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COUNTY EXECUTIVE OFFICER

## COUNTY OF RIVERSIDE EXECUTIVE OFFICE

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FINANCE

May 9, 2017

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

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

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**SUBJECT:**     *FY 16/17 Third Quarter Budget Report*

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Board members:

In April, I outlined several factors driving our multi-year plan off course: the trends in discretionary revenues, the shift of In-Home Supportive Services costs by the state back to counties, increasing Cal Fire labor costs, increasing pension contributions, and the potential unwinding of the Affordable Care Act. My office has been reviewing FY 17/18 budget submittals since mid-March. We have combined our assessment of those submittals with the FY 16/17 third quarter status reports from departments to form my budget recommendations previewed in this report.

As discussed previously, projections of the growth rates of key discretionary revenues continue softening, as verified by forecasts of assessed valuation and taxable sales growth by both Beacon Economics and HdL Companies, which each revised their forecasts downward from last year. Flattening statewide sales taxes speak to this trend. As a consequence, my office has lowered long-term growth rates for certain key revenues such as sales tax in our multi-year modeling.

One exception is interest earnings, which the Treasurer is forecasting notably higher this year and next in response to the Federal Reserve's recent and projected future rate increases. However, while my office has continued to seek opportunities to free up and increase additional discretionary resources, a gap still remained between available resources and net costs. As a result, to close that gap and to keep reserve levels above the \$150 million floor directed by the Board, I am recommending additional measures to restructure financially, including some recommendations included in this report.

The most significant issue we confront is the state's shift of responsibility for In-Home Supportive Services (IHSS) back to the county. Discussions with Sacramento regarding this issue are ongoing, and it remains unresolved at this time. Even if some relief from the state is achieved, IHSS costs are projected to continue increasing substantially throughout our planning horizon due to wage and case load increases, consuming much

of our projected discretionary revenue growth. Consequently, we are budgeting for the county to absorb \$37 million in additional net cost. To partially offset this without raising overall net spending, most general fund budget units received a 6.5 percent cut to their net county cost allocations. However, this was not sufficient to offset the entire gap.

The other major cost issue is the \$11.9 million in state-negotiated wage increases for our firefighters. As an outcome of the Board's April 18 discussion and direction on this issue, the Fire Department is preparing \$5.7 million in cost saving measures, including scaling back certain operations. To close the remaining gap in their budget, I am recommending a \$6.2 million increase in their net county cost allocation. That being said, we are working closely with the Fire Department to identify other steps to reduce that increase.

An additional cost issue surfaced during the course of reviewing budget submittals. The Registrar of Voters requested an additional \$5.7 million, primarily to offset lower cost recovery projected for the election cycles occurring next fiscal year. My staff recommend further in-depth analysis of the Registrar's base and variable costs to model a long-term funding strategy and evaluate stronger cost recovery practices. However, it is clear additional support is unavoidable next fiscal year. I will therefore recommend increasing the Registrar's net cost allocation by approximately \$5 million.

The Public Defender and District Attorney also each submitted budgets with spending gaps they could not close (\$2.4 million and \$4.1 million, respectively). Both departments have not been able to meet their targets for the past two years, despite receiving higher allocations. I am not prepared to make a recommendation at this time, other than noting we need a commitment to budgetary targets from all departments.

To accommodate these net cost increases, I will recommend additional targeted cuts to certain programs, which we are working through with those departments as of this writing. In addition, at this time I recommend restructuring the general fund reserves to provide greater simplicity in modeling and presentation, as well as greater flexibility. Chiefly, I recommend liquidating both the reserve of committed fund balance for disaster relief and reserve for economic uncertainty, consolidating them both into the remaining reserve for budget stabilization. This immediate action will simplify the multi-year modeling and presentation of available discretionary resources, and position the general fund to begin next fiscal year with adequate reserve coverage.

Although not without pain and difficulty, with the exception of the critical issues noted above, most departments are able to absorb the 6.5 percent net county cost cuts, increased pension contributions, and changes in internal services and insurance charges. My office is working with the departments to identify the extent of service level cuts as a result of the budget impacts and will present them to the Board during budget hearings. As the county grows, service demands will continue to increase. In addition, opening several new public safety facilities in the near future will place greater strain on limited resources, further testing competing priorities. However, given current financial constraints, any such cost increases will necessarily require offsetting cost savings to

prevent expanding the general fund deficit.

Factoring in coverage of the IHSS increases and other unavoidable obligations, our multi-year modeling indicates only beginning to rebuild reserves in FY 19/20, with replenishment of reserves barely complete by the end of FY 21/22, based on factors known at this time. It is worth remembering the county's constrained discretionary revenues may be vulnerable to cyclic recessionary forces over the next five years, and any such cooling of revenue growth would further prolong rebuilding reserves. Due to the need to maintain a minimum level of reserves, for the foreseeable future any expansion of discretionary spending in one area must be offset by cost saving in another. Any increase in the burden on the general fund will be at the expense of existing commitments. Given the competing priorities for limited resources, it will not be possible to maintain the status quo, much less expand unbounded.

Our KPMG-led effort to transform operations will mitigate the reduced funding in the criminal justice group and across county operations. Progress is being made to complete that effort and implement their recommendations. Integrating such cost-saving efficiencies is crucial to opening the capacity to meet future service demands within existing resource constraints. My staff will also continue examining every opportunity to restructure and streamline the county's finances to provide greater financial resilience over the coming years.

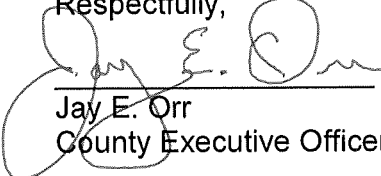
Although we have encountered unforeseen complications that substantially increased the complexity of an already difficult financial situation, my recommended budget strategy outlined at first quarter remains the same. That is, to map a long-term plan that holds the line on overall discretionary spending to eliminate the general fund deficit and rebuild reserves over time through growth in discretionary revenue. The intent of this shared approach to cost containment is preserving existing service capacity across general fund departments while leveraging departmental resources and implementing cost saving efficiencies throughout operations.


I look forward to discussing these issues in our formal presentation of the recommended budget and opening of budget hearings on June 19.

**IT IS RECOMMENDED** that the Board of Supervisors approve:

- 1) Receiving and filing this report and all its attachments; and,
- 2) Recommendations and budget adjustments contained in Attachment A; and,
- 3) Recommended amendments to Ordinance 440 contained in Attachment B.

Respectfully,

  
Jay E. Orr  
County Executive Officer

FISCAL PROCEDURES APPROVED  
PAUL ANGULO, CPA, AUDITOR-CONTROLLER  
BY   
TANYA S. HARRIS, CPA 5/4/17



**TABLE OF CONTENTS**

**A. EXECUTIVE SUMMARY..... 1**

**B. MULTI-YEAR BUDGET OUTLOOK..... 2**

*MULTI-YEAR FORECAST..... 2*

*BUDGET SCHEDULE..... 3*

*ECONOMY..... 3*

*Summary..... 3*

*Employment Trends..... 3*

*Unemployment..... 4*

*Property Trends..... 4*

*Recordation Activity..... 4*

*Building Permits..... 4*

*Assessed Value..... 5*

**C. CURRENT BUDGET STATUS ..... 6**

*SUMMARY..... 6*

*DISCRETIONARY REVENUE..... 6*

*Revenue Summary..... 6*

*Property Taxes..... 6*

*Teeter Tax Losses Reserve Fund (TLRF) Overflow..... 6*

*Sales and Use Taxes..... 7*

*Prop. 172 Public Safety Sales Tax..... 7*

*Interest Earnings..... 8*

*APPROPRIATIONS FOR CONTINGENCY..... 9*

*GENERAL GOVERNMENT..... 9*

*Executive Office..... 9*

*AD/CFD Administration..... 12*

*Capital Improvement Program (CIP)..... 12*

*Board of Supervisors / Clerk of the Board..... 13*

*Assessor-County Clerk-Recorder..... 14*

*Auditor-Controller..... 14*

*Registrar of Voters..... 15*

*Economic Development Agency..... 15*

*Workforce Development..... 17*

*Neighborhood Stabilization Program (NSP)..... 17*

*County Fair & National Date Festival..... 17*

*Parking Services Division..... 18*

*PUBLIC PROTECTION..... 18*

*Fire Department..... 18*

*Sheriff's Department..... 18*

*Office of District Attorney..... 19*

*Department of Child Support Services..... 20*

*Probation Department..... 20*

*Law Office of the Public Defender..... 20*

*Department of Animal Services..... 20*

*PUBLIC WAYS AND FACILITIES..... 21*

*Aviation..... 21*

*HEALTH AND SANITATION..... 21*

*Department of Public Health..... 21*

*Detention Health..... 22*

*California Children's Services..... 22*

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**PUBLIC ASSISTANCE..... 23**  
*Department of Public Social Services (DPSS)..... 23*  
*Riverside County Children and Families Commission (RCCFC)..... 27*  
*Community Action Partnership (CAP)..... 28*  
*Office on Aging ..... 28*  
*County Free Library..... 29*

**ENTERPRISE FUNDS..... 30**  
*Riverside University Health System – Medical Center..... 30*  
*Waste Management..... 31*

**INTERNAL SERVICE FUNDS..... 31**  
*Facilities Management..... 31*  
*Real Estate ..... 31*  
**Purchasing & Fleet Services..... 32**  
*Central Purchasing..... 32*  
*Printing Services ..... 32*  
*Supply Services..... 32*  
*Central Mail ..... 32*  
*Fleet Services ..... 32*  
**Human Resources..... 32**  
*General Liability Insurance..... 32*  
*Malpractice Insurance..... 33*  
*Disability Insurance..... 33*  
*Exclusive Care EPO ..... 33*  
*Delta Dental PPO ..... 34*

**SPECIAL DISTRICTS AND OTHER AGENCIES ..... 34**  
*Flood Control and Water Conservation District ..... 34*  
*County Service Areas ..... 35*

**ATTACHMENT A SUMMARY OF RECOMMENDATIONS**  
**ATTACHMENT B AMENDMENT OF ORDINANCE 440**  
**ATTACHMENT C SALES AND USE TAX UPDATE**  
**ATTACHMENT D ECONOMIC FORECAST**

**A. EXECUTIVE SUMMARY**

At third quarter, the Assessor anticipates finishing the year with a net cost savings of \$2.1 million and the Treasurer-Tax Collector project to finish with a \$1.5 million cost savings, while the Auditor-Controller reports a potential revenue shortfall of \$246,000.

The Economic Development Agency requests use of \$1.98 million in departmental reserves to supplement a number of programs, including the Edward-Dean Museum, Date Festival, project management and real estate divisions.

The Fire Department expects to finish the current year on target, but confronts an \$11.9 million increase in state-negotiated labor costs next fiscal year. The department is working to restructure costs, but anticipates needing substantial additional general fund support to fill much of that gap. The Executive Office is working closely with the department to keep that amount to the minimum necessary.

In this report, the Sheriff requests the addition of 10 correctional deputies to address overtime resulting from efforts to comply with the consent decree. The cost of these positions will be offset by existing available AB118 revenue. However, the Sheriff does require \$1.4 million from general fund contingency to offset costs of providing security services to the Superior Courts.

The District Attorney currently indicates a year-end shortfall of \$4.8 million, which is down from original estimates through salary savings on vacancies, attrition, and cuts to overtime and standby pay.

The Public Defender reports a \$2.4 million shortfall this fiscal year, and the Executive Office is working with the department to address cost-saving measures.

Animal Services indicates the downward trend in contract city revenue is continuing, with a \$1 million shortfall projected. The department intends to address this issue long-term through restructuring its rate methodology.

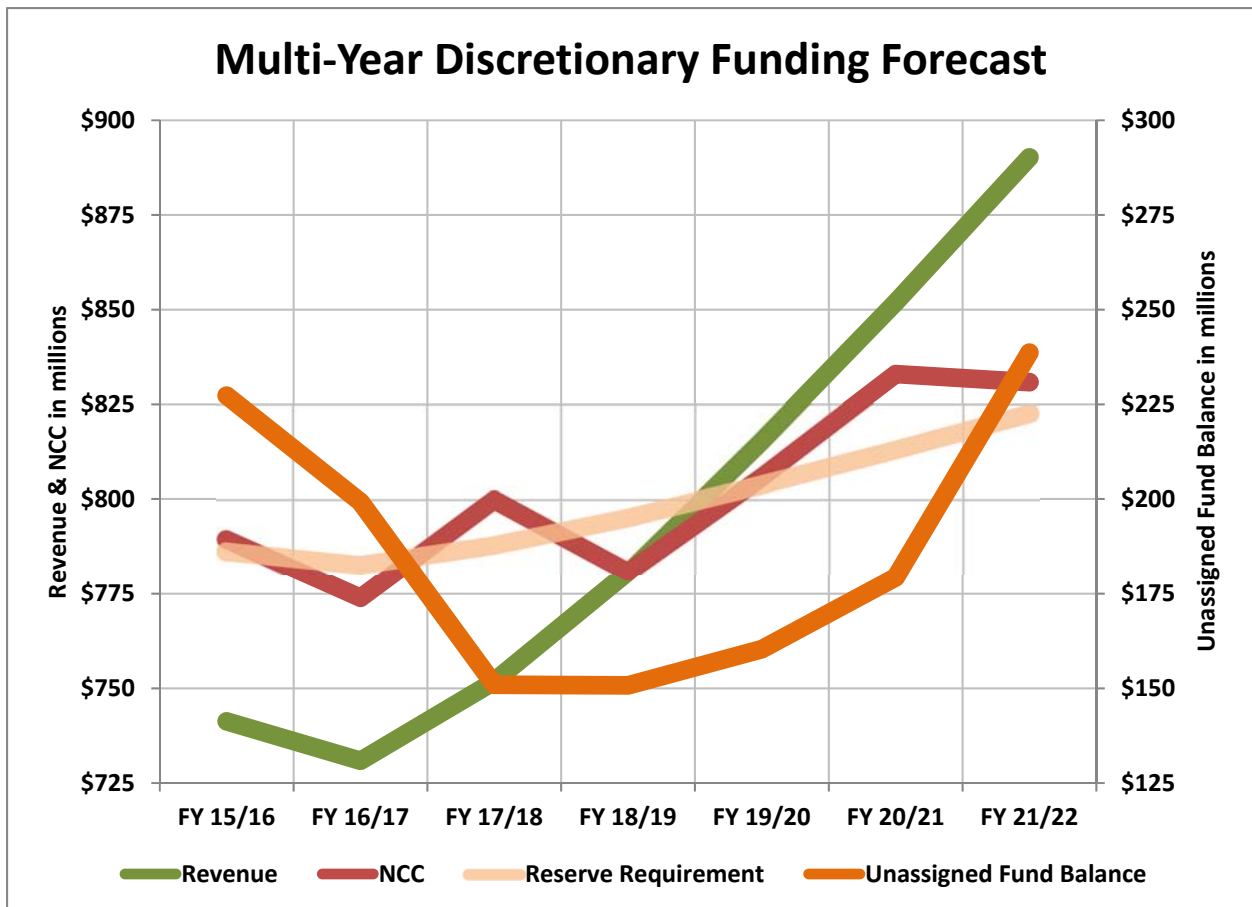
Finally, in ongoing efforts to streamline finances, the Executive Office recommends consolidating the general fund's \$15 million reserve for disaster relief and \$124.7 million reserve for economic uncertainty into the reserve for budget stabilization. This will simplify analysis of use of reserves in the multi-year model and maximize flexibility. In addition, the Executive Office recommends liquidating \$1.48 million an unneeded reserve for capital projects in the accumulative capital outlay fund and transferring that amount to the general fund. That addition and \$2.4 million in additional revenue from the landfill lease agreement offset \$3.2 million use of contingency recommended in this report, for a \$670,681 net increase in contingency to a balance of \$17.6 million going into year-end.

**B. MULTI-YEAR BUDGET OUTLOOK**

**MULTI-YEAR FORECAST**

The multi-year forecast assumes cautiously optimistic revenue growth together with known net county cost obligations. Future fixed commitments, such as debt service payments, are factored into this model, as are assumptions regarding growth in ongoing discretionary revenues. This modeling is updated to include the major ongoing changes occurring with In-Home Supportive Services and Cal Fire labor increases, as well as downward adjustments to the growth rates of discretionary revenue, debt restructuring, and other financial streamlining. These complicate the existing cost pressures to increase funding for inmate health care and security, preparing to operate new or expanded correctional facilities, and other operating deficits. At this time, assuming no economic downturn or other systemic disruption, discretionary revenues staying on pace as forecast, and aggregate net costs not climbing more than anticipated, we project beginning to replenish reserves in FY 19/20 and meeting the Board’s reserve requirements by FY 21/22.

A number of factors are influencing these assumptions. First, while discretionary revenues are anticipated to grow, and interest earnings are expected to jump substantially, taxable sales and property-related revenues are not rising as rapidly as originally hoped, causing the trend in discretionary revenue to soften. The Cal Fire approved labor increase for firefighters is expected to cause a \$2.5 million increase in net cost this year





and \$6.2 million next year, down from \$11.9 million next year through cost-containment efforts by the Fire Department. In the current year, while some departments are reporting expected overages and some anticipate achieving cost savings, most departments indicate at this time they will be on target at year-end. Based on those assumptions, the Executive Office currently anticipates ending the year with approximately \$12 million remaining in available fund balance to carry over into next fiscal year. The Executive Office continues examining potential cost containment options and other opportunities to reduce the budget gap more quickly.

**BUDGET SCHEDULE**

Due to an unavoidable conflict, presentation of the FY 17/18 recommended budget and opening of budget hearings has been rescheduled for Monday, June 19, with presentation of any Board-directed amendments to the budget on Tuesday, July 25. Formal adoption of the budget will take place on Tuesday, September 26, once year-end encumbrances and fund balances are known. These dates have been coordinated to work with the Board’s approved 2017 meeting calendar.

