of second quarter, expenditures for the Assessment Appeals Board, which is managed by the Clerk of the Board, are well within budgeted appropriations. Revenues are anticipated to be within budgeted estimates, with a bulk of the revenue to be received in third and fourth quarters. No budget adjustments are anticipated at this time. The department will continue to monitor on-going expenditures and revenues.

**County Counsel**

Currently the office of County Counsel projects that it will end the fiscal year within its budget target.

**Human Resources (HR)**

Human Resources received additional revenues related to an additional services

agreement, increased demand for training, reimbursements for arbitration expenditures, and other reimbursements. In addition, Human Resources costs have increased for arbitrations, construction related to impending staff moves, and training materials. The construction costs will lower rent costs for Human Resources and add revenue to RCIT. Human Resources projects meeting year-end budget targets.

**Recommendation 7:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for Human Resources by a net total \$343,627, as follows:*

Increase estimated revenues:

10000-1130100000-777040	Training	\$ 10,000
10000-1130100000-778230	Interfund – personnel services	43,300
10000-1130100000-778280	Interfund – reimbursement for services	155,000
10000-1130100000-778340	Interfund – training	5,000
10000-1130100000-781220	Contributions and donations	<u>198,780</u>
	Total	412,080

Decrease estimated revenues:

10000-1130100000-777030	Personnel service	13,453
10000-1130100000-777520	Reimbursement for services	<u>55,000</u>
	Total	68,453

Increase appropriations:

10000-1130100000-524820	Engineering services	212,000
10000-1130100000-525480	Arbitration services	400,000
10000-1130100000-527860	Training – materials	70,000
10000-1130100000-572800	Intra-fund – miscellaneous	(300,000)
10000-1130100000-573500	Intra-fund – training	<u>(55,000)</u>
	Total	327,000

Decrease appropriations:

10000-1130100000-572900	Intra-fund – personnel	(16,627)
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**Registrar of Voters (ROV)**

The Registrar of Voters (ROV) is on schedule to meet its expenditure targets for FY 14/15. The ROV is required to conduct two elections during FY 14/15, the recently concluded November 4, 2014, consolidated general election and the all-mail ballot election for the City of Riverside scheduled in June 2015.

ROV expenditures at midyear exceed 50 percent of appropriations due to the election in November. The June election, however, involves fewer registered voters than the November election, so expenditures should be significantly lower in the second half of the year. The department will continue to carefully monitor its budget and address any budget issues in the third quarter report. The department is also contemplating a move to a new facility and purchase of new voting equipment in the future. At midyear, the department requests an appropriation transfer to cover Riverside County Information Technology department services.

**Recommendation 8:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Registrar of Voters by \$140,000, as follows:

Decrease appropriations:		
10000-1700100000-510040	Regular salaries	\$140,000
Increase appropriations:		
10000-1700100000-521640	Maintenance – software	140,000

**Economic Development Agency/Facilities Management (EDA/FM)**

**County Fair & National Date Festival**

The county fair takes place in February, during the third quarter. The department requests a \$143,402 budget adjustment to cover the following costs during the fair: \$94,444 for temporary salaries and fees from the temporary assistance program, and \$30,000 for increased fair marketing and advertising efforts in western Riverside County. Additionally, the department requests a \$18,958 budget adjustment for a one-time employee payout. Increased sponsorships and contributions from other county funds will offset these additional costs.

**Recommendation 9:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the County Fair and National Date Festival by \$143,402, as follows:

Increase estimated revenues:		
22200-1920100000-741160	Fair sponsorships	\$ 10,000
22200-1920100000-790600	Contribution from other county funds	<u>166,948</u>
	Total	176,948
Decrease estimated revenues:		
22200-1920100000-778330	Interfund – salary reimbursement	33,546
Increase appropriations:		
22200-1920100000-510040	Regular salaries	18,958
22200-1920100000-510320	Temporary salaries	59,356
22200-1920100000-525080	Temporary assistance pool services	35,088
22200-1920100000-527660	Operational marketing	<u>30,000</u>
	Total	143,402

**Parking**

The Parking division estimates ending the year with a \$230,101 deficit. Monthly county parking charges have remained at \$35 per month for over 10years. The department anticipates new revenues in the third quarter from the opening of the Indio surface lot and the Indio parking structure. The department will continue to monitor this budget and will provide an update in the third quarter report.

**Facility Renewal (Formerly Deferred Maintenance)**

During the FY 14/15 budget process, EDA requested and was granted an additional \$700,000 to address high-priority, at-risk life-cycle and regulatory requirements. Four of the seven projects funded will be complete in the third quarter, including boiler replacement at the Academy of Justice, the Riverside Neighborhood Health Clinic, the Juvenile Probation Building, and the U.S. District Court. The remaining projects will be complete by year-end.

Increased metal theft at county owned facilities is an additional maintenance concern. Items at risk for theft include high-voltage wire from light standards, plumbing backflow devices, air conditioning units, exterior lighting fixtures, irrigation wiring and controllers and manhole covers. Metal has been stolen from the include Indio Fairgrounds, Desert Hot Springs Health Clinic, Mecca Health Clinic, Rubidoux Library, Rubidoux Health Clinic, Lake Elsinore Library, Wildomar Library and other locations.

Increased theft is driven by demand for copper, brass, and aluminum. In November 2014, thefts occurred at the Rubidoux Library and the Wildomar Library. Replacing material in the two incidents cost approximately \$75,000. Due to metal thefts, EDA will secure high-risk locations and facilities. Funds expended for this effort will be monitored and tracked.

**Water Service Fiduciary Fund**

On June 3, 2014, (Item 3-87), the Board directed EDA to establish a fiduciary fund to provide water services to 140 families in an economically disadvantaged area of Wildomar receiving substandard quality water from the privately-owned County Water Company. Through Riverside County's intervention, safe drinking water is now available to residents. EDA will provide water services for about two years until the permanent infrastructure is completed by Elsinore Valley Municipal Water District (EVMWD) and Eastern Municipal Water District (EMWD).

In December 2014, EDA successfully billed those customers for water service; however, reimbursements from the affected residents currently are not sufficient to recover operating expenditures. Operating expenses will be greater than revenues from customer billings while service is provided temporarily.

Elsinore Valley Municipal Water District (EVMWD) has billed the county approximately \$70,000 thus far for operational costs, and EDA continues monitoring these costs. EDA is working with the utility customers and monitoring payments from Wildomar residents affected by this catastrophic failure in water service. EDA anticipates that after payment of water used, \$41,600 will be available to cover operations. However, at this time estimated operational costs for salaries, electricity to operate the water pump, other EVMWD costs, and other expenses for legal noticing and mandatory water quality testing will be \$312,000. Therefore, additional funding is necessary to ensure these Wildomar residents continue to receive safe drinking water.

Consequently, the department requests **\$270,400** in general fund assistance to cover

these estimated operational costs for this fiscal year. The need for additional support in FY 15/16 is anticipated. EDA expects to complete analysis of the operational costs for FY 15/16 by the end of February 2015.

**Recommendation 10:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for Contingency and Contributions to Other Funds and increasing appropriations and estimated revenues for the Water Services Fiduciary Fund by \$270,400 as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$270,400
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	270,400
Increase appropriations:		
10000-1101000000-536200	Contribution to other non-county agency	270,400
Use of unassigned fund balance:		
10000-1101000000-370100	Unassigned fund balance	270,400
Increase estimated revenues:		
65964-7200600000-790500	Operating transfer in	270,400
Increase appropriations:		
65964-7200600000-525500	Salary/benefit reimbursement	63,000
65964-7200600000-528500	Project cost expense	183,000
65964-7200600000-529500	Electricity	18,000
65964-7200600000-529550	Water	<u>6,400</u>
	Total	270,400

**PUBLIC PROTECTION**

**Fire**

The Fire Department’s **\$4.2 million** budget deficit continues, as reported in the first quarter report. The county’s portion of an increase in salary and benefits for state fire-fighters is approximately \$2.6 million, adjusted to reflect six months of costs per the state’s recently ratified bargaining agreement. The remaining \$1.6 million is for station repairs, vehicle maintenance and repairs, an administrative rate adjustment, training, and a lease. Those costs were not funded in the final budget. As in previous years, the department will look for cost savings to reduce the deficit amount.

At this time, the City of Canyon Lake is past due on \$903,646 for services provided per the fire and emergency services agreement the county has with the city. Of this total, \$549,621 is the accrued unpaid balance due carried from FY 13/14. The remaining balance is the unpaid amount due for first quarter services in FY 14/15. It is unclear when the city will pay for these services, and the deficit may increase as the year progresses. The Executive Office projects the outstanding balance due could total \$1.9

million by the end of FY 14/15 if the city makes no payments this year. That would raise the total potential deficit for Fire to \$6.1 million.

### ***Sheriff***

The Sheriff projects a **\$40 million** structural deficit, \$6 million less than anticipated at the end of the first quarter. This improvement is due to slight increases in estimated revenue as well as revised estimates for overtime, computer lines, aircraft maintenance and utilities for the remainder of the fiscal year. The primary reason for the deficit is the Executive Office's decision to provide the Sheriff with "just in time funding" for increases from negotiated agreements and Board-identified priorities.

The source of the initial \$46 million deficit included \$34 million for three fiscal years of unfunded raises, \$9 million for increases to internal service fund rates, and \$3 million for prior-year items for which encumbrances were denied. The Sheriff reports this places a tremendous strain on the operating budget at the same time he is following Board direction to increase unincorporated patrols and hire staff for the new jail in Indio. In December, the Board approved purchase of two helicopters. Insurance payments received after a helicopter crashed will be used as a down payment on both helicopters, and the balance will be financed. The Executive Office committed to increase general fund support each fiscal year to ensure those payments are made. The Sheriff is not requesting a budget adjustment at this time; however he does make clear that additional appropriations will be imperative at third quarter in order to cover existing commitments through the remainder of this fiscal year.

### ***District Attorney***

The District Attorney continues to project a deficit at year-end; however the \$10 million deficit expected when the final budget was presented in September is now estimated at **\$7.5 million**. That amount is \$2 million less than anticipated at the end of the first quarter. Savings result from funded but deliberately unfilled positions. It is unlikely that Michael Hestrin, who began his term as District Attorney on January 5, 2015, will be able to meet his outlined goals without filling positions.

In November, voters approved Prop. 47, which reclassifies certain drug and property crimes from felonies to misdemeanors. Sentenced individuals must file a petition for reconsideration with the court where sentencing occurred. Each petition must be reviewed by a district attorney, who then makes a recommendation. California Department of Corrections and Rehabilitation analysts estimate more than 500 current state prisoners are eligible to apply for reconsideration in Riverside County. The Probation Department estimates 3,600 probationers represent another 8,700 cases eligible for reconsideration. Although it is too early to determine the staffing impact on the District Attorney's Office, more attorneys may be necessary.

The District Attorney's Office and the Executive Office continue to work together to seek solutions to providing outstanding prosecutorial, investigative and victim services despite significant budget challenges.

**Department of Child Support Services**

The department continues to meet budget targets, and as in past years will finish the year waiting for the state to pay fourth quarter invoices. Because the reimbursement consistently is sent in September, DCSS will need a temporary cash flow advance from the general fund. This loan is repaid upon receipt of the state payment. The advance is customarily \$500,000, or approximately 1.4 percent of the department's \$35.4 million budget.

**Court Facilities**

Expenditures are trending at 75 percent of the authorized budget due to the fund being utilized for master planning adult and juvenile detention facilities. Charges for repairs and replacing the façade at the historic court have doubled, and the Board determined the Sheriff's pilot transportation project at the Southwest Detention Center would be supported through this account. In addition, all costs associated with changes to the state agreements for the Larson Justice Center and the Southwest Court are being absorbed at amounts higher than initially anticipated. Amendments to the agreements were necessary due to courtroom changes when the Indio County Administrative Center was demolished. This year, the state changed the process for charging for utilities and maintenance at shared facilities. Instead of quarterly payments based upon actual costs, estimated payments are made quarterly and a true-up is done approximately 18 months later. The cost is double that of past years. As a result, the fund probably will require another **\$1 million** at third quarter.

