

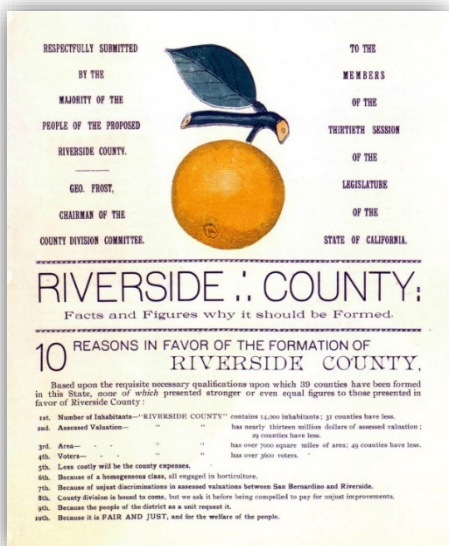


COUNTY OF RIVERSIDE
STATE OF CALIFORNIA



FISCAL YEAR 2018/19

Third Quarter
Budget Report



125TH ANNIVERSARY
EDITION

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 7, 2019

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 18/19 Third Quarter Budget Report

Board members:

As we approach the end of the fiscal year, I want to thank our county leadership and departments for providing critical services to our residents. While facing various challenges, such as fires, debris flow, and even poppies, our team rose to the occasion while continuing to do their day-to-day work. I am very proud of our collective mission to provide the highest level of public service, so I want to express my gratitude and appreciation to our entire county organization.

In addition to the various natural events this year, our county continues to experience exponential growth in the General Assistance program, which is a mandated county obligation, as well the continued pressures of pension obligations. And while reaching an agreement with one of our largest unions, LIUNA, we continue labor discussions with our other unions.

The previous quarterly reports documented that the county must continue to identify ways to meet our financial needs while staying within the county's anticipated revenue. Unfortunately, current projections indicate that we will close FY 18/19 with a \$22 million operating shortfall, requiring a draw from the county's reserves. This will leave reserves at \$212 million, or just above the 25 percent reserve level, per Board Policy B-30. Even with some departments saving funds within their respective budget, the unexpected large increase in costs for the General Assistance program, combined with operating losses of our health clinics and department's requests, are too much to overcome.

The explosive growth in the General Assistance program, which is a 100 percent county obligation, grew a staggering 554 percent over this fiscal year. Originally budgeted at \$2.2 million, at the close of this year, the ending budget will be \$14.4 million. This program is expected to grow even more in the new fiscal year, which is adding to our already burdened obligations that we are required to fund.

In addition to the General Assistance program, our Federally Qualified Health Center Clinics (FQHCs) within the Riverside University Health System are experiencing a net operating loss of \$16 million. Actions are underway to reset rates to increase revenue.

RUHS is also integrating behavioral health services into the health clinics to improve patient care while optimizing operations.

Pension obligations continue to grow and place additional financial strain on the county. This pressure will continue into the foreseeable future and through the early 2030s. It's critically important to highlight that by FY 20/21, the pension costs for every non-public safety employee will be 24.1 percent. For public safety employees, the cost increases to 41.4 percent. This means within one year's time, for every four non-public safety employees, the county will pay the same as one position merely in pension costs. Likewise, for every two public safety employees, the county will pay for another position in pension costs alone. The pension costs will supplant the funding for critically-needed positions.

Looking ahead to FY 19/20, we are seeing \$46 million in additional budget requests from county departments. While the county's discretionary revenue increased above projections, so have the needs from county departments and agencies. These budget requests far exceed projected revenue, and as such, hard decisions will need to be made. Not all departments will receive what they are asking for; indeed, we are approaching some level of reductions in our forthcoming recommended budget. And to maintain critical needs and services, some departments will receive more cuts than others.

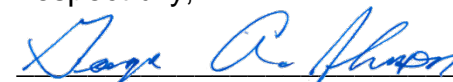
We must employ multiple solutions to meet the needs of the county, some of which include: targeted budget reductions, fair labor negotiations, full cost recovery and enhancing revenue, leveraging all department resources, and pursuing efforts in efficiency and productivity. We will return to the Board with targeted reductions as part of the FY 19/20 budget.

We will continue fiscal discipline by balancing service needs against revenue. I am counting on our county leadership to do what needs to be done to meet the needs of our residents while we implement policy in support of the Board's priorities. What we decide in FY 19/20 is a precursor to the increasing demands for FY 20/21, which by all projections are worse. I am resolved to provide the needed recommendations to meet the challenge and expect reduction in services to balance county priorities within our fiscal constraints.

IT IS RECOMMENDED that the Board of Supervisors:

- 1) Receive and file the FY 18/19 third quarter budget report;
- 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 third quarter budget report demonstrates that the county must continue to identify ways to meet our financial needs, while staying within the county's anticipated revenue. Ensuring the county's financial well-being means our high-quality services are delivered to our residents, visitors and business owners. To ensure our programs and services are available to our residents, it will take more than one solution to solve our issues.

The projected FY 18/19 fund balance of \$212 million reflects a reduction which is attributed to higher net county cost (NCC), with a projected operating deficit of \$22 million. To achieve fiscal viability, every effort must be made across all departments to maintain fiscal discipline and hold the line on discretionary spending, while providing optimal levels of service.

As reported in the second quarter report, contingency was at \$4.6 million. After third quarter, the contingency balance will be \$13.6 million. This report also states yearend projections from departments that will further deplete contingency to \$5.4 million (see page 10 for more details).

The projected discretionary revenue target has increased from an adopted budget of \$15.6 to \$20 million. This is attributed to an increase in interest earnings, growth in property taxes, as well as an increase in sales and uses tax. While the discretionary revenue has increased, so have the needs from county departments and agencies. The budget requests far exceed projected revenue (see the table on page 5 of this report).

Per Board direction, fund balance over the required 25 percent of discretionary revenue, will be used to replenish contingency, reserves next, then the capital improvement fund. The Executive Office has included a report of prioritized capital improvement projects for consideration when one-time funds are available.

Departments have identified both challenges and savings through yearend which have been outlined in this summary.

A summary of department updates is highlighted below:

The Medical Center reports a surplus of \$3 million by yearend. The Federally Qualified Health Center Clinics anticipates a \$16 million net operating loss as the Riverside University Health System (RUHS) begins the process of resetting clinic reimbursement rates, which should be completed over the next fiscal year. The Executive Office recommends providing funding to alleviate the current year deficit.

Correctional Health projects a deficit of \$6.3 million which is due to additional costs of prior year medical equipment and increased costs associated with inmate healthcare. The Executive Office will continue to work closely with RUHS to alleviate these issues in future years. On the other hand, Detention Behavioral Health projects \$6.6 million in savings due to continued challenges of filling necessary positions.

The Department of Public Social Services continues to see a sharp increase in General

Multi-year Outlook

Assistance. At mid-year, the department received a budget adjustment bringing the FY 18/19 budget increase to \$10.4 million. The department now requests additional budget adjustment of \$1.8 million as the need for this program continues to grow. The department anticipates this will be sufficient to get through the fiscal year.

The District Attorney's Office reduced their projected overage to \$1.7 from \$4.6 million in first quarter. The department continues to work towards a balanced budget by yearend.

Animal Services is expecting to end the year with a \$1.3 million deficit due to reduced shelter services and city contracts. Another reason for the shortfall in revenue is due to the redirection of licensed officers from their normal duties to assist in fire emergencies, which had an impact on their ability to get reimbursed. The deficit will be monitored as the department continues to try and mitigate this with vacant positions and other cost containment efforts.

At mid-year, the Emergency Management Department reported on the Cranston and Holy fires. During the third quarter, the department experienced three additional emergency operation center activations. These activations occurred to deal with the mud and debris flow after heavy rain fall as a result of the fires. The department is now requesting an additional \$191,339 for these efforts.

The Sheriff reports that by yearend they will now be under budget by \$6.3 million, barring any unforeseen emergencies.

Pension Obligations

With the latest CalPERS valuation report information available, from this fiscal year to next, we are projecting a \$12.7 million increase to general fund departments alone and \$56.9 million in total; and, in two years, the increase will be \$25.3 million for the general fund and \$113.5 million in total compared against this year's cost. These costs will continue to put financial strain and pressure on any method of achieving savings and efficiencies we gain. Current direction is that all departments are to absorb the pension increases within their approved budget.

Summary

The first quarter and mid-year budget reports depict that the county must continue to identify ways to meet our financial needs while staying within the county's anticipated revenue. Current projections indicate that the close of FY 18/19 will come with a \$22 million operating shortfall, requiring a draw from the county's reserves. The projection for the next fiscal year remains cautious. The continued cost pressures from various sources combined with the projected softening of discretionary revenue next fiscal year has attributed to this caution. The Executive Office continues to promote that every effort must be made across all departments to maintain fiscal discipline and hold the line on discretionary spending, while providing optimum levels of service.

MULTI-YEAR BUDGET OUTLOOK

Discretionary Revenue Projections

While growth in assessed valuation improved from an assumed 5 percent to 6.26 percent, growth in Prop. 172 public safety sales tax continues to be moderate. Sales and use tax has seen an increase from the previous projection mostly attributable to the county's allocation of the state and county pool due to a spike in receipts caused in part by misallocated payments by the state. A revised interest earnings projection is also included in the model.

Overall, projected discretionary revenue estimates are up \$20 million, summarized at right. Highlights of the county's key general-purpose revenues are noted below.

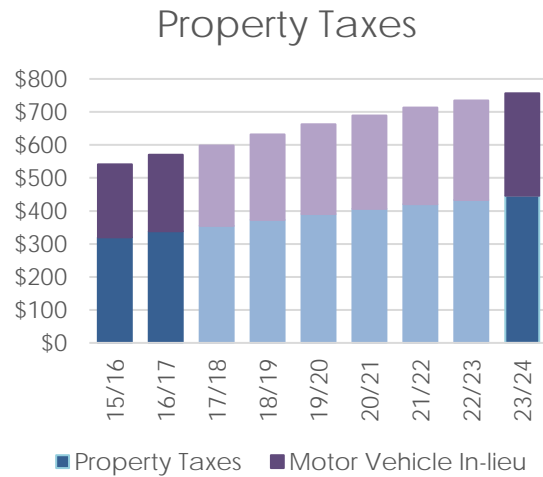
In the budget, the Executive Office presented a long-term outlook on general-purpose revenue that was optimistic near term, but moderately cautious in the out-years. This was based on the length of the current economic growth cycle and the historic probability of an economic downturn at some point within our planning horizon. Both Beacon Economics and HdL Companies foresee the probability of a slow economic turn within the next 18 months, so the Executive Office modulated our long-term outlook with a more graduated approach, cooling the growth rate of key revenues. Barring unforeseeable events, we continue to anticipate a blended growth rate around 3.5 percent for the next few years.

General Fund Projected Discretionary Revenue (in millions)			
	Budget Estimate	Current Quarter Estimate	Variance
Property Taxes	\$370.1	372.8	\$2.7
Motor Vehicle In Lieu	255.8	259.0	3.2
RDA Residual Assets	7.2	10.0	2.8
Tax Loss Reserve Overflow	21.0	21.0	-
Fines and Penalties	19.2	19.5	0.3
Sales & Use Taxes	29.1	32.6	3.5
Tobacco Tax	10.0	10.0	-
Documentary Transfer Tax	15.2	15.8	0.5
Franchise Fees	6.9	6.9	-
Mitigation Fees	0.1	0.1	-
Interest Earnings	18.0	21.0	3.0
Misc. Federal and State	4.6	5.4	0.8
Federal In-Lieu	3.4	3.4	-
Rebates & Refunds	5.2	5.1	(0.1)
Realignment	18.8	20	1.2
Other Prior Year & Misc.	15.1	17.6	2.5
Operating Transfers In	-	-	-
Total	799.8	820.2	20.44
Prop. 172 Public Safety Sales Tax	181.9	186.2	4.2
	\$981.7	\$1,006.4	\$24.7

Multi-year Outlook

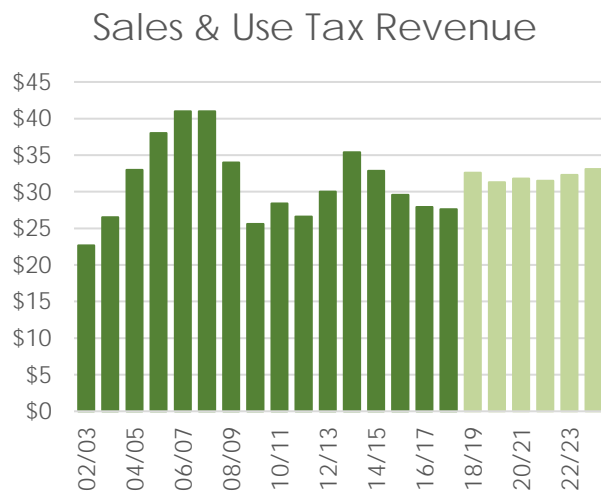
Property Taxes

Property tax revenue, and motor vehicle fee revenue received in-lieu of property taxes, were both budgeted based on a forecasted 5 percent growth in assessed values. The release of the FY 18/19 6.26 percent assessed value growth prompted an increase in revenue projected for the current year. Due to uncertainty in future economic stability, the Executive Office assumes slower 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 those agencies wind down.



Sales and Use Taxes

The county's economically adjusted quarterly sales and use tax allocations continue to increase 7.2 percent on a year-over-year basis. This is due to continued increases in fuel and service stations, food and drugs, and building and construction. Consumer goods, predominantly from sales at the factory outlets, show a one percent increase from a year ago, continuing an ongoing cooling in that sector. HdL Companies' projections reflect a decrease of 4.2 percent next fiscal year. This is mostly attributable to the county's allocation of the state and county pool due to a spike in receipts. Currently, businesses are now correctly filing returns in the state's new sales tax system. This is projected to level out in the following fiscal year.



