COUNTY OF RIVERSIDE

STATE OF CALIFORNIA

FISCAL YEAR 2017/18

Third Quarter Budget Report

Prepared by
George A. Johnson
County Executive Officer

COUNTY OF RIVERSIDE
EXECUTIVE OFFICE

GEORGE A. JOHNSON
COUNTY EXECUTIVE OFFICER

LISA BRANDL
CHIEF OPERATING OFFICER

DON KENT
ASSISTANT COUNTY EXECUTIVE OFFICER
COUNTY FINANCE OFFICER

May 22, 2018

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

4/5th Vote

SUBJECT: FY 17/18 Third Quarter Budget Report

Board members:

The goal of this report is to provide you with year-end projections as well as prepare our county for the upcoming fiscal year. Since your last update in the April 24 budget preview, we continue to stay the course and work to solve future financial challenges. Revenues are holding and spend has been reduced, lessening the draw on reserves. Consistent with this, the Sheriff's Department and RUHS now project they have closed their shortfalls. There were savings in Correctional Health and our beginning fund balance at this point is higher than expected.

Earlier this year, the Board approved implementation of Phase I staffing to open the John J. Benoit Detention Center. I am also pleased to report that a tentative agreement has been reached between Exclusive Care, the county's self-funded health insurance plan, and RUHS-Medical Center, improving revenue recovery. Many of these improvements came through frequent communication and collaboration among departments, and I want to thank everyone for working hard to find solutions.

However, work continues with some departments that still report budget challenges and we remain focused on minimizing or eliminating them altogether. As we approach year-end, my office will continue to update you. We are preparing for future obligations that include fully staffing and operating the detention center, funding the inmate health settlement, the medical office building, In-Home Supportive Services and increased pension costs.

For FY 18/19, the employer share of our CalPERS pension obligations will rise by 1.15 percent, from 17.75 percent to 18.9 percent of payroll for miscellaneous (non-public safety) employees. The increase is 4.52 percent for public-safety employees, rising from

27.08 percent to 31.6 percent of payroll. Departments have been directed to absorb these costs, which create a de facto cut to their FY 18/19 budgets.

Meeting these challenges requires multiple strategies to close the gap and remain financially sound. We must continue our efforts to contain expenses and fully recover the costs of contracts with other jurisdictions. Through appropriate fees, we also must fully recover costs that departments charge for other services. Along with implementing the targeted hiring freeze earlier this year, we are working towards minimizing unfunded positions. Frequent updates to the Board are essential, with our next slated in June during budget hearings. Despite the challenges I remain confident we will be ready for the future.

IT IS RECOMMENDED that the Board of Supervisors:

1) Receive and file the FY 17/18 third quarter budget report; and,

2) Approve the recommendations and direct the Auditor-Controller to make the budget adjustments contained in Attachment A.

Respectfully,

George A. Johnson
County Executive Officer

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EXECUTIVE SUMMARY

The Public Defender projects needing $1.475 million to complete the fiscal year. This is down from $2.2 million previously projected due to the significant steps the Public Defender took this year to contain costs. The Executive Office recommends budget adjustments at this time to ensure the office has sufficient appropriations in place to ensure a smooth year-end close.

The District Attorney projects exceeding appropriations and needing $3.76 million in additional net county cost. This is down $1.26 million from the prior quarter's projection, and down $9.3 million from their original projected overage due to cost containment measures.

The Sheriff currently projects overages in certain areas, but anticipates returning approximately $10 million in net savings across all their budget units together. They anticipate retirement payouts alone will be $10.4 million higher than budgeted, and a $1.4 million shortfall in trial court funding revenue.

The RUHS Medical Center has resolved factors previously anticipated to cause a $15 million overage, and now projects finishing the year with an $8.7 million operating surplus. However, the Federally Qualified Health Centers project an operating loss of $14 million, which RUHS is actively evaluating. They report that at this time they have the internal resources to absorb the operating loss and in addition RUHS is evaluating clinic operations in the current fiscal and regulatory environment to address the issue. The analysis will be submitted to the Executive Office for review.

Behavioral Health Detention anticipates ending the fiscal year with $3.9 million in net savings due to salary savings and increased AB109 funding. Correctional Health anticipates possibly exceeding their net county cost by $300,000 in spite of additional AB109 funding.

DPSS now anticipates 1991 Realignment growth is sufficient to offset fully the ongoing $4 million net cost increase allocated for the IHSS realignment imposed by the state this year. This additional revenue and resulting net cost savings are factored into our multi-year forecasting for FY 18/19 forward.

Across departments, the hiring freeze is netting salary savings, as funded positions remain vacant. It is difficult at this time to quantify accurately how much net savings will ultimately be achieved from the hiring freeze and other cost containment measures. However, based on the information currently available, the Executive Office estimates achieving about $20 million in net county cost savings overall.

MULTI-YEAR BUDGET OUTLOOK

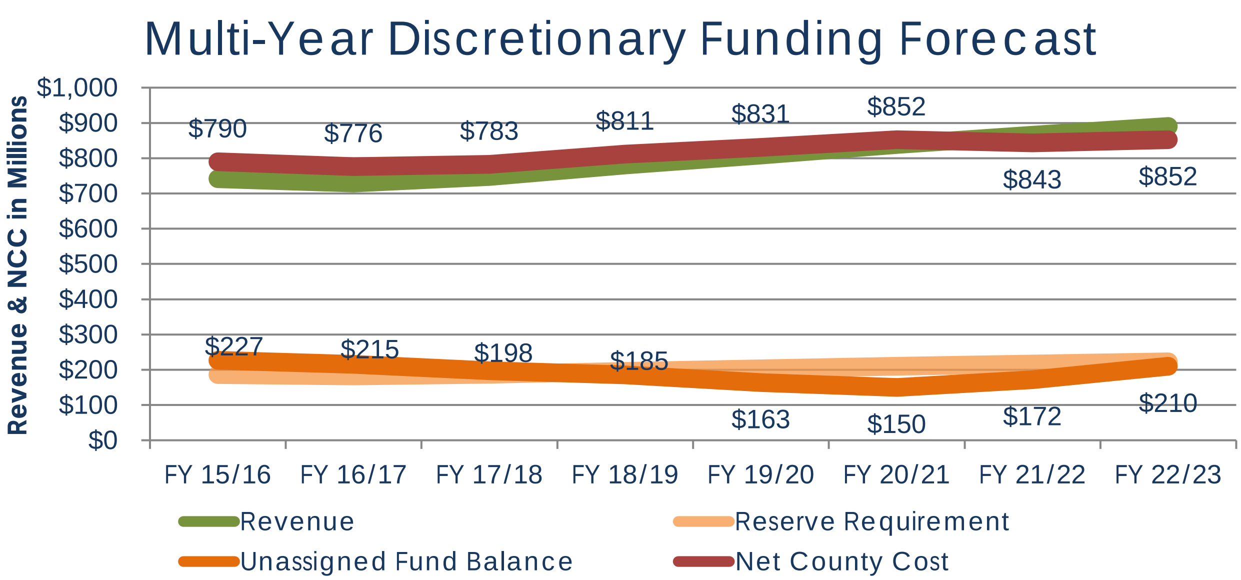
MULTI-YEAR DISCRETIONARY FORECAST

The third quarter report updates the Board on the projected current year position and previews key issues in the upcoming budget. The outlook presented here includes assumptions regarding the current year, as well as obligations factored in for FY 18/19 and subsequent years. The forecast for FY 17/18 anticipated drawing down contingency completely last year to cover overages, leaving an assumed zero balance to carry forward.

The model further assumed drawing $35.6 million from the reserve for budget stabilization to cover the deficit. However, the FY 16/17 audited annual financial report confirmed carrying over $27.6 million in available fund balance. This net savings achieved across departments resulted in less draw on contingency than assumed. This reduces the draw on reserves, lessening the gap to the reserve requirement. Departments deserve credit for continued work to achieve such savings. The Executive Office continues working with departments to refine current year-end projections.

The modeling cautiously assumed slower out-year growth in general-purpose revenues, particularly property-driven taxes, and changes to fixed commitments over coming years. Factors mitigating several of those assumptions are discussed below. This includes more gradual cooling of growth in property-driven taxes, from 5 percent assumed for FY 18/19 tapering to 3 percent over several years. The modeling also factors in other obligations, such as additional debt service payments, projections for operating the John J. Benoit Detention Center, and the new RUHS medical office building currently under construction.

The forecast below projects deficit spending through FY 20/21, when the reserve would be drawn to $150 million. If fiscal discipline is maintained and deficit spending is not expanded, lower debt service and increased revenue will close the gap and begin replenishing reserves, with full replenishment just beyond the scope of this planning horizon.



Anticipated Cost Challenges

New Facilities

The John J. Benoit Detention Center will open in FY 18/19, and funding for operating this new facility are factored into forward-looking projections. The FY 18/19 budget includes a $7.4 million increase for Corrections to address anticipated first year operations. The modeling above also includes an additional $21 million in FY 19/20 and another $15 million in FY 20/21, for a total of $43.4 million. Discussions with the Sheriff on a more gradually phased operational plan remain ongoing. Additional costs anticipated for Correctional Health and Detention Behavioral Health are in development and not yet factored into this forecast. When fully operational, overall annual costs of this new facility may reach $60 million.

Inmate Legal Settlement

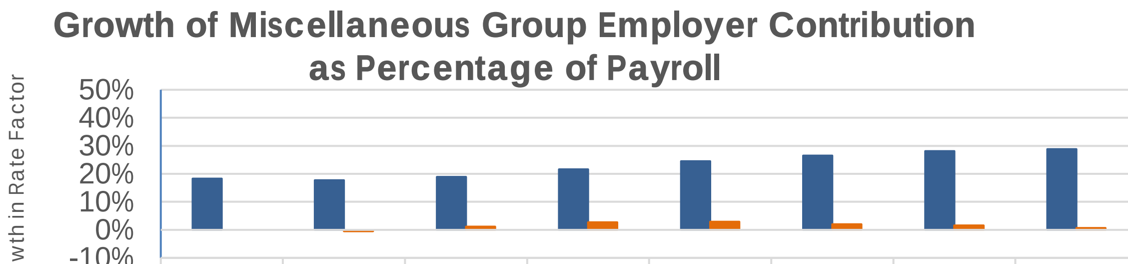
Fulfilling the intent of a federal court settlement regarding health services for the county's jail inmates remains a focus of operational planning for correctional health and behavioral health services. An additional $7.6 million is factored into the FY 18/19 budget to address the Sheriff's associated costs. The Executive Office continues working with related departments and Counsel to address these complex issues most cost effectively.

In-Home Supportive Services

It was anticipated shouldering a greater share of In-Home Supportive Services costs would cause $4-5 million annual net cost increases, with additional minimum wage increases anticipated in out-years. However, it appears 1991 Realignment revenue growth will offset the current year cost increase, an assumption being extended into FY 18/19 as well. In addition, as part of the targeted cuts for FY 18/19, DPSS is required to cover the second year of IHSS cost increases and the final year of the CalFresh match. These measures together reduce previously projected net costs by $10.5 million annually moving forward and contribute greatly to maintaining the reserve level in FY 18/19.

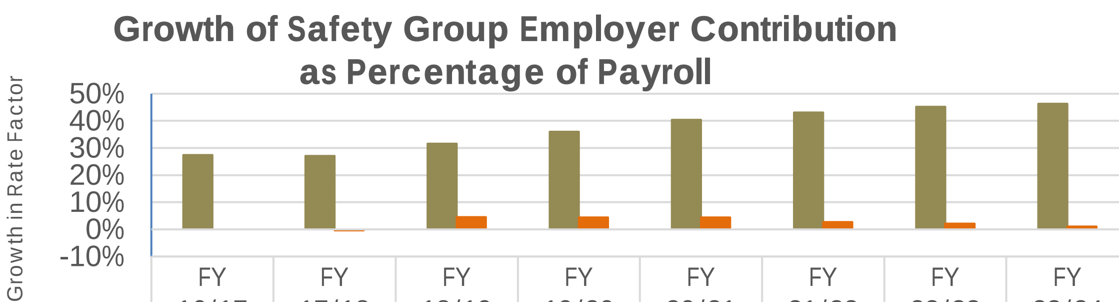
Labor and Pension Costs

Labor costs will maintain upward cost pressure as merit increases continue to lift wages. In addition, annual pension obligations are projected to rise each year through 2030. Given these factors, labor costs will continue to rise at a faster rate than general-purpose revenue is estimated to grow. Consequently, achieving efficiencies remain pivotal to absorbing these cost increases within existing spending levels. Illustrated below are the next five years of projected CalPERS rate increases.



	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
Miscellaneous	18.3%	17.8%	18.9%	21.6%	24.5%	26.5%	28.1%	28.8%
Growth		-0.5%	1.2%	2.7%	2.9%	2.0%	1.6%	0.7%
	Actual			**Projected**				

Source: CalPERS Actuarial Valuation dated June 30, 2016
Note: The figures above do not include debt or OPEB rate factors, which are variable.



	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
Safety	27.4%	27.1%	31.6%	36.0%	40.4%	43.1%	45.2%	46.3%
Growth		-0.3%	4.5%	4.4%	4.4%	2.7%	2.1%	1.1%
	Actual			**Projected**				

Source: CalPERS Actuarial Valuation dated June 30, 2016
Note: The figures above do not include debt or OPEB rate factors, which are variable.

Additional Cost Challenges

Other potential obligations have been raised that, if departmental resources are not found or offsetting cost savings not achieved, threaten the viability of the general fund. These include backfilling projected departmental overages, coverage of pension obligations, general liability costs, and requested program or facilities expansions. The Executive Office recognizes all departments face pressure from increasing labor and other costs, and acknowledges absorbing such cost increases represents de facto cuts when departments cannot pass such costs to external funding agencies. The Executive Office continues seeking opportunities to restructure funding obligations, implement efficiencies, achieve targeted cuts, and better leverage available resources to cover unavoidable obligations without increasing overall discretionary spending. However, maintaining the fiscal discipline necessary to hold the line on discretionary spending remains critical to achieving financial sustainability.

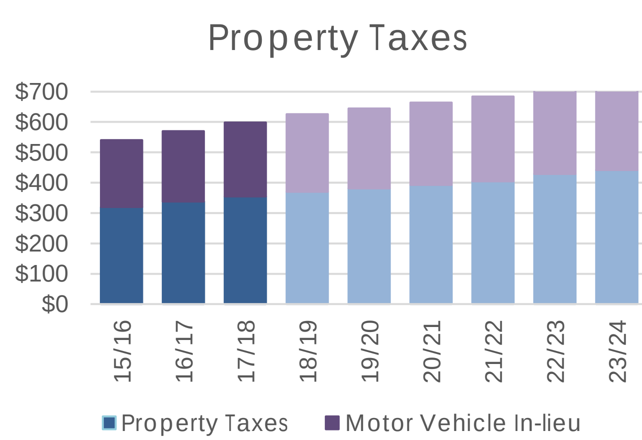
Discretionary Revenue Projections

General Fund Projected Discretionary Revenue (in millions)	Budget Estimate	Current Quarter Estimate	Variance
Property Taxes	$353.3	$354.6	$1.4
Motor Vehicle In Lieu	243.0	243.6	0.6
RDA Residual Assets	9.7	6.8	(2.9)
Tax Loss Reserve Overflow	21.0	21.0	-
Fines and Penalties	18.3	18.9	0.6
Sales & Use Taxes*	28.9	28.5	(0.4)
Documentary Transfer Tax	14.5	14.5	-
Franchise Fees	7.3	7.2	-
Interest Earnings	11.4	14.0	2.6
Misc. Federal and State	8.2	4.6	(0.2)
Rebates & Refunds	6.1	5.0	(1.0)
Realignment	-	-	-
Other Prior Year & Misc.	15.1	15.8	0.7
Operating Transfers In	7.8	-	(7.8)
Total	754.7	748.5	(6.2)
Prop. 172 Public Safety Sales Tax	172.5	173.6	1.1
	$927.2	$922.1	$(5.1)

While growth in assessed valuation continues to improve, growth in sales and use tax and Prop. 172 public safety sales tax continues to be moderate. Projected discretionary revenue estimates remain relatively stable, as summarized at right, although there is a notable reduction in the revenue anticipated from liquidation of former RDA assets. Highlights of the county's key general-purpose revenues are noted below.

