

MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



3.54

On motion of Supervisor Ashley, seconded by Supervisor Stone and duly carried, IT WAS ORDERED that the recommendation from Executive Office regarding Receive and File of the 2012/2013 First Quarter Budget Report; Approval of the Budget Adjustments; and Adoption of Resolution 440-8914, is approved as recommended.

Roll Call:

Ayes: Buster, Stone, Benoit and Ashley  
Nays: None  
Absent: Tavaglione

EACH DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED IS CERTIFIED TO BE A FULL, TRUE AND CORRECT COPY OF THE ORIGINAL ON FILE AND OF RECORD IN MY OFFICE.

Dated: 5/9/13

KECIA HARPER-IHEM  
Clerk to the Board of Supervisors  
County of Riverside, California

By: [Signature], Deputy

I hereby certify that the foregoing is a full true, and correct copy of an order made and entered on November 20, 2012 of Supervisors Minutes.

WITNESS my hand and the seal of the Board of Supervisors  
Dated: November 20, 2012  
Kecia Harper-Ihem, Clerk of the Board of Supervisors, in  
and for the County of Riverside, State of California.

(seal)

By: [Signature] Deputy

AGENDA NO.  
3.54

xc: EO, HR

COUNTY OF  
RIVERSIDE  
STATE OF CALIFORNIA



COUNTY EXECUTIVE OFFICER'S

FY 2012-13  
FIRST QUARTER  
BUDGET REPORT

Presented by

Jay E. Orr  
County Executive Officer

3.54



**Jay E. Orr**  
County Executive Officer

**George A. Johnson**  
Assistant County Executive Officer

*Executive Office, County of Riverside*

November 15, 2012

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

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

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***SUBJECT: FY 12/13 First Quarter Budget Report***

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Board members:

While the economy is gradually improving, Riverside County still faces significant challenges. Impending actions in congress and international fiscal crises feed economic uncertainty nationally. Real estate prices are slowly improving, but foreclosures and the slow pace of mortgage refinancing continue to depress the real estate market and economic activity. Those forces will likely hold back discretionary revenue growth for several years. At the same time, county residents' need for safety net services continues to grow as economic hardship takes its toll.

Against that backdrop, Riverside County must decide where to focus future resources, how to stimulate the local economy, and how to anticipate and avoid the potential pitfalls that lie ahead. Accomplishing such lofty objectives without a strategic vision is difficult, so I have worked with department heads to establish goals to sharpen our focus.

Together, we are committed to making Riverside County the safest, most business-friendly, and best place to live in America. With those guiding principles, we identified three strategic goals to help us achieve our vision:

- Through technology, provide customer-centered public service that is better, faster, and more fiscally prudent.
- Become the most business-friendly county in California in order to promote economic development, attract new businesses, and spur job growth.

- Improve health, promote livable communities, and enhance quality of life through partnerships, policies, initiatives that reduce health-care costs and leverage resources from imminent changes in our health-care system.

Addressing the county's unmet health care needs is not only the county's obligation, it is absolutely necessary to build a strong, educated workforce capable of competing for today's jobs. Structuring the county to make the most of the Patient Protection and Affordable Care Act by January 2014 is central to our economic recovery and the stability of our safety net system, while also strengthening our relationship with the new medical school at the University of California, Riverside.

Over the last year, our extensive organizational restructuring helped balance the county budget while minimizing further reductions in essential services. My goal is to eliminate redundancy and become more efficient and effective in delivering essential services countywide. To streamline delivery of health care services, we separated the departments within the Community Health Agency to align our health clinics under the medical center.

We are consolidating information technology functions to minimize redundancy, and leveraging technology to eliminate costly legacy systems and the infrastructure that supports them. I have instructed all department heads to cooperate fully with this effort. In addition, effective immediately I recommend freezing all vacant departmental information technology positions pending review of the departmental need for such positions following consolidation. Overall, we estimate restructuring of the information technology functions could save \$40 million to \$60 million over the next several years.

We are reorganizing the Transportation and Land Management Agency (TLMA) to reduce management overhead, streamline TLMA's information technology services, and modernize businesses practices to be more cost effective. My team continues actively looking for other potential opportunities as well, such as restructuring the Economic Development Agency to align with related fields in other departments, consolidate duplicative operations, reduce unnecessary management overhead, and maximize available resources.

In addition, we are taking advantage of low interest rates to restructure several county debt financings to achieve lower debt service payments. So far, the county has saved \$13.6 million, \$3 million of which was used to buy the Indio administrative building. In addition, we reduced by \$7.1 million payments for taxpayers in community facilities districts and assessment districts. Overall, we estimate debt refinancing could save \$27 million to \$30 million over the next 10 years.

During this quarter, the District Attorney continued making strides to maximize resources and set his office on sound footing. He currently projects operating costs will end on target. The Sheriff projects a \$9.2 million shortfall, caused in part by increased labor costs, 50 new deputy positions approved by the Board, and startup of the public safety enterprise communication system (PSEC) scheduled to go live in March. Salary savings achieved during recruitment for the new positions might offset a portion of the

Sheriff's projected shortfall. The Fire Department projects a shortfall of \$5.7 million, attributable to PSEC costs and providing fire service under various city cooperative agreements. In spite of these challenges, Fire diligently continues working to contain costs.

My staff and I are examining closely financial issues that have emerged with the Riverside County Regional Medical Center (RCRMC). The hospital director reports a potential \$36 million shortfall. We are working closely with departments tied to the medical center's patient base to identify untapped resources. RCRMC will report to the Executive Office monthly on implementing measures to reduce operational expenditures to achieve a balanced budget. I have decided it is necessary to commission a specialized consultant to examine opportunities for greater efficiency and effectiveness, strengthen the medical center's fiscal footing, develop a strategy to implementing the Affordable Care Act, and examine opportunities to partner with the new medical school at the University of California, Riverside, on health care delivery.

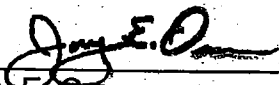
We are proactively planning for the challenges we will confront next fiscal year and beyond. We foresee property values stabilizing and the decline in discretionary revenues leveling off, with the potential for growth emerging from a still-weak regional economy. Even so, we continue to project growth in discretionary revenue to be comparatively modest, at best, for the foreseeable future.

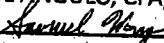
As recently negotiated labor costs increase in FY 13/14, pension obligations resulting from shortfalls in the Public Employee Retirement System's investment performance will also begin increasing. While the costs of operating PSEC are being analyzed, we anticipate general fund support might be necessary. Finally, the Board committed to building a new correctional facility, and we are planning ahead to fund the significant ongoing costs of operating that facility.

To address these additional cost burdens, I have made it clear that all department heads should prepare now to absorb these obligations within ongoing resources. At midyear, I will bring forward budget policy recommendations for FY 13/14 that address these challenges while maintaining structural balance within available ongoing resources.

**IT IS RECOMMENDED** that the Board of Supervisors: 1) receive and file this report and all its attachments; 2) approve the recommendations and associated budget adjustments contained in Attachment A; and, 3) approve Resolution No. 440-8914 amending Ordinance No. 440 contained in Attachment B.

Respectfully,

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

FISCAL PROCEDURES APPROVED  
PAUL ANGULO, CPA, AUDITOR-CONTROLLER  
BY  11/15/12  
SAMUEL WONG

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## **A. EXECUTIVE SUMMARY**

Two general fund departments began the fiscal year projecting budget shortfalls: the Fire Department and Sheriff's Department. All departments continue working diligently to close budget gaps and deliver service within ongoing resources. At this time, the District Attorney anticipates ending the current year on target, while the Sheriff projects a \$9.2 million shortfall attributable in part to increased labor costs, 50 new deputy positions the Board approved in the budget, and startup costs for the public safety enterprise communication system (PSEC) scheduled to go online in March. The Fire Chief continues to contain costs without closing fire stations, but at this time projects a \$5.7 million shortfall attributable primarily to PSEC startup costs and providing fire service through its cooperative agreements.

At this time, the Riverside County Regional Medical Center projects a year-end operating deficit between \$14 and \$36 million. Primary contributors to the shortfall are uncompensated costs for services to county jail inmates, to mental health patients and in the emergency room. Hospital officials also cite salary increases for the nursing staff among the causes. RCRMC will report to the Executive Office monthly on implementing measures to reduce operational expenditures to achieve a balanced budget.

The Executive Office will be commissioning a study to identify opportunities for greater efficiency and effectiveness, to strengthen the medical center's fiscal footing, assist in implementing the Affordable Care Act, and partner with the new medical school at the University of California, Riverside, on health care delivery. We also are working with other county departments closely tied to the medical center's patient base, such as the Department of Mental Health, Sheriff's Department, and Department of Public Social Services, to identify untapped funding opportunities. We also will be exploring the structure of the medical center's capital projects to determine whether a modified approach to project financing might restore much needed working capital.

Overall, projected discretionary revenues remain consistent with estimates in the adopted budget. Sales and use taxes might fall short of projections during the current year, but we continue monitoring that resource closely. Having worked through the first apportionment of county's redevelopment pass-through revenue under the requirements of ABX1 26 last June, the Executive Office is more confident about the security of that revenue stream under the new law. The Executive Office does not recommend revisions to budgeted revenue estimates at this time, but may recommend adjustments as necessary in the midyear report.

Although the county achieved structural balance in the FY 12/13 adopted budget, significant challenges remain as we look forward to FY 13/14. Our economists at California State University, Fullerton, projected only slight growth in assessed value under a positive economic scenario, and further decline if economic conditions in the county deteriorate. Modest increases in the assessment roll currently anticipated by the county Assessor are consistent with those projections. Losses of sales and use tax revenue due to the incorporations of Eastvale and Jurupa Valley are now in full effect.



Long-term, the Executive Office anticipates modest revenue growth, at best.

Beginning in FY 13/14, the county faces recently negotiated labor costs projected to increase to \$188.3 million by FY 15/16 if current staffing levels remain unchanged. Furthermore, county contributions to PERS will increase from 1 to 2 percent for the miscellaneous employee plan and 2 to 3 percent for the public safety employee plan. We expect the operating budget for PSEC, which is being finalized, will require general fund support above current levels. Most crucially, the Board committed to constructing a new correctional facility. Operating costs of such facilities are substantial, and will begin to ramp up within the next few years before the facility opens. The modest growth projected in discretionary revenue will not be sufficient on its own to cover these rapidly expanding burdens.

Considering these rising costs and our ongoing economic constraints, departments have been advised to take measures necessary to absorb these additional costs and maintain structural balance in FY 13/14. This includes discontinuing use of one-time resources to prop up budgets that are not structurally sustainable over the long term given persistently weak economic conditions.

## **B. ECONOMIC OUTLOOK**

### **GENERAL OUTLOOK**

The California economy started improving in 2012. Job growth in the state increased 1.9 percent since September 2011 and construction and real estate activity rose compared to the previous year as available inventory finally began to decline. The California Department of Finance reports continued gradual growth in statewide non-farm payroll employment through September. Employment improved in seven major industry sectors through the current year, while it worsened in four.

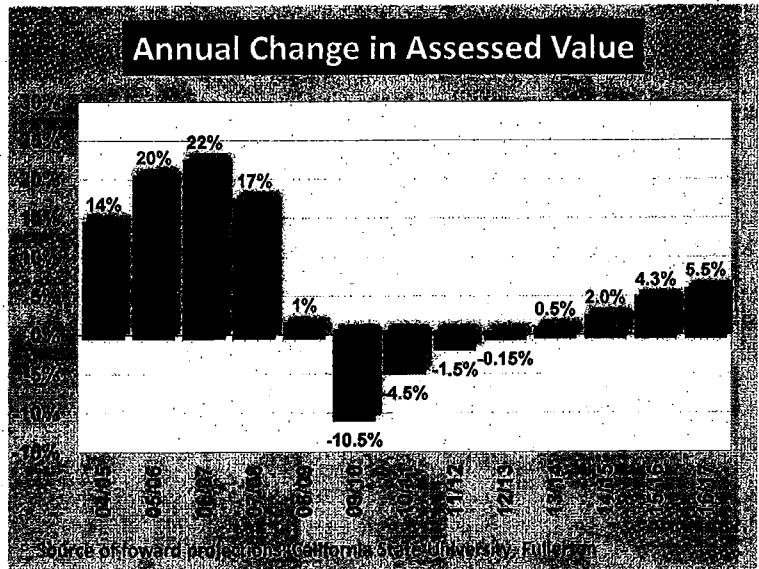
The largest job gains were in professional and business services; leisure and hospitality; educational and health services; trade, transportation and utilities; construction; information; and financial activities. Job losses occurred in government; manufacturing; mining and logging; and others. The state's unemployment rate dropped to 9.7 percent, ranging from the low of 5.8 percent in Marin County to a high of 28.5 percent in Imperial County. Since our last quarterly report six months ago, the unemployment rate in Riverside County edged down 0.6 percent to 12 percent.