**Community Recidivism Reduction Grant Program**

The California Budget Act of 2014 allocates funds to the Board of State and Community Corrections (BSCC) for the Community Recidivism Reduction Grant program. The competitive grant program supports community-based recidivism and crime prevention services. The county's allocation will be administered by the Executive Office on behalf of the Board and the Community Corrections Partnership (CCP). The scope of work has been forwarded to Purchasing to prepare a request for proposals to award \$475,000 over the next three-and-a-half years. Eligible providers must demonstrate five years of crime prevention and recidivism reduction services to juveniles or adults. Eligible services include but are not limited to: warrant reduction, self-help groups, life skills, mentoring, literacy, job training and employment. No award will be over \$50,000. The Executive Office will report annually to the Board, the CCP and the BSCC.

**Probation Department**

Financial statements submitted by the Probation Department and compared to information available from the Auditor-Controller's Office show that the department's continued cost-saving measures are effective. At midyear, the estimated year-end savings is estimated at approximately \$240,000.

The California Division of Juvenile Justice (DJJ) provides education and treatment to youthful offenders up to age 25 who have the most serious criminal records and require the most intense treatment. When SB1021 passed in 2012, counties were required to



pay \$24,000 annually for each youth sent to DJJ. The department requests the transfer of appropriations from institutional services to court placement to offset increased housing costs this fiscal year. Although no additional general fund support is needed, it is important to recognize the transfer is possible because of salary savings that result from the department's continued inability unable to hire sufficient employees who meet background requirements.

**Recommendation 11:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Probation Department by \$250,000, as follows:*

Decrease appropriations		
10000-2600100000-510040	Regular salaries	\$250,000
Increase unassigned fund balance:		
10000-2600100000-370100	Unassigned fund balance	250,000
Increase appropriations		
10000-2600400000-530220	Support and care – persons	250,000
Use of unassigned fund balance:		
10000-2600400000-370100	Unassigned fund balance	250,000

The Board of Supervisors authorized one-time funding for the department to implement critical components of the Roadmap for Public Safety. A report of actions taken follows.

- **Youth Treatment and Education Center (YTEC):** In order to meet the requirements of the 2007 Local Youthful Offender Rehabilitative Facility Construction Financing Program, the county is required to commit to occupying any new facility within 90 days of construction completion, currently projected for July 19, 2016. The department and county Human Resources are working aggressively to fill positions so staff has adequate training before the facility opens. The department doubled its background investigators and assigned a recruiter to target vacant positions. Initial efforts are favorable, and the department anticipates a significant number of the positions will be filled by year-end.
- **Institutional Staffing (fixed post) Positions:** The department received \$473,000 to add six positions at juvenile facilities based on the Peace Officer Standards and Training recommended staffing ratio of one officer to seven juveniles. Those hired would lessen mandated overtime and all the institutions to provide additional program services and transportation to court and medical appointments. Although recruitment is under way, none of the positions is filled.
- **Pre-trial Services:** With \$657,000 in additional funding the department ordered three vehicles, which Purchasing indicates will be delivered during the third quarter. Purchasing also is working with the department to develop a request for proposals to procure the automated court reminder system. The department anticipates that when post-arraignment offenders are reminded of an upcoming court date they will

be more likely to appear in court as ordered. Purchasing estimates the system will be in place by year-end. The department continues to recruit for the five additional Probation Officers requested and also is monitoring the impact of Prop. 47 on jail inmates who could benefit from pre-trial release.

The Governor's proposed FY15/16 budget includes the following public safety impacts:

- **Realignment:** AB109 programmatic funding is projected to grow by \$128 million to \$1.06 billion. Riverside County's project base increase would be \$6.5 million. This amount does not include any FY 14/15 growth which will be distributed in October 2015.
- **Post Release Community Supervision Offenders with Enhanced Credit Earnings:** The proposed budget adds \$16 million for county probation departments to supervise the temporary increase in offenders on Post Release Community Supervision as a result of the three-judge panel's orders. The department received \$1.18 million of the \$11.3 budgeted this fiscal year.
- **SB678 Funding:** County probation departments' implementation of evidence-based practices significantly impacted the state's efforts to reduce the prison population. The budget includes \$125 million statewide, the same as the current fiscal year; if the same formula is utilized Probation anticipates receiving \$3.13 million in FY 15/16.

The department will continue to monitor the budget and legislative process and communicate any issues to the Executive Office and the Board of Supervisors.

Title IV-E has been problematic since September 2013, when the federal Administration for Children and Families (ACF) reviewed practices in two California county probation departments administering foster care candidacy cases for minors at imminent risk of removal from their homes. Subsequently, the ACF prohibited all California counties from claiming funding. The California Department of Social Services (CDSS) and the Chief Probation Officers of California partnered to address the ACF recommendations and developed a corrective action plan. In October, the CDSS issued county fiscal letters outlining new Title IV-E claiming instructions and required supporting documentation. Probation filed claims, however, due to revised federal definitions the fiscal impact is estimated at \$1.02 million. The department will continue to monitor the situation and the impact of reduced funding on the program and communicate that information to the Executive Office.

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

The Law Office of the Public Defender (LOPD) still expects to be within budget. This includes a project for a countywide courtroom wireless system that will be paid for by the general fund if the department is over budget at year-end. The department is working diligently to absorb labor costs through attrition but funding shortages and possible lawsuit arbitration costs could affect its budget. Any adjustments will be determined in the third quarter report.

In July 2013, \$19 million in renovation costs were debt financed to renovate the former District Attorney building on Main Street in Riverside for the LOPD and Probation's use. Construction was delayed with completion expected in FY 15/16.

On November 4, 2014, California voters passed Prop. 47, reducing most non-serious and non-violent property and drug crimes from felonies to misdemeanors. The measure already has had an overwhelming impact on the courts. Yet the proposition offered no mechanism to address the tremendous workload increase. The LOPD requests three additional Deputy Public Defender III positions at a cost of \$401,928 and two Paralegal II positions at a cost of \$150,954 to handle the 2,000 cases currently filed by the office and potential 10,000 or more additional cases over three years. Because the original judge must rehear the same case, these positions will be distributed to LOPD offices in Riverside, Indio, and the southwest county. Savings may result from a delay in the Banning court expansion, which may offset a portion of the additional current cost. Funding needs for FY 15/16 will be determined during the budget process.

***Recommendation 12:*** *That the Board of Supervisors approve amending Ordinance No. 440 to add three (3) Deputy Public Defender III and two (2) Paralegal II positions for the Law Offices of the Public Defender, as indicated in Attachment B, and defer consideration of a budget adjustment until third quarter.*

### ***Indigent Defense***

The indigent defense budget is still on target for FY 14/15, although conflict administration in death penalty cases may cause budget overages. This ultimately depends on the volume of cases the courts send to indigent defense counsel. The third quarter report will include any necessary budget requests.

### ***Grand Jury***

The Executive Office anticipates the grand jury to remain within its budget target at the end of FY 14/15.

### ***Department of Animal Services***

The FY 14/15 final budget included \$200,000 to add three Animal Control Officers to improve field service response times. Human Resources is processing animal Service's request to fill the positions. The department requests **\$374,302** in additional general fund support to cover one-time, current-year costs associated with a lawsuit settlement. At this time, the Executive Office recommends continuing to monitor the department's budget and deferring consideration of an adjustment to cover this settlement until later in the fiscal year.

In addition, Animal Services reports a potential shortfall related to the opening of the previously moth-balled San Jacinto Animal Shelter, which the Board of Supervisors approved on September 24, 2013 (agenda item 3-58). At that time, the intent was to fund the shelter through shelter fees and municipal partnerships. The department recently completed successful negotiations with one jurisdiction and is in discussions with others. However, to date, those revenue sources raised only modest receipts during the

first half of this fiscal year. In addition, the department anticipates \$125,000 from those sources for spay and neutering services in the current fiscal year. The Executive Office will continue monitoring the department’s budget and report back to the Board with a recommendation later in the fiscal year, if necessary.

**Agricultural Commissioner**

The Agricultural Commissioner anticipates ending the year within budget and on target through continued fiscal restraint.

**Building and Safety**

Building and Safety has had to pay out, unexpectedly, a large sum in back pay to one employee as a result of a Public Employee Relation Board (PERB) ruling in the employee’s favor. The total impact of this extraordinary expense is \$1,057,358, which is beyond the department’s ability to absorb from fund balance. The department needs to transfer funds from deferred revenue in order to maintain sufficient funds in fund balance for ongoing operations.

**Recommendation 13:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Building and Safety by \$1,057,358 as follows:*

Decrease appropriations:		
20260-3110100000-518100	Budgeted benefits	\$357,358
Increase appropriations:		
20260-3110100000-551100	Contributions to other funds	357,358
Increase estimated revenues:		
20250-3110100000-722060	Permits – building	700,000
20250-3110100000-790600	Contributions from other county funds	<u>357,358</u>
	Total	1,057,358
Increase appropriations:		
20250-3110100000-510040	Regular salaries	600,000
20250-3110100000-518180	Other post-employment benefits	435,000
20250-3110100000-525440	Professional services	<u>22,358</u>
	Total	1,057,358

**PUBLIC WAYS AND FACILITIES**

**Aviation**

The department requests a budget adjustment of \$50,097 for costs related to additional IT services, county counsel services, temporary employee fees, and operational marketing costs for the annual air show. Additional lease revenue will offset these costs.

**Recommendation 14:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated reve-*

nues for Aviation by \$50,097, as follows:

Increase estimated revenues:		
22100-1910700000-741500	Temporary use lease	\$50,097
Increase appropriations:		
22100-1910700000-520350	IT core services	20,836
22100-1910700000-525080	Temporary assist pool services	7,296
22100-1910700000-527660	Operational marketing	14,300
22100-1910700000-537020	Interfund expense – legal services	<u>7,665</u>
	Total	50,097

### **Transportation Land Management Agency (TLMA)**

#### **Surveyor**

The Survey department requests a \$110,000 budget adjustment due to unexpected negotiated labor increases, payouts for staff retirements, and a settlement resulting in over \$30,000 in back pay. These expenses were not anticipated when the FY 14/15 budget was prepared. There is sufficient restricted fund balance to cover the added costs.

**Recommendation 15:** That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for Survey by \$110,000, as follows:

Increase Appropriations:		
20260-3130200000-510040	Regular salaries	\$75,000
20260-3130200000-518100	Budgeted benefits	<u>35,000</u>
	Total	110,000
Use restricted fund balance:		
20260-3130200000-321101	Restricted program money	110,000

## **HEALTH AND SANITATION**

### **Department of Public Health**

The FY 14/15 final budget recommendations included funding, in the amount of \$300,000, to conduct health screenings/assessments and develop a pilot project aimed at preventing obesity, diabetes, asthma and other chronic diseases through nutrition and increased physical activity. The project includes three staff and administrative functions in the Community Translational Research Institute (CTRI), a collaborative effort of Inland Empire Health Plan, Claremont Graduate University School of Community and Global Health (CGU), the University of California Riverside-School of Medicine and the County Public Health Department. Following are activities that took place during the last quarter:

- On December 9, 2014, the Board of Supervisors approved a new agreement with CTRI, clarifying goals and activities for the next 4.5 years;

- A program manager is in the hiring process;
- Two population screenings for pre-diabetes were conducted in Jurupa Valley;

Grants to fund this effort are being sought from the Robert Wood Johnson Foundation and through other funding opportunities.

The Department of Public Health requests budget adjustments to enable use of increased federal bio-terrorism preparedness grant funds and to more accurately reflect spending.

**Recommendation 16:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the Department of Public Health by \$288,304, as follows:*

Increase estimated revenue:		
21750-4200100000-767220	Federal – other operating grants	\$288,304
Increase appropriations:		
21750-4200100000-526700	Rent-lease – buildings	7,733
21750-4200100000-527180	Operational supplies	<u>295,510</u>
	Total	303,243
Decrease appropriations:		
21750-4200100000-523800	Printing / binding	1,297
21750-4200100000-525440	Professional services	<u>13,642</u>
	Total	14,939

The Department of Public Health reported that recent public health emergencies and disease outbreaks, including pertussis, measles, Middle East respiratory syndrome, influenza, ebola and tuberculosis, required immediate reallocation of staff from other vital programs for response activities. Because shifting resources negatively impacted the public health system, the department requests authority to add four (4) positions for ongoing monitoring and rapid response to emerging diseases and other public health emergencies. The department proposes phased hiring, beginning in April 2015, and requests **\$100,076** in ongoing general fund support for FY 14/15. It anticipate the ongoing annualized cost in FY 15/16 will be **\$438,234**.