Based on various economic and political uncertainties present a year ago, the Executive Office presented a long-term outlook on general-purpose revenue that was optimistic near term, but prudently cautious in the out-years. This was based principally on the length of the current economic growth cycle and the historic probability of an economic downturn at some point within our planning horizon. Having considered the forecasts of both Beacon Economics and HdL Companies, which do not forsee the probability of a sharp economic turn within the next 24 months, the Executive Office is modulating our long-term revenue outlook with a more graduated approach to out-year cooling in the growth rate of key revenues. Overall, barring unforeseeable events, we anticipate a blended growth rate around 3.5 percent for the next few years.

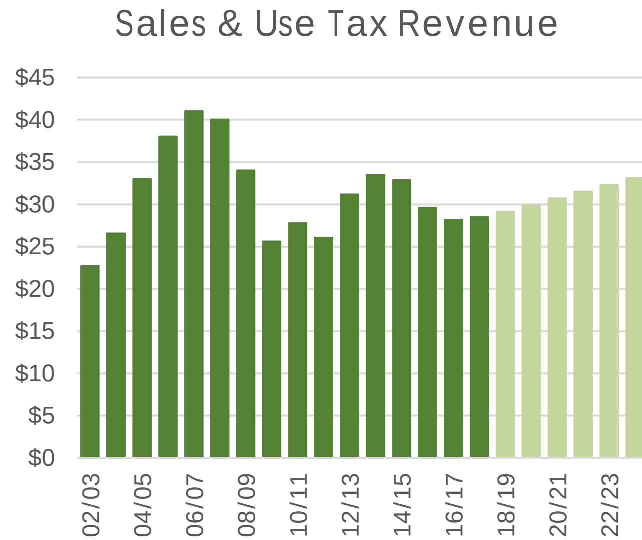
Property Taxes



Property tax revenue and motor vehicle fee revenue received in-lieu of property taxes were both budgeted based on a forecasted 5.5 percent growth in assessed values. Our modeling assumed carryover of that buoyancy at 5 percent growth in FY 18/19, but a sharp reduction in the growth rate to 3 percent thereafter. Due to continued economic stability and factors favorable to increased valuations, the Executive Office now assumes a graduated step-down in growth over the next several years. In addition, residual assets distributed from former redevelopment agencies fluctuates as they are liquidated, and are anticipated to decline over time as they wind down.

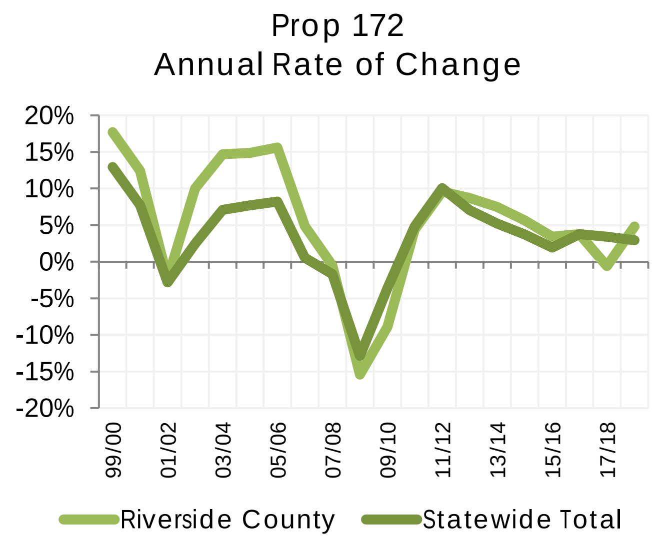
Sales and Use Taxes

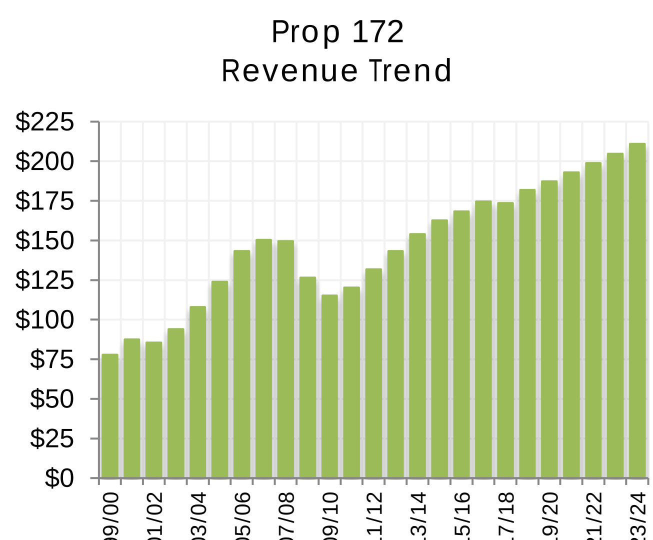
In the last quarter, the county's economically adjusted quarterly sales and use tax allocations increased 6.5 percent on a year-over-year basis. This is due to rebounds in building and construction, business and industry, fuel, and autos and transportation. Consumer goods, predominantly from sales at the factory outlets, rose 2.2 percent from a year ago, continuing an ongoing cooling in that sector. HdL Companies' projections reflect a softened trend in taxable sales, with a modest 2.6 percent growth rate over the next several years.



Prop. 172 Public Safety Sales Tax

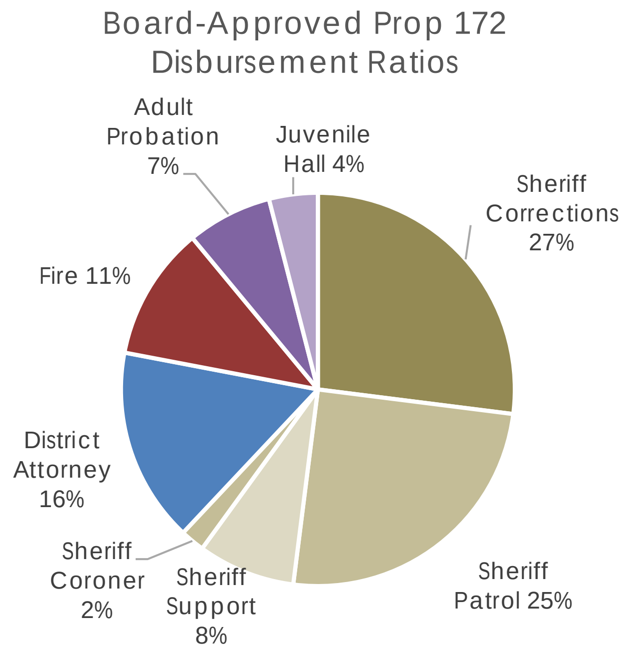
The county's Prop. 172 public safety sales tax revenue is affected both by changes in the overall statewide pool of revenue as well as changes in the county's pro rata share of that pool relative to other participants. As shown in the chart at right, during the recession, the statewide pool of Prop. 172 revenue shrank, and then grew again as economic activity in the state's major metropolitan centers rebounded. Since that occurred, however, the rate of statewide growth steadily declined. As other counties emerged from the recession more rapidly, their allocation factors grew, causing the allocation factors of lagging counties such as Riverside to shrink. Consequently, while Riverside enjoyed double-digit growth in Prop. 172 revenue for several years, that growth rate slowed substantially in recent years. In FY 16/17, this required reassessment of assumptions and restructuring of the disbursements to departments.





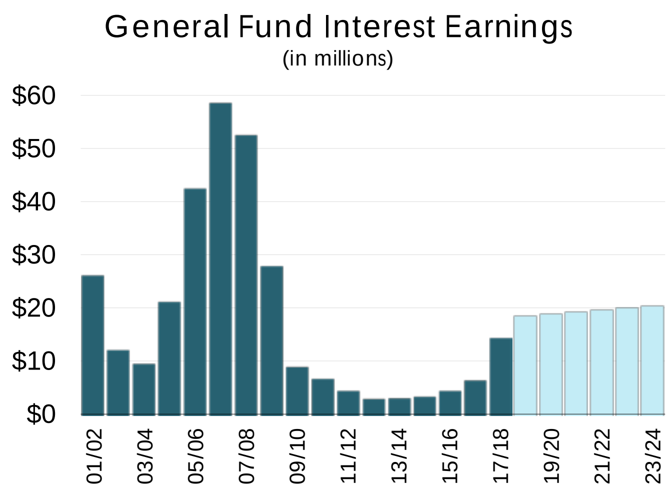
While the growth rate of the county's

Prop. 172 allocation factor is improving, as discussed above growth in taxable sales remain soft, dampening growth of this revenue. HdL Companies currently project growth around 3 percent for the next few years. Consequently, it will still be several years before the annual revenue received from Prop. 172 equals what was previously allocated to departments. Trends in this revenue continue to be watched closely, and no adjustments to the disbursement ratios are recommended at this time.

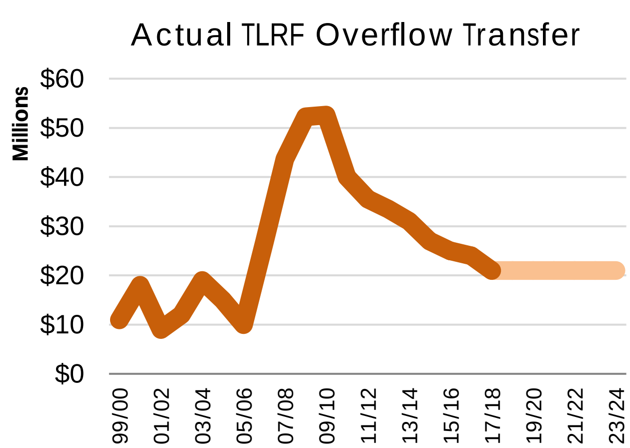


Interest Earnings

The Treasurer's estimate for county general fund interest earnings include several factors such as general fund balances in the Treasurer's Pooled Investment Fund, current level of interest rates, and U.S. Federal Reserve monetary policy.



The Federal Open Market Committee (FOMC) has commenced incrementally raising the federal fund rate. The FOMC notes strengthening market conditions continue and rising real gross domestic product. Meanwhile, inflation remains below 2 percent. The FOMC cited tax reform and the flattening yield curve would potentially have an impact on future FOMC activity. The Treasurer will evaluate increasing earnings estimates as the FOMC takes further actions.



Teeter Tax Losses Reserve Fund (TLRF) Overflow

Under the California Teeter plan, the county advances participating agencies property tax allocations based on enrolled assessed valuation. In return, the county retains the actual taxes received, plus penalties and interest on delinquent taxes. The Tax Losses Reserve Fund captures revenues and expenditures associated with the program. Revenue exceeding financing costs and the necessary tax loss reserve is discretionary revenue released to the general fund annually. The annual release is in accordance with the revenue and taxation code, and consistent with prudent risk management. As delinquency rates decline, this revenue source generally tapers off; the delinquency rate hit an all-time low of 1.35 percent last fiscal year. This is the ninth consecutive year of decline. For FY 16/17, the TLRF transfer was $24 million. For FY 17/18, $21 million was forecast. Based on present analysis of projected reserve obligations, the Executive Office currently estimates the reserve requirement balance is in excess of $8 million, allowing an increase in estimated revenue from the Tax Losses Reserve Fund, as noted later in this report.

BUDGET STRATEGY

Current Year

In January, the CEO directed a hiring freeze on departments receiving discretionary funding, internal service funds, and for procurement and human resources job classifications. The intent of this freeze was to contain current year costs and preserve departments' ability to absorb increased pension obligations and labor costs in coming years. At this time, it appears this strategy will yield savings across many departments. Based on the departments' FY 17/18 projections provided in March, across the entire budget we anticipate the potential to save $42 million in salaries and benefits this fiscal year, a 2 percent reduction from the $2.3 billion currently budgeted for that category; and, in the general fund alone, we anticipate potentially saving $23 million, a 1 percent reduction from the $1.6 billion in salaries and benefits currently budgeted.

FY 18/19 Budget Cycle

Budget Policies

At first quarter, the Executive Office recommended and the Board approved budget policies for FY 18/19. As we approach budget hearings, key budget policies bear repeating:

- Rollover ongoing FY 17/18 net county cost allocations, with adjustments as necessary for limited upcoming obligations.
- Eliminating limited one-time allocations made in FY 17/18.
- No cost of living adjustments beyond current contracts.
- Departments absorbing any increases in fixed costs for pension obligations, insurance, and internal services.
- Apply one-time revenues toward rebuilding reserves or mission critical one-time costs.
- Assume departmental revenue shortfalls will not be backfilled with discretionary revenue.

- Recognize and use departmental revenues in the fiscal year received, unless otherwise legally restricted, to ensure departmental resources are maximized and discretionary general fund support is minimized. This includes full cost recovery for services provided under contracts with other jurisdictions.

Long-Range Budget Schedule

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

- **Monday, June 11 thru Tuesday, June 12** (as necessary): Presentation of the FY 18/19 recommended budget, opening of budget hearings, and approval of the budget; and,
- **Tuesday, June 26, 2018**: Approval of any amendments to the budget and formal adoption of the budget.

These dates have been coordinated to work with the Board's approved 2018 meeting calendar. This reflects a schedule change moving up adoption of the budget to the end of June per direction of the Board.

CURRENT BUDGET STATUS

APPROPRIATIONS FOR CONTINGENCY

Contingency covers urgent, unforeseeable events such as revenue shortfalls, unanticipated expenditures, uncorrectable budget overruns and mission-critical issues at the Board's discretion. The adopted budget appropriated $20 million for contingency or 2.6 percent of general-purpose revenue. This report contains a decrease of $3.5 million at this time, for a total net decrease to date of $6.1 million, taking the contingency level to $13.9 million, as summarized in the table below.

Use of General Fund Appropriations for Contingency

		Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Beginning Balance:					**$ 20,000,000**
Adjustments to date:					
10/31/17	ACO FY 17 Q3 cash shortage report	27		(27)	
10/31/17	ACO FY 17 Q4 cash shortage report	172		(172)	
Q1 Rec. 2	Increased TRANs Interest	678,036		(678,036)	
Q1 Rec. 50	Return from Water Receivership		198,156	198,156	
Q1 Rec. 51	Donation for cemetery redistricting	50,000		(50,000)	
Q2 Rec. 1	RDV residual assets		(2,200,000)	(2,200,000)	
Q2 Rec. 2	Board chambers AV system	94,059		(94,059)	
Q2 Rec. 3	City of Banning agreements	521,717		(521,717)	
Q2 Rec. 5	Solar Payment Fund		771,396	771,396	
		1,344,011	(1,230,448)	(2,574,459)	**17,425,541**
Actions recommended in this report:					
Q3 Rec. 1	Counsel	549,235		(549,235)	
Q3 Rec. 2	Counsel agency fund		1,350,934	1,350,934	
Q3 Rec. 3	Consulting services	2,700,000		(2,700,000)	
Q3 Rec. 5	Court facilities	150,000		(150,000)	
Q3 Rec. 6	Public Defender	1,475,000		(1,475,000)	
Q3 Rec. 38	Purchasing	20,000		(20,000)	
		4,894,235	1,350,934	(3,543,301)	
	Total adjustments to Contingency =	6,238,246	120,486	(6,117,760)	
	Contingency balance upon approval of this report =				**13,882,240**

FINANCE & GOVERNMENT SERVICES

County Counsel

County Counsel expects to end the year exceeding allocations by approximately $549,235, primarily due to a shortfall in revenue. Intrafund transfers for internal service rates are coming in lower than budgeted; however, liability insurance revenue is anticipated to come in higher, which offset some of the shortfall. There was an unanticipated permanent payout for staff retirements causing the need to fund unused leave balances. Maintenance for copiers, security guard services, virtual server support and utilities were inadvertently left out of the budget and now need to be accounted for. County Counsel requests a budget adjustment to cover these costs.

Recommendation 1: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for County Counsel by $821,354, as follows:*

Increase estimated revenue:		
10000-1500100000-771440	Liability insurance	$272,119
Increase appropriations:		
10000-1500100000-510200	Payoff permanent - seasonal	154,703
10000-1500100000-521380	Maintenance – copier machines	36,117
10000-1500100000-525320	Security guard services	27,608
10000-1500100000-525880	RCIT virtual server support	20,564
10000-1500100000-529540	Utilities	56,100
	Total	295,092
Decrease appropriations:		
10000-1500100000-572000	Intrafund – DPSS	(526,262)
Anticipated use of fund balance:		
10000-1500100000-370100	Unassigned fund balance	549,235
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	549,235
Anticipated increase in fund balance:		
10000-1109000000-370100	Unassigned fund balance	549,235

County Counsel has a balance of $1.9 million in fund 65795, which is used as a holding account for case settlements and bail bonds of which approximately $550,000 is for current outstanding distributions, leaving a remaining balance of $1.3 million. After much research to identify the source of these funds, the County Counsel's Office has determined that the substantive portion of the balance is related to a settlement with Bank of America from FY 00/01. County Counsel recommends transferring $1.3 million to the general fund.