Statewide, home sales during the summer months of this year were up 8.5 percent over the same months in 2011, and existing home prices rose 15.5 percent above the previous year. During February, the index of unsold inventory receded slightly to 5.3 months, and the median days necessary to sell a home declined to 41.1 days, down from 52.5 days a year ago. The number of non-distressed properties sold accounted for 62.2 percent of sales in August, reaching the highest level in the last four years.

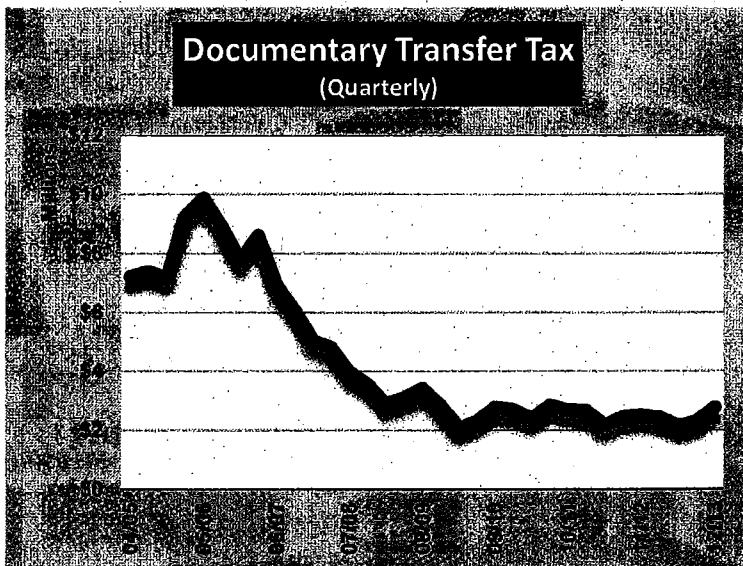
**LOCAL OUTLOOK**

**Assessed Value**

Exceptional growth in the county's assessed property value began in FY 04/05, and declined abruptly beginning in FY 07/08. For the first time in four years, key factors influencing property values in Riverside County are now comparatively stable. The county appears positioned to begin the long, slow recovery toward a more normalized real estate market. Indicators of increased stability include decreased foreclosure activity and a slight increase in the median sales prices of residential and certain commercial property types, specifically apartments and mega-warehouses. In addition, next year the Assessor anticipates raising the Prop. 13 inflation factor back to the 2 percent maximum, should improve the assessment roll. The Executive Office will work closely with the Assessor, California State University, Fullerton, and Beacon Economics to refine future year projections for our midyear report.



Assessment appeals for commercial property remain a concern, with more than 6,000 commercial appeals currently outstanding. While other factors stabilize, the outcome of these appeals could significantly offset gains in the county's assessment roll.



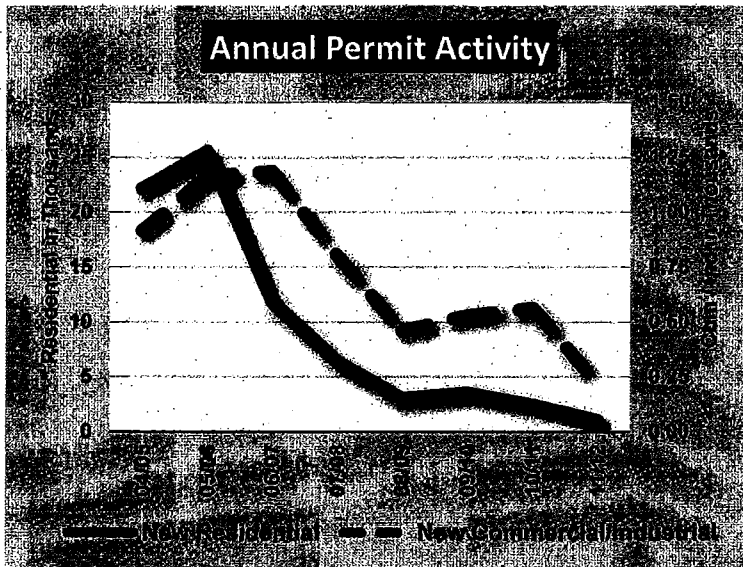
**Documentary Transfer Tax Activity**

Information from the Assessor-County Clerk-Recorder's office reflects positive recordation activity in the county overall for the first quarter of FY 12/13. Recordation activity can be a leading indicator of housing and development activity. Year over year document recordings are up over 7 percent and county clerk-recorder revenue

is up over 16 percent. Documentary transfer tax is up over 10 percent and notice of default recordings are down about 15 percent from the same quarter a year ago.

**Building Permits**

Overall, in FY 11/12, building permit volume for single-family, grading, plan check, etc., dropped to 8,618 cases compared to 10,873 cases in FY 10/11 and 11,667 cases in FY 09/10. Case intake for the first two months in FY 12/13 dropped to 1,292 from 1,535 for the same period last fiscal year, a further decline of 16 percent. Combined deposit based fees and flat fee receipts in the first two months of FY 12/13 came in at \$1.3 million compared to \$1.1 million for the same period last year, an increase of 17 percent.



This increase was mainly due to the flat fee receipts in residential solar projects. Those receipts from March 2012 through August 2012 increased from \$110,000 to \$120,000 compared to \$65,000 to \$90,000 during the previous eight months.

Planning activity for the private sector began to improve over the past few months, and activity for TLMA started increasing. Planning applications for July and August increased to 125 compared to 88 for the same period last

year, a 42 percent spike. Of these 125 total cases, 20 were major cases and 105 were minor, compared to 13 major cases and 75 minor in the first two months of the prior fiscal year. Even though the number of cases taken in improved, receipts for the first two months in this fiscal year dropped to \$708,959 compared to \$861,517 for the same period last fiscal year, a 9 percent reduction. Customer counts at the two TLMA regional offices declined 9 percent in the first two months of this fiscal year compared to the same period last fiscal year.

**STATE BUDGET UPDATE**

The legislature is on interim recess until January 2013. However, there is strong belief the governor will call a special session on health care reform in December to focus on implementing the federal Patient Protection and Affordable Care Act of 2010 in California.

**State Revenue**

The state controller recently reported the state's September revenues are \$162.5 million, or 2.2 percent, below budget projections for the first quarter. However, the controller reported first quarter revenues are only 1.1 percent below projections, an

indication the state's cash position is stable. Personal income taxes were the lone revenue source that met or exceeded expectations, coming in 2.6 percent above projections. On the other hand, sales taxes were below projections by 5.6 percent, and corporation taxes were down 8.8 percent. The state ended FY 11/12 with a \$9.6 billion cash deficit. On September 30, the cash deficit totaled \$22.3 billion. That deficit is being covered with \$12.3 billion of internal borrowing from various special funds and \$10 billion in external borrowing.

### ***State Budget Activities***

A key feature of this year's budget is the governor's November 6 ballot initiative, Prop. 30, which proposed a seven-year increase in sales and income taxes. The state budget was developed assuming the proposition would pass, and included \$8.5 billion in additional revenues across fiscal years 11/12 and 12/13. The measure's passing avoids \$6 billion in "trigger cuts" that, had the measure failed, would have resulted in significant cuts to education. Prop. 30 also constitutionally guarantees counties funding for the public safety programs realigned under AB 109.

## **C. MULTIYEAR BUDGET OUTLOOK**

### ***LONG-RANGE PLAN***

An effective budget strategy keeps spending levels consistent with anticipated changes in ongoing resources. The county's multiyear budget plan, outlined in the table below, incorporates projected expenditures and revenue four years ahead. As with any forecast, revisions are made as more concrete information becomes available. We estimate total discretionary revenue of \$570 million this fiscal year, a \$215 million decrease from the peak of \$785 million in FY 06/07. The long-range projection for discretionary revenue anticipates modest growth, consistent with economists' forecasts of slow economic recovery.

### ***FUTURE RISKS TO A STRUCTURALLY BALANCED BUDGET***

The county is making every effort to anticipate and address future fiscal impacts. While several potential impacts are identified for coming fiscal years, some associated costs cannot be accurately quantified at this time. As the county addresses these budget challenges, ongoing funding sources or offsetting cost reductions must be identified. The table below reflects the potential impacts of known risks to the general fund multi-year projection.

| General Fund Multiple-year Projection   |          |      |      |           |       |       |
|---|----------|------|------|-----------|-------|-------|
| (in millions)   |          |      |      |           |       |       |
|   | BUDGETED |      |      | PROJECTED |       |       |
|   | 2/13     | 2/14 | 3/15 | 14/15     | 15/16 | 16/17 |
| <b>RESOURCES</b>  |          |      |      |           |       |       |
| Beginning fund balance  | 40       | 40   | 30   | 30        | 30    | 30    |
| Ongoing operational revenue   | 569      | 569  | 569  | 579       | 600   | 629   |
| Use of reserves (to balance budget)   | 0        | 0    | 0    | 0         | 0     | 0     |
|   | 609      | 609  | 599  | 609       | 630   | 659   |
| <b>APPROPRIATIONS</b>   |          |      |      |           |       |       |
| Ongoing AP Allocations (Net)  | 622      | 622  | 589  | 589       | 589   | 589   |
| Contingency funding   | 20       | 20   | 20   | 20        | 20    | 20    |
| Budget reductions and savings   | (33)     | (33) | 0    | 0         | 0     | 0     |
| Ongoing AP Allocation (net of cuts)   | 609      | 609  | 609  | 609       | 609   | 609   |
| Available for budget needs  | 0        | 0    | (10) | 0         | 21    | 50    |
| <b>ADDITIONAL FUNDING/ALLOCATION</b>  |          |      |      |           |       |       |
| Net Portion of Labor Cost Increases   |          | 0    | 29   | 43        | 58    | 58    |
| Net Portion of Labor Cost Savings   |          | 0    | (17) | (19)      | (20)  | (20)  |
| Ongoing AP Protection Needs   |          | 6    | 6    | 6         | 6     | 6     |
| Additional Fund Personnel Needs   |          | 9    | 9    | 9         | 9     | 9     |
| Additional Fund Material Needs  |          | 15   | 0    | 0         | 0     | 0     |
| Additional Ongoing Allocation   |          | 30   | 27   | 39        | 53    | 53    |
| Available for budget needs - Adjusted   |          | (30) | (37) | (39)      | (32)  | (3)   |
| <b>INCREASE TO RESERVE DETAIL</b>   |          |      |      |           |       |       |
| New Capital Expenditure Operations  |          | 0    | 0    | 0         | (25)  | (50)  |
| INCREASE TO RESERVE DETAIL  |          | 0    | 8    | 17        | 28    | 41    |
| INCREASE TO RESERVE DETAIL  |          | 0    | 8    | 25        | 28    | 19    |
| <b>INCREASE TO RESERVE DETAIL</b>   |          |      |      |           |       |       |
| Reserve for Economic Uncertainty  | 125      | 125  | 125  | 125       | 125   | 125   |
| Reserve for Contingencies   | 15       | 15   | 15   | 15        | 15    | 15    |
| Total Reserve Balance   | 140      | 140  | 140  | 140       | 140   | 140   |
| <b>ASSUMPTIONS</b>  |          |      |      |           |       |       |
| Revenue and Expenditure projections are based on the most current information available at the time of the estimates. |          |      |      |           |       |       |
| Projections are based on the most current information available at the time of the estimates.                         |          |      |      |           |       |       |
| Projections are based on the most current information available at the time of the estimates.                         |          |      |      |           |       |       |

**Labor-Related Costs**

Labor agreements with our various labor unions helped the county move toward long-term pension reform. However, the agreements increased labor costs. Current projections from Human Resources, based on information available at the time of the estimates, indicate added annual labor costs, net of negotiated savings, will increase to more than \$188.3 million by FY 15/16. The Executive Office will work closely with departments over the next few months to refine these estimates.

The share of the increase not supported by departmental revenue is an estimated \$38 million, or 20 percent. Departments were advised during the last budget cycle to anticipate absorbing this increase, because it is unlikely that additional general fund support will be available.