**ECONOMY**

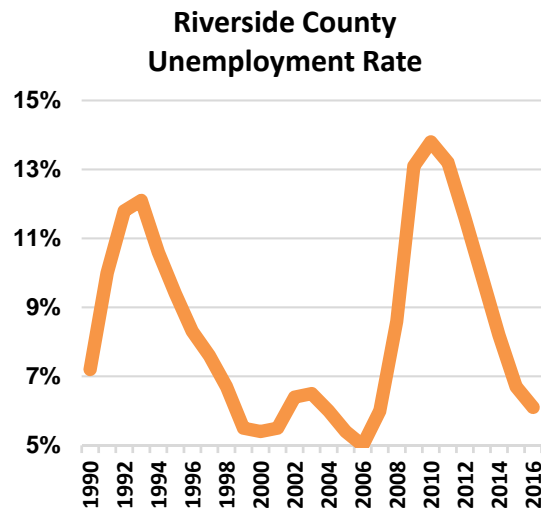
**Summary**

The local economy remains a notable influence on the demand for county services and its ability to generate revenues to fund programs. Job growth and unemployment drive household income and spending, which in turn drive development, assessed valuation, and tax revenue. Significant economic factors and indicators are summarized below.

Although greatly improved from several years ago, at 5.5 percent Riverside County’s unemployment rate remains higher than national, state, and neighboring counties’ unemployment rates. Assessed valuations are expected to improve moderately, with the Assessor estimating 5 percent growth this fiscal year. Title recordation and building permits, both leading indicators of local real estate activity, continue showing gradual increases. There is no indication at this time of the likelihood of acceleration in growth of these factors.

**Employment Trends**

In March, nine of California’s industry sectors added jobs. Education and health services had the largest jobs increase, while the manufacturing sector posted the largest decrease in March. In the Riverside–San Bernardino–Ontario statistical area, non-farm employment increased 3.8 percent and nine of the industry sections added jobs.



**Unemployment**

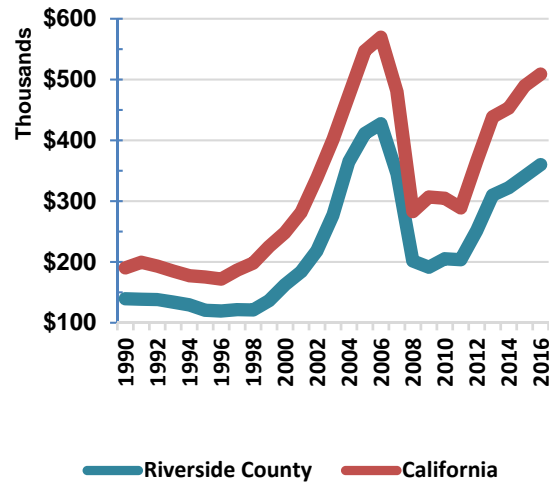
The unemployment rate for California and Riverside County continues to display a downward trend. As of March 2017, Riverside County’s unemployment rate stands at 5.5 percent and the state’s unemployment rate stands at 4.9 percent. Riverside County’s unemployment rate has continuously improved since its highest peak in 2010.

**Property Trends**

Statewide, home sales increased 6.9 percent in March 2017 when compared to March 2016. However, the median price in March 2017 increased to 6.8 percent from the recorded number in 2016, according to the California Association of Realtors Homes Sales and Price Report.

In Riverside County, since March 2016 the median price of existing homes rose to \$375,000, a 7.1 percent increase. The unsold inventory index and median time on the market both declined. Although continuing gradual improvement, median home prices in Riverside County have yet to recover fully to the record high levels achieved in 2006.

**Median Price of Homes Sold**

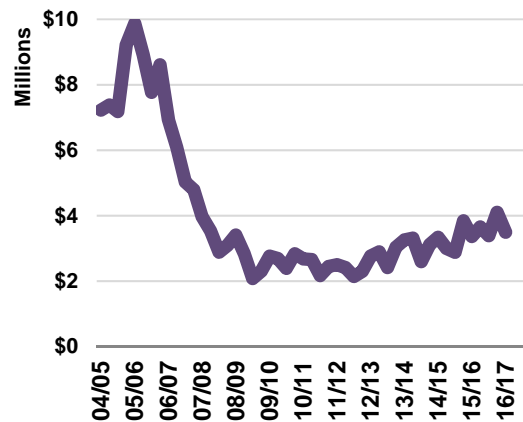


**Recordation Activity**

Document recordation is tracked as a potential leading indicator of development activity.

There has been an uptick in document recordation activity, causing a 10 percent increase in recording revenue. However, document transfer tax is trending \$2.7 million lower than expected.

**Documentary Transfer Tax (Quarterly)**



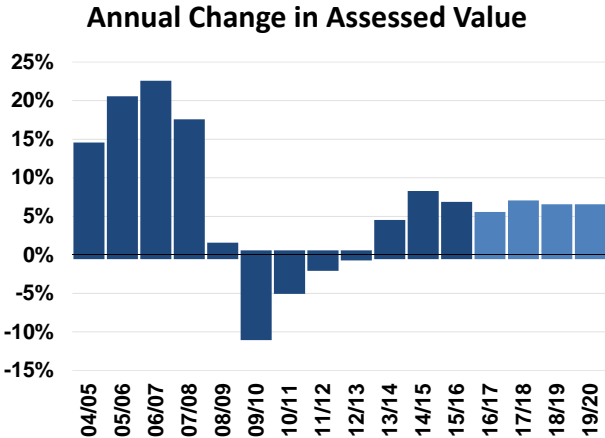
**Building Permits**

From July 2016 through March 2017, the Building and Safety Department issued 2 percent more building permits compared to the same period last year. There was an increase of 41 percent in initial and supplemental deposit based fee receipts for July 2016 through March 2017 when compared to the same period last year. Last fiscal year, from July to December, receipts for these permits totaled \$786,389. This fiscal year, for the same period, they totaled \$2.3 million. Flat fee receipts decreased by 9 percent, due to fewer residential solar projects.

Planning applications for July 2016 through March 2017 have increased to 506, in comparison to 474 for the same period in FY 15/16. The number of cases has increased; however, receipts for July through March of this fiscal year have reduced by 16 percent.

**Assessed Value**

The real estate sales and construction activity discussed above are critical inputs to property valuation. Other factors include an allowable inflation factor (not to exceed 2 percent based upon the California Consumer Price Index). The index factor applicable for the remainder of the fiscal year will be made final by the State Board of Equalization during the third quarter of FY 16/17. Riverside County’s assessment roll for FY 16/17 is \$255 billion, a 5.08 percent increase over last year, and slightly higher than originally estimated. The Assessor’s original estimate of 4.5 to 5 percent growth in property assessment remains applicable.



Source of forward projections: Beacon Economics

### C. CURRENT BUDGET STATUS

#### SUMMARY

As of third quarter, the property-related revenues appear to be trending lower than originally projected, although interest earnings are trending higher due to the Federal Reserve’s rate increase. The net discretionary revenue estimate at this time is \$7.3 million higher than projected.

The Sheriff, District Attorney, Public Defender, Animal Services, and Fire Department all continue to project year-end deficits, but also continue to work on achieving cost savings through greater efficiencies and cost containment efforts. Significant new budgetary issues include \$2.5 million in increased labor costs for firefighters this year projected to cost another \$11 million next year.

#### DISCRETIONARY REVENUE

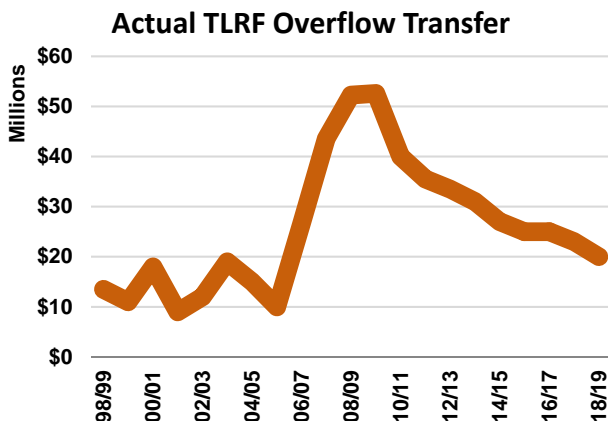
##### Revenue Summary

As summarized at right, a number of discretionary revenues appear at this time to be trending lower than originally projected, while other revenues are trending higher than projected. This results in an overall projected net increase of \$7.3 million in general fund revenue, when a technical correction to realignment revenue is factored out. Once third quarter actuals are posted, this projection may tighten and year-end adjustments will be made if necessary.

##### Property Taxes

At third quarter, property tax revenues

General Fund Projected Discretionary Revenue (in millions)			
	Budget Estimate	Current Quarter Projection	Variance
Property Taxes	\$340.2	\$334.6	\$(5.6)
RDA Residual Assets	12.0	10.6	(1.4)
Motor Vehicle In Lieu	234.1	231.4	(2.6)
Tax Loss Reserve Overflow	24.0	27.0	3.0
Fines and Penalties	20.9	20.4	(0.5)
Sales & Use Taxes*	30.2	28.2	(2.7)
Documentary Transfer Tax	17.2	14.5	(2.7)
Franchise Fees	4.4	4.4	
Interest Earnings	4.1	7.4	3.3
Misc. Federal and State	5.7	7.7	2.0
Rebates & Refunds	6.0	6.0	-
Realignment	35.0	0.0	(35.0)
Other Prior Year & Misc.	18.4	26.9	8.5
Operating Transfers In	6.7	9.2	2.5
Cable TV Licensing Fee	0.0	2.7	2.7
Undistributed Realignment	0.0	0.2	0.2
<b>Total</b>	<b>\$758.9</b>	<b>\$731.2</b>	<b>\$(27.7)</b>
Prop. 172 Public Safety Sales Tax	166.5	164.2	(2.3)
	<b>\$925.4</b>	<b>\$895.4</b>	<b>\$(30.0)</b>



are still trending lower than expected. The Auditor-Controller’s analysis projects property tax revenue to be approximately \$7.0 million lower than the original budget estimate. The Treasurer-Tax Collector also sees a decline in revenue, although they do report an increase in interest revenue.

##### Teeter Tax Losses Reserve Fund (TLRF)

**Overflow**

Under the California Teeter plan, the county advances participating agencies property tax allocations based on enrolled assessed valuation. In return, the county retains the actual taxes received, plus penalties and interest on delinquent taxes. The Tax Losses Reserve Fund captures revenues and expenditures associated with the program. Revenue exceeding financing costs and the necessary tax loss reserve is discretionary revenue released to the general fund annually. The annual release is in accordance with the revenue and taxation code, and consistent with prudent risk management. As delinquency rates decline, this revenue source generally tapers off; the delinquency rate hit an all-time low of 1.53 percent last fiscal year. For FY 15/16, the TLRF transfer was \$27 million. For FY 16/17, \$24 million was forecast, but that estimate was revised upward by \$3 million at first quarter to \$27 million.

**Sales and Use Taxes**

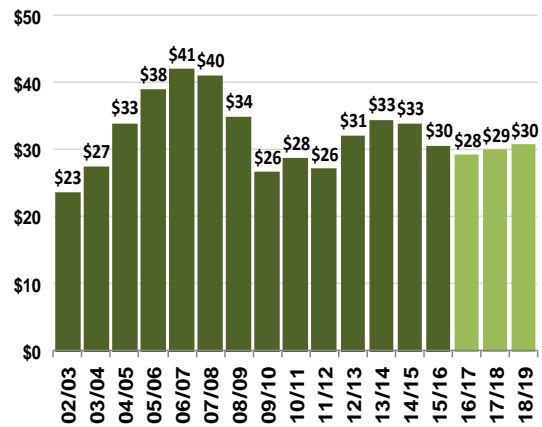
In the first and second quarters, the county’s economically adjusted quarterly sales and use tax allocations declined 2.2 percent and 2.6 percent, respectively, on a year-over-year basis. This trend deepened to a 2.8 percent year-over-year decline in the third quarter, which contains the holiday shopping receipts, due to a continued slump in fuel prices and lagging sales in consumer goods at the factory outlets. The Executive Office is watching this trend closely, particularly with respect to the effect rapidly unfolding world affairs may have on tourism at the outlets.

The county’s FY 16/17 budget estimate for Bradley Burns sales and use tax is \$30.2 million. Based on sustained downward trends in taxable sales, HdL Companies, the county’s sales tax consultant, revised their FY 16/17 projection from \$29.6 million down to \$28.5 million following the first quarter, and down slightly again to \$28.2 million following the second quarter. At this time, HdL projects year-end returns just slightly above \$28 million this fiscal year. For FY 17/18, HdL projects only a slight rise to \$28.6 million. Additional economic detail from HdL is contained in Attachment C.

**Prop. 172 Public Safety Sales Tax**

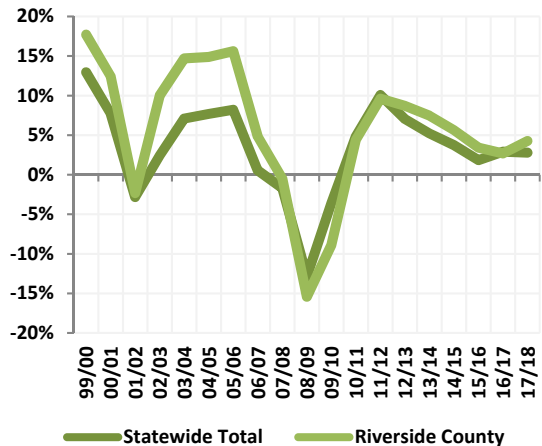
Prop. 172 public safety sales tax is a separate pool of revenue derived from taxable sales throughout the state that is directed to public

**Sales Tax Revenue**  
(in millions)



Source: HdL Companies

**Prop 172 Revenue Trends**  
Annual Rate of Change



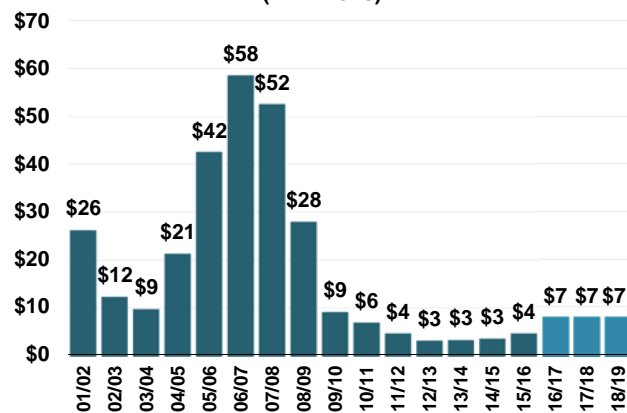
safety. While the Board has some discretion over its distribution, this resource is purpose-restricted to public safety uses. Based on protocols established when this proposition was implemented, the county receives approximately 95 percent of Riverside County’s proportionate share of Prop. 172 revenue allocated by the state based on the funding formula. Growth in Prop. 172 revenue has the effect of offsetting the need for net county cost to fund critical county operations.

In the first quarter report, the Executive Office discussed a shortfall in Prop. 172 revenue that required immediate correction. At that time, projections provided by HdL indicated the county’s share of the local Prop. 172 allocation would likely be \$166.5 million. As a result, the Executive Office recommended and the Board approved a plan resetting the allocation of Prop. 172 revenue, with offsetting use of discretionary and departmental resources over several years to backfill the loss. At this time, HdL projects this revenue may come in somewhat short of that estimate this fiscal year at \$164.2 million, but will rise to \$171.2 million next fiscal year. The Executive Office continues monitoring this revenue source closely.

**Interest Earnings**

Interest earnings are on the rise, with \$7.4 million now estimated by year-end. The Treasurer’s revised general fund interest earnings estimate reflects the current stance of monetary policy by the U.S. Federal Reserve. In addition to the December meeting, the Federal Open Market Committee raised the federal funds rate again by 25 basis points on March 15 to 0.75 – 1.00 percent, and they took no further action at their May 3 meeting. According to statements made by the Board of Directors of the Federal Reserve System, the additional accommodative stimulus by the Federal Reserve of purchasing U.S. Treasury and federal agency securities in the open market may be coming to an end. This will likely remove a fair portion of the artificial ceiling placed on the term structure of interest rates since this policy was enacted several years ago, post Great Recession. There remains one more Federal Reserve meeting prior to fiscal year-end on June 14. Although the Federal Reserve System is now in a tightening mode, they will be closely watching financial market reaction to the most recent economic indicators on inflation and employment, as well as to heightened geopolitical events taking center stage in North Korea and the Middle East, and are sure to adjust rates accordingly.

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





**APPROPRIATIONS FOR CONTINGENCY**

Contingency covers urgent, unforeseeable events such as revenue shortfalls, unanticipated expenditures, uncorrectable budget overruns and mission-critical issues at the Board's discretion. The FY 16/17 budget appropriated \$20 million for contingency or 2.6 percent of ongoing discretionary revenue. This report contains a net increase of \$670,681, taking contingency to \$17.6 million, as summarized in the table below.