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. 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.

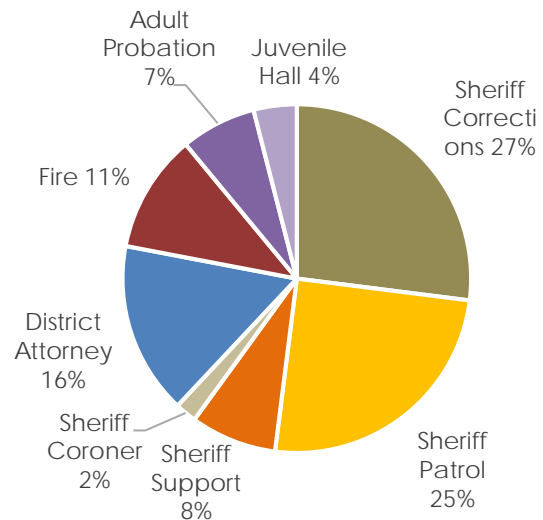
The growth rate of the county's Prop. 172 allocation factor is slowing; as discussed above, growth in taxable sales remain soft, dampening growth of this revenue. HdL Companies currently projects growth around 2 percent for the next fiscal year. Consequently, it will still be a couple of years before 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

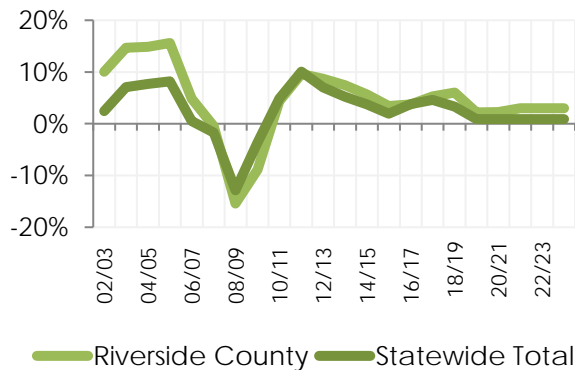
The Treasurer's estimate for FY 18/19 county general fund interest earnings includes factors such as general fund balances in the Treasurer's Pooled Investment Fund (TPIF), current and projected level of interest rates.

Monetary policy has come to an inflection point, with the Federal Reserve (FED) pausing

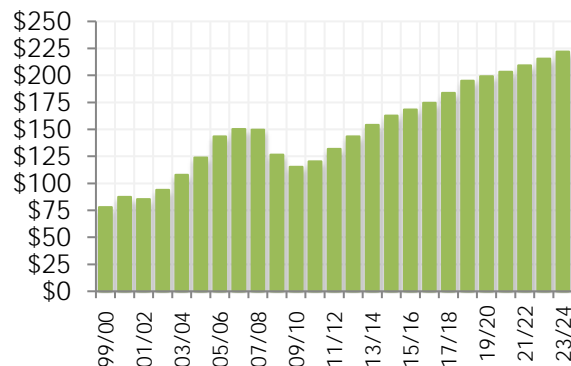
Board-Approved Prop 172 Disbursement Ratios



Prop 172 Annual Rate of Change

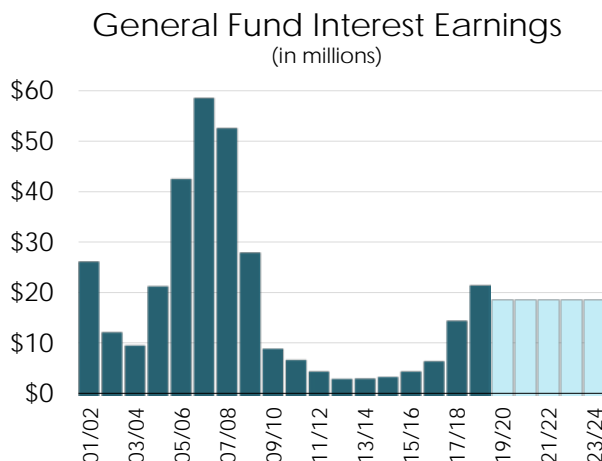


Prop 172 Revenue Trend



Multi-year Outlook

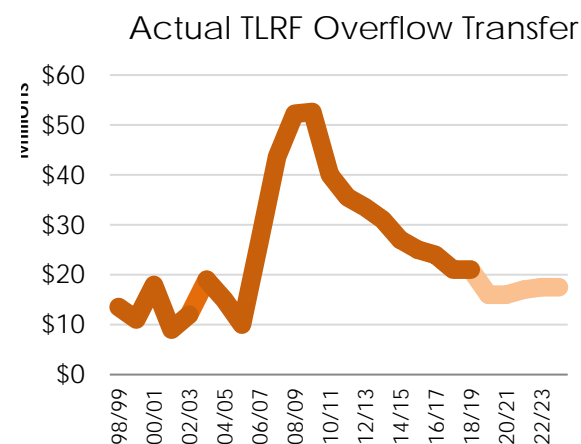
its tightening policy and now making rate cuts as likely as rate hikes. On March 20, 2019, the Federal Open Market Committee voted to leave the FED funds rate unchanged at the range of 2.25 percent to 2.50 percent. While continuing to point to a strong labor market, it noted that growth of economic activity slowed from its solid rate of the previous quarter. It also announced that in September 2019 it was suspending its balance sheet run off. The market reacted with lower yields and an inverted yield curve. Inverted yield curves usually signal an economic recession within 18 to 24 months.



The change in the FED's monetary policy stance reduces interest earnings potential for the county general fund going forward. The current projection for FY 18/19 county general fund interest earnings, however, is increased by \$3 million at this time. Depending upon the timing of FED activity in the fiscal year, the impact to general fund earnings will be nominal, due to the weighted average maturity profile of the TPIF. The Treasurer will closely monitor earnings estimates and will provide updates to the Executive Office if there are any material changes.

Teeter Tax Losses Reserve Fund (TLRF) Overflow

Under the California Teeter plan, the county advances to participating agencies property tax allocations based on enrolled assessed valuation. In return, the county retains the actual taxes received, plus penalties and interest on delinquent taxes. The 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 1.2 percent last fiscal year, the tenth consecutive year of decline. For FY 17/18, the TLRF transfer was \$21 million, and the forecast for FY 18/19 remains the same. Based upon preliminary review of key assumptions such as, assessment roll growth, interest and delinquency rates for FY 19/20 and beyond, this revenue will very likely be reduced.



FY 18/19 Budget Cycle

Budget Policies

The Board of Supervisors approved budget policies for FY 18/19, include:

- 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 10 thru Tuesday, June 11, 2019** (as necessary): Presentation of the FY 19/20 recommended budget, opening of budget hearings, and approval of the budget; and,
- **Tuesday, June 25, 2019**: 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 2019 meeting calendar.

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. As reported in the second quarter report, contingency was at \$4.6 million. After third quarter, the contingency balance will be \$13.6 million. This report also states yearend projections from departments that will further deplete contingency to \$5.4 million.

Beginning Balance:			\$14,898,330
Adjustments to date:			
8/28/2018	KPMG Contract Adjustment	(3,051,518)	3,051,518
10/23/2018	Public Defender	226,001	(226,001)
10/23/2018	Sheriff	333,025	(333,025)
Q1 Rec. 7	Public Defender	198,031	(198,031)
12/11/2018	DPSS	6,000,000	(6,000,000)
1/4/2019	EMD - EOC	200,000	(200,000)
Q2 Rec. 4	EMD	1,963,907	(1,963,907)
Q2 Rec. 14	DPSS	4,400,000	(4,400,000)
3/12/2019	TLMA - EOC	1,500,000	(1,500,000)
4/30/2019	EOC Purchase - Cash transfer	3,012,550	(3,012,550)
		14,781,996	(14,781,996)
Actions recommended in this report:			116,334
Rec. 3	Replenish Contingency		(15,400,000)
Rec. 5	EMD - EOC	191,339	(191,339)
Rec. 7	Correctional Health	6,300,000	(6,300,000)
Rec. 7	Behavioral Health Detention	(6,600,000)	6,600,000
Rec. 10	DPSS	1,800,000	(1,800,000)
Rec. 21	EDA - Parking Division	233,000	(233,000)
		1,924,339	(15,400,000)
Total adjustments to Contingency after third quarter =		16,706,335	(15,400,000)
Contingency balance upon approval of Q3 report =			13,591,995
Year End Adjustments Reported:			
	RUHS - FQHC Clinics	16,000,000	(16,000,000)
	DA	1,700,000	(1,700,000)
	Animal Services	1,300,000	(1,300,000)
	ACO	338,000	(338,000)
	Purchasing	85,000	(85,000)
	Sheriff	(6,320,000)	6,320,000
	RUHS - Med Center	(3,000,000)	3,000,000
	Probation	(1,630,000)	1,630,000
	Clerk/BOS	(250,000)	250,000
		8,223,000	(8,223,000)
Total adjustments to Contingency as reported=		<u>24,929,335</u>	<u>(15,400,000)</u>
Contingency balance at year end =			\$5,368,995

CAPITAL IMPROVEMENT PROGRAM

Capital Improvement Program – Priority List

The Capital Improvement Program (CIP) is the capital planning mechanism for new facilities, major facility expansions, and purchases of large capital assets. The CIP team, led by the Executive Office, evaluates immediate and long-term capital needs, as well as financing and budget requirements to best use the county's limited resources.

The CIP process does not review capital projects of the Transportation Department, Flood Control and Water Conservation District, Regional Parks and Open Space District, and Department of Waste Resources.

During FY 18/19, the Executive Office has overhauled the CIP process to reflect the county's current organization structure and financial status. The CIP team has solicited project lists from departments through the Assistant County Executive Officers (ACEOs) of each portfolio. Each ACEO provided their priority list to the County Executive Officer and Cabinet to develop a countywide ranked priority list for capital projects. Departments bring the projects to the CIP Team for review and allocation of funding prior to review by the Board of Supervisors. Table 1 below shows the CIP Priority List as of third quarter of FY 18/19.

TABLE 1
CIP PRIORITY LIST

Rank	Project Name	Portfolio	Project Description	Project Budget Estimate (in millions)	Funding Source	Approved Minute Order
1	Robert Presley Detention Center (RPDC) Elevators – Repair/Replace	Public Safety	RPDC started operations in 1989 and has housed inmates for 28 years. The facility has six elevators used by staff, inmates, and visitors. This project will replace and modernize all six elevators.	\$3.9	CIP Fund 30700, GF Sub-Fund 11183	3/7/17, 3.40 4/16/19, 3.7
2	Riverside Downtown Law building Security System Replacement Project	Public Safety	This building is occupied by the Offices of the District Attorney, County Counsel, and the Probation Department. Upgrade of the building's systems will maintain the appropriate levels of security for these departments.	\$1.2	CIP Fund 30700	3/26/19, 3.4

Current Status

Rank	Project Name	Portfolio	Project Description	Project Budget Estimate (in millions)	Funding Source	Approved Minute Order
3	Purchase of Certified Voting Equipment	Economic and Community Development	On February 27, 2019, California Secretary of State Alex Padilla initiated the process for withdrawing certification or conditional approval of voting systems that were not tested or certified under the most recent state security standards and mandated that county elections officials implement a voting system that meets California's newest testing and certification standards. All certified voting systems are to be operational for the March 3, 2020 Presidential Primary Election.	\$6-\$8		
4	Smith Correctional Facility Housing Units 15-17 Healthcare Enhancement Project	Correctional Health	Provision and enhancement of additional medical and behavioral health service space.	\$0.79	CIP Fund 30700	5/9/17, 3.13 4/9/19, 3.8
5	Cois Byrd Healthcare Enhancement Project	Correctional Health	Provision and enhancement of additional medical and behavioral health service space.	\$2.9	CIP Fund 30700	4/16/19, 3.6
6	West County Emergency Operations Center (EOC) Project	Public Safety	On March 20, 2018, the Board approved the acquisition of the property located at 450 E. Alessandro Boulevard, Riverside, California for use by the Emergency Management Department as an emergency operations center to serve the western region of Riverside County. The property purchase was approximately \$3 million. The building is currently being assessed to determine the scope of work and budget required for a fully operational EOC.	\$8-\$14		

Rank	Project Name	Portfolio	Project Description	Project Budget Estimate (in millions)	Funding Source	Approved Minute Order
7	Riverside Juvenile Hall Project (Reallocation of SB 81, Round 2 funds)	Public Safety	The Probation department was awarded funds for development of a Youth Treatment and Education Center (YTEC) in Indio, under SB 81. After evaluating regional needs, the department determined that these grant funds can be reallocated to build a new Riverside Juvenile Hall.	TBD		
8	County Administrative Center (CAC) Utilization	Various	EDA is evaluating the space needs of various departments to maximize utilization of the CAC. Space will be available on the 2 nd , 9 th , and 10 th floors, and the county would like to locate general fund departments in these spaces to reduce departments' costs.	TBD		
9	RMAP Digitization Project	Finance and Government Services	The County Archives Program must meet industry preservation standards in order to protect County records of historical value. This requires modernizing the Archive's HVAC system, expanding the facility to house the program's collection, and beginning the process of restoring, preserving and digitizing archived volumes and maps.	\$4		

FINANCE & GOVERNMENT SERVICES

Auditor-Controller

The Auditor Controller anticipates ending the year with a potential deficit of \$338,000. The implementation of the new property tax system has caused a delay in processes that may result in a revenue shortage of \$618,000. The department however is trending underbudget in expenditures offsetting a portion of the potential revenue shortage. The department will monitor the status of the revenue and advise accordingly.