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue for County Counsel and increasing appropriations for Contingency by $1,350,934 as follows:*

Increase estimated revenue:		
10000-1500100000-781180	Judgments	$1,350,934
Anticipated increase in fund balance:		
10000-1500100000--370100	Unassigned fund balance	1,350,934
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingencies	1,350,934
Anticipated use of fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,350,934

Executive Office

On July 25, 2017 (Item 18-3), the Board of Supervisors approved an amendment to the agreement with KPMG, LLC, for support implementing initial recommendations from the countywide department review. The cost for FY 17/18 totals $9.8 million, of which $7.1 million was budgeted at that time. The Executive Office recommends covering the remaining $2.7 million from contingency to reduce the burden on departments.

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Executive Office and decreasing appropriations for contingency by $2,700,000 as follows:*

Increase appropriations:		
10000-1100100000-524660	Consultants	$2,700,000
Anticipated use of fund balance:		
10000-1100100000-370100	Unassigned fund balance	2,700,000
Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	2,700,000
Anticipated increase in fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,700,000

On March 27, 2012 (Item 3-27), the Board of Supervisors approved the acceptance of $100 million AB900 funding award from the Corrections Standard Authority for the John J. Benoit Detention Center. Construction and excess insurance payments are processed from the bond financing and then submitted for reimbursement from the state. A reimbursement was incorrectly posted to this account in 2016 and needs to be sent back to the trustee. A budget adjustment is required to make this payment.

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for* *the Executive Office by $8,327,917, as follows:*

Increase appropriations:		
30700-1104200000-525440	Professional services	$8,327,917
Anticipated use of fund balance:		
30702-1104200000-322100	Restricted for construction/capital project	8,327,917

PUBLIC SAFETY

Court Facilities

The Court Facilities unit is anticipating slightly higher than expected maintenance, custodial and project costs for the FY 17/18. An additional $150,000 is requested in order to pay the costs in the current fiscal year.

Recommendation 5: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for Court Facilities and decreasing appropriations for contingency by $150,000, as follows:*

Increase appropriations:		
10000-1103900000-522310	Maintenance - building and improvement	$150,000
Use of unassigned fund balance:		
10000-1103900000-370100	Unassigned fund balance	150,000
Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingency	150,000
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	150,000

Emergency Management Department

The Emergency Management Department (EMD) continues to have expenditures that are within the approved budget and will meet its net county cost allocation for FY 17/18. EMD continues to provide high caliber professional support to the whole community including tribes, special districts, and municipalities. EMD provides the county, its residents, stakeholders and partners the ability to plan for, mitigate for, respond to, and recover from emergencies.

In coordination with the Economic Development Agency (EDA), EMD is moving forward with the relocation of the Emergency Operation Center. EDA purchased a building in the city of Riverside that will accommodate all EMD personnel and the new Emergency Operating Center (EOC). The primary purpose of the county EOC is to maintain continuity of government, coordinate resources, coordinate public information and provide situational awareness to the county executive staff and to the Governor's Office of Emergency Services (CalOES). In a major event, according to local, state, or federal directives, the EOC is staffed to meet the immediate communication and emergency response needs within the County of Riverside. This project is estimated to be completed by FY 19/20.

Fire

The Fire Department reports that it is currently on track to meet budget for FY 17/18 and no adjustments are requested.

Law Office of the Public Defender

The department stated that starting from their projected first quarter deficit of $2.2 million; they have taken difficult, but significant steps that reduced the projected third quarter deficit to $1.475 million. This has been accomplished primarily through staff attrition and not backfilling positions as they become available. The Public Defender plans to continue this approach as long as possible in order to reduce their deficit. In the third quarter report, the department is requesting $1.475 million from the general fund to cover the current projected overages in salaries and benefits.

Recommendation 6: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Public Defender and decreasing appropriations for contingency by $1,475,000, as follows:*

Increase appropriations:		
10000-2400100000-510040	Regular salaries	$1,032,500
10000-2400100000-518100	Budgeted benefits	442,500
	Total	1,475,000
Use of unassigned fund balance:		
10000-2400100000-370100	Unassigned fund balance	1,475,000
Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingency	1,475,000
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,475,000

Office of District Attorney

The District Attorney's Office continues to project costs above the approved FY 17/18 net county cost by $3.76 million. The department states this number represents a $1.26 million or a 25 percent reduction from the prior quarter and a significant reduction from the original projected deficit of $9.31 million.

The department believes this additional reduction of the department's projected deficit is in large part due to the District Attorney's ongoing austerity measures, which include the restriction and/or elimination of:

- discretionary employee buy-downs;
- all non-grant funded and non-reimbursable external travel and training;

- private mileage reimbursements; and,
- paid overtime for search warrant on-call deputy district attorney services.

In addition, the department states they have absorbed their significant year-to-date attrition rate of 5.74 percent in all but their most critical positions, and in these they have delayed their backfill hiring. The department stated they are also using temporary employees rather than backfilling their permanent support positions, as they transition to new technologies that are redefining their workflow and future personnel needs.

On the revenue side, the department states they increased grant funding, and sought budget modifications of existing grants to allow them to recognize additional revenue and not leave available money on the table.

The department states they have also taken significant unanticipated hits to their budget due to an 83 percent increase in employee payouts this quarter over last due, in part, to employee separations in response to personnel actions.

The District Attorney's Office remains committed to providing outstanding prosecutorial, investigative and victim services, while they work internally to implement reasonable cost saving measures that do not threated their public safety mission. The District Attorney's Office looks forward to continuing their work with the Board of Supervisors and the Executive Office to find revenue solutions to address the remaining deficit.

Probation Department

The Probation Department is projecting that expenditures will be within appropriations and net county cost allocated at year-end. The department continues to monitor closely its budget and will continue to work with the Executive Office to address any unanticipated challenges that may adversely affect the department's year-end projections.

Sheriff's Department

The Sheriff has been and remains a good fiscal partner, regularly meeting the budget targets as set by the Board of Supervisors. The Sheriff reports that the department is planning for and committed to a balanced budget in the current fiscal year, despite fiscal challenges resulting from an ongoing structural deficit. The department stated the Board of Supervisor's RSA imposition went into effect on October 26th, 2017, and should have a positive effect on the projected year-end budget position. The department indicated they have analyzed five months of data and project roughly $5 to $7 million in savings due to the RSA imposition. This, along with the Executive Office hiring freeze and higher than anticipated attrition, has helped improve their projected year-end budget position.

During the budget hearings, the Sheriff formally outlined to the Board the challenges facing the department and made a request totaling more than $50 million of additional funding to meet the described need. Specifically, $6.3 million in raises prescribed by labor agreements, a reduction of Prop. 172 of $12.3 million, costs related to the Prison Law Office Federal court consent decree for costs of $6.6 million, and a recommended reduction to net county cost (NCC) of 6.5 percent resulting in a proposed cut of $17.9 million. The Board approved restoring the 6.5 percent NCC reduction of $17.9 million, leaving a reported deficit of $32.4 million. Meeting this reduction, within the approved budget funding, requires managing the loss of staffing across the department through routine personnel attrition with sharply reduced hiring to offset only a portion of those lost. The Sheriff's workforce continues to shrink in size to meet reduced funding. The department indicated they began this fiscal year with 3,715 full time positions. As of the third quarter, their full-time position count stands at 3,561 (154 less than at the fiscal year start).

This attrition affects all areas of the department. The Sheriff reported that this is the second consecutive fiscal year the department is required to balance its budget shortfalls through staff attrition. The department indicated that this comes at a high cost because the reduction in net county has disproportionally affected the unincorporated areas and the countywide jail system. The Sheriff also signaled seeing a higher resignation rate for uniformed personnel. Although the department stated they have realized some savings, they continue to see higher overtime costs due to attrition of staff. The Sheriff reports they are also incurring a significant amount of unplanned, and therefore unbudgeted, retirement payouts. As of the third quarter, the Sheriff's current projection for retirement payouts is $10.4 million higher than was projected at the start of this fiscal year.

The Sheriff states that Trial Court Funding (TCF) realignment created a department revenue deficit $1.4 million, and that the Executive Office has agreed to add the revenue to the budget by the end of the fiscal year to cover the shortfall in unallowable TCF.

The Sheriff reports that the department is increasingly concerned about the continued reductions in staffing on the safety of its employees, and the ability to properly safeguard the public through patrol, jail, court, and coroner operations, with uniformed 24/7 emergency first-responder force, as required under the law. While the Sheriff believes that the hiring freeze has had a negative impact on their workforce by limiting their ability to efficiently recruit, interview and hire to approved funded levels, the Executive Office remains committed to working with the Sheriff to identify and meet their critical staffing needs across the department.

HEALTH & HOSPITAL SERVICES

Riverside University Health System

Medical Center

The Riverside University Health System – Medical Center (RUHS – MC) projects to finish the fiscal year with an operating surplus of $8.7 million. Overall, the Medical Center's operating expenditures will reach $585.5 million; revenues will reach $570.3 million and capital expenditures of $32.1 million for FY 17/18. The operating deficit (before capital expenditures) was originally budgeted at $13 million and was revised to $15 million at the end of first quarter.

Through the first three quarters of the fiscal year, the medical center endured a SEIU labor action in early September 2017, which was estimated to have negatively affected the bottom line by approximately $2.5 million. The strike also had a prolonged impact to inpatient volumes, which were slow to recover, as the expected growth did not return until late December 2017. Due to unanticipated revenues, RUHS – MC will now recover from previous projections.

County Federally Qualified Health Center Clinics

RUHS - Federally Qualified Health Center (FQHC) has, for the past five years, been accounted for as a special revenue fund, which has been rolled into the county's general fund. The FQHC is now transitioning into an enterprise fund. Over the past four years, special focus was placed on stabilizing the medical center's financial position and as that stabilization has progressed, some of those resources have been reallocated to the challenge of stabilizing the FQHC, which projects a year-end operating loss. As with the Medical Center, the stabilization of the FQHC will occur over the next several years. Part of that process includes a plan to gain market share with the expansion to the Corona, Jurupa Valley and Moreno Valley locations. RUHS is evaluating clinic operations in the current fiscal and regulatory environment to address the issue. The analysis will be submitted to the Executive Office for review. However, the expectation is that it will take some time for the FQHC organization to optimize its operational performance to achieve balanced budgets as volume grows and operating efficiencies improve.

The Medical Center and FQHC have worked together to control expenses and maximize revenues where available. The transition of the FQHC to an enterprise fund is anticipated to be completed soon, which will allow the FQHC to budget as a single fund.

Medically Indigent Services Program

The Medically Indigent Services Program (MISP) had an unanticipated increase in medical claims paid, lease expenditure increases associated with relocation, and salaries that appear to have been under budgeted. The department has received an increase in reimbursements from Correctional Health and realignment that will be used to offset these cost increases.

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the MISP fund by $1,172,378, as follows:*

Increase appropriations:		
10000-4300200000-510040	Regular salaries	$143,401
10000-4300200000-526700	Rent – lease buildings	79,574
10000-4300200000-530320	Physician care services	380,359
10000-4300200000-530340	Hospital care services	69,570
10000-4300200000-530380	Health clinic services	499,474
10000-4300200000-573100	Intrafund – realignment	(339,078)
10000-4300200000-574100	Intrafund – detention health-inmate	(833,300)
	Total	0

Behavioral Health Detention and Correctional Health

Behavioral Health Detention and Correctional Health are expected to end the year within budgeted net county cost allocations. Between increased salary savings and the growth of AB109 funding, Behavioral Health Detention is projected to save $3.9 million. Despite the growth in AB109 revenue, Correctional Health is anticipated to exceed net county cost allocations by $300,000 at year-end. Combined, the inmate health care programs are expected to achieve $3.6 million in net savings.

Behavioral Health – Public Guardian

Public Guardian is anticipating salary savings of $200,000 because of new positions not filled for the entire year. FY 18/19 budget request includes the full cost of these positions approved in the current year budget.

Department of Public Health

On May 2015, the Board of Supervisors approved the creation of the County of Riverside Emergency Management Department (EMD). EMD manages the county's emergency management mitigation, planning, preparation, response and recovery capabilities. Prior to creation of EMD, these services were provided under the RUHS-Department of Public Health (RUHS-DOPH). The Public Health Department requests a budget adjustment to close the remaining balances and interest income of Bio-Terrorism Preparedness Funds 21750 and 21760 to EMD.

Recommendation 8: *That the Board approve and direct the Auditor-Controller to make budget adjustments to appropriations, estimated revenue, and restricted fund balance for the Public Health Bio-Terrorism Preparedness Funds and Emergency Management Department by $29,609, as follows:*

Increase appropriations:		
21750-4200100000-551100	Contributions to other funds	$2,969
Increase estimated revenue:		
21750-4200100000-740020	Interest – invested funds	23
Anticipated use of restricted fund balance:		
21750-4200102100-321101	Restricted program money	2,946
Increase appropriations:		
21760-4200100000-551100	Contributions to other funds	26,640
Increase estimated revenue:		
21760-4200100000-740020	Interest – invested funds	207
Anticipated use of restricted fund balance:		
21760-4200102100-321101	Restricted program money	26,433
Increase appropriations:		
21800-2000100000-525440	Professional services	2,969

Increase estimated revenue:		
21800-2000100000-790600	Contributions from other county funds	2,969
Increase appropriations:		
21810-2000100000-525440	Professional services	26,640
Increase estimated revenue:		
21810-2000100000-790600	Contributions from other county funds	26,640

The RUHS – Department of Public Health is in the process of expanding its laboratory. Through the third quarter of FY 17/18, one-time lab expansion design costs of $640,773 have been absorbed by the department. The department requests a budget adjustment of $200,000 for the laboratory expansion bond payment. Anticipated additional revenues will cover the cost of the payment.

Recommendation 9: *That the Board approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for Public Health by $200,000, as follows:*

Increase appropriations:		
10000-4200100000-536780	Interfund expense – capital projects	$200,000
Increase estimated revenue:		
10000-4200100000-767280	Federal revenue	65,000
10000-4200100000-767220	Federal – other operating grants	135,000
	Total	200,000

Department of Public Health – California Children's Services (CCS)

California Children's Services (CCS) requests a budget adjustment for one-time purchases of new computers, furniture replacement, 10 routers, and carpet replacement totaling $295,000. The computers and routers are needed in preparation for the Microsoft upgrade and to meet encryption requirements. The current furniture and carpet are in very poor condition and need replacing. The department has funds to cover the $295,000 cost of these purchases.

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for Public Health California Children's Services by $295,000, as follows:*

Increase appropriations:		
10000-4200200000-523640	Computer equipment – non-fixed asset	$122,000
10000-4200200000-523680	Office equipment – non fixed assets	113,000
10000-4200200000-522310	Maintenance – building and improvement	5,000
10000-4200200000-546080	Equipment – computer	55,000
	Total	295,000
Increase estimated revenue:		
10000-4200200000-751500	CA – realignment - health	206,905

10000-4200200000-751680	CA – state grant revenue	88,095
	Total	295,000

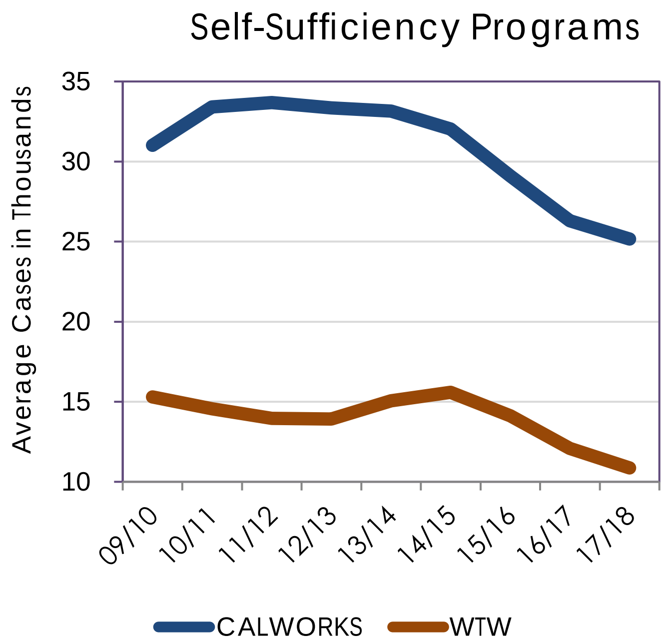
Department of Behavioral Health

Behavioral Health programs are expected to remain within budgeted net county cost targets.