In line with the FY 14/15 budget policies approved by the Board last year in the FY 13/14 midyear report, the Executive Office recommends deferring consideration of this program enhancement to the FY 15/16 budget cycle so the ongoing impacts can be assessed appropriately within the overall long-term budgetary context.

The Public Health Department requests budget adjustments to enable use of Supplemental Nutrition Assistance Program Education funds and to roll-over unspent Prop. 10, Breastfeeding Program funds.

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

Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Public Health by \$124,522, as follows:

Increase estimated revenue:		
10000-4200100000-754000	CA-tobacco tax prop 10	\$ 19,140
10000-4200100000-781480	Program revenue	<u>105,382</u>
	Total	124,522

Increase appropriations:		
10000-4200100000-510040	Regular salaries	52,486
10000-4200100000-518100	Budgeted benefits	20,564
10000-4200100000-520705	Food	5,107
10000-4200100000-520820	Janitorial services	600
10000-4200100000-523620	Books/publications	16,000
10000-4200100000-523800	Printing/binding	482
10000-4200100000-524500	Administrative support – direct	10,250
10000-4200100000-525440	Professional services	68,000
10000-4200100000-527780	Special program expense	14,500
10000-4200100000-527840	Training-education/tuition	1,500
10000-4200100000-528140	Conference/registration fees	3,250
10000-4200100000-529040	Private mileage reimbursement	2,500
10000-4200100000-572800	Intrafund – miscellaneous	<u>(70,717)</u>
	Total	124,522

**Department of Environmental Health**

The Department of Environmental Health’s second quarter revenue and expenditures are within FY 14/15 budget targets.

**Riverside County Regional Medical Center General Fund Programs**

**Ambulatory Care**

The Department of Ambulatory Care expects to meet its net county cost target for FY14/15. The department requests approval to replace X-ray equipment at the Riverside Neighborhood Family Care Clinic that has reached the end of its useful life. Pass-through revenue obligated toward the operation of the county’s health clinic in the Casa Blanca neighborhood is available from the City of Riverside’s Casa Blanca redevelopment project area. The department requests a budget adjustment approving transfer from the Casa Blanca pass-through fund for this purpose (see the corresponding budget adjustment to that fund on p. 15).

**Recommendation 18:** That the Board of Supervisors 1) authorize purchase of one x-ray machine; and, 2) approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Ambulatory Care by \$300,000, as follows:

Increase estimated revenues:		
10000-4200700000-790600	Contribution from other county funds	\$300,000





these program enhancements next fiscal year.

**Recommendation 20:** That the Board of Supervisors approve amending Ordinance 440 to add twelve (12) Institutional Nurse-RCRMC positions as indicated in Attachment B; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Correctional Health Services by \$5,000,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$5,000,000
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	5,000,000
Increase appropriations:		
10000-4300300000-510040	Salaries	2,400,000
10000-4300300000-518100	Budgeted benefits	900,000
10000-4300300000-523230	Miscellaneous	800,000
10000-4300300000-523640	Computer equipment – non-fixed assets	200,000
10000-4300300000-542060	Improvements buildings	200,000
10000-4300300000-546280	Capitalized software	<u>500,000</u>
	Total	5,000,000
Use of unassigned fund balance:		
10000-4300300000-370100	Unassigned fund balance	5,000,000

**Department of Mental Health**

**Mental Health Treatment**

In November 2014, voters approved Prop. 47, which reduces the filing status of certain drug and property crimes from felonies to misdemeanors and transfers financial responsibility for state mental health patients to the county. The impact on the county for the 11 effected clients at Patton State Hospital is \$2.5 million through June 30, 2015. The department does not have available 1991 Realignment funding to deal with this issue, and Mental Health Service Act funds are not eligible for state hospital services. As such, the Mental Health Department is requesting **\$2.5 million** in general fund support to deal with this issue and is working diligently to identify community based resources for residential care and treatment facilities. The Legislative Analyst’s Office estimates that state savings as a result of Prop. 47 will be distributed to county mental health programs in FY 17/18.

In line with the FY 14/15 budget policies approved by the Board last year in the FY 13/14 midyear report, the Executive Office recommends deferring consideration of this program enhancement to the FY 15/16 budget cycle so the ongoing impacts can be assessed appropriately within the overall long-term budgetary context and potential recovery of these costs from the state.

Mental Health also requests authority to add 26 positions for compliance with Title 15

staffing and service levels in the Juvenile Halls and Youth Opportunity Programs (YOP). The department proposes phasing hiring beginning in April 2015, and requests additional **\$246,020** in general fund support for FY 14/15. The proposed increase in staffing and service levels are consistent with recommendations provided by the Grand Jury, Institute for Medical Quality and the Board of State and Community Corrections in each of their reviews and audits of the Juvenile Halls and YOP. The department projects the annualized net cost of this program enhancement will be **\$1.9 million** in FY 15/16, and **\$2.9 million** in FY 16/17.

In line with the FY 14/15 budget policies approved by the Board last year in the FY 13/14 midyear report, the Executive Office recommends deferring consideration of this program enhancement to the FY 15/16 budget cycle so the ongoing impacts can be assessed appropriately within the overall long-term budgetary context.

### ***Detention Mental Health***

In addition, the Mental Health department also reports a current year budget impact associated with expanding mental health services in the jails to levels required for accreditation by the National Commission on Correctional Health Care. The department requests additional authority for another 49 positions for expanded group mental health and substance abuse services, case management services, coordination of medical and mental health care and improved follow-up care and reporting. If accreditation is granted, Riverside County would be the first jail system in the state to receive this distinction. The department proposes to phase hiring beginning in April 2015, and requests **\$544,306** in general fund support for FY 14/15. The department projects the annualized net cost of this program enhancement will be **\$4.4 million** in FY 15/16, and **\$6.5 million** in FY 16/17.

In line with the FY 14/15 budget policies approved by the Board last year in the FY 13/14 midyear report, the Executive Office recommends deferring consideration of this program enhancement to the FY 15/16 budget cycle so the ongoing impacts can be assessed appropriately within the overall long-term budgetary context.

## ***PUBLIC ASSISTANCE***

### ***Department of Public Social Services (DPSS)***

Department of Public Social Services' (DPSS) caseload growth from November 2013 through November 2014 showed demand for Medi-Cal services continuing an upward trajectory with a 46 percent increase. Most of the other self-sufficiency and social services programs also showed increases, but in lesser percentages. Foster care and in-home supportive services increased 8 percent, welfare-to-work increased 7 percent, CalFresh and child welfare services increased 5 percent, adult protective services increased 4 percent and adoptions increased 3 percent. CalWORKS, however, showed no growth.

On November 4, 2014, the department entered into a memorandum of understanding with the Housing Authority to provide rapid re-housing services to eligible, homeless

CalWORKs families in need of immediate permanent housing. In addition, the department is providing emergency housing vouchers and will work with the Housing Authority to provide intervention and services tailored to meet each family's unique needs, while assisting them to secure permanent housing.

Significant growth in Riverside County's elderly population continues to impact adult services programs. Referrals for suspected abuse of elderly and dependent adults grew 70 percent between 2009 and 2014, and are expected to reach 12,000 by year-end. In addition, in-home supportive services intake and continuing cases increased 22 percent and 45 percent, respectively, between 2009 and 2014 and are expected to reach 13,600 and 24,000, respectively, by year-end. It is anticipated Riverside County's elderly population will increase 46 percent during the next decade.

Aggressive recruiting and hiring continues in all major program areas in an effort to accommodate program growth and keep pace with the 11 percent annual attrition rate. In addition, the department is still using some carefully monitored temporary assistance and overtime to bridge the staffing gap.

### ***In-Home Supportive Services – Public Authority***

As a result of the Coordinated Care Initiative, contract provider agencies will be contracting directly with Managed Care Health Plans for the provision of limited In-Home Supportive Services (IHSS) as of July 1, 2015. This change will increase the demand for services provided by the Public Authority through the registry. As a result, DPSS is requesting a budget adjustment to increase the Public Authority's capacity to provide these services. The increased costs associated with these administrative requirements are included as part of the Public Authority funding allocation in the IHSS maintenance of effort agreement.

***Recommendation 21:*** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the In-Home Supportive Services Public Authority by \$417,947, as follows:*

Increase estimated revenues:

22800-985101-750300	CA – Public assistance administration	\$213,153
22800-985101-760000	Fed – Public assistance administration	<u>204,794</u>
	Total	417,947

Increase appropriations:

22800-985101-510040	Regular salaries	217,332
22800-985101-518100	Budgeted benefits	<u>200,615</u>
	Total	417,947

### ***Riverside County Children and Families Commission (RCCFC)***

During the first quarter report, the Riverside County Children and Families Commission reported lower than anticipated use of fund balance; however, as a result of unbudgeted improvements and furnishings for their business office, the Commission increased their projected use to \$6.6 million. Funds unused this fiscal year remain available for service

contracts through FY 15/16. The year-end projected fund balance is \$39.8 million. The Commission has obligated nearly all of this balance for services in subsequent years.

During the second quarter of FY 14/15, the Children and Families Commission approved a no-cost, seven year extension to the agreement with University of California, Riverside, School of Medicine for issuing and tracking scholarships. In addition, the Commission supported creation of an Inland Empire Autism Assessment Center of Excellence, with Loma Linda University serving as fiscal agent. Inland Empire Health Plan, First 5 San Bernardino, and First 5 Riverside will contribute \$100,000, \$300,000 and \$300,000, respectively, for start-up and operating costs. Finally, First 5 Riverside worked closely with EDA’s real estate division and DPSS’ facilities staff to complete tenant improvements on the business office. The estimated occupation date has changed to March 2015 as a result of the procurement process to obtain furniture for the building.

First 5 Riverside continues to work on their 2017-2022 strategic plan. In addition to determining the focus of funding investment, decisions on the use of fund balance to further established goals is being considered.

**Community Action Partnership (CAP)**

Community Action Partnership (CAP) expenditures are in alignment with the budget. As reported at first quarter, an audit conducted by the state regarding the CAP Weatherization Program including reimbursed costs funded by state and federal grants resulted in a final determination that CAP must return reimbursements of certain "disallowed costs." The state initially identified over \$987,000 of disallowed costs, but CAP provided additional justification that reduced the total to \$566,000. CAP has sufficient funds available for an initial payment of \$488,000. CAP will repay the remaining balance due through an agreement drawn up with Department of Community Services and Development (CSD). No general fund support is required.

CAP requests a budget adjustment to reflect additional funding that will be received for various federal low-income block grant programs such as: Pre-Apprenticeship, a workplace mentoring program that matches high school students with small businesses in the community; Veteran Employment Training, a program that matches veterans with businesses to provide on-the-job training; Project L.E.A.D., an after-school mentoring and tutoring program; and Delegate Agencies selected to provide services to the public related to employment, social services, and safe and affordable housing.

**Recommendation 22:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Community Action Partnership by \$359,332, as follows:*

Increase estimated revenue:		
21050-5200100000-767200	Federal – block grants	\$359,332
Increase appropriations:		
21050-5200100000-510040	Regular salaries	118,482

21050-5200100000-518100	Budgeted benefits	84,660
21050-5200100000-521360	Maintenance – computer equipment	23,476
21050-5200100000-523680	Office equipment non fixed assets	26,227
21050-5200100000-524840	Fingerprinting services	3,391
21050-5200100000-525080	Temporary assist pool services	38,993
21050-5200100000-526420	Advertising	7,500
21050-5200100000-526700	Rent-lease buildings	7,913
21050-5200100000-528120	Board/commission expense	21,168
21050-5200100000-529540	Utilities	3,294
21050-5200100000-536240	Other contract agencies	<u>24,228</u>
	Total	359,332

### **Veterans' Services**

Veterans' Services is on target to meet its FY 14/15 net county cost target.

### **Office on Aging**

Office on Aging continues to exercise sound fiscal management and is closely monitoring expenditures. Current year revenue and expenditures are within budget and tracking as projected through the second quarter of FY 14/15.

## **EDUCATION, RECREATION, AND CULTURE**

### **County Free Library**

The Economic Development Agency, which oversees the Library contract, requests a \$1,668,344 budget adjustment for additional unanticipated costs approved by the Board on September 30, 2014, (Item 3-10), for \$1,304,233 in building maintenance, equipment, and computer costs at various library branches ; and \$364,111 in increased costs related to the LSSI contract amendment and staffing and operations. Lease revenue in the amount of \$208,029 and an increase in the use of restricted fund balance of \$1,460,315 will offset the increased appropriations.