County Counsel

The Office of County Counsel requests the addition of two full time equivalent Deputy County Counsel I positions to represent Behavioral Health-Public Guardian in Lanterman-Petris-Short (LPS) conservatorship cases and Probate conservatorship cases and one Deputy County Counsel I who serves both Probation and the Sheriff. These positions are

Current Status

necessary to meet the needs of client departments who are seeking to expand the scope of the legal services to be performed by the County Counsel’s Office. All positions will be reimbursed from the client departments and will have no impact on the general fund.

Recommendation 1: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for County Counsel by \$53,046, as follows:*

Increase appropriations:		
10000-1500100000-510040	Regular salaries	36,374
10000-1500100000-518100	Budgeted benefits	16,672
10000-1500100000-572800	Intra-miscellaneous	<u>(53,046)</u>
	Total	0

Executive Office

On October 17, 2017, the Board of Supervisors adopted the Pension Advisory Review Committee’s recommendation to transfer any remaining balance in the liability management and pension obligation fund to the Section 115 Pension Trust. A budget adjustment is needed to make the transfer of \$2,854,255.

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make a budget adjustment increasing appropriations for the Pension Obligation fund by \$2,854,255, as follows:*

Increase appropriations:		
35000-1104000000-536200	Contributions to other non-county agency	\$2,854,255
Anticipated use of restricted fund balance:		
35000-1104000000-324100	Restricted for debt service	2,854,255

As approved in the second quarter report, any additional fund balance is to be used to replenish contingency, reserves, then the capital improvement fund. Currently, adjustments are exceeding the available balance in contingency. It is recommended to transfer fund balance to replenish contingency in the amount of \$15,400,000.

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Appropriation for Contingencies by \$15,400,000 as follows:*

Anticipated use of unassigned fund balance:		
10000-1100100000-370100	Unassigned fund balance	\$15,400,000
Increase appropriations:		
10000-1100100000-551100	Contributions to other county funds	15,400,000
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingencies	15,400,000

Increase estimated revenue:		
10000-1109000000-790600	Contributions from other county funds	15,400,000

Executive Office Sub-Fund

The Court Sub-fund budget pays debt service on the 2008 A Southwest Justice Center bonds for funding the Cois Byrd Detention Center expansion and the Southwest Juvenile Detention Facility. For FY18/19, sufficient appropriations were not originally budgeted, the Executive Office requests a budget adjustment to increase appropriations and use of fund balance by \$78,000.

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make a budget adjustment increasing appropriations for the Court Sub-fund budget by \$78,000, as follows:*

Increase appropriations:		
10000-1101200000-537130	Interfund expense - rent CORAL	\$78,000

Anticipated use of restricted fund balance:		
11050-1101200000-321101	Restricted program money	78,000

PUBLIC SAFETY

Emergency Management Department

Third quarter expenditures for the Emergency Management Department are currently over budget by \$191,339 due to costs associated with the unanticipated number of Emergency Operations Center (EOC) activations this fiscal year. The EOC was activated to protect county residents, their property and critical infrastructure. During the first quarter, the county experienced two of the largest emergencies in its history, the Cranston and the Holy Fire. Since then, the winter season has produced a number of storm events that triggered mud and debris flows in the burn scar areas. The department requests an adjustment of \$191,339 from the general fund.

Recommendation 5: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the Emergency Management Department by \$191,339, as follows:*

Increase estimated revenue:		
10000-2000100000-790600	Contributions from other county funds	\$191,339

Increase appropriations:		
10000-2000100000-510420	Overtime	59,310
10000-2000100000-510500	Standby pay	3,606
10000-2000100000-520705	Food	44,974
10000-2000100000-522860	Medical - dental supplies	3,918
10000-2000100000-523660	Computer supplies	1,056
10000-2000100000-525140	Personnel services	2,665
10000-2000100000-525440	Professional services	1,150

Current Status

10000-2000100000-526530	Rent - lease equipment	13,247
10000-2000100000-527180	Operational supplies	35,187
10000-2000100000-528960	Lodging	25,696
10000-2000100000-528980	Meals	326
10000-2000100000-529040	Private mileage reimbursement	<u>204</u>
	Total	191,339

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	191,339

Increase appropriations:		
10000-1109000000-551100	Contributions to other county funds	191,339

The Emergency Management Department will be purchasing an adult human-like simulation training Manikin, allowing realistic stimulation, lifelike appearance and natural body movements. The simulation Manikins are designed to create realistic training approaches for both classroom settings and field training scenarios. The department will be using State Homeland Security Grant monies for this purchase.

Recommendation 6: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to estimated revenue and appropriations for the Emergency Management Department by \$75,000 as follows:*

Increase appropriations:		
10000-2000100000-546160	Equipment - other	\$75,000

Increase estimated revenue:		
10000-2000100000-767220	Federal - other operating grants	75,000

Fire

The Fire Department is currently on track to meet budget targets for FY 18/19. The department has absorbed contract increases in Cooperative Agreement with CalFire for this year and anticipate the same for next fiscal year. This is through diligent cost saving measures and continued increases in structural fire tax revenues.

Law Office of the Public Defender

The Law Office of the Public Defender projects their budget to be on target this fiscal year. This is an improvement of \$286,000 from the second quarter's projection. The budget has improved due to salary savings, and an increase in funding available from AB109 related programs this fiscal year. The department continues to be under a hiring freeze with the exception of critically needed positions.

Office of District Attorney

As part of ongoing discussions with the Executive Office, the District Attorney's Office (DAO) is committed to working collaboratively to end the fiscal year at a zero (\$0) deficit. At the end of the third quarter, the DAO has further reduced the projected FY 18/19 deficit

by 60 percent from \$4.3 million to \$1.7 million, compared to the beginning of the fiscal year. A significant part (\$1 million) of the remaining deficit is the result of untimely reimbursement of State Mandated Costs (SB90) which the DAO and Executive Office are working collaboratively to address. The receipt of this funding would result in a further deficit reduction to \$0.7 million or 84 percent from the initial \$4.3 million projection.

The primary reason for the reduction in the deficit is due to a high office wide year to date attrition rate of 8.5 percent due to retirements and unanticipated separations. The department states it has delayed backfill hiring in majority of these cases and placed priority in backfilling only mission critical positions while utilizing TAP employees where possible. In addition to restricting expenditures and hiring, the DAO has also continuously taken the most restrictive measures as it pertains to discretionary spending.

The DAO continues to meet regularly with the Board and members of the Executive Office to share issues of concern to the public safety and to ensure fiscal transparency. The department remains committed to providing outstanding prosecutorial, investigative and victim services, while we continue internally to implement feasible cost saving measures.

Probation Department

The Probation Department is projecting to meet their expenditures and net county cost targets at the end of this fiscal year. The department continues to closely monitor its budget and will continue to work with the Executive Office to address any unanticipated challenges that may adversely impact the department's yearend projections.

Sheriff's Department

The Sheriff's Department remains committed to ending the fiscal year with a balanced budget. Barring any unforeseen emergencies, the department is currently projecting a yearend surplus of \$6.3 million (an amount that is within 0.9 percent approved total appropriations). This amount is lower than the projected \$10 million surplus at mid-year primarily due to unplanned payouts of \$3.2 million. Additionally, if the Board approves the annual increase to the contract policing rate that projected surplus will likely increase. Any budget surplus remains committed to Board approved policy items related to the demand to increase staffing levels at the John J. Benoit Detention Center (JJBDC), other correctional facilities because of the federal consent decree, and in the unincorporated areas of the county as per the department's and the Board's budget agreement on priorities at the beginning of the fiscal year.

Staffing levels across the department are still a major concern for the newly elected Sheriff. The department will need to continue their focus on restoring staff losses due to attrition, hiring for JJBDC and restoring unincorporated patrol staffing to safe levels throughout the county. In an effort to immediately optimize patrol staffing with existing critical staffing levels, the department will be implementing a three-day, 12 hours per day patrol schedule during this next quarter, on May 9th. This will allow for the work schedules of patrol deputies to be more evenly assigned during all days of the week, and periods of the time during all days, to better address the demand times of calls. The assignment of full-time deputies to properly staff the unincorporated areas will also be a priority with this

Current Status

new schedule.

It will be a challenge this fiscal year to make any staffing gains because there is only one more sworn academy (#207) planned this fiscal year and which began on February 14th. The hiring process has many steps that can take six months or more. The newly elected Sheriff is reviewing that process and will be making improvements where appropriate.

The department is actively examining other areas to improve departmental efficiencies and reduce internal costs. During this last quarter, the department will be implementing several policies and procedures to decrease the department's civil liabilities and the costly litigation that is associated with it. The department is actively working with Risk Management and County Counsel to streamline internal processes to achieve this goal. Lastly, over the coming months, the department will be examining existing contract rate and methodology in comparison to other neighboring counties. The goal is to report the findings to the Executive Office by the end of the first quarter of FY 19/20.

Other concerns include a significant amount of unplanned, and therefore unbudgeted, retirement "payouts". As of the third quarter that amount is \$7.3 million over budget. Also, overtime trends will continue until staffing normalizes. Additionally, any increases in labor, pension and/or internal service fund (ISF) costs will continue to reduce the department's projected surplus and limit the department's ability to increase staffing. AB109 realignment continues to have a significant impact on the Corrections division and the state allocation is still drastically underfunded.

HEALTH & HOSPITAL SERVICES

Riverside University Health System

The Riverside University Health System is on a path to becoming an integrated healthcare system centered on improving access and quality by providing the right care, at the right time, in the right setting and driving for the lowest cost. Key initiatives like the medical office building (MOB), new community health clinics, and integration of behavioral health and primary health care will provide the necessary infrastructure to ensure the long-term success of RUHS. These initiatives will take some time to fully mature, but once complete will provide expanded capacity and fill system care needs that will allow patient needs to be cared for at the lowest possible level of care.

Providing the right care, at the right time, in the right setting is better for the patient, better for the quality of care, and better from a fiscal perspective. It helps preserve our highest levels of intensive and inpatient care for those patients in greatest need, and provides the outpatient capacity to expand preventative care, helping keep more people well and out of more costly inpatient care. This philosophy is in line with healthcare industry best practices, and RUHS is in a strong position for an integrated county health system comprised of the Medical Center, Federally Qualified Health Centers, Behavioral Health, and Public Health, which together can provide coordinated access to care from preventive to the most intensive levels.

While implementing a forward-looking strategic plan, RUHS must also manage the challenges and volatility of today, including rising operating and pension costs, as well as reimbursement shortfalls for ambulatory care clinic rates, inmate health, and behavioral health care.

The Medical Center, Medically Indigent Services Program and Correctional Health are requesting budget adjustments to accommodate appropriation and revenue increases related to growth in patient volume.

Medical Center

The Riverside University Health System – Medical Center (RUHS – MC) is on target with budget and projects to finish the fiscal year with an approximate net operating income of \$3 million. However, while achievable, this is dependent on the state’s new Quality Incentive Program revenue that, while earned, may not be received until after the fiscal year, placing a strain on cash flow. Volatility of state and federal funding, particularly the incentive program revenues, continue to leave the budget at risk.

County Federally Qualified Health Center Clinics

As previously reported in quarterly updates, the RUHS - Federally Qualified Health Center (FQHC) is projecting a yearend FQHC net operating loss of approximately \$16 million.

This projected operating loss is the result of decade-old clinic reimbursement rates that have seen rising labor, pension, and operating costs threaten financial viability. Few triggering events allow clinics the opportunity to reset rates; opening a new site and integrating behavioral healthcare provide such resetting opportunities. The infrequency of these opportunities requires strategic planning and precise implementation to maximize the rate-setting event and secure reimbursement rates more reflective of current labor and operating costs.

This process does not allow a quick fix; but a multi-phased plan to optimize operations, trigger rate resetting, and maximize new rates is underway. Optimization requires adherence to strict provider productivity requirements and staffing standardization of important support positions. The planned triggering of rate resetting has been underway for some time. New facilities have worked their way through planning, design, and construction, and are now beginning to open, with Corona, Moreno Valley, and Jurupa operational by the end of this fiscal year.

Once the rate-setting period begins, continuation and monitoring of optimization efforts will be critical as operations expand and integration of behavioral healthcare begins. Adherence to strict state cost reporting, an intensive audit, and final rate negotiation will complete the process.

This multi-year plan will ultimately improve operating results, but the timing of revenue receipts and cash flow will continue to remain a challenge due to the length of the process and delays in settlement payments by the state. RUHS is working closely with the Executive Office to address the operating loss and will continue to provide updates in the quarterly budget reports.

Current Status

Behavioral Health Detention and Correctional Health

Behavioral Health Detention and Correctional Health are expected to finish the year \$300,000 under net county cost allocation. Behavioral Health Detention is projected to be under net county cost by \$6.6 million due to continued challenges filling necessary positions to meet healthcare needs in the county jail facilities. Correctional Health is projected to exceed net county cost by \$6.3 million by yearend, \$3 million of which was requested but not received in the 18/19 budget request, with additional cost of prior year medical equipment charged in the current year, and the increased cost associated with inmate healthcare. Difficulty in recruiting staff will be further tested by additional healthcare demands that will arise with the opening of the John J. Benoit Detention Center. RUHS will continue to work with the Executive Office to determine timing of positions and budget approval so that the facility can be properly staffed upon the phased opening of the facility.