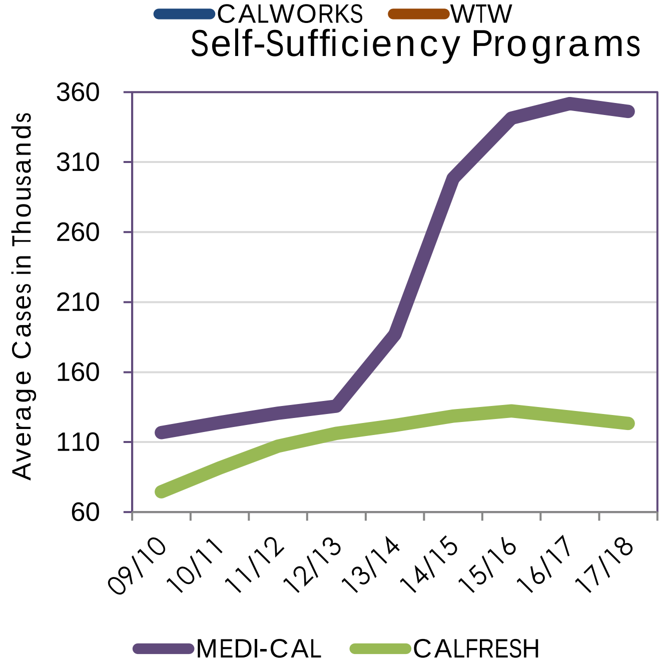
HUMAN SERVICES

Department of Social Services

The Department of Public Social Services (DPSS) reports annualized growth of 9 percent in In-Home Supportive Services and 3 percent in adoptions, through February 2018. The other social services and self-sufficiency programs experienced negative movement in the following percentages: foster care decreased 18 percent, welfare-to-work decreased 13 percent, adult protective services decreased 9 percent, CalWORKs decreased 6 percent, CalFresh decreased 5 percent, child welfare services decreased 5 percent and Medi-Cal decreased 1 percent.

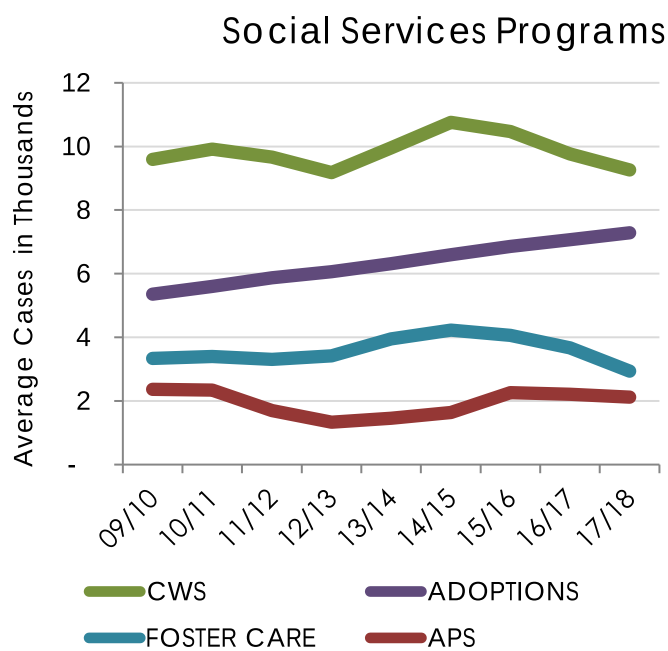


Despite the slight decrease in Medi-Cal caseload, from February 2017 to February 2018, applications increased 3.5 percent and the department continues to receive an average of 14,000 applications monthly. January 2018 saw the largest percentage increase in applications, of 9.1 percent (or approximately 1,400 additional applications) over the prior year. Further, as of April 1, 2018, 95 percent of Medi-Cal applications were processed within required timeframes, representing a 4.6 percent improvement over 2017. Finally, over the past 16 months, the department reduced the Medi-Cal renewal backlog by approximately 92 percent, from 50,000 to 4,166.



Utilizing the Horizontal Integration initiative, all newly hired Eligibility Technicians (ET) are trained to support both the Medi-Cal and CalFresh programs, with a goal of efficiently coordinating services to customers applying for Medi-Cal and CalFresh benefits. The most recent ET recruitment will more than double the number of cross-trained staff countywide. In addition, the department is hiring Eligibility Clerks (EC) to better serve customers. EC's will complete certain eligibility tasks and perform higher-level clerical functions. These changes enable the department to use available resources in a manner that better assists customers.

The Self-Sufficiency division continues to expand in various areas, such as the Community Outreach Branch (COB), to provide additional resources for customers as they connect with Medi-Cal and CalFresh programs. In addition, the division is embarking on implementation of the Restaurant Meals Program (RMP) to enable access to prepared meals for aged, blind, disabled and homeless populations.

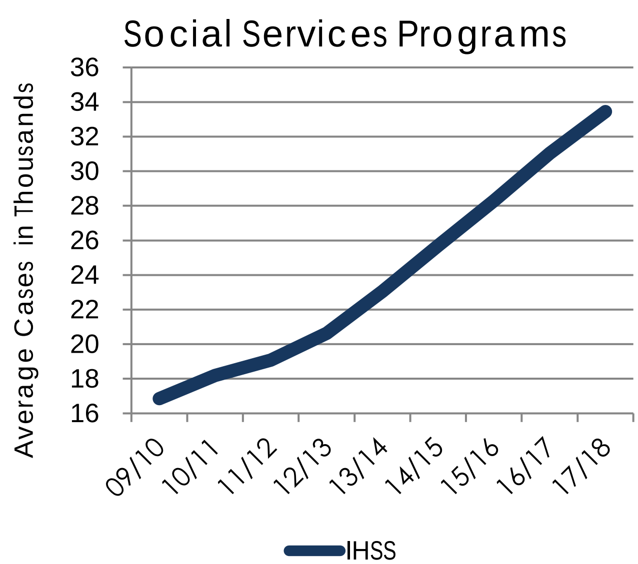


As previously reported, the Continuum of Care Reform (CCR) initiative was implemented statewide in January 2017 with the following key objectives: reduction in the number of children living in congregate care; improvement in the recruitment, selection, and training of relatives and foster families; and enhancing the quality of therapeutic interventions for at-risk youth. Included in CCR is the Resource Family Approval (RFA) program, designed to be a family-friendly and child-centered caregiver approval process. To date, 241 families were approved as resource families and 1,096 individuals/families are in the process. RFA includes new requirements lengthening the time for approval, which also delays payment to families with children in their care. Counties raised these concerns to the state and, as a result, the state modified certain requirements to streamline the process.

In addition, recently approved legislation will enable payment to caregivers pending RFA approval. The legislation is a short-term solution available through June 30, 2018, pending other changes currently under consideration. Under CCR requirements, existing group home providers are required to transition to Short-Term Residential Treatment Programs (STRTP's) by December 31, 2018. All STRTP's will provide specialized/intensive care and supervision, treatment, access to medication management, behavioral health services, crisis intervention and targeted case management. The department continues to partner with the Riverside County Office of Education and the Behavioral Health and Probation departments to assist Group Homes and Foster Family Agencies prepare for the state-required transition. Riverside County has one facility approved as an STRTP and 12 facilities in various stages of the process. The California Department of Social Services approved and licensed 26 agencies to date, which brings the total to 82 facilities.

For the second time, Adult Protective Services (APS) experienced a 6 percent increase in reports of abuse and no change in the number of clients being served on a year-over-year basis. During the same period, APS conducted 7 percent more investigations with approximately the same rate of referrals requiring investigation (82 percent in the third quarter of FY 16/17 and 83 percent in the third quarter of FY 17/18). Consistent with the National Adult Protective Services Association (NAPSA) standards, APS continues to target an average of 25 open cases per social worker each month (this is a combined workload of new investigations and ongoing cases). Currently, a monthly average of 33 open cases are carried by each of the 70 APS case-carrying social workers.

As reported in the second quarter report, numerous changes in the in-Home Supportive Services (IHSS) program were implemented by the state as part of the FY 17/18 approved budget. These include increased IHSS maintenance of effort (MOE), additional state offset revenue, new annual escalator rates, caps on state participation in IHSS costs, and changes to the administration of IHSS provider collective bargaining processes. The Governor's January budget provided updated figures on estimated revenue to support the IHSS program. In addition, CDSS provided new state-capped allocations for the IHSS/Public Authority administrative costs, and CSAC recently updated realignment growth projections indicating accelerated caseload growth will be sufficient to cover the increased FY 17/18 MOE costs statewide. Based on these projections, the department anticipates the growth revenue will offset the $4 million net county cost previously requested to cover the MOE in FY 17/18. While the department is confident in the revenue figures released for current year, it is important to note the realignment revenue figures are state estimates and subject to change. The revenue projections and change in funding methodology require a budget adjustment, included below.



During the third quarter, IHSS intake cases increased by 1 percent (from 3,947 to 3,981) and continuing cases increased by 9 percent (from 30,919 to 33,748), on a year-over-year basis. Based on these figures, the division anticipates 15,972 IHSS intake cases through FY 17/18. When combined with the current continuing caseload of 33,748, the total annual caseload is projected to be 49,720. With 116 filled full-time equivalent positions, the average number of cases per worker is 429. New regulatory mandates in IHSS assessments will affect social worker case activities in 2018. Counties received an advisory in December 2017 that time-per-task for IHSS intakes and assessments would no longer be used, which is the process currently used by all IHSS social workers. Alternatively, staff will use Hourly Task Guidelines (HTG's) for IHSS intakes and assessments. This change in practice is significant and will likely result in additional time required to process IHSS cases. As noted above, the final state budget includes an increase in IHSS MOE level, partially offset by additional state revenue. The state allocated $400 million state general fund revenue to offset counties' increased MOE cost, including a cost shift to counties of approximately $592 million. CDSS notified counties the $400 million state general fund offset will be applied at the state level. As such, the revised county MOE will include a combination of the cost shift increase amount and state general fund revenue offset, so DPSS will not receive a revenue distribution for the $400 million state general fund offset previously budgeted. Therefore, the department requests the following budget adjustment.

Recommendation 11: *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 Social Services, by $17,100,000, as follows:*

Increase estimated revenues:		
10000–5100200000–750700	CA - public assistance program	$1,900,000
Decrease estimated revenues:		
10000–5100200000–750740	CA DPSS realignment	19,000,000
Decrease appropriations:		
10000–5100200000–530440	Client services	17,100,000

As part of the CCR implementation, the state's January budget allocated $60 million in general funds for increased costs associated with foster care placements; however, statewide spending through October 2017 was $33.3 million. Based on this spending rate, it is anticipated only 60 percent of anticipated expenditures for FY 17/18 were budgeted. For Riverside County, $3.5 million was expended through October 2017, out of an estimated $10.4 million annual expense in FY 17/18. As an entitlement program, the county is obligated to issue payments. Because of decreased foster care placements, sufficient funding currently exists in the budget to cover the projected expenditures. The department will continue to monitor the state funding allocation and provide an update at year-end.

For IHSS-Public Authority administration, the revised IHSS MOE includes a state participation cap of $2,408,187 and a county MOE level of $223,896. The department projects Public Authority spending to remain within the adopted budget.

Riverside County Children and Families Commission (RCCFC)

During the third quarter, overall revenue was approximately 49 percent of the revised budget, an increase of 1 percent compared with the third quarter last fiscal year. This budget variance was primarily due to the receipt of Prop. 10 funds two months in arrears and a delay in implementation of the Dental Transformation Initiative – Local Dental Pilot Project-Inland Empire. The delay resulted from lengthy contract negotiations with the

California Department of Health Care Services. Remaining funds from the state grant will be rolled over for use in FY 18/19.

Salaries and benefit expenses were approximately 65 percent of the revised budget, an increase of 5 percent compared with the third quarter last fiscal year. The budget variance was primarily due to vacant Prop. 10 funded positions and the Dental Transformation Initiative.

Operating expenses were approximately 42 percent of the revised budget, a decrease of 7 percent compared with the third quarter last fiscal year. The budget variance was primarily due to computer asset costs associated with implementation of the Dental Transformation Initiative; also, less than anticipated expenses in administrative support-indirect, professional services, special program expense and private mileage reimbursement.

Contract expenditures were approximately 39 percent of the revised budget, an increase of 6 percent compared with the third quarter last fiscal year. The budget variance was primarily due to the timing of cost reimbursements, coupled with over-budgeting of Prop. 10 funded services, programs, and the delayed implementation of the Dental Transformation Initiative.

Appropriations for capital assets are unexpended, consistent with the third quarter last fiscal year. This is primarily due to the delayed purchase of dental equipment associated with implementation of the Dental Transformation Initiative, coupled with the planned construction of the First 5 Riverside space, which will not occur this fiscal year to allow time for bidding of additional projects.

Office on Aging

The Office on Aging (OoA) continues to strategically perform departmental operations, mitigating service level impacts by enhancing efficiencies and exercising sound fiscal management. The department is closely monitoring expenditures and anticipates ending the fiscal year within budget.

Veterans' Services

Veterans' Services is closely monitoring expenditures and anticipates ending FY 17/18 within budget.

PUBLIC WORKS

Transportation & Land Management Agency

In FY 17/18, the Transportation Department created a unique cost center to increase transparency by capturing the activities, expenses, and revenues of Community & Business Services (CBS). CBS activities had previously been tracked in distinct projects located within the Transportation Department operations cost center. A portion of the equity generated from CBS activities from prior years currently remains in the Transportation Department operations cost center, and must be transferred into the newly established CBS cost center. The department requests budget adjustments to perform the transfer.

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations, estimated revenue, and restricted fund balance for the Transportation Department by $627,300, as follows:*

Increase appropriations:		
20000-3130100000-551100	Contribution to other funds	$627,300
Anticipated decrease in restricted fund balance:		
20000-3130100000-321101	Restricted program money	627,300
Increase estimated revenue:		
20600-3139000000-790600	Contribution from other county funds	627,300
Anticipated increase in restricted fund balance:		
20600-3139000000-321152	Restricted for landscape maintenance districts	627,300

The Transportation Department received a final invoice from the County Economic Development Agency for expenditures related to the Transportation Main Yard project. The invoice amount is composed of charges for services performed in prior fiscal years that were not expected or budgeted by the Transportation Department in FY 17/18. The department requests an increase in appropriations to make payment on these services, and settle remaining outstanding balances for this project.

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Transportation Department by $181,000, as follows:*

Increase estimated revenue:		
20000-3130100000-750030	CA - highway users/gas tax sec 2103	$181,000
Increase appropriations:		
20000-3130100000-536780	Interfund expense - capital projects	181,000

Economic & Community Development

Department of Animal Services

Animal Services requests a $330,108 budget adjustment due to insufficient appropriations in the staffing categories of payoff/permanent/seasonal, overtime, temporary help, and budgeted benefits. The department projects a revenue shortfall of approximately $260,000. Potential revenue from additional grant awards and collections from the Franchise Tax Board may reduce this deficit.

Recommendation 14: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations estimated revenue, and use of available fund balance for the Department of Animal Services by $330,108, as follows:*

Increase appropriations:		
10000-4200600000-510200	Payoff permanent - seasonal	$19,665
10000-4200600000-510320	Temporary salaries	114,000
10000-4200600000-510420	Overtime	48,360
10000-4200600000-518100	Budgeted benefits	148,083
	Total	330,108
Increase Estimated Revenue:		
10000-4200600000-773250	Spay & Neuter Clinic Fees	330,108
	Total	330,108

EDA - Home Investment Partnership

The division requests a budget adjustment after confirmation of an increase in federal funding.

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the EDA-HOME Investment Partnership by $650,000, as follows:*

Increase estimated revenues:		
21250-1900600000-766000	Federal - community redevelopment	$650,000
Increase appropriations:		
21250-1900600000-530360	Home/shelter services	650,000

Parking Services

The Parking division requests a budget adjustment to increase appropriations and estimated revenues by $200,000. Revenues are insufficient to fund staff, equipment, maintenance, custodial costs and administration totals for the parking structures. RCIT recommends an infrastructure upgrade to enhance connectivity for ongoing operations. The division is collaborating with Riverside University Health Systems (RUHS) to provide parking enforcement services at three parking lots, including the Medical Center, with services commencing in mid-April.

