COUNTY OF RIVERSIDE

STATE OF CALIFORNIA

FISCAL YEAR 2016/17

MIDYEAR BUDGET REPORT

PREPARED BY

JAY E. ORR

COUNTY EXECUTIVE OFFICER

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FINANCE

February 7, 2017

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

4/5th Vote

SUBJECT: *FY 16/17 Midyear Budget Report*

Board members:

We faced serious challenges in putting together this year's budget, but we managed to construct a multi-year plan to move into structural balance. The plan holds net county costs relatively flat in order to allow revenue growth to close the gap. However, the adopted budget quickly fell out of balance this fall when we identified a shortfall in Prop. 172 public safety sales tax revenues. Our plan to adjust for that revenue loss put us back on course, only to confront major challenges in the coming years due to recent actions coming out of Sacramento and Washington, D.C.

While year-to-date results raise some moderate concerns about revenue, a major cost shift in the In-Home Supportive Services program, higher labor costs for Cal Fire, future years' cost increases for pension contributions and the unwinding of the Affordable Care Act all threaten to drive us off course. The potential cost impacts of these items when added to the full cost of operating the new East County Detention Center could easily exceed $100 million.

Our response to these financial challenges must put all options on the table. These include, but are not limited to:

Accelerating the efforts for efficiencies – Numerous departments are in the midst of organizational and efficiency reviews being conducted by KPMG. While the initial focus was most notably on the Criminal Justice departments, we have broadened those efforts to include internal service funds and other general government departments. We need a corporate-wide commitment to embrace those recommendations and secure departmental cost savings.

Re-evaluating service levels in all operations – With increasing demand for scarce resources, the Board should address whether we can sustain the current service levels in all our areas of operation. For example, the increasing labor costs for Cal Fire beg the question of whether we can afford our existing model of service delivery. KPMG's review includes the Code Enforcement department. We have asked for that review to include an option of reduced staffing or a moratorium on certain code enforcement activities. Further, a privatization option should be explored where appropriate.

Re-assessing general fund support of non-core functions – In prioritizing the use of general fund resources, ongoing general fund support for economic development and the medical center, among others, should be reviewed.

Utilizing technology more efficiently – The KPMG review of Human Resources processes indicates a large number of personnel are engaged in manual tasks, such as time and labor input, which could be easily automated. Over time, streamlining these processes could not only pay for the necessary systems upgrades, but also reduce our ongoing staffing costs. We should move quickly to capture these savings.

Consolidating/eliminating duplicative functions – Consolidation that makes sense from a cost and service delivery standpoint should be pursued in the Human Resources, Information Technology and Purchasing areas.

We have scheduled budget hearings for June, but I intend to bring forward various components for Board discussion as we complete our analysis in advance of that. I look forward to vigorous discussion of these and other alternatives to keep us on the path to sustainability.

IT IS RECOMMENDED that the Board of Supervisors approve:

1) Receiving and filing this report and all its attachments; and,

2) Recommendations and associated budget adjustments contained in Attachment A.

Respectfully,

Jay E. Orr
County Executive Officer

FISCAL PROCEDURES APPROVED
PAUL ANGULO, CPA
COUNTY AUDITOR-CONTROLLER

BY Wang

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A. EXECUTIVE SUMMARY

At midyear, the county is experiencing additional headwinds with long-term implications. Property and sales tax related revenues are projected to come in $8.2 million short of current year estimates, which requires reassessing out-year assumptions.

Several departments that projected shortfalls at the beginning of the year have made some headway to close their gaps, but nonetheless still project operating shortfalls. This includes the Public Defender who projects a $2.4 million shortfall, the District Attorney who projects a $4.4 million shortfall, and the Sheriff who projects a $19 million shortfall.

Also, Cal Fire negotiated labor increases with the firefighters projected to cause a $2 million net cost increase during the remainder of this fiscal year that rises another $11 million annually beginning next fiscal year.

In addition, the Governor's budget proposes returning responsibility for In-home Supportive Services to counties, which is projected to cost Riverside County $44 million next fiscal year.

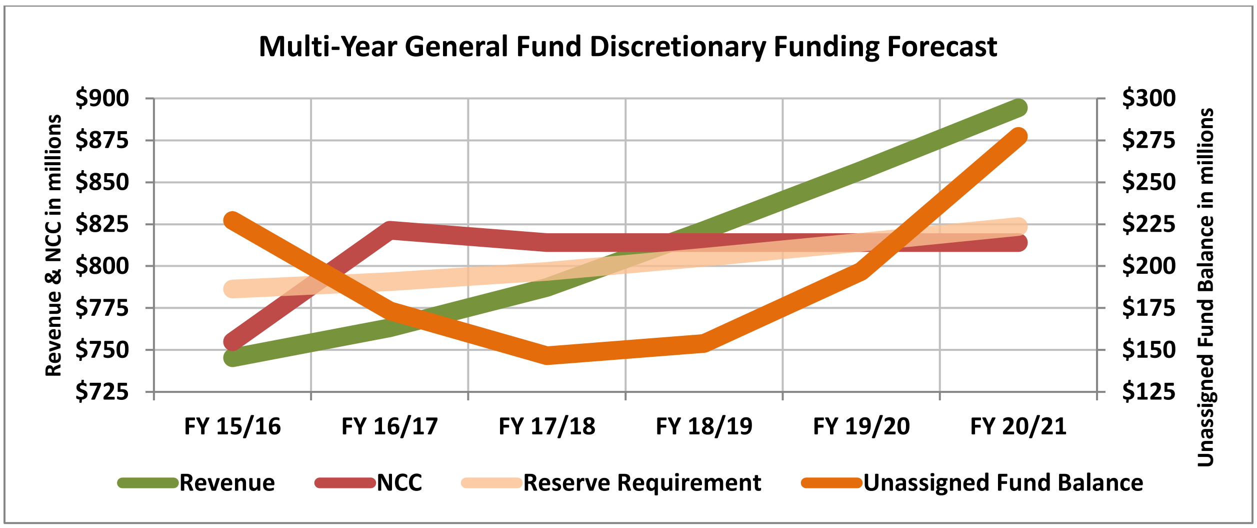
Finally, a chronic $1 million underfunding of the county's recurring court facilities obligations cannot be remediated, so it is recommended it be funded from contingency now and increased on an ongoing basis. This is the only use of contingency recommended at this time, but the Executive Office anticipates more substantial adjustments may be necessary at third quarter to address the revenue shortfalls noted above and position certain departments with sufficient appropriations to make payroll through year's end.

These ongoing factors necessitate a reassessment of the county's revenue assumptions and refinement of the budget strategy going into the FY 17/18 budget cycle.

B. MULTI-YEAR BUDGET OUTLOOK

MULTI-YEAR FORECAST

The multi-year forecast underpinning in the FY 16/17 budget assumed cautiously optimistic revenue growth together with known net county cost obligations. Future fixed commitments, such as debt service payments, were factored into this model, as were assumptions regarding growth in ongoing discretionary revenues. The FY 16/17 budget as adopted assumed using $2 million from the reserve for budget stabilization. Factoring zero unassigned fund balance available to carry forward into FY 17/18, the modeling assumed using nearly $27 million from the reserve for budget stabilization to close the gap that year. At that 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 projected beginning to replenish reserves in FY 18/19 and meeting the Board's reserve requirements by FY 20/21.



However, as of this writing, a number of factors have arisen that we anticipate will influence these assumptions. First, the trends in taxable sales and property-related revenues are not rising as rapidly as estimated, causing discretionary revenue receipts to date to lag $8.2 million behind expectations. In addition, Cal Fire approved a labor increase for firefighters that will cause a $2 million ongoing increase in net cost this year and $11 million next year. In his January budget proposal, Gov. Brown proposed shifting the burden for In-Home Supportive Services back to counties, which we currently estimate will cost Riverside County an additional $44 million annually beginning next year. These add to the existing cost pressures of increased funding for inmate health care and security, preparing to operate new or expanded correctional facilities, and other lingering operating deficits. The Executive Office is examining all potential cost containment options for addressing these new factors within the financial objectives outlined above. Our starting point is to look first to reallocating resources or realigning services within functional areas prior to redirecting resources across functional lines.

NEW BUDGET FRAMEWORK

In response to the Board's direction both to present budget information more clearly and concisely, and to provide performance metrics with which to evaluate the effective use of allocated resources, the Executive Office is embarking on a new framework for presenting the county budget in FY 17/18. This will include significantly streamlined summary narratives and data for every department, greater graphical presentation of budget information, and more robust electronic delivery of the budget. The Executive Office is using San Diego County as a model, among others around the state who are leading exemplars.

A key change includes a focus on departments overall, rather than on separate budget units. While the structure of the book will still be centered on functional groups, such as public protection and health and sanitation, information will now be summarized within those functional groups by agency or department. Portions of this new framework were rolled out to departments at the budget kickoff meeting held on January 19, 2017, and a copy of the descriptive template shared with departments then is attached to this report in Attachment C. As described in this template, there will be greater structure regarding each department's mission, objectives, metrics, and budgetary issues, with specific outlines for departmental revenue, appropriations, and staffing. The Executive Office is emphasizing the importance of providing more information concisely and clearly.

The goal of this transformation is not only to provide greater depth of information with greater clarity, but also to reframe the budget process within an ongoing cycle of goal setting, performance measurement, organizational planning, funding, and self-assessment that all work together to drive toward mutually agreed outcomes that fulfill the county's stated vision and overarching objectives. While much of this restructuring will, of necessity, be immediate, the Executive Office foresees this being an evolutionary process that is enhanced and improved over the next few years.

BUDGET SCHEDULE

In the first quarter report, the Executive Office recommended accelerating the budget preparation process, and the Board approved the FY 17/18 budget schedule and policies at that time. Consequently, the Executive Office held the budget kickoff meeting on Thursday, January 19, which is approximately three weeks earlier than has historically been the case. The third quarter report and budget workshop will be held on Tuesday, May 9. Presentation of the FY 17/18 recommended budget and opening of budget hearings is scheduled for Monday, June 12, 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. Pending further direction from the Board, budget discussions could begin sooner; as information becomes available regarding particular options, it will be brought forward.