**Recommendation 23:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues and use of restricted fund balance for County Free Library, for a net total of \$1,668,344, as follows:*

Increase estimated revenues:		
21200-1900700000-741000	Rents	\$208,029
Increase appropriations:		
21200-1900700000-521360	Maintenance – computer equipment	360,500
21200-1900700000-522310	Maintenance – building and improvements	135,478
21200-1900700000-523620	Books/publications	175,000
21200-1900700000-523640	Computer equipment – non fixed asset	88,000
21200-1900700000-523680	Office equipment – non fixed asset	250,000
21200-1900700000-523840	Computer equipment – software	225,255
21200-1900700000-528500	Project cost expense	70,000
21200-1900700000-530280	Private care provider	161,186

21200-1900700000-537180	Interfund expense – salary reimbursement	121,000
21200-1900700000-537320	Interfund expense – improvement building	<u>81,925</u>
	Total	1,668,344
Use of restricted fund balance:		
21200-1900700000-321101	Restricted program money	1,460,315

**Cooperative Extension**

The Cooperative Extension’s second quarter expenditures are within FY 14/15 budget targets.

**ENTERPRISE FUNDS**

**Riverside County Regional Medical Center (RCRMC)**

The new hospital director is in the process of selecting experienced leadership and developing a business plan that will position RCRMC to be the health care leader in the region and address the challenge of the Affordable Healthcare Act (ACA). As a result of Huron initiatives and hospital leadership, the RCRMC is realizing significant financial improvement. It is important that these improvements be sustained and new opportunities continue to be identified and explored. Furthermore, the hospital expects to receive significant one-time reimbursements as they reduce the receivables backlog and for prior year settlements with the state.

RCRMC continues to face challenges, and after an initial assessment the director anticipates general fund support will be necessary to end the year with a balanced budget. At this time, the hospital projects an operating shortfall of between **\$10 and \$18 million**. The shortfall can primarily be attributed to Medi-Cal, uncompensated care and county programs that reimburse the hospital at rates below the cost to care for those patients. The shortfall includes the benefit of better than anticipated prior year collections and one-time settlements from the prior fiscal year and one-time consulting costs associated with the Huron engagement. The hospital relies on a significant amount of governmental Medicaid waiver revenue, which is ultimately impacted by the other public hospitals costs and subject to change based on the ACA.

The director indicates a significant investment will be needed to acquire state-of-the-art equipment, integrated information technology systems and other infrastructure needs. The Executive Office is working with management to identify the capital equipment needs and the funding necessary for RCRMC to continue providing the highest quality care and remain a competitive force in the marketplace.

**Waste Management**

To date, Waste Management’s revenue and expenditures are within expectations for this fiscal year.

**INTERNAL SERVICE FUNDS****Facilities Management****Custodial Services**

The Custodial Services Division (CSD) is structurally imbalanced, and the department requests a budget adjustment increasing salaries and benefits to balance the revenues and expenditures submitted during the FY 14/15 budget. Cash reserves are sufficiently available to cover the estimated \$262,066 deficit. The current approved rate does not allow for full cost recovery and the department requests a **\$485,000** transfer from the general fund to improve the structural imbalance. The Executive Office recommends continuing to closely monitor expenditure trends for salaries and benefits for this internal service fund and defer consideration of further Board action until later in the fiscal year.

**Maintenance**

On November 24, 2014, (Item 3-27), the Board adopted a rate increase for the Maintenance Services Division, with the revised rate effective starting pay period 1, December 11, 2014. Maintenance activities continue to grow, and the safeguarding of county infrastructure and building assets is vital. The third quarter report will include the impact of the rate increase on the department's fund balance.

**Purchasing & Fleet Services****Central Purchasing**

Purchasing is on track to remain within FY 14/15 budget targets as long as service agreements with county departments remain intact. Recruitment is underway for two Central Purchasing Procurement Contract Specialists approved in the final budget.

**Fleet Services**

Fleet Services gradually continues to liquidate aged county vehicles. Between October 1, 2014, and December 31, 2014, departments retired 18 patrol and 18 general use vehicles, for a total of 36 now pending sale. During the same period, 52 previously retired patrol and general use vehicles were sold, recovering \$85,350 from those sales. As a result, county departments saved \$66,154 in mileage charges and fuel costs during the last quarter. During the same period, 63 new vehicles were put into service. Attachment D includes additional detail.

To date, the Board has authorized the purchase of one vehicle for Animal Control (Item 3.18 of September 9, 2014). However, appropriations for this acquisition were not added to Fleet Service's budget. Consequently, the department requests a budget adjustment at this time to accommodate purchase of this vehicle.

**Recommendation 24:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and use of available net assets for Fleet Services by \$8,300, as follows:*

Increase appropriations:		
45300-7300500000-532600	Capital lease-purchase – principal	\$5,200
45300-7300500000-533720	Capital lease-purchase – interest	400
45300-7300500000-535515	Amortization – vehicles	<u>2,700</u>
	Total	8,300

Increase estimated revenue:		
45300-7300500000-777620	Vehicle cost recovery	5,600

Use of unrestricted net assets:		
45300-7300500000-380100	Unrestricted net assets	2,700

At this time, the Assessor requests authorization of one additional vehicle, TLMA requests authorization to replace of one vehicle, and Parks requests the addition of two pickup trucks.

**Recommendation 25:** *That the Board of Supervisors 1) authorize and direct the Purchasing Agent to acquire one (1) leased vehicle for the Assessor, one (1) leased vehicle for TLMA, and two (2) cash purchase vehicles for Parks; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and use of available net assets for Fleet Services by \$85,500, as follows:*

Increase appropriations:		
45300-7300500000-532600	Capital lease-purchase – principal	\$12,700
45300-7300500000-533720	Capital lease-purchase – interest	800
45300-7300500000-535515	Amortization – vehicles	6,500
45300-7300500000-535562	Depreciation – vehicles	5,000
45300-7300500000-546320	Vehicles – cars/light trucks	<u>60,500</u>
	Total	85,500

Increase estimated revenue:		
45300-7300500000-777620	Vehicle cost recovery	74,000

Decrease net assets:		
45300-7300500000-380100	Unrestricted net assets	11,500

**Riverside County Information Technology (RCIT)**

In the first quarter report, the Executive Office reported about Riverside County Information Technology (RCIT) implementing corrective measures to resolve a \$3.8 million budget deficit. At mid-year, the department reports reducing that gap to \$3.2 million.

In an effort to reduce the gap further and avoid increasing RCIT’s current year internal service rates to user departments, the Executive Office recommends general fund reimbursement for specific initiatives with countywide benefit. This reimbursement is proposed in the form of forgiveness of the loan granted by the Board of Supervisors in the FY 13/14 first quarter report on November 5, 2013 (3-65). In addition, RCIT will take more aggressive steps toward achieving a balanced position by June 30, 2015, including:



- Implementing a voluntary hiring freeze for all but the most crucial positions;
- Potential elimination of vacant positions;
- Eliminating all non-critical overtime / standby; and,
- Remaining current on invoicing and collection of receivables.

The Executive Office will continue working with the department and will return to the Board with an update in the third quarter report.

### **Malpractice Insurance**

Many larger malpractice insurance claims have been settled this fiscal year or are projected to be settled by fiscal year end. This has caused claims losses to exceed the amount projected by the County's actuary. In order to pay impending claims, appropriations for claims must be increased. This amount will be offset by stop loss payments, at least in the near term. Human Resources will continue to monitor the spending on malpractice insurance claims and will make another adjustment in the third quarter if needed.

**Recommendation 26:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Malpractice Insurance Fund by \$2,384,589, as follows:*

Increase estimated revenues:		
46000-1130900000-777010	Stop loss reimbursement	\$2,384,589
Increase appropriations:		
46000-1130900000-534340	Malpractice liability	2,384,589

### **General Liability Insurance**

Claims losses are continuing to trend higher. Increased appropriations to pay claims are needed to ensure claims pending can be paid before year end. Currently, stop loss payments received and projected are sufficient to cover these expenses. Human Resources will continue to monitor the spending on general liability claims and will make another adjustment in the third quarter if needed.

**Recommendation 27:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the General Liability Fund by \$8,230,002, as follows:*

Increase estimated revenues:		
45960-1131000000-777010	Stop loss reimbursement	\$8,030,002
45960-1131000000-781360	Other miscellaneous revenue	<u>200,000</u>
	Total	8,230,002
Increase appropriations:		
45960-1131000000-534280	Liability adjustment expense	8,230,002

**Temporary Assistance Pool (TAP)**

Human Resources is working to ensure TAP meets budget targets by the end of the fiscal year. TAP has begun recouping occupational health, Livescan, and background check fees paid by the fund from user departments. HRMS fees will also be recovered. However, these additional funds are not sufficient to cover all projected expenses. Human Resources will continue to work towards a solution before year-end.

**Exclusive Care**

Exclusive Care costs are increasing due to high dollar claims paid and increasing need for high dollar pharmaceuticals, and a \$10,176,401 increase in appropriations is consequently necessary at this time. Revenue is also increasing but will not cover the full amount of the cost increases. The department is requesting to use \$1,134,401 in unrestricted net assets to make up the difference.

**Recommendation 28:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted net assets for Exclusive Care by \$10,176,401, as follows:*

Increase estimated revenues:

45800-1132000000-774980	EPO select retiree	\$ 950,222
45800-1132000000-774990	EPO pharmacy	500,000
45800-1132000000-777010	Stop loss reimbursement	142,000
45800-1132000000-781220	Contributions and donations	<u>7,449,778</u>
	Total	9,042,000

Increase appropriations:

45800-1132000000-522890	Pharmaceuticals	940,586
45800-1132000000-534460	Medical services claims	288,774
45800-1132000000-534480	Physician care claims	2,045,387
45800-1132000000-534500	Hospital care services claims	3,570,441
45800-1132000000-534520	EPO pharmaceutical claims	<u>3,331,213</u>
	Total	10,176,401

Use unrestricted net assets:

45800-1132000000-380100	Unrestricted net assets	1,134,401
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**SPECIAL DISTRICTS AND OTHER AGENCIES**

**Flood Control and Water Conservation District**

The Flood Control District’s second quarter revenue and expenditures are within FY 14/15 budget targets.

**National Pollutant Discharge Elimination System (NPDES)**

To date, expenditures within the NPDES fund are within second quarter FY 14/15 budget targets.

### **Regional Parks and Open Space District**

There are District staff planning to retire during FY 14/15 that are owed sizeable payouts. The accrued leave balances held in reserve for this purpose will be used to cover the cost of these payouts, which are estimated at \$45,000. The District has historically utilized internal staff to perform janitorial services at its headquarters, but has recently engaged an outside contractor to perform this service at a lesser cost. A \$20,000 budget adjustment is needed to cover these added expenditures. Also, Lake Skinner Park's water usage exceeded its budgeted annual agreed-upon allowance from Rancho Water District for calendar year 2014 by \$35,000. Charges for this excess usage can be sufficiently covered with recreation fee revenue that is higher than anticipated.

The Interpretive Program suffered the theft of several tools and a tractor valued at \$15,000 from Gilman Ranch. Although the thief was apprehended, the stolen items were not recovered and need to be replaced so staff can continue to maintain the location's buildings and grounds. In addition, that location would like to install a shade structure costing \$2,000 for its outside programs, and Jensen-Alvarado Historic Ranch also needs a \$15,000 tractor for staff to properly maintain the grounds.

**Recommendation 29:** *That the Board of Supervisors 1) authorize the Purchasing Agent to purchase of two tractors; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues, and use of committed fund balance for the Regional Park and Open Space District by \$132,000, as follows:*

Increase appropriations:		
25400-931104-510200	Payoff permanent – seasonal	\$45,000
25400-931104-521600	Maintenance service contracts	20,000
25400-931104-546200	Equipment – shop and yard	30,000
25400-931104-529550	Water	35,000
25400-931104-527780	Special program expense	<u>2,000</u>
	Total	132,000
Increase estimated revenue:		
25400-931104-776740	Recreation fees	35,000
Use of fund balance:		
25400-931104-330100	Committed fund balance	<u>97,000</u>
	Total	132,000

Perris-Menifee Valley Aquatic Center (DropZone) and Jurupa Aquatic Center (The Cove) offered food concessions at their waterparks for the first season ever during summer 2014. Sales were much higher than anticipated, and each waterpark utilized its entire budget for food supplies and gift shop inventory, leaving insufficient budget for the upcoming summer season. Consequently, appropriations for these line items must be increased, along with line items for credit card fees and sales tax remittances to the Board of Equalization.