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the RUHS – Behavioral Health Detention and Correctional Health as follows:*

Increase appropriations:		
10000-4100300000-551100	Contributions to other county funds	\$6,600,000
Decrease appropriations:		
10000-4100300000-510040	Regular salaries	3,500,000
10000-4100300000-518100	Budgeted benefits	1,100,000
10000-4100300000-525440	Professional services	<u>400,000</u>
	Total	5,000,000
Increase estimated revenue:		
10000-4100300000-751040	CA - mental health services act	1,000,000
10000-4100300000-755900	CA - AB118 local revenue	<u>300,000</u>
	Total	1,300,000
Anticipated use of unassigned fund balance:		
10000-4100300000-370100	Unassigned fund balance	300,000
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	6,600,000
Increase estimated revenue:		
10000-1109000000-790600	Contributions from other county funds	6,600,000
Increase appropriations:		
10000-4300300000-510040	Regular salaries	1,100,000
10000-4300300000-525440	Professional services	4,507,500
10000-4300300000-546160	Equipment - other	<u>692,500</u>
	Total	6,300,000
Increase estimated revenue:		
10000-4300300000-790600	Contributions from other county funds	6,300,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	6,300,000

Increase appropriations:		
10000-1109000000-551100	Contributions to other county funds	6,300,000

Department of Public Health

Public Health, California Children's Services, and Community Action Partnership programs are tracking on budget.

The Department plans to increase Sexually Transmitted Disease (STD) Prevention work in FY18/19. Increased tasks would include case-based STD surveillance, verification of appropriate STD treatment, investigation of reported cases and outbreaks, and health education and promotion activities to prevent STDs and enhance awareness of individuals at risk of STDs. Funding for the additional work will be covered by an increase in Targeted Case Management (TCM) revenues anticipated in FY 18/19. The Department is requesting a budget adjustment of \$200,000 for the additional STD work.

Recommendation 8: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for Public Health by \$200,000, as follows:*

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$70,000
10000-4200100000-518100	Budgeted benefits	33,600
10000-4200100000-522890	Pharmaceuticals	3,710
10000-4200100000-525440	Professional services	50,000
10000-4200100000-523700	Office supplies	3,500
10000-4200100000-526420	Advertising	3,000
10000-4200100000-523840	Computer equipment software	10,000
10000-4200100000-524500	Administrative support - direct	<u>26,190</u>
	Total	200,000

Increase estimated revenue:		
10000-4200100000-762020	Fed - SB 910 MAA MAC	200,000

The Department of Public Health also requests a budget adjustment of \$503 to allow for the transfer of interest income from Fund 22705 (Prop. 10 Nutrition Services) which is no longer in use, to the Public Health general fund. After interest income is transferred, the fund will be permanently closed.

Recommendation 9: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for Public Health by \$503, as follows:*

Increase appropriations:		
22700-4200100000-551000	Operating transfers – out	\$503

Anticipated use of unassigned fund balance:

Current Status

22705-4200101100-370100	Unassigned fund balance	113
22705-4200101300-370100	Unassigned fund balance	167
22705-4200101400-370100	Unassigned fund balance	38
22705-4200102200-370100	Unassigned fund balance	<u>185</u>
	Total	503
Increase appropriations:		
10000-4200100000-525440	Professional services	503
Increase estimated revenue:		
10000-4200100000-790500	Operating transfers – in	503

HUMAN SERVICES

Department of Public Social Services

On April 24, 2018 (agenda item 3.31), the Board of Supervisors adopted changes to the county-funded General Assistance (GA) program pursuant to Welfare and Institutions Code sections 17000, et seq., and supporting case law. These changes took effect July 1, 2018 and resulted in significantly increased caseload and administrative costs during the first and second quarters of FY 18/19. Subsequently, the Board of Supervisors approved allocations of \$6 million and \$4.4 million to the GA program (agenda item 3.30 on December 11, 2018, and agenda item 3.21 on February 5, 2019, respectively). During the third quarter, the program experienced a 7 percent caseload increase over the previous quarter. DPSS continues to monitor program expenditures closely and has implemented program changes and processes that have resulted in operational efficiencies and minimized administrative cost increases in spite of rising caseloads. The department anticipates that it can hold administrative costs steady through fiscal yearend; however, an additional \$1.8 million is necessary to cover client benefit costs from caseload increases.

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Department of Public Social Services and decreasing appropriations for contingency by \$1,800,000, as follows:*

Increase appropriations:		
10000-1109000000-551100	Contributions to other county funds	\$1,800,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	1,800,000
Increase estimated revenue:		
10000-5100400000-790600	Contributions from other county funds	1,800,000
Increase appropriations:		
10000-5100400000-530520	Co funded assistance	1,800,000

Office on Aging

The department requests a budget adjustment to reflect a reduction in federal Health Insurance Counseling Advocacy Program funds in the amount of \$74,660, and an over-estimation of miscellaneous revenue in the amount of \$64,150. This budget adjustment also reflects a revenue increase from contributions and donations in the amount of \$3,500 from other governmental agencies for sponsorship of the annual Retired Senior Volunteer Program volunteer recognition luncheon.

Recommendation 11: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the Riverside County Office on Aging by \$135,310, as follows:*

Decrease estimated revenue:		
21450-5300100000-767140	Federal - miscellaneous reimbursement	\$74,660
21450-5300100000-781360	Other miscellaneous revenue	<u>64,150</u>
	Total	138,810
Decrease appropriations:		
21450-5300100000-510040	Regular salaries	12,318
21450-5300100000-518100	Budgeted benefits	2,345
21450-5300100000-527780	Special program expense	56,953
21450-5300100000-536200	Contributions to other non-county agency	<u>67,194</u>
	Total	138,810
Increase estimated revenue:		
21450-5300100000-781220	Contributions & donations	3,500
Increase appropriations:		
21450-5300100000-527780	Special program expense	3,500

PUBLIC WORKS

Transportation

On December 11, 2018 agenda item 3-54, the Board of Supervisors approved a contract award in the amount of \$3,000,000 to Granite Construction Company to perform emergency storm damage repair work at Box Canyon Road, near the community of Mecca in Supervisorial District IV. The department requests a budget adjustment for District IV to fund a portion of the approved contracted amounts, and quickly reopen Box Canyon to the public. The Department had submitted a second quarter budget adjustment that indicated these funds would come from CA - Hwy Users/Gas Tax Sec 2103. However, a portion of the CA - Hwy Users/Gas Tax Sec 2103 funds were utilized for other emergency storm damage repair work throughout the county. Transportation will instead use \$2,000,000 from District IV and will use fund balance from the Transportation Operations division to cover the remaining costs of the Box Canyon Road project.

Recommendation 12: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Transportation*

Current Status

Department by \$2,000,000, as follows:

Increase appropriations:		
22400-3130400000-537080	Interfund expense – miscellaneous	\$2,000,000
Anticipated use of restricted fund balance:		
22400-3130400000-321101	Restricted program money	2,000,000

Flood Control and Water Conservation District

The requested budget adjustment will increase appropriations within the Flood Control and Water Conservation District, NPDES Santa Ana Assessment Fund 25190 from de-partment net assets. The adjustment is necessary for the District to accommodate a transfer of funds to Zone 3 Fund 25130 in support of the debris capture and removal activities associated with McVicker, Leach and the Line A project, which significantly re-duced pollutant loads to Lake Elsinore.

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the NPDES Santa Ana Assessment fund by \$2,000,000, as follows:*

Increase appropriations:		
25190-947560-551100	Contribution to other funds	\$2,000,000
Anticipated use of committed fund balance:		
25190-947560-330100	Committed fund balance	2,000,000

The requested budget adjustment will increase appropriations within the Flood Control and Water Conservation District Encroachment Permits Fund 40670 from department net assets. The adjustment is necessary for the District to accommodate increased salaries and benefits costs associated with a higher volume of encroachment permit requests received and monitoring/inspection work to close the permit.

Recommendation 14: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Encroachment Permit fund by \$75,000, as follows:*

Increase appropriations:		
40670-947160-510040	Regular salaries	\$45,000
40670-947160-518100	Budgeted benefits	<u>30,000</u>
	Total	<u>75,000</u>
Anticipated use of unrestricted net assets:		
40670-947160-380100	Unrestricted net assets	75,000

The requested budget adjustment will increase appropriations within the Flood Control and Water Conservation District Zone 3 Fund 25130 from department net assets. The adjustment anticipates increased costs associated with the storm/flood emergency contract work in the Holy Fire Burn Area.

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Zone 3 Construction-Maintenance-Miscellaneous fund by \$1,000,000 as follows:*

Increase appropriations:		
25130-947440-527980	Contracts	\$1,000,000

Anticipated use of committed fund balance:		
25130-947440-330100	Committed fund balance	1,000,000

Department of Waste Resources

The Department of Waste Resources receives secured settlement tax payments from the Treasurer-Tax Collector related to Area 8, which are then disbursed to the applicable third party in the agreement. Due to an increase in the tax rate and the need to accrue payments for this fiscal year that are anticipated to be received in next fiscal year, the department has under budgeted for both revenue to be received and the expense to pay to the third party. The department requests a budget adjustment in the amount of \$210,000 to provide the necessary funds to cover the projected increase in expense as well as the estimated increase to revenue.

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Waste Resources by \$210,000, as follows:*

Increase appropriations:		
23000-4500300000-523230	Miscellaneous expense	\$210,000

Increase estimated revenue:		
23000-4500300000-777310	Land use fees - cities	210,000

ECONOMIC & COMMUNITY DEVELOPMENT

Agricultural Commissioner

As of third quarter, the budget status for the department is stable. Receipt of the majority of revenue occurs in the third and fourth quarters, and the department anticipates receipt of an additional \$120,000 of revenue from the California Department of Pesticide Regulation.

Department of Animal Services

The department anticipates ending the fiscal year with a \$1.3 million deficit. Revenue categories including licensing, adoptions fees, and spay and neuter clinic fees have not kept pace with budget projections. In addition, revenues from city billings for shelter and field services have not materialized due to a decrease in the number of impounded animals within contract city boundaries.

Current Status

The shortfall in animal licensing revenue is due, in part, to the use of Animal Licensing Officers providing services in the declared fire emergency areas instead of in the field. In addition, the emergency response activity resulted in increased expenditures of approximately \$110,000, which is awaiting reimbursement from the Federal Emergency Management Agency (FEMA). The lack of available contracted veterinarians during the fiscal year partially contributed to the deficit in spay and neuter revenue.

The department has twenty-five unfilled positions that will remain vacant and anticipates savings in supplies and services that will assist in mitigating the deficit. Animal Services will continue to practice cost containment measures, research grants and funding partnerships.

Economic Development Agency

The department requests a budget increase for EDA-Administration sub-funds to provide sufficient appropriations for support to the fair for operational needs during off-season.

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the EDA-Administration sub-funds by \$840,000, as follows:*

Increase appropriations:		
21100-1900500000-551100	Contribution to other funds	\$840,000
Anticipated use of committed fund balance:		
21109-1900500000-330100	Committed fund balance	840,000

EDA – Community Centers

The department requests to establish appropriations to allow EDA-Community Center Administration to transfer remaining balances to CSA Admin to close the fund. This action will reclassify the balance to the correct fund.

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the Economic Development Agency by \$1,142, as follows:*

Increase appropriations:		
21140-1900800000-551100	Contributions to other funds	\$1,142
Anticipated use of restricted program money:		
21140-1900800000-321101	Restricted program money	1,142
Increase estimated revenue:		
23010-915202-790600	Contribution from other county funds	1,142
Anticipated increase of restricted program money:		
23010-915202-321101	Restricted program money	1,142

EDA Community Centers requests a budget adjustment to increase estimated revenue

and appropriations. Concession and rental income are trending higher than budgeted by \$24,462. In addition, total operating expenditures exceed the funding available for this fund.

Recommendation 19: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the EDA-Community Centers by \$24,462, as follows:*

Increase estimated revenue:		
10000-7201300000-741360	Concessions	\$14,632
10000-7201300000-741460	Rental of buildings	<u>9,830</u>
	Total	24,462

Increase appropriations:		
10000-7201300000-522310	Maintenance - building and improvement	24,462

EDA – Custodial Services Division

The EDA, Custodial Services Divisions requests a budget adjustment of \$1,179,151 to record pension expense pursuant to GASB68. This adjustment will allow for the proper reporting of pension expense, since the amount was unknown during budget adoption. This impact will cause the fund to report a structural deficit of approximately \$1,179,151; the division expects sufficient revenues to meet expenditure demands for operations.

Recommendation 20: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the EDA Custodial Services Division by \$1,179,151, as follows:*

Increase appropriations:		
47200-7200200000-513160	Pension expense	\$1,179,151

Anticipated use of unrestricted net assets:		
47200-7200200000-380110	Unrestricted Net Asset Pension & OPEB Liability	1,179,151

Parking Services

The EDA Parking Services Division anticipates ending the year with a deficit of approximately \$326,926. The relocation of the Parking Office, extensive maintenance services needed for the parking structures, and reduced revenues are contributing factors to the deficit. The division continues to operate with minimal staff and would benefit from a long-term solution for the replacement of the parking system and equipment that is beyond useful life. The parking system continuously breaks down and is in disrepair. The Parking Division submitted rates to the ACO and are still under review. The ACO has requested additional information including a one month time study for the Ordinance Enforcement Officers. Increased rates and an amendment to ordinance 626 would improve the structural deficit. The replacement of the equipment will continue to be a challenge. EDA continues to monitor expenditures and revenues closely while looking for opportunities to mitigate the deficit. In the interim, EDA is requesting contingency funds to be allocated to the division in the amount of \$233,000.

Current Status

Recommendation 21: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for EDA Parking Services and adjusting appropriations for contingency by \$233,000 as follows:*

Increase appropriations:		
10000-7200700000-522310	Maintenance - building and improvement	\$143,000
10000-7200700000-522410	Maintenance - tenant improvement	65,000
10000-7200700000-526700	Rent – lease buildings	<u>25,000</u>
	Total	233,000

Increase estimated revenue:		
10000-7200700000-790600	Contributions from other county funds	233,000

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	233,000

Increase appropriations:		
10000-1109000000-551100	Contributions to other county funds	233,000

Maintenance Services Division

The EDA Maintenance Services Divisions requests a budget adjustment of \$4,490,658 to continue with uninterrupted maintenance services and to record pension expense pursuant to GASB68. This adjustment will allow for the proper reporting of pension expense, since the amount was unknown during budget adoption.