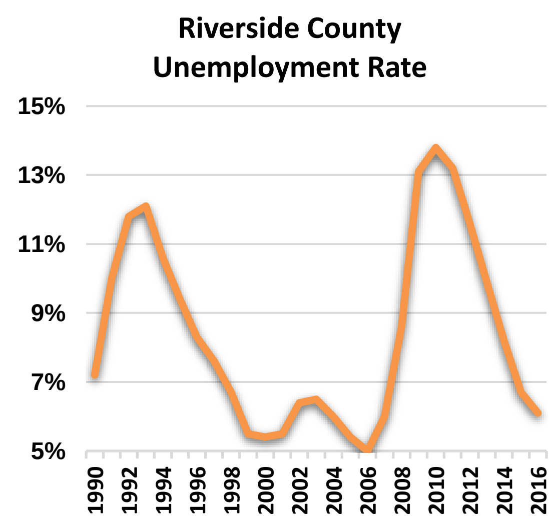
SHORT & LONG-TERM FACTORS INFLUENCING STRATEGIC OBJECTIVES

Economy

Summary

The local economy continues to be a significant financial influence on the county demand for services and its ability to generate revenues to fund programs. Job growth and unemployment affect household incomes and consumer spending power, which in turn affect development activity, assessed valuations, and county tax revenues. Significant economic factors and indicators are summarized below.

Although greatly improved from a few years ago, at 5.3 percent Riverside County's unemployment rate still exceeds national, state, and neighboring counties' unemployment rates. Assessed valuations continue improving moderately, with the Assessor estimating 4.5 to 5 percent growth this fiscal year. Title recordation and building permits, both leading indicators of local real estate activity, show gradual increases.

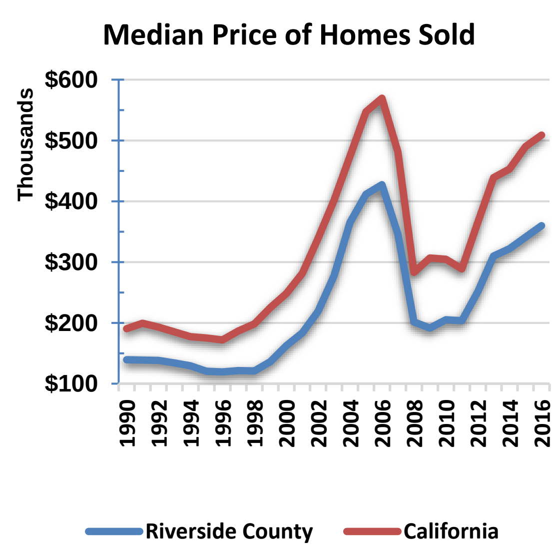


Employment Trends

In December, six of California's industry sectors added jobs. Trade, transportation and utilities had the largest jobs increase, while the professional and business services sector posted the largest decrease in December. In the Riverside–San Bernardino-Ontario statistical area, nonfarm payroll employment continues to lead employment gains.

Unemployment

The unemployment rate for California and Riverside County continues to display a downward trend. Riverside County's unemployment rate has continuously improved since its highest peak in 2010, and currently stands at 5.3 percent and the state of California unemployment rate at 5.2 percent.



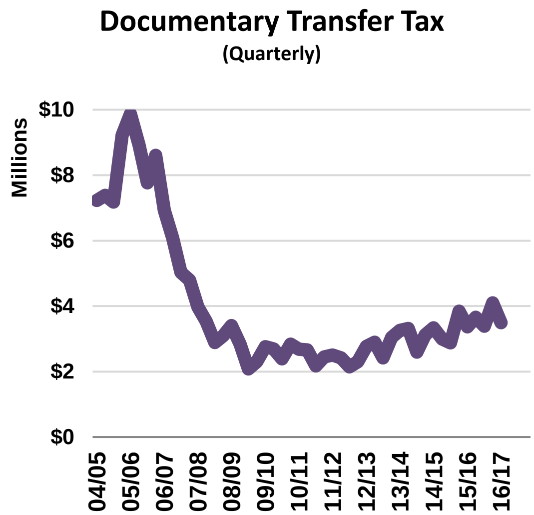
Property Trends

Statewide, home sales decreased 0.6 percent in December 2016 when compared to December 2015. This is due to unseasonably strong sales in November 2016 and December 2015, when new mortgage rules delayed sales that would have closed in November 2015 and pushed closings into December 2015. However, the median price in December 2016 increased to 3.9 percent from the recorded number in 2015, according to the California Association of Realtors Homes Sales and Price Report.

In Riverside County, since December 2015 the median price of existing homes rose to $360,000, a 5.6 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 to the record high levels achieved in 2006.

Recordation Activity

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

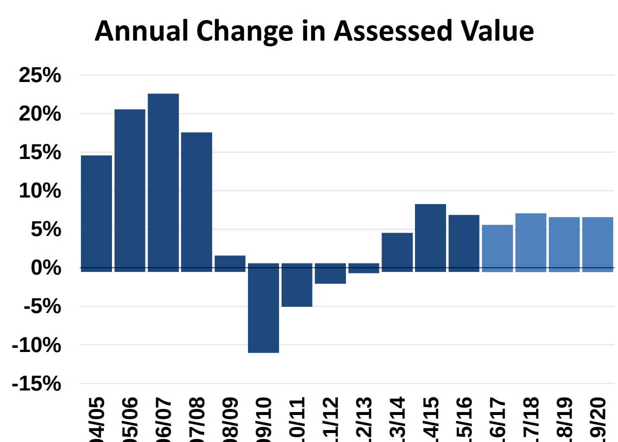


There's been an uptick in document recordation activity, causing an estimated 7 percent increase in recording revenue. However, document transfer tax is trending slightly lower than expected during the first half of the year. Although, this may be cyclical, so we will continue to monitor over the next few months and determine if a trend is developing.

Building Permits

From July 2016 through December 2016, the Building and Safety Department issued 7 percent more building permits compared to the same period last fiscal year. There was an increase of 82 percent in initial and supplemental deposit based fee receipts for July through December when compared to the same period last year. Last fiscal year, from July to December, receipts for these permits totaled $344,000. This fiscal year, for the same period, they totaled $2.3 million. Flat fee receipts decreased by 11 percent, due to fewer residential solar projects.

Planning applications for July 2016 through December 2016 have increased to 359, in comparison to 311 for the same period in FY 15/16. Although the number of cases has increased, receipts for July through December of this fiscal year have reduced by 20 percent.



Source of foward projections: Beacon Economics

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 is still applicable.

State Update

The Governor's budget contains a decision by the Department of Finance to terminate a provision of the coordinated care initiative. The provision is the In-home Supportive Services program (IHSS). This is a county-run program that is funded, as follows; 50 percent through federal funding, 33 percent by the state, and a 17 percent local match. Because the program has been experiencing tremendous growth over the last decade (over 10 percent annually), the state previously agreed to cap the amount of growth at 3 percent in the coordinated care initiative. If the state stands by the elimination of the 3 percent cap, the county anticipates an approximate over $44 million dollar cost increase next year. Furthermore, the state is proposing a base rate for mental health services from the 2011 realignment. The prosed rate would effectively cut revenues by $4 million dollars annually and the loss will increase annually.

Federal Update

Republicans now control the White House and both houses of Congress. While the first days of the new administration signal potential new infrastructure spending, it is not yet clear how that will be funded or where it will be targeted. The new administration is also fervently committed to repealing the Affordable Care Act (ACA), but it is unclear at this time what provisions in it may be retained. Likewise, discussions regarding revisions to Medicare also increase uncertainty. The ACA contributed to stabilizing health care funding and services in Riverside County, and the potential return to larger numbers of uninsured residents poses uncertainty for the county's health care system and budget.

C. CURRENT BUDGET STATUS

SUMMARY

As of midyear, the property-related revenues appear to be trending lower than originally projected, although interest earnings may be higher due to the Federal Reserve's rate increase. The net discretionary revenue shortfall estimated at this time is $8.2 million.

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 million in increased labor costs for firefighters this year projected to cost another $11 million next year.

DISCRETIONARY REVENUE

Revenue Summary

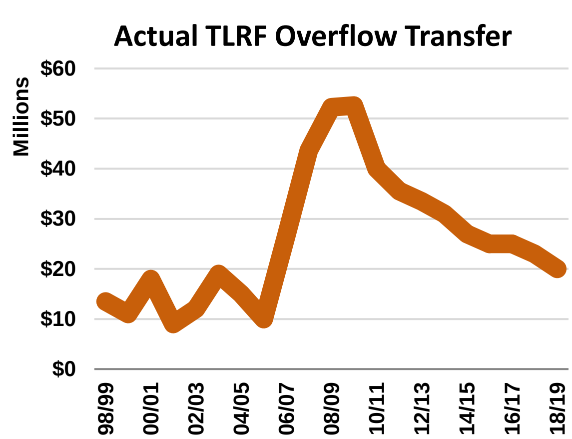
As summarized at right, a number of discretionary revenues appear at this time to be trending lower than originally projected. This results in an overall projected potential net decrease of $8.2 million in general fund revenue. Once third quarter actuals are posted, this projection may tighten and budget adjustments be made, if needed.

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	231.7	(2.4)
Tax Loss Reserve Overflow	24.0	24.0	
Fines and Penalties	20.9	20.5	(0.4)
Sales & Use Taxes*	30.2	28.2	(2.0)
Documentary Transfer Tax	17.2	17.2	
Franchise Fees	4.4	4.4	
Interest Earnings	4.1	6.0	1.9
Misc. Federal and State	5.7	7.4	1.7
Rebates & Refunds	6.0	6.0	-
Realignment	35.0	35.0	-
Other Prior Year & Misc.	18.4	18.4	-
Operating Transfers In	6.7	6.7	-
Total	**$758.9**	**$750.7**	**$(8.2)**
Prop. 172 Public Safety Sales Tax	166.5	166.5	-
	$925.4	**$917.2**	**$(8.2)**

Property Taxes

At midyear, property tax revenues are trending lower than expected. The Auditor-Controller's analysis projects tax revenue to be approximately $7.5 million lower than the original budget estimate. The Treasurer-Tax Collector also sees a decline in revenue, although they do report a potential increase in interest revenue.

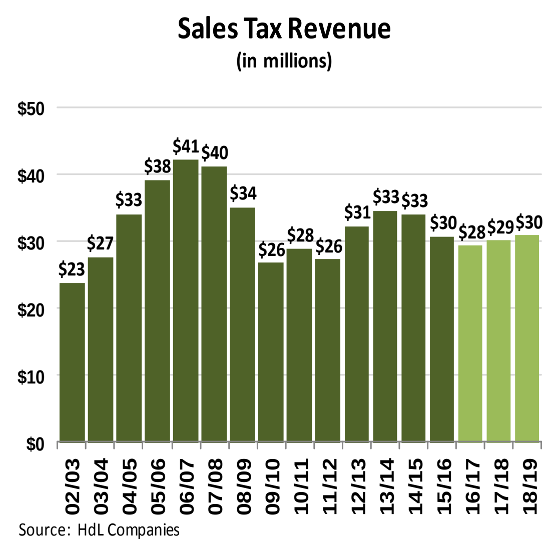


Teeter Tax Losses Reserve Fund (TLRF) Overflow

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.