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Parking by $200,000, as follows:*

Increase appropriations:		
10000-7200700000-510040	Regular salaries	$17,500
10000-7200700000-518100	Budgeted benefits	7,500
10000-7200700000-520260	Computer lines	18,000
10000-7200700000-522310	Maintenance - building and improvement	17,000
10000-7200700000-527980	Contract	140,000
	Total	200,000
Increase estimated revenues:		
10000-7200700000-777520	Reimbursement for services	200,000

Maintenance Services Division

Maintenance Services anticipates ending the year with a deficit of $505,182 due to an increase in maintenance requirements for building infrastructure and limited funding reimbursement. In addition, the department expects to exceed appropriations by $3,600,000 due to increased spending in maintenance building and improvements. The division requests a budget adjustment of $2,200,000 to cure these issues.

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA-Maintenance Services by $2,200,000, as follows:*

Increase appropriations:		
47210-7200300000-522310	Maintenance - building and improvements	$2,200,000
Increase estimated revenues:		
47210-7200300000-777520	Reimbursement for services	2,200,000

Real Estate Services Division

The Real Estate division anticipates a year-end deficit of $1,143,556. Community requests and needs in the community centers prove to be a challenge, and require additional revenue generation, as well as increased needs for janitorial, security and maintenance services beyond the planned budget.

County Free Library

The library requests a budget adjustment of $87,612 for an increase in the Sun City Library improvement project. An increase in property tax revenue will fund the increase.

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the County Free Library by $87,612, as follows:*

Increase appropriations:		
21200-1900700000-537320	Interfund expense - improvements building	$87,612
Increase estimated revenues:		
21200-1900700000-700020	Property tax current secured	87,612

Aviation

The Aviation division requests a budget adjustment for the upcoming Jacqueline Cochran Regional Airport (JCRA) Air Show scheduled for May 2018, and legal services for pending leases. The division also requests increased appropriations for marketing staff for the air show, as well as salary reimbursements to other divisions. Assigned fund balance will offset the increases.

Recommendation 19: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned* *fund balance for the county airports by $343,935, as follows:*

Increase appropriations:		
22100-1910700000-525020	Legal services	$110,000
22100-1910700000-527660	Operational marketing	93,396
22100-1910700000-537020	Interfund expense - legal services	45,539
22100-1910700000-537180	Interfund expense - salary reimbursement	65,000
22100-1910700000-537280	Interfund expense - miscellaneous project expense	30,000
	Total	343,935
Use of assigned fund balance:		
22100-1910700000-350100	AFB for program money	343,935

Edward Dean Museum

Edward Dean Museum requests a budget adjustment of $94,500 for a temporary curator, installation of an upgraded phone system, reimbursement for county service area maintenance staff, and additional revenue received from the library division for the new reference library addition.

Recommendation 20: *The Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Edward Dean Museum by $94,500, as follows:*

Increase appropriations:		
10000-1930100000-510320	Temporary salaries	$15,500
10000-1930100000-520250	Communications equipment - installation	46,000
10000-1930100000-537180	Interfund expense - salary reimbursement	33,000
	Total	94,500
Increase estimated revenue:		
10000-1930100000-778200	Interfund-miscellaneous	94,500

Fair and Date Festival

The Fair and National Date Festival requests a budget adjustment of $153,157 for a retirement payout and additional temporary staff for the 2018 fair, an increase in entertainment cost, an increase in administrative overhead cost. The department also estimates increased revenue for interim events, a state grant award, and actual fair time revenue that exceeded budget targets.

Recommendation 21: *The Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Fair and National Date Festival by $153,157, as follows:*

Increase appropriations:		
22200-1920100000-510200	Payoff permanent - seasonal	$8,356
22200-1920100000-510330	TAP salaries	40,000
22200-1920100000-523270	Special events	83,562
22200-1920100000-536920	Interfund - general office expense	21,239
	Total	153,157

Increase estimated revenue:		
22200-1920100000-741100	Entry Fees	10,000
22200-1920100000-741200	Industrial & Commercial Space	26,000
22200-1920100000-741240	Interim Food Sales	3,000
22200-1920100000-741360	Concessions	26,000
22200-1920100000-741440	Rent-Fairground Facilities	30,000
22200-1920100000-741460	Rental of Buildings	23,000
22200-1920100000-752600	CA-Fairs	35,157
	Total	153,157

Cooperative Extension

The Cooperative Extension budget funded by the county per a memorandum of understanding with the University of California, Riverside. Riverside County funds support staff, rent/leases and operational expenses for the department. The department is within budget in all categories.

County Service Areas (CSA)

CSA Administration requests a budget adjustment of $120,000 to cover inter-fund expenses for staff that have moved to the EDA Administrative budget unit. Sufficient restricted program money is available to fund these increases.

Recommendation 22: *The Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the CSA Administration by $120,000, as follows:*

Increase appropriations:		
23010-915202-537180	Interfund expense - salary reimbursement	$120,000
Use of restricted fund balance:		
23010-915202-321101	Restricted program money	120,000

CSA 89 – Perris Area requests a budget adjustment of $12,750 for additional street light costs during the fourth quarter. Sufficient restricted program money is available to fund this increases.

Recommendation 23: *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 89 – Perris Area by $12,750, as follows:*

Increase appropriations:		
23925-908901-537240	Interfund expense - utilities	$12,750
Use of restricted fund balance:		
23925-908901-321101	Restricted program money	12,750

CSA 128 - Lake Mathews Road West requests a budget adjustment of $25,000 for a road-paving project. Sufficient restricted fund balance is available to fund these increases.

Recommendation 24: *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 128 – Lake Mathews Road West by $25,000, as follows:*

Increase appropriations:		
24375-912801-551000	Operating transfers - out	$25,000
Use of restricted fund balance:		
24375-912801-321101	Restricted program money	25,000

CSA 132 – Lake Mathews Lighting requests a budget adjustment of $18,000 for higher street lighting costs. An increase in special assessment revenue will offset the budget increase.

Recommendation 25: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for CSA 132 – Lake Mathews Lighting by $18,000, as follows:*

Increase appropriations:		
24400-913201-537240	Interfund expense – utilities	18,000
Increase estimated revenue:		
24400-913201-770100	Special assessments	18,000

CSA 135 – Temescal Canyon Light requests a budget adjustment of $3,000 to process increased street light expenses. Sufficient restricted fund balance is available to cover this increase.

Recommendation 26: *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 135 – Temescal Canyon Light by $3,000, as follows:*

Increase appropriations:		
24450-913501-537240	Interfund expense - utilities	$3,000
Use of restricted fund balance:		
24450-913501-321101	Restricted program money	3,000

CSA 149 - Beautification requests a budget adjustment of $18,000 to repair damaged fencing due to a vehicle accident. Sufficient restricted program money is available to fund this increase.

Recommendation 27: *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 149 - Beautification by $18,000, as follows:

Increase appropriations:		
24825-914901-522320	Maintenance - grounds	$18,000
Use of restricted fund balance:		
24825-914901-321101	Restricted program money	18,000

Regional Parks and Open Space District

On November 2, 2017, at their regular meeting, the County Fish & Game Commission approved an application from the City of Lake Elsinore requesting a contribution of $3,000 to support their Community Services department's kids fishing derby on June 2, 2018, at Lake Elsinore.

Recommendation 28: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the Regional Park and Open Space District by $3,000, as follows:*

Increase appropriations:		
25500-931103-536200	Contribution to other non-county agency	$3,000
Use of restricted fund balance:		
25500-931103-321101	Restricted program money	3,000

The district is projecting that the FY 17/18 ending fund balance in its operating fund 25400 will be sufficient to partially satisfy the district's minimum reserve requirements for its Park Acquisition and Development-District fund 33100. An operating transfer will be required to move monies between these funds at year-end.

Recommendation 29: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and releasing committed fund balance for the Regional Park and Open Space District by $1,000,000,as follows:*

Increase appropriations:		
25400-931104-551000	Operating transfers out	$1,000,000
Release committed fund balance:		
25400-931104-330100	Committed fund balance	1,000,000
Increase estimated revenue:		
33100-931105-790500	Operating transfers in	1,000,000
Increase restricted fund balance:		
33100-931105-322100	Restricted for construction/capital projects	1,000,000

The district's open-space management team is utilizing PSEC radios in its field operations. The monthly cost of services was not included in the initial budget, and utility costs throughout this fiscal year have been higher than originally anticipated, requiring a budget increase to cover all anticipated expenditures.

Recommendation 30: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and releasing committed fund balance for the Regional Park and Open Space District by $40,000,as follows:*

Increase appropriations:		
25430-931170-520020	Pest and insect control	$ 5,000
25430-931170-520220	County radio 700 MHz systems	10,000
25430-931170-520845	Trash	5,000
25430-931170-522320	Maintenance - grounds	5,000
25430-931170-529500	Electricity	5,000
25430-931170-528920	Car pool expense	5,000
25430-931170-529520	Sewer system	5,000
	Total	40,000

Release committed fund balance:		
25430-931170-330100	Committed fund balance	40,000

In October 2017, the exterior condenser units of the custom heating, ventilation and air conditioning (HVAC) system at the district's headquarters experienced theft, resulting in unexpected costs. Purchase of replacement units and fabrication of steel theft-proof cages around the condenser units, as well as additional security guard services during installation, resulted in an enhanced system.

Recommendation 31: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the Regional Park and Open Space District by $103,000,as follows:*

Increase appropriations:		
33100-931105-542100	Parks buildings	$103,000
Use of restricted fund balance:		
33100-931105-322100	Restricted for construction/capital projects	103,000

Registrar of Voters

The Registrar of Voters is required to conduct four elections during FY 17/18. The August 29, 2017, Special District Mail Ballot Election involved approximately 74,000 registered voters. Approximately 104,000 registered voters participated in the November 7, 2017, Consolidated General Election. The upcoming elections include the April 10, 2018, City of Rancho Mirage Election and the June 5, 2018, Gubernatorial Primary Election. At this time, the department budget can accommodate the scheduled elections. Careful monitoring of the budget will continue, and any issues will be addressed in future quarterly reports.

INTERNAL SUPPORT

Human Resources

Human Resources' revenues are trending higher budgeted due to additional miscellaneous revenue received. In addition, Human Resources is experiencing additional professional services expenditures related to legal costs, department requested services, and a decrease of offsetting intrafund charges to departments for requested services. Budget adjustments are recommended to increase revenues and the offsetting appropriations. Human Resources will continue to monitor this fund closely.

Recommendation 32: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for Human Resources by $40,000, as follows:*

Increase estimated revenues:		
10000-1130100000-781360	Other miscellaneous revenue	$40,000
Increase appropriations:		
10000-1130100000-525440	Professional services	234,000
10000-1130100000-572800	Intrafund - miscellaneous	(194,000)
	Total	40,000

Delta Dental PPO

Delta Dental PPO dental claims activity is trending higher than anticipated. A budget adjustment is necessary to ensure appropriations are sufficient to pay claims and other expenses through year-end.

Recommendation 33: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations, estimated revenues, and unrestricted net assets for Delta Dental PPO by $820,000, as follows:*

Increase estimated revenues:		
45860-1130600000-781220	Contributions & donations	$150,000
45860-1130600000-781320	Insurance proceeds	225,000
	Total	375,000
Increase appropriations:		
45860-1130600000-525440	Professional services	20,000
45860-1130600000-534240	Dental claims	800,000
	Total	820,000
Use of unrestricted net assets:		
45860-1130600000-380100	Unrestricted net assets	445,000

Workers' Compensation

There is a possibility that more outstanding claims could be settled before year-end than expected. Increasing appropriations is needed to ensure pending claims can be paid before year-end. Additional revenues from interest, stop loss payments, rebates and refunds, restitution, and subrogation will cover the increased claims costs. Human Resources will continue to monitor the spending on workers' compensation claims.

Recommendation 34: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Workers' Compensation by $1,155,000, as follows:*

Increase estimated revenues:		
46100-1130800000-740020	Interest - invested funds	$750,000
46100-1130800000-777010	Stop loss reimbursement	250,000
46100-1130800000-781120	Rebates and refunds	27,000
46100-1130800000-781170	Restitution	20,000
46100-1130800000-781460	Workers comp subrogation pro	108,000
	Total	1,155,000
Increase appropriations:		
46100-1130800000-534220	Comp claims	1,155,000

General Liability Insurance

Increasing appropriations is needed to ensure pending claims can be paid before year-end. Revenue from stop loss payments can be used to cover this increase. Human Resources will continue to monitor the spending on general liability claims.

Recommendation 35: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for General Liability by $1,465,000 as follows:*

Increase estimated revenues:		
45960-1131000000-777010	Stop loss reimbursement	$1,465,000
Increase appropriations:		
45960-1131000000-534280	Liability adjustment expense	1,465,000

Short Term Disability

Claims expense and professional services expenses are likely to exceed budgeted appropriations by year-end, while actual collection of revenue is projected to fall short of estimates. Human Resources recommends adjusting appropriations using available unrestricted net assets.

Recommendation 36: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and unrestricted net assets for the Short-Term Disability Fund by $150,000, as follows:*

Increase appropriations:		
46060-1131200000-525440	Professional services	$20,000
46060-1131200000-534260	Disability claims	130,000
	Total	150,000

Use of unrestricted net assets:

46060-1131200000-380100	Unrestricted net assets	150,000

Temporary Assignment Program

Temporary employment has reduced significantly this fiscal year. The rates for hiring temporary, per diem, registrar of voters' temporary election workers, and fair workers were built on cost-per-hire at hiring levels greater than what is being experienced. The result is that revenue is not keeping up with operating costs, even though operating expenses are being kept at levels substantially below planned appropriations. Human Resources will continue to monitor the status of the fund, but there is a possibility that the fund will be in a financial deficit position by the end of the fiscal year.

Local Advantage Dental Plan – Blythe

The Local Advantage Dental Plan – Blythe has dental claims in excess of the available appropriation. Human Resources recommends increasing appropriations using net assets to ensure adequate coverage of dental service needs for the members in Blythe.

Recommendation 37: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and unrestricted net assets for the Local Advantage Blythe Fund by $1,500, as follows:*

Increase appropriations:

45920-1132500000-534240	Dental claims	$1,500

Use of unrestricted net assets:

45920-1132500000-380100	Unrestricted net assets	1,500

Purchasing & Fleet Services

Purchasing Services is requesting $20,000 from contingency to pay for the implementation of the RivcoPRO eProcurement contract management system. The total costs for FY 17/18 is $96,500. The Executive Office asked Purchasing to absorb as much of the costs this fiscal year. The department was able to absorb $76,500, but a shortfall remains. Future costs for this countywide system will be paid by departments.

Recommendation 38: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for Purchasing Services and decreasing appropriations for contingency by $20,000, as follows:*

Decrease appropriations:

10000-1109000000-581000	Appropriations for contingencies	$20,000

Increase in fund balance:

10000-1109000000-370100	Unassigned fund balance	20,000

Increase appropriations:

10000-7300100000-532600	Capital lease - purchase principal	20,000

Decrease in fund balance:		
10000-7300100000-370100	Unassigned fund balance	20,000

Because of closing operations, Printing Services is refunding its remaining $1.45 million cash balance to departments. Additional refunds totaling $241,842 will be made from Supply Services to departments due to excess unrestricted net assets. Refunds are based on a percentage of average sales from the last three fiscal years. No budget adjustment is necessary to provide these refunds.

Fleet Services requests a $650,000budget adjustment. Fuel prices have increased over 10 percent from the previous year. This is higher than the department anticipated when developing the FY 17/18 budget. Costs are offset by revenue from fuel sales. Fleet Services also requests authorization to purchase six vehicles for the Department of Animal Services. These vehicles were not included in Fleet's FY 17/18 budget. Department of Animal Services has sufficient appropriations; however, Fleet will require a $390,000 budget adjustment for the purchase of the vehicles.

Recommendation 39: *That the Board of Supervisors 1) authorize the purchase of 6 vehicles; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue and use of net assets by $1,043,900, as follows:*

Increase estimated revenue:		
45300-7300500000-777070	Fuel sales	$650,000
45300-7300500000-777620	Vehicle cost recovery	390,000
	Total	1,040,000
Increase appropriations:		
45300-7300500000-527100	Fuel	650,000
45300-7300500000-535560	Depreciation - equipment	3,900
45300-7300500000-546320	Vehicles - car/light trucks	390,000
	Total	1,043,900
Use of unrestricted net assets:		
45300-7300500000-380100	Unrestricted net assets	3,900

Riverside County Information Technology

The Riverside County Information Technology department (RCIT) and RCIT - GIS report that they will not exceed budgeted targets for FY 17/18. In addition, RCIT-PSEC will not exceed budgeted targets for FY 17/18. RCIT requests a budget adjustment for the first payment of the costs of the Workday Implementation. RCIT agreed to assist the County to fund the first-year cost for Workday using funds originally set aside for the HRMS upgrade.