Recommendation 22: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the EDA Maintenance Services Division by \$4,490,658, as follows:*

Increase estimated revenue:		
47210-7200300000-777520	Reimbursement for services	\$2,606,296

Increase appropriations:		
47210-7200300000-513160	Pension expense	1,884,362
47210-7200300000-518100	Budgeted benefits	1,206,296
47210-7200300000-522310	Maintenance - building and improvements	<u>1,400,000</u>
	Total	4,490,658

Anticipated use of unrestricted net assets:		
47210-7200300000-380110	Unrestricted Net Asset Pension & OPEB Liability	1,884,362

County Free Library

The department requests a budget adjustment for the EDA-Libraries to reimburse the City of Coachella for the Coachella Library furniture pursuant to a memorandum of understanding that will go for board approval in late April or early May.

Recommendation 23: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for EDA-Libraries by*

\$370,286, as follows:

Increase appropriations:		
21200-1900700000-523680	Office equipment non fixed assets	\$370,286

Anticipated use of restricted fund balance:		
21200-1900700000-321101	Restricted program money	370,286

County Service Areas (CSA)

EDA requests a budget adjustment for \$70,000 to fund increased costs for utility fees. CSA receives revenues twice per year to process payments for all expenses. Bills are paid after revenues are received which resulted in late fees for some of the invoices. Staff negotiated a settlement with SCE to bring the account current and new procedures are in place to ensure timely payment processing.

Recommendation 24: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CSA Administration by \$70,000, as follows:*

Increase appropriations:		
23010-915202-529530	Street lights	\$70,000

Anticipated use of restricted fund balance:		
23010-915202-321101	Restricted program money	70,000

Community Park & Centers

The Community Park & Centers requests a budget adjustment to increase estimated revenue and appropriations. Property tax revenues are trending higher than budgeted by \$82,784. Establishment of an "Other Charges" line item is necessary to record utility expenditures paid from the Energy division through EnergyCap.

Recommendation 25: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the EDA-Community Park & Centers by \$82,784, as follows:*

Increase estimated revenue:		
21830-7201200000-700020	Prop tax current secured	\$82,784

Increase appropriations:		
21830-7201200000-537240	Interfund expense - utilities	82,784

Regional Parks and Open Space District

The district is closing two funds used in prior fiscal years to account for CSA Parks and Community Center Maintenance and Operations agreements with the county, funded by general fund. The ending fund balance represents accrued interest earned since the transfer of operations to another county department. Return of this revenue to the Economic Development Agency and the Executive Office will clear the funds for closure. Establishment of an expenditure budget must occur to record the transactions.

Current Status

Recommendation 26: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations for the Regional Park and Open Space District by \$32,035 as follows:*

Increase appropriations:		
25600-931155-551100	Contribution to other county funds	\$29,743

Anticipated use of committed fund balance:		
25600-931155-330100	Committed fund balance	29,743

Increase appropriations:		
25610-931156-551100	Contribution to other county funds	2,292

Anticipated use of committed fund balance:		
25610-931156-330100	Committed fund balance	2,292

The district maintains a fund for financial activity related to its Historical Commission. The district requests establishment of an expenditure budget for this fund to record related expenditure activity.

Recommendation 27: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations for the Regional Park and Open Space District by \$1,000, as follows:*

Increase appropriations:		
25400-931111-528120	Board/commission expense	\$1,000

Anticipated use of restricted fund balance:		
25401-931111-321129	Restricted for history commission	1,000

The district is experiencing general price increases in all utilities at its regional park sites, as well as increased visitors for camping and day use. The district requests to increase the existing budget to cover the projected annual costs.

Recommendation 28: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$70,000, as follows:*

Increase appropriations:		
25400-931104-529540	Utilities	\$70,000

Increase estimated revenue:		
25400-931104-776740	Recreation fees	70,000

The district is utilizing County Counsel services more than anticipated during this fiscal year. This increased need for legal service support is due to additional business activities, such as construction contracts, high-dollar public bids, and public requests for service, all requiring County Counsel review and/or advice.

Recommendation 29: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$55,000, as follows:*

Increase appropriations:		
25400-931104-537020	Interfund expense - legal fees	\$55,000
Increase estimated revenue:		
25400-931104-777520	Reimbursement for services	55,000

The district entered into a Lease and Operating Agreement with Beaumont-Cherry Valley Recreation and Park District (BCVRPD) for Bogart Park effective January 1, 2019 via Minute Order 13.3 on December 11, 2018. According to terms of this agreement, the district will pay \$100,000 to BCVRPD for each calendar year during the initial 3-year transition period to assist with operations. Establishment of a budget is necessary in order for the district to remit payment for calendar year 2019.

Recommendation 30: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$100,000, as follows:*

Increase appropriations:		
25400-931104-521600	Maintenance - service contracts	\$100,000
Increase estimated revenue:		
25400-931104-776740	Recreation fees	100,000

The district's Recreation fund requires additional operational support this fiscal year due to the extended closure of its special event facilities during expansion construction. The district requests transfer of \$300,000 from the Operating fund reserves to support continued operations of other recreation programs until the event facilities are re-opened.

Recommendation 31: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$300,000, as follows:*

Increase appropriations:		
25400-931104-551000	Operating transfers - out	\$300,000
Anticipated use of restricted fund balance:		
25400-931104-321101	Restricted program money	300,000
Anticipated increase of restricted fund balance:		
25420-931180-321101	Restricted program money	300,000
Increase estimated revenue:		
25420-931180-790500	Operating transfers - in	300,000

Current Status

The district's Habitat and Open-Space Management program has experienced an increase in activities this year due to the required management of homeless in open-space areas. The district projects that expenditures for general maintenance and vehicle use, as well as the allocation of additional personnel, will exceed the current budget. Establishment of additional appropriations is necessary to meet these increased work demands.

Recommendation 32: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations for the Regional Park and Open Space District by \$114,000, as follows:*

Increase appropriations:		
25430-931170-510040	Regular salaries	\$90,000
25430-931170-522320	Maintenance - grounds	12,000
25430-931170-528920	Car pool expense	<u>12,000</u>
	Total	<u>114,000</u>
Anticipated use of committed fund balance:		
25430-931170-330100	Committed fund balance	114,000

The California State Parks Habitat Conservation fund awarded the district an environmental education grant to support its "Knee-High Naturalist" classes and programming at Hidden Valley Nature Center. The district requests establishment of a budget to expend these grant funds in this fiscal year.

Recommendation 33: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$95,000, as follows:*

Increase appropriations:		
25520-931107-510040	Regular salaries	\$95,000
Increase estimated revenue:		
25520-931107-755680	CA - other operating grants	95,000

The District is preparing to close the Arundo Removal fund, used to account for the expenditure of State proposition funds allocated for the control of the invasive plant species Arundo Donax within the Santa Ana Riverbed. The district has expended all restricted funding and the remaining fund balance consists entirely of unrestricted accumulated interest earnings. The district's Habitat and Open-Space Management Program will continue the work required to control Arundo Donax; therefore, the district requests to transfer fund balance to the Habitat and Open-Space Management fund. Establishment of an expenditure budget is necessary to record the transactions.

Recommendation 34: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$400,000, as follows:*

Increase appropriations:		
25520-931107-551000	Operating transfers - out	\$400,000
Anticipated use of restricted fund balance:		
25520-931107-321101	Restricted program money	400,000
Anticipated increase of committed fund balance:		
25430-931170-330100	Committed fund balance	400,000
Increase estimated revenue:		
25430-931170-790500	Operating transfers - in	400,000

The District has increased its planning and construction activities in this fiscal year. Staff is currently working towards construction of several segments of the Santa Ana River Trail, adding infrastructure to trail staging areas, and expanding the special event facilities at headquarters, all of which receive funding from Development Impact Fees. Existing budget estimates will not be sufficient to cover projected activity through the end of this fiscal year, and a budget adjustment will be required in the District CIP-DIF fund.

Recommendation 35: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$1,012,000, as follows:*

Increase appropriations:		
33120-931800-542120	Improvements - infrastructure	\$1,012,000
Increase estimated revenue:		
33120-931800-790600	Contribution from other county funds	1,012,000

Registrar of Voters

The Registrar of Voters is required to conduct three elections during FY 18/19. The department conducted the Consolidated General Election on November 6, 2018, and will conduct the May 7, 2019 Moreno Valley Unified School District, Trustee Area 5 Special Vacancy Election and the June 4, 2019 City of Riverside Election. The department anticipates that the budget can accommodate the scheduled elections.

On February 27, 2019, California Secretary of State Alex Padilla initiated the process for withdrawing certification or conditional approval of voting systems that were not tested or certified under the most recent state security standards, and mandated that county elections officials implement a voting system that meets California's newest testing and certification standards. All certified voting systems are to be operational for the March 3, 2020 Presidential Primary Election.

The Registrar of Voters, in conjunction with the Ad Hoc Committee, Purchasing, and County Counsel, is currently evaluating the options for the purchase or lease of a certified

Current Status

voting system for the upcoming fiscal year. The county is eligible for a maximum of approximately \$6 million in matching funds from the state for new voting equipment.

INTERNAL SUPPORT

Human Resources

Delta Dental PPO

The department is anticipating that dental claims will be higher than anticipated due to increased enrollment in the Delta Dental PPO plan. Revenues from insurance premiums are estimated to be sufficient to cover the increased appropriations. The department requests a budget adjustment to increase appropriations and estimated revenues by \$400,000 as follows:

Recommendation 36: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Delta Dental PPO Fund by \$400,000, as follows:*

Increase estimated revenue:		
45860-1130600000-781220	Contributions & donations	\$100,000
45860-1130600000-781320	Insurance proceeds	<u>300,000</u>
	Total	400,000
Increase appropriations:		
45860-1130600000-534240	Dental claims	400,000

Workers' Compensation

Workers' compensation claims are expected to be higher than estimated. To ensure that all pending claims can be paid before yearend, the department requests a budget adjustment to increase appropriations, estimated revenues and use of unrestricted net assets by \$3,000,000, as follows:

Recommendation 37: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue, for the Workers' Compensation Fund by \$3,000,000, as follows:*

Increase estimated revenue:		
46100-1130800000-740020	Interest - invested funds	\$750,000
46100-1130800000-777010	Stop loss reimbursement	945,000
46100-1130800000-781120	Rebates & refunds	55,000
46100-1130800000-781460	Workers comp subrogation pro	<u>275,000</u>
	Total	2,025,000
Increase appropriations:		
46100-1130800000-534220	Comp claims	3,000,000
Anticipated use of unrestricted net assets:		
46100-1130800000-380100	Unrestricted net assets	975,000

Temporary Assignment Program

Temporary employment has reduced significantly this fiscal year. The temporary, per diem, registrar of voters' temporary election workers, and fair workers hiring rates were built on a cost-per-hire basis at hiring levels greater than what is being experienced. The result is that revenue is not keeping up with operating costs, even as 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.

Purchasing & Fleet Services

Purchasing Services will exceed budgeted appropriations for salaries and benefits due to unplanned retirement payouts. The department incurred costs of approximately \$123,000 in retirement payouts. Salary savings offset a portion of the payouts, but an additional \$85,000 in net county cost is needed to cover the remainder. The Emergency Management Department will reimburse Purchasing Services \$22,193 in overtime costs for response to Emergency Operation Center events. The only outstanding overage is due to payouts.

Supply Services requests a budget adjustment in the amount of \$195,000 for the replacement of the mid-county roof due to the damage created by the heavy rains this year. The rains produced various leaks throughout the facility causing water buildup in the warehouse areas. Repairs are needed as the department cannot risk the damage of supplies coming to the facility. For example, a large PSEC order is due to arrive this calendar year and the roof must be repaired in order to protect this type of sensitive equipment that will be received and stored during the rollout of this and other similar projects. The project will also provide for minor venting and cooling improvements that are needed. A budget adjustment is needed increasing appropriations by \$195,000 to fund the project.

The addition of this project requires a revision to the FY 18/19 Five-Year Capital Equipment Needs/Reserve Plan in the amount of \$195,000. There is no impact to the general fund for this request.