08/23/16	ACO cash overages & shortages	108		(108)
08/23/16	Probation consultant agreement	196,458		(196,458)
12/06/16	Prop. 172 backfill	18,000,269		(18,000,269)
	Community Choice Aggregator	200,000		(200,000)
	Salton Sea restoration engineering	50,000		(50,000)
	Reduced Tax Losses Reserve		3,000,000	3,000,000
	Tax and Revenue Anticipation Notes	1,475,748		(1,475,748)
	Return from Capital Improvement Fund		13,353,721	13,353,721
	Savings from debt refinancing	(3,233,000)		3,233,000
12/13/17	KPMG contract amendment	1,698,810		(1,698,810)
02/07/17	Court facilities	1,000,000		(1,000,000)
03/07/17	ACO cash overages & shortages	78		(78)
04/11/17	ACO cash overages & shortages	465		(465)
				-
		19,388,936	16,353,721	(3,035,215)
				<b>16,964,785</b>

**Actions recommended in this report:**

5/9/2017	Transfer from Fund 30000		1,480,277	1,480,277
	Executive Office consulting contracts	386,273		(386,273)
	Landfill lease agreement revenue		2,400,000	2,400,000
	Trial court funding	1,338,596		(1,338,596)
	Board of Supervisors leave payouts	84,727		(84,727)
	Sheriff	1,400,000		(1,400,000)
		3,209,596	3,880,277	670,681
	Total adjustments to Contingency =	22,598,532	20,233,998	(2,364,534)

**Contingency balance upon approval of this report = 17,635,466**

**GENERAL GOVERNMENT****Executive Office**

In ongoing efforts to streamline for greater efficiency, the Executive Office continues seeking ways to restructure the county's finances for maximum flexibility and stability. At this time, the Executive Office recommends consolidating several general fund reserves to simplify tracking and modeling them going forward. Specifically, the Executive Office recommends combining the reserve for economic uncertainty with the reserve for budget stabilization, as there is no longer a significant difference between them. In addition, the Executive Office recommends liquidating the commitment for disaster relief and combining it with the reserve for budget stabilization as well. Given the future financial constraints faced, this is a prudent and necessary action to take at this time to position the general fund most favorably at the beginning of next fiscal year.

**Recommendation 1:** That the Board approve and direct the Auditor-Controller to make adjustments releasing the entire balance of unassigned fund balance for economic uncertainty of \$124,745,351 and the committed fund balance for disaster relief of \$15,000,000, and increasing unassigned fund balance for budget stabilization by \$139,745,351, as follows:

Decrease unassigned fund balance:		
10000-1000100000-370105	Unassigned FB for economic uncertainty	\$124,745,351
Decrease committed fund balance:		
10000-1000100000-330151	Committed FB for disaster relief	15,000,000
Increase unassigned fund balance:		
10000-1000100000-370106	Unassigned FB for budget stabilization	139,745,351

The Executive Office has also identified \$1.48 million in reserve in the accumulative capital outlay fund no longer required for a project that did not occur. Consequently, that amount can be liquidated at this time and returned to the general fund.

**Recommendation 2:** That the Board approve and direct the Auditor-Controller to make adjustments releasing the entire balance of fund balance restricted for capital projects and increasing appropriations for the accumulative capital outlay fund; and, increase appropriations for contingency and estimated revenue for the general fund by \$1,480,277, as follows:

Decrease restricted fund balance:		
30000-1100300000-322100	Restricted for construction/capital projects	\$1,480,277
Increase appropriations:		
30000-1100300000-551100	Contributions to other funds	1, 480,277
Increase estimated revenue:		
10000-1100100000-790600	Contribution from other county funds	1, 480,277
Increase unassigned fund balance:		
10000-1100100000-370100	Unassigned fund balance	1, 480,277
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingency	1, 480,277
Use of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	1, 480,277

On March 29, 2016 (Item 16-4), the Board of Supervisors approved an amendment to the agreement with KPMG, LLC for the countywide department review for a total amount of \$2.7 million. The cost for FY 16/17 is \$1.9 million. This was inadvertently left out of the adopted budget and a budget adjustment is needed to cover the cost. The Executive Office has identified savings and additional revenue to offset a portion of the cost, therefore a budget adjustment of \$1.1 million is needed. The Executive Office also requests a



budget adjustment for \$70,000 to fund unused leave balances of retiring staff.

**Recommendation 3:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations in contingency by \$386,273 and increasing estimated revenue and appropriations for the Executive Office by \$1,124,712, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$386,273
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	386,273
Increase estimated revenue:		
10000-1100100000-790600	Contribution from other county funds	738,439
Increase appropriations:		
10000-1100100000-524660	Consultants	1,054,712
10000-1100100000-510200	Payoff permanent - seasonal	<u>70,000</u>
	Total	1,124,712
Use of unassigned fund balance:		
10000-1100100000-370100	Unassigned fund balance	386,273

On November 26, 2013, (Item 12-3C), the Board approved an agreement with Burrtec Waste Industries, authorizing the disposal of up to 225,000 tons of out-of-county waste per year. The agreement is anticipated to generate approximately \$2.2 million annually to be allocated to the general fund. Based on tonnage received through February, the department is anticipating the total distribution for import tonnage for FY 16/17 will be closer to the maximum allowed per the agreement, approximately \$2.4 million. The Executive Office is requesting a budget adjustment to account for this additional revenue.

**Recommendation 4:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the general fund by \$2,400,000, as follows:

Increase estimated revenue:		
10000-1100100000-741270	Landfill lease agreement	\$2,400,000
Increase unassigned fund balance:		
10000-1100100000-370100	Unassigned fund balance	2,400,000
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingency	2,400,000
Use of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,400,000

On October 1, 2015, SB 85 became effective which established an 18-month amnesty

program to allow individuals with past-due court-ordered debt to receive a reduction in the amount owed if they meet certain eligibility criteria. Although the budget accounted for this, revenue is still coming in less than expected. There is also currently a downward trend in filing for all case types. Consequently, the Executive Office recommends a decrease in fines and fees for contribution to trial court funding of \$1.3 million.

**Recommendation 5:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for contingency and estimated revenue by \$1,338,596, as follows:*

Decrease estimated revenue:		
10000-1100900000-730020	Fee - POC transaction	\$93,782
10000-1100900000-730040	Fine - traffic motor vehicle MC	96,547
10000-1100900000-731200	AB233 realignment	<u>1,148,267</u>
	Total	1,338,596

Decrease use of unassigned fund balance:		
10000-1100900000-370100	Unassigned fund balance	1,338,596

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	1,338,596

Use of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,338,596

**AD/CFD Administration**

The Community Facilities District fund has experienced declining revenues due to the retirement of districts. The Executive Office had planned to spend down fund balance to offset costs. To make sure that year-end costs are paid, it is recommended to make the transfer at this time.

**Recommendation 6:** *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of available fund balance for the Community Facilities Districts by \$100,000, as follows:*

Increase appropriations:		
22050-1150100000-510040	Regular salaries	\$25,000
22050-1150100000-537000	Interfund - expense leases	<u>75,000</u>
	Total	100,000

Use of available fund balance:		
22050-1150100000-350100	Assigned fund balance for program money	100,000

**Capital Improvement Program (CIP)**

On March 27, 2012, the Board of Supervisors accepted a state awarded grant of \$100 million for the John J. Benoit Detention Center. The county submits an application to the state for reimbursement of construction costs and the state reimburses at a rate of 36.5 percent. A total of \$28.1 million has been received to date this year and another \$8.7

million is expected by the end of the fiscal year. The Executive Office recommends a budget adjustment in the Capital Improvement Fund to account for these projected receipts and commit them toward capital projects.

**Recommendation 7:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to increasing estimated revenue and restricted fund balance for the Executive Office by \$36,747,894, as follows:*

Increase estimated revenues:  
 30700-1104200000-751680 CA - state grant revenue \$36,747,894

Increase assigned fund balance:  
 30700-1104200000-350200 Assigned fund balance for constr/capital projects 36,747,894

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

The Second District has savings in unused current fund balance committed for community improvement. The department wishes to transfer a portion of this savings to fund an additional position and other necessities.

**Recommendation 8:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing committed fund balance and increasing appropriations by \$77,000, as follows:*

Decrease committed fund balance:  
 10000-1000100000-330135 CFB – community improvement \$77,000

Increase appropriations:  
 10000-1000100000-510040 Regular salaries 49,000  
 10000-1000100000-518100 Budgeted benefits 16,000  
 10000-1000100000-523700 Office supplies 12,000  
 Total 77,000

Cable television license fees have been declining rapidly due to the increase of subscription services. Since this will be an ongoing problem that has caused a shortfall in departmental revenue, the Clerk of the Board requests to relinquish this declining source to discretionary revenue and replace it with stable, ongoing general fund support to avoid this problem in the future. The department also requests an increase in appropriations to cover unexpected expenditures.

**Recommendation 9:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue by \$84,727, as follows:*

Decrease estimated revenue:  
 10000-1000100000-726080 License - CATV \$2,104,684

Increase estimated revenue:  
 10000-1000100000-725020 Franchises 2,104,684

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	84,727
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	84,727
Increase appropriations:		
10000-1000100000-510200	Payoff permanent-seasonal	75,282
10000-1000100000-523230	Miscellaneous expense	<u>9,445</u>
	Total	84,727
Use of unassigned fund balance:		
10000-1000100000-370100	Unassigned fund balance	84,727

**Assessor-County Clerk-Recorder**

The Clerk Recorder anticipates ending the year better than anticipated. Revenues are 10 percent higher than expected due to documents and pages recorded increasing 8.3 percent and 15 percent respectively. In addition, salaries and benefits are showing saving due to restrained hiring practices. The department anticipates having slightly more than enough revenue to cover their costs. They do not anticipate needing the use of \$2.5 million of their departmental reserves.

The Assessor anticipates finishing the year with potential net cost savings of \$2.1 million. The department estimates appropriations will be sufficient to sustain related activities. In addition, project initiatives are being executed on a delayed timeline than originally estimated. The completion of these initiatives are prescribed by grant parameters. Overall, the department is on target.

CREST anticipates savings in third quarter due to changes in go-live date of the system. The savings will reduce their fund balance needs to \$3.9 million.

Records Management and Archives Program revenues are trending lower than budgeted due to decreasing demand for services. Cost saving has been achieved thru careful expenditure of supplies and services. Consequently, a \$284,000 anticipated net loss is going to be covered by available retained earnings.

The Records Management and Archives Program’s available unrestricted net assets fund the Archives budget. Archives is realizing a significant decrease in professional services expense due to training current staff rather than contracting for archivist services. The budget is on target.

**Auditor-Controller**

The Auditor Controller anticipates a decrease of \$246,000 in revenue by the end of the year. Reimbursable property tax costs from the state are down. The department will monitor the status of the revenue and advise accordingly. The internal audits and payroll budgets are on target at third quarter. The COWCAP actuals for current services posted

\$271,608 higher than budgeted, realizing more recovery of county overhead than anticipated.

**Treasurer-Tax Collector**

At the end of the third quarter, the Treasurer-Tax Collector projects finishing the year with potential net cost savings. Due to unfilled vacancies, employees out on leave, a reduction in printing costs, and legal and professional services, expenses are down \$1.1 million. In addition, an increase in tax sale activities is anticipated to come in \$417,000 higher than budgeted. These one-time savings will allow the department to balance without use of net county cost in FY 16/17, returning net savings of \$1.5 million.

**Registrar of Voters**

The Registrar of Voters is required to conduct two elections during FY 16/17, the November 8, 2016, consolidated general election and the all mail ballot election for the City of Riverside scheduled in June 2017.

The Registrar of Voters expects to have higher than anticipated revenue for FY 16/17 due to local ballot measures and special vacancy elections that were added to the November 2016 and the 2017 election cycle. The Registrar of Voters requests a budget adjustment of \$1,153,978 to cover the costs of the local ballot measures and special vacancy elections not previously included in the department’s budget.

**Recommendation 10:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Registrar of Voters by \$1,153,978, as follows:*

Increase estimated revenue:		
10000-1700100000-771210	School election services	\$337,841
10000-1700100000-771230	City election services	<u>816,137</u>
	Total	1,153,978
Increase appropriations:		
10000-1700100000-510320	Temporary Salaries	467,998
10000-1700100000-510420	Overtime	209,372
10000-1700100000-523760	Postage/mailing	330,813
10000-1700100000-523800	Printing/binding	44,894
10000-1700100000-527380	Elections	<u>100,901</u>
	Total	1,153,978

**Economic Development Agency**

The department requests a budget adjustment of \$308,334 for RCIT device access charges. RCIT monthly charges on a single signature journal are in dispute as non-allowable grant costs related to the Workforce Development Department’s public computers that are used by clients and do not have access to county systems. Negotiations to reverse the journal are in process between EDA and RCIT. Interfund payments from other EDA divisions will fund the expense.

**Recommendation 11:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$308,334, as follows:

Increase appropriations:		
21100-1900100000-525840	RCIT device access	\$308,334
Increase estimated revenue:		
21100-1900100000-778220	Interfund - office expenses	308,334

EDA requests a budget adjustment of \$1,073,170 to provide the annual contribution to the Edward-Dean Museum and the County Fair, and financial support to the Project Management Office and Real Estate and CSA divisions for county projects and activities. Fund balance reserves will cover this adjustment.

**Recommendation 12:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for EDA Administration by \$1,073,170, as follows:

Increase appropriations:		
21100-1900500000-522310	Maintenance-building and improvements	\$ 315,000
21100-1900500000-527780	Special program expense	240,000
21100-1900500000-537280	Interfund expense-miscellaneous project expense	25,000
21100-1900500000-551100	Contribution to other funds	<u>493,170</u>
	Total	1,073,170
Use of fund balance:		
21101-1900500000-321101	Restricted program money	16,389
21108-1900500000-321101	Restricted program money	65,858
21109-1900500000-330100	Committed fund balance	502,200
21109-1900500000-350100	AFB for program money	470,000
21100-1900500000-350100	AFB for program money	<u>18,723</u>
	Total	1,073,170

EDA requests a budget adjustment of \$250,000 for professional services related to the Coachella Valley Small Business Development Center, for increase in special events and lease expense for the Excite Incubator, and interfund salary reimbursement to the Workforce Development Department for a shared Deputy Director position. Fund balance reserves will cover this adjustment.

**Recommendation 13:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for the EDA Economic Development Program by \$250,000, as follows:

Increase appropriations:		
21100-1901000000-525440	Professional services	\$ 80,000
21100-1901000000-523270	Special events	50,000
21100-1901000000-526700	Rent - lease buildings	75,000
21100-1901000000-537180	Interfund expense-salary reimbursement	<u>45,000</u>



	Total	250,000
Use of assigned fund balance:		
21100-1901000000-350100	Assigned fund balance for program money	250,000

**Workforce Development**

EDA requests a budget adjustment for \$2,219,010 to meet the 25 percent training requirements of allocated grant funds for training clients and providing support services to clients while in training for a job. An allocation of additional Workforce Innovation & Opportunity Act grant funds to the county resulted in these additional training obligations.

**Recommendation 14:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Workforce Development Department by \$2,219,010, as follows:

Increase appropriations:		
21550-1900300000-530300	Training provider	\$ 221,991
21550-1900300000-530440	Client services	1,895,715
21550-1900300000-530460	Support services	<u>101,304</u>
	Total	2,219,010
Increase estimated revenues:		
21550-1900300000-765000	Federal WIA	2,219,010

**Neighborhood Stabilization Program (NSP)**

The department requests a budget adjustment of \$300,000 due to increased project costs. Department of Housing and Urban Development (HUD) grants will fund this expense.

**Recommendation 15:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Neighborhood Stabilization Program by \$300,000, as follows:

Increase appropriations:		
21370-1900200000-536200	Contributions to other non-county agency	\$300,000
Increase estimated revenues:		
21370-1900200000-766000	Federal – community redevelopment hm	300,000

**County Fair & National Date Festival**

The department requests a budget adjustment of \$390,966 for increased costs for the fair for janitorial services, Temporary Assistance Program overhead costs, maintenance costs for inclement weather, equipment rental, utilities, and interfund expenses from other EDA divisions. A contribution from other EDA funds will offset these expenses.

**Recommendation 16:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Fair and National Date Festival by \$390,966, as follows:

Increase appropriations:		
22200-1920100000-520820	Janitorial services	\$ 30,634
22200-1920100000-522310	Maintenance -building and improvement	42,600
22200-1920100000-523270	Special events	23,602
22200-1920100000-525080	Temporary assistance pool services	31,129
22200-1920100000-526530	Rent - lease equipment	25,183
22200-1920100000-529540	Utilities	81,443
22200-1920100000-536920	Interfund expense - general office expense	98,037
22200-1920100000-537180	Interfund expense - salary reimbursement	52,348
22200-1920100000-537280	Interfund expense – miscellaneous project expense	<u>5,990</u>
	Total	390,966
Increase estimated revenues:		
22200-1920100000-790600	Contribution from other county funds	390,966

**Parking Services Division**

The Parking division anticipates ending the year with a deficit of approximately \$295,000. An increase in revenues is critical to ensure a balanced budget and full cost recovery. The department will continue to monitor expenditures and evaluate revenue generation options.

**PUBLIC PROTECTION**

**Fire Department**

The Fire Department reports that it will meet its net county cost budgetary targets for FY 16/17. The CAL FIRE employees’ bargaining agreement has been completed and is awaiting ratification by the union members and governor’s approval. It was submitted to the union members in early January 2017 with ratification to follow shortly. The estimated impact to FY 16/17 is \$2.5 million additional costs for unincorporated fire protection services. Preliminary calculations indicate an increase of \$11.9 million for FY 17/18 due to negotiated salary increases and estimated benefit increases including PERS.

The City of Eastvale has recently notified the department that the city is currently processing payment for the Fire Protection services provided in second and third quarter of FY 14/15. Until payment is received, this will continue to be an outstanding receivable for the department totaling \$1,340,729.

**Sheriff’s Department**

The Sheriff is committed to a balanced budget. There is a department-wide effort to contain costs, however the greatest savings come from attrition. There are currently 180 vacancies; most are sworn positions. Increased labor costs coupled with growth in the unincorporated population and working to stay within the approved budget has created a situation where the Sheriff is unable to field the patrol deputies the Board of Supervisors expects in the unincorporated areas.