### ***Vacant Unfunded Positions***

The Executive Office initiated a programming change in the budgeting system to identify positions that are both authorized and funded. Once implemented, the Executive Office will work with the departments to eliminate unfunded and unauthorized positions.

| Position Type | Full Time     |              |              | Part Time  |            |              |
|---------------|---------------|--------------|--------------|------------|------------|--------------|
|               | Filled        | Vacant       | Vacancy Rate | Filled     | Vacant     | Vacancy Rate |
| Regular       | 17,641        | 3,528        | 17%          | 122        | 19         | 13%          |
| Temporary     | 1,504         | 350          | 19%          | 139        | 106        | 43%          |
| Per Diem      | 689           | 470          | 41%          | 16         | 2          | 11%          |
| Seasonal      | 12            | 45           | 79%          | 102        | 40         | 28%          |
| <b>Total</b>  | <b>19,846</b> | <b>4,393</b> | <b>18%</b>   | <b>379</b> | <b>167</b> | <b>31%</b>   |

### ***Public Safety Enterprise Communications Project (PSEC)***

On October 16, 2012, the Board of Supervisors approved the public safety enterprise communications system (PSEC) business plan and FY 12/13 operating budget with the initial rates. The plan and rates were recommended by the PSEC steering committee, which included representatives from the Sheriff's Department, county Fire, Information Technology, and the Executive Office.

PSEC is unique in that it will not only deliver a voice network, but will be first in the nation with a wireless data network for public safety. With 80 sites, there are opportunities to lease space on its towers and in its buildings, and other agencies have expressed interest in both. PSEC anticipates cities will join both the voice and data networks. Local universities and school districts also have expressed interest in the voice system, and county Fire is negotiating with its ambulance provider to join the voice network.

While other radio systems with legacy technology were used to forecast operating costs, since the county is the first to deploy the latest in both voice and data technology, it may take 24 to 36 months following implementation for this innovative system to stabilize. Until then, quantifying full operating costs will be difficult.

### ***New Correctional Facility Operations***

The Indio correctional facility expansion projected for completion in October 2016 will cost an estimated \$237 million, with \$137 million from the county along with a \$100

million state grant. Based on earlier estimates, the Executive Office projected needing \$25 million in additional funding in FY 15/16, and at least \$50 million annually for ongoing operational costs. The Sheriff reports it will take several years to recruit and train correctional officers to staff the facility, so additional general fund support will be required in advance to meet that need. The Executive Office will work closely with the sheriff to refine estimates for correctional officer training and ongoing operational costs.

### **ORGANIZATIONAL RESTRUCTURING**

Over the last year, the Executive Office used extensive organizational restructuring to reduce costs. Our goal is to eliminate redundancy while improving efficiency and effective service delivery. This fiscal year, we separated the departments within the Community Health Agency. That move aligned our health clinics under the medical center to streamline health care delivery in anticipation of implementing the Patient Protection and Affordable Care Act.

We are consolidating information technology functions across the county to minimize duplicative functions. To the extent practical, the shift helps leverage technological advances to eliminate the need for costly legacy systems and the infrastructure that supports them. All department heads have been instructed to cooperate fully with this effort. In addition, effective immediately the County Executive Officer recommends freezing all vacant departmental information technology positions pending review of the departmental need for such positions following consolidation.

We also continue our efforts to reorganize TLMA by reducing the number of executive management positions and associated pay scale for top managers, integrating TLMA's information technology services, and modernizing our business practices to become more cost effective and business friendly. We are actively looking at further opportunities, such as restructuring the Economic Development Agency to align with related fields in other departments, consolidate duplicative operations, reduce unnecessary overhead, and maximize available resources most effectively to sustain essential core services. The Executive Office estimates these efforts could save \$40 million to \$60 million over the next several years.

## **D. FIRST QUARTER ACTIVITY**

### **FUND BALANCE**

Based on information from departments during the third quarter, the general fund beginning fund balance was budgeted at \$40 million. That amount reflected anticipated departmental savings, discretionary revenue, and draws on contingency for the duration of last fiscal year. Based on final FY 11/12 financial information, the actual balance carried over into FY 12/13 was \$45 million, or \$5 million more than budgeted. In addition, the state recently reimbursed the county \$9.8 million for the cost of DPSS programs performed in prior years, increasing the available fund balance available to \$14.8 million. The Executive Office recommends the Board commit \$3.5 million of this balance for use by DPSS programs. The Executive Office further recommends establishing an unassigned fund balance account to track unbudgeted discretionary

revenue and transfer the remaining \$11.3 million to this account.

**Recommendation 1:** That the Board approve 1) committing \$3,500,000 for DPSS programs, and 2) establishing an unassigned fund balance account for budget stabilization with an initial amount of \$11,274,220 from general fund unassigned fund balance, as follows:

Increase commitment of fund balance:  
 10000-1000100000-330129 Committed fund balance – DPSS realign. growth \$ 3,500,000

Increase unassigned fund balance:  
 10000-1000100000-370106 Unassigned fund balance – budget stabilization 11,274,220

Decrease unassigned fund balance:  
 10000-1000100000-370100 Unassigned fund balance 14,774,220

**GENERAL FUND COMMITMENTS AND DESIGNATIONS**

The county maintains a number of Board-established general fund commitments and designations of fund balance. The following table lists these commitments and designations effective through the recommendations contained in this report.

| <b>General Fund Commitments and Designations</b> |   |   |  |  |                                      |
|--|---|---|--|--|--------------------------------------|
| (in millions)                                    |   |   |  |  |                                      |
|  | <b>FY 11/12<br/>Ending<br/>Balances</b> | <b>Adjustments<br/>for Budget<br/>Use</b> | <b>FY 12/13<br/>Beginning<br/>Balances</b> | <b>First<br/>Quarter<br/>Adjustments</b> | <b>Balance<br/>Upon<br/>Approval</b> |
| Economic Development                             | \$124.7                                 | \$0.0                                     | \$124.7                                    | \$0.0                                    | \$124.7                              |
| Deer Valley                                      | 15.0                                    | 0.0                                       | 15.0                                       | 0.0                                      | 15.0                                 |
| Property Tax System                              | 11.4                                    | (5.3)                                     | 6.1  | 0.0                                      | 6.1                                  |
| SEB Old Central                                  | 1.4                                     | 0.0                                       | 1.4  | 0.0                                      | 1.4                                  |
| Historic Courthouse (7/2013)                     | 0.5                                     | 0.0                                       | 0.5  | 0.0                                      | 0.5                                  |
| 5AC Granddell                                    | 0.5                                     | 0.0                                       | 0.5  | 0.0                                      | 0.5                                  |
| Community Improvement                            | 0.3                                     | 2.3                                       | 2.6  | 0.0                                      | 2.6                                  |
| AGO Internal Audit Staffing                      | 0.1                                     | 0.0                                       | 0.1  | 0.0                                      | 0.1                                  |
| DPSS realignment growth                          | 2.8                                     | (2.0)                                     | 0.8  | 0.0                                      | 0.8                                  |
| Solar Power Plant Program                        | 0.4                                     | 0.0                                       | 0.4  | 0.0                                      | 0.4                                  |
| Legal Liabilities                                | 3.7                                     | 0.0                                       | 3.7  | 0.0                                      | 3.7                                  |
| <b>TOTAL</b>                                     | <b>\$160.8</b>                          | <b>(\$5.0)</b>                            | <b>\$155.8</b>                             | <b>\$0.0</b>                             | <b>\$155.8</b>                       |

**DISCRETIONARY REVENUE**

**Property Taxes**

Property tax revenue was budgeted at \$259.2 million based on a forecasted 0.15 percent drop in assessed values. The Auditor-Controller's current projections indicate



property tax revenue may be \$3.9 million lower due primarily to anticipated decreases in certain contractual revenue related to the dissolved redevelopment agencies. In addition, current projections of property tax revenue received in lieu of motor vehicle tax may be \$186.3 million, or \$1.2 million lower than budgeted. Supplemental property tax revenue remains difficult to predict due to uncertainty involving residential and commercial property sales. The Executive Office will continue to monitor this revenue closely and make additional recommendations when more data is available.

**Redevelopment Pass-through Payments**

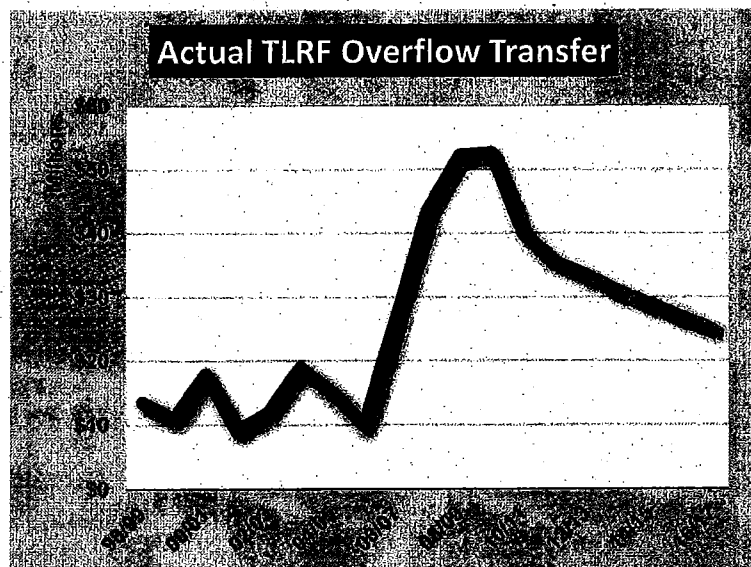
In 2011, the governor signed ABX1 26, dissolving redevelopment agencies throughout the state. This new law was challenged but in December 2011 was upheld in court. Consequently, redevelopment agencies statewide were dissolved per the new law.

Previously, the county received both contractually negotiated and statutory pass-through of tax increment from cities' redevelopment agencies. Under ABX1 26, the county continues to receive pass-through payments previously received, as the county's negotiated pass-through agreements with cities remain enforceable under the new law. Consequently, the Executive Office anticipates the majority of the tax increment revenue received per the county's pass-through agreements with the cities will not be significantly interrupted.

Under ABX1 26, assets formerly held by redevelopment agencies that are not essential to meet enforceable obligations must be liquidated and distributed to taxing entities, such as the county. As a major taxing entity, the county will at some point begin receiving distributions of such excess assets from the county Auditor-Controller. Using the one-time distributions to support ongoing operations would exacerbate the county's structural deficit. With that in mind, the Board of Supervisors approved earmarking all one-time county proceeds from such liquidated assets for capital projects, a decision made in the FY 11/12 Third Quarter Report. The Executive Office continues working closely with the county auditor-controller's office and monitoring closely the county's pass-through revenue. In addition, the Executive Office has commissioned an analysis to estimate the additional county property tax revenue that might result as redevelopment debt and other enforceable obligations are paid off.

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

Under the California Teeter plan, the county advances

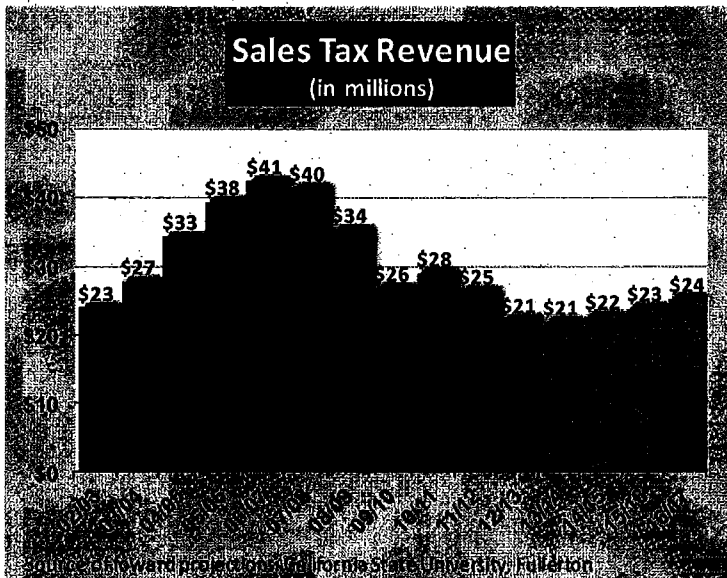


participating local agencies their property tax revenues based on enrolled assessed valuation. In return, the county then collects and retains taxes that are due, including penalties and interest for delinquent taxes. The tax losses reserve fund manages revenues and expenditures associated with the program. Revenue exceeding the cost of the financing and necessary tax loss reserve is discretionary revenue released to the general fund.

The rise in assessed value together with a spike in property tax delinquency rates significantly increased Teeter plan overflow for several years, peaking at more than \$52 million in FY 09/10. However, with property tax delinquency rates declining, we expect the associated overflow will drop to \$33.5 million this fiscal year. As the real estate market stabilizes over the next several years, this revenue will continue to erode, as projected in the chart above.

**Sales and Use Taxes**

Total sales and use tax receipts from the most recent quarter rose 9.2 percent from the same quarter a year ago for all jurisdictions in Riverside County according to Hinderliter de Llamas & Associates (HdL), the county's sales tax consultant. This increase is



comparable to receipts reported among counties in the region. However, HdL reports the county's own sales tax allocation was 13.4 percent lower than the same quarter a year ago. This differs substantially from the state overall, which increased 7.5 percent compared to the same quarter a year ago. This drop in the county's sales and use tax revenue is primarily attributable to the impact of the incorporation of the City of Jurupa Valley.