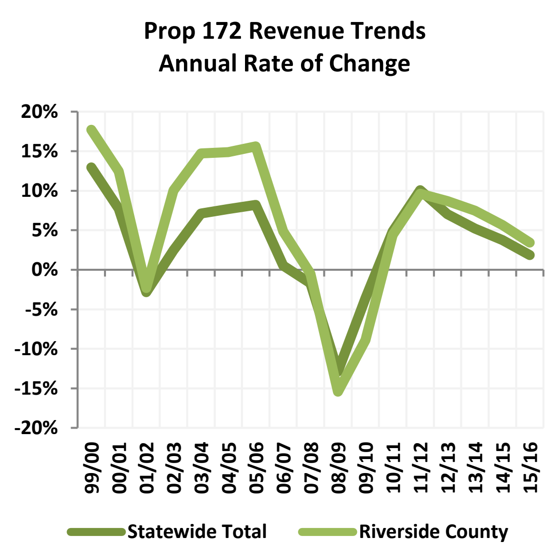
Sales and Use Taxes

In the first quarter, the county's economically adjusted quarterly sales and use tax allocations declined 2.2 percent on a year-over-year basis. In the second quarter, this trend continued, with a 2.6 percent year-over-year decline. This remains due primarily to a sustained slump in fuel prices and lagging sales in consumer goods at the factory outlets. The Executive Office is watching this 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. The Executive Office recommends continuing to watch this trend and revising this revenue estimate at third quarter, if necessary. Additional economic detail from HdL is contained in Attachment B.

Prop. 172 Public Safety Sales Tax

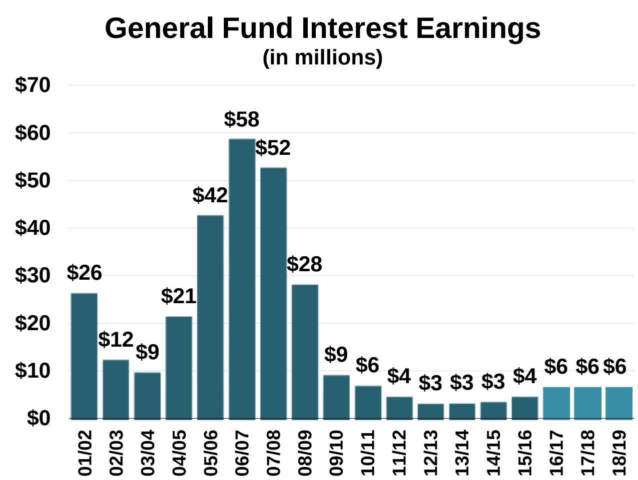


Prop. 172 public safety sales tax is a separate pool of revenue derived from taxable sales throughout the state that is directed to public safety. While the Board has some discretion over its distribution, this resource is purpose-restricted to public safety uses. Based on protocols established when 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.

Over the last two decades, the rate of growth in this economically sensitive revenue source has been volatile, with wide swings in growth rates during economic downturns as seen in the chart above. In the first quarter report, the Executive Office discussed a sizeable shortfall in Prop. 172 revenue that required immediate correction. At that time, projections provided by HdL Companies 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. The Executive Office continues monitoring this revenue source closely.

Interest Earnings

The Treasurer's estimate for FY 16/17 county general fund interest earnings includes several factors, such as general fund balances in the Treasurer's pooled investment fund, current level of interest rates, and U.S. Federal Reserve monetary policy.



During the FOMC meeting in December 2016, the federal funds rate was raised 25 basis points to 75 basis points, the highest in more than eight years. Yet it was discussed that under the new Congress and administration the Federal Reserve exists in a "cloud of uncertainty." At the conclusion of the meeting, it appeared the likelihood of higher interest rates was not affected by the possibility of more expansionary fiscal policy. Thus far, they have projected three rate increases in 2017.

The most widely watched economic indicators that can alter Federal Reserve activity include inflation expectations and payroll data. Financial market reaction to the changing global economic outlook, as well as geopolitical events, can also contribute to the Federal Reserve's decisions to change policy direction and tone, which has now shifted to a tightening mode. The Treasurer will likely again increase earnings estimates if the FOMC takes further action. However, depending upon the timing of increases relative to the end of the fiscal year, the net benefit to the general fund this year may be nominal due to the weighted average maturity profile of the pooled investment fund.

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 decrease of $1 million, taking contingency to $18.7 million, as summarized in the table below.

Use of General Fund Appropriations for Contingency

		Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Beginning Balance:					**$ 20,000,000**
Adjustments to date:					
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	
		16,689,583	16,353,721	(335,862)	**19,664,138**
Actions recommended in this report:					
	Court facilities	1,000,000		(1,000,000)	
		1,000,000	-	(1,000,000)	
	Total adjustments to Contingency =	17,689,583	16,353,721	(1,335,862)	
	Contingency balance upon approval of this report =				**18,664,138**

GENERAL GOVERNMENT

Executive Office

On October 1, 2015, SB85 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. The adopted budget accounted for this loss in revenue; however, the department anticipates a shortfall of approximately $1.2 million. The amnesty program ends on March 31, 2017. There is also currently a downward trend in filing for all case types. The Executive Office will continue to monitor this shortfall and make recommendations as needed in the third quarter.

Board of Supervisors / Clerk of the Board

The department projects a revenue shortfall of approximately $774,000 primarily due to a significant decline in new cable customers, and current customers leaving cable providers to seek alternate forms of entertainment through subscription services. The department will contine to monitor this revenue trend and bring a recommendation to the Board of Supervisors at third quarter if additional general fund support is needed to cover this shortfall.

Human Resources

Human Resources' revenues are trending higher than budgeted due to an additional services agreement and additional miscellaneous revenue received. In addition, Human Resources is anticipating additional payroll and professional services expenditures related to the increased revenues. Budget adjustments are recommended to increase revenues and the offsetting appropriations. Human Resources recently purchased a new learning management system (August 23, 2016, Agenda Item 3-47). The department believes it can absorb the cost within allowable appropriations. However, it will watch the fund carefully and request a budget adjustment at third quarter, if needed.

Recommendation 1: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Human Resources by $212,400, as follows:*

Increase estimated revenues:		
10000-1130100000-777030	Personnel services	$167,500
10000-1130100000-781360	Other miscellaneous revenue	44,900
	Total	212,400

Increase appropriations:		
10000-1130100000-510040	Regular salaries	117,000
10000-1130100000-518100	Budgeted benefits	50,500
10000-1130100000-525440	Professional services	44,900
	Total	212,400

Economic Development Agency

Hemet Ryan Airport

The Economic Development Agency requests a budget adjustment for additional capital equipment costs for the automated weather observation system at Hemet Ryan Airport. Additional Federal Aviation Administration grants will fund this expense.

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Hemet Ryan Airport by $115,155, as follows:*

Increase appropriations:		
22350-1910300000-546060	Equipment - communications	$115,155

Increase estimated revenues:		
22350-1910300000-767060	Federal – airports improvements	115,155

HOME Investment Partnership

The department requests a budget adjustment of $400,000 due to increased project expenses for the HOME Investment Partnership program. Federal grants will fund this expense.

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the HOME Investment Partnership Program by $400,000, as follows:*

Increase appropriations:		
21250-1900600000-530360	Home/shelter service	$400,000
Increase estimated revenues:		
21250-1900600000-766000	Federal – community redevelopment HOME	400,000

Community Parks

On December 13, 2016, agenda item 3-19, the Board approved the transfer of interest and operational control of community facilities in the Lakeland Village area from the Riverside County Regional Parks and Open Space District (Parks) to the County of Riverside, as of January 1, 2017. These facilities will be managed by the EDA-Real Estate Services Division. A budget was established, and EDA-Real Estate will prepare a budget status report for this fund for the third quarter ending March 31, 2017. Parks will provide the midyear status report for this fund.

Community Center Administration

On November 15, 2016, agenda item 3-38, the Board approved the transfer and operational management of the following community centers from the Riverside County Regional Parks and Open Space District (Parks) to the County:

- James A. Venable Community Center and Cabazon Child Development Center
- Norton Younglove Community Center
- Eddie D. Smith Senior Center
- Good Hope (Moses Schaffer) Community Center and Park
- Mead Valley Community Center
- Lakeland Village Community Center

The Economic Development Agency Real Estate division (EDA-RE) will now manage the community centers. CSA Administration fees previously funded community center operations through deposits to this fund. The department requests closing the Community Center Administration fund. The department requests a budget adjustment to transfer the fund balance of approximately $33,000 back to the CSA Administration fund. The budget adjustment for the transfer of these funds back to the CSA Administration fund resides in the County Service Area section of this document.

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for Community Centers Administration by $32,535, as follows:*

Increase appropriations:		
21140-1900800000-551100	Contributions to other funds	$32,535

Use of restricted fund balance:

21140-1900800000-321101	Restricted program money	32,535

County Fair & National Date Festival

The department requests a budget adjustment of $162,757 for an unexpected retirement payout as well as increases in contracts and utility costs. Increases in convenience fee revenues and other one-time miscellaneous revenue will offset these expenses.

Recommendation 5: *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 $162,757, as follows:*

Increase appropriations:

22200-1920100000-510200	Payoff permanent - seasonal	$ 46,658
22200-1920100000-523270	Special events	39,113
22200-1920100000-523800	Printing/binding	12,184
22200-1920100000-526530	Rent-lease equipment	24,005
22200-1920100000-529540	Utilities	40,797
	Total	162,757

Increase estimated revenues:

22200-1920100000-777880	Credit card fees	6,000
22200-1920100000-781360	Other miscellaneous revenue	156,757
	Total	162,757

Parking Services Division

The Parking division anticipates ending the year with a deficit of approximately $430,000. 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 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 Fire Department will strive to stay within its net county cost allocations for FY 16/17. However, the department shall know the full impact and will report in the third quarter report for FY 16/17 as well as what the potential salary impacts are for the outlying years. The estimated impact to FY 16/17 is $2.5 million additional costs for unincorporated fire protection services. Preliminary calculations indicate a significant increase for FY 17/18 due to negotiated salary increases, and estimated benefit increases including PERS. As with previous years, the department will look at additional cost saving measures to reduce or eliminate any possible deficit amount.

The City of Eastvale has not paid for the Fire Protection services provided in second and third quarters of FY 14/15. This is still an outstanding receivable for the department totaling $1,340,729. We will continue to invoice until full payment is received.