In addition, the original contractors performing landscaping, janitorial, and security ser-

vices at both waterparks were replaced due to performance that did not adhere to the District’s standards, and pricing for the replacement contractors is higher than originally budgeted. These cost increases are more than adequately covered by the favorable profit margin on food concessions revenue that was much higher than anticipated.

The Jurupa Sports Park is utilizing more electricity than originally anticipated to light its fields for nighttime events. In addition, the original contractor for security services did not perform according to contract specifications, and the District replaced them with a vendor on contract with the County of Riverside. Pricing for this new vendor is higher than originally anticipated, but the increase in cost is adequately covered by recreation fees collected at Jurupa Sports Park.

**Recommendation 30:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Regional Park and Open Space District by \$276,000, as follows:

Increase appropriations:		
25420-931180-520015	Irrigation supplies	\$ 3,000
25420-931180-520230	Cellular phone	1,000
25420-931180-520705	Food	115,000
25420-931180-520820	Janitorial services	3,000
25420-931180-521600	Maintenance – service contracts	35,000
25420-931180-523290	Bank charges	26,000
25420-931180-525320	Security guard services	28,000
25420-931180-527700	Recreation supplies	5,000
25420-931180-528020	Inventory – stores	10,000
25420-931180-529500	Electricity	20,000
25420-931180-529520	Sewer	5,000
25420-931180-535220	Taxes and assessments	15,000
25420-931180-536760	Interfund expense – audit and accounting fee	<u>10,000</u>
	Total	276,000

Increase estimated revenue:		
25420-931180-741360	Concessions	234,000
25420-931180-776740	Recreation fees	<u>42,000</u>
	Total	276,000

The District maintains several parcels of open land as part of its Habitat and Open-Space Management program. To efficiently and effectively manage and maintain these open land areas, this program needs to purchase two new pickup trucks.

**Recommendation 31:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unassigned fund balance for the Regional Park and Open Space District by \$60,500, as follows:

Increase appropriations:		
25430-931170-528920	Car Pool Expense	\$60,500

Use of unassigned fund balance:		
25430-931170-370100	Unassigned fund balance	60,500

As required mitigation for the impact of their developments within Riverside County, developers purchase acreage within the Santa Ana River Mitigation Bank, which controls invasive Arundo plants in specific parcels surrounding the Santa Ana River. The District is able to utilize \$10,000 annually from the Mitigation Bank to support educational programs along the river, specifically at Louis Robidoux Nature Center (LRNC). However, this funding has not been allocated to LRNC since FY 07/08. An operating transfer of \$80,000 will move funds between these programs to catch up for missed years of support from FY 07/08 through the current fiscal year.

**Recommendation 32:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of committed fund balance for the Regional Park and Open Space District by \$80,000, as follows:*

Increase appropriations:		
25550-931101-551000	Operating transfers out	\$80,000

Use of committed fund balance:		
25550-931101-330100	Committed fund balance	80,000

The Community Parks and Recreation Program must reimburse the District’s Operating Fund 25400 for \$28,868 in administrative overhead costs incurred during FY 13/14. An operating transfer must be budgeted in the current fiscal year. In addition, the District is managing programming at Idyllwild Town Hall that is outside the scope of the specific reimbursement agreement between EDA and the District. Revenues and expenditures for this programming must be budgeted.

**Recommendation 33:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues, and use of committed fund balance for the Regional Park and Open Space District by \$76,368, as follows:*

Increase appropriations:		
25600-931155-528440	Overhead	\$28,868
25600-931156-527780	Special program expense	<u>47,500</u>
	Total	76,368

Increase estimated revenue:		
25600-931156-776740	Recreation fees	40,000
25600-931156-741000	Rents	4,500
25600-931156-781220	Donations	<u>3,000</u>
	Total	47,500

Use of committed fund balance:		
25600-931155-330100	Committed fund balance	28,868

**County Service Areas (CSAs)**

For the second quarter, six County Service Area (CSA) funds require budget adjustments. Four CSA’s require budget adjustments for road repairs, one CSA requires a budget adjustment for maintenance activities, and one CSA requires a budget adjustment for land acquisition.

The county established CSA’s 41A and 41B for the community of Meadowbrook. The department requests budget adjustments of \$1,372,613 for CSA 41A and \$81,496 for CSA 41B to be used for road repairs.

**Recommendation 34:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustment increasing appropriations and use of restricted fund balance for CSA 41A by \$1,372,613, as follows:*

Increase appropriations:		
23425-904101-537160	Interfund expense – road maintenance grading	\$1,372,613
Use of restricted fund balance:		
23425-904101-321101	Restricted program money	1,372,613

**Recommendation 35:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 41B by \$81,496, as follows:*

Increase appropriations:		
23450-904101-537160	Interfund expense – road maintenance grading	\$81,496
Use of restricted fund balance:		
23450-904101-321101	Restricted program money	81,496

The Pine Cove Fire Protection County Service Area is CSA 38. The community has requested additional building and equipment maintenance at the community fire station. The department requests a budget adjustment of \$35,000 to implement these improvements.

**Recommendation 36:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 38 for a net total of \$35,000, as follows:*

Increase appropriations:		
23400-903801-522310	Maintenance – building and improvements	\$25,000
23400-903801-521560	Maintenance – other	<u>10,000</u>
	Total	35,000
Use of restricted fund balance:		
23400-903801-321101	Restricted program money	35,000

The department requests a budget adjustment of \$653,329 for CSA 104 (Santa Ana Area), and a \$250,000 budget adjustment CSA 105 (Happy Valley Road) for road maintenance.

nance and grading.

**Recommendation 37:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 104 by \$653,329, as follows:*

Increase appropriations:		
24100-910401-537160	Interfund expense – road maintenance grading	\$653,329
Use of restricted fund balance:		
24100-910401-321101	Restricted program money	653,329

**Recommendation 38:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 105 by \$250,000, as follows:*

Increase appropriations:		
24125-910501-537160	Interfund expense – road maintenance grading	\$250,000
Use of restricted fund balance:		
24125-910501-321101	Restricted program money	250,000

CSA152A is a Quimby fund, and the department requests an \$839,344 budget adjustment to purchase land in Lakeland Village for a future park and community center.

**Recommendation 39:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance restricted for construction or capital project for CSA 152A by \$839,344, as follows:*

Increase appropriations:		
31560-915201-540040	Land	\$839,344
Use of restricted fund balance:		
31560-915201-322100	Restricted for construction/capital projects	839,344





**Attachment A Summary of Recommendations**

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

**Recommendation 1:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for Contingency and estimated revenues for the general fund by \$5,867,859, as follows:*

Increase estimated revenue:		
10000-1300100000-753620	CA – mandate reimbursement	\$5,867,859
Increase unassigned fund balance:		
10000-1300100000-370100	Unassigned fund balance	5,867,859
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	5,867,859
Use of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	5,867,859

**Recommendation 2:** *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to unassigned fund balance by \$3,262,627, as follows:*

Decrease unassigned fund balance:		
10000-1100100000-370106	Unassigned fund balance for budget stabilization	\$3,262,627
Increase unassigned fund balance:		
10000-1100100000-370100	Unassigned fund balance	3,262,627

**Recommendation 3:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance in the Development Impact Fee fund and increasing appropriations and estimated revenue for Contingency by \$5,200,000 in order to repay the general fund loan made for the grant match for the Youth Treatment and Education Center, as follows:*

Increase appropriations:		
30500-1103700000-551100	Contributions to other funds	\$5,200,000
Use of restricted fund balance:		
30501-1103700000-322103	Restricted for construction/capital project subfunds	5,200,000
Increase estimated revenue:		
10000-1109000000-790600	Contributions from other county funds	5,200,000
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	5,200,000

**Recommendation 4:** That the Board approve and authorize the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance committed for solar community benefit in the Solar Payments Fund by \$71,958, as follows:

Increase Appropriations:		
22840-1104100000-551100	Contribution to other funds	\$71,958
Use of fund committed balance:		
22840-1104100000-330156	Committed fund balance – solar community benefit	71,958

**Recommendation 5:** That the Board approve and authorize the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance from the Casa Blanca Pass-through Fund by \$72,875, as follows:

Increase appropriations:		
22850-1100100000-551100	Contribution to other funds	\$72,875
Use of restricted fund balance:		
22850-1100100000-321101	Restricted program money	72,875

**Recommendation 6:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Board of Supervisors and decreasing appropriations for general fund contingency by \$100,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$100,000
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	100,000
Increase appropriations:		
10000-1000100000-529000	Miscellaneous travel expense	100,000
Use of unassigned fund balance:		
10000-1000100000-370100	Unassigned fund balance	100,000

**Recommendation 7:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for Human Resources by a net total \$343,627, as follows:

Increase estimated revenues:		
10000-1130100000-777040	Training	\$ 10,000
10000-1130100000-778230	Interfund – personnel services	43,300
10000-1130100000-778280	Interfund – reimbursement for services	155,000
10000-1130100000-778340	Interfund – training	5,000
10000-1130100000-781220	Contributions and donations	<u>198,780</u>
	Total	412,080

Decrease estimated revenues:

10000-1130100000-777030	Personnel service	13,453
10000-1130100000-777520	Reimbursement for services	<u>55,000</u>
	Total	68,453

Increase appropriations:

10000-1130100000-524820	Engineering services	212,000
10000-1130100000-525480	Arbitration services	400,000
10000-1130100000-527860	Training – materials	70,000
10000-1130100000-572800	Intra-fund – miscellaneous	(300,000)
10000-1130100000-573500	Intra-fund – training	<u>(55,000)</u>
	Total	327,000

Decrease appropriations:

10000-1130100000-572900	Intra-fund – personnel	(16,627)
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**Recommendation 8:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Registrar of Voters by \$140,000, as follows:

Decrease appropriations:

10000-1700100000-510040	Regular salaries	\$140,000
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Increase appropriations:

10000-1700100000-521640	Maintenance – software	140,000
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**Recommendation 9:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the County Fair and National Date Festival by \$143,402, as follows:

Increase estimated revenues:

22200-1920100000-741160	Fair sponsorships	\$ 10,000
22200-1920100000-790600	Contribution from other county funds	<u>166,948</u>
	Total	176,948

Decrease estimated revenues:

22200-1920100000-778330	Interfund – salary reimbursement	33,546
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Increase appropriations:

22200-1920100000-510040	Regular salaries	18,958
22200-1920100000-510320	Temporary salaries	59,356
22200-1920100000-525080	Temporary assistance pool services	35,088
22200-1920100000-527660	Operational marketing	<u>30,000</u>
	Total	143,402

**Recommendation 10:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for Contingency and Contributions to Other Funds and increasing appropriations and estimated revenues for the Water Services Fiduciary Fund by \$270,400 as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$270,400
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	270,400
Increase appropriations:		
10000-1101000000-536200	Contribution to other non-county agency	270,400
Use of unassigned fund balance:		
10000-1101000000-370100	Unassigned fund balance	270,400
Increase estimated revenues:		
65964-7200600000-790500	Operating transfer in	270,400
Increase appropriations:		
65964-7200600000-525500	Salary/benefit reimbursement	63,000
65964-7200600000-528500	Project cost expense	183,000
65964-7200600000-529500	Electricity	18,000
65964-7200600000-529550	Water	<u>6,400</u>
	Total	270,400

**Recommendation 11:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Probation Department by \$250,000, as follows:*

Decrease appropriations		
10000-2600100000-510040	Regular salaries	\$250,000
Increase unassigned fund balance:		
10000-2600100000-370100	Unassigned fund balance	250,000
Increase appropriations		
10000-2600400000-530220	Support and care – persons	250,000
Use of unassigned fund balance:		
10000-2600400000-370100	Unassigned fund balance	250,000

**Recommendation 12:** *That the Board of Supervisors approve amending Ordinance No. 440 to add three (3) Deputy Public Defender III and two (2) Paralegal II positions for the Law Offices of the Public Defender, as indicated in Attachment B, and defer consideration of a budget adjustment until third quarter.*