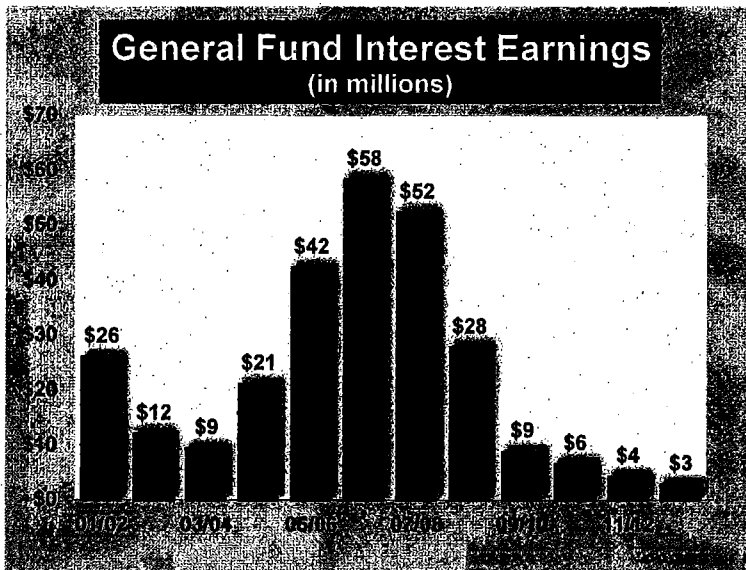
The recent statewide sales numbers are driven predominantly by a rise in auto sales spurred by low interest rates, easy credit and manufacturer's incentives. HdL cautions that while the economy will likely see some growth again in the current quarter, the already weak recovery will likely weaken further in the coming quarter as uncertainty over Congress' handling of the looming "fiscal cliff" and the weakening economies in Europe and China dampen economic activity.

The FY 12/13 budgeted estimate for sales and use tax revenue is \$21 million, and the Auditor-Controller's current projection is \$23 million. These estimates are somewhat higher than HdL's current estimate. With the full effect of the Jurupa Valley incorporation considered, HdL currently projects sales and use tax receipts for FY 12/13 will total nearly \$20 million. That is in line with the original projection of our economists

at California State University, Fullerton, who estimated receipts in FY 12/13 of \$20.4 million. Additional economic detail from HdL is contained in Attachment C.

**Interest Earnings**

The Treasurer's estimate for general fund earnings continues to reflect persistently low interest rates due to Federal Reserve intervention and investors seeking safety in the U.S. bond market. Geopolitical concerns and a flight to safety from the Eurozone debt crisis will likely linger for some time, and pose further downside risk to earnings.



With the latest round of actions in September 2012, Federal Reserve Chairman Ben Bernanke signaled short-term interest will likely remain low through 2015 to stimulate growth in the U.S. economy and employment. It is also expected the U.S. government will actively debate federal tax cut expirations, debt ceiling

limits, and mandatory spending cuts. The Treasurer will continue to provide updates as the fiscal year progresses.

**Revenue Summary**

At this time, current revenue estimates appear relatively sound. Expected losses in property tax may be offset by the increases in sales tax and use tax revenue projected by the auditor-controller, and one-time revenue from the sale of property and unclaimed property tax overpayments. The Executive Office will continue to monitor these discretionary revenues closely and recommend budget adjustments at mid-year if necessary. The chart summarizes the county's currently projected discretionary

|                            | Budgeted Estimate | 1st Quarter Estimate | Variance     |
|----------------------------|-------------------|----------------------|--------------|
| Property Taxes             | \$259.2           | \$255.3              | (\$3.9)      |
| Motor Vehicle In Lieu      | 187.5             | 186.3                | (1.2)        |
| Tax Loss Reserve Overflow  | 33.5              | 33.5                 | 0.0          |
| Fines and Penalties        | 26.8              | 26.6                 | (0.2)        |
| Sales Tax*                 | 21.0              | 23.2                 | 2.2          |
| Tobacco Tax                | 10.0              | 10.0                 | 0.0          |
| Documentary Transfer Tax   | 9.7               | 9.7                  | 0.0          |
| Franchise Fees             | 5.0               | 5.0                  | 0.0          |
| Interest Earnings          | 3.1               | 2.5                  | (0.6)        |
| Misc. Federal and State    | 5.0               | 6.5                  | 1.5          |
| Other (Prior Year & Misc.) | 8.5               | 11.2                 | 2.7          |
|                            | <b>\$569.3</b>    | <b>\$569.8</b>       | <b>\$0.5</b> |

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

revenues.

**APPROPRIATIONS FOR CONTINGENCY**

Appropriations for contingency are intended to cover urgent, unforeseeable events such as discretionary revenue shortfalls, unanticipated expenditures, uncorrectable departmental budget overruns and other mission-critical issues at the Board's discretion. Currently, the Board-approved contingency target is \$20 million or approximately 3.5 percent of ongoing discretionary revenue. As of late October, only minor appropriations for contingency were used during the first quarter. Unexpended contingency at year-end will be used to re-establish the appropriations for contingency next year.

**E. DEPARTMENTAL STATUS**

**GENERAL GOVERNMENT**

**Executive Office**

The final transition cost statement sent to the City of Eastvale last fiscal year excluded revenue that should have been associated with the new city. Consequently, there were no net transition costs to repay the county. A budget adjustment is required to allow the county to refund the city's payment received last fiscal year.

**Recommendation 2:** That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for a refund to the City of Eastvale in the amount of \$204,320, as follows:

|                                  |   |           |
|----------------------------------|---|-----------|
| Increase appropriations:         |   |           |
| 10000-1101000000-536200          | Contribution to other non-county agency | \$204,320 |
| Anticipated use of fund balance: |   |           |
| 10000-1101000000-370100          | Unassigned fund balance                 | 204,320   |

| USE OF CONTINGENCY  |                    |                       |                     |                      |
|---|--------------------|-----------------------|---------------------|----------------------|
|   | Cost<br>Adjustment | Revenue<br>Adjustment | Total<br>Adjustment | Balance<br>Available |
| <b>Beginning Balance:</b>                                 |                    |                       |                     | <b>\$ 20,000,000</b> |
| <b>Adjustments to date:</b>                               |                    |                       |                     |                      |
| 07/03/12    Legal Services (Item 3.4)                     | \$91,000           |                       | (\$91,000)          |                      |
| 09/25/12    Stale dated warrant (Item 3.11)               | 28                 |                       | (\$28)              |                      |
|   | 91,028             | -                     | (91,028)            |                      |
| <b>Actions recommended in this report:</b>                |                    |                       |                     |                      |
| <b>Contingency balance upon approval of this report =</b> |                    |                       |                     | <b>\$ 19,908,972</b> |

The county has tax sharing agreements with the City of Banning based on the sales tax revenue received from the Desert Hills Factory Outlets and with the March Joint Powers Authority. Due to the timing of receipt of revenue data, payments owed to those agencies for FY 11/12 were made in the current year that could not be accrued to the prior year. As a result, a budget adjustment is necessary at this time to increase current-year appropriations to cover these prior-year obligations.

**Recommendation 3:** *That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenues, and use of fund balance for the County's tax sharing agreements with the City of Banning and the March Joint Powers Authority in the amount of \$241,764, as follows:*

|                                  |   |           |
|----------------------------------|---|-----------|
| Increase appropriations:         |   |           |
| 10000-1101000000-551100          | Contribution to other funds             | \$241,764 |
| Anticipated use of fund balance: |   |           |
| 10000-1101000000-370100          | Unassigned fund balance                 | 241,764   |
| Increase estimated revenue:      |   |           |
| 30000-1100300000-790600          | Contribution from other funds           | 241,764   |
| Increase appropriations:         |   |           |
| 30000-1100300000-536200          | Contribution to other non-county agency | 241,764   |

**Assessor-County Clerk-Recorder**

The Assessor-County Clerk-Recorder anticipates meeting its net county cost target for FY 12/13.

**Auditor-Controller**

Due to various cost saving measures, the Auditor-Controller anticipates meeting his net county cost target for FY 12/13 with a net surplus of about \$500,000. Following Board approval for transfer of \$1.3 million in unclaimed property tax payments to the general fund, the Auditor-Controller determined the total transferred included money legally mandated to remain in the original prior-year supplemental property tax account. That money must be returned to that account.

**Recommendation 4:** *That the Board approve and direct the Auditor-Controller to make reversing entries in the amount of \$19,167 for unclaimed property tax overpayments transferred to the general fund in error.*

**Treasurer-Tax Collector**

Due to various cost saving measures, the Treasurer-Tax Collector anticipates meeting his net county cost target for FY 12/13 with a net surplus of about \$600,000. The Treasurer-Tax Collector notes an increase in tax sale activities and consequent postage costs during the first quarter. As a result, the department requests increases in appropriations for tax sale related professional services and postage offset by related revenue.

**Recommendation 5:** That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Treasurer-Tax Collector totaling \$236,000, as follows:

|                             |                                |                |
|-----------------------------|--------------------------------|----------------|
| Increase estimated revenue: |                                |                |
| 10000-1400100000-770080     | Tax coll adv costs – tax sales | \$236,000      |
| Increase appropriations:    |                                |                |
| 10000-1400100000-523760     | Postage – mailing              | 76,000         |
| 10000-1400100000-525440     | Professional services          | 160,000        |
|                             | Total                          | <u>236,000</u> |

### **Human Resources (HR)**

Human Resources projects exceeding budgeted payroll costs by \$1.5 million. Recouping for added services under reimbursement agreements with some departments will offset \$509,800 of the overrun. The remainder primarily involves the increase in approved labor costs, which is not recovered in the department's rates. The department is working on strategies to mitigate any budget overruns before year-end and expects to end the year within budget.

**Recommendation 6:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations for Human Resources totaling \$509,800, as follows:

|                          |                                 |           |
|--------------------------|---------------------------------|-----------|
| Increase appropriations: |                                 |           |
| 10000-1130100000-510040  | Regular salaries                | \$362,800 |
| 10000-1130100000-518100  | Budgeted benefits               | 147,000   |
| 10000-1130100000-572900  | Intra-fund transfer – personnel | (509,800) |

### **Registrar of Voters (ROV)**

The Registrar of Voters expects to meet her net county cost target for FY12/13 and will manage within the additional cuts. However, while the current budget assumes planned costs for the November 2012 presidential election, increased voter participation for the November 2012 election may increase operating costs. The department is monitoring its budget closely, and will report any additional spending needs after the November 2012 election is certified.

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

In response to the loss of redevelopment and dwindling county general funds, the Economic Development Agency laid off 99 employees in the following divisions: EDA Administration, Housing Authority, Facilities Management Administration, Custodial, Maintenance, Real Property, Project Management and Parking. To ensure accurate position tracking, the Executive Office recommends removing these vacated unfunded positions from Ordinance 440 at this time.

**Recommendation 7:** That the Board of Supervisors approve amending Ordinance 440 authorizing deletion of various positions previously occupied by employees laid off by

the Economic Development Agency, as indicated in Attachment B.

**Custodial**

Custodial requests a \$658,105 budget adjustment for new agreements with Riverside Centre, Monroe Park, Mental Health Inpatient Treatment Facility and Meyers Street to provide full custodial services. To perform this additional service, the department added seven custodial staff and TAP resources for utility services and coverage during absences. The department now requests a \$104,965 budget adjustment to enable payment of contract janitorial services provided at the Larson Justice Center in FY 11/12 and for services being performed in FY 12/13.

**Recommendation 8:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Facilities Management Custodial totaling \$763,070, as follows:

|                             |                           |                |
|-----------------------------|---------------------------|----------------|
| Increase estimated revenue: |                           |                |
| 47200-7200200000-777150     | Custodial                 | \$658,105      |
| 47200-7200200000-777520     | Reimbursement for service | <u>104,965</u> |
|                             | Total                     | 763,070        |
| Increase appropriations:    |                           |                |
| 47200-7200200000-510040     | Regular salaries          | 415,127        |
| 47200-7200200000-518100     | Budgeted benefits         | 239,649        |
| 47200-7200200000-520820     | Janitorial services       | 104,965        |
| 47200-7200200000-525340     | Temporary help services   | <u>3,329</u>   |
|                             | Total                     | 763,070        |

**Real Property**

Real Property requests a budget adjustment to account for increased leasing activity and tenant improvements. The increased costs will be funded by the requesting departments. Also, to cut costs, the department terminated its agreement with the management company for Riverside Centre and now requests authorization to add one real property coordinator position to assist with this function.