The Sheriff drew \$4 million from the corrections booking fee sub-fund to fill the gap created by the Prop. 172 reduction. Corrections continues to spend more than \$300,000 in



overtime each month as positions to support the realignment of public safety and the federal consent decree are unfunded. The Sheriff requested the addition of these positions at first quarter. Recently the medical expert hired to monitor progress on the consent decree’s delivery of health care identified a lack of custody personnel to support the medical operation as an issue. Failure to add the positions hampers the Sheriff’s ability to provide adequate custody support. The Board increased Correctional Health and Behavioral Health positions last fiscal year. Without correctional officers, inmates waiting for physical or mental health service suffer.

The Sheriff requests \$7.2 million in FY 17/18 budget to support positions identified in FY 15/16. If positions continue to come from unincorporated patrol, service gaps will be enormous. Following the provisions of the consent decree is not an option.

The adverse impact of the realignment of public safety and Prop. 47 continues. The Sheriff requests ten Correctional Deputies to ensure increase jail staffing. AB118 fully funds the positions.

**Recommendation 17:** *That the Board of Supervisors approve amending Ordinance 440 to add 10 Correctional Deputy II positions.*

The realignment of trial court funding continues to create a deficit in the cost of providing security for the Superior Court. Although the state allocated another \$200,000 for new Banning courtrooms, the budget is insufficient. A transfer of \$1.4 million is essential prior to year-end to provide the legally required level of court security.

**Recommendation 18:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and increasing Sheriff’s appropriations by \$1,400,000, as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$1,400,000
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,400,000
Increase appropriations:		
10000-2500500000-510040	Regular salaries	900,000
10000-2500500000-518100	Budgeted benefits	<u>500,000</u>
	Total	1,400,000
Use of unassigned fund balance:		
10000-2500500000-370100	Unassigned fund balance	1,400,000

The Sheriff continues to work with KPMG to achieve department-wide efficiencies and savings to the general fund. As previously, noted the savings will begin in FY 17/18.

**Office of District Attorney**

As of the third quarter, the District Attorney’s Office is projecting a net county cost deficit

of \$4.8 million dollars. The improvement over initial estimates is a result of the District Attorney maintaining vacant positions, absorbing non-critical attrition, and making substantial cuts to overtime and standby pay. Additionally, the department anticipates gaining efficiencies through its recent case management system upgrade and various other process automations. The Executive Office continues to monitor the department's budget closely, and recommends deferring budget action, if needed, to the end of the fiscal year.

### ***Department of Child Support Services***

The department projects that state and federal funding will be sufficient to meet the approved appropriations when final closeout occurs in late August.

### ***Probation Department***

The department projects that overall expenditures will be within the appropriations and allocated county cost targets at year end.

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

The department continues to project a \$2.4 million deficit and has no means to increase revenue or reduce costs before the end of the fiscal year. Recently, the Executive Office approved a transfer of \$500,000 from salaries and benefits to services and supplies so outstanding bills could be paid. One of the most critical items in arrears was inmate telephone service to contact counsel in Banning. With minimal state revenue, the office is almost completely dependent on the general fund. The Executive Office does not recommend transferring funds from contingency at this time and will continue working with the Public Defender on cost reducing measures.

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

The department reported in the second quarter budget report an anticipated shortfall of approximately \$1 million in contract city revenue, compared with FY 14/15 receipts. The revenue decline is attributed to a decrease in impounds, resulting from successful initiatives implemented by the department. In its third quarter status report, the department states that the trend continues. To address this concern, the department proposes shifting away from impound-based charges in favor of cost recovery through a shared-cost model. The Executive Office supports Animal Services' efforts to find a more sustainable model.

As previously reported, Animal Services states two-thirds of service vehicles have exceeded the standard vehicle life cycle of 100,000 miles, with 50 percent exceeding 150,000 miles. In addition, many of these vehicles are in need of repairs, including the spay and neuter bus, with a cost estimate in excess of \$30,000. The department was granted funding for five replacement vehicles in the FY 15/16 budget; however, the department is concerned that failing to purchase additional vehicles this fiscal year will create a significant hardship in subsequent years. The department states that it will work with the Executive Office for assistance in resolving the issue.

**PUBLIC WAYS AND FACILITIES**

**Aviation**

The department requests a budget adjustment due to a decrease in lease revenue from a new appraisal rate effective in FY 16/17. Assigned fund balance will fund this expense.

**Recommendation 19:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing estimated revenues and use of assigned fund balance for Aviation by \$104,962, as follows:

Decrease estimated revenue:		
22100-1910700000-741500	Temporary use lease	\$104,962
Use of assigned fund balance:		
22100-1910700000-350100	Assigned fund balance for program money	104,962

**HEALTH AND SANITATION**

**Department of Public Health**

Additional grant funds were awarded in FY 16/17 to the Supplemental Nutrition Program for the Women, Infants and Children program. The contract amendment was already approved by the Board of Supervisors, and the requested budget adjustment will allow the department to provide the expanded services. Similarly, the Nutrition Tobacco Control program has been authorized to roll over prior year unused grant funds. The HIV/STD prevention division also received additional funding to expand currently approved services. Finally, Disease Control was awarded additional funds to support expanded Zika education and control. The department is requesting budget adjustments to increase expenditures and revenue to account for the changes summarized above. After this adjustment, the department is still projected to end the fiscal year within its budgeted net county cost. No additional general fund support is requested.

**Recommendation 20:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for RUHS – Public Health by \$304,408, as follows:

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$48,430
10000-4200100000-510240	Per diem salaries	4,000
10000-4200100000-518100	Budgeted benefits	20,341
10000-4200100000-523640	Computer equipment - non fixed asset	106,872
10000-4200100000-523680	Office equipment non fixed assets	16,367
10000-4200100000-525440	Professional services	14,989
10000-4200100000-528920	Car pool expense	<u>93,409</u>
	Total	304,408
Increase estimated revenue:		
10000-4200100000-751680	CA - state grant revenue	33,056
10000-4200100000-754000	CA - tobacco tax prop. 10	43,447

10000-4200100000-754010	CA - tobacco tax prop. 99	68,872
10000-4200100000-762040	Federal - health grants	139,254
10000-4200100000-781480	Program revenue	<u>19,779</u>
	Total	304,408

**Detention Health**

Detention Health is requesting a budget adjustment to align budget with the actual expenditures associated with increased service levels within the jails. Detention Health is generating additional AB109 revenue to help offset these increases. No additional county funds are required. Based on current projections, Detention Health is expected to end the fiscal year with \$2 million net cost savings.

**Recommendation 21:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for RUHS - Detention Health by \$6,330,515, as follows:

Increase appropriations:		
10000-4300300000-510040	Regular salaries	\$2,770,915
10000-4300300000-518100	Budgeted benefits	1,847,277
10000-4300300000-522890	Pharmaceuticals	1,187,066
10000-4300300000-525620	Temporary expense – nurse registry	<u>1,000,000</u>
	Total	6,805,258
Increase appropriations:		
10000-4300300000-572300	Intra – health	(474,743)
Increase estimated revenue:		
10000-4300300000-755900	AB109 – local community corrections partnership	6,330,515

**California Children’s Services**

Using the best data available, the department is projecting operating expenditures and revenues to increase along with the increase of caseloads. All additional costs will be offset by the resulting new revenue. The department is requesting a budget adjustment to increase expenditures and revenue to account for these changes. After this adjustment, the department is still projected to end the fiscal year within its budgeted net county cost. No additional general fund support is requested.

**Recommendation 22:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for RUHS – California Children’s Services by \$1,029,595, as follows:

Increase appropriations:		
10000-4200200000-530220	Support & care-persons	\$1,225,576
Decrease appropriations:		
10000-4200200000-510040	Regular salaries	138,015
10000-4200200000-518100	Budgeted benefits	<u>57,966</u>
	Total	195,981

Increase estimated revenue:

10000-4200200000-751210

CA - Medi-Cal

500,000

10000-4200200000-751680

CA - state grant revenue

529,595

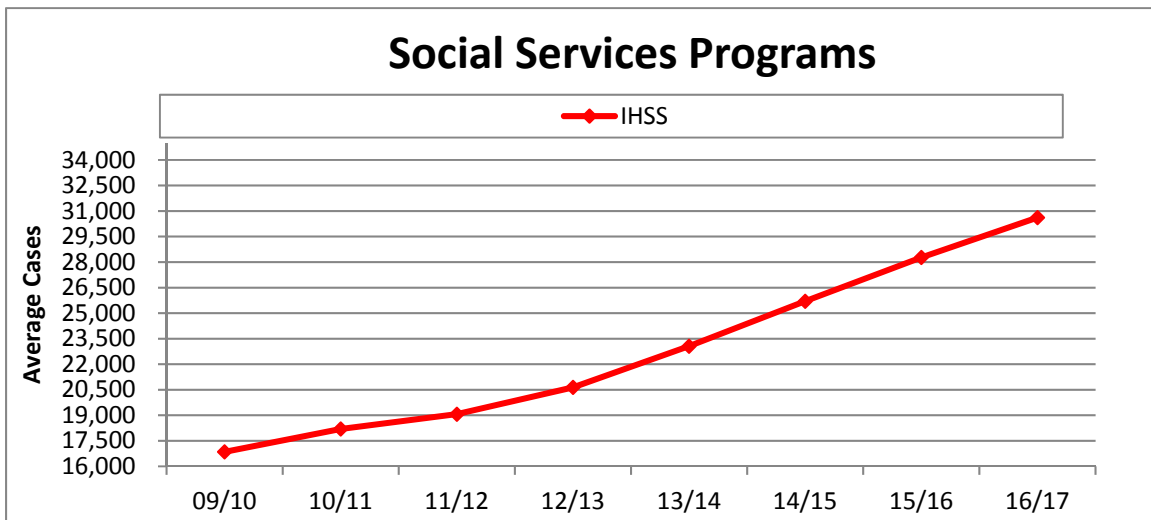
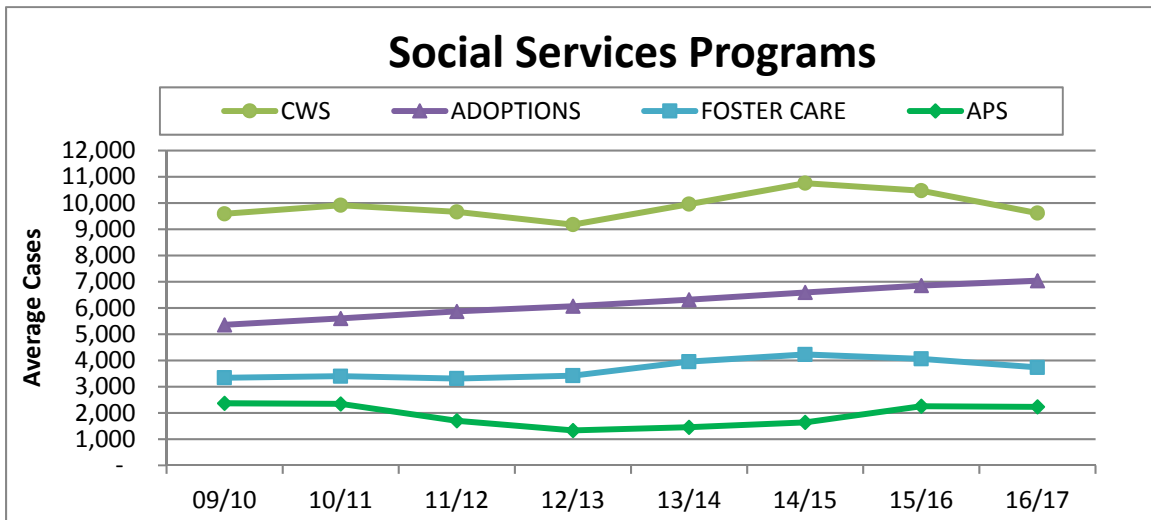
Total

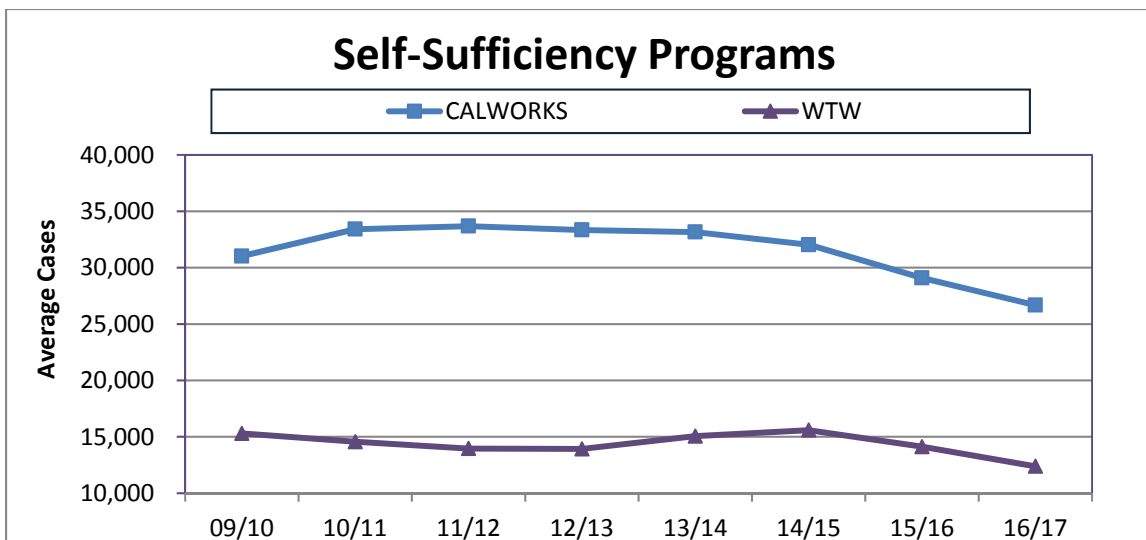
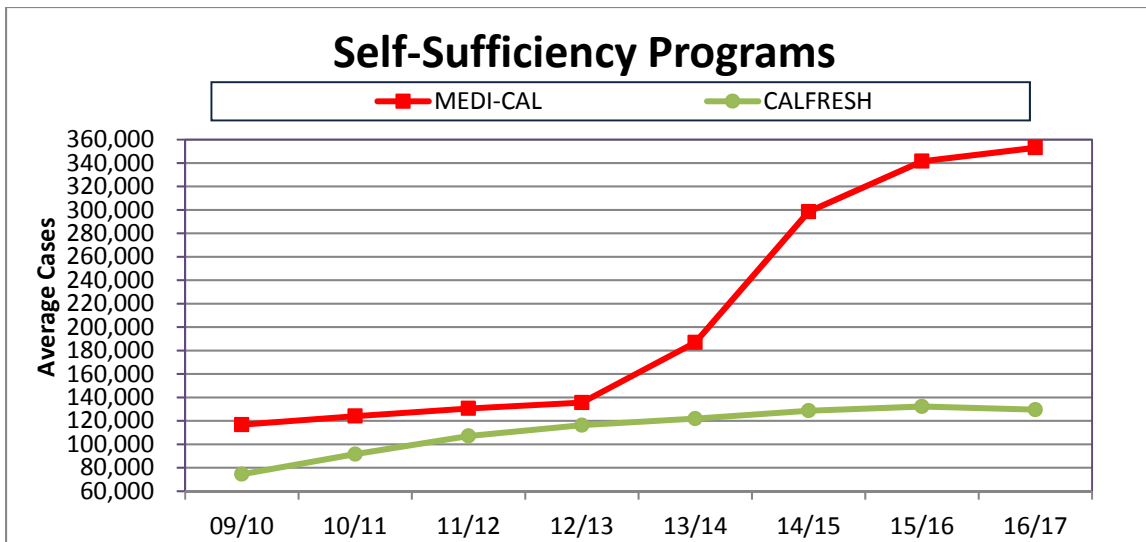
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**PUBLIC ASSISTANCE**

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

The Department of Public Social Services (DPSS) reports annualized growth in adult protective services of 20 percent through February 2017. Many of the other social services and self-sufficiency programs also showed increases, but in the following lesser percentages: in-home supportive services increased 12 percent, Medi-Cal increased 5 percent and adoptions increased 3 percent. The following programs experienced negative movement: welfare-to-work decreased 14 percent, CalWORKs decreased 10 percent, foster care decreased 5 percent, child welfare services decreased 5 percent, and CalFresh decreased 1 percent.





As reported in the midyear budget report, the department increased staffing in the Medi-Cal program in recent years to keep pace with caseload increases associated with the Affordable Care Act. To assist with implementation, the Affordable Care Act increased federal participation of Medi-Cal Administration from 50 to 75 percent for the majority of activities. Counties operated under the assumption federal funds were open-ended and could be accessed to support on-going operations; however, the California Department of Health Care Services (DHCS) recently clarified that counties could not access the additional federal funding to support on-going operations. In response, the department has been reducing Medi-Cal program staffing levels through attrition to maintain operations within state-funded levels. As the Medi-Cal caseload continues to grow, it is increasingly difficult for staff to provide timely service. The state committed to review the Medi-Cal Administration funding methodology, but pending this review, the funding level is frozen.

In an effort to create efficiencies and maintain a balanced budget, approximately 60 Medi-Cal eligibility technicians were cross-trained to assist in the CalFresh program. Furthermore, as Cal-WORKs caseload numbers decreased, a hiring freeze was implemented

to maintain a balanced budget through attrition.

Also reported in the midyear budget report, Children's Services Division (CSD) prepared for and implemented the first phase of Continuum of Care Reform (CCR) and the Resource Family Approval (RFA) program, effective January 2017. As of March 28, CSD received more than 360 applications from families, more than 820 adults, for approval as Resource Families. It is too early in the implementation to assess the length of time for completing the approval process. CSD is monitoring their progress and may have more information available at year-end.