Recommendation 38: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for Supply Services by \$195,000, as follows:*

Increase appropriations:

45700-7300400000-522310	Maintenance – building and improvement	\$195,000
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Anticipated use of unrestricted net assets:

45700-7300400000-380100	Unrestricted net assets	195,000
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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 for County Counsel by \$53,046, as follows:*

Increase appropriations:		
10000-1500100000-510040	Regular salaries	36,374
10000-1500100000-518100	Budgeted benefits	16,672
10000-1500100000-572800	Intra-miscellaneous	<u>(53,046)</u>
	Total	0

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make a budget adjustment increasing appropriations for the Pension Obligation fund by \$2,854,255, as follows:*

Increase appropriations:		
35000-1104000000-536200	Contributions to other non-county agency	\$2,854,255
Anticipated use of restricted fund balance:		
35000-1104000000-324100	Restricted for debt service	2,854,255

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Appropriation for Contingencies by \$15,400,000 as follows:*

Anticipated use of unassigned fund balance:		
10000-1100100000-370100	Unassigned fund balance	\$15,400,000
Increase appropriations:		
10000-1100100000-551100	Contributions to other county funds	15,400,000
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingencies	15,400,000
Increase estimated revenue:		
10000-1109000000-790600	Contributions from other county funds	15,400,000

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make a budget adjustment increasing appropriations for the Court Sub-fund budget by \$78,000, as follows:*

Increase appropriations:		
10000-1101200000-537130	Interfund expense - rent CORAL	\$78,000

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Anticipated use of restricted fund balance:

11050-1101200000-321101	Restricted program money	78,000
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Recommendation 5: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the Emergency Management Department by \$191,339, as follows:*

Increase estimated revenue:

10000-2000100000-790600	Contributions from other county funds	\$191,339
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Increase appropriations:

10000-2000100000-510420	Overtime	59,310
10000-2000100000-510500	Standby pay	3,606
10000-2000100000-520705	Food	44,974
10000-2000100000-522860	Medical - dental supplies	3,918
10000-2000100000-523660	Computer supplies	1,056
10000-2000100000-525140	Personnel services	2,665
10000-2000100000-525440	Professional services	1,150
10000-2000100000-526530	Rent - lease equipment	13,247
10000-2000100000-527180	Operational supplies	35,187
10000-2000100000-528960	Lodging	25,696
10000-2000100000-528980	Meals	326
10000-2000100000-529040	Private mileage reimbursement	204
	Total	191,339

Decrease appropriations:

10000-1109000000-581000	Appropriations for contingencies	191,339
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Increase appropriations:

10000-1109000000-551100	Contributions to other county funds	191,339
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Recommendation 6: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to estimated revenue and appropriations for the Emergency Management Department by \$75,000 as follows:*

Increase appropriations:

10000-2000100000-546160	Equipment - other	\$75,000
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Increase estimated revenue:

10000-2000100000-767220	Federal - other operating grants	75,000
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Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the RUHS – Behavioral Health Detention and Correctional Health as follows:*

Increase appropriations:

10000-4100300000-551100	Contributions to other county funds	\$6,600,000
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Decrease appropriations:		
10000-4100300000-510040	Regular salaries	3,500,000
10000-4100300000-518100	Budgeted benefits	1,100,000
10000-4100300000-525440	Professional services	<u>400,000</u>
	Total	5,000,000
Increase estimated revenue:		
10000-4100300000-751040	CA - mental health services act	1,000,000
10000-4100300000-755900	CA - AB118 local revenue	<u>300,000</u>
	Total	1,300,000
Anticipated use of unassigned fund balance:		
10000-4100300000-370100	Unassigned fund balance	300,000
Increase appropriations:		
10000-1109000000-581000	Appropriation for contingencies	6,600,000
Increase estimated revenue:		
10000-1109000000-790600	Contributions from other county funds	6,600,000
Increase appropriations:		
10000-4300300000-510040	Regular salaries	1,100,000
10000-4300300000-525440	Professional services	4,507,500
10000-4300300000-546160	Equipment - other	<u>692,500</u>
	Total	6,300,000
Increase estimated revenue:		
10000-4300300000-790600	Contributions from other county funds	6,300,000
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	6,300,000
Increase appropriations:		
10000-1109000000-551100	Contributions to other county funds	6,300,000

Recommendation 8: That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for Public Health by \$200,000, as follows:

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$70,000
10000-4200100000-518100	Budgeted benefits	33,600
10000-4200100000-522890	Pharmaceuticals	3,710
10000-4200100000-525440	Professional services	50,000
10000-4200100000-523700	Office supplies	3,500
10000-4200100000-526420	Advertising	3,000
10000-4200100000-523840	Computer equipment software	10,000
10000-4200100000-524500	Administrative support - direct	<u>26,190</u>
	Total	200,000

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Increase estimated revenue:		
10000-4200100000-762020	Fed - SB 910 MAA MAC	200,000

Recommendation 9: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for Public Health by \$503, as follows:*

Increase appropriations:		
22700-4200100000-551000	Operating transfers – out	\$503

Anticipated use of unassigned fund balance:		
22705-4200101100-370100	Unassigned fund balance	113
22705-4200101300-370100	Unassigned fund balance	167
22705-4200101400-370100	Unassigned fund balance	38
22705-4200102200-370100	Unassigned fund balance	<u>185</u>
	Total	<u>503</u>

Increase appropriations:		
10000-4200100000-525440	Professional services	503

Increase estimated revenue:		
10000-4200100000-790500	Operating transfers – in	503

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Department of Public Social Services and decreasing appropriations for contingency by \$1,800,000, as follows:*

Increase appropriations:		
10000-1109000000-551100	Contributions to other county funds	\$1,800,000

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingencies	1,800,000

Increase estimated revenue:		
10000-5100400000-790600	Contributions from other county funds	1,800,000

Increase appropriations:		
10000-5100400000-530520	Co funded assistance	1,800,000

Recommendation 11: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the Riverside County Office on Aging by \$135,310, as follows:*

Decrease estimated revenue:		
21450-5300100000-767140	Federal - miscellaneous reimbursement	\$74,660
21450-5300100000-781360	Other miscellaneous revenue	<u>64,150</u>

	Total	138,810
Decrease appropriations:		
21450-5300100000-510040	Regular salaries	12,318
21450-5300100000-518100	Budgeted benefits	2,345
21450-5300100000-527780	Special program expense	56,953
21450-5300100000-536200	Contributions to other non-county agency	<u>67,194</u>
	Total	138,810
Increase estimated revenue:		
21450-5300100000-781220	Contributions & donations	3,500
Increase appropriations:		
21450-5300100000-527780	Special program expense	3,500

Recommendation 12: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Transportation Department by \$2,000,000, as follows:

Increase appropriations:		
22400-3130400000-537080	Interfund expense – miscellaneous	\$2,000,000
Anticipated use of restricted fund balance:		
22400-3130400000-321101	Restricted program money	2,000,000

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the NPDES Santa Ana Assessment fund by \$2,000,000, as follows:

Increase appropriations:		
25190-947560-551100	Contribution to other funds	\$2,000,000
Anticipated use of committed fund balance:		
25190-947560-330100	Committed fund balance	2,000,000

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Encroachment Permit fund by \$75,000, as follows:

Increase appropriations:		
40670-947160-510040	Regular salaries	\$45,000
40670-947160-518100	Budgeted benefits	<u>30,000</u>
	Total	75,000
Anticipated use of unrestricted net assets:		
40670-947160-380100	Unrestricted net assets	75,000

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-

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Controller to make budget adjustments increasing appropriations for the Zone 3 Construction-Maintenance-Miscellaneous fund by \$1,000,000 as follows:

Increase appropriations:		
25130-947440-527980	Contracts	\$1,000,000

Anticipated use of committed fund balance:		
25130-947440-330100	Committed fund balance	1,000,000

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Department of Waste Resources by \$210,000, as follows:*

Increase appropriations:		
23000-4500300000-523230	Miscellaneous expense	\$210,000

Increase estimated revenue:		
23000-4500300000-777310	Land use fees - cities	210,000

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the EDA-Administration sub-funds by \$840,000, as follows:*

Increase appropriations:		
21100-1900500000-551100	Contribution to other funds	\$840,000

Anticipated use of committed fund balance:		
21109-1900500000-330100	Committed fund balance	840,000

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the Economic Development Agency by \$1,142, as follows:*

Increase appropriations:		
21140-1900800000-551100	Contributions to other funds	\$1,142

Anticipated use of restricted program money:		
21140-1900800000-321101	Restricted program money	1,142

Increase estimated revenue:		
23010-915202-790600	Contribution from other county funds	1,142

Anticipated increase of restricted program money:		
23010-915202-321101	Restricted program money	1,142

Recommendation 19: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the EDA-Community Centers by \$24,462, as follows:

Increase estimated revenue:		
10000-7201300000-741360	Concessions	\$14,632
10000-7201300000-741460	Rental of buildings	<u>9,830</u>
	Total	24,462
Increase appropriations:		
10000-7201300000-522310	Maintenance - building and improvement	24,462

Recommendation 20: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the EDA Custodial Services Division by \$1,179,151, as follows:

Increase appropriations:		
47200-7200200000-513160	Pension expense	\$1,179,151
Anticipated use of unrestricted net assets:		
47200-7200200000-380110	Unrestricted Net Asset Pension & OPEB Liability	1,179,151

Recommendation 21: That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for EDA Parking Services and adjusting appropriations for contingency by \$233,000 as follows:

Increase appropriations:		
10000-7200700000-522310	Maintenance - building and improvement	\$143,000
10000-7200700000-522410	Maintenance - tenant improvement	65,000
10000-7200700000-526700	Rent – lease buildings	<u>25,000</u>
	Total	233,000
Increase estimated revenue:		
10000-7200700000-790600	Contributions from other county funds	233,000
Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	233,000
Increase appropriations:		
10000-1109000000-551100	Contributions to other county funds	233,000

Recommendation 22: That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the EDA Maintenance Services Division by \$4,490,658, as follows:

Increase estimated revenue:

Attachment A

47210-7200300000-777520	Reimbursement for services	\$2,606,296
Increase appropriations:		
47210-7200300000-513160	Pension expense	1,884,362
47210-7200300000-518100	Budgeted benefits	1,206,296
47210-7200300000-522310	Maintenance - building and improvements	<u>1,400,000</u>
	Total	4,490,658
Anticipated use of unrestricted net assets:		
47210-7200300000-380110	Unrestricted Net Asset Pension & OPEB Liability	1,884,362

Recommendation 23: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for EDA-Libraries by \$370,286, as follows:*

Increase appropriations:		
21200-1900700000-523680	Office equipment non fixed assets	\$370,286
Anticipated use of restricted fund balance:		
21200-1900700000-321101	Restricted program money	370,286

Recommendation 24: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for CSA Administration by \$70,000, as follows:*

Increase appropriations:		
23010-915202-529530	Street lights	\$70,000
Anticipated use of restricted fund balance:		
23010-915202-321101	Restricted program money	70,000

Recommendation 25: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the EDA-Community Park & Centers by \$82,784, as follows:*

Increase estimated revenue:		
21830-7201200000-700020	Prop tax current secured	\$82,784
Increase appropriations:		
21830-7201200000-537240	Interfund expense - utilities	82,784

Recommendation 26: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for the Regional Park and Open Space District by \$32,035 as follows:*

Increase appropriations:

25600-931155-551100	Contribution to other county funds	\$29,743
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Anticipated use of committed fund balance:

25600-931155-330100	Committed fund balance	29,743
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Increase appropriations:

25610-931156-551100	Contribution to other county funds	2,292
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Anticipated use of committed fund balance:

25610-931156-330100	Committed fund balance	2,292
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Recommendation 27: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations for the Regional Park and Open Space District by \$1,000, as follows:*

Increase appropriations:

25400-931111-528120	Board/commission expense	\$1,000
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Anticipated use of restricted fund balance:

25401-931111-321129	Restricted for history commission	1,000
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Recommendation 28: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$70,000, as follows:*

Increase appropriations:

25400-931104-529540	Utilities	\$70,000
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Increase estimated revenue:

25400-931104-776740	Recreation fees	70,000
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Recommendation 29: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$55,000, as follows:*

Increase appropriations:

25400-931104-537020	Interfund expense - legal fees	\$55,000
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Increase estimated revenue:

25400-931104-777520	Reimbursement for services	55,000
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Recommendation 30: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$100,000, as follows:*

Increase appropriations:

25400-931104-521600	Maintenance - service contracts	\$100,000
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Attachment A

Increase estimated revenue:		
25400-931104-776740	Recreation fees	100,000

Recommendation 31: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$300,000, as follows:*

Increase appropriations:		
25400-931104-551000	Operating transfers - out	\$300,000

Anticipated use of restricted fund balance:		
25400-931104-321101	Restricted program money	300,000

Anticipated increase of restricted fund balance:		
25420-931180-321101	Restricted program money	300,000

Increase estimated revenue:		
25420-931180-790500	Operating transfers - in	300,000

Recommendation 32: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations for the Regional Park and Open Space District by \$114,000, as follows:*

Increase appropriations:		
25430-931170-510040	Regular salaries	\$90,000
25430-931170-522320	Maintenance - grounds	12,000
25430-931170-528920	Car pool expense	<u>12,000</u>
	Total	114,000

Anticipated use of committed fund balance:		
25430-931170-330100	Committed fund balance	114,000

Recommendation 33: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$95,000, as follows:*

Increase appropriations:		
25520-931107-510040	Regular salaries	\$95,000

Increase estimated revenue:		
25520-931107-755680	CA - other operating grants	95,000

Recommendation 34: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$400,000, as follows:*

Increase appropriations:		
25520-931107-551000	Operating transfers - out	\$400,000
Anticipated use of restricted fund balance:		
25520-931107-321101	Restricted program money	400,000
Anticipated increase of committed fund balance:		
25430-931170-330100	Committed fund balance	400,000
Increase estimated revenue:		
25430-931170-790500	Operating transfers - in	400,000

Recommendation 35: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and estimated revenue for the Regional Park and Open Space District by \$1,012,000, as follows:*

Increase appropriations:		
33120-931800-542120	Improvements - infrastructure	\$1,012,000
Increase estimated revenue:		
33120-931800-790600	Contribution from other county funds	1,012,000

Recommendation 36: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Delta Dental PPO Fund by \$400,000, as follows:*

Increase estimated revenue:		
45860-1130600000-781220	Contributions & donations	\$100,000
45860-1130600000-781320	Insurance proceeds	<u>300,000</u>
	Total	400,000
Increase appropriations:		
45860-1130600000-534240	Dental claims	400,000

Recommendation 37: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue, for the Workers' Compensation Fund by \$3,000,000, as follows:*

Increase estimated revenue:		
46100-1130800000-740020	Interest - invested funds	\$750,000
46100-1130800000-777010	Stop loss reimbursement	945,000
46100-1130800000-781120	Rebates & refunds	55,000
46100-1130800000-781460	Workers comp subrogation pro	<u>275,000</u>
	Total	2,025,000
Increase appropriations:		
46100-1130800000-534220	Comp claims	3,000,000

Anticipated use of unrestricted net assets:

Attachment A

46100-1130800000-380100	Unrestricted net assets	975,000
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Recommendation 38: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for Supply Services by \$195,000, as follows:*

Increase appropriations:		
45700-7300400000-522310	Maintenance – building and improvement	\$195,000

Anticipated use of unrestricted net assets:		
45700-7300400000-380100	Unrestricted net assets	195,000

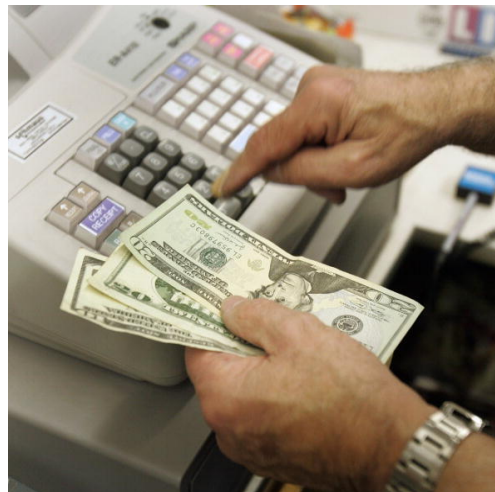
Attachment B UCR Economic Forecast

County of Riverside

Revenue Forecast



May 2019



County of Riverside Revenue Forecast

This publication was prepared for:

COUNTY OF RIVERSIDE

This publication was prepared by:

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REPORT OVERVIEW

This revenue forecast for the County of Riverside extending to 2023–24 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 2023–24.