**Recommendation 9:** That the Board of Supervisors approve 1) amending Ordinance 440 authorizing addition of one (1) real property coordinator for Facilities Management Real Property, as indicated in Attachment B; and, 2) approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Facilities Management Real Property totaling \$2,128,281, as follows:

|                             |                                   |                  |
|-----------------------------|-----------------------------------|------------------|
| Increase estimated revenue: |                                   |                  |
| 47220-7200400000-777330     | Leasing services                  | \$ 701,000       |
| 47220-7200400000-781360     | Miscellaneous revenue             | <u>1,427,281</u> |
|                             | Total                             | 2,128,281        |
| Increase appropriations:    |                                   |                  |
| 47220-7200400000-526700     | Rent-lease – buildings            | \$701,000        |
| 47220-7200400000-522410     | Maintenance – tenant improvements | <u>1,427,281</u> |
|                             | Total                             | 2,128,281        |

### Project Management

The department decided not to lay off all of the 25 positions targeted in its FY 12/13 budget submission. The department determined there were adequate projects approved in its recognized obligation payment schedule (ROPS) to fund 15 positions more than anticipated, so only 10 were actually laid off. Of the 10, two left by June 30 and eight stayed through pay period 19. The department requires a \$1,453,949 budget adjustment to fund those 15 positions plus the eight positions carried through pay period 19.

**Recommendation 10:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for EDA Project Management totaling \$1,453,949, as follows:

|                             |   |                |
|-----------------------------|---|----------------|
| Increase estimated revenue: |   |                |
| 10000-7200500000-778280     | Interfund transfer – reimbursement for services | \$1,453,949    |
| Increase appropriations:    |   |                |
| 10000-7200500000-510040     | Regular salaries                                | 995,745        |
| 10000-7200500000-518100     | Budgeted benefits                               | <u>458,204</u> |
|                             | Total   | 1,453,949      |

### Desert Expo

The Desert Expo requests a budget adjustment to repair the air conditioning system in the Shalimar Satellite Wagering Center, at a cost of \$20,251. Funding for the repair will come primarily from a payout received from the California Authority of Racing.

**Recommendation 11:** That the Board of Supervisor approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Desert Expo totaling \$20,251, as follows:

|                             |                                    |               |
|-----------------------------|------------------------------------|---------------|
| Increase estimated revenue: |                                    |               |
| 22200-1920100000-741160     | Fair sponsorship                   | \$ 3,750      |
| 22200-1920100000-778200     | Interfund transfer – miscellaneous | 1,000         |
| 22200-1920100000-781120     | Rebates & refunds                  | 800           |
| 22200-1920100000-781360     | Miscellaneous revenue              | <u>14,701</u> |
|                             | Total                              | 20,251        |
| Increase appropriations:    |                                    |               |
| 22200-1920100000-521560     | Maintenance – other                | 2,533         |
| 22200-1920100000-527900     | Desert Expo Center                 | <u>17,718</u> |
|                             | Total                              | 20,251        |

### EDA Mitigation Projects

The department requests a budget adjustment to enable construction of shelving, including temperature and climate control features, to better protect museum items for the Edward Dean Museum. Gala fundraising proceeds in the amount of \$42,071 will be used for the construction.



**Recommendation 12:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and releasing restricted fund balance for EDA Mitigation in the amount of \$42,071, as follows:

|                                  |  |          |
|----------------------------------|--|----------|
| Increase appropriations:         |  |          |
| 32710-1900100000-536280          | Contribution – project implementation costs  | \$42,071 |
| Release restricted fund balance: |  |          |
| 32710-1900100000-322100          | Restricted for construction/capital projects | 42,071   |

**Workforce Development**

Workforce Development requests a budget adjustment to allocate \$2,350,000 from Workforce Investment Act Adult and Dislocated Worker funds for client training, as required by SB 734.

**Recommendation 13:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Workforce Development Center in the amount of \$2,350,000, as follows:

|                             |                                    |             |
|-----------------------------|------------------------------------|-------------|
| Increase estimated revenue: |                                    |             |
| 21550-1900300000-765000     | Federal – Workforce Investment Act | \$2,350,000 |
| Increase appropriations:    |                                    |             |
| 21550-1900300000-530440     | Client service                     | 2,350,000   |

**Aviation**

The department requests a budget adjustment to cover additional maintenance, engineering and jet fuel costs associated with the Jacqueline Cochran Air Show, as well as additional costs related to new leases, one-time payments, and increased legal and administrative services.

**Recommendation 14:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue, and releasing assigned fund balance for Aviation totaling \$266,958, as follows:

|                             |                                       |               |
|-----------------------------|---------------------------------------|---------------|
| Increase estimated revenue: |                                       |               |
| 22100-1910700000-741500     | Temporary use lease                   | \$112,588     |
| 22100-1910700000-777520     | Reimbursement for services            | 25,000        |
| 22100-1910700000-780240     | Sales – gas & oil franchise fees      | <u>40,881</u> |
|                             | Total                                 | 178,469       |
| Increase appropriations:    |                                       |               |
| 22100-1910700000-522310     | Maintenance – building & improvements | 100,568       |
| 22100-1910700000-524820     | Engineering services                  | 19,268        |
| 22100-1910700000-527660     | Operational marketing                 | 15,000        |
| 22100-1910700000-536920     | Interfund – general office expense    | 18,628        |
| 22100-1910700000-537020     | Interfund – legal services            | 22,192        |
| 22100-1910700000-537180     | Interfund – salary reimbursement      | <u>91,302</u> |
|                             | Total                                 | 266,958       |

Release assigned fund balance:  
 22100-1910700000-350100 Assigned fund balance for program money 88,489

**Hemet Ryan Airport**

A budget adjustment is requested to account for additional staff time and construction costs associated with state and federal capital improvement grants.

**Recommendation 15:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Hemet Ryan Airport totaling \$23,726, as follows:

|                             |  |               |
|-----------------------------|--|---------------|
| Increase estimated revenue: |  |               |
| 22350-1910300000-790500     | Operating transfers – in                   | \$23,726      |
| Increase appropriations:    |  |               |
| 22350-1910300000-537180     | Interfund transfers – salary reimbursement | 5,564         |
| 22350-1910300000-542040     | Buildings – capital projects               | <u>18,162</u> |
|                             | Total                                      | <u>23,726</u> |

**Desert Center Airport**

The Desert Center Airport requests a budget adjustment to enable use of fund balance for Federal Aviation Administration grant match requirements previously covered using redevelopment funds.

**Recommendation 16:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and releasing restricted fund balance for the Desert Center Airport totaling \$133,792, as follows:

|                                     |                           |           |
|-------------------------------------|---------------------------|-----------|
| Increase appropriations:            |                           |           |
| 22350-1910500000-551000             | Operating transfers – out | \$133,792 |
| Release of restricted fund balance: |                           |           |
| 22350-1910500000-321101             | Restricted program money  | 133,792   |

**French Valley Airport**

The French Valley Airport requests a budget adjustment to account for new state and federal capital improvement grants.

**Recommendation 17:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the French Valley Airport totaling \$317,021, as follows:

|                             |                                |                |
|-----------------------------|--------------------------------|----------------|
| Increase estimated revenue: |                                |                |
| 22350-1910600000-751230     | CA – state match               | \$ 26,143      |
| 22350-1910600000-767060     | Federal – airport improvements | 256,369        |
| 22350-1910600000-790500     | Operating transfers – in       | <u>34,509</u>  |
|                             | Total                          | <u>317,021</u> |

---

|   |                              |         |
|---|------------------------------|---------|
| Increase appropriations:<br>22350-1910600000-542040 | Buildings – capital projects | 317,021 |
|---|------------------------------|---------|

## **PUBLIC PROTECTION**

### **Fire**

Fire anticipates going over its net county cost target by approximately \$5.7 million for FY 12/13. While the department began the year with a \$10.2 million deficit, it implemented several measures to save \$4.5 million. The deficit is due to the reduction in net county cost, contract increases, fuel increases, PSEC operating changes, and the unfunded cost of retaining fire service on behalf of the City of Jurupa Valley. The department is not requesting additional general fund support at this time; however, the department will reevaluate the need for a budget adjustment in the midyear report. The Fire Department's goal is to continue to work toward reducing the deficit as much as possible through the year.

### **Sheriff**

The Sheriff projects a \$9.2 million budget deficit. This is attributable in part to increased labor costs, the cost of 50 deputy positions approved by the Board, and startup costs of the new public safety enterprise communication system (PSEC), which is expected to be operational in March 2013. The increased cost for the monthly service is not yet funded, and a budgetary fix is a priority.

The Sheriff achieved \$6.8 million in savings in the FY 11/12 budget, and expected to apply this savings to meet the costs incurred as deputies are hired and trained for the unincorporated area, and to mitigate attrition. The recruitment process is under way and three basic academies are planned to ensure that in early 2014, unincorporated staffing will increase from the present 0.75:1,000 ratio to the 1.0:1,000 ratio the Board of Supervisors approved. Costs projections are still indistinct and will be better determined later in the fiscal year.

The Sheriff informed the Board that new labor agreements ratified in the fourth quarter of FY 11/12 created a structural deficit. This is due both to retirements that occurred during the first quarter of this fiscal year – instead of during the prior fiscal year – as well as department-wide flex benefit costs. In addition, the state realignment allocation currently funds only part of the county's initial implementation, but the full cost to implement this new mandate is underfunded. In addition to jail overcrowding, the Sheriff projects an increase in jail overtime costs. Realignment also changed the funding structure for court security, and the Sheriff projects a deficit in that budget unit as well.

The Sheriff requests the following actions this fiscal year to ensure budgetary success:

- Apply FY 11/12 budget savings to the current year budget, or a suitable offset to support the Board direction to increase unincorporated staffing to 1.0:1000.

- Apply trial court funding unallowable.
- Fund PSEC operations and current-year negotiated salary and benefit increases.

Beginning this fiscal year, the Riverside Auto Interdiction Detail (RAID) funding became part of the patrol budget. The following transaction will clean up remaining obligations.

**Recommendation 18:** *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for the Sheriff's Department totaling \$9,100, as follows:*

|                          |                    |         |
|--------------------------|--------------------|---------|
| Increase appropriations: |                    |         |
| 10000-2500300000-546140  | Equipment – office | \$9,100 |
| Decrease appropriations: |                    |         |
| 10000-2500800000-546140  | Equipment – office | 9,100   |

The department has the opportunity to acquire a vehicle using asset forfeiture funds.

**Recommendation 19:** *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Sheriff's Department totaling \$15,000, as follows:*

|                             |                            |          |
|-----------------------------|----------------------------|----------|
| Increase estimated revenue: |                            |          |
| 10000-2500300000-732060     | Asset forfeiture revenue   | \$15,000 |
| Increase appropriations:    |                            |          |
| 10000-2500300000-546320     | Vehicle – car, light truck | 15,000   |

**District Attorney**

The District Attorney projects his department will finish the fiscal year within budget and meet the net county cost allocated. This is a result of significant efforts to reduce costs and to obtain additional revenue. While some revenue streams lessened, extraordinary efforts resulted in approximately \$2 million in additional revenue this fiscal year.

While the District Attorney's budget balanced at the end of the first quarter, variables could significantly affect that balance, including realignment of public safety as well as lingering risk management and employee relations cases connected to the previous district attorney. A number of cases are in arbitration or at trial, and the county already has lost some recent decisions. Potential liabilities could exceed \$1 million.

**Department of Child Support Services**

The director reports the department is on target to meet all obligations within the state and federal funds available. The department receives no county general fund support.

**Court Funding**

Most revenues that support functions at, or facilities for, the Superior Court are trending

at or slightly below the first quarter average. The exception is the court facilities account which is currently at 31 percent expended. Transactions will be closely watched with the goal of remaining within the approved budget.

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

The Law Office of the Public Defender (LOPD) expects to remain within budget. Cuts taken in the adopted budget are being met through staffing reductions and other measures. In addition, a new fee was implemented with the potential to recover \$1 million in cost. In FY 11/12, \$1.3 million of prior-year savings were achieved and were slated to help renovate the former District Attorney building on Main Street in Riverside for the Public Defender's use. That money has been released and the county, instead, will debt-finance the estimated \$18 million renovation cost. The Economic Development Agency has released a request for proposals for the renovation, with an expected project completion date of fall 2014.

### **Alternate Public Defender**

The Alternate Public Defender/Capital Defender's Office reduced staff and consolidated leased space to absorb the additional \$1.5 million cut taken in FY 12/13. The department continues to look for additional savings and other options to meet its budget target.

### **Indigent Defense**

Indigent Defense estimates a \$386,000 shortfall for FY 12/13, an amount that depends on the volume of cases the courts send to indigent defense counsel.

### **Probation Department**

Savings efforts by Probation during the first quarter include continued restructuring and consolidation of ordering for detention and treatment facilities. The department identified additional opportunities to support grant-funded programs by adding a supervising research specialist position to provide lead research and evaluation capacity. The position is supported with SB678 dollars.