**Recommendation 13:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Building and Safety by \$1,057,000 as follows:*

Decrease appropriations:		
20260-3110100000-518100	Budgeted benefits	\$357,358

Increase appropriations:		
20260-3110100000-551100	Contributions to other funds	357,358

Increase estimated revenues:		
20250-3110100000-722060	Permits – building	700,000
20250-3110100000-790600	Contributions from other county funds	<u>357,358</u>
	Total	1,057,358

Increase appropriations:		
20250-3110100000-510040	Regular salaries	600,000
20250-3110100000-518180	Other post-employment benefits	435,000
20250-3110100000-525440	Professional services	<u>22,358</u>
	Total	1,057,358

**Recommendation 14:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Aviation by \$50,097, as follows:

Increase estimated revenues:		
22100-1910700000-741500	Temporary use lease	\$50,097

Increase appropriations:		
22100-1910700000-520350	IT core services	20,836
22100-1910700000-525080	Temporary assist pool services	7,296
22100-1910700000-527660	Operational marketing	14,300
22100-1910700000-537020	Interfund expense – legal services	<u>7,665</u>
	Total	50,097

**Recommendation 15:** That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for Survey by \$110,000, as follows:

Increase Appropriations:		
20260-3130200000-510040	Regular salaries	\$75,000
20260-3130200000-518100	Budgeted benefits	<u>35,000</u>
	Total	110,000

Use restricted fund balance:		
20260-3130200000-321101	Restricted program money	110,000

**Recommendation 16:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the Public Health Department by \$288,304, as follows:

Increase estimated revenue:		
21750-4200100000-767220	Federal – other operating grants	\$288,304

Increase appropriations:		
21750-4200100000-526700	Rent-lease – buildings	7,733
21750-4200100000-527180	Operational supplies	<u>295,510</u>

	Total	303,243
Decrease appropriations:		
21750-4200100000-523800	Printing / binding	1,297
21750-4200100000-525440	Professional services	<u>13,642</u>
	Total	14,939

**Recommendation 17:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Public Health Department by \$124,522, as follows:

Increase estimated revenue:		
10000-4200100000-754000	CA-tobacco tax prop 10	\$ 19,140
10000-4200100000-781480	Program revenue	<u>105,382</u>
	Total	124,522

Increase appropriations:		
10000-4200100000-510040	Regular salaries	52,486
10000-4200100000-518100	Budgeted benefits	20,564
10000-4200100000-520705	Food	5,107
10000-4200100000-520820	Janitorial services	600
10000-4200100000-523620	Books/publications	16,000
10000-4200100000-523800	Printing/binding	482
10000-4200100000-524500	Administrative support – direct	10,250
10000-4200100000-525440	Professional services	68,000
10000-4200100000-527780	Special program expense	14,500
10000-4200100000-527840	Training-education/tuition	1,500
10000-4200100000-528140	Conference/registration fees	3,250
10000-4200100000-529040	Private mileage reimbursement	2,500
10000-4200100000-572800	Intrafund – miscellaneous	<u>(70,717)</u>
	Total	124,522

**Recommendation 18:** That the Board of Supervisors 1) authorize purchase of one x-ray machine; and, 2) approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Ambulatory Care by \$300,000, as follows:

Increase estimated revenues:		
10000-4200700000-790600	Contribution from other county funds	\$300,000

Increase appropriations:		
10000-4200700000-546160	Equipment – other	300,000

**Recommendation 19:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for MISP, as follows:

Increase estimated revenues:		
10000-4300200000-751500	CA – Realignment health	\$2,239,457

Decrease estimated revenues:		
10000-4300200000-751300	CA – medical indigent	54,638
10000-4300200000-777130	County support services	<u>1,260,000</u>
	Total	1,314,638

Increase appropriations:		
10000-4300200000-536240	Other contract agencies	17,932,200
10000-4300200000-573100	Intra-fund transfer - Realignment	<u>(16,479,943)</u>
	Total	1,452,257

Decrease appropriations:		
10000-4300200000-510040	Regular salaries	512,705
10000-4300200000-520320	Telephone services	<u>14,733</u>
	Total	527,438

**Recommendation 20:** That the Board of Supervisors approve amending Ordinance 440 to add twelve (12) Institutional Nurse-RCRMC positions as indicated in **Error! Reference source not found.**; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Correctional Health Services by \$5,000,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$5,000,000

Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	5,000,000

Increase appropriations:		
10000-4300300000-510040	Salaries	2,400,000
10000-4300300000-518100	Budgeted benefits	900,000
10000-4300300000-523230	Miscellaneous	800,000
10000-4300300000-523640	Computer equipment – non-fixed assets	200,000
10000-4300300000-542060	Improvements buildings	200,000
10000-4300300000-546280	Capitalized software	<u>500,000</u>
	Total	5,000,000

Use of unassigned fund balance:		
10000-4300300000-370100	Unassigned fund balance	5,000,000

**Recommendation 21:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the In-Home Supportive Services Public Authority by \$417,947, as follows:

Increase estimated revenues:		
22800-985101-750300	CA – Public assistance administration	\$213,153
22800-985101-760000	Fed – Public assistance administration	<u>204,794</u>
	Total	417,947

Increase appropriations:		
22800-985101-510040	Regular salaries	217,332
22800-985101-518100	Budgeted benefits	<u>200,615</u>

Total 417,947

**Recommendation 22:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Community Action Partnership by \$359,332, as follows:

Increase estimated revenue:		
21050-5200100000-767200	Federal – block grants	\$359,332
Increase appropriations:		
21050-5200100000-510040	Regular salaries	118,482
21050-5200100000-518100	Budgeted benefits	84,660
21050-5200100000-521360	Maintenance – computer equipment	23,476
21050-5200100000-523680	Office equipment non fixed assets	26,227
21050-5200100000-524840	Fingerprinting services	3,391
21050-5200100000-525080	Temporary assist pool services	38,993
21050-5200100000-526420	Advertising	7,500
21050-5200100000-526700	Rent-lease buildings	7,913
21050-5200100000-528120	Board/commission expense	21,168
21050-5200100000-529540	Utilities	3,294
21050-5200100000-536240	Other contract agencies	<u>24,228</u>
	Total	359,332

**Recommendation 23:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues and use of restricted fund balance for County Free Library, for a net total of \$1,668,344, as follows:

Increase estimated revenues:		
21200-1900700000-741000	Rents	\$208,029
Increase appropriations:		
21200-1900700000-521360	Maintenance – computer equipment	360,500
21200-1900700000-522310	Maintenance – building and improvements	135,478
21200-1900700000-523620	Books/publications	175,000
21200-1900700000-523640	Computer equipment – non fixed asset	88,000
21200-1900700000-523680	Office equipment – non fixed asset	250,000
21200-1900700000-523840	Computer equipment – software	225,255
21200-1900700000-528500	Project cost expense	70,000
21200-1900700000-530280	Private care provider	161,186
21200-1900700000-537180	Interfund expense – salary reimbursement	121,000
21200-1900700000-537320	Interfund expense – improvement building	<u>81,925</u>
	Total	1,668,344
Use of restricted fund balance:		
21200-1900700000-321101	Restricted program money	1,460,315

**Recommendation 24:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and use of available net assets for Fleet Services by \$8,300, as follows:



Increase appropriations:

45300-7300500000-532600	Capital lease-purchase – principal	\$5,200
45300-7300500000-533720	Capital lease-purchase – interest	400
45300-7300500000-535515	Amortization – vehicles	<u>2,700</u>
	Total	8,300

Increase estimated revenue:

45300-7300500000-777620	Vehicle cost recovery	5,600
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Use of unrestricted net assets:

45300-7300500000-380100	Unrestricted net assets	2,700
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**Recommendation 25:** That the Board of Supervisors 1) authorize and direct the Purchasing Agent to acquire one (1) leased vehicle for the Assessor, one (1) leased vehicle for TLMA, and two (2) cash purchase vehicles for Parks; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and use of available net assets for Fleet Services by \$85,500, as follows:

Increase appropriations:

45300-7300500000-532600	Capital lease-purchase – principal	\$12,700
45300-7300500000-533720	Capital lease-purchase – interest	800
45300-7300500000-535515	Amortization – vehicles	6,500
45300-7300500000-535562	Depreciation – vehicles	5,000
45300-7300500000-546320	Vehicles – cars/light trucks	<u>60,500</u>
	Total	85,500

Increase estimated revenue:

45300-7300500000-777620	Vehicle cost recovery	74,000
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Decrease net assets:

45300-7300500000-380100	Unrestricted net assets	11,500
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**Recommendation 26:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Malpractice Insurance Fund by \$2,384,589, as follows:

Increase estimated revenues:

46000-1130900000-777010	Stop loss reimbursement	\$2,384,589
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Increase appropriations:

46000-1130900000-534340	Malpractice liability	2,384,589
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**Recommendation 27:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the General Liability Fund by \$8,230,002, as follows:

Increase estimated revenues:

45960-1131000000-777010	Stop loss reimbursement	\$8,030,002
45960-1131000000-781360	Other miscellaneous revenue	<u>200,000</u>

	Total	8,230,002
Increase appropriations:		
45960-1131000000-534280	Liability adjustment expense	8,230,002

**Recommendation 28:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted net assets for Exclusive Care by \$10,176,401, as follows:

Increase estimated revenues:		
45800-1132000000-774980	EPO select retiree	\$ 950,222
45800-1132000000-774990	EPO pharmacy	500,000
45800-1132000000-777010	Stop loss reimbursement	142,000
45800-1132000000-781220	Contributions and donations	<u>7,449,778</u>
	Total	9,042,000

Increase appropriations:		
45800-1132000000-522890	Pharmaceuticals	940,586
45800-1132000000-534460	Medical services claims	288,774
45800-1132000000-534480	Physician care claims	2,045,387
45800-1132000000-534500	Hospital care services claims	3,570,441
45800-1132000000-534520	EPO pharmaceutical claims	<u>3,331,213</u>
	Total	10,176,401

Use unrestricted net assets:		
45800-1132000000-380100	Unrestricted net assets	1,134,401

**Recommendation 29:** That the Board of Supervisors 1) authorize the Purchasing Agent to purchase of two tractors; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues, and use of committed fund balance for the Regional Park and Open Space District by \$132,000, as follows:

Increase appropriations:		
25400-931104-510200	Payoff permanent – seasonal	\$45,000
25400-931104-521600	Maintenance service contracts	20,000
25400-931104-546200	Equipment – shop and yard	30,000
25400-931104-529550	Water	35,000
25400-931104-527780	Special program expense	<u>2,000</u>
	Total	132,000

Increase estimated revenue:		
25400-931104-776740	Recreation fees	35,000

Use of fund balance:		
25400-931104-330100	Committed fund balance	<u>97,000</u>
	Total	132,000

**Recommendation 30:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated

revenues for the Regional Park and Open Space District by \$276,000, as follows:

Increase appropriations:		
25420-931180-520015	Irrigation supplies	\$ 3,000
25420-931180-520230	Cellular phone	1,000
25420-931180-520705	Food	115,000
25420-931180-520820	Janitorial services	3,000
25420-931180-521600	Maintenance – service contracts	35,000
25420-931180-523290	Bank charges	26,000
25420-931180-525320	Security guard services	28,000
25420-931180-527700	Recreation supplies	5,000
25420-931180-528020	Inventory – stores	10,000
25420-931180-529500	Electricity	20,000
25420-931180-529520	Sewer	5,000
25420-931180-535220	Taxes and assessments	15,000
25420-931180-536760	Interfund expense – audit and accounting fee	<u>10,000</u>
	Total	276,000

Increase estimated revenue:		
25420-931180-741360	Concessions	234,000
25420-931180-776740	Recreation fees	<u>42,000</u>
	Total	276,000

**Recommendation 31:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unassigned fund balance for the Regional Park and Open Space District by \$60,500, as follows:

Increase appropriations:		
25430-931170-528920	Car Pool Expense	\$60,500
Use of unassigned fund balance:		
25430-931170-370100	Unassigned fund balance	60,500

**Recommendation 32:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of committed fund balance for the Regional Park and Open Space District by \$80,000, as follows:

Increase appropriations:		
25550-931101-551000	Operating transfers out	\$80,000
Use of committed fund balance:		
25550-931101-330100	Committed fund balance	80,000