Recommendation 40: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unrestricted net assets in the RCIT fund in the amount of $420,000. The entry is as follows:*

Increase appropriations:		
45500-7400100000-525440	Professional services	$420,000
Use of unrestricted net assets		
45500-7400100000-380100	Unrestricted net assets	420,000

RCIT also requests a budget adjustment to shift capital lease costs from RCIT's pass-thru budget to the department's operating budget. This entry is being made for consistency with asset recording.

Recommendation 41: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for RCIT by $1,947,160, as follows:*

Decrease appropriations:		
45510-7400400000-532600	Capital lease - purchase principal	$1,888,826
45510-7400400000-533780	Capital lease - equipment interest	58,334
	Total	1,947,160
Increase net assets:		
45510-7400400000-313300	Restricted net assets	1,947,160
Increase appropriations:		
45500-7400100000-532600	Capital lease - purchase principal	1,888,826
45500-7400100000-533780	Capital lease - equipment interest	58,334
	Total	1,947,160
Decrease net assets:		
45500-7400100000-380100	Unrestricted net assets	1,947,160

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 increasing appropriations and estimated revenue for County Counsel by $821,354, as follows:*

Increase estimated revenue:		
10000-1500100000-771440	Liability insurance	$272,119
Increase appropriations:		
10000-1500100000-510200	Payoff permanent - seasonal	154,703
10000-1500100000-521380	Maintenance – copier machines	36,117
10000-1500100000-525320	Security guard services	27,608
10000-1500100000-525880	RCIT virtual server support	20,564
10000-1500100000-529540	Utilities	56,100
	Total	295,092
Decrease appropriations:		
10000-1500100000-572000	Intrafund – DPSS	(526,262)
Anticipated use of fund balance:		
10000-1500100000-370100	Unassigned fund balance	549,235
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	549,235
Anticipated increase in fund balance:		
10000-1109000000-370100	Unassigned fund balance	549,235

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing estimated revenue for County Counsel and increasing appropriations for Contingency by $1,350,934 as follows:*

Increase estimated revenue:		
10000-1500100000-781180	Judgments	$1,350,934
Anticipated increase in fund balance:		
10000-1500100000--370100	Unassigned fund balance	1,350,934
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingencies	1,350,934
Anticipated use of fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,350,934

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-*

Controller to make budget adjustments increasing appropriations for the Executive Office and decreasing appropriations for contingency by $2,700,000 as follows:

Increase appropriations:

10000-1100100000-524660	Consultants	$2,700,000

Anticipated use of fund balance:

10000-1100100000-370100	Unassigned fund balance	2,700,000

Decrease appropriations:

10000-1109000000-581000	Appropriation for contingencies	2,700,000

Anticipated increase in fund balance:

10000-1109000000-370100	Unassigned fund balance	2,700,000

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for the Executive Office by $8,327,917, as follows:*

Increase appropriations:

30700-1104200000-525440	Professional services	$8,327,917

Anticipated use of fund balance:

30702-1104200000-322100	Restricted for construction/capital project	8,327,917

Recommendation 5: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for Court Facilities and decreasing appropriations for contingency by $150,000, as follows:*

Increase appropriations:

10000-1103900000-522310	Maintenance - building and improvement	$150,000

Use of unassigned fund balance:

10000-1103900000-370100	Unassigned fund balance	150,000

Decrease appropriations:

10000-1109000000-581000	Appropriation for contingency	150,000

Increase unassigned fund balance:

10000-1109000000-370100	Unassigned fund balance	150,000

Recommendation 6: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Public Defender and decreasing appropriations for contingency by $1,475,000, as follows:*

Increase appropriations:

10000-2400100000-510040	Regular salaries	$1,032,500

10000-2400100000-518100	Budgeted benefits	442,500
	Total	1,475,000

Use of unassigned fund balance:

10000-2400100000-370100	Unassigned fund balance	1,475,000

Decrease appropriations:

10000-1109000000-581000	Appropriation for contingency	1,475,000

Increase unassigned fund balance:

10000-1109000000-370100	Unassigned fund balance	1,475,000

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the MISP fund by $1,172,378, as follows:*

Increase appropriations:

10000-4300200000-510040	Regular salaries	$143,401
10000-4300200000-526700	Rent – lease buildings	79,574
10000-4300200000-530320	Physician care services	380,359
10000-4300200000-530340	Hospital care services	69,570
10000-4300200000-530380	Health clinic services	499,474
10000-4300200000-573100	Intrafund – realignment	(339,078)
10000-4300200000-574100	Intrafund – detention health-inmate	(833,300)
	Total	0

Recommendation 8: *That the Board approve and direct the Auditor-Controller to make budget adjustments to appropriations, estimated revenue, and restricted fund balance for the Public Health Bio-Terrorism Preparedness Funds and Emergency Management Department by $29,609, as follows:*

Increase appropriations:

21750-4200100000-551100	Contributions to other funds	$2,969

Increase estimated revenue:

21750-4200100000-740020	Interest – invested funds	23

Anticipated use of restricted fund balance:

21750-4200102100-321101	Restricted program money	2,946

Increase appropriations:

21760-4200100000-551100	Contributions to other funds	26,640

Increase estimated revenue:

21760-4200100000-740020	Interest – invested funds	207

Anticipated use of restricted fund balance:

21760-4200102100-321101	Restricted program money	26,433

Increase appropriations:		
21800-2000100000-525440	Professional services	2,969
Increase estimated revenue:		
21800-2000100000-790600	Contributions from other county funds	2,969
Increase appropriations:		
21810-2000100000-525440	Professional services	26,640
Increase estimated revenue:		
21810-2000100000-790600	Contributions from other county funds	26,640

Recommendation 9: *That the Board approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for Public Health by $200,000, as follows:*

Increase appropriations:		
10000-4200100000-536780	Interfund expense – capital projects	$200,000
Increase estimated revenue:		
10000-4200100000-767280	Federal revenue	65,000
10000-4200100000-767220	Federal – other operating grants	135,000
	Total	200,000

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for Public Health California Children's Services by $295,000, as follows:*

Increase appropriations:		
10000-4200200000-523640	Computer equipment – non-fixed asset	$122,000
10000-4200200000-523680	Office equipment – non fixed assets	113,000
10000-4200200000-522310	Maintenance – building and improvement	5,000
10000-4200200000-546080	Equipment – computer	55,000
	Total	295,000
Increase estimated revenue:		
10000-4200200000-751500	CA – realignment - health	206,905
10000-4200200000-751680	CA – state grant revenue	88,095
	Total	295,000

Recommendation 11: *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 Social Services, by $17,100,000, as follows:*

Increase estimated revenues:		
10000–5100200000–750700	CA - public assistance program	$1,900,000

Decrease estimated revenues:

10000–5100200000–750740	CA DPSS realignment	19,000,000

Decrease appropriations:

10000–5100200000–530440	Client services	17,100,000

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations, estimated revenue, and restricted fund balance for the Transportation Department by $627,300, as follows:*

Increase appropriations:

20000-3130100000-551100	Contribution to other funds	$627,300

Anticipated decrease in restricted fund balance:

20000-3130100000-321101	Restricted program money	627,300

Increase estimated revenue:

20600-3139000000-790600	Contribution from other county funds	627,300

Anticipated increase in restricted fund balance:

20600-3139000000-321152	Restricted for landscape maintenance districts	627,300

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Transportation Department by $181,000, as follows:*

Increase estimated revenue:

20000-3130100000-750030	CA - highway users/gas tax sec 2103	$181,000

Increase appropriations:

20000-3130100000-536780	Interfund expense - capital projects	181,000

Recommendation 14: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations estimated revenue, and use of available fund balance for the Department of Animal Services by $330,108, as follows:*

Increase appropriations:

10000-4200600000-510200	Payoff permanent - seasonal	$19,665
10000-4200600000-510320	Temporary salaries	114,000
10000-4200600000-510420	Overtime	48,360
10000-4200600000-518100	Budgeted benefits	148,083
	Total	330,108

Increase Estimated Revenue:

10000-4200600000-773250	Spay & Neuter Clinic Fees	330,108
	Total	330,108

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the EDA-HOME Investment Partnership by $650,000, as follows:*

Increase estimated revenues:

21250-1900600000-766000	Federal - community redevelopment	$650,000

Increase appropriations:

21250-1900600000-530360	Home/shelter services	650,000

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Parking by $200,000, as follows:*

Increase appropriations:

10000-7200700000-510040	Regular salaries	$17,500
10000-7200700000-518100	Budgeted benefits	7,500
10000-7200700000-520260	Computer lines	18,000
10000-7200700000-522310	Maintenance - building and improvement	17,000
10000-7200700000-527980	Contract	140,000
	Total	200,000

Increase estimated revenues:

10000-7200700000-777520	Reimbursement for services	200,000

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA-Maintenance Services by $2,200,000, as follows:*

Increase appropriations:

47210-7200300000-522310	Maintenance - building and improvements	$2,200,000

Increase estimated revenues:

47210-7200300000-777520	Reimbursement for services	2,200,000

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the County Free Library by $87,612, as follows:*

Increase appropriations:

21200-1900700000-537320	Interfund expense - improvements building	$87,612

Increase estimated revenues:

21200-1900700000-700020	Property tax current secured	87,612

Recommendation 19: *That the Board of Supervisors approve and direct the Auditor-*

Controller to make budget adjustments increasing appropriations and use of assigned fund balance for the county airports by $343,935, as follows:

Increase appropriations:		
22100-1910700000-525020	Legal services	$110,000
22100-1910700000-527660	Operational marketing	93,396
22100-1910700000-537020	Interfund expense - legal services	45,539
22100-1910700000-537180	Interfund expense - salary reimbursement	65,000
22100-1910700000-537280	Interfund expense - miscellaneous project expense	30,000
	Total	343,935
Use of assigned fund balance:		
22100-1910700000-350100	AFB for program money	343,935

Recommendation 20: *The Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Edward Dean Museum by $94,500, as follows:*

Increase appropriations:		
10000-1930100000-510320	Temporary salaries	$15,500
10000-1930100000-520250	Communications equipment - installation	46,000
10000-1930100000-537180	Interfund expense - salary reimbursement	33,000
	Total	94,500
Increase estimated revenue:		
10000-1930100000-778200	Interfund-miscellaneous	94,500

Recommendation 21: *The Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Fair and National Date Festival by $153,157, as follows:*

Increase appropriations:		
22200-1920100000-510200	Payoff permanent - seasonal	$8,356
22200-1920100000-510330	TAP salaries	40,000
22200-1920100000-523270	Special events	83,562
22200-1920100000-536920	Interfund - general office expense	21,239
	Total	153,157
Increase estimated revenue:		
22200-1920100000-741100	Entry Fees	10,000
22200-1920100000-741200	Industrial & Commercial Space	26,000
22200-1920100000-741240	Interim Food Sales	3,000
22200-1920100000-741360	Concessions	26,000
22200-1920100000-741440	Rent-Fairground Facilities	30,000
22200-1920100000-741460	Rental of Buildings	23,000
22200-1920100000-752600	CA-Fairs	35,157
	Total	153,157

Recommendation 22: *The Board of Supervisors approve and direct the Auditor-*

Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the CSA Administration by $120,000, as follows:

Increase appropriations:		
23010-915202-537180	Interfund expense - salary reimbursement	$120,000
Use of restricted fund balance:		
23010-915202-321101	Restricted program money	120,000

Recommendation 23: *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 89 – Perris Area by $12,750, as follows:*

Increase appropriations:		
23925-908901-537240	Interfund expense - utilities	$12,750
Use of restricted fund balance:		
23925-908901-321101	Restricted program money	12,750

Recommendation 24: *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 128 – Lake Mathews Road West by $25,000, as follows:*

Increase appropriations:		
24375-912801-551000	Operating transfers - out	$25,000
Use of restricted fund balance:		
24375-912801-321101	Restricted program money	25,000

Recommendation 25: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for CSA 132 – Lake Mathews Lighting by $18,000, as follows:*

Increase appropriations:		
24400-913201-537240	Interfund expense – utilities	18,000
Increase estimated revenue:		
24400-913201-770100	Special assessments	18,000

Recommendation 26: *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 135 – Temescal Canyon Light by $3,000, as follows:*

Increase appropriations:		
24450-913501-537240	Interfund expense - utilities	$3,000

Use of restricted fund balance:		
24450-913501-321101	Restricted program money	3,000

Recommendation 27: *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 149 - Beautification by $18,000, as follows:*

Increase appropriations:		
24825-914901-522320	Maintenance - grounds	$18,000
Use of restricted fund balance:		
24825-914901-321101	Restricted program money	18,000

Recommendation 28: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the Regional Park and Open Space District by $3,000, as follows:*

Increase appropriations:		
25500-931103-536200	Contribution to other non-county agency	$3,000
Use of restricted fund balance:		
25500-931103-321101	Restricted program money	3,000

Recommendation 29: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and releasing committed fund balance for the Regional Park and Open Space District by $1,000,000,as follows:*

Increase appropriations:		
25400-931104-551000	Operating transfers out	$1,000,000
Release committed fund balance:		
25400-931104-330100	Committed fund balance	1,000,000
Increase estimated revenue:		
33100-931105-790500	Operating transfers in	1,000,000
Increase restricted fund balance:		
33100-931105-322100	Restricted for construction/capital projects	1,000,000

Recommendation 30: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and releasing committed fund balance for the Regional Park and Open Space District by $40,000,as follows:*

Increase appropriations:		
25430-931170-520020	Pest and insect control	$ 5,000

25430-931170-520220	County radio 700 MHz systems	10,000
25430-931170-520845	Trash	5,000
25430-931170-522320	Maintenance - grounds	5,000
25430-931170-529500	Electricity	5,000
25430-931170-528920	Car pool expense	5,000
25430-931170-529520	Sewer system	5,000
	Total	40,000

Release committed fund balance:

25430-931170-330100	Committed fund balance	40,000

Recommendation 31: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and use of restricted fund balance for the Regional Park and Open Space District by $103,000,as follows:*

Increase appropriations:		
33100-931105-542100	Parks buildings	$103,000
Use of restricted fund balance:		
33100-931105-322100	Restricted for construction/capital projects	103,000

Recommendation 32: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for Human Resources by $40,000, as follows:*

Increase estimated revenues:

10000-1130100000-781360	Other miscellaneous revenue	$40,000

Increase appropriations:

10000-1130100000-525440	Professional services	234,000
10000-1130100000-572800	Intrafund - miscellaneous	(194,000)
	Total	40,000

Recommendation 33: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations, estimated revenues, and unrestricted net assets for Delta Dental PPO by $820,000, as follows:*

Increase estimated revenues:

45860-1130600000-781220	Contributions & donations	$150,000
45860-1130600000-781320	Insurance proceeds	225,000
	Total	375,000

Increase appropriations:

45860-1130600000-525440	Professional services	20,000
45860-1130600000-534240	Dental claims	800,000
	Total	820,000

Use of unrestricted net assets:

45860-1130600000-380100	Unrestricted net assets	445,000

Recommendation 34: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Workers' Compensation by $1,155,000, as follows:*

Increase estimated revenues:		
46100-1130800000-740020	Interest - invested funds	$750,000
46100-1130800000-777010	Stop loss reimbursement	250,000
46100-1130800000-781120	Rebates and refunds	27,000
46100-1130800000-781170	Restitution	20,000
46100-1130800000-781460	Workers comp subrogation pro	108,000
	Total	1,155,000
Increase appropriations:		
46100-1130800000-534220	Comp claims	1,155,000

Recommendation 35: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for General Liability by $1,465,000 as follows:*

Increase estimated revenues:		
45960-1131000000-777010	Stop loss reimbursement	$1,465,000
Increase appropriations:		
45960-1131000000-534280	Liability adjustment expense	1,465,000

Recommendation 36: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and unrestricted net assets for the Short-Term Disability Fund by $150,000, as follows:*

Increase appropriations:		
46060-1131200000-525440	Professional services	$20,000
46060-1131200000-534260	Disability claims	130,000
	Total	150,000
Use of unrestricted net assets:		
46060-1131200000-380100	Unrestricted net assets	150,000

Recommendation 37: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and unrestricted net assets for the Local Advantage Blythe Fund by $1,500, as follows:*