County of Riverside Revenue Forecast

Revenue Stream	Actual	Forecast					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Assessed Value (\$ 000s)	269,147,339	286,069,300	302,109,400	318,713,700	333,956,400	348,208,800	362,368,400
Growth(%)	5.5	6.3	5.6	5.5	4.8	4.3	4.1
Prop 172 County Apportionment	175,630,857	184,276,200	194,225,300	205,017,600	215,697,200	226,961,700	238,664,300
Growth(%)	5.3	4.9	5.4	5.6	5.2	5.2	5.2
Property Tax	600,530,962	637,324,800	668,061,800	701,361,900	728,903,500	754,401,900	781,254,000
Growth(%)	5.3	6.1	4.8	5.0	3.9	3.5	3.6
Property Transfer Tax	16,445,317	16,894,540	18,638,950	20,050,950	21,383,580	22,799,500	24,186,310
Growth(%)	4.1	2.7	10.3	7.6	6.6	6.6	6.1
Uninc. Taxable Sales (\$ 000s)	2,760,346	2,900,883	3,025,905	3,178,110	3,307,412	3,442,527	3,564,030
Growth(%)	8.1	5.1	4.3	5.0	4.1	4.1	3.5

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

- Looking back, 2018 was clearly a solid year for the U.S. economy, with vastly more positives than negatives to reflect on. The nation's economy grew by 2.9% in real terms over the year, a modest uptick from 2017 and 2016, and the best number since 2015.

Labor markets also added plenty of jobs last year—and will likely continue to do so in 2019. The job openings rate at the end of the year was 4.7%, significantly higher than the unemployment rate. Household finances look good as well. The consumer savings rate ended the year above 6%, even as the financial obligation ratio (the share of disposable income used for debt and rent payments) fell to a record low.

- Still, public sentiment has turned remarkably grim as we move further into 2019 and there have been a surprising number of predictions calling for a potential recession in the next two years. Drivers of this pessimism range from the stock market plunge and slow pace of sales in the housing market to fears surrounding the impact of an expanding trade war with China and decelerating global growth.
- Despite all the negative sentiment, **Beacon Economics** sees little reason (still) to change our near-term outlook for the U.S. economy. Most of the current concerns are unfounded in our view. China is offsetting U.S. tariffs by depreciating the Yuan. The slowing of U.S. exports to China has been made up elsewhere. Corporate fundamentals, including profits and employment, look better now than two years ago.
- Why has the U.S. housing market been flat? The short-run driver is interest rates, which have been gradually rising over the last few years. Interest rates are still low from any longer term perspective, but the market still has to adjust to them. This tends to precipitate a short period of slowing as prices (and thus sales) adapt to new fundamentals. The good news is that interest rates have stabilized—and will likely remain in their current range for a while. Inflation is cooling and the Fed has stopped tightening. **Beacon Economics** expects the negative influence of interest rates on the housing market to fade in the spring.
- The current slowness in the U.S. housing market is not a downturn in any broader sense, nor will it turn into one. On the contrary, all the market worry is much ado about nothing and as 2019 advances, market activity will start to pick up again. This canary in the coalmine will soon wake from its short nap and start singing again.

California Economy

- California's economy, in the first part of 2019, remains on a steady growth track despite concerns about how long the current expansion will continue. Like the nation, the state economy benefited from expansionary fiscal policy in the form of tax cuts coupled with increases in government spending that pushed the labor market closer to full employment and fueled solid job gains.
- The state and many of its metro areas continue to be at or near record lows in terms of unemployment rates, picking up where they left off last year. The statewide rate was 4.2% in January, coasting just a hair above the all-time low of 4.1% for several months running. Indeed, recent increases in California's labor force have kept the unemployment rate above the four percent threshold.

- The 30-year fixed mortgage rate hit nearly 5% in mid-November, the highest in years, but has since retreated below 4.5%. Given recent increases in the state’s supply of homes, and assuming rates hold steady in the next few months, the peak season of 2019 could be better than many expect.
- Looking beyond the near-term performance of the housing market, California’s newly elected governor, Gavin Newsom, and the state legislature have focused directly on the state’s chronic housing shortage, a problem that has been growing in magnitude for many years. In broad terms, given recent population growth, California should have been building about 200,000 new housing units each year for several years running. However, just 115,000 units were built last year, and even fewer earlier in the decade.
- A truly comprehensive solution to California’s housing problem involves more than just finding vacant sites and putting “sticks” in the ground. Residents have deeply-seated and long-held attitudes about their neighborhoods, and very often do not want anyone changing their corner of the world. At the same time, local jurisdictions and their elected officials find themselves in a quandary. Many local leaders want their cities to grow, but the structure of state and local taxes discourages residential development, which adds little to government coffers but imposes public service costs on local government.
- It has taken a long time to get to where we are now with the state’s housing shortage, and it won’t be solved overnight. State and local officials along with other stakeholders must be willing to examine all the dimensions of the housing problem if they want to craft long run solutions that work. This means looking at the tax code, zoning, permitting processes, and even CEQA, while also recognizing that changing residents’ attitudes may be the most difficult nut to crack.

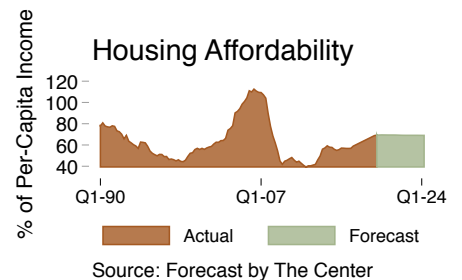
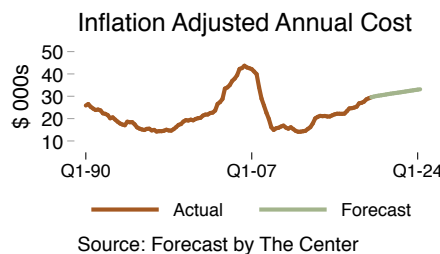
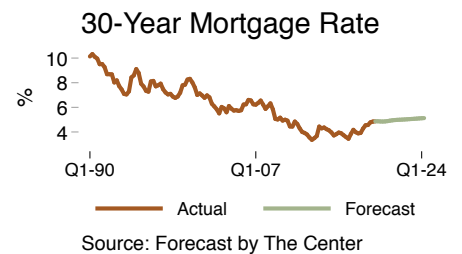
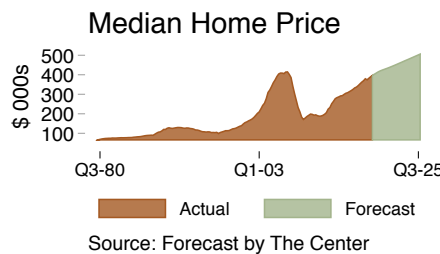
COUNTY OF RIVERSIDE REVENUE FORECAST

Real Estate Driven Revenues

Rising mortgage rates throughout much of 2018 have been a principal reason for the tempered housing market activity in Riverside County thus far in fiscal year 2019. The 30-year fixed rate mortgage average peaked at 4.9% in the first half of fiscal year 2018, softening the market and giving a nod to the notion that transfer tax revenues for fiscal year 2019 might come in softer than expected. As of April 2019, the rate has retreated to 4.2% from its 2018 peak and, along with an increase in the supply of homes for sale, is expected to motivate homebuyers during the housing market’s peak season. With the Federal Reserve’s interest rate pol-

Riverside County Home Price Outlook

Price growth holding steady above historical average



icy on pause, the outlook for the County’s housing market in the first part of fiscal year 2020 looks promising, but it’s likely we’ve already seen most of the story play out for fiscal year 2019.

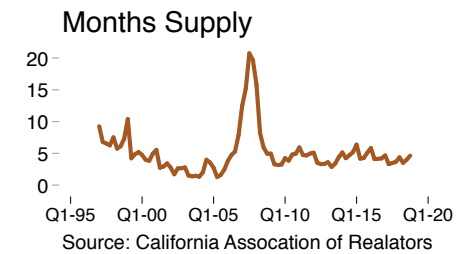
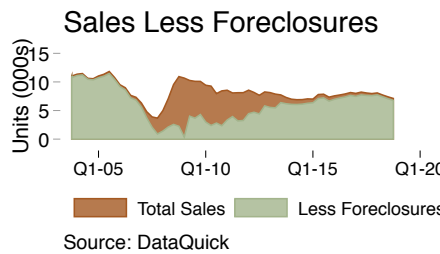
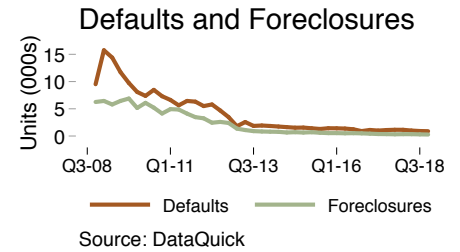
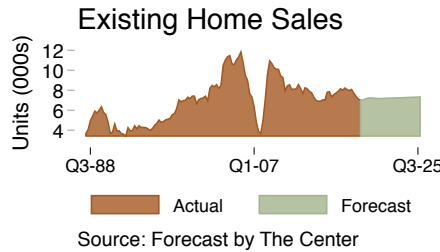
In Riverside County, existing single-family homes sales fell by 9.5% through the first two quarters of fiscal year 2019 relative to the first two quarters of the prior fiscal year, in line with activity at the state and national level. Price growth of existing single-family homes in the County has also decelerated markedly, growing year-over-year by only 5.5% in each of the first two quarters of fiscal year 2019, down from 8.9% and 9.6% during the same two quarters in the year prior.

Sales of new homes, on the other hand, have surged 14.1% over the same period although, at least at the national level, sales at lower price points are leading the way among new home sales activity. Home price appreciation of new single-family homes in Riverside County advanced at a pace of 4.7% year-over-year in the second quarter of fiscal year 2019, compared to a flat performance one year earlier.

Increased demand for new homes is a positive sign for future property tax revenues in the County, as assessed value will be tied to the new base years and, on average, new homes are priced higher than existing homes. However, new homes make up a small share of the overall market, so the increases may not be enough to correct expected softness in transfer tax revenues that result from existing home sales sliding into negative territory. It is important to note that transfer tax revenues for Riverside County are strictly a function of the volume of transactions which occur through the fiscal year.

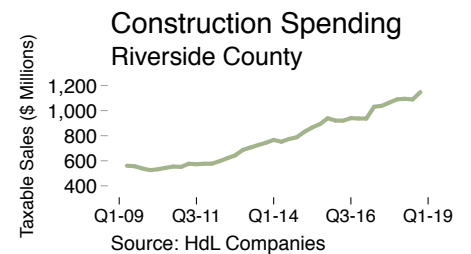
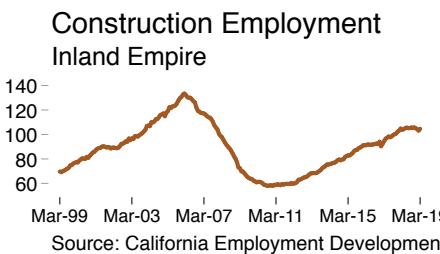
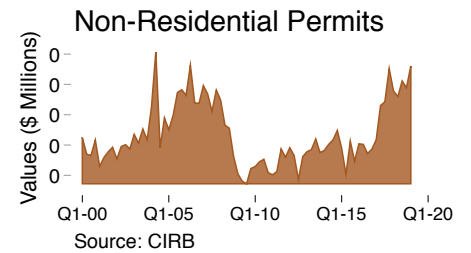
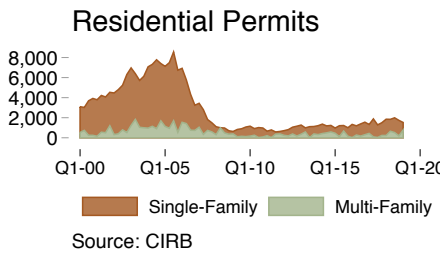
Riverside County Home Sales Outlook

Sales volumes disappoint as inventories remain tight



Riverside County Construction Trends

Construction activity holding steady



On the upside, the supply of existing homes for sale in Riverside County has trended up from the start of the current fiscal year. According to the California Association of Realtors, in February 2019, the supply of homes on the market would be exhausted in 5.6 months – a three-year high in calendar years. This compares with a 4.6-month average supply for California as a whole and is well above other regions of the state such as the San Francisco Bay Area where inventory levels remain below 3 months. Ultimately, even if a greater supply of homes softens prices over the next few months, the combination of lower mortgage rates and weak price gains may spur sales activity in the existing market, which would both increase assessed value and increase transfer tax revenues. Again, these developments will likely have a greater impact on fiscal year 2020 than on the current fiscal year.