The Fire Department is requesting a budget adjustment in the amount of $4.4 million for our contract partners cost center budget. This budget is 100 percent reimbursed by our contract partners. A portion of this amount is due to the City of Eastvale increasing their cooperative agreement staffing with the opening of a new fire station. The majority and remaining amount is due to the expected increase in the Cal Fire cooperative agreement that will be passed on to the contract partners. Therefore, the department is requesting a budget adjustment for the anticipated additional costs coming from Cal Fire and the offsetting revenues from the contract partners.

Recommendation 6: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Fire Department by $4,400,000, as follows:*

Increase estimated revenues:		
10000-2700400000-779050	Fire protection	$4,400,000
Increase appropriations:		
10000-2700400000-525440	Professional services	4,400,000

Sheriff's Department

At the midyear, the Sheriff estimates that the department deficit is slightly more than $19 million, $19.4 million less than at the beginning of the fiscal year. Unfunded bargaining agreement raises, a shortfall in the Prop. 172 sales tax revenue, staffing for the federal consent decree mitigation, internal service fees, and unanticipated, unbudgeted retirement payouts are the reasons given for the shortfall. The Sheriff reports the need to decrease unincorporated patrol to minimum staffing levels in order to support jail requirements. Approximately $7.2 million is necessary to support the additional 65 positions necessary to meet requirements of additional programs in the jails. Although the Sheriff is spending $300,000 on jail overtime each month, this is not a viable long-term solution.

At first quarter, the Sheriff requested positions that were not recommended at that time. Subsequent meetings between the Sheriff and Executive Office led to an agreement that the Sheriff can add positions to both support consent decree efforts and provide custody relevant to the AB109/118 realignment of public safety. The Sheriff will make the requests through Human Resources.

Executive Office staff reviewed the Sheriff's revenues and expenditures; although some budget units' expenditures are trending slightly higher than 50 percent, the Executive Office recommends not increasing appropriations for the Sheriff's budget at this time. The exception is a budget adjustment for the Sheriff's K9 program at Cabazon Station.

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff by $4,013, as follows:*

Increase estimated revenues:

10000-2500300000-781220	Contributions and donations	$4,013

Increase appropriations:

10000-2500300000-527780	Special program expense	4,013

The Sheriff's midyear report states, "The Sheriff has committed to partner with the BOS and the CEO to meet their specified budget target reductions this year, even though this will necessitate reductions in some service levels to help meet the County's current fiscal challenges." The Executive Office also recommends that the Sheriff continue working with the KPMG team to identify and implement efficiencies throughout the department as doing so will surely reduce the likelihood that additional support will be required.

Office of District Attorney

The District Attorney is projecting a deficit of $4.4 million at the midpoint of this fiscal year. This is an improvement over the first quarter projected deficit, and is largely a result of austerity measures enacted at the beginning of the budget year. The department has captured significant salary savings through attrition, reduction of overtime and standby pay, as well as reducing various supply and service expenditures. The Executive Office will continue to meet regularly with the District Attorney's office to explore revenue solutions and additional cost saving measures to address the remaining deficit.

Department of Child Support Services

The Department of Child Support Services reports that revenue received to date is an advance. A year-end true-up and final invoicing will ensure that the state and federal allocations budgeted are awarded. Available funding is less than essential to meet local needs. The department is hopeful than an eventual re-evaluation of caseloads across the state will change the local formulas.

Court Facilities

As of midyear, expenditures for ongoing court facilities obligations are trending above 70 percent. Maintenance and custodial for the historic courthouse in Riverside average $32,000 monthly. At the beginning of the fourth quarter the county must send the Judicial Council a $780,511 payment pursuant to Government Code §70353(a). The quarterly utility and maintenance payment for state buildings in which the county has space is $54,000 and is due on April 1, 2017. Other services invoiced include the juror trolley, juror parking, maintenance and custodial services for the law libraries, and transportation for individuals released from the Southwest Detention Center. The general fund allocation for this budget unit has not changed since FY 09/10, although service charges for custodial, maintenance, and insurance, have increased 50 percent. Current funding is insufficient to make the necessary payments to the state, and there is a penalty for late payments. Consequently, the Executive Office recommends making an ongoing $1 million increase for this budget unit to adequately fund these fixed obligations.

Recommendation 8: *That the Board of Supervisors approve and direct the Auditor-Con-*

troller to make budget adjustments increasing appropriations for Court Facilities and decreasing appropriations for contingency by $1,000,000, as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	$1,000,000
Increase unassigned fund balance:		
10000-1109000000-370100	Unassigned fund balance	1,000,000
Increase appropriations:		
10000-1103900000-528500	Project cost expenses	200,000
10000-1103900000-536200	Contribution to non-county agency	800,000
	Total	1,000,000
Use of unassigned fund balance:		
10000-1103900000-370100	Unassigned fund balance	1,000,000

Probation Department

The Probation Department projects that, overall, expenditures will be within approved appropriations and net county cost allocations at year-end. To do this, the department suspended recruitment and hiring for 80 general fund positions. However, during the second quarter, grant-supported positions were filled, as were positions necessary to open the Alan M. Crogan Youth Treatment and Education Center in early 2017.

The department closely monitors current and future budget challenges, including the reductions in Prop. 172 public safety sales tax and federal Title IVE funding, ongoing capital improvement needs within Probation's aging juvenile facilities, and the potential effects of implementing mandated services. The department continues to communicate with the Executive Office about the potential impacts of mandates, capital needs, and loss of revenue, as well as the many actions taken to ensure financial solvency.

Welfare and Institutions Code §§601-827 mandate that Probation is responsible for the support and care of Riverside County youth housed at the Department of Juvenile Justice (DJJ). DJJ provides education and treatment to California's youthful offenders under age 25 whose criminal backgrounds are the most serious and who have the most intense treatment needs. The enactment of SB1021 in 2012 raised the rate charged to youth committed to DJJ to $24,000 annually.

The annual cost for Riverside County increased from $257,974 in FY 13/14 to an estimated $1.02 million in FY 16/17, an increase of 296 percent over a four-year period. Probation has absorbed these increases. Riverside County is second to Los Angeles in numbers of youth at DJJ. The department requests a transfer of appropriations from Institutions Services to Court Placement in order to offset this year's costs. No additional county funds are needed due to salary savings in the Institutions budget.

Recommendation 9: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Probation Department by $100,000, as follows:*

Decrease appropriations:		
10000-2600100000-510040	Regular salaries	$100,000
Increase unassigned fund balance:		
10000-2600100000-370100	Unassigned fund balance	100,000
Increase appropriations:		
10000-2600400000-530220	Support and care - persons	50,000
10000-2600400000-530100	Institutional placement	50,000
	Total	100,000
Use of unassigned fund balance:		
10000-2600400000-37010	Unassigned fund balance	100,000

Law Office of the Public Defender

The Public Defender reports a $2.4 million shortfall. The anticipated deficit for FY 16/17, as explained at the budget hearings, was $2.1 million. The Board approved the addition of $800,000. The current deficit is the result of the unfunded $1.3 million, an $88,000 shortfall in AB109/118 state revenue, a $100,000 salary claim paid to a former employee, $200,000 in unanticipated RCIT charges, Microsoft agreement charges, arbitration charges, unrealized salary savings due to hiring temporary employees and finally higher than expected employee payouts. The Public Defender will exceed the budget in the fourth quarter. All services provided are mandated. The Public Defender provides no additional programs and has minimal outside revenue, unlike the other public safety departments receiving Prop. 172 funding.

Department of Animal Services

The department reported in the first quarter budget report an anticipated shortfall in contract city revenue of approximately $1 million, compared with FY 14/15 receipts. The revenue decline was attributed to a decrease in impounds, resulting from successful initiatives implemented by the department. In its midyear status report, the department states that the trend continues. Further, Animal Services reports they will be forced to slow or delay hiring, which could lead to less than optimal outcomes. 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. The Executive Office will monitor these issues and update the Board in the third quarter budget report.

Animal Services reports 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. The department was granted funding for five replacement vehicles in the FY 15/16 budget; however, because of delays inherent in the vehicle purchase process, those vehicles are just now being delivered. Animal Services 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.

Animal Services previously reported the need to replace three x-ray machines, one for each animal services clinic, as required. The department used donations to replace two of three machines. Following a reconciliation of the donations account, the department will return to the Board to request a budget adjustment for use of additional donations to replace the third x-ray machine.

On December 13, 2016, agenda item 3-10, the Board of Supervisors authorized acceptance of a $50,000 Petco Foundation animal welfare grant. This grant funds temporary staff to support a foster program. In addition, the department's collection receipts have exceeded estimates; the year-end projection is collection revenue will exceed the budget by $20,000. The department requests a budget adjustment to account for these increases in estimated revenue.

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Animal Services Department by $53,000, as follows:*

Increase estimated revenues:		
10000-4200600000-777090	Collections program	$20,000
10000-4200600000-781850	Grants – non-governmental agencies	33,000
	Total	53,000
Increase appropriations:		
10000-4200600000-510320	Temporary salaries	53,000

PUBLIC WAYS AND FACILITIES

Transportation Land Management Agency (TLMA)

Agency Administration

The department anticipated a large portion of the costs for the initial software design and purchase for TLMA's new land management system (PLUS) to occur in FY 15/16. However, the project costs will occur this fiscal year due to a change in the go-live date for PLUS. The department has a limited budgeted amount to cover the shift in current year costs. Therefore, the department is requesting a budget adjustment of $1,077,514 to pay for costs incurred this fiscal year.

Recommendation 11: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance available for TLMA Administration by $1,077,514, as follows:*

Increase appropriations:		
20200-3100200000-546280	Capitalized software	$1,077,514
Use of assigned fund balance:		
20200-3100200000-350100	AFB for program money	1,077,514

Transportation – Developer Agreements

The Transportation Department requests to close out the existing developer agreement fund. No additional funds will be deposited in this fund. The remaining balance is interest. A budget adjustment for $1,057 is necessary in order to use the remaining interest remaining in subfunds 31681 and 31683.

Recommendation 12: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues and use of fund balance for Transportation by $1,057, as follows:*

Increase appropriations:		
31680-3130500000-537280	Interfund expense – miscellaneous project expense	$1,057
Increase estimated revenues:		
31680-3130500000-740020	Interest – invested funds	34
Use of fund balance:		
31681-3130500000-322103	Restricted for capital projects subfunds	20
31683-3130500000-322103	Restricted for capital projects subfunds	1,003
	Total	1,023

Planning Department

With the recent Board directive to create an electronic permit processing environment in which to process land use cases, the Planning Department acquired Bluebeam technology to allow both planners and project proponents to submit cases electronically, and then review and revise in a virtual environment. This technology upgrade allows the department and its customers to ultimately dispense with paper plans and work within a fully integrated electronic plan processing environment. As such, the Planning Department partnered with RCIT, Building Services, and TLMA procurement staff to develop a fully integrated system. A component of this upgrade is the audiovisual system for the conference room where the Planning Department conducts the Land Development Committee (LDC) weekly case review meetings with applicants. The antiquated computer and single monitor currently being used are unable to meet the technological demands of the current Bluebeam LDC process.