Increase appropriations:		
45920-1132500000-534240	Dental claims	$1,500
Use of unrestricted net assets:		
45920-1132500000-380100	Unrestricted net assets	1,500

Recommendation 38: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for Purchasing Services and decreasing appropriations for contingency by $20,000, as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	$20,000
Increase in fund balance:		
10000-1109000000-370100	Unassigned fund balance	20,000
Increase appropriations:		
10000-7300100000-532600	Capital lease - purchase principal	20,000
Decrease in fund balance:		
10000-7300100000-370100	Unassigned fund balance	20,000

Recommendation 39: *That the Board of Supervisors 1) authorize the purchase of 6 vehicles; and, 2) approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue and use of net assets by $1,043,900, as follows:*

Increase estimated revenue:		
45300-7300500000-777070	Fuel sales	$650,000
45300-7300500000-777620	Vehicle cost recovery	390,000
	Total	1,040,000
Increase appropriations:		
45300-7300500000-527100	Fuel	650,000
45300-7300500000-535560	Depreciation - equipment	3,900
45300-7300500000-546320	Vehicles - car/light trucks	390,000
	Total	1,043,900
Use of unrestricted net assets:		
45300-7300500000-380100	Unrestricted net assets	3,900

Recommendation 40: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unrestricted net assets in the RCIT fund in the amount of $420,000. The entry is as follows:*

Increase appropriations:		
45500-7400100000-525440	Professional services	$420,000
Use of unrestricted net assets		
45500-7400100000-380100	Unrestricted net assets	420,000

Recommendation 41: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for RCIT by $1,947,160, as* *follows:*

Decrease appropriations:		
45510-7400400000-532600	Capital lease - purchase principal	$1,888,826
45510-7400400000-533780	Capital lease - equipment interest	58,334
	Total	1,947,160
Increase net assets:		
45510-7400400000-313300	Restricted net assets	1,947,160
Increase appropriations:		
45500-7400100000-532600	Capital lease - purchase principal	1,888,826
45500-7400100000-533780	Capital lease - equipment interest	58,334
	Total	1,947,160
Decrease net assets:		
45500-7400100000-380100	Unrestricted net assets	1,947,160

FISCAL PROCEDURES APPROVED
PAUL ANGULO, CPA, AUDITOR-CONTROLLER
BY [signature] 5/18/18
Susana Garcia-Bocanegra

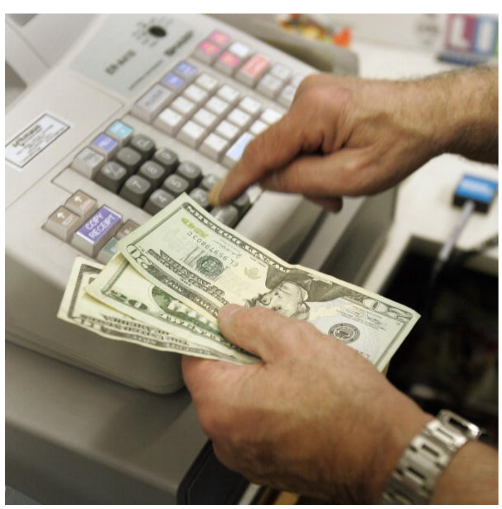
Attachment B UCR Economic Forecast

County of Riverside

Revenue Forecast

April 2018

UCR School of Business



County of Riverside Revenue Forecast

This publication was prepared for:

County of Riverside

This publication was prepared by:

Center for Economic Forecasting & Development

Christopher Thornberg, PhD
Director & Adjunct Professor
951.827.2792
Chris.Thornberg@UCR.edu

Robert Kleinhenz, PhD
Executive Director of Economic Research
951.827.2792
Robert.Kleinhenz@UCR.edu

Justin Niakamal
Senior Research Associate
Justin.Niakamal@UCR.edu

For further information about this publication please contact:

Victoria Pike Bond
Director of Communications
415.457.6030
Victoria.Bond@UCR.edu

Rick Smith
Director of Business Development
858.997.1834
Rick.Smith@UCR.edu

Or visit our website at www.UCReconomicforecast.org.

Report Overview

This revenue forecast for the County of Riverside extending to 2022–23 uses standard time-series econometric techniques based on historical correlations and forecasts of economic trends. **The Center for Economic Forecasting & Development's** method of forecasting takes a layered approach: National policy changes and external shocks are built into a U.S. model with a variety of economic indicators: GDP, production, demographics, interest rates, government spending, taxes, savings, income growth and real estate. **The Center** then crafts a California model that incorporates macro trends at the national level with statewide trends in employment/labor markets, demographics, real estate and business activity.

Taking into account these state and national factors, **The Center** creates a regional model for Riverside County using macro trends to generate a local forecast that delivers a broad outlook for the region, comprising:

- Employment by industry
- Unemployment
- Consumer spending and income trends
- Population and components of change
- Residential and nonresidential real estate and construction.

The regional assessment highlights major drivers at the national level, continues with developments in the State of California, and zooms in on the economy of Riverside County to forecast its major revenue streams extending to 2022–23.

County of Riverside Revenue Forecast

Revenue Stream	Actual	Forecast					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Assessed Value ($ 000s)	255,053,158	269,147,339	286,374,900	303,900,600	320,588,300	337,277,900	355,535,800
Growth(%)	5.1	5.5	6.4	6.1	5.5	5.2	5.4
Prop 172 County Apportionment	166,777,277	173,481,000	184,732,400	194,129,300	204,707,900	216,029,300	225,663,600
Growth(%)	-0.3	4.0	6.5	5.1	5.4	5.5	4.5
Property Tax	570,380,279	600,636,600	638,097,300	675,412,200	709,274,500	742,684,500	780,256,200
Growth(%)	5.5	5.3	6.2	5.8	5.0	4.7	5.1
Property Transfer Tax	15,804,851	17,255,180	18,952,380	20,614,580	22,228,340	23,834,930	25,447,310
Growth(%)	8.9	9.2	9.8	8.8	7.8	7.2	6.8
Uninc. Taxable Sales ($ 000s)	2,553,609	2,686,691	2,826,012	2,970,324	3,141,014	3,288,786	3,426,264
Growth(%)	1.7	5.2	5.2	5.1	5.7	4.7	4.2

Source: Forecast by The Center

National and State Economies

The Riverside County economy is heavily dependent on the national and state economies. Below is a summary of what **The Center** sees happening in the U.S. and California economies.

United States Economy

- Despite all the political tumult of 2017, the U.S. economy was a smooth-running machine. The nation's economy grew at a steady 2.5% annual pace in 2017, well above the 1.5% rate from the prior year.
- **The Center** expects 2018 to match or even surpass 2017 in terms of GDP growth. But the top-line numbers will not hide what will likely be a turbulent year, with any number of imbalances starting to form in the system. This unsteadiness is being driven by conflicting forces - some pushing hard to make the economy grow faster while others try to slow it down.
- On the acceleration side, the new Federal budget is front and center. Changes in the tax code alone would have generated more in the way of economic growth, but the tax cuts were followed by a sharp increase in Federal spending on both defense and non-defense line items - and any chance of revenue neutrality was lost. These latest revenue and spending plans are estimated to add well over $2 trillion in debt to an already dismal fiscal outlook.
- Another major accelerant will come from business investment - particularly spending on equipment and software, which will be driven by a number of changes, notably the recent tax cuts. There is a clear, if modest, relationship between corporate tax rates and levels of business investment in the economy.
- On the other side of the equation are economic brakes. The clearest one comes from rising interest rates on both the long and short end of the yield curve. The short end is being driven by Federal Reserve increases in the federal funds interest rate.
- One "non-brake" is inflation. For all the recent turmoil, realistically, inflation risk is still very low. It is true that the CPI has jumped in recent months, but this is only offsetting a number of very weak months for inflation last year. The core Personal Consumption Expenditures index (the Bureau of Economic Analysis' CPI) suggests prices are only 1.5% above last year, well below the Fed's modest inflation target of 2%.
- Add it all up and 2018 will be a good year overall for the economy. But the turmoil generated by these competing forces may give rise to imbalances in the system. Although **The Center** still sees no recession in the works for the next 24 months, we may well look back at 2018 as the year in which the cause of the next downturn took hold in the U.S. economy. Be happy, but beware.

California Economy

- California has outpaced the nation and many states in terms of economic growth and job gains, and improvements in its unemployment rate, fueled by strength in many of its key industries. California will continue to lead the United States in 2018, making this year an opportune time to take on both current and long-term challenges.
- With California hitting its lowest unemployment rate since 1976, wage gains in the state have accelerated in recent years. Average weekly wages in California increased by 4.3% in 2017, the largest increase in the last 10 years. With limited increases in the labor force expected this year, workers are almost guaranteed to see wages rise again.
- In looking at California's long-term challenges, the housing problem must be near the top of the list because of its significance for so many of the state's residents and its economy. While Californians clearly understand

that high home prices limit affordability, the obvious solution seems less clear: High prices reflect scarcity that can only be addressed through increases in supply.

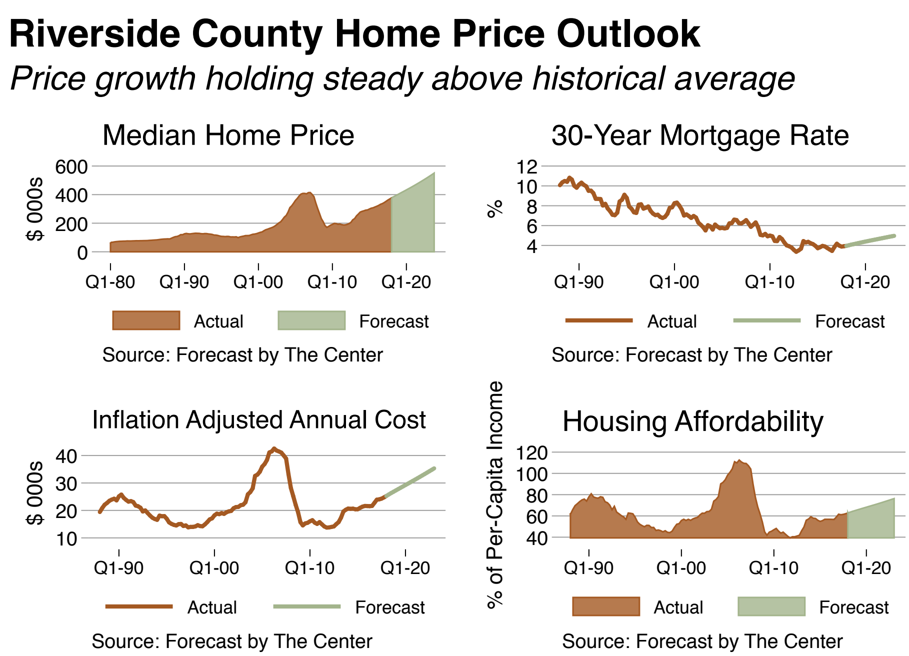
- Steady job growth and limited increases in the labor force will keep the unemployment rate low and push up wages for nearly all workers. With these gains in financial and economic well-being, households in California will fuel growth in their local economies by buying homes, appliances, and cars, and causing expansion in local-serving industries such as retail stores, restaurants, and personal services.

County of Riverside Revenue Forecast

The Center's current forecast for the County of Riverside continues to assume a baseline trajectory for the national economy. Corporate tax cuts should boost investment spending on the part of Riverside County businesses. Meanwhile, personal tax cuts will leave households with more disposable income, some of which will be spent in the local economy. Both of these will speed GDP growth in the near term and boost local economic activity. **The Center** will monitor the situation and reassess as new information becomes available.

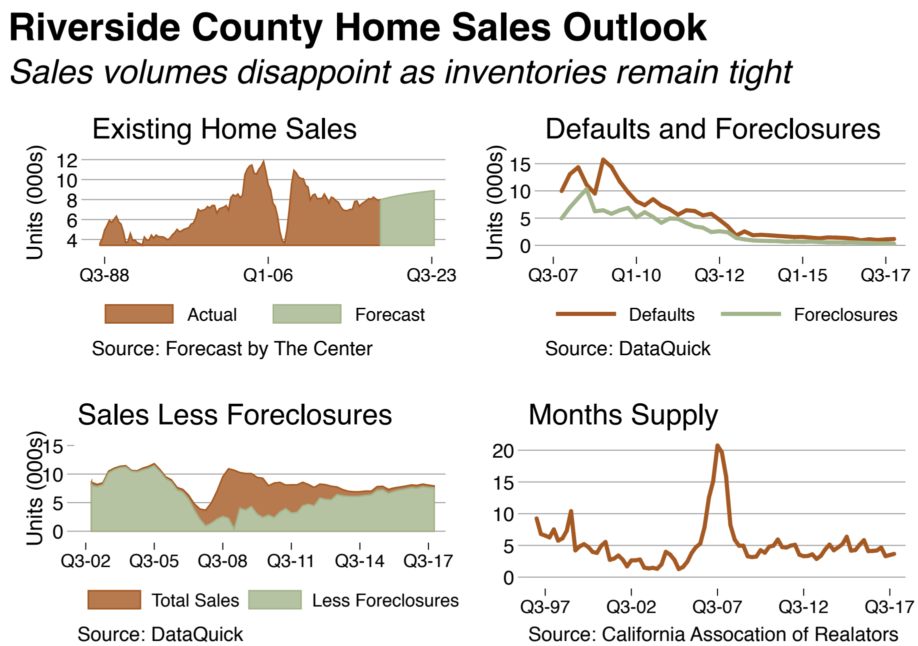
Real Estate Driven Revenues

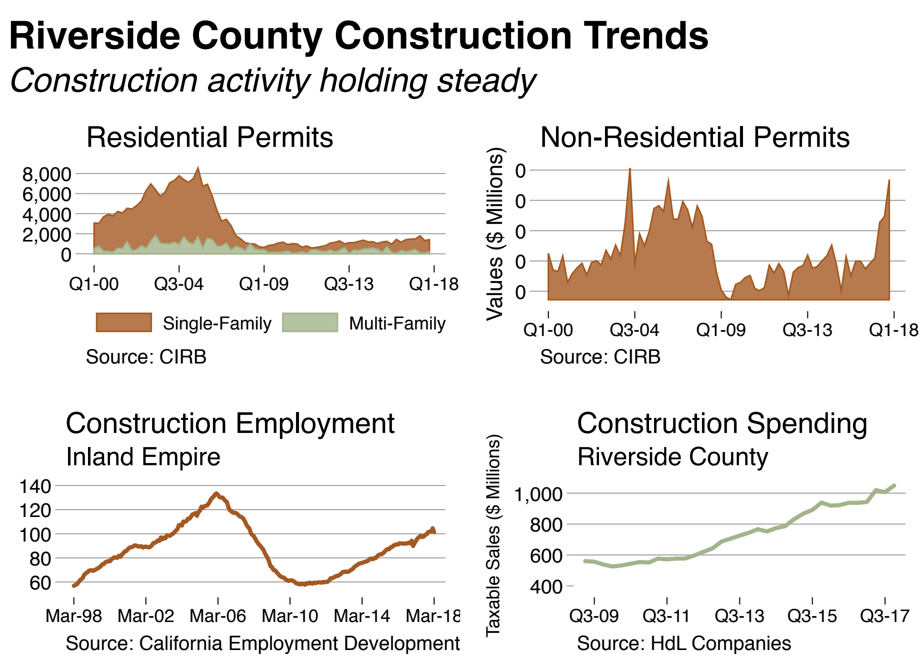
Riverside County remains a seller's market as demand for housing continues to outstrip supply. Home prices are appreciating at above average rates and market inventories remain slim. While higher prices will support AV growth in the coming years, the lack of available homes on the market will limit growth to some extent.



Despite a limited inventory of homes, Riverside County's real estate market remained on track during the 2016–17 fiscal year. Countywide home sales for 2016–17 were 5.8% higher than in 2015–16, close to the 6.0% increase in home sales that occurred during the prior fiscal year. More recently, sales appear to have lost a degree of momentum, with sales of existing single-family residences falling 1.4% through the first two quarters of fiscal year 2017–18 relative to the first two quarters of the prior fiscal year.

Despite the slight drop in sales, prices for existing homes in the County increased 9.3% during the first two quarters of fiscal year 2017–18. Sales have been limited and prices rising due to lower inventory. Population growth in the unincorporated region of Riverside County has been robust. According to California Department of Finance estimates, total population in the unincorporated area increased 1.7% in 2017, marginally higher than the County's overall population increase of 1.6%. This growth in the population increases the demand for housing and, in turn, drives up home prices, especially in a tight market characterized by declining in sales activity.