To meet increased demands for the development and production of data, the department requests the addition of one IT applications developer II. To streamline institutional food operations, the department also would like to add one correctional cook and one correctional senior food service worker. Costs for these positions will be covered in part by deleting three positions: one research analyst, one house manager, and one senior group supervisor/instructor – culinary arts. In addition to these deletions, the positions will be supported by salary savings both in Juvenile Institutions and Administration.

**Recommendation 20:** *That the Board of Supervisors 1) approve amending Ordinance No. 440 by adding one (1) supervising research specialist, one (1) IT applications developer II, one (1) correctional cook, and one (1) correctional senior food service worker, and deleting one (1) research analyst, one (1) house manager, one (1) senior group supervisor/instructor – culinary arts, as indicated in Attachment B; and, 2)*

approve and direct the Auditor-Controller to make adjustments to increase appropriations and estimated revenue for Probation totaling \$120,000, as follows:

|                             |   |               |
|-----------------------------|---|---------------|
| Increase appropriations:    |   |               |
| 10000-2600700000-510040     | Regular salaries                        | \$ 84,000     |
| 10000-2600700000-518100     | Budgeted benefits                       | <u>36,000</u> |
|                             | Total                                   | 120,000       |
| Increase estimated revenue: |   |               |
| 10000-2600700000-755180     | CA – Due from other government agencies | 120,000       |

The state allocates funds to continue Juvenile Justice Crime Prevention Act (JJCPA) programs. Youth Accountability Teams operating at middle schools and high schools countywide are a major component of the prevention effort. Included on these teams are probation and law enforcement officers, deputy district attorneys, and paraprofessional counselors from community based organizations. In September 2008, the Board of Supervisors approved agreements with five qualified bidders who provide youth outreach counseling services. These agreements are now in their final year, and in early 2013 a request for proposals will be posted for these services. At this time, the department requests additional JJCPA funding totaling \$653,879 be added to the existing service agreements.

**Recommendation 21:** That the Board of Supervisors approve increases to the existing agreements for the maximum amounts as follows: Boys and Girls Club of Coachella Valley \$260,596, MFI Recovery Center \$115,821, Carolyn E. Wylie Center \$115,821, Family Service Association of Western Riverside County \$115,821 and Operation Safehouse, Inc. \$45,820, and authorize the Purchasing Agent to initiate and sign the amendments.

**Grand Jury**

California law requires that the Board of Supervisors pay for the services of the Grand Jury (Penal Code §890 and 914.5). Since 1995, the Superior Court provided administrative support for the Grand Jury; however, in February the court notified the county that effective July 1, 2012, management would be returned to the county. Since the Executive Office took on administration of the Grand Jury funding, the Executive Office recommends realigning the Grand Jury under a separate budget unit.

**Recommendation 22:** That the Board of Supervisors approve and direct the Auditor Controller to make adjustments to appropriations for the Grand Jury totaling \$567,471, as follows:

|                          |                           |           |
|--------------------------|---------------------------|-----------|
| Decrease appropriations: |                           |           |
| 10000-1101000000-551000  | Operating transfers – out | \$567,471 |
| Increase appropriations: |                           |           |
| 10000-1104400000-510040  | Regular salaries          | 89,015    |
| 10000-1104400000-518100  | Budgeted benefits         | 41,808    |
| 10000-1104400000-520320  | Telephone service         | 5,830     |
| 10000-1104400000-521380  | Maintenance – copier      | 250       |

|                         |                                 |              |
|-------------------------|---------------------------------|--------------|
| 10000-1104400000-523700 | Office supplies                 | 3,260        |
| 10000-1104400000-523800 | Printing/binding                | 1,200        |
| 10000-1104400000-524500 | Administrative support – direct | 56,747       |
| 10000-1104400000-525310 | OASIS processing – HRMS         | 350          |
| 10000-1104400000-525440 | Professional services           | 182,740      |
| 10000-1104400000-526700 | Rent-lease buildings            | 176,223      |
| 10000-1104400000-527780 | Special program expense         | 1,500        |
| 10000-1104400000-537080 | Interfund miscellaneous         | <u>8,548</u> |
|                         |                                 | 567,471      |

**Animal Services**

The department anticipates meeting budget targets.

**Agricultural Commissioner**

The agricultural commissioner expects to meet his budget target this fiscal year.

**Transportation Land Management Agency (TLMA)**

All Transportation and Land Management Agency (TLMA) departments are carefully monitoring revenues and expenditures to ensure they remain within the approved budget. Code Enforcement is finalizing budget and staffing changes due to the additional reduction in net county cost approved in the final budget.

**HEALTH AND SANITATION**

**Department of Public Health**

The department requests a budget adjustment to reflect additional funding and a shift in the flow of funds from the state. In addition, as a result of the funding increase, the department requests authorization to add positions for five registered nurses and one senior public information specialist.

**Recommendation 23:** *That the Board of Supervisors 1) approve amending Ordinance 440 by adding five (5) registered nurse V positions and one (1) senior public information specialist for Public Health, as indicated in Attachment B; and, 2) approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Public Health, as follows:*

|                          |                          |           |
|--------------------------|--------------------------|-----------|
| Increase appropriations: |                          |           |
| 10000-4200100000-510040  | Regular salaries         | \$704,809 |
| 10000-4200100000-510320  | Temporary salaries       | 25,009    |
| 10000-4200100000-510520  | Bilingual pay            | 624       |
| 10000-4200100000-518100  | Budgeted benefits        | 305,317   |
| 10000-4200100000-520240  | Communications equipment | 38,678    |
| 10000-4200100000-520705  | Food                     | 3,000     |
| 10000-4200100000-522890  | Pharmaceuticals          | 108,704   |
| 10000-4200100000-523700  | Office supplies          | 1,000     |
| 10000-4200100000-523800  | Printing & binding       | 3,000     |
| 10000-4200100000-525340  | Temporary help services  | 49,723    |

|                             |                                      |                    |
|-----------------------------|--------------------------------------|--------------------|
| 10000-4200100000-525440     | Professional services                | 543,478            |
| 10000-4200100000-526700     | Rent-lease storage                   | 19,457             |
| 10000-4200100000-526960     | Small tools & instruments            | 20,027             |
| 10000-4200100000-527780     | Special program expense              | 5,505              |
| 10000-4200100000-528140     | Conference/registration fees         | 2,000              |
| 10000-4200100000-528900     | Air transportation                   | 500                |
| 10000-4200100000-529000     | Miscellaneous travel expense         | 500                |
| 10000-4200100000-529040     | Private mileage reimbursement        | 2,000              |
| 10000-4200100000-572800     | Intra-fund transfers – miscellaneous | <u>(267,033)</u>   |
|                             | Total                                | 1,566,298          |
| Decrease appropriations:    |                                      |                    |
| 10000-4200100000-522860     | Medical – dental supplies            | 10,000             |
| 10000-4200100000-572200     | Intra-fund transfers – grant         | <u>(1,238,494)</u> |
|                             | Total                                | (1,228,497)        |
| Increase estimated revenue: |                                      |                    |
| 10000-4200100000-751680     | CA – grant revenue                   | 2,105,793          |
| 10000-4200100000-767220     | Federal – other operating grants     | <u>718,171</u>     |
|                             | Total                                | 2,823,964          |
| Decrease estimated revenue: |                                      |                    |
| 10000-4200100000-762040     | Federal – health grants              | 29,172             |
| Increase appropriations:    |                                      |                    |
| 21750-4200100000-520705     | Food                                 | 9,056              |
| 21750-4200100000-522860     | Medical – dental supplies            | 206                |
| 21750-4200100000-523620     | Books & publications                 | 15,706             |
| 21750-4200100000-523640     | Computer equipment – non-fixed asset | 14,027             |
| 21750-4200100000-523760     | Postage – mailing                    | 491                |
| 21750-4200100000-526700     | Rent-lease storage                   | 25,626             |
| 21750-4200100000-527180     | Operational supplies                 | 144,503            |
| 21750-4200100000-546080     | Equipment – computer                 | <u>17,086</u>      |
|                             | Total                                | 226,701            |
| Decrease appropriations:    |                                      |                    |
| 21750-4200100000-510040     | Regular salaries                     | 95,197             |
| 21750-4200100000-518100     | Budgeted benefits                    | 68,993             |
| 21750-4200100000-525440     | Professional services                | <u>68,798</u>      |
|                             | Total                                | 232,988            |
| Decrease estimated revenue: |                                      |                    |
| 21750-4200100000-767220     | Federal – other operating grants     | 6,287              |
| Increase appropriations:    |                                      |                    |
| 21760-4200100000-525440     | Professional services                | 53,149             |
| Increase estimated revenue: |                                      |                    |
| 21760-4200100000-767220     | Federal – other operating grants     | 53,149             |
| Increase appropriations:    |                                      |                    |
| 21770-4200100000-525440     | Professional services                | 74,733             |
| Increase estimated revenue: |                                      |                    |
| 21770-4200100000-767220     | Federal – other operating grants     | 74,733             |



|                             |                                  |        |
|-----------------------------|----------------------------------|--------|
| Increase appropriations:    |                                  |        |
| 21780-4200100000-525440     | Professional services            | 47,319 |
| Increase estimated revenue: |                                  |        |
| 21780-4200100000-767220     | Federal – other operating grants | 47,319 |

Although it is still too early to project, indications are that sales tax revenue for California Children’s Services from the state’s 1991 Realignment is tracking higher than budgeted. The department will continue to monitor and report back at midyear. The department expects a long standing under-payment from the state will be resolved, potentially increasing revenue in the second quarter. The department will prepare the necessary budget adjustment once the final amount is determined.

Since the final accounting transactions for the Community Health Agency are complete, and budget authorization is no longer necessary, the department requests budget authority for the Agency be eliminated.

**Recommendation 24:** *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustment to appropriations and estimated revenue for the Community Health Agency, as follows:*

|                          |                                     |           |
|--------------------------|-------------------------------------|-----------|
| Decrease appropriations: |                                     |           |
| 10000-4200300000-525440  | Professional services               | \$500,000 |
| 10000-4200300000-572800  | Intrafund transfers – miscellaneous | (500,000) |

**Department of Environmental Health**

Current-year revenue and expenditures are tracking as projected against the FY 12/13 budget. Salary savings were realized in the first quarter due to some positions remaining vacant during recruitment.

**Riverside County Regional Medical Center Programs**

**Ambulatory Care – Family Care Clinics**

The department anticipates meeting budget targets.

**Medically Indigent Services Program (MISP)**

The Medically Indigent Services Program anticipates funding from the Low Income Health Program will likely decrease the need for general fund support from \$2.2 million to \$700,000. The department will continue to monitor and report back at midyear.

**Detention Health**

The department reports considerable progress in filling vacant positions to meet inmates’ needs in county correctional facilities.

**Department of Mental Health**

To accommodate program growth, the Department of Mental Health requests a budget adjustment and authorization to purchase 10 computer servers, which are pending review and sign-off by the Riverside County Information Technology department.

**Recommendation 25:** That the Board of Supervisors 1) authorize the Department of Mental Health to purchase 10 computer servers, conditional on sign-off by the Riverside County Information Technology department; and, 2) approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Mental Health in the amount of \$75,000, as follows:

|                             |                                 |          |
|-----------------------------|---------------------------------|----------|
| Increase estimated revenue: |                                 |          |
| 10000-4100400000-751040     | CA – Mental Health Services Act | \$75,000 |
| Increase appropriations:    |                                 |          |
| 10000-4100400000-546160     | Equipment – other               | 75,000   |

The department continues to monitor the recently realigned substance abuse program and will report back as necessary.

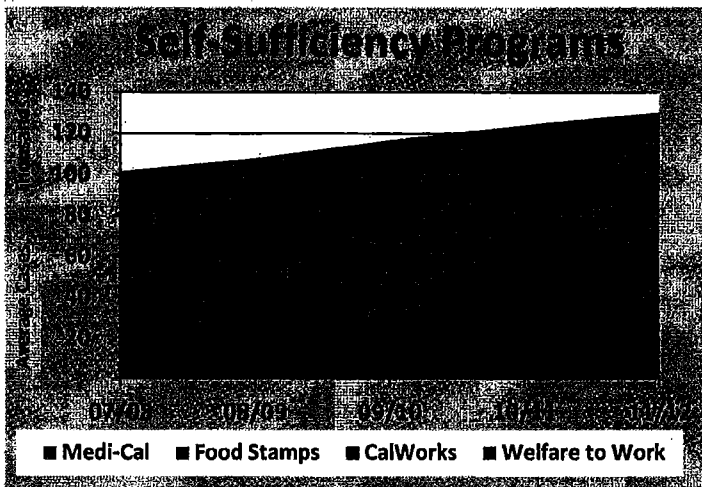
**Detention Mental Health**

The department reports progress in hiring staff to provide services to juvenile and adult correctional inmates. Until the department is fully staffed, overtime will be used to meet service needs.