**Recommendation 33:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues, and use of committed fund balance for the Regional Park and Open Space District by \$76,368, as follows:

Increase appropriations:		
25600-931155-528440	Overhead	\$28,868

25600-931156-527780	Special program expense	<u>47,500</u>
	Total	76,368

Increase estimated revenue:

25600-931156-776740	Recreation fees	40,000
25600-931156-741000	Rents	4,500
25600-931156-781220	Donations	<u>3,000</u>
	Total	47,500

Use of committed fund balance:

25600-931155-330100	Committed fund balance	28,868
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**Recommendation 34:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustment increasing appropriations and use of restricted fund balance for CSA 41A by \$1,372,613, as follows:*

Increase appropriations:

23425-904101-537160	Interfund expense – road maintenance grading	\$1,372,613
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Use of restricted fund balance:

23425-904101-321101	Restricted program money	1,372,613
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**Recommendation 35:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 41B by \$81,496, as follows:*

Increase appropriations:

23450-904101-537160	Interfund expense – road maintenance grading	\$81,496
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Use of restricted fund balance:

23450-904101-321101	Restricted program money	81,496
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**Recommendation 36:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 38 for a net total of \$35,000, as follows:*

Increase appropriations:

23400-903801-522310	Maintenance – building and improvements	\$25,000
23400-903801-521560	Maintenance – other	<u>10,000</u>
	Total	35,000

Use of restricted fund balance:

23400-903801-321101	Restricted program money	35,000
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**Recommendation 37:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 104 by \$653,329, as follows:*

Increase appropriations:

24100-910401-537160	Interfund expense – road maintenance grading	\$653,329
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Use of restricted fund balance:  
 24100-910401-321101                      Restricted program money    653,329

**Recommendation 38:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 105 by \$250,000, as follows:*

Increase appropriations:  
 24125-910501-537160                      Interfund expense – road maintenance grading    \$250,000

Use of restricted fund balance:  
 24125-910501-321101                      Restricted program money    250,000

**Recommendation 39:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance restricted for construction or capital project for CSA 152A by \$839,344, as follows:*

Increase appropriations:  
 31560-915201-540040                      Land    \$839,344

Use of restricted fund balance:  
 31560-915201-322100                      Restricted for construction/capital projects    839,344



**Attachment B Resolution No. 440-8994 Amending Ordinance No. 440****Resolution No. 440-8994**

BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on February 10, 2015, that pursuant to Section 4(a)(ii) of Ordinance No. 440, the Executive Office is authorized to make the following listed change(s), operative on the date of approval, as follows:

<b><u>Job code</u></b>	<b><u>+/-</u></b>	<b><u>Department ID</u></b>	<b><u>Class Title</u></b>	<b><u>Type</u></b>
73955	+12	4300300000	Institutional Nurse-RCRMC	Regular
78553	+3	2400100000	Deputy Public Defender III	Regular
78506	+2	2400100000	Paralegal II	Regular





**Attachment C Sales and Use Tax Update**



# Q3 2014



# Riverside County Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

## Riverside County In Brief

Receipts for the unincorporated area's July through September sales were 0.9% higher than the same quarter one year ago.

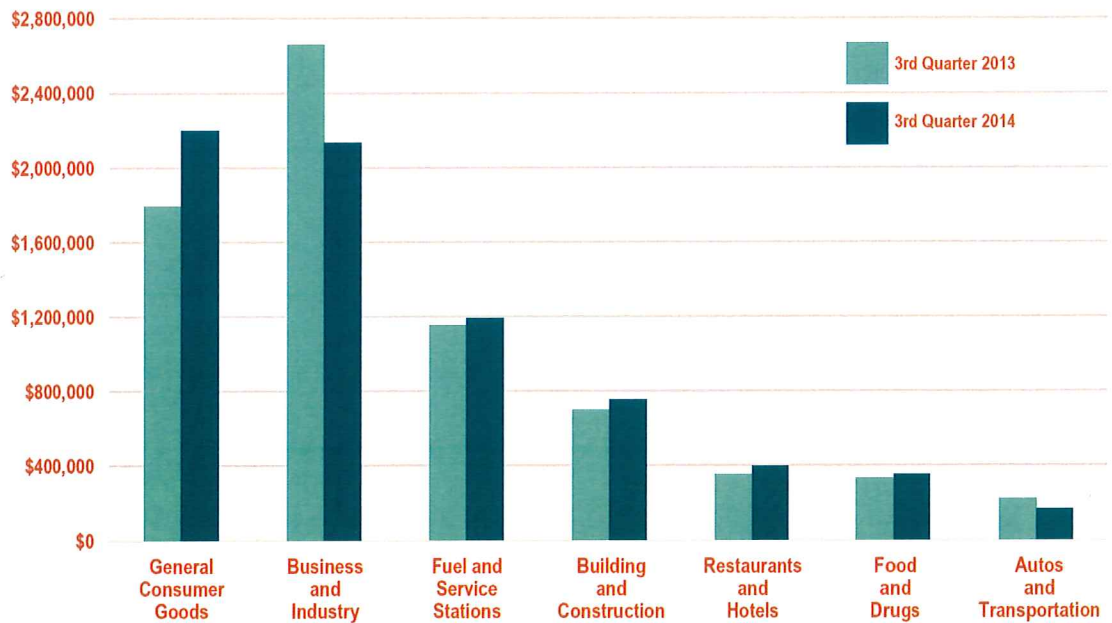
The unincorporated area experienced a strong sales quarter for service stations and contractors. The expansion of Desert Hills Premium Outlets led to gains in family and women's apparel, shoe stores, and specialty stores. The rise in heavy industrial was exaggerated by a onetime accounting adjustment.

An increase in online shopping helped boost receipts from the countywide use tax pool.

The gains were significantly offset by a decline in onetime receipts from the development of alternative energy projects.

Adjusted for aberrations, taxable sales for all of Riverside County increased 6.9% over the comparable time period, while the Southern California region as a whole was up 5.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Arco AM PM	Nike
Burberry	Pilot Travel Center
California Trusframe	Prada
Calvin Klein	Ralph Lauren
Circle K	RDO Equipment
Coach	Russell Sigler
Colorado Compressor	Spates Fabricators
Desert Sunlight	Stater Bros
Dos Lagos Arco	Superior Ready Mix Concrete
Exxon	Sysco
Gucci	Tory Burch
Liz Claiborne	Vons Fuel
Michael Kors	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$15,068,449	\$14,760,849
County Pool	1,596,310	1,675,057
State Pool	8,103	10,620
<b>Gross Receipts</b>	<b>\$16,672,862</b>	<b>\$16,446,527</b>
<b>Less Triple Flip*</b>	<b>\$(4,168,216)</b>	<b>\$(4,111,632)</b>

\*Reimbursed from county compensation fund

**California Overall**

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

**The Impact of Falling Gas Prices on Sales Tax**

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

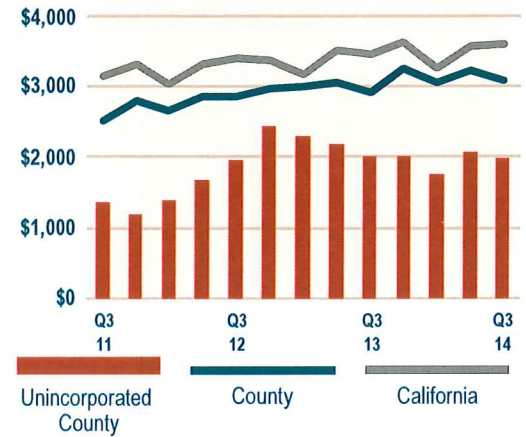
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

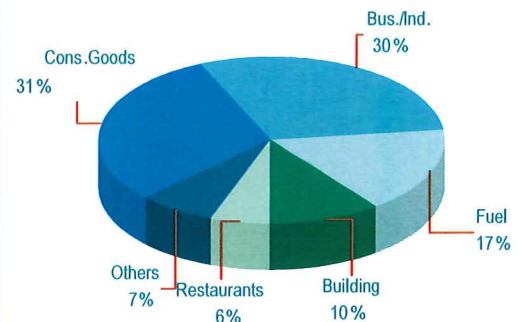
Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Riverside County This Quarter



**RIVERSIDE COUNTY TOP 15 BUSINESS TYPES**

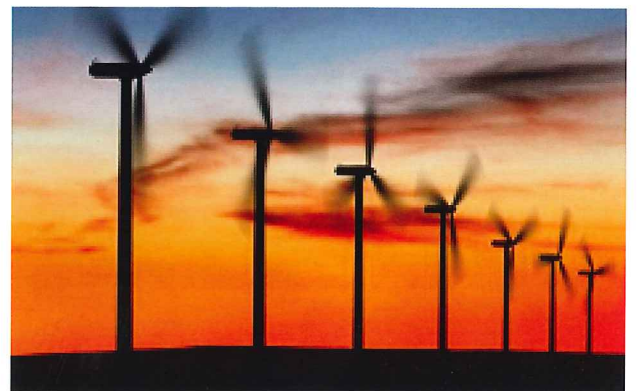
Business Type	*In thousands			
	Unincorporated County Q3 '14*	County Change	County Change	HdL State Change
Contractors	552.0	10.7%	12.5%	14.2%
Energy/Utilities	—	CONFIDENTIAL	-29.3%	-2.5%
Family Apparel	961.5	29.6%	15.2%	5.9%
Food Service Equip./Supplies	131.3	12.5%	12.6%	9.5%
Garden/Agricultural Supplies	102.2	4.8%	2.4%	2.9%
Grocery Stores Liquor	156.0	6.3%	15.5%	8.4%
Heavy Industrial	134.2	272.8%	25.4%	10.5%
Lumber/Building Materials	107.2	-2.0%	15.3%	4.3%
Quick-Service Restaurants	227.1	9.9%	9.1%	8.5%
Service Stations	1,179.8	3.7%	4.0%	1.2%
Shoe Stores	242.4	22.0%	12.2%	6.5%
Specialty Stores	206.4	9.6%	4.0%	6.2%
Warehouse/Farm/Const. Equip.	136.1	6.1%	7.8%	6.8%
Wineries	218.9	19.1%	17.5%	3.4%
Women's Apparel	494.8	27.7%	15.1%	-1.1%
<b>Total All Accounts</b>	<b>\$7,192.8</b>	<b>-0.2%</b>	<b>7.1%</b>	<b>5.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$866.7</b>	<b>10.8%</b>	<b>18.9%</b>	<b>10.2%</b>
<b>Gross Receipts</b>	<b>\$8,059.5</b>	<b>0.9%</b>	<b>8.2%</b>	<b>6.1%</b>

January 2015

## California Forecast: Sales Tax Trends and Economic Drivers

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

HdL serves over 380 cities, counties and special districts in California and across the nation.