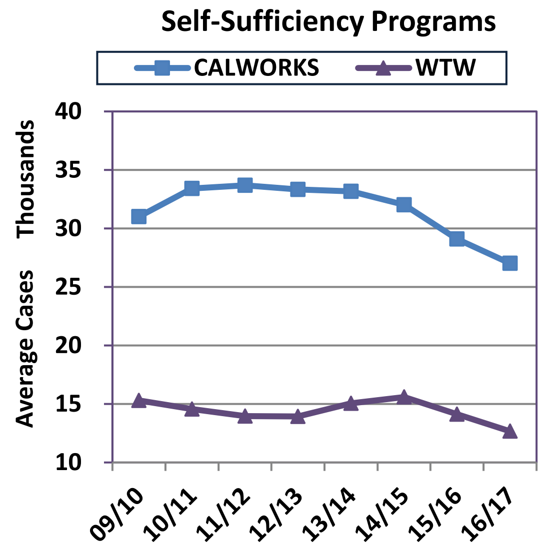
Recommendation 13: *That the Board 1) approve the acquisition of necessary equipment related to the high-resolution audiovisual system; and, 2) approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Planning Department by $30,000, as follows:*

Increase appropriations:		
10000-3120100000-546080	Equipment - computer	$30,000
Decrease appropriations:		
10000-3120100000-525440	Professional services	30,000

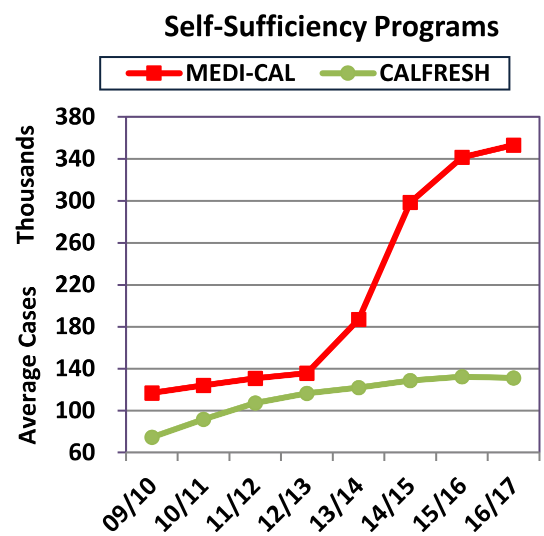
Public Assistance

Department of Public Social Services (DPSS)

The Department of Public Social Services (DPSS) reports annualized growth in adult protective services of 30 percent through November 2016. Many of the other social services and self-sufficiency programs also showed increases, but in the following lesser percentages: in-home supportive services increased 13 percent, Medi-Cal increased 7.4 percent, adoptions increased 3 percent and CalFresh increased 0.4 percent. The following programs experienced negative movement: welfare to work decreased 12 percent, CalWORKs decreased 10 percent, foster care decreased 6 percent and child welfare services decreased 5 percent.



As reported in the first quarter budget report, in recent years the department increased staffing in the Medi-Cal program 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 State 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 is reducing Medi-Cal program staffing levels through attrition to maintain operations within state-funded levels.

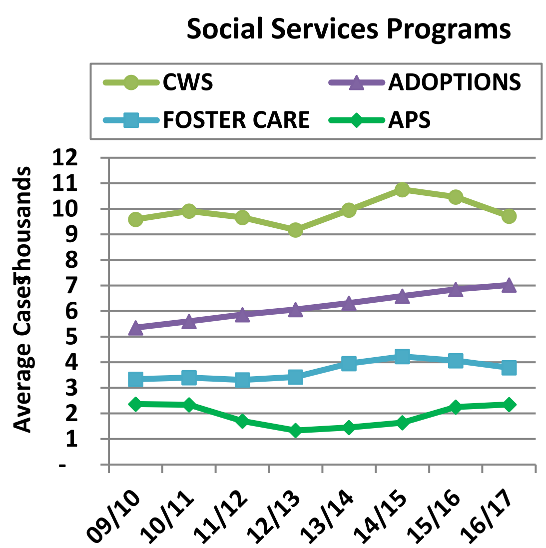


Also reported in the first quarter budget report, Childrens Services Division (CSD) prepared for the January 2017 implementation of the first phase of Continuum of Care Reform (CCR) and the Resource Family Approval (RFA) program.

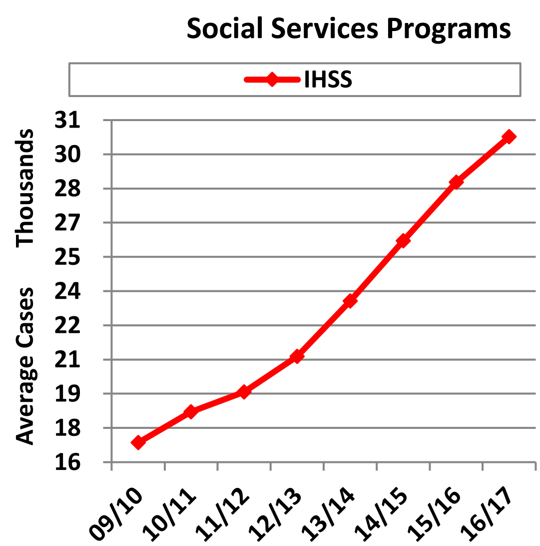
CCR is phasing out traditional group homes as foster care placement, and instead uses group care in Short-Term Residential Therapeutic Programs (STRTP) to provide short-term high quality intensive interventions, which are just one part of the continuum of care available for children, youth, and young adults. Traditional group homes were required to either transition to a STRTP or receive an extension from the California Department of

Social Services by January 1, 2017. Several components of the RFA process are being contracted to various community partners, including:

> Training — all families are required to complete a minimum of 12 hours pre-approval training. CSD and Probation will partner with local colleges and universities to provide this training.
>
> Psychosocial Assessments — will provide a comprehensive picture of the family by exploring the applicant's family dynamics and characteristics, including mental, physical and emotional health. CSD and Probation will contract with existing foster family agencies to complete psychosocial assessments.
>
> Health/TB Screening — CSD and Probation will establish memoranda of understanding with Occupational Health and Riverside University Health System-Health Clinics to meet this requirement for resource families.



Based on growth in Adult Protective Services (APS) referrals over the past year, the department received state approval for 16 additional social workers and 3 additional supervisors to manage a projected increase of 2,500 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. During the first quarter, six new APS social workers were hired. New staff receive rigorous classroom and on-the-job training, and will not carry full caseloads until the sixth month.



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 increase 2,467 and 3,348, respectively, by the end of FY 16/17. To manage these increases, IHSS received state approval for 15 additional social workers and 3 additional supervisors. IHSS is targeting an annual average of 300 new intakes and 300 continuing cases per social worker. During the first quarter, 37 new IHSS social workers were hired to fill vacant and new positions. New staff receive rigorous classroom and on-the-job training and will not carry full caseloads until the sixth month.

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 all eligible youth; however, no commitment was made to recommend increased funding to support the program. The department will continue to work closely with both associations in an effort to ensure counties receive appropriate funding to operate the program. In the current fiscal year, the department plans use of 2011 Realignment for program expenses; however, this will prevent the intended investment in child welfare services.

Riverside County Children and Families Commission (RCCFC)

The Riverside County Children and Families Commission (RCCFC) reports that more than $56 million has been committed to the Riverside Hybrid Alternate Payment Program (RHAP) for the next four years. This program enables greater access to quality early learning experiences for 700 children. Scholarships will be available to low-income families without access to affordable childcare. This includes alignment with state-funded scholarships across the county, as well as incentive funds to increase teaching quality at early learning sites. Currently, 575 children are enrolled, with enrollment efforts continuing this period. Quality incentives were provided for the 575 children enrolled in RHAP, as well as 159 children enrolled in the state-funded California Alternative Payment Program. The intent of quality incentives is to ensure retention of qualified teachers at quality rated sites. Providing additional funding for quality practices, demonstrated through tier rating, enables childcare agencies to employ bachelor-level teachers, which increases/upholds quality teaching. This has an impact on children's' learning and increases their potential to be school-ready. Additional Commission activities of significance, during the second quarter, include:

- Recruitment of two Program Coordinator II positions to support the First 5 IMPACT (Improve and Maximize Programs so All Children Thrive).
- Interviewed for 14 Program Specialist II positions to support Quality Rating and Improvement System (QRIS) efforts at more than 162 sites over the next four years.
- Applied for a four-year, $13 million dental pilot project.

Community Action Partnership (CAP)

Community Action Partnership (CAP) expects to meet budget guidelines for FY 16/17. CAP has been awarded additional funding from the California Department of Community Services and Development Block Grant in the amount of $149,108 for targeted initiative services. A budget adjustment is needed to appropriate the additional federal funds received.

Recommendation 14: *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations and estimated revenue for Community Action Partnership by $149,108, as follows:*

Increase appropriations:		
21050-5200100000-523300	Moving expenses	$149,108
Increase estimated revenue:		
21050-5200100000-767200	Federal – block grants	149,108

Office on Aging

Office on Aging continues to perform the operations of the department strategically 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 in available funds based on Area Plan Contract Amendment No. 1 between California Department of Aging (CDA) and Riverside County Office on Aging for one-time-only funding. The budget adjustment also reflects a decrease of revenue in Health Insurance Counseling and Advocacy Program (HICAP) from CDA and an overestimation of other miscellaneous revenue in the original budget submission in March 2016.