**PUBLIC ASSISTANCE**

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

DPSS anticipates current-year growth in 1991 Realignment revenue will allow the department to absorb the budget reductions approved in the final budget. The demand for department services continues to increase as individuals impacted by the slow economy seek assistance.



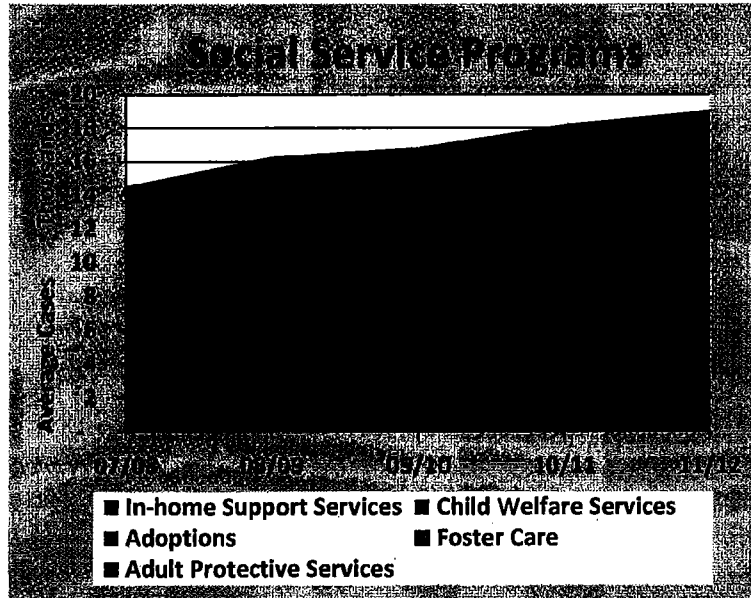
The chart at left demonstrates the increase in self-sufficiency program caseloads based on average caseload per fiscal year. Programs such as in-home supportive services (IHSS) and adoptions also continue to climb, while other social service programs remain relatively flat, as shown in the chart below.

The governor's Coordinated Care Initiative (CCI) focuses on enhanced health outcomes for low-income seniors and persons with

disabilities. The department's IHSS program will coordinate efforts with local managed health care plans to ensure recipients receive the highest level of care as well as improved health outcomes. As part of the CCI, maintenance of effort will be established for administrative costs, IHSS provider services and the Public Authority. The department will continue to monitor and report back at such time as maintenance of effort and other program requirements are finalized.

DPSS estimates that 80,000 children in the first phase will transition from the Healthy Families Program into Medi-Cal managed care plans, beginning January 2013. The department still is awaiting direction from the state to clarify the transition process, scope of work and staffing required. Once the funding level is determined, the department will request a budget adjustment and staffing needed to support the caseload increase.

Although DPSS projects an increase in IHSS caseload that would otherwise require additional general fund support, implementation of the Community First Choice Option (CFCO) for individuals meeting the state's nursing facility clinical eligibility standards is expected to generate savings, offsetting the need for additional general fund support.



In FY 11/12, the state capped 2011 Realignment funds distributed to counties, resulting in a shortfall in foster care and adoptions assistance. The California Welfare Directors Association and California State Association of Counties are working together to secure state funding to cover these mandated costs. DPSS projects the county's adoption assistance obligation to be \$974,000.

**Homeless**

The department recently requested, and the Board approved, a budget adjustment authorizing DPSS to expend \$433,000 in FY 11/12 savings for current year emergency shelter services. As identified in that Form 11, the savings will be allocated to the four shelters currently providing services. Although negotiations are still in process at this writing, the department anticipates approximately 50 additional shelter beds per night to become available with this funding.

**EDUCATION, RECREATION, AND CULTURE**

The department requests a budget adjustment to enable separate tracking of the

Edward Dean Museum and Library's financial transactions.

**Recommendation 26:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments reducing appropriations and estimated revenue for the Library totaling \$380,281, as follows:

Decrease estimated revenue:

|                         |                                      |               |
|-------------------------|--------------------------------------|---------------|
| 21200-1900700000-741020 | Admissions                           | \$ 7,000      |
| 21200-1900700000-741200 | Industrial & commercial space        | 1,000         |
| 21200-1900700000-741320 | Miscellaneous event charge           | 140,000       |
| 21200-1900700000-741360 | Concessions                          | 900           |
| 21200-1900700000-776710 | Day use                              | 35,000        |
| 21200-1900700000-776770 | Edward Dean Museum                   | 70,000        |
| 21200-1900700000-778200 | Interfund miscellaneous              | 50,000        |
| 21200-1900700000-780160 | Other taxable sales                  | 500           |
| 21200-1900700000-781220 | Contributions & donations            | 2,500         |
| 21200-1900700000-790600 | Contribution from other county funds | <u>73,381</u> |
|                         | Total                                | 380,281       |

Decrease appropriations:

|                         |  |        |
|-------------------------|--|--------|
| 21200-1900700000-520320 | Telephone service                          | 6,200  |
| 21200-1900700000-520820 | Janitorial service                         | 9,362  |
| 21200-1900700000-520930 | Insurance liability                        | 18,129 |
| 21200-1900700000-520945 | Insurance property                         | 9,090  |
| 21200-1900700000-521360 | Maintenance computer equipment             | 160    |
| 21200-1900700000-521540 | Maintenance office equipment               | 285    |
| 21200-1900700000-522310 | Maintenance building and improvement       | 23,961 |
| 21200-1900700000-522320 | Maintenance grounds                        | 46,120 |
| 21200-1900700000-523230 | Miscellaneous expense                      | 400    |
| 21200-1900700000-523270 | Special events                             | 6,000  |
| 21200-1900700000-523290 | Bank charges                               | 1,440  |
| 21200-1900700000-523700 | Office supplies                            | 500    |
| 21200-1900700000-523760 | Postage/mailing                            | 1,300  |
| 21200-1900700000-525300 | OASIS processing – Financials              | 3,544  |
| 21200-1900700000-525310 | OASIS processing – HRMS                    | 1,184  |
| 21200-1900700000-525320 | Security guard service                     | 9,000  |
| 21200-1900700000-525330 | RMAP services                              | 400    |
| 21200-1900700000-525440 | Professional service                       | 20,000 |
| 21200-1900700000-525600 | Security                                   | 300    |
| 21200-1900700000-526420 | Advertising                                | 10,000 |
| 21200-1900700000-527780 | Special program expense                    | 500    |
| 21200-1900700000-527960 | Parks & rec                                | 3,700  |
| 21200-1900700000-527980 | Contracts                                  | 35,000 |
| 21200-1900700000-528500 | Project cost expense                       | 41,829 |
| 21200-1900700000-528920 | Car pool expense                           | 1,000  |
| 21200-1900700000-529040 | Private mileage reimbursement              | 250    |
| 21200-1900700000-529540 | Utilities                                  | 50,000 |
| 21200-1900700000-536840 | Interfund County support service           | 8,152  |
| 21200-1900700000-536920 | Interfund expense – general office expense | 26,301 |
| 21200-1900700000-537180 | Interfund expense – salary reimbursement   | 45,174 |
| 21200-1900700000-546160 | Equipment – other                          | 500    |

|                         |                                    |                |
|-------------------------|------------------------------------|----------------|
| 21200-1900700000-551100 | Contribution to other county funds | 500            |
|                         | Total                              | <u>380,281</u> |

**Edward Dean Museum**

As noted above, the department requests a budget adjustment to enable separate tracking of the Edward Dean Museum and Library's financial transactions and to accommodate additional contributions anticipated by the museum.

**Recommendation 27:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Edward Dean Museum totaling \$468,452, as follows:

Increase estimated revenue:

|                         |                                      |               |
|-------------------------|--------------------------------------|---------------|
| 10000-1930100000-741020 | Admissions                           | \$ 7,000      |
| 10000-1930100000-741200 | Industrial & commercial space        | 1,000         |
| 10000-1930100000-741320 | Miscellaneous event charge           | 140,000       |
| 10000-1930100000-741360 | Concessions                          | 900           |
| 10000-1930100000-776710 | Day use                              | 35,000        |
| 10000-1930100000-776770 | Edward Dean Museum                   | 70,000        |
| 10000-1930100000-778200 | Interfund miscellaneous              | 138,171       |
| 10000-1930100000-780160 | Other taxable sales                  | 500           |
| 10000-1930100000-781220 | Contributions & donations            | 2,500         |
| 10000-1930100000-790600 | Contribution from other county funds | <u>73,381</u> |
|                         | Total                                | 468,452       |

Increase appropriations:

|                         |   |        |
|-------------------------|---|--------|
| 10000-1930100000-520320 | Telephone service                       | 6,200  |
| 10000-1930100000-520820 | Janitorial service                      | 9,362  |
| 10000-1930100000-520930 | Insurance liability                     | 18,129 |
| 10000-1930100000-520945 | Insurance property                      | 9,090  |
| 10000-1930100000-521360 | Maintenance – computer equipment        | 160    |
| 10000-1930100000-521540 | Maintenance – office equipment          | 285    |
| 10000-1930100000-522310 | Maintenance – building and improvements | 23,961 |
| 10000-1930100000-522320 | Maintenance – grounds                   | 46,120 |
| 10000-1930100000-523230 | Miscellaneous expense                   | 400    |
| 10000-1930100000-523270 | Special events                          | 6,000  |
| 10000-1930100000-523290 | Bank charges                            | 1,440  |
| 10000-1930100000-523700 | Office supplies                         | 500    |
| 10000-1930100000-523760 | Postage/mailing                         | 1,300  |
| 10000-1930100000-525300 | OASIS processing – Financials           | 3,544  |
| 10000-1930100000-525310 | OASIS processing – HRMS                 | 1,184  |
| 10000-1930100000-525320 | Security guard services                 | 9,000  |
| 10000-1930100000-525330 | RMAP services                           | 400    |
| 10000-1930100000-525440 | Professional services                   | 80,000 |
| 10000-1930100000-525600 | Security                                | 300    |
| 10000-1930100000-526420 | Advertising                             | 10,000 |
| 10000-1930100000-527780 | Special program expense                 | 500    |
| 10000-1930100000-527960 | Parks & recreation                      | 3,700  |
| 10000-1930100000-527980 | Contracts                               | 35,000 |
| 10000-1930100000-528500 | Project cost expense                    | 70,000 |
| 10000-1930100000-528920 | Car pool expense                        | 1,000  |

|                         |  |         |
|-------------------------|--|---------|
| 10000-1930100000-529040 | Private mileage reimbursement              | 250     |
| 10000-1930100000-529540 | Utilities                                  | 50,000  |
| 10000-1930100000-536840 | Interfund county support services          | 8,152   |
| 10000-1930100000-536920 | Interfund expense – general office expense | 26,301  |
| 10000-1930100000-537180 | Interfund expense – salary reimbursement   | 45,174  |
| 10000-1930100000-546160 | Equipment – other                          | 500     |
| 10000-1930100000-551100 | Contribution to other county funds         | 500     |
|                         | Total                                      | 468,452 |

### **Cooperative Extension**

At this time Cooperative Extension is within FY 12/13 budget targets FY 12/13 and will continue to exercise conservative budget practices.

### **ENTERPRISE FUNDS**

#### **Riverside County Regional Medical Center**

The Riverside County Regional Medical Center (RCRMC) began the fiscal year with a cash balance of \$15 million, significantly lower than the \$79 million and \$78 million cash balances at the same point in 2008 and 2009, respectively. Although RCRMC is aggressively pursuing new revenue and maximizing allowable reimbursements, the department estimates a budget shortfall between \$14 million and \$36 million at year-end. RCRMC previously identified uncompensated costs for services provided to county jail inmates, mental health inpatient and emergency services, along with salary increases for nursing staff as the primary reasons contributing to the shortfall.

Expenditures for inmates receiving services at RCRMC are currently projected to be \$13 million this fiscal year. RCRMC is working with the sheriff's Corrections Unit to enroll all eligible inmates into the Low Income Health Program (LIHP), which reimburses 50 percent of the eligible service expenditures. It is estimated that, combined with existing sources, this may offset \$4.7 million of the expenditures, leaving a shortfall of approximately \$8.3 million in uncompensated services.

Currently, the hospital tracks annual expenditures attributable to mental health inpatient and emergency treatment services, an estimated \$46 million. The Department of Mental Health, through various funding and reimbursement sources offsets approximately \$27.4 million of the expenditures, leaving \$18.6 million in uncompensated costs not currently covered by any other funding source. The Executive Office, RCRMC, and Mental Health have had preliminary meetings exploring funding sources that might be available to further decrease the uncompensated amount anywhere from \$2 million to \$18 million. Ongoing meetings are planned to further evaluate and determine whether other funding is available.