	2014-15	2015-16
<b>Autos/Transportation</b>	7.1%	4.5%
<p>Easy credit and enticing new models are extending sales gains beyond industry analysts' original expectations. More fuel efficient drive trains, declining fuel prices and low interest, long term financing have buyers opting for higher cost SUV's and Crossovers with more accessories and upgrades.</p>		
<b>Building/Construction</b>	6.6%	5.0%
<p>Solid permit activity is anticipated for hotels, office and mixed use projects. Moderating prices and slow sales are expected to pare the number of single family starts. The home improvement segment is still strong. Federal and state construction budgets are slightly lower than last year.</p>		
<b>Business/Industry</b>	3.1%	3.0%
<p>Gains are expected in equipping new office projects, automation technology, telecommunications, semiconductors and suppliers to the medical/biotech, food processing and restaurant industries. Alternative energy and oil production projects are likely to slow. Slumping economies in Europe and Japan, a slowdown in China and California's drought should reduce capital investment in export manufacturing and agriculture related goods.</p>		
<b>Food/Drugs</b>	4.0%	2.5%
<p>Increased competition from big box retailers, introduction of new chains not currently operating in California, a growing push toward online purchases and home delivery of groceries make this a constantly evolving segment. Lower fuel prices should result in more spending on taxable items. However, as some grocery operations combine their tax returns with fuel sales, a few jurisdictions may experience revenue declines in this group.</p>		
<b>Fuel/Service Stations</b>	-4.6%	-13.0%
<p>New technology has increased the production and supply of North American oil while a sluggish international economy and gains in fuel efficiency have pared demand. OPEC is maintaining production levels to discourage investment in competing energy resources. Prices are expected to bottom out in early 2015, but remain weak through the year. Sales tax losses will be partially offset by increased travel and by costs associated with new cap and trade requirements set to be implemented in January.</p>		
<b>General Consumer Goods</b>	3.6%	3.0%
<p>The unexpected drop in fuel prices should make for better than previously predicted holiday spending although over the long run, much of the savings may be absorbed by rising costs of food and non-taxable necessities. Consumer electronics, pet and personal care products are projected to be particularly strong. With 44% of holiday spending predicted to be online, more of the resulting tax gain will shift to the county allocation pools or to a few centralized fulfillment centers. Higher sales of holiday gift cards will shift tax revenues into future quarters when the cards are used.</p>		
<b>Restaurants/Hotels</b>	7.1%	6.0%
<p>Lower fuel prices will further enhance California's already booming growth in domestic and international tourism. Extra spending from fuel savings could make this segment the largest beneficiary of lower fuel prices. Fast-casual dining concepts are predicted to continue outperforming other categories of restaurants.</p>		
<b>State and County Pools</b>	10.5%	10.0%
<p>Much of the merchandise purchased online is shipped from out of state with the resulting tax distributed through countywide allocation pools rather than to the location of brick and mortar stores. The acceleration in online shopping, increased private party auto sales and more purchases of goods where the price includes onsite installation could make this segment the primary component of sales and use tax increases for many jurisdictions.</p>		
<b>TOTAL</b>	4.5%	2.9%

**Proposition 172 projections vary from statewide Bradley-Burns calculations due to the State's utilization of differing collection periods in its allocation to counties. An increase of 4.5% is projected for Fiscal Year 2014-15 which includes a onetime bump to reimburse counties for the previous shortfalls that HdL identified in the state's distribution formulas. A statewide gain of 2.1% is projected for Fiscal year 2015-16.**



	2014-15	2015-16
<b>U.S. Real GDP Growth</b>	3.9%	3.5%

U.S. real GDP ends the 2014 calendar year on a strong note, with revised estimates from the Bureau of Economic Analysis showing a 5.0% expansion in the third quarter of 2014. Gains were broad-based, with consumers, business equipment, nonresidential construction and residential investments all contributing to the increased headline number. In addition, the second quarter was revised to 4.6% GDP growth, such that 2014 is coming in much stronger than originally reported. Barring any unforeseen international/external shocks, real GDP growth is expected to remain above 3% through the end of fiscal 2015/16.

<b>U.S. Unemployment Rate</b>	5.5%	5.4%
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The U.S. unemployment rate, which stood at 5.8% in November 2014, is at its lowest level in over 6 years. This is something that more closely resembles “normal,” or a similar level of unemployment to what the U.S. maintained in 2004—before the housing market had reached its height, but after the mild recession in 2003. As such, further declines in unemployment are expected to be gradual - particularly as the labor force continues to expand. Fortunately, employment growth in the U.S. ramped up in recent months - adding an average of 320,000 new jobs per month over the past 6 months. This will keep downward pressure on the unemployment rate, even as formerly discouraged workers continue to re-enter the labor market.

<b>California Total Nonfarm Employment Growth</b>	2.0%	2.4%
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Job growth in California continues to outpace the nation overall and the Golden State posted its largest monthly gain in many years last month. In addition, after getting off to a slower start, the inland areas of California have begun to hit their stride with the East Bay, the Inland Empire and parts of the Central Valley all climbing in job-growth rankings. Every major industry is expanding its payrolls across a variety of wage categories. Encouragingly, the Construction sector has shown solid growth in recent months with residential and nonresidential permits on the rise across the state which will provide critical jobs for out of work tradesmen. The current forecast calls for 2.0% growth this fiscal year and increasing to 2.4% in 2015-16.

<b>California Unemployment Rate</b>	7.0%	6.5%
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California's unemployment rate continued to fall, reaching 7.2% in November 2014. That's down more than a full percentage point from same time last year. Importantly, the labor force continues its upward trajectory with more residents looking for work and an even larger number of previously unemployed and discouraged workers actually finding jobs. Beacon Economics expects the unemployment rate to dip below 7% by mid-2015 with gradual declines following thereafter as the state approaches its long-run average of 5.5% by the end of our 5-year forecast.

<b>California Population Growth</b>	1.0%	1.0%
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California's population grew by 0.9% between July 2013 and July 2014. This new data shows that California experienced far less out-migration of domestic residents in 2014 than it has in recent years. As job growth has outpaced the nation, out-migration has dipped from a high of 111,000 in 2013 to under 59,000 in 2014. In addition, 151,000 immigrants came to California in 2014 demonstrating the desirability of the state overseas. Our current forecast is for stable population growth of 1% growth annually moving forward.

<b>California Median Existing Home Price Growth</b>	5.1%	4.0%
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California home prices have enjoyed significant growth over the past two years. Currently, the median price for a home in the state is nearly 75% higher than it was at the bottom in 2009. Many of the distressed units that were driving above-average declines in prices on the downside have largely been worked through the system, causing above-average gains as foreclosures dropped as a share of the sales mix. Now that traditional sales are dominating the market, price appreciation is expected to moderate toward levels that are in line with income and population growth in 2014-15 and 2015-16.

<b>California Existing Home Sales</b>	331,750	360,274
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While home prices have seen significant increases, home sales have largely disappointed. However, netting out distressed units, traditional home sales started to rise gradually in 2014. With mortgage lending making some positive headway, average FICO score for 30-year fixed-rate loans declining and interest rates remaining in very affordable territory, Beacon Economics expects home sales to begin to rise in the coming fiscal years. Unfortunately, California still has an under-supply of housing relative to the new population we've added over the past two decades which will keep prices high and impede many Californians from owning their own home.



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



**"Good information leads to good decisions."**



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



**Attachment D Quarterly Fleet Vehicle Report**

<b>Units Sold by Departments for Periods 10/1/2014 to *12/31/2014</b>	
DPSS	6
ECONOMIC DEVELOPMENT AGENCY	4
EDA-ADMINISTRATION	1
PROBATION	4
RCRMC	1
RIDESHARE VEHICLES	9
SHERIFF	26
TREASURER-TAX COLLECTOR	1
<b>Total</b>	<b>52</b>
<b>Units Pending Sale by Departments for Periods 10/1/2014 to 12/31/2014</b>	
AGRICULTURAL COMMISSIONER	2
ASSESSOR	1
DPSS	2
ECONOMIC DEVELOPMENT AGENCY	1
MENTAL HEALTH	1
MORENO VALLEY DISPATCH	1
RCRMC	1
RIDESHARE VEHICLES	3
SHERIFF	24
<b>Total</b>	<b>36</b>
*December 2014 units sold have yet to be received	

<b>Units Put In To Service by Departments for Periods 10/1/2014 to 12/31/2014</b>	
AGRICULTURAL COMMISSIONER	2
DPSS	15
MENTAL HEALTH	6
PROBATION	3
SHERIFF	37
<b>Total</b>	<b>63</b>



**Attachment E FY 15/16 Budget Policies**

The FY 15/16 Budget will be developed per the following budget policies:

1. **Strategic Objectives:** Allocation of the county's limited discretionary resources will be prioritized based on the following strategic organizational objectives:
  - a. **Public Safety** – Existing commitments to mission critical public safety functions.
  - b. **Healthy Communities** – Essential services that address public health mandates and foster healthy homes and workforces.
  - c. **Business Friendly Operations** – Maximizing use of fees and tax dollars most effectively, and making the county an efficient, timely partner with which to do business.
2. **Financial Objectives:** In addition to the basic requirements for a balanced budget required by the state Budget Act, the county budget shall also strive to meet the following financial objectives:
  - a. **Structural Balance:** Achieve a structurally balanced budget in which ongoing expenditures do not exceed ongoing revenues, and limit use of one-time resources only to one-time expenditures.
  - b. **Prudent Reserves:** Achieve and maintain prudent reserves and working capital.
  - c. **Restricted fund balance and net assets:** Avoid accumulation of unexpended restricted fund balance and net assets, except where necessary for prudent reserves, working capital, or specified purposes.
  - d. **Committed and Assigned Fund Balance and Net Assets:** Hold commitments and assignments of fund balance or net assets only as long as necessary to provide for the purpose for which they are established, and release those no longer necessary and apply them either to other one-time uses or reserves.
3. **One-time Resources:** In line with the financial objective of achieving structural balance, one-time resources derived from unexpected or excess revenue or cost savings shall be set aside to build reserves, not to backfill ongoing operations.
4. **Net County Cost (NCC):** Ongoing discretionary funds authorized to general fund departments will be based on the amount recommended by the Executive Office. All budgets will be submitted within this target. Budget requests that exceed NCC targets will be returned by the Executive Office to department heads for adjustment or will be modified by the Executive Office to adhere to the prescribed NCC target.

5. **General Fund Support “Last In/First Out”:** Unless otherwise mandated or restricted, all departmental revenues shall be fully expended in the year received, ensuring general fund support is provided only as necessary.
6. **Departmental Revenue:** Departmental revenue shortfalls will not be backfilled by the general fund. Departments should adjust their budgets accordingly for expected reductions in all outside revenue including, but not limited to, property tax, grant funds, state funding, public safety sales tax, and federal funding.
7. **Budget Impacts:** If a department cannot provide core services within allocated NCC, it will be required to provide a plan for minimizing impacts through measures such as attrition, improved efficiency, or program reductions. “Add back” requests to backfill such impacts shall not be submitted with budgets.
8. **Priorities in Budget Construction:** Departments will budget first for basic costs of doing business, such as rent, debt service, and utilities. Next, departments will budget for the costs of completing their missions, such as essential materials and services. Finally, departments will budget for non-essential costs, such as subscriptions, memberships, and redecoration.
9. **Cost of Living Allowances (COLAs) and Other Labor Costs:** All departments will absorb cost of living and other labor increases.
10. **Vacant Positions:** With the exception of extraordinary situations that shall be handled on a case-by-case basis, obsolete unfunded vacant positions shall be deleted.
11. **Vehicles and other fixed assets:** Authorization for the acquisition of vehicles and other fixed assets shall only be valid for the year in which they are initially budgeted and shall expire at the end of that fiscal year. Authorized vehicles and other fixed assets for which purchase orders are not initiated by year-end shall not roll over to the subsequent fiscal year, but may be submitted for consideration for reauthorization the following fiscal year subject to availability of funding.
12. **Submittal Deadlines:** All departments will submit their FY 15/16 budget requests to the Executive Office no later than **Monday, March 16, 2015**. To be considered on time, budget requests must be complete and submitted in accordance with these budget policies.
13. **Limited Interim Appropriations:** Interim appropriations increases outside the budget process should be limited so competing priorities are considered together at once within the context of the overall budget process.

**Attachment F FY 15/16 Budget Schedule**

February 3, 2015	Tue	Internal service rates approved by the Board
February 5, 2015	Thu	FY 15/16 budget kickoff meeting BASE go-live – system available for budget entry
February 10, 2015	Tue	FY 14/15 Mid-year Report and FY 15/16 budget schedule & policies presented to Board
March 16, 2015	Mon	Department budgets due to EO
April 6, 2015	Mon	FY 14/15 3 <sup>rd</sup> quarter departmental status due to EO
May 11, 2015	Mon	FY 14/15 3 <sup>rd</sup> Quarter Report including FY 15/16 budget preview presented to Board
June 8, 2015	Mon	Recommended Budget available
June 15, 2015	Mon	Recommended Budget presented Budget hearings open
		Proposed changes to Recommended Budget may be submitted by anyone in writing to the Clerk of the Board
June 16, 2015	Tue	Budget hearings close
		Further changes to Recommended Budget may only be accepted by approval of a 4/5ths vote of the Board
June 30, 2015	Tue	<i>Statutory deadline for approving Recommended Budget</i>
July 21, 2015	Tue	FY 14/15 4 <sup>th</sup> quarter departmental status due to EO
August 18, 2015	Tue	FY 14/15 4 <sup>th</sup> quarter review & year-end clean-up
Early to Mid-September		Board adopts adjustments to finalize budget
October 2, 2015	Fri	<i>Statutory deadline for approving resolution adopting final budget adjustments</i>
December 1, 2015	Tue	<i>Statutory deadline for filing Adopted Budget book with State Controller's Office</i>