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Office on Aging by $812,442, as follows:*

Increase estimated revenue:		
21450-5300100000-751200	CA - health programs	$ 53,818
21450-5300100000-751220	CA - congregate nutrition	6,226
21450-5300100000-751600	CA - other aid to health	42,133
21450-5300100000-755260	CA - Home Del Meals	112,958
21450-5300100000-767140	Fed - miscellaneous reimbursement	594,594
21450-5300100000-781220	Contributions & donations	1,675
21450-5300100000-781850	Grants - nongovernmental agencies	1,038
	Total	812,442
Increase appropriations:		
21450-5300100000-510040	Regular salaries	7,107
21450-5300100000-523640	Computer equipment - non fixed asset	12,590
21450-5300100000-523680	Office equipment non fixed assets	23,935
21450-5300100000-525830	RCIT property system support	35,000
21450-5300100000-526700	Rent - lease buildings	29,133
21450-5300100000-527780	Special program expense	309,901
21450-5300100000-536200	Contributions to other non-county agency	394,776
	Total	812,442

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue* *for Office on Aging by $291,952, as follows:*

Decrease estimated revenue:		
21450-5300100000-774500	Health services	$ 47,983
21450-5300100000-781360	Other miscellaneous revenue	243,969
	Total	291,952
Decrease appropriations:		
21450-5300100000-510040	Regular salaries	30,709
21450-5300100000-518100	Budgeted benefits	17,274
21450-5300100000-527780	Special program expense	243,969
	Total	291,952

INTERNAL SERVICE FUNDS

Facilities Management

Custodial Services

The Custodial Services Division is currently meeting expenditure and revenue projections. The division has not been able to maintain the working capital reserve of sixty days of operating expenses, as detailed in Board Policy B-28, partially due to the impact of a general fund loan that the division cannot repay at this time. Rates will remain flat for the next several years and revenues to establish increased reserves and loan repayment will not be available. Revenues and expenditures will be monitored closely to ensure service provision continues uninterrupted.

Maintenance

The Maintenance Services Division is currently meeting expenditure and revenue projections. The division has not been able to maintain the working capital reserve of sixty days of operating expenses, as detailed in Board Policy B-28, partially due to the impact of a general fund loan that the division cannot repay at this time. Rates will remain flat for the next several years and revenues to establish increased reserves and loan repayment will not be available. Revenues and expenditures will be monitored closely to ensure service provision continues uninterrupted.

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 $260,000 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 over $1.5 million in savings for county departments for awards made from July through December 2016.

Printing Services

Due to changing business practices, revenue is tracking lower than expected. The department will be monitoring and make adjustments where needed to meet budget targets.

Supply Services

Supply Services appears on track to meet budget targets for FY 16/17. Supply Services implemented a successful pilot program with two departments to place office supply orders directly online through Staples Business Advantage. As a result, the program is being rolled out to all other departments and the completion of the rollout is anticipated by the end of the fiscal year. Departments will have access to the county-negotiated Staples contract prices and will see a 10 percent cost reduction by ordering online directly through the Staples Business Advantage portal.

Central Mail

Central Mail Services is on track to remain within FY 16/17 budget targets.

Fleet Services

Overall, Fleet Services appears on track to meet budget targets for FY 16/17; however, several departments are requesting vehicles that need budget adjustments:

- TLMA – Code Enforcement – Due to a grant funding opportunity, Code Enforcement has requested payoff of three vehicles financed using the county line of credit. Fleet Services must increase appropriation 3 by $63,000 to pay down the principal.

- Office on Aging has requested two hybrid sedans. Fleet Services requests authorization to purchase two vehicles, requests an increase of $56,000 in appropriation 4 to handle a cash purchase, and requests an increase in appropriation 3 of $5,600 for vehicle depreciation

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and use of unrestricted net assets for Fleet Services by $124,600, as follows:*

Increase estimated revenue:		
45300-7300500000-777620	Vehicle cost recovery	$119,000
Increase appropriations:		
45300-7300500000-532600	Capital lease – purchase principal	63,000

45300-7300500000-535560	Depreciation - equipment	5,600
45300-7300500000-546320	Vehicles – cars/light trucks	56,000
	Total	124,600

Use of unrestricted net assets:

45300-7300500000-380100	Unrestricted net assets	5,600

Human Resources General Liability Insurance

Reimbursements of stop loss recoveries and interest revenue are higher than anticipated. Revenue from judgments is trending higher than anticipated. Increased appropriations to pay claims are needed. Human Resources will continue to monitor the spending on general liability claims.

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for General Liability Fund by $544,500, as follows:*

Increase estimated revenues:

45960-1131000000-740020	Interest - invested funds	$ 50,000
45960-1131000000-777010	Stop loss reimbursement	330,500
45960-1131000000-781180	Judgments	164,000
	Total	544,500

Increase appropriations:

45960-1131000000-534280	Liability adjustment expense	544,500

Occupational Health and Wellness

Occupational Health revenues are trending lower than anticipated due to a decrease in hiring countywide. Human Resources is monitoring the budget and making changes as necessary to bring expenditures in line with expected revenues. The department will provide an update on progress in the third quarter budget report.

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 19: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Delta Dental PPO Fund by $100,000, as follows:*

Increase estimated revenues:

45860-1130600000-781220	Contributions & donations	$100,000

Increase appropriations:

45860-1130600000-523350	Administrative expense	8,000
45860-1130600000-525440	Professional services	5,000
45860-1130600000-534240	Dental claims	87,000
	Total	100,000

Riverside County Information Technology (RCIT)

The Riverside County Information Technology department (RCIT) reports significant salary savings in the second quarter of FY 16/17, due to vacancies, staff turnover, and delays inherent in the hiring process. The savings was partially offset by greater use of temporary staff to maintain workflow and a shortfall in data center revenue from outside agencies. To expedite hiring and reduce dependence on temporary staffing, the department is considering use of savings to fund a dedicated staff member in the Human Resources department. Savings remaining at year-end will be applied to required cash reserves, currently under the level recommended by the Auditor-Controller.

RCIT recently negotiated a renewal of the Microsoft enterprise agreement, consolidating individual departments' agreements into a single county agreement. Although savings or additional cost varied by department, the overall Microsoft software obligation reduced by $1.6 million. RCIT continues to work toward further reducing department IT costs through managed print services and pooled cellular service contracts in the second half of FY 16/17. Also in the second half of FY 16/17, KPMG will provide recommendations on the county's human resource management and payroll system. Cost implications are currently under review.

SPECIAL DISTRICTS AND OTHER AGENCIES

Regional Parks and Open Space District

In FY 15/16, the Regional Parks and Open Space District initiated the purchase of a specialized tractor to maintain the habitat and open space areas of the county. The purchase was expected to be complete within that same fiscal year, but due to vendor delays, the tractor was not received until well into the current fiscal year. Due to the uncertainty of whether the vendor would be able to fulfill the order or not, the district did not carry over the encumbrance from FY15/16, and must now establish appropriations for it in FY16/17. Sufficient unexpended fund balance carried forward to cover this expense.

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and use of unassigned fund balance for the Regional Park and Open Space District by $100,000, as follows:*

Increase appropriations:		
25430-931170-546360	Vehicles - heavy equipment	$100,000
Use of unassigned fund balance:		
25430-931170-370100	Unassigned fund balance	100,000

County Service Areas

The department requests budget adjustments for CSA Administration, CSA 103, CSA 122, CSA 126, CSA 134, and CSA 143. CSA Administration requests a budget adjustment due to salaries and benefits for new staff not originally budgeted; salary allocations to appropriate CSA's will offset these expenses. The fund will receive revenue of $32,535 from the Community Center Administration fund after it is closed.

The budget adjustment for CSA 103 is for increased street light expenses, covered by fund balance. The budget adjustment for CSA 122 is for unexpected water permit fees, covered by connection and permit fees charged to customers. CSA 126 requests a budget adjustment to reimburse the Real Estate division for community center operation, offset by fund balance. CSA 134 and CSA 143 request budget adjustments for unbudgeted maintenance ground costs in various parks, offset by fund balance.

Recommendation 21: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for CSA Administration by $156,000, as follows:*

Increase appropriations:		
23010-915202-510040	Regular salaries	$108,400
23010-915202-518100	Budgeted benefits	47,600
	Total	156,000
Increase estimated revenue:		
23010-915202-790600	Contributions from other county funds	32,535
23010-915202-778280	Interfund - reimbursement for services	114,827
23010-915202-781360	Other miscellaneous revenue	8,638
	Total	156,000

Recommendation 22: *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 103 by $200,000, as follows:*

Increase appropriations:		
24075-910301-529530	Street lights	$200,000
Use of restricted fund balance:		
24075-910301-321101	Restricted program money	200,000

Recommendation 23: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 122 by $29,778, as follows:*

Increase appropriations:		
40400-912211-523220	Licenses and permits	$29,778
Increase estimated revenue:		
40400-912211-777640	Water connection fees	29,778

Recommendation 24: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 126 by $65,000, as follows:*

Increase appropriations:		
24325-912601-551100	Contributions to other funds	$25,000
24325-912601-537080	Interfund expense – miscellaneous	40,000
	Total	65,000

Use of restricted fund balance:		
24325-912601-321101	Restricted program money	65,000

Recommendation 25: *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 134 by $141,000, as follows:*

Increase appropriations:		
24425-913401-522320	Maintenance - grounds	$141,000
Use of restricted fund balance:		
24425-913401-321101	Restricted program money	141,000

Recommendation 26: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 143 by $244,000, as follows:*

Increase appropriations:		
24550-914301-522320	Maintenance - grounds	$244,000
Use of restricted fund balance:		
24550-914301-321101	Restricted program money	244,000

Attachment A Summary of Recommendations

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

Recommendation 1: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Human Resources by $212,400, as follows:*

Increase estimated revenues:		
10000-1130100000-777030	Personnel services	$167,500
10000-1130100000-781360	Other miscellaneous revenue	44,900
	Total	212,400

Increase appropriations:		
10000-1130100000-510040	Regular salaries	117,000
10000-1130100000-518100	Budgeted benefits	50,500
10000-1130100000-525440	Professional services	44,900
	Total	212,400

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Hemet Ryan Airport by $115,155, as follows:*

Increase appropriations:		
22350-1910300000-546060	Equipment - communications	$115,155
Increase estimated revenues:		
22350-1910300000-767060	Federal – airports improvements	115,155

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the HOME Investment Partnership Program by $400,000, as follows:*

Increase appropriations:		
21250-1900600000-530360	Home/shelter service	$400,000
Increase estimated revenues:		
21250-1900600000-766000	Federal – community redevelopment HOME	400,000

Recommendation 4: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for Community Centers Administration by $32,535, as follows:*

Increase appropriations:		
21140-1900800000-551100	Contributions to other funds	$32,535

Use of restricted fund balance:

21140-1900800000-321101	Restricted program money	32,535

Recommendation 5: *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 $162,757, as follows:*

Increase appropriations:

22200-1920100000-510200	Payoff permanent - seasonal	$ 46,658
22200-1920100000-523270	Special events	39,113
22200-1920100000-523800	Printing/binding	12,184
22200-1920100000-526530	Rent-lease equipment	24,005
22200-1920100000-529540	Utilities	40,797
	Total	162,757

Increase estimated revenues:

22200-1920100000-777880	Credit card fees	6,000
22200-1920100000-781360	Other miscellaneous revenue	156,757
	Total	162,757