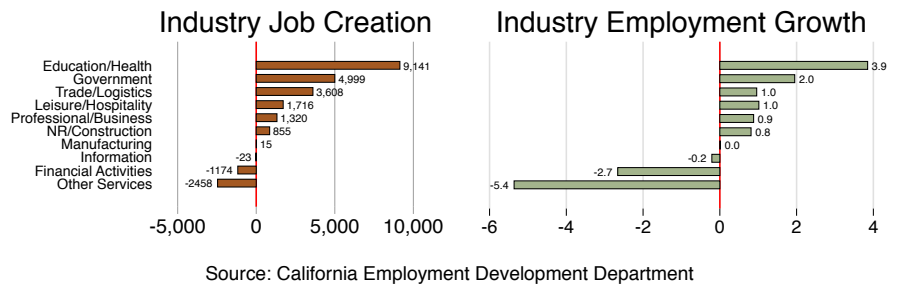
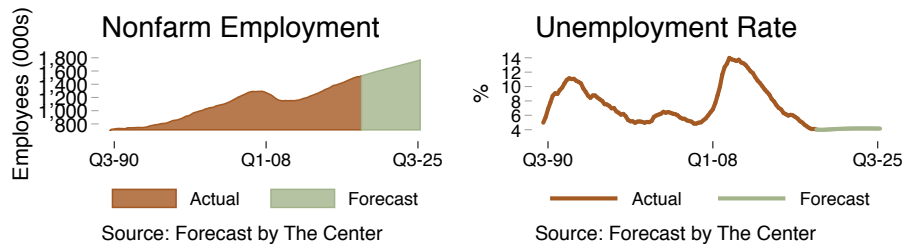
Aside from the housing market, the construction and sales of immense logistics centers continue to strongly support the region in terms of property and transfer tax revenues. Given the strong permitting numbers for nonresidential property over most recent fiscal years, the Center for Forecasting expects modestly stronger growth in Riverside County’s property tax revenues fiscal in 2019, surpassing the 5.3% increase in fiscal year 2018. However, owing mostly to subdued sales in the existing residential market, expect softer growth in transfer tax revenues.

Consumer and Business Spending Driven Revenues

The Riverside County economy has experienced slower growth in recent months after years of spectacularly robust gains. This is a function of both the economy reaching full employment capacity and weakness in individual industries. Still, with low unemployment and continued wage gains fueling spending, the County can expect ongoing - although slightly tempered - growth in sales tax revenues.

Consumer and business spending revenues ticked up in fiscal year 2018, thanks to continued growth in economic activity, jobs, and wages. The Inland Empire as a whole experienced a full percentage point decrease in its unemployment rate from fiscal years 2018 to 2019 (currently 4.6%), while nonfarm job growth accelerated to 3.9% year-over-year. However, the regional economy has slowed markedly in fiscal year 2019, with average year-over-year job growth through the third quarter pacing at 2.5%. The slowdown has been more evident recently, with average job growth from January through March falling to a year-over-year pace of 1.3%. Further, March marked the second month in a row where the Inland Empire grew at a sluggish 1.2% year-over-year pace. The Inland Empire hasn’t experienced such tempered growth since December of 2011 (fiscal year 2010/11) when jobs grew year-over-year by 0.7% and the unemployment rate was 12.4%.

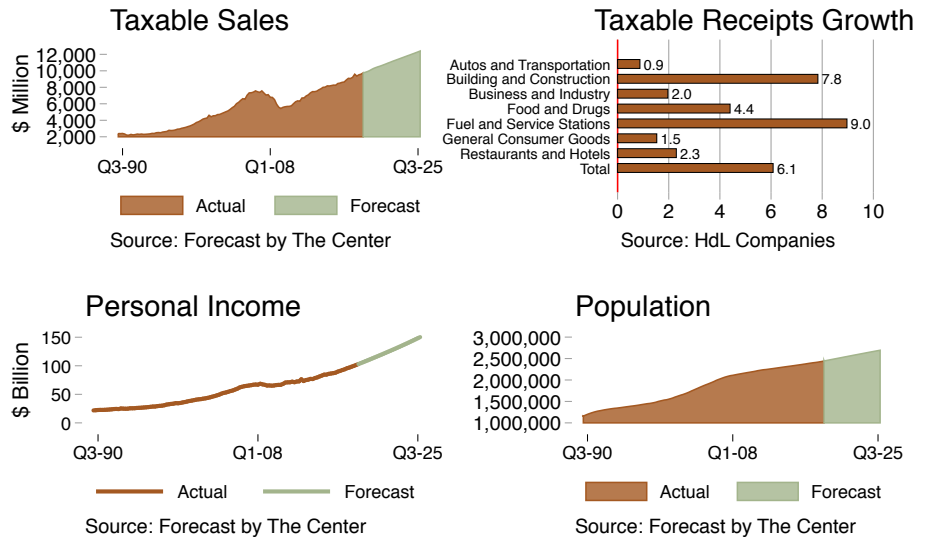
Inland Empire Labor Market
Employment levels remain at historic highs



Aside from the contraction of some industries such as Wholesale Trade and Finance and Insurance, the biggest constraint to economic expansion in the Inland Empire may be the lack of growth in its labor force, which increased by just 0.9% year-over-year as of March 2019. With the neighboring Southern California economies of Orange, Los Angeles, and San Diego Counties also experiencing considerable slowdowns in both job and labor force growth, the entire Southern California labor market may be close to capacity. On a positive note, the California Department of Finance reported that Riverside County experienced a net in-migration of 14,780 individuals in 2018, the most among all California counties and accounting for about 71% of total state migration on net. Riverside County continues to be a magnet for new residents, including significant numbers of Southern California residents who choose to move inland from more unaffordable coastal counties. In turn, the County should expect modest growth in taxable sales, all else being equal. In particular, the Center for Forecasting expects a slightly softer fiscal year 2019 in terms of revenues from the Prop 172 half-cent tax and Unincorporated Riverside County sales tax.

Riverside County Spending and Income

Fuel prices rebounding, expected to boost nominal spending



It is important to note that unincorporated taxable sales in Riverside County are highly correlated with large, crucial, events such as the incorporation of previously unincorporated communities, and construction projects such as the Genesis and Desert Sun solar parks. In November of 2018, the Bureau of Land Management authorized the Palen Solar Project, another large construction project that will take place on unincorporated land. This bodes well for unincorporated taxable sales growth and adds a significant upside to the Center for Forecasting’s outlook should the construction take place over the forecast period.

SUMMARY

The Inland Empire has left the robust growth of recent years in its rearview mirror for the time being, as a slowdown plays out across the region, state, and nation. Even so, local revenues are projected to grow at a healthy, though not extraordinary, pace through fiscal year 2023–24, and the national and state economies are projected to continue experiencing gains that are somewhat similar to those of recent memory. Policy decisions and large, random events add to the inherent uncertainty of any economic outlook. Therefore, the Center for Forecasting will monitor conditions closely and re-calibrate its outlook accordingly.

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://ucreeconomicforecast.org/](http://ucreeconomicforecast.org/).

SERVICES

- Economic and revenue forecasting
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Attachment C HdL Companies Sales Tax Update

Q4 2018



Riverside County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Riverside County In Brief

The unincorporated area's receipts from October through December were 7.5% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 4.3%.

The State continues to make progress in processing returns using the new reporting software, resulting in a significant reduction in the number of delayed allocations in 4Q18 compared to prior quarters.

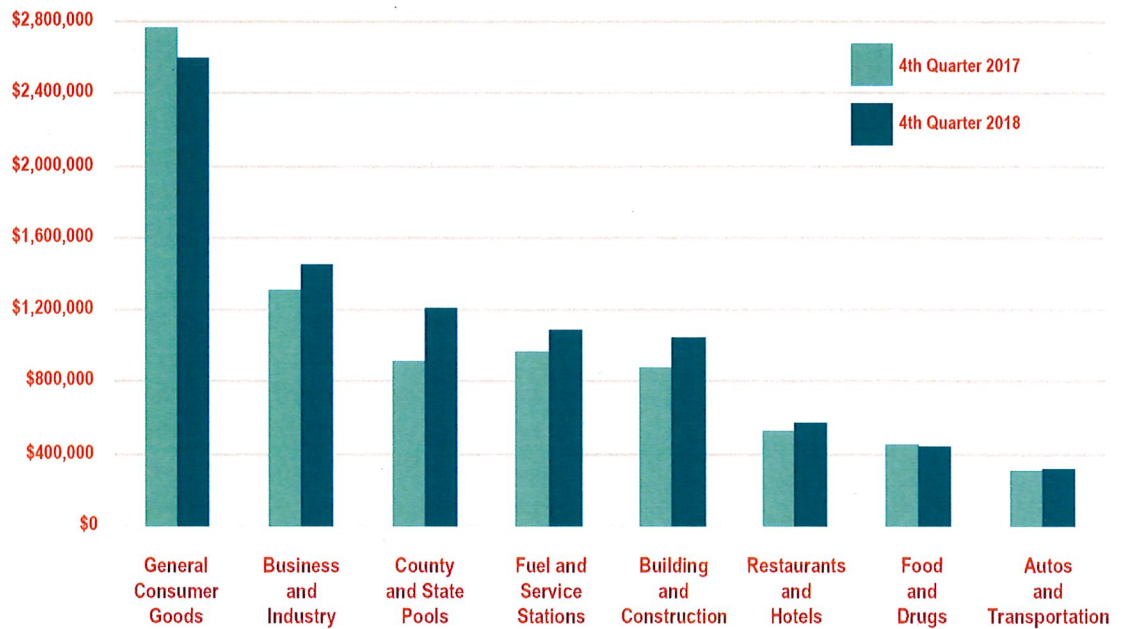
The largest gain during the quarter came from a 33.2% increase in the county's allocation from the county-wide use tax pool due to a spike in receipts in the pool caused in part by misallocated payments. Higher retail gas prices and a newly opened service station boosted fuel sales 11.4%.

Stronger sales from Trailers/RV's and used autos helped lift the auto sector, which continues to be inflated by misallocated payments belonging to other jurisdictions. Contractors' supply sales, leisure and entertainment, grocery stores and multiple business and industry segments all posted solid sales.

The gains were partially offset by a 4.1% decline in sales at the outlet center that depressed retail sales.

Net of aberrations, taxable sales for all of Riverside County grew 6.2% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Prada
Arco Travel Zone Center	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
Lifecare Solutions	Tory Burch
Michael Kors	Vons Fuel
Nike	Walgreens
Pilot Travel Center	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$13,713,469	\$15,865,970
County Pool	1,731,906	2,542,519
State Pool	7,088	8,082
Gross Receipts	\$15,452,463	\$18,416,571

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

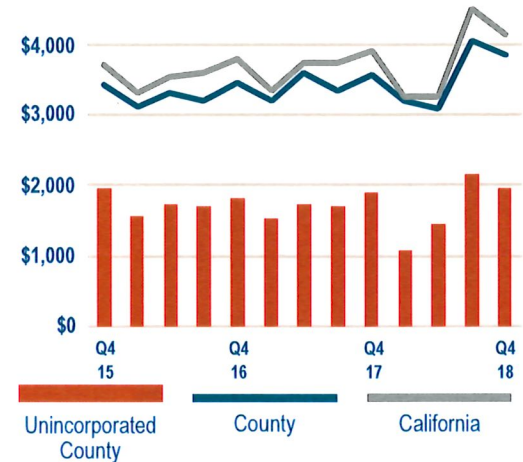
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

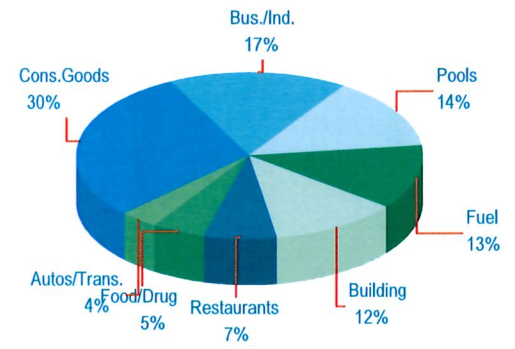
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Riverside Co. Uninc This Quarter



RIVERSIDE COUNTY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Unincorporated County	County	HdL State	
	Q4 '18*	Change	Change	Change
Building Materials	107.0	53.7%	8.6%	5.5%
Casual Dining	141.7	4.6%	2.6%	2.5%
Contractors	894.0	19.0%	19.2%	17.3%
Drug Stores	93.4	27.2%	28.3%	21.9%
Family Apparel	1,287.4	-3.6%	0.1%	0.5%
Food Service Equip./Supplies	165.8	4.1%	-1.1%	3.5%
Garden/Agricultural Supplies	163.5	-7.3%	-0.4%	-2.3%
Grocery Stores	252.4	-10.1%	-15.6%	-11.7%
Quick-Service Restaurants	292.9	6.5%	7.1%	6.6%
Service Stations	1,057.6	11.4%	27.2%	28.5%
Shoe Stores	276.8	-6.1%	-3.1%	1.8%
Specialty Stores	197.6	7.8%	-7.8%	-10.7%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —		14.9%	3.1%
Wineries	331.0	11.5%	11.5%	8.0%
Women's Apparel	453.3	-17.4%	-10.5%	-3.6%
Total All Accounts	7,529.8	4.3%	9.6%	7.0%
County & State Pool Allocation	1,214.3	32.3%	39.0%	8.6%
Gross Receipts	8,744.1	7.5%	12.9%	7.2%