CCR is phasing-out traditional group homes as foster care placement, and instead will require group care to transition to Short-Term Residential Therapeutic Programs (STRTP) to provide short-term high quality intensive interventions, which are just one part of the continuum of care available for children, youth and young adults. To date, only five Riverside County group homes of the 26 DPSS contracts with have submitted a program statement for consideration. CSD continues to meet regularly with existing providers to address questions as they assess whether to continue to be a service provider under this new model.

Based on growth over the past year in Adult Protective Services (APS) referrals, the department funded 16 additional social workers and three additional supervisors to manage a projected 2,500 increase in referrals by the end of FY 16/17. APS is targeting an average of 18 new investigations per social worker, per month. This average exceeds the standard of 15.8 new investigations per month established by the National Adult Protective Services Association. Although some hiring took place in the first part of the year, in February 2017 a hiring freeze was implemented in response to lower revenue projections and a reduced budget target for FY 17/18. Until the budget is finalized, APS will reduce its workforce through attrition, resulting in caseload increases, and may experience delays in completing investigations.

Similarly, the average growth rate over the past year for In-Home Supportive Services (IHSS) intakes was 15 percent, and 12 percent for IHSS continuing cases. Based on these averages, intakes and continuing cases are expected to reach 18,678 and 32,323, respectively, by the end of FY 16/17. To manage these increases, 15 additional social workers and three additional supervisors were funded. IHSS is targeting an annual average of 300 new intakes and 300 continuing cases per social worker. However, the Governor's proposed budget included termination of the Coordinated Care Initiative and a return to a 35 percent county share of cost for the non-federal portion of the program, effective July 1, 2017. Because there is tremendous budget uncertainty associated with this change, a hiring freeze was put into place in February 2017. Until the budget is finalized, IHSS will reduce its workforce through attrition, resulting in caseload increases, and may experience delays in processing new applications and annual re-evaluations.

The department applied for and was awarded a 2015 Victims of Crime VOCA grant, in the amount of \$41,286, through the Regents of the University of California Riverside. The funding will support a portion of a coordinator position to manage incoming referrals from



the Elder Abuse Forensic Center (EAFC), consult with staff assigned to referrals, coordinate case presentations at biweekly EAFC meetings, provide training, data collection, and reporting.

DPSS is projecting an increase in county-funded foster care, in the amount of \$300,000, related to a requirement that providers only care for one higher needs child that requires specialized care and results in a higher monthly rate patch. When compared to prior year expenditure levels, the department is projecting 15 percent growth in the county-funded foster care assistance program, which will be partially offset by a 26 percent decrease in the general relief program and a 25 percent decrease in the interim assistance program. The overall budget impact is anticipated to be an increase in expenditures of approximately \$300,000. The department requests a budget adjustment to shift appropriations from categorical aid to other aid.

**Recommendation 23:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and unassigned fund balance for the Department of Social Services, by \$300,000, as follows:*

Increase appropriations:		
10000-5100400000-530520	County-funded assistance	\$300,000
Use of unassigned fund balance:		
10000-5100400000-370100	Unassigned fund balance	300,000
Decrease appropriations:		
10000-5100300000-530480	Categorical assistance	300,000
Increase unassigned fund balance:		
10000-5100300000-370100	Unassigned fund balance	300,000

The California Welfare Directors Association, in cooperation with the California State Association of Counties, met with the State Department of Finance (DOF) to seek clarification on the extended foster care program. The DOF confirmed counties are mandated to serve to all eligible youth; however, no commitment was made to recommend increased funding to support the program.

The Governor’s decision to terminate the Coordinated Care Initiative creates a \$600 million dollar cost shift to counties, exceeding the impact associated with the Extended Foster Care program. As a result, this issue is currently on hold to concentrate on obtaining fiscal relief for the IHSS program. In the current fiscal year, the department plans to use 2011 realignment funding to cover program expenses; however, this prevents the intended investment in child welfare services.

Likewise, the Governor’s decision to terminate the Coordinated Care Initiative also impacts the IHSS Public Authority (IHSS PA) and creates uncertainty regarding the FY 17/18 funding level. The IHSS PA is impacted by caseload growth in IHSS, as well as implementation of several new state-mandated initiatives, including the IHSS electronic time sheet and sick leave provider back-up system. As a result, the IHSS PA is also



subject to a hiring freeze, remaining in effect until a final state budget is adopted, at which time the department can more accurately determine an appropriate staffing level for the program.

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

The First 5 Commission anticipates a \$3.1 million decrease in Prop. 10 revenue in FY 17/18, based on recent California Department of Finance revenue projections. The projections include: a backfill to Prop. 10 from Prop. 56; ongoing revenues from tobacco licensing changes (AB2x11 and AB2770); and, partial year revenues from the equivalency tax placed on e-cigarettes, effective April 1, 2017. While the revenue is projected to decrease, the number of Riverside County births are estimated to continue to increase each year. Other significant activities of the Commission include:

The California Department of Health Care Services (DHCS) approved the Inland Empire's Local Dental Pilot Project (LDPP) grant application. This regional approach across Riverside and San Bernardino counties will bring more than \$13 million to implement the Virtual Dental Home and Early Childhood Oral Health Assessment. DHCS received 23 very competitive applications and funded 15 LDPPs. First 5 Riverside, the designated lead, and First 5 San Bernardino, as co-lead, are partnering with oral health stakeholders to increase preventative services for children, increase caries risk assessment and disease management, and increase continuity of care through two innovative strategies: the Virtual Dental Home and Early Childhood Oral Health Assessment. The LDPP-IE provides an unprecedented opportunity to improve oral health outcomes for children 0 to 5 years of age.

First 5 Commissioners Lisa Larson and Debbie Clark-Crews, along with Vice Chair Jose Campos and Deputy Director Yvonne Suarez, participated in 11 legislative visits to discuss the overarching efforts across all 58 First 5 Commissions across the state. This included local efforts in Riverside County, such as partnerships with Riverside County Office of Education and Consortium of Early Learning Services, and upcoming work with First 5 San Bernardino for the Local Dental Pilot Project. Visits included meetings with state Senators Richard Roth and Jeff Stone, and Assembly Members Chad Mayes and Randy Voepel. Additional visits included opportunities to discuss key issues with legislative aides and chiefs of staff for the following legislators: Mike Morrell, Eduardo Garcia, Sabrina Cervantes, Jose Medina, Melissa Melendez, and Marie Waldron. Several First 5 representatives met with Glen Price, Chief Deputy Superintendent, California Department of Education. All legislative members are supportive of the First 5 work, and want to support policies reinforcing these efforts. Sustainability efforts, such as systems work and combining resources, continue to be a priority during these conversations.

First 5 hired 14 Program Specialist II's as coaches, utilizing Improve and Maximize Programs so All Children Thrive grants to support Quality Rating and Improvement System (QRIS) efforts at over 160 sites over the next four years. Coaches will provide training and mentoring to director and teachers at participating Quality Start sites.

**Community Action Partnership (CAP)**

Community Action Partnership (CAP) expects to meet budget guidelines for FY 16/17. Funds totaling \$990,000 from the prior year weatherization contract were carried over into FY 16/17. The department requests a budget adjustment to appropriately increase expenditures and revenue for these changes.

**Recommendation 24:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Community Action Partnership by \$990,000, as follows:

Increase estimated revenue:		
21050-5200200000-767220	Federal – other operating grants	\$990,000
Increase appropriation:		
21050-5200200000-520115	Uniforms - replacement clothing	5,000
21050-5200200000-521640	Maintenance - software	18,000
21050-5200200000-523220	Licenses and permits	3,720
21050-5200200000-525080	Temporary assist pool services	55,750
21050-5200200000-525440	Professional services	7,000
21050-5200200000-525820	RCIT pass-thru support	12,000
21050-5200020000-526420	Advertising	20,000
21050-5200200000-526910	Field equipment non-assets	69,000
21050-5200200000-527560	Direct material	36,000
21050-5200200000-527780	Special program expense	13,530
21050-5200200000-536240	Other contract agencies	<u>750,000</u>
	Total	990,000

CAP received additional funds of \$5,000 from the Regional Access Project. The funds are used to cover expenses for cool/warm centers in eastern Riverside County. The department is asking for a budget adjustment to appropriately increase the expenditure and revenue for this change.

**Recommendation 25:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Community Action Partnership by \$5,000, as follows:

Increase estimated revenue:		
21050-5200300000-781480	Program revenue	\$5,000
Increase appropriations:		
21050-5200300000-523700	Office supplies	5,000

**Office on Aging**

Office on Aging continues to strategically perform the operations of the department to mitigate service level impacts by enhancing efficient operations and by continuing to exercise sound fiscal management. The department is closely monitoring all expenditures and anticipates ending the fiscal year within budget.

The department requests a budget adjustment to reflect an increase of \$8,762 additional funding available through contractual agreements and contributions and donations. The budget adjustment also reflects a decrease of health services revenue from the Desert Regional Medical Center for care transitions intervention services for \$20,068. The contractual agreement terminates effective April 23, 2017.

**Recommendation 26:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Office on Aging by \$8,762, as follows:*

Increase estimated revenue:		
21450-5300100000-767140	Federal - miscellaneous reimbursement	\$3,694
21450-5300100000-781220	Contributions & donations	2,106
21450-5300100000-781850	Grants - nongovernmental agencies	<u>2,962</u>
	Total	8,762
Increase appropriations:		
21450-5300100000-510040	Regular salaries	6,656
21450-5300100000-527780	Special program expense	<u>2,106</u>
	Total	8,762

**Recommendation 27:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for the Office on Aging by \$20,068, as follows:*

Decrease estimated revenue:		
21450-5300100000-774500	Health services	\$20,068
Decrease appropriations:		
21450-5300100000-510040	Regular salaries	14,277
21450-5300100000-518100	Budgeted benefits	<u>5,791</u>
	Total	20,068

**County Free Library**

The department request a budget adjustment of \$153,709 for a projected increase for interfund office expenses for RCIT and insurance costs allocated from the EDA Administration. Library revenue from development impact fee reimbursement for book costs will fund the increase.

**Recommendation 28:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the County Free Library by \$153,709, as follows:*

Increase appropriations:		
21200-1900700000-536920	Interfund - general office expense	\$153,709
Increase estimated revenue:		
21200-1900700000-778370	Interfund - project costs	153,709

**ENTERPRISE FUNDS**

**Riverside University Health System – Medical Center**

The Medical Center requests a budget adjustment increasing appropriations for the use of nurse registry and depreciation expenditures for the EPIC system that were not originally approved in the FY 16/17 budget.

**Recommendation 29:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the RUHS – Medical Center by \$9,880,344, as follows:

Increase appropriations:		
40050-4300100000-525620	Temporary expense – nurse registry	\$6,719,865
40050-4300100000-535560	Depreciation – equipment	<u>3,160,479</u>
	Total	9,880,344
Increase estimated revenue:		
40050-4300100000-751660	CA – managed care Medi-Cal	9,880,344

The Medical Center requests a budget adjustment to correct agenda item 3.48, which was approved by the Board of Supervisors on April 11, 2017. Schedule A of item 3.48 inadvertently established a budget and authorized hiring for the Whole Person Care Grant under the general fund (Fund 10000). The budget and authorization should have been established under Riverside University Health System - Medical Center’s Fund 40050.

**Recommendation 30:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the RUHS – Medical Center and general fund by \$5,515,101, as follows:

Decrease appropriations:		
10000-4300100000-510040	Regular salaries	\$2,418,501
10000-4300100000-518100	Budgeted benefits	1,047,401
10000-4300100000-528440	Overhead	183,295
10000-4300100000-523640	Computer equipment – non fixed asset	34,500
10000-4300100000-520320	Telephone service	22,080
10000-4300100000-525440	Professional service	325,200
10000-4300100000-529060	Public service transportation	2,808
10000-4300100000-522840	Laboratory supplies	281,316
10000-4300100000-523230	Miscellaneous expense	<u>1,200,000</u>
	Total	5,515,101
Decrease estimated revenue:		
10000-4300100000-750980	CA – state MH subs funding	5,515,101

Increase appropriations:		
40050-4300100000-510040	Regular salaries	2,418,501
40050-4300100000-518100	Budgeted benefits	1,047,401
40050-4300100000-528440	Overhead	183,295
40050-4300100000-523640	Computer equipment – non fixed asset	34,500

40050-4300100000-520320	Telephone service	22,080
40050-4300100000-525440	Professional service	325,200
40050-4300100000-529060	Public service transportation	2,808
40050-4300100000-522840	Laboratory supplies	281,316
40050-4300100000-523230	Miscellaneous expense	<u>1,200,000</u>
	Total	5,515,101

Increase estimated revenue:		
40050-4300100000-750980	CA – state MH subs funding	5,515,101

**Waste Management**

The Waste Resources Department receives secured settlement (SS) tax payments from the Auditor Controller’s Office related to Area 8, which are then disbursed to the applicable third party in the agreement. Due to questions on the split of the SS2 tax payment of \$300,558 received on May 16, 2016, the disbursement to the third party was not completed until FY 16/17. The department requests a budget adjustment to provide the appropriation necessary to cover the disbursement from FY 15/16 that was recognized in FY 16/17, as well as the disbursements from the current fiscal year.

**Recommendation 31:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted net assets for the Department of Waste Resources by \$300,558, as follows:*

Increase appropriations:		
23000-4500300000-523230	Miscellaneous expense	\$300,558
Use of restricted net assets:		
23000-4500300000-321101	Restricted program money	300,558

**INTERNAL SERVICE FUNDS**

**Facilities Management**

**Real Estate**

As of January 1, 2017, the Real Estate Services division manages several community centers and two water parks, and is currently identifying and evaluating potential operational efficiencies. The impacts of these new responsibilities are unknown at this time, and additional appropriations may be required. The Division anticipates ending the year with a deficit of approximately \$470,000 due to services requested with limited funding. The Division will continue to monitor appropriations and revenues to ensure cost recovery.

**Purchasing & Fleet Services**

**Central Purchasing**

Purchasing is on track to remain within FY 16/17 budget targets. The competitive procurement activities of the Purchasing staff has generated \$4.4 million in savings for awards made from July 2016 through March 2016.

**Printing Services**

Due to changing business practices, revenue is tracking lower than expected. The department will continue to monitor and make adjustments to meet budget targets.

**Supply Services**

The rollout of online ordering for county departments through the county-negotiated contract of Staples Business Advantage is ongoing and completion is anticipated by the end of the fiscal year. Departments will see a 10 percent cost reduction by ordering online direct through this program. The department is in the process of working with the Economic Development Agency to establish a mid-county supply chain facility in an existing county owned building to better serve the geographic area of the county. The department will continue to monitor and make adjustments to meet budget targets.

**Central Mail**

Expenditures continue to be monitored and any needed adjustments will be implemented accordingly. Postage expenses are anticipated to come in higher.

**Fleet Services**

Fleet Services has been working with departments to help reduce costs associated with daily motor pool rentals. As a result, motor pool revenue has decreased; however, corresponding decreases in expenses have occurred as well. The department will continue to work with departments to identify other cost savings opportunities.

**Human Resources**

**General Liability Insurance**

There is a possibility that some outstanding liability claims could be settled before year-end. Revenues from stop loss payments will offset these increased claims costs. Increased appropriations to pay claims are needed to ensure pending claims can be paid before year-end. Human Resources will continue to monitor the spending on general liability claims.

**Recommendation 32:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the General Liability fund by \$9,838,000 as follows:*

Increase estimated revenues:		
45960-1131000000-777010	Stop loss reimbursement	\$9,838,000



Increase appropriations:		
45960-1131000000-534280	Liability adjustment expense	9,838,000

### **Malpractice Insurance**

There is a possibility that some outstanding malpractice claims could be settled before year-end. To ensure sufficient appropriation exists to pay the claims, appropriations increases are needed that will be offset with available unrestricted net assets.

**Recommendation 33:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unrestricted net assets for the Malpractice Insurance fund by \$1,500,000 as follows:

Increase appropriations:		
46000-1130900000-534340	Malpractice - liability	\$1,500,000

Use of Unrestricted net assets:		
46000-1130900000-380100	Unrestricted net assets	1,500,000

### **Disability Insurance**

Professional services and claims for short-term disability are trending higher than anticipated. Increased appropriations to pay expenses are needed to ensure sufficient appropriation exists to pay expenses before year-end that will be offset with available unrestricted net assets.

**Recommendation 34:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unrestricted net assets for Short-term Disability Insurance by \$300,000 as follows:

Increase appropriations:		
46060-1131200000-525440	Professional services	\$ 50,000
46060-1131200000-534260	Disability claims	<u>250,000</u>
		300,000

Use of unrestricted net assets:		
46060-1131200000-380100	Unrestricted net assets	300,000

### **Exclusive Care EPO**

Exclusive Care revenues are trending higher than estimated and increased appropriations are needed to ensure all fourth quarter claims can be paid. Human Resources requests budget adjustments to ensure appropriations are sufficient to cover fourth quarter expenses.

**Recommendation 35:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Exclusive Care by \$3,600,000, as follows:

Increase estimated revenues:		
45800-1132000000-781220	Contributions & donations	\$3,600,000

Increase appropriations:		
45800-1132000000-534500	Hospital care services claims	3,600,000

**Delta Dental PPO**

Delta Dental PPO revenues are trending higher than anticipated. In addition, claims have increased. A budget adjustment is necessary to ensure appropriations are sufficient to pay claims and other expenses through year-end.