Recommendation 6: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Fire Department by $4,400,000, as follows:*

Increase estimated revenues:

10000-2700400000-779050	Fire protection	$4,400,000

Increase appropriations:

10000-2700400000-525440	Professional services	4,400,000

Recommendation 7: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Sheriff by $4,013, as follows:*

Increase estimated revenues:

10000-2500300000-781220	Contributions and donations	$4,013

Increase appropriations:

10000-2500300000-527780	Special program expense	4,013

Recommendation 8: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations for Court Facilities and decreasing appropriations for contingency by $1,000,000, as follows:*

Decrease appropriations:

10000-1109000000-581000	Appropriations for contingency	$1,000,000

Increase unassigned fund balance:

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

Increase appropriations:

10000-1103900000-528500	Project cost expenses	200,000
10000-1103900000-536200	Contribution to non-county agency	800,000
	Total	1,000,000

Use of unassigned fund balance:

10000-1103900000-370100	Unassigned fund balance	1,000,000

Recommendation 9: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Probation Department by $100,000, as follows:*

Decrease appropriations:

10000-2600100000-510040	Regular salaries	$100,000

Increase unassigned fund balance:

10000-2600100000-370100	Unassigned fund balance	100,000

Increase appropriations:

10000-2600400000-530220	Support and care - persons	50,000
10000-2600400000-530100	Institutional placement	50,000
	Total	100,000

Use of unassigned fund balance:

10000-2600400000-37010	Unassigned fund balance	100,000

Recommendation 10: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for the Animal Services Department by $53,000, as follows:*

Increase estimated revenues:

10000-4200600000-777090	Collections program	$20,000
10000-4200600000-781850	Grants – non-governmental agencies	33,000
	Total	53,000

Increase appropriations:

10000-4200600000-510320	Temporary salaries	53,000

Recommendation 11: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of assigned fund balance available for TLMA Administration by $1,077,514, as follows:*

Increase appropriations:

20200-3100200000-546280	Capitalized software	$1,077,514

Use of assigned fund balance:

20200-3100200000-350100	AFB for program money	1,077,514

Recommendation 12: *That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenues and use of fund balance for Transportation by $1,057, as follows:*

Increase appropriations:		
31680-3130500000-537280	Interfund expense – miscellaneous project expense	$1,057
Increase estimated revenues:		
31680-3130500000-740020	Interest – invested funds	34
Use of fund balance:		
31681-3130500000-322103	Restricted for capital projects subfunds	20
31683-3130500000-322103	Restricted for capital projects subfunds	1,003
	Total	1,023

Recommendation 13: *That the Board 1) approve the acquisition of necessary equipment related to the high-resolution audiovisual system; and, 2) approve and direct the Auditor-Controller to make budget adjustments to appropriations for the Planning Department by $30,000, as follows:*

Increase appropriations:		
10000-3120100000-546080	Equipment - computer	$30,000
Decrease appropriations:		
10000-3120100000-525440	Professional services	30,000

Recommendation 14: *That the Board of Supervisors approve and direct the Auditor-Controller to make the budget adjustments increasing appropriations and estimated revenue for Community Action Partnership by $149,108, as follows:*

Increase appropriations:		
21050-5200100000-523300	Moving expenses	$149,108
Increase estimated revenue:		
21050-5200100000-767200	Federal – block grants	149,108

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Office on Aging by $812,442, as follows:*

Increase estimated revenue:		
21450-5300100000-751200	CA - health programs	$ 53,818
21450-5300100000-751220	CA - congregate nutrition	6,226

21450-5300100000-751600	CA - other aid to health	42,133
21450-5300100000-755260	CA - Home Del Meals	112,958
21450-5300100000-767140	Fed - miscellaneous reimbursement	594,594
21450-5300100000-781220	Contributions & donations	1,675
21450-5300100000-781850	Grants - nongovernmental agencies	1,038
	Total	812,442

Increase appropriations:

21450-5300100000-510040	Regular salaries	7,107
21450-5300100000-523640	Computer equipment - non fixed asset	12,590
21450-5300100000-523680	Office equipment non fixed assets	23,935
21450-5300100000-525830	RCIT property system support	35,000
21450-5300100000-526700	Rent - lease buildings	29,133
21450-5300100000-527780	Special program expense	309,901
21450-5300100000-536200	Contributions to other non-county agency	394,776
	Total	812,442

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments decreasing appropriations and estimated revenue for Office on Aging by $291,952, as follows:*

Decrease estimated revenue:

21450-5300100000-774500	Health services	$ 47,983
21450-5300100000-781360	Other miscellaneous revenue	243,969
	Total	291,952

Decrease appropriations:

21450-5300100000-510040	Regular salaries	30,709
21450-5300100000-518100	Budgeted benefits	17,274
21450-5300100000-527780	Special program expense	243,969
	Total	291,952

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations, estimated revenue, and use of unrestricted net assets for Fleet Services by $124,600, as follows:*

Increase estimated revenue:

45300-7300500000-777620	Vehicle cost recovery	$119,000

Increase appropriations:

45300-7300500000-532600	Capital lease – purchase principal	63,000
45300-7300500000-535560	Depreciation - equipment	5,600
45300-7300500000-546320	Vehicles – cars/light trucks	56,000
	Total	124,600

Use of unrestricted net assets:

45300-7300500000-380100	Unrestricted net assets	5,600

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-*

Controller to make budget adjustments increasing appropriations and estimated revenues for General Liability Fund by $544,500, as follows:

Increase estimated revenues:		
45960-1131000000-740020	Interest - invested funds	$ 50,000
45960-1131000000-777010	Stop loss reimbursement	330,500
45960-1131000000-781180	Judgments	164,000
	Total	544,500
Increase appropriations:		
45960-1131000000-534280	Liability adjustment expense	544,500

Recommendation 19: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for Delta Dental PPO Fund by $100,000, as follows:*

Increase estimated revenues:		
45860-1130600000-781220	Contributions & donations	$100,000
Increase appropriations:		
45860-1130600000-523350	Administrative expense	8,000
45860-1130600000-525440	Professional services	5,000
45860-1130600000-534240	Dental claims	87,000
	Total	100,000

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor Controller to make budget adjustments increasing appropriations and use of unassigned fund balance for the Regional Park and Open Space District by $100,000, as follows:*

Increase appropriations:		
25430-931170-546360	Vehicles - heavy equipment	$100,000
Use of unassigned fund balance:		
25430-931170-370100	Unassigned fund balance	100,000

Recommendation 21: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for CSA Administration by $156,000, as follows:*

Increase appropriations:		
23010-915202-510040	Regular salaries	$108,400
23010-915202-518100	Budgeted benefits	47,600
	Total	156,000
Increase estimated revenue:		
23010-915202-790600	Contributions from other county funds	32,535
23010-915202-778280	Interfund - reimbursement for services	114,827
23010-915202-781360	Other miscellaneous revenue	8,638
	Total	156,000

Recommendation 22: *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 103 by $200,000, as follows:*

Increase appropriations:		
24075-910301-529530	Street lights	$200,000
Use of restricted fund balance:		
24075-910301-321101	Restricted program money	200,000

Recommendation 23: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenues for CSA 122 by $29,778, as follows:*

Increase appropriations:		
40400-912211-523220	Licenses and permits	$29,778
Increase estimated revenue:		
40400-912211-777640	Water connection fees	29,778

Recommendation 24: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 126 by $65,000, as follows:*

Increase appropriations:		
24325-912601-551100	Contributions to other funds	$25,000
24325-912601-537080	Interfund expense – miscellaneous	40,000
	Total	65,000
Use of restricted fund balance:		
24325-912601-321101	Restricted program money	65,000

Recommendation 25: *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 134 by $141,000, as follows:*

Increase appropriations:		
24425-913401-522320	Maintenance - grounds	$141,000
Use of restricted fund balance:		
24425-913401-321101	Restricted program money	141,000

Recommendation 26: *That the Board of Supervisors approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of restricted fund balance for CSA 143 by $244,000, as follows:*

Increase appropriations:		
24550-914301-522320	Maintenance - grounds	$244,000

Use of restricted fund balance:

24550-914301-321101	Restricted program money	244,000

Attachment B Sales and Use Tax Update

Q1 2016

Riverside County Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Riverside County In Brief

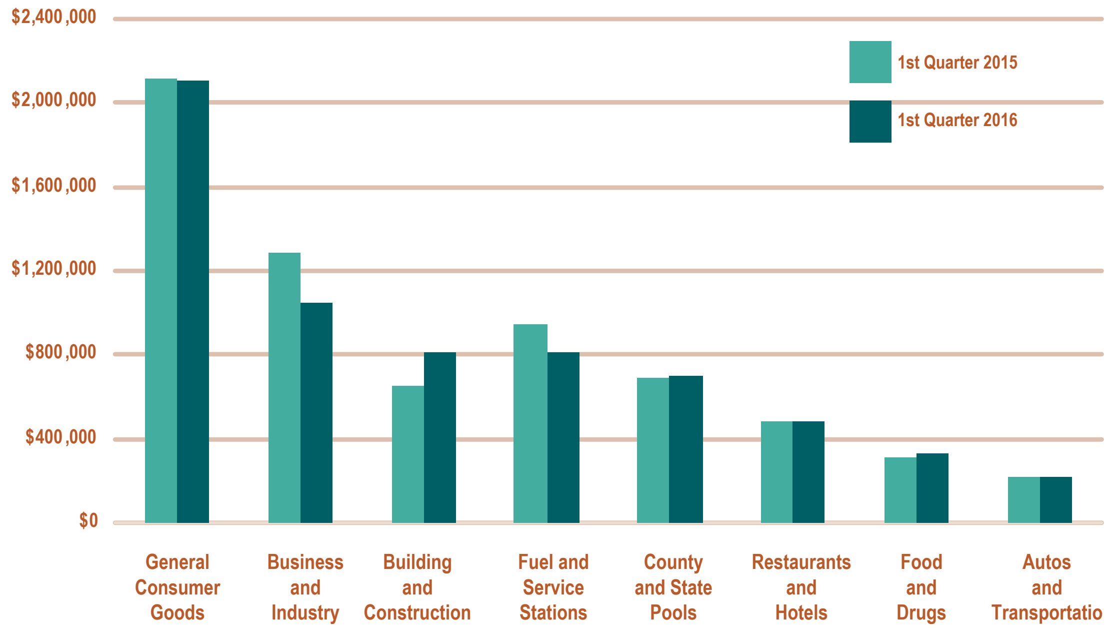
The unincorporated area's receipts from January through March sales were 2.4% lower than the same quarter of 2015, but the correction of a year-ago reporting error that depressed business and industry group results skewed the data. Actual sales activity rose 1.0% when this and other accounting anomalies were factored out.