Simply put, fewer homes for sale will result in fewer transactions and higher prices. According to the California Association of Realtors, through the first two quarters of fiscal year 2017–18, the supply of homes on the market would be exhausted in 3.6 months, based on the pace of sales at that time. This represents lower supply than during same period one year earlier, when the unsold inventory index stood at 4.2 months.

The homeownership rate in California is already considerably lower than in the United States as a whole, mainly because the state's median home price is more than twice that of the nation. Historically, middle-income households in California have been able to count on the deductibility of mortgage interest and property taxes to soften the blow of higher costs. But the federal tax law passed in mid-December changes the playing field for the state's residents.

The new tax law only allows homeowners to deduct interest on up to $750,000 of mortgage acquisition debt and imposes a $10,000 limit on state and local tax deductions. This will put the American Dream of homeownership further out of reach for more California residents. In the County of Riverside, where the median home price was $366,000 through the first half of 2017–18, a relatively small number of property owners will be affected by these new limits. On the other hand, many residents will benefit from lower income tax rates, which could support local spending activity in the short term.

Finally, inflation as reflected in the California Consumer Price Index (CPI) has been rising in the most recent data. This bodes well for AV growth among properties that have not changed hands. In December 2017, the California CPI reading was 265.7, a 2.9% increase over December 2016. Although it is the October-to-October number that matters, this latest data point corresponds with the overall trend of rising consumer prices as the plunge in energy prices moves further into the past.

Consumer and Business Spending Driven Revenues

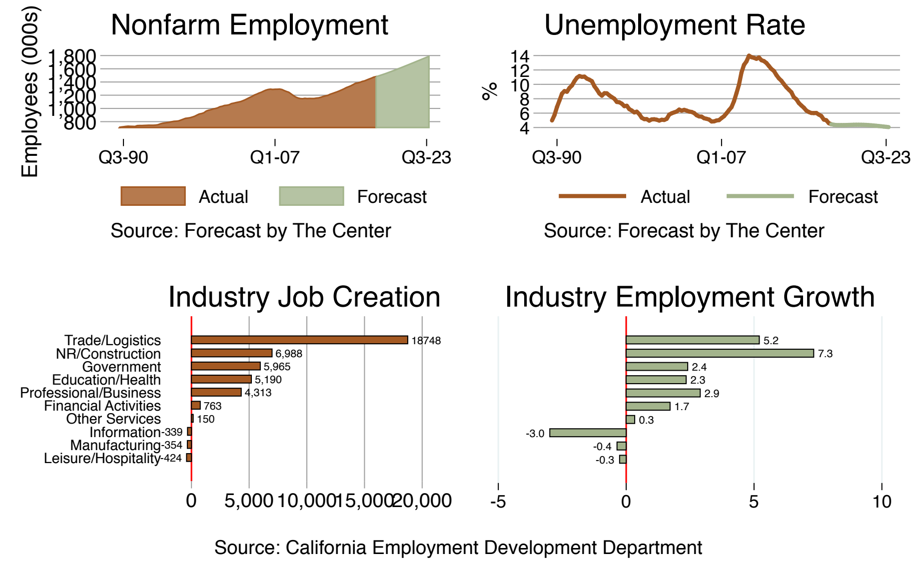
Riverside County revenues that are driven primarily by consumer and business spending have been notably weak in recent years, but this is more closely related to transitory developments rather than a change in the broader trend of economic growth in the region. Lower fuel prices have been part of the problem, but as energy prices continue to stabilize, that effect will subside. The outlook for the regional economy is strong, and spending growth is expected to continue in line with historical averages.

After sluggish growth for three consecutive fiscal years, spending activity in in unincorporated areas of Riverside County moved into positive territory, increasing by 1.6% in fiscal year 2016–17 over the prior fiscal year. Taxable sales growth has picked up steam according to the latest estimates, and in the first half of 2017–18, taxable sales in the unincorporated parts of the County were up 4.9% over the same period one year earlier.

The Center expects a moderate positive impact on overall consumer spending as a result of the change in the federal tax law. The long-term impact of the tax legislation is difficult to predict because

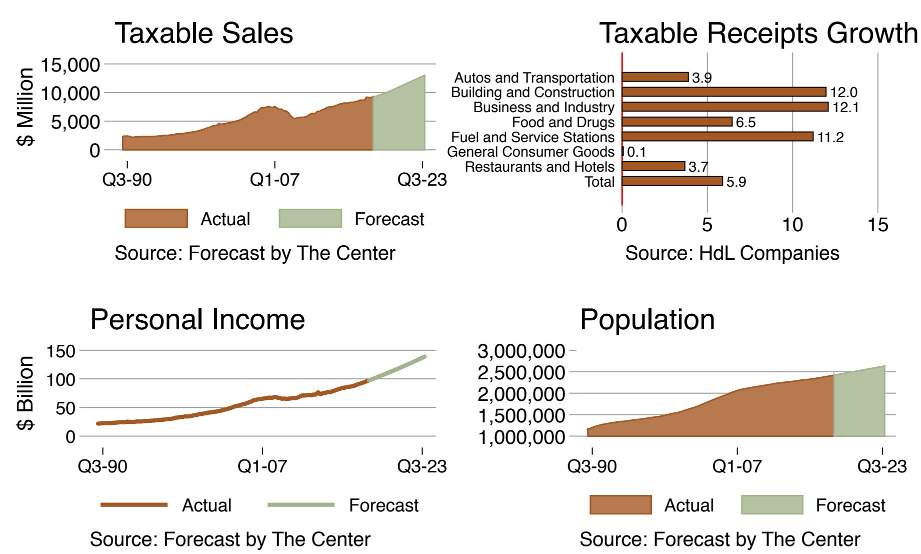
Inland Empire Labor Market

Employment levels remain at historic highs



Riverside County Spending and Income

Fuel prices rebounding, expected to boost nominal spending



it depends on how the economy re-
sponds to the business cycle. In the short term, the reduction in business taxes could provide a windfall to investment, which would support increased nominal spending by local businesses, although much of that is predicated on the degree of optimism that translates to investors.

The tax law will be broadly stimulative and should help support nominal taxable sales growth. Although individuals in the upper tax brackets received the largest break in terms of overall tax liability, they tend to have a lower marginal propensity to consume. In other words, the marginal impact from an increase in their disposable income is relatively low compared with individuals in the middle and lower-income brackets. Nonetheless, the increase in disposable personal income should yield an increase in taxable sales in the short term in 2018 and possibly into 2019.

On net, the Riverside County economy is trending in the right direction, and nothing on the immediate horizon signals a reversal of that trend. The regional labor market is in good health, despite a general slowdown in job growth. The slowing in employment has occurred across the U.S. and California, as well as in the County, and is tied to the fact that the national, state, and local economies have reached full employment over the last two years. The County's residential real estate market has been characterized by lean inventories, which have kept upward pressure on prices and restricted sales. Fuel prices have stabilized and are trending higher, which, coupled with the new federal tax law, should support growth in taxable sales in the near-term future.

Summary

The Center's forecast represents a positive outlook through 2022–23 and assumes that the U.S. economy will grow at a moderate pace, much as it has in recent years. Although the federal tax overhaul is in the rearview mirror, other policy changes may lie ahead, lending inherent uncertainty to this forecast. **The Center** will closely monitor policies as they are announced and enacted and will adjust its economic outlook accordingly.

County of Riverside Revenue Forecast

Revenue Stream	Actual	Forecast					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Assessed Value ($ 000s)	255,053,158	269,147,339	286,374,900	303,900,600	320,588,300	337,277,900	355,535,800
Growth(%)	5.1	5.5	6.4	6.1	5.5	5.2	5.4
Prop 172 County Apportionment	166,777,277	173,481,000	184,732,400	194,129,300	204,707,900	216,029,300	225,663,600
Growth(%)	-0.3	4.0	6.5	5.1	5.4	5.5	4.5
Property Tax	570,380,279	600,636,600	638,097,300	675,412,200	709,274,500	742,684,500	780,256,200
Growth(%)	5.5	5.3	6.2	5.8	5.0	4.7	5.1
Property Transfer Tax	15,804,851	17,255,180	18,952,380	20,614,580	22,228,340	23,834,930	25,447,310
Growth(%)	8.9	9.2	9.8	8.8	7.8	7.2	6.8
Uninc. Taxable Sales ($ 000s)	2,553,609	2,686,691	2,826,012	2,970,324	3,141,014	3,288,786	3,426,264
Growth(%)	1.7	5.2	5.2	5.1	5.7	4.7	4.2

Source: Forecast by The Center

About The Center for Economic Forecasting & Development

The Center for Economic Forecasting & Development is a leading provider of economic research, forecasting, industry analysis, and data services. By delivering independent, rigorous analysis we give our clients the knowledge they need to make the right strategic decisions about investment, growth, revenue, and policy. Learn more at **www.http://ucreconomicforecast.org/**.

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Contacts

- **Sherif Hanna**
  Deputy Director
  (424) 646-4656
  Sherif.Hanna@UCR.edu
- **Victoria Pike Bond**
  Director of Marketing & Communications
  (415) 457-6030
  Victoria.Bond@UCR.edu
- **Rick Smith**
  Director of Business Development
  (858) 997-1834
  Rick.Smith@UCR.edu

Attachment C HdL Companies Sales Tax Update

Q4 2017

Riverside County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2017)

Riverside County In Brief

The Unincorporated area's receipts from October through December were 5.8% above the fourth sales period in 2016.

All major industry groups posted higher sales, although payment aberrations caused lower cash receipts in general consumer goods and food-drugs. The general retail group also received an allocation that belongs to another jurisdiction and will be corrected in the future. Sales at the factory outlet center were up 1.3%.

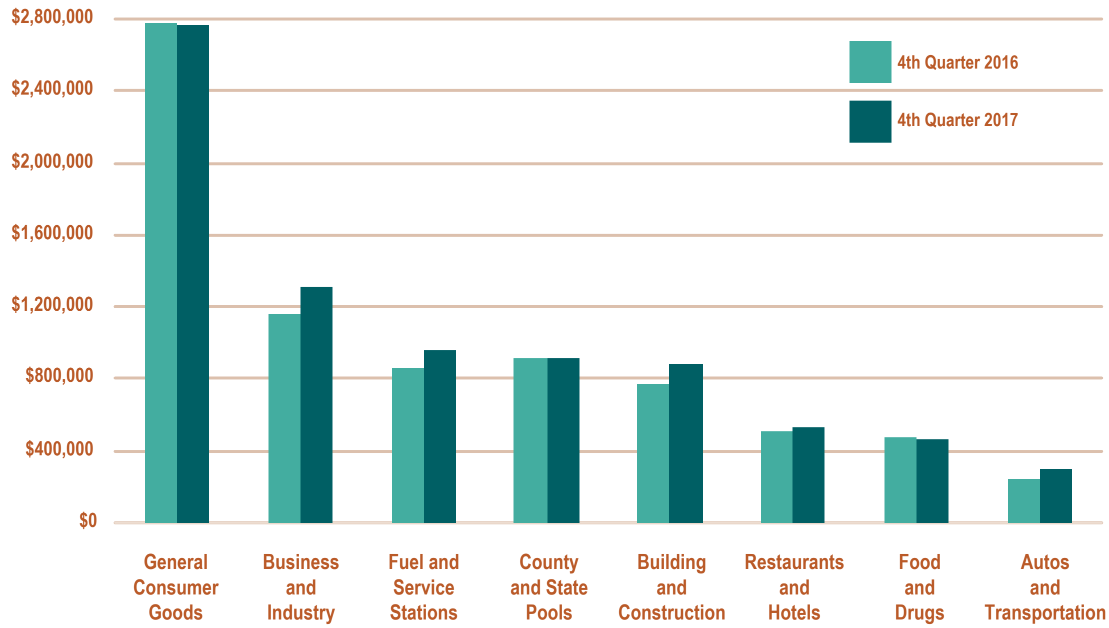
Stronger sales from wineries, warehouse/farm/construction equipment, garden/agricultural supplies, food service equipment/supplies, building materials and contractors were a large part of the overall gain. Payment anomalies in casual dining inflated the restaurant group; actual sales were up 2.2%, trailing trends.

Higher retail gas prices lifted service station results, although the gain was inflated by receipts belonging to another jurisdiction. Similarly, the automotive sector was inflated by auto lease allocations belonging to other jurisdictions.

The county pool allocation was little changed, up 0.9%

Net of aberrations, taxable sales for all of Riverside County grew 5.9% over the comparable time period; the Southern California region was up 3.5%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Arco AM PM	Ralph Lauren
Burberry	Ralphs Fresh Fare
California Trusframe	RDO Equipment
Calvin Klein	Sigler HVAC
Circle K	Spates Fabricators
Coach	Stater Bros
Financial Services Vehicle Trust	Superior Ready Mix Concrete
Gucci	Sysco
Liz Claiborne	Tory Burch
Michael Kors	Vans
Nike	Volvo Construction Equipment
Pilot Travel Center	Vons Fuel
Prada	

Revenue Comparison

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	$19,446,610	$20,315,976
County Pool	2,443,655	2,377,624
State Pool	11,207	3,753
Gross Receipts	**$21,901,472**	**$22,697,354**

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www.hdlcompanies.com | 888.861.0220

NOTES

California Overall

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.5% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

Nexus Issue to be Revisited

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of $100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

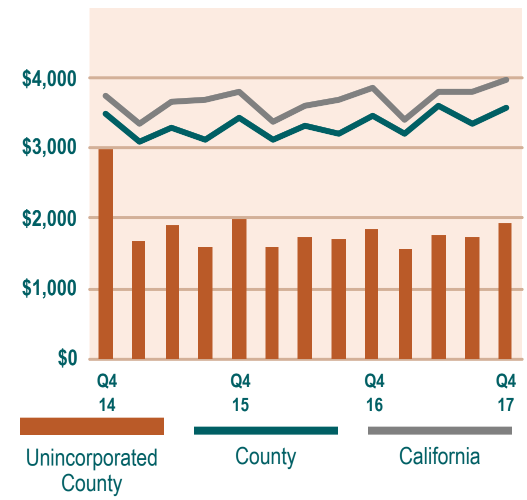
Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was $756 Million in uncollected tax revenues and losses to the state of $697 Million:(https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

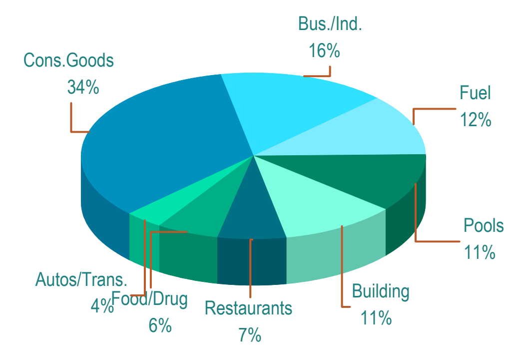
Oral arguments are scheduled for April with a decision expected by the end of June 2018.

Sales Per Capita



Revenue By Business Group

Riverside Co. Uninc This Quarter



Riverside County Top 15 Business Types

*In thousands of dollars	Unincorporated County		County	HdL State
Business Type	Q4 '17*	Change	Change	Change
Casual Dining	135.2	3.8%	5.4%	3.5%
Contractors	761.0	14.2%	11.1%	13.9%
Convenience Stores/Liquor	94.9	12.0%	5.7%	8.3%
Drug Stores	73.4	-6.0%	-8.8%	-10.7%
Family Apparel	1,316.6	4.7%	1.9%	2.1%
Food Service Equip./Supplies	158.5	9.6%	-0.7%	2.6%
Garden/Agricultural Supplies	168.7	41.9%	9.2%	2.4%
Grocery Stores	280.9	-5.2%	2.1%	-1.5%
Quick-Service Restaurants	278.4	9.7%	6.1%	4.9%
Service Stations	943.4	11.8%	8.7%	11.4%
Shoe Stores	294.9	-4.2%	-0.6%	0.3%
Specialty Stores	186.1	-5.8%	3.0%	4.4%
Warehse/Farm/Const. Equip.	201.4	25.5%	-0.5%	18.0%
Wineries	295.2	8.9%	8.7%	-0.3%
Women's Apparel	572.8	-3.5%	-6.5%	-5.9%
Total All Accounts	**7,218.3**	**6.5%**	**4.7%**	**4.0%**
County & State Pool Allocation	**917.7**	**0.3%**	**-1.4%**	**0.8%**
Gross Receipts	**8,136.0**	**5.8%**	**3.9%**	**3.6%**