**Recommendation 36:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for the Delta Dental PPO fund by \$322,000, as follows:

Increase estimated revenues:		
45860-1130600000-781220	Contributions & donations	\$ 92,000
45860-1130600000-781320	Insurance proceeds	<u>230,000</u>
	Total	322,000

Increase appropriations:		
45860-1130600000-523350	Administrative expense	5,000
45860-1130600000-525440	Professional services	5,000
45860-1130600000-534240	Dental claims	<u>312,000</u>
	Total	322,000

**SPECIAL DISTRICTS AND OTHER AGENCIES**

**Flood Control and Water Conservation District**

The Flood Control and Water Conservation District’s Photogrammetry Operations – Fund 40650 was established to account for revenue earned and expenses incurred for survey control and topographic mapping services. An adjustment is necessary to accommodate increased revenue and expenses related to additional work not originally approved in the district FY 16/17 budget.

**Recommendation 37:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Photogrammetry Operations fund by \$70,000, as follows:

Increase appropriations:		
40650-947120-518100	Budgeted benefits	\$20,000
40650-947120-510040	Regular salaries	15,000
40650-947120-524760	Data processing services	20,000
40650-947120-527180	Operational supplies	<u>15,000</u>
	Total	70,000

Increase estimated revenue:		
40650-947120-772050	Photogrammetry fees	70,000

The district requests a budget adjustment increasing services and supplies for subdivision



operations. The adjustment is necessary to accommodate an increase in the use of outside engineering sources to review plan check cases. The adjustment is necessary to accommodate increased revenue and expenses related to additional work not originally approved in the district FY 16/17 budget.

**Recommendation 38:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Subdivision Operations by \$200,000, as follows:*

Increase appropriations:		
40660-947140-524820	Engineering services	\$200,000
Increase estimated revenue:		
40660-947140-771830	Improvement plan check fees	200,000

### **County Service Areas**

The department requests budget adjustments for CSA 36, CSA 38, CSA 143, CSA 134, CSA 122, CSA 85, CSA 149A, and CSA 51. CSA 36 contributes funds to the Real Estate division to run the community centers; fund balance offsets the increase in appropriations. Fund balance for CSA 38 offsets the budget adjustment for unexpected landscaping and maintenance costs.

Conversion to water efficient systems resulted in increased maintenance ground costs for CSA 143. Special assessments and rebates from Eastern Municipal Water District offset the additional expenses. Increased maintenance ground costs and increased street light costs in various parks resulted in a budget adjustment in CSA 134; offset by revenue from special assessments.

Revenue from other county funds offsets increased water maintenance and salary costs due to water system repairs for CSA 122. Fund balance covers a budget adjustment for CSA 85 for increased utility and water costs. CSA 149 requests a budget adjustment for increased maintenance grounds cost due to rain; fund balance will offset the adjustment. CSA 51 required repairs to the water system, resulting in a budget adjustment offset by fund balance and revenue from other county funds.

**Recommendation 39:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 36 by \$101,000, as follows:*

Increase appropriations:		
23375-903601-527780	Special program expense	\$101,000
Use of restricted fund balance:		
23375-903601-321101	Restricted program money	101,000

**Recommendation 40:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 38 by \$177,000, as follows:*

Increase appropriations:		
23400-903801-527780	Special program expense	\$ 32,000
23400-903801-537080	Interfund expense-miscellaneous	<u>145,000</u>
	Total	177,000

Use of restricted fund balance:		
23400-903801-321101	Restricted program money	177,000

**Recommendation 41:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 143 by \$286,000, as follows:

Increase appropriations:		
24550-914301-522320	Maintenance-grounds	\$270,000
24550-914301-529550	Water	<u>16,000</u>
	Total	286,000

Increase estimated revenue:		
24550-914301-770100	Special assessments	196,000
24550-914301-776455	Rebates and refunds	<u>90,000</u>
	Total	286,000

**Recommendation 42:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 134 by \$160,000, as follows:

Increase appropriations:		
24425-913401-522320	Maintenance - grounds	\$135,000
24425-913401-529530	Street lights	15,000
24425-913401-528920	Car pool expense	<u>10,000</u>
	Total	160,000

Increase estimated revenue:		
24425-913401-770100	Special assessments	160,000

**Recommendation 43:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 122 by \$12,000, as follows:

Increase appropriations:		
40400-912211-522400	Maintenance - improvement water	\$6,000
40400-912211-524500	Administrative support-direct	<u>6,000</u>
	Total	12,000

Increase estimated revenue:		
40400-912211-790600	Contributions from other county funds	12,000

**Recommendation 44:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 85 by \$12,000, as follows:

Increase appropriations:		
23850-908501-529540	Utilities	\$6,000
23850-908501-529550	Water	<u>6,000</u>
	Total	12,000

Use of restricted fund balance:		
23850-908501-321101	Restricted program money	12,000

**Recommendation 45:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 149A by \$8,000, as follows:*

Increase appropriations:		
24825-914901-522320	Maintenance - grounds	\$8,000

Use of restricted fund balance:		
24825-914901-321101	Restricted program money	8,000

**Recommendation 46:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues, and use of restricted fund balance for CSA 51 by \$133,772, as follows:*

Increase appropriations:		
23525-905102-537180	Interfund expense-salary reimbursement	\$133,772

Increase estimated revenue:		
23525-905102-790600	Contributions from other county funds	54,327

Use of restricted fund balance:		
23525-905102-321101	Restricted program money	79,445



## 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 approve and direct the Auditor-Controller to make adjustments releasing the entire balance of unassigned fund balance for economic uncertainty of \$124,745,351 and the committed fund balance for disaster relief of \$15,000,000, and increasing unassigned fund balance for budget stabilization by \$139,745,351, as follows:*

Decrease unassigned fund balance:

10000-1000100000-370105	Unassigned FB for economic uncertainty	\$124,745,351
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Decrease committed fund balance:

10000-1000100000-330151	Committed FB for disaster relief	15,000,000
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Increase unassigned fund balance:

10000-1000100000-370106	Unassigned FB for budget stabilization	139,745,351
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**Recommendation 2:** *That the Board approve and direct the Auditor-Controller to make adjustments releasing the entire balance of fund balance restricted for capital projects and increasing appropriations for the accumulative capital outlay fund; and, increase appropriations for contingency and estimated revenue for the general fund by \$1,480,277, as follows:*

Decrease restricted fund balance:

30000-1100300000-322100	Restricted for construction/capital projects	\$1,480,277
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Increase appropriations:

30000-1100300000-551100	Contributions to other funds	1,480,277
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Increase estimated revenue:

10000-1100100000-790600	Contribution from other county funds	1,480,277
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Increase unassigned fund balance:

10000-1100100000-370100	Unassigned fund balance	1,480,277
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Increase appropriations:

10000-1109000000-581000	Appropriations for contingency	1,480,277
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Use of unassigned fund balance:

10000-1109000000-370100	Unassigned fund balance	1,480,277
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**Recommendation 3:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations in contingency by \$386,273 and increasing estimated revenue and appropriations for the Executive Office by \$1,124,712, as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriation for contingencies	\$386,273
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	386,273
Increase estimated revenue:		
10000-1100100000-790600	Contribution from other county funds	738,439
Increase appropriations:		
10000-1100100000-524660	Consultants	1,054,712
10000-1100100000-510200	Payoff permanent - seasonal	<u>70,000</u>
	Total	1,124,712
Use of unassigned fund balance:		
10000-1100100000-370100	Unassigned fund balance	386,273

**Recommendation 4:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the general fund by \$2,400,000, as follows:

Increase estimated revenue:		
10000-1100100000-741270	Landfill lease agreement	\$2,400,000
Increase unassigned fund balance:		
10000-1100100000-370100	Unassigned fund balance	2,400,000
Increase appropriations:		
10000-1109000000-581000	Appropriations for contingency	2,400,000
Use of unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	2,400,000

**Recommendation 5:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for contingency and estimated revenue by \$1,338,596, as follows:

Decrease estimated revenue:		
10000-1100900000-730020	Fee - POC transaction	\$93,782
10000-1100900000-730040	Fine - traffic motor vehicle MC	96,547
10000-1100900000-731200	AB233 realignment	<u>1,148,267</u>
	Total	1,338,596
Decrease use of unassigned fund balance:		
10000-1100900000-370100	Unassigned fund balance	1,338,596
Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	1,338,596

Use of unassigned fund balance:  
 10000-1109000000-370100 Unassigned fund balance 1,338,596

**Recommendation 6:** *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of available fund balance for the Community Facilities Districts by \$100,000, as follows:*

Increase appropriations:  
 22050-1150100000-510040 Regular salaries \$25,000  
 22050-1150100000-537000 Interfund - expense leases 75,000  
 Total 100,000

Use of available fund balance:  
 22050-1150100000-350100 Assigned fund balance for program money 100,000

**Recommendation 7:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to increasing estimated revenue and restricted fund balance for the Executive Office by \$36,747,894, as follows:*

Increase estimated revenues:  
 30700-1104200000-751680 CA - state grant revenue \$36,747,894

Increase assigned fund balance:  
 30700-1104200000-350200 Assigned fund balance for constr/capital projects 36,747,894

**Recommendation 8:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing committed fund balance and increasing appropriations by \$77,000, as follows:*

Decrease committed fund balance:  
 10000-1000100000-330135 CFB – community improvement \$77,000

Increase appropriations:  
 10000-1000100000-510040 Regular salaries 49,000  
 10000-1000100000-518100 Budgeted benefits 16,000  
 10000-1000100000-523700 Office supplies 12,000  
 Total 77,000

**Recommendation 9:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue by \$84,727, as follows:*

Decrease estimated revenue:  
 10000-1000100000-726080 License - CATV \$2,104,684

Increase estimated revenue:  
 10000-1000100000-725020 Franchises 2,104,684



Decrease appropriations:  
 10000-1109000000-581000 Appropriation for contingencies 84,727

Increase unassigned fund balance:  
 10000-1109000000-370100 Unassigned fund balance 84,727

Increase appropriations:  
 10000-1000100000-510200 Payoff permanent-seasonal 75,282  
 10000-1000100000-523230 Miscellaneous expense 9,445  
 Total 84,727

Use of unassigned fund balance:  
 10000-1000100000-370100 Unassigned fund balance 84,727

**Recommendation 10:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Registrar of Voters by \$1,153,978, as follows:*

Increase estimated revenue:  
 10000-1700100000-771210 School election services \$337,841  
 10000-1700100000-771230 City election services 816,137  
 Total 1,153,978

Increase appropriations:  
 10000-1700100000-510320 Temporary Salaries 467,998  
 10000-1700100000-510420 Overtime 209,372  
 10000-1700100000-523760 Postage/ mailing 330,813  
 10000-1700100000-523800 Printing/ binding 44,894  
 10000-1700100000-527380 Elections 100,901  
 Total 1,153,978

**Recommendation 11:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for EDA Administration by \$308,334, as follows:*

Increase appropriations:  
 21100-1900100000-525840 RCIT device access \$308,334

Increase estimated revenue:  
 21100-1900100000-778220 Interfund - office expenses 308,334

**Recommendation 12:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for EDA Administration by \$1,073,170, as follows:*

Increase appropriations:  
 21100-1900500000-522310 Maintenance-building and improvements \$ 315,000  
 21100-1900500000-527780 Special program expense 240,000  
 21100-1900500000-537280 Interfund expense-miscellaneous project expense 25,000

21100-1900500000-551100	Contribution to other funds	<u>493,170</u>
	Total	1,073,170

## Use of fund balance:

21101-1900500000-321101	Restricted program money	16,389
21108-1900500000-321101	Restricted program money	65,858
21109-1900500000-330100	Committed fund balance	502,200
21109-1900500000-350100	AFB for program money	470,000
21100-1900500000-350100	AFB for program money	<u>18,723</u>
	Total	1,073,170

**Recommendation 13:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance for the EDA Economic Development Program by \$250,000, as follows:

## Increase appropriations:

21100-1901000000-525440	Professional services	\$ 80,000
21100-1901000000-523270	Special events	50,000
21100-1901000000-526700	Rent - lease buildings	75,000
21100-1901000000-537180	Interfund expense-salary reimbursement	<u>45,000</u>
	Total	250,000

## Use of assigned fund balance:

21100-1901000000-350100	Assigned fund balance for program money	250,000
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**Recommendation 14:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Workforce Development Department by \$2,219,010, as follows:

## Increase appropriations:

21550-1900300000-530300	Training provider	\$ 221,991
21550-1900300000-530440	Client services	1,895,715
21550-1900300000-530460	Support services	<u>101,304</u>
	Total	2,219,010

## Increase estimated revenues:

21550-1900300000-765000	Federal WIA	2,219,010
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**Recommendation 15:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Neighborhood Stabilization Program by \$300,000, as follows:

## Increase appropriations:

21370-1900200000-536200	Contributions to other non-county agency	\$300,000
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## Increase estimated revenues:

21370-1900200000-766000	Federal – community redevelopment hm	300,000
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costs for inclement weather, equipment rental, utilities, and interfund expenses from other EDA divisions. A contribution from other EDA funds will offset these expenses.

**Recommendation 16:** That the Board of Supervisors approve and direct the Auditor-

*Controller to make budget adjustments increasing appropriations and estimated revenue for the Fair and National Date Festival by \$390,966, as follows:*

Increase appropriations:		
22200-1920100000-520820	Janitorial services	\$ 30,634
22200-1920100000-522310	Maintenance -building and improvement	42,600
22200-1920100000-523270	Special events	23,602
22200-1920100000-525080	Temporary assistance pool services	31,129
22200-1920100000-526530	Rent - lease equipment	25,183
22200-1920100000-529540	Utilities	81,443
22200-1920100000-536920	Interfund expense - general office expense	98,037
22200-1920100000-537180	Interfund expense - salary reimbursement	52,348
22200-1920100000-537280	Interfund expense – miscellaneous project expense	<u>5,990</u>
	Total	390,966

Increase estimated revenues:		
22200-1920100000-790600	Contribution from other county funds	390,966

**Recommendation 17:** *That the Board of Supervisors approve amending Ordinance 440 to add 10 Correctional Deputy II positions.*

**Recommendation 18:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations for Contingency and increasing Sheriff's appropriations by \$1,400,000, as follows:*

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$1,400,000

Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,400,000

Increase appropriations:		
10000-2500500000-510040	Regular salaries	900,000
10000-2500500000-518100	Budgeted benefits	<u>500,000</u>
	Total	1,400,000

Use of unassigned fund balance:		
10000-2500500000-370100	Unassigned fund balance	1,400,000

**Recommendation 19:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing estimated revenues and use of assigned fund balance for Aviation by \$104,962, as follows:*

Decrease estimated revenue:		
22100-1910700000-741500	Temporary use lease	\$104,962

Use of assigned fund balance:		
22100-1910700000-350100	Assigned fund balance for program money	104,962

**Recommendation 20:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for RUHS – Public Health by \$304,408, as follows:

Increase appropriations:		
10000-4200100000-510040	Regular salaries	\$48,430
10000-4200100000-510240	Per diem salaries	4,000
10000-4200100000-518100	Budgeted benefits	20,341
10000-4200100000-523640	Computer equipment - non fixed asset	106,872
10000-4200100000-523680	Office equipment non fixed assets	16,367
10000-4200100000-525440	Professional services	14,989
10000-4200100000-528920	Car pool expense	<u>93,409</u>
	Total	304,408
Increase estimated revenue:		
10000-4200100000-751680	CA - state grant revenue	33,056
10000-4200100000-754000	CA - tobacco tax prop. 10	43,447
10000-4200100000-754010	CA - tobacco tax prop. 99	68,872
10000-4200100000-762040	Federal - health grants	139,254
10000-4200100000-781480	Program revenue	<u>19,779</u>
	Total	304,408

**Recommendation 21:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for RUHS - Detention Health by \$6,330,515, as follows:

Increase appropriations:		
10000-4300300000-510040	Regular salaries	\$2,770,915
10000-4300300000-518100	Budgeted benefits	1,847,277
10000-4300300000-522890	Pharmaceuticals	1,187,066
10000-4300300000-525620	Temporary expense – nurse registry	<u>1,000,000</u>
	Total	6,805,258
Increase appropriations:		
10000-4300300000-572300	Intra – health	(474,743)
Increase estimated revenue:		
10000-4300300000-755900	AB109 – local community corrections partnership	6,330,515

**Recommendation 22:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for RUHS – California Children’s Services by \$1,029,595, as follows:

Increase appropriations:		
10000-4200200000-530220	Support & care-persons	\$1,225,576
Decrease appropriations:		
10000-4200200000-510040	Regular salaries	138,015
10000-4200200000-518100	Budgeted benefits	<u>57,966</u>

	Total	195,981
Increase estimated revenue:		
10000-4200200000-751210	CA - Medi-Cal	500,000
10000-4200200000-751680	CA - state grant revenue	<u>529,595</u>
	Total	1,029,595

**Recommendation 23:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and unassigned fund balance for the Department of Social Services, by \$300,000, as follows:

Increase appropriations:		
10000-5100400000-530520	County-funded assistance	\$300,000
Use of unassigned fund balance:		
10000-5100400000-370100	Unassigned fund balance	300,000
Decrease appropriations:		
10000-5100300000-530480	Categorical assistance	300,000
Increase unassigned fund balance:		
10000-5100300000-370100	Unassigned fund balance	300,000

**Recommendation 24:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Community Action Partnership by \$990,000, as follows:

Increase estimated revenue:		
21050-5200200000-767220	Federal – other operating grants	\$990,000
Increase appropriation:		
21050-5200200000-520115	Uniforms - replacement clothing	5,000
21050-5200200000-521640	Maintenance - software	18,000
21050-5200200000-523220	Licenses and permits	3,720
21050-5200200000-525080	Temporary assist pool services	55,750
21050-5200200000-525440	Professional services	7,000
21050-5200200000-525820	RCIT pass-thru support	12,000
21050-5200020000-526420	Advertising	20,000
21050-5200200000-526910	Field equipment non-assets	69,000
21050-5200200000-527560	Direct material	36,000
21050-5200200000-527780	Special program expense	13,530
21050-5200200000-536240	Other contract agencies	<u>750,000</u>
	Total	990,000