Robust sales of contractor supplies were bolstered by a onetime use tax allocation while gains from wineries outpaced statewide results. A year-ago adjustment masked the impact of a new outlet on receipts from the food service sector.

Sales of consumer goods slipped 2.5% net of reporting problems that temporarily pared last year's postings from both women's and family apparel. Accounting events overstated the impact of lower fuel prices on service stations and exaggerated losses from garden/agricultural supplies.

Adjusted for aberrations, taxable sales for all of Riverside County increased 3.4% over the same period; Southern California regional totals were 3.1% higher.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Arco AM PM	Pilot Travel Center
Blattner Energy	Prada
Burberry	Ralph Lauren
California Trusframe	RDO Equipment
Calvin Klein	Russell Sigler
Coach	Spates Fabricators
Desert Sunlight	Stater Bros
General Electric	Superior Ready Mix Concrete
Gucci	Sysco
Heavy Equipment Rentals	Tory Burch
Holland Motor Homes	Volvo Construction Equipment
Michael Kors	Vons Fuel
Nike	

Revenue Comparison

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	$31,468,090	$25,760,603
County Pool	3,205,757	3,013,031
State Pool	21,944	19,210
Gross Receipts	$34,695,791	$28,792,843
Less Triple Flip*	$(8,673,948)	$(5,562,700)

**Reimbursed from county compensation fund*

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NOTES

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

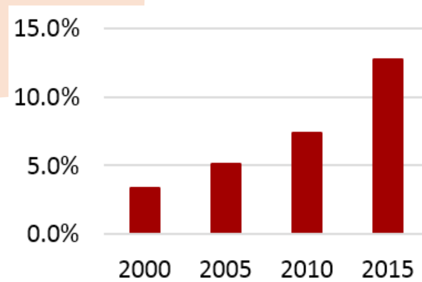
Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

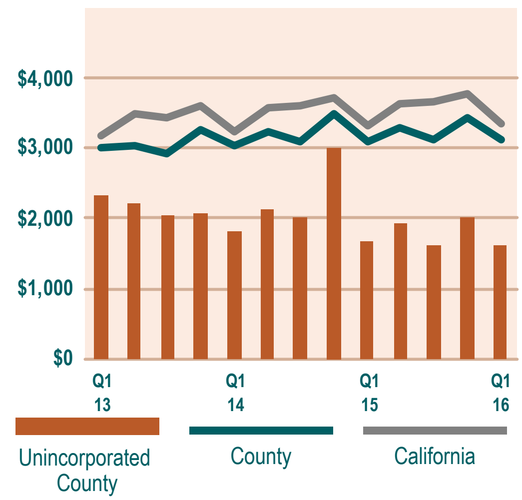
Though the online share of overall sales remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

Online General Consumer Goods
YOY Percentage Growth

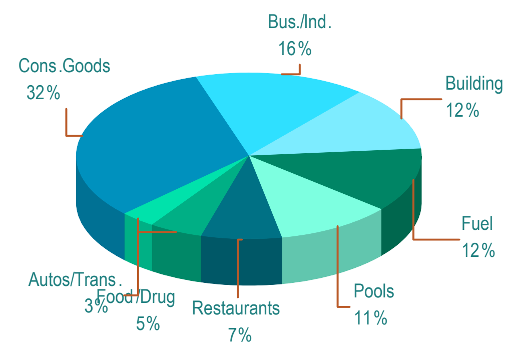


Sales Per Capita



Revenue By Business Group

Riverside Co. Uninc This Quarter



Riverside County Top 15 Business Types

*In thousands of dollars	Unincorporated County		County	HdL State
Business Type	**Q1 '16***	**Change**	**Change**	**Change**
Casual Dining	124.5	-2.1%	7.1%	5.7%
Contractors	687.0	28.9%	2.6%	3.3%
Drug Stores	72.6	5.3%	2.0%	0.2%
Energy/Utilities	— CONFIDENTIAL —		-36.9%	84.6%
Family Apparel	983.4	3.6%	0.9%	-0.6%
Food Service Equip./Supplies	144.9	3.1%	21.0%	-1.7%
Garden/Agricultural Supplies	86.6	-21.7%	1.5%	0.0%
Grocery Stores Liquor	147.8	5.6%	3.7%	1.7%
Quick-Service Restaurants	247.1	2.5%	8.1%	6.4%
Service Stations	798.0	-13.8%	-10.3%	-9.4%
Shoe Stores	211.7	-2.0%	4.2%	4.6%
Specialty Stores	191.1	-9.6%	2.8%	3.5%
Warehse/Farm/Const. Equip.	127.2	-2.7%	-19.6%	-6.4%
Wineries	213.1	18.0%	17.8%	2.7%
Women's Apparel	396.8	3.0%	-2.7%	-1.7%
Total All Accounts	**5,838.6**	**-2.9%**	**2.9%**	**1.8%**
County & State Pool Allocation	**703.5**	**2.5%**	**8.7%**	**14.1%**
Gross Receipts	**6,542.0**	**-2.4%**	**3.5%**	**3.2%**

Attachment C Draft Budget Narrative Template

DEPARTMENT/AGENCY

Mission Statement

States clearly and concisely the purpose for the functional group or department/agency.

Department/Agency Description

Highlights the responsibilities of the department/agency, noting the key budget units and programs it operates and major functions it performs.

Accomplishments

Public Safety

Healthy Communities

Business Friendly Operations

Briefly discusses the department/agency's most recent accomplishments, as demonstrated by the most recent performance metrics. Addresses progress made on prior year objectives and includes results of actual work completed. Categorizes accomplishments by county's overarching strategic objectives that they support, and as they align with the county's corporate vision.

Strategic Objectives

Public Safety

Healthy Communities

Business Friendly Operations

Briefly describes the department/agency's priorities and operational goals. Each objective links to the county's overarching strategic objective that it supports. Each objective intends to drive a desired outcome aligned with the department/agency's mission, and aligns with the county's corporate vision. Objectives are specific, measureable, achievable, results-oriented, and time-bound.

Legend of County Strategic Objectives			
	PS	***Public Safety***	*Maintaining existing commitments to mission-critical public safety functions.*
	HC	***Healthy Communities***	*Enhancing essential services that address public health mandates and foster healthy homes and workforces.*
	BF	***Business Friendly Operations***	*Maximizing use of fees and taxes most effectively, and making the county an efficient, responsive business partner.*

Performance Measures

	FY 15/16 Actuals	FY 16/17 Projected	FY 17/18 Goals	FY 18/19 Goals
Category *Measure…*				

Table Notes:

[1] *Notes….*

Each department/agency's progress in achieving its strategic operational objectives over time is demonstrated by key performance measures. These include prior year actual and current year projected performance measures, as well as performance targets for the subsequent two fiscal years. More detailed information regarding each measure may be annotated in the notes section.

Related Links

Department/agency's county website and other related websites that may be informative for the reader.

Budget Changes and Operational Impacts

Staffing

Summary of authorized positions, including the total budgeted, the number funded and not funded, and how many are filled and vacant. Detailed but succinct explanations of changes in staffing from the previous adopted budget, by budget unit and program.

Expenditures

- Salaries & Benefits
  - ❖
- Services & Supplies
- Other Charges
- Fixed Assets
- Intrafund Transfers
- Operating Transfers Out

Detailed but concise explanations of major budgetary changes in appropriations from the prior fiscal year's adopted budget, organized by category.

Revenues

- Taxes
  - ❖
- Licenses, Permits & Franchises
- Fines, Forfeitures & Penalties
- Revenue from Use of Assets
- Intergovernmental Revenue
- Charges for Current Services
- In-lieu & Other Governmental
- Other Revenue
- Operating Transfers In

Detailed but concise explanations of major budgetary changes in revenues from the prior fiscal year's adopted budget, organized by category.

Departmental Reserves

- Fund ....
  -

> Separate detailed explanations by fund of each spendable departmental reserve, including restricted, committed, and assigned equity fund balances. Include discussion of anticipated increases or use of reserves expected to influence budget year beginning balances, and planned increases or use of reserves factored into the budget.

Net County Cost Allocations

> Brief explanation of any ongoing and one-time changes in the net county cost allocation for each budget unit.

Budget Tables

> For each department/agency, budget tables compare trends in staffing, expenditures, revenues, and use of fund balance across time. In a balanced budget, total sources equal total uses. In a *structurally balanced* budget, total ongoing sources equal ongoing uses, net of one-time sources and uses, including beginning fund balance.

Department/Agency Staffing by Budget Unit

	Prior Year Adopted		Current Year Adopted		Budget Year Requested	Budget Year Recommended
Total						

Department/Agency Expenditures by Budget Unit

	Prior Year Adopted	Prior Year Actual	Current Year Adopted	Current Year Projected	Budget Year Requested	Budget Year Recommended
Grand Total						

Department/Agency Budget by Category of Expenditure

	Prior Year Adopted	Prior Year Actual	Current Year Adopted	Current Year Projected	Budget Year Requested	Budget Year Recommended
Salaries & Benefits						
Services & Supplies						
Other Charges						
Fixed Assets						
Intrafund Transfers						
Expenditures Net of Transfers						
Total Operating Transfers Out						
Total Uses						

Department/Agency Budget by Category of Source

	Prior Year Adopted	Prior Year Actual	Current Year Adopted	Current Year Projected	Budget Year Requested	Budget Year Recommended
Taxes						
Licenses, Permits & Franchises						
Fines, Forfeitures & Penalties						
Revenue from Use of Assets						
Intergovernmental Revenue						
Charges for Current Services						
In-lieu & Other Governmental						
Other Revenue						
Total Net of Transfers						
Total Operating Transfers In						
Revenue Total						
Use of Departmental Reserves						
Net County Cost Allocation						
Total Sources						

Department/Agency Advances, Deferred Inflows & Reserves of Fund Balance

Fund	Reserve Type	Current Year Actual Beginning Balance	(Decreases or Cancellations) /Increases or New Obligations	Budget Year Projected Beginning Balance	(Decreases or Cancellations) /Increases or New Obligations	Budget Year Projected Ending Balance
	Fund Total					
	Fund Total					
	Grand Total					

Fund Annotations

Fund	Fund Name	Purpose

For advances, deferred inflows and each reserve type within each fund (restricted, committed, assigned, etc.), indicates the beginning balance of the current year, the projected current year net decreases/cancelations or increases/new obligations of those reserves, and the consequent anticipated beginning balances of the budget year.

Then, indicates the planned net decreases/cancelations or increases/new obligations and anticipated resulting ending balance for the budget year.