**Recommendation 25:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Community Action Partnership by \$5,000, as follows:

Increase estimated revenue:		
21050-5200300000-781480	Program revenue	\$5,000

Increase appropriations:		
21050-5200300000-523700	Office supplies	5,000

**Recommendation 26:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Office on Aging by \$8,762, as follows:

Increase estimated revenue:		
21450-5300100000-767140	Federal - miscellaneous reimbursement	\$3,694
21450-5300100000-781220	Contributions & donations	2,106
21450-5300100000-781850	Grants - nongovernmental agencies	<u>2,962</u>
	Total	8,762

Increase appropriations:		
21450-5300100000-510040	Regular salaries	6,656
21450-5300100000-527780	Special program expense	<u>2,106</u>
	Total	8,762

**Recommendation 27:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for the Office on Aging by \$20,068, as follows:

Decrease estimated revenue:		
21450-5300100000-774500	Health services	\$20,068

Decrease appropriations:		
21450-5300100000-510040	Regular salaries	14,277
21450-5300100000-518100	Budgeted benefits	<u>5,791</u>
	Total	20,068

**Recommendation 28:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the County Free Library by \$153,709, as follows:

Increase appropriations:		
21200-1900700000-536920	Interfund - general office expense	\$153,709

Increase estimated revenue:		
21200-1900700000-778370	Interfund - project costs	153,709

**Recommendation 29:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the RUHS – Medical Center by \$9,880,344, as follows:

Increase appropriations:		
40050-4300100000-525620	Temporary expense – nurse registry	\$6,719,865
40050-4300100000-535560	Depreciation – equipment	<u>3,160,479</u>
	Total	9,880,344

Increase estimated revenue:		
40050-4300100000-751660	CA – managed care Medi-Cal	9,880,344

**Recommendation 30:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenue for the RUHS – Medical Center and general fund by \$5,515,101, as follows:

Decrease appropriations:		
10000-4300100000-510040	Regular salaries	\$2,418,501
10000-4300100000-518100	Budgeted benefits	1,047,401
10000-4300100000-528440	Overhead	183,295
10000-4300100000-523640	Computer equipment – non fixed asset	34,500
10000-4300100000-520320	Telephone service	22,080
10000-4300100000-525440	Professional service	325,200
10000-4300100000-529060	Public service transportation	2,808
10000-4300100000-522840	Laboratory supplies	281,316
10000-4300100000-523230	Miscellaneous expense	<u>1,200,000</u>
	Total	5,515,101

Decrease estimated revenue:		
10000-4300100000-750980	CA – state MH subs funding	5,515,101

Increase appropriations:		
40050-4300100000-510040	Regular salaries	2,418,501
40050-4300100000-518100	Budgeted benefits	1,047,401
40050-4300100000-528440	Overhead	183,295
40050-4300100000-523640	Computer equipment – non fixed asset	34,500
40050-4300100000-520320	Telephone service	22,080
40050-4300100000-525440	Professional service	325,200
40050-4300100000-529060	Public service transportation	2,808
40050-4300100000-522840	Laboratory supplies	281,316
40050-4300100000-523230	Miscellaneous expense	<u>1,200,000</u>
	Total	5,515,101

Increase estimated revenue:		
40050-4300100000-750980	CA – state MH subs funding	5,515,101

**Recommendation 31:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted net assets for the Department of Waste Resources by \$300,558, as follows:

Increase appropriations:		
23000-4500300000-523230	Miscellaneous expense	\$300,558



Use of restricted net assets:		
23000-4500300000-321101	Restricted program money	300,558

**Recommendation 32:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the General Liability fund by \$9,838,000 as follows:

Increase estimated revenues:		
45960-1131000000-777010	Stop loss reimbursement	\$9,838,000

Increase appropriations:		
45960-1131000000-534280	Liability adjustment expense	9,838,000

**Recommendation 33:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unrestricted net assets for the Malpractice Insurance fund by \$1,500,000 as follows:

Increase appropriations:		
46000-1130900000-534340	Malpractice - liability	\$1,500,000

Use of Unrestricted net assets:		
46000-1130900000-380100	Unrestricted net assets	1,500,000

**Recommendation 34:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of unrestricted net assets for Short-term Disability Insurance by \$300,000 as follows:

Increase appropriations:		
46060-1131200000-525440	Professional services	\$ 50,000
46060-1131200000-534260	Disability claims	<u>250,000</u>
		300,000

Use of unrestricted net assets:		
46060-1131200000-380100	Unrestricted net assets	300,000

**Recommendation 35:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Exclusive Care by \$3,600,000, as follows:

Increase estimated revenues:		
45800-1132000000-781220	Contributions & donations	\$3,600,000

Increase appropriations:		
45800-1132000000-534500	Hospital care services claims	3,600,000

**Recommendation 36:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations and estimated revenues for the Delta Dental PPO fund by \$322,000, as follows:

Increase estimated revenues:

45860-1130600000-781220	Contributions & donations	\$ 92,000
45860-1130600000-781320	Insurance proceeds	<u>230,000</u>
	Total	322,000

Increase appropriations:

45860-1130600000-523350	Administrative expense	5,000
45860-1130600000-525440	Professional services	5,000
45860-1130600000-534240	Dental claims	<u>312,000</u>
	Total	322,000

**Recommendation 37:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for the Photogrammetry Operations fund by \$70,000, as follows:

Increase appropriations:

40650-947120-518100	Budgeted benefits	\$20,000
40650-947120-510040	Regular salaries	15,000
40650-947120-524760	Data processing services	20,000
40650-947120-527180	Operational supplies	<u>15,000</u>
	Total	70,000

Increase estimated revenue:

40650-947120-772050	Photogrammetry fees	70,000
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**Recommendation 38:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Subdivision Operations by \$200,000, as follows:

Increase appropriations:

40660-947140-524820	Engineering services	\$200,000
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Increase estimated revenue:

40660-947140-771830	Improvement plan check fees	200,000
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**Recommendation 39:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 36 by \$101,000, as follows:

Increase appropriations:

23375-903601-527780	Special program expense	\$101,000
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Use of restricted fund balance:

23375-903601-321101	Restricted program money	101,000
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**Recommendation 40:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 38 by \$177,000, as follows:

Increase appropriations:		
23400-903801-527780	Special program expense	\$ 32,000
23400-903801-537080	Interfund expense-miscellaneous	<u>145,000</u>
	Total	177,000

Use of restricted fund balance:		
23400-903801-321101	Restricted program money	177,000

**Recommendation 41:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 143 by \$286,000, as follows:

Increase appropriations:		
24550-914301-522320	Maintenance-grounds	\$270,000
24550-914301-529550	Water	<u>16,000</u>
	Total	286,000

Increase estimated revenue:		
24550-914301-770100	Special assessments	196,000
24550-914301-776455	Rebates and refunds	<u>90,000</u>
	Total	286,000

**Recommendation 42:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 134 by \$160,000, as follows:

Increase appropriations:		
24425-913401-522320	Maintenance - grounds	\$135,000
24425-913401-529530	Street lights	15,000
24425-913401-528920	Car pool expense	<u>10,000</u>
	Total	160,000

Increase estimated revenue:		
24425-913401-770100	Special assessments	160,000

**Recommendation 43:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 122 by \$12,000, as follows:

Increase appropriations:		
40400-912211-522400	Maintenance - improvement water	\$6,000
40400-912211-524500	Administrative support-direct	<u>6,000</u>
	Total	12,000

Increase estimated revenue:		
40400-912211-790600	Contributions from other county funds	12,000

**Recommendation 44:** That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 85 by \$12,000, as follows:

Increase appropriations:		
23850-908501-529540	Utilities	\$6,000
23850-908501-529550	Water	<u>6,000</u>
	Total	12,000

Use of restricted fund balance:		
23850-908501-321101	Restricted program money	12,000

**Recommendation 45:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 149A by \$8,000, as follows:*

Increase appropriations:		
24825-914901-522320	Maintenance - grounds	\$8,000

Use of restricted fund balance:		
24825-914901-321101	Restricted program money	8,000

**Recommendation 46:** *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues, and use of restricted fund balance for CSA 51 by \$133,772, as follows:*

Increase appropriations:		
23525-905102-537180	Interfund expense-salary reimbursement	\$133,772

Increase estimated revenue:		
23525-905102-790600	Contributions from other county funds	54,327

Use of restricted fund balance:		
23525-905102-321101	Restricted program money	79,445

**Attachment B Amendment of Ordinance 440**



RESOLUTION NO. 440-9057

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

BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on May 9, 2017, that pursuant to Section 4(a)(ii) of Ordinance No. 440, the Executive Office is authorized to make the following listed change(s), operative on the date of approval, as follows:

<u>Job Code</u>	<u>+/-</u>	<u>Department ID</u>	<u>Class Title</u>	<u>Type</u>
52211	+10	2500400000	Correctional Deputy II	Regular

  
Approved by Michael T. Stock  
Asst. County Executive Officer/  
Human Resources Director

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**Attachment C Sales and Use Tax Update**



# Q4 2016



# Riverside County Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

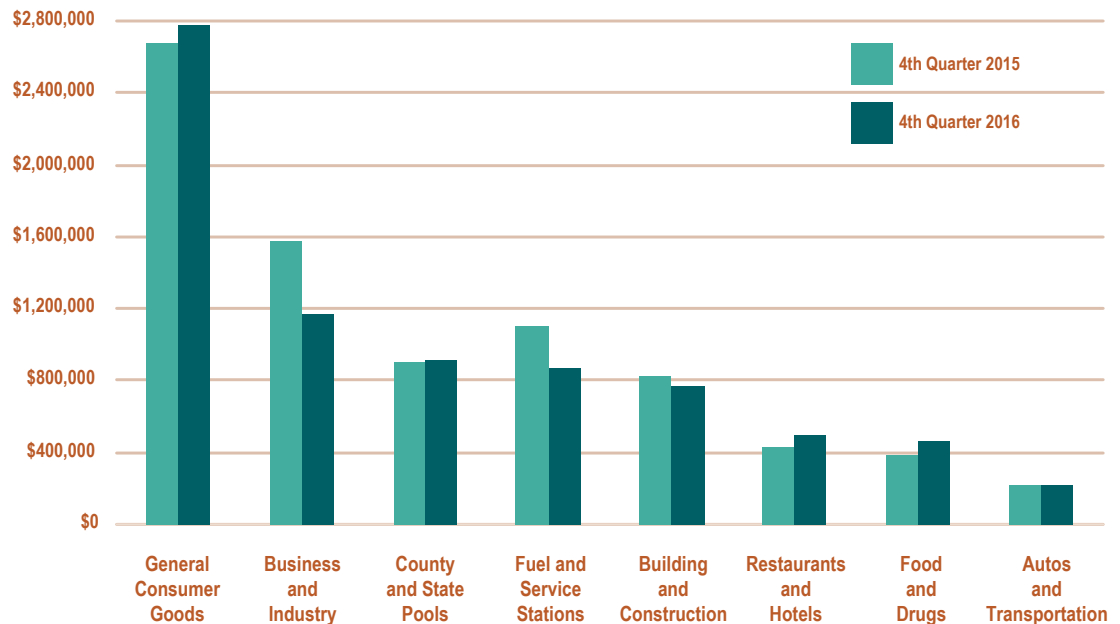
## Riverside County In Brief

Riverside County's allocation of sales and use tax revenues from unincorporated area sales occurring October through December was 5.3% below the holiday quarter of 2015. However, last year's receipts were inflated by onetime purchases related to solar project construction. Actual sales activity was up 6.3% after factoring for those and various accounting aberrations.

Recent additions to the business-industrial group and a solid holiday quarter for some categories of general consumer goods and restaurants were the primary contributors to the actual increase in sales activity. Gains in the food-drug and fuel-service station groups were inflated by onetime accounting anomalies.

Adjusted for aberrations, sales and use tax receipts for all of all of Riverside County including its cities, gained 3.1% over the previous year's quarter while Southern California as a whole was up 1.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$19,922,027	\$19,446,610
County Pool	2,305,856	2,443,655
State Pool	22,916	11,207
<b>Gross Receipts</b>	<b>\$22,250,799</b>	<b>\$21,901,472</b>
Less Triple Flip*	\$(5,562,700)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

**The Shrinking, Disappearing Retail Store**

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

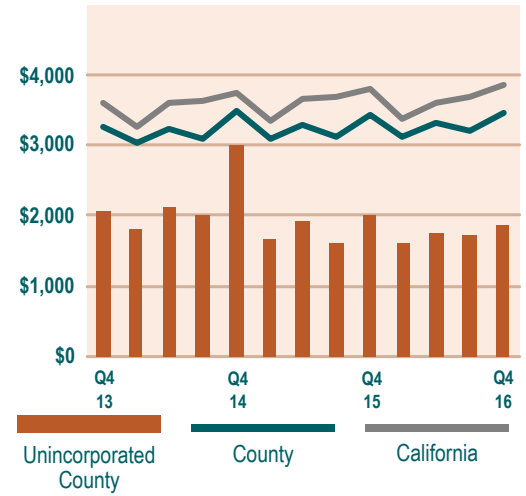
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

**SALES PER CAPITA**

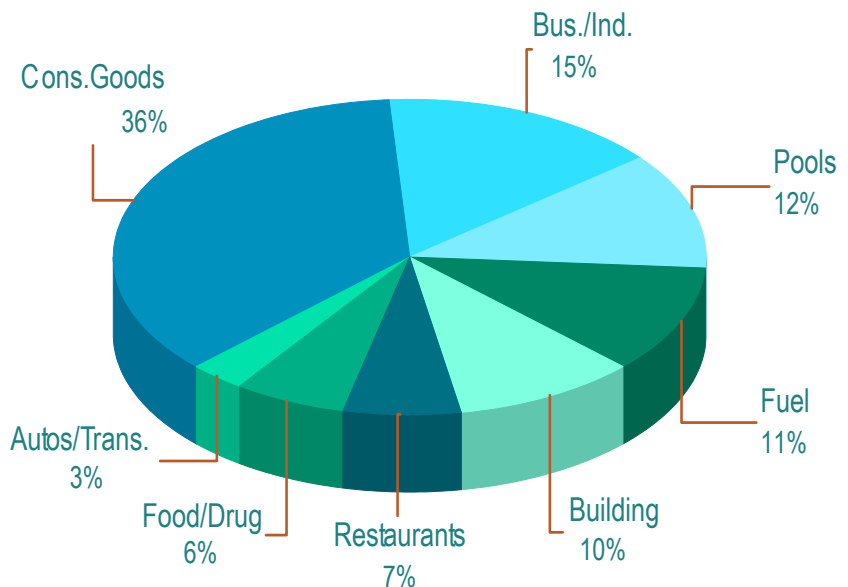


**COUNTY OVERALL 4Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Actual*
Autos and Transportation	7.1%	6.0%
Building and Construction	0.3%	0.5%
Business and Industry	-5.8%	0.4%
Food and Drugs	9.4%	2.6%
Fuel and Service Stations	-4.0%	-1.2%
General Consumer Goods	1.2%	0.5%
Restaurants and Hotels	8.2%	6.1%
County and State Pools	10.1%	10.3%
<b>Total</b>	<b>3.3%</b>	<b>3.1%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP Riverside Co. Uninc This Quarter**



**Attachment D Economic Forecast**





# County of Riverside

## Revenue Forecast



March 2017



# County of Riverside Revenue Forecast

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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 2021–22 uses standard time-series econometric techniques based on historical correlations and forecasts of economic trends. **Beacon Economics'** 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. **Beacon** 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, **Beacon** 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 rate
- 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 2021–22.

<b>County of Riverside Revenue Forecast</b>							
Revenue Stream	Actual	Forecast					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Prop 172 County Apportionment	167,241,274	173,916,230	186,622,887	197,502,921	207,930,572	218,834,776	230,005,961
Growth(%)	3.3	4.0	7.3	5.8	5.3	5.2	5.1
Assessed Value (\$ 000s)	242,716,731	255,053,158	269,820,634	286,193,272	301,587,694	316,224,753	331,002,753
Growth(%)	5.8	5.1	5.8	6.1	5.4	4.9	4.7
Property Tax	540,646,265	568,589,784	600,919,859	635,979,601	669,055,846	699,990,778	731,809,025
Growth(%)	5.2	5.2	5.7	5.8	5.2	4.6	4.5
Uninc. Taxable Sales (\$ 000s)	2,512,095	2,553,609	2,744,425	2,877,512	3,006,850	3,136,078	3,265,579
Growth(%)	-6.8	1.7	7.5	4.8	4.5	4.3	4.1
Property Transfer Tax	14,512,937	15,207,955	17,238,450	18,813,190	20,201,190	21,615,340	22,988,780
Growth(%)	18.6	4.8	13.4	9.1	7.4	7.0	6.4

Source: Forecast by Beacon Economics

## NATIONAL AND STATE ECONOMIES

The County's economy is heavily dependent on the national and state economies. In the most recent edition of *Beacon Economics* (free at [www.BeaconEcon.com](http://www.BeaconEcon.com)), **Beacon Economics** analyzes national and state economic trends in depth. Below is a summary of what **Beacon** sees happening in the U.S. and California economies.

### United States Economy

- As the first quarter of 2017 comes to a close, two distinctly opposing trends have formed in terms of the U.S. economy's outlook for the year. On one hand, the nation's economy is clearly picking up momentum after a year of slow growth. On the other hand, the policy uncertainties created by the surprise election of Donald Trump to the presidency have only become worse as his administration has moved into its third month.
- President Trump's first major agenda items—travel bans and health insurance reform—have become mired in political and legal battles. The result is that while Beacon Economics' point estimate for growth in 2017 has increased marginally, to slightly less than 2.5% growth for the year, the range of variance around this estimate is also widening. In other words, uncertainty is the biggest issue the nation is dealing with.
- U.S. economic growth in the last quarter of 2016 came in at a weaker than expected 2.1% and may be even lower for the first quarter of this year. But these top-line numbers belie growing momentum in the economy. The fourth quarter growth rate was pushed down by a very large jump in the nation's trade deficit, yet in contrast, domestic demand (driven by increases in consumer, business, and government spending) grew at a 2.6% pace—the best since the third quarter of 2015.
- Beyond overall Gross Domestic Product (GDP) growth, plenty of other economic indicators show that the U.S. economy is gathering momentum. Industrial production estimates from the Federal Reserve have been rising since last fall, while the Institute for Supply Management indexes for both manufacturing and services continue to rise. These improved outcomes are being driven by an international economy that has returned to a growth track with better than expected numbers coming from many corners of the globe.
- If Beacon Economics believed President Trump would succeed in enacting his policy priorities, we might have more clarity on economic outcomes, for better or worse. But given that the administration's first three major policy initiatives—on travel, health insurance, and the budget—have all been stymied by the courts or infighting within the Republican party, it has become harder and harder to predict how policy in the United States will actually change and what such change may mean for economic growth.

### California Economy

- California has good reason to be concerned about the disruptive political environment that has characterized President Trump's first months in office. With a large foreign-born population and a significant amount of the nation's trade passing through its ports and over its borders, the state's economy is hard-wired to the rest of the world.
- The California economy generally tracked the national economy as it advanced throughout 2016. The state's unemployment rate fell to its lowest in 10 years at 5.1% in January 2017, marginally higher than the U.S. rate. California's real GDP in the third quarter of 2016 (latest available data) grew 3.3% over the prior quarter in annualized terms, approximately on par with the nation's 3.5% rate in that period.
- The state has continued to experience steady but somewhat slower job growth in 2017. Wage and salary jobs rose by 2.0% year over year in January 2017, considerably slower than the 3.2% growth rate a year earlier.
- The picture for California housing continues to be mixed. In general, prices have advanced modestly despite hurdles that have limited sales activity. Outside of the San Francisco Bay Area, home prices have yet to sur-

pass their pre-recession peaks. Demand for homes has been sustained by low interest rates but has also been impeded by limited inventories, high underwriting standards, and large down payment requirements.

- On the supply side, existing home sales have been well below their long-run averages, while new home construction has been relatively weak since the recession. Meanwhile, with the homeownership rate at its lowest level in decades, high demand for rental units has driven rents up and rental vacancy rates down.
- It will take time for policy changes in Washington to work their way through the political process. California should experience continued growth in economic activity and jobs throughout 2017, with the largest contributions to employment coming from Health Care, Leisure and Hospitality, and Professional Services.

## COUNTY OF RIVERSIDE REVENUE FORECAST

**Beacon Economics'** current forecast for the County of Riverside continues to assume a baseline trajectory for the national economy. That is, the forecast assumes that current federal government policies will not change in a way that affects the underlying dynamics of economic growth and that the U.S. economy will continue to expand at a moderate pace. It should be noted, however, that with considerable uncertainty surrounding President Trump's policy actions, our outlook on short-term growth could change significantly. **Beacon** will monitor the situation and reassess as new information becomes available.

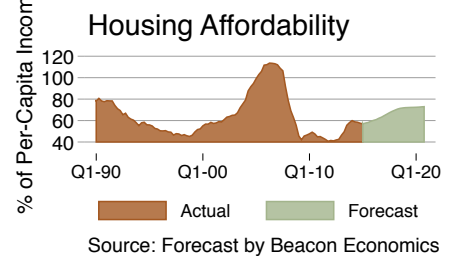
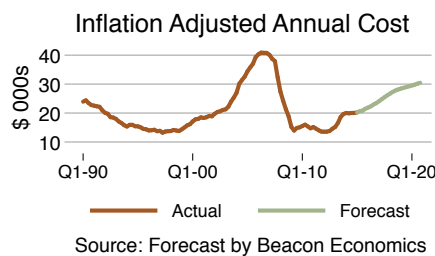
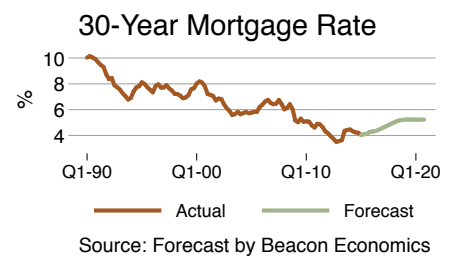
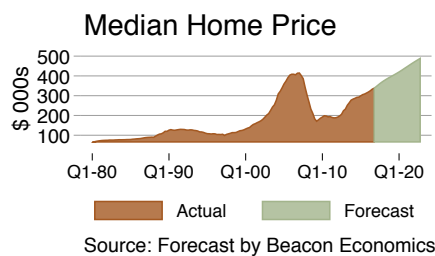
### Real Estate Driven Revenues

The County's revenues most closely associated with the local real estate market continue to exhibit positive growth, albeit slightly slower than expectations as home sales have been disappointing. The current forecast is still calling for positive growth for real estate-driven revenues as home price growth and construction activity will support growth in the near term despite the lower than expected home sales volumes.

Countywide home sales for the first half of 2016–17 were 5.5% higher than for the 2015–16 fiscal year, a decent rate of growth but slightly below the 6.0% increase from 2013–14 to 2014–15. In our annual forecast last year, home sales were expected to increase at a faster pace than in the prior fiscal year, as mortgage rates were near historic lows.

## Riverside County Home Price Outlook

*Price growth holding steady above historical average*





Tight inventories of homes for sales have depressed sales volumes, hampering growth in assessed valuation (AV) and transfer tax revenues. During the first eight months of the 2016–17 fiscal year, there was a 4.4-month supply, according to the California Association of Realtors, which means that the inventory of homes for sale in the County would be exhausted in 4.4 months at the current pace of sales. This was down from the 4.8 reading for the 2015–16 fiscal year and below the long-run average of 5.2 months.

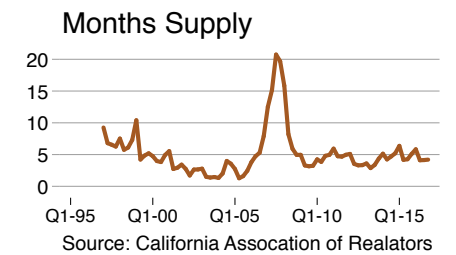
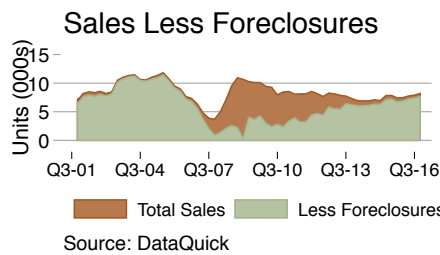
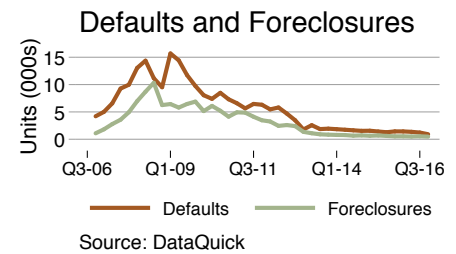
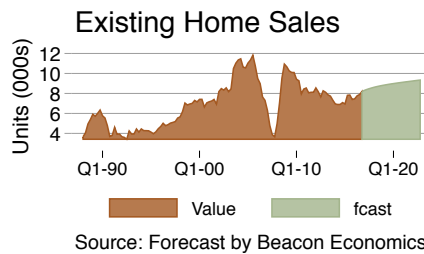
Home price growth has held steady above historical norms in the last year, which will help keep AV and transfer tax revenue growth in positive territory. For the first half of the 2016–17 fiscal year, the median sales price for an existing home in Riverside County was \$353,300, a 7.9% increase over the first half of the prior fiscal year. This was an improvement over the 6.4% rate of growth for all of 2015–16.

Construction activity is also trending essentially in line with expectations. During the first half of 2016–17 fiscal year, 3,494 new residential units were permitted, an 18.6% increase over the same period in the prior fiscal year. The strong growth was the result in part of a rebound from a decline in permitting activity during the 2015–16 fiscal year. Nonresidential permitting was flat the first half of the 2016–17 fiscal year, but this should be offset by the gains on the residential side of the market.

California’s Consumer Price Index (CPI) has been trending favorably from the standpoint of growth in the County’s AV base. From October 2014 to October 2015, the California CPI grew 1.5%, capping growth in properties not subject to reassessment at that level. Since then, however, year-over-year growth has trended higher than 2% as the decline in energy prices recedes and core

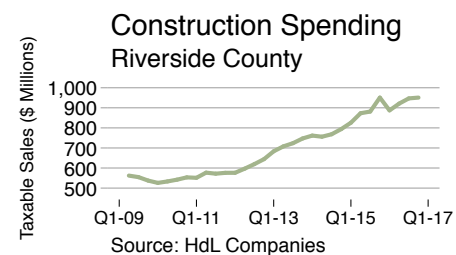
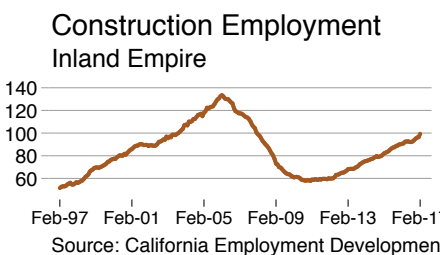
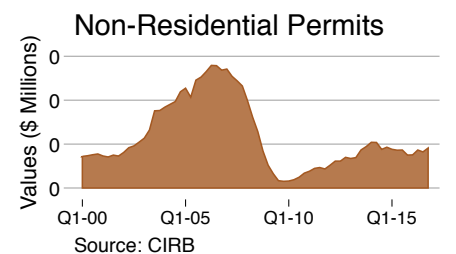
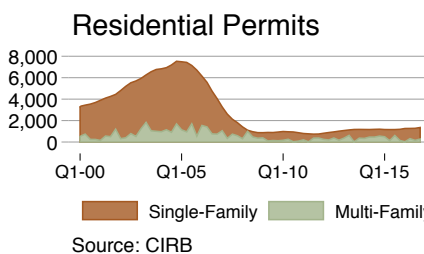
## Riverside County Home Sales Outlook

*Sales volumes disappoint as inventories remain tight*



## Riverside County Construction Trends

*Construction activity holding steady*



inflation remains firm. In fact, the latest data show that from October 2015 to October 2016, the California CPI rose 2.6%, which will allow AV for properties not subject to reassessment to grow at the 2% upper end of Proposition 13 restrictions.

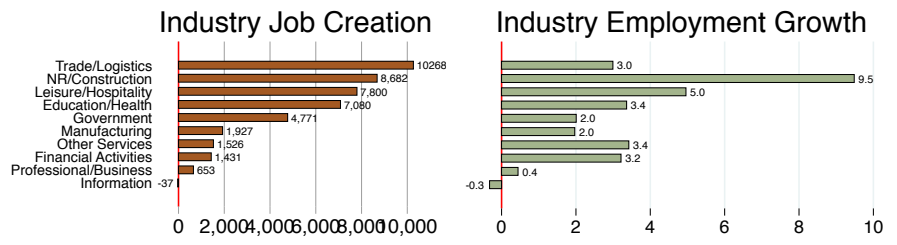
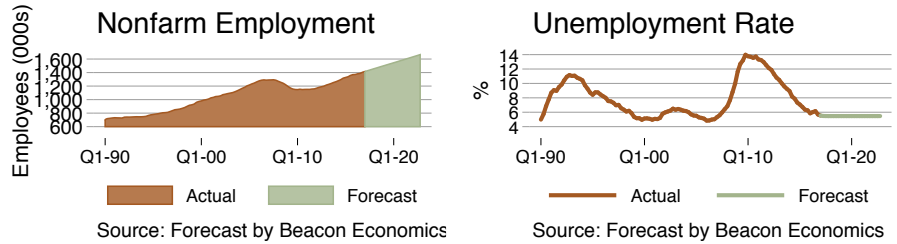
**Consumer and Business Spending Driven Revenues**

The County’s revenues that are driven primarily by consumer and business spending were notably weaker in the 2015–16 fiscal year, but this is more the result of transitory developments than of a change in the broader trend of economic growth in the region. Lower fuel prices were the main culprit, but as oil prices continue to stabilize, this effect will subside. The outlook for the regional economy is good, and spending growth is expected to continue in line with historical averages.

As measured by the region’s labor market, local economic health is quite good and, although job creation has slowed somewhat from the higher growth rates associated with economic recoveries, the Inland Empire labor market continues to reach record high employment levels virtually each month, highlighting the strength of the regional economy. For all of 2016, total nonfarm employment in the Inland Empire increased by 2.8% over 2015’s average employment. This was down from the strong 4.5% growth from 2014 to 2015 but still higher than the 2.5% statewide job growth from 2015 to 2016 and in line with the 2.6% historical average for Inland Empire. Industries leading job gains in the region include Leisure and Hospitality, Government, and Education and Health Services.

**Inland Empire Labor Market**

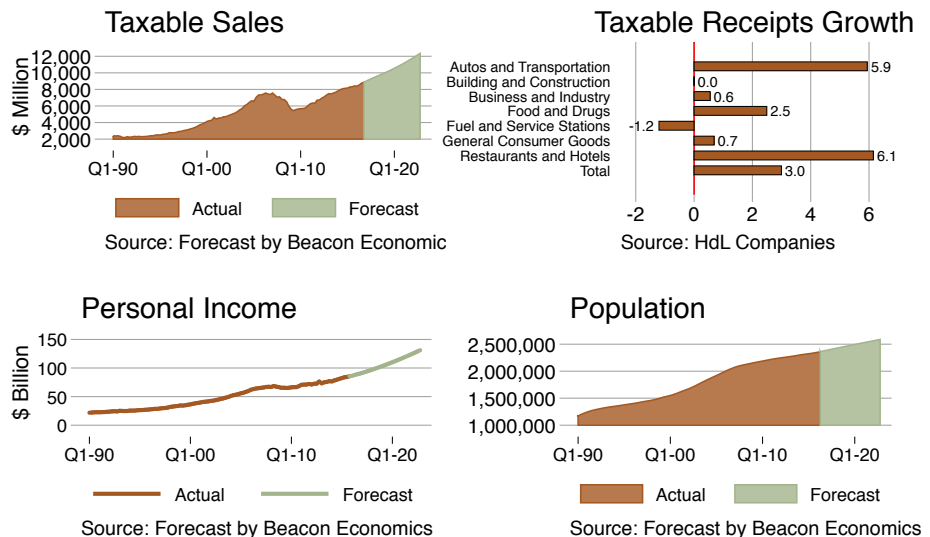
*Employment levels remain at historic highs*



Source: California Employment Development Department

**Riverside County Spending and Income**

*Fuel prices rebounding, expected to boost nominal spending*





The County’s sales tax revenue took a hit in the 2015–16 fiscal year, declining by 10% from the prior fiscal year, primarily because of the drop in fuel prices, which is attributed to the global glut of crude oil. During the 2015–16 fiscal year, the average futures price for West Texas Intermediate (WTI) crude oil, the U.S. benchmark, was down by 39.5%, which drove gasoline prices down sharply. Given that sales tax receipts from fuel stations make up more than 10% of receipts, the County is particularly vulnerable to fuel price changes.

Current sales tax receipts for the 2016–17 fiscal year are down from the prior year, but we could see a return to positive growth as oil prices have rebounded and stabilized recently. During the first quarter of 2017, the average price for WTI was 55.6% higher than in the first quarter of 2016, which saw the lowest average quarterly price since the fourth quarter of 2003.

**SUMMARY**

**Beacon Economics’** forecast represents an optimistic outlook through 2021–22 and assumes that the U.S. economy will grow at a moderate pace, much as it has in recent years. Because of uncertainty surrounding President Trump’s policies, there is an inherent uncertainty within this forecast. **Beacon** will closely monitor policies as they are announced and enacted and will adjust its economic outlook accordingly.

The Riverside County economy is trending in the right direction, as is the national economy overall. At the end of January, the U.S. Bureau of Economic Analysis released its revised estimate for real third-quarter GDP growth. The 3.5% annualized growth rate came after a 1.4% rise in the second quarter and was the highest rate in two years. This flies in the face of the negative campaign rhetoric and points to a strong national economy on an upward trajectory. Fourth-quarter growth came in at 2.1%, in line with the post-recession average, indicating that U.S. GDP is on a steady, if slow, track. As the national economy continues to grow, there is little doubt that the economy of Riverside County will continue to grow as well.

Revenue Stream	Actual	Forecast					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Prop 172 County Apportionment	167,241,274	173,916,230	186,622,887	197,502,921	207,930,572	218,834,776	230,005,961
Growth(%)	3.3	4.0	7.3	5.8	5.3	5.2	5.1
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Growth(%)	5.8	5.1	5.8	6.1	5.4	4.9	4.7
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Growth(%)	5.2	5.2	5.7	5.8	5.2	4.6	4.5
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Growth(%)	-6.8	1.7	7.5	4.8	4.5	4.3	4.1
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Growth(%)	18.6	4.8	13.4	9.1	7.4	7.0	6.4

Source: Forecast by Beacon Economics

## ABOUT BEACON ECONOMICS

Beacon Economics, LLC is a leading provider of economic research and forecasting, industry analysis, public policy analysis, and economic 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.BeaconEcon.com](http://www.BeaconEcon.com).

### SERVICES

- Economic and revenue forecasting
- Economic impact and fiscal analysis
- Regional economic analysis
- Public policy analysis
- Real estate market analysis
- Industry and market analysis
- EB-5 Visa analysis

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- **Victoria Pike Bond**  
Director of Communications  
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