RCRMC budgeted \$27 million in 1991 Realignment revenue for FY 12/13. Realignment is a combination of state sales tax and vehicle license fees intended to provide counties with a relatively stable funding source for the Medically Indigent Service Program (MISP). The Department of Public Health receives an additional \$7 million to fund required traditional public health programs. The county provides \$10 million annually in

tobacco settlement funding to help offset uncompensated costs at RCRMC.

The adopted budget for RCRMC estimated revenue of \$443 million, \$80 million of which was from the LIHP. At first quarter, their projection estimates revenue of \$420 million, \$69 million of which is from the LIHP. Both these projections are based on the capitation model of reimbursement. While the budget estimate was based on enrollment of 35,000 members, the current estimate is based on 27,500 enrollees, 25,000 of which are currently enrolled. However, the Center for Medicare Services (CMS) has not yet approved the capitation reimbursement methodology for the LIHP. The FY 12/13 budget also included \$25 million in additional funding for the increased enrollment in the LIHP. As of this date, RCRMC projects spending only about \$7 million of that funding. We will continue to monitor the revenues and expenses for the LIHP to determine if a budget adjustment is required at midyear.

There are many unknowns as health care reform is implemented nationally and in California. Although the expansion of Medi-Cal will provide additional reimbursement for previously uncompensated service, there will continue to be individuals that will not be eligible for government-sponsored health coverage. In addition, there is speculation that although federal reimbursements under Medi-Cal will increase, there may be similar decreases in other sources of funding, specifically state health Realignment.

The new University of California, Riverside, Medical School opens next year with RCRMC as the primary teaching hospital, a pairing that will permanently alter the future of county health services. Due to significant concerns regarding the medical center's current fiscal issues and uncertainty regarding future funding, the Executive Office and RCRMC will commission a firm with expertise in hospital administration to identify opportunities and recommendations to improve RCRMC's operational efficiency, stabilize its financial viability, and position the medical center to take greatest advantage of the Affordable Care Act when it goes into effect in January 2014.

## ***INTERNAL SERVICE FUNDS***

### ***Records Management and Archives Program (RMAP)***

The county's Records Management and Archives Program (RMAP) reports its first quarter revenue and expenditures are within budget targets with no anticipated variances for FY 12/13.

### ***Fleet Services***

County departments saved \$87,006 in mileage charges and fuel purchases in the fourth quarter of last fiscal year and the first quarter of this fiscal year. A total of 19 vehicles – 14 patrol and 5 general use – were retired between April 1 and September 30, 2012, and are now pending sale. During the same period, 117 previously retired units were sold, for an additional savings of \$92,633. Attachment D includes a table with additional detail.

Fleet services requests authorization and approval of a budget adjustment to cover the

specialty purchase of a jail bus for the sheriff's department, initially requested by the department in FY 11/12, and the purchase of 128 Sheriff's Department specialty and general use replacement vehicles.

The California Department of Community Services and Development (CSD) has requested the Community Action Partnership of San Bernardino County transfer two pick-up trucks to the County of Riverside for use in programs administered by Community Action. Fleet Services requests the Board of Supervisors approve the transfer of the two trucks into the fleet as non-replacement vehicles.

**Recommendation 28:** That the Board of Supervisors 1) authorize acquisition of the vehicles for the Sheriff's Department contained in Attachment E; 2) approve transfer into the fleet of two (2) pick-up trucks received from the County of San Bernardino; and, 3) approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Fleet Services totaling \$1,326,312, as follows:

|                             |                                    |                  |
|-----------------------------|------------------------------------|------------------|
| Increase appropriation:     |                                    |                  |
| 45300-7300500000-546300     | Vehicles – buses/heavy trucks      | \$ 585,624       |
| 45300-7300500000-532600     | Capital lease-purchase – principal | 700,592          |
| 45300-7300500000-533720     | Capital lease-purchase – interest  | 40,096           |
|                             | Total                              | <u>1,326,312</u> |
| Increase estimated revenue: |                                    |                  |
| 45300-7300500000-777620     | Vehicle cost recovery              | 1,326,312        |

**SPECIAL DISTRICTS**

**Flood Control and Water Conservation District**

Flood Control's first quarter revenue and expenditures are within budget targets with no anticipated variances for FY 12/13.

**County Service Areas**

County Service Area (CSA) 51 requests authorization to replace two used commercial mowers and purchase a trailer/hauler totaling \$30,000, and CSA 152F requests authorization to purchase one large golf cart totaling \$15,000. CSA 60 requests a budget adjustment to allow completion of the Fire Department remodeling of volunteers' living quarters. CSA's 115 and 149 request budget adjustments to enable road projects, in cooperation with TLMA.

**Recommendation 29:** That the Board of Supervisors 1) approve acquisition of two (2) mowers, one (1) trailer, and one (1) large golf cart; and, 2) approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of unassigned fund balance for the CSA's, as follows:

|                          |                   |           |
|--------------------------|-------------------|-----------|
| Increase appropriations: |                   |           |
| 23525-905102-546160      | Equipment – other | \$ 30,000 |



---

|   |  |         |
|---|--|---------|
| Use of fund balance:<br>23525-905102-321101     | Restricted program money               | 30,000  |
| Increase appropriations:<br>24875-915201-546320 | Vehicles – cars/light trucks           | 15,000  |
| Use of fund balance:<br>24875-915201-321101     | Restricted program money               | 15,000  |
| Increase appropriations:<br>23625-906001-522310 | Maintenance – building and improvement | 167,000 |
| Use of fund balance:<br>23625-906001-321101     | Restricted program money               | 167,000 |
| Increase appropriations:<br>24200-911501-537160 | Interfund expense – road maintenance   | 227,000 |
| Use of fund balance:<br>24200-911501-321101     | Restricted program money               | 227,000 |
| Increase appropriations:<br>24600-914901-537160 | Interfund expense – road maintenance   | 600,000 |
| Use of fund balance:<br>24600-914901-321101     | Restricted program money               | 600,000 |

**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 approve 1) committing \$3,500,000 for DPSS programs, and 2) establishing an unassigned fund balance account for budget stabilization with an initial amount of \$11,274,220 from general fund unassigned fund balance, as follows:

## Increase commitment of fund balance:

|                         |   |              |
|-------------------------|---|--------------|
| 10000-1000100000-330129 | Committed fund balance – DPSS realign. growth | \$ 3,500,000 |
|-------------------------|---|--------------|

## Increase unassigned fund balance:

|                         |  |            |
|-------------------------|--|------------|
| 10000-1000100000-370106 | Unassigned fund balance – budget stabilization | 11,274,220 |
|-------------------------|--|------------|

## Decrease unassigned fund balance:

|                         |                         |            |
|-------------------------|-------------------------|------------|
| 10000-1000100000-370100 | Unassigned fund balance | 14,774,220 |
|-------------------------|-------------------------|------------|

**Recommendation 2:** That the Board approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and use of fund balance for a refund to the City of Eastvale in the amount of \$204,320, as follows:

## Increase appropriations:

|                         |   |           |
|-------------------------|---|-----------|
| 10000-1101000000-536200 | Contribution to other non-county agency | \$204,320 |
|-------------------------|---|-----------|

## Anticipated use of fund balance:

|                         |                         |         |
|-------------------------|-------------------------|---------|
| 10000-1101000000-370100 | Unassigned fund balance | 204,320 |
|-------------------------|-------------------------|---------|

**Recommendation 3:** That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations, estimated revenues, and use of fund balance for the County's tax sharing agreements with the City of Banning and the March Joint Powers Authority in the amount of \$241,764, as follows:

## Increase appropriations:

|                         |                             |           |
|-------------------------|-----------------------------|-----------|
| 10000-1101000000-551100 | Contribution to other funds | \$241,764 |
|-------------------------|-----------------------------|-----------|

## Anticipated use of fund balance:

|                         |                         |         |
|-------------------------|-------------------------|---------|
| 10000-1101000000-370100 | Unassigned fund balance | 241,764 |
|-------------------------|-------------------------|---------|

## Increase estimated revenue:

|                         |                               |         |
|-------------------------|-------------------------------|---------|
| 30000-1100300000-790600 | Contribution from other funds | 241,764 |
|-------------------------|-------------------------------|---------|

## Increase appropriations:

|                         |   |         |
|-------------------------|---|---------|
| 30000-1100300000-536200 | Contribution to other non-county agency | 241,764 |
|-------------------------|---|---------|

**Recommendation 4:** That the Board approve and direct the Auditor-Controller to make reversing entries in the amount of \$19,167 for unclaimed property tax overpayments transferred to the general fund in error.

**Recommendation 5:** That the Board approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Treasurer-Tax Collector totaling \$236,000, as follows:

|                             |                                |                |
|-----------------------------|--------------------------------|----------------|
| Increase estimated revenue: |                                |                |
| 10000-1400100000-770080     | Tax coll adv costs – tax sales | \$236,000      |
| Increase appropriations:    |                                |                |
| 10000-1400100000-523760     | Postage – mailing              | 76,000         |
| 10000-1400100000-525440     | Professional services          | <u>160,000</u> |
|                             | Total                          | <u>236,000</u> |

**Recommendation 6:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations for Human Resources totaling \$509,800, as follows:

|                          |                                 |           |
|--------------------------|---------------------------------|-----------|
| Increase appropriations: |                                 |           |
| 10000-1130100000-510040  | Regular salaries                | \$362,800 |
| 10000-1130100000-518100  | Budgeted benefits               | 147,000   |
| 10000-1130100000-572900  | Intra-fund transfer – personnel | (509,800) |

**Recommendation 7:** That the Board of Supervisors approve amending Ordinance 440 authorizing deletion of various positions previously occupied by employees laid off by the Economic Development Agency, as indicated in Attachment B.

**Recommendation 8:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Facilities Management Custodial totaling \$763,070, as follows:

|                             |                           |                |
|-----------------------------|---------------------------|----------------|
| Increase estimated revenue: |                           |                |
| 47200-7200200000-777150     | Custodial                 | \$658,105      |
| 47200-7200200000-777520     | Reimbursement for service | <u>104,965</u> |
|                             | Total                     | <u>763,070</u> |
| Increase appropriations:    |                           |                |
| 47200-7200200000-510040     | Regular salaries          | 415,127        |
| 47200-7200200000-518100     | Budgeted benefits         | 239,649        |
| 47200-7200200000-520820     | Janitorial services       | 104,965        |
| 47200-7200200000-525340     | Temporary help services   | <u>3,329</u>   |
|                             | Total                     | <u>763,070</u> |

**Recommendation 9:** That the Board of Supervisors approve 1) amending Ordinance 440 authorizing addition of one (1) real property coordinator for Facilities Management Real Property, as indicated in Attachment B; and, 2) approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Facilities Management Real Property totaling \$2,128,281, as follows:

|                             |                                   |                  |
|-----------------------------|-----------------------------------|------------------|
| Increase estimated revenue: |                                   |                  |
| 47220-7200400000-777330     | Leasing services                  | \$ 701,000       |
| 47220-7200400000-781360     | Miscellaneous revenue             | <u>1,427,281</u> |
|                             | Total                             | 2,128,281        |
| Increase appropriations:    |                                   |                  |
| 47220-7200400000-526700     | Rent-lease – buildings            | 701,000          |
| 47220-7200400000-522410     | Maintenance – tenant improvements | <u>1,427,281</u> |
|                             | Total                             | 2,128,281        |

**Recommendation 10:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for EDA Project Management totaling \$1,453,949, as follows:

|                             |   |                |
|-----------------------------|---|----------------|
| Increase estimated revenue: |   |                |
| 10000-7200500000-778280     | Interfund transfer – reimbursement for services | \$1,453,949    |
| Increase appropriations:    |   |                |
| 10000-7200500000-510040     | Regular salaries                                | 995,745        |
| 10000-7200500000-518100     | Budgeted benefits                               | <u>458,204</u> |
|                             | Total   | 1,453,949      |

**Recommendation 11:** That the Board of Supervisor approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Desert Expo totaling \$20,251, as follows:

|                             |                                    |               |
|-----------------------------|------------------------------------|---------------|
| Increase estimated revenue: |                                    |               |
| 22200-1920100000-741160     | Fair sponsorship                   | \$ 3,750      |
| 22200-1920100000-778200     | Interfund transfer – miscellaneous | 1,000         |
| 22200-1920100000-781120     | Rebates & refunds                  | 800           |
| 22200-1920100000-781360     | Miscellaneous revenue              | <u>14,701</u> |
|                             | Total                              | 20,251        |
| Increase appropriations:    |                                    |               |
| 22200-1920100000-521560     | Maintenance – other                | 2,533         |
| 22200-1920100000-527900     | Desert Expo Center                 | <u>17,718</u> |
|                             | Total                              | 20,251        |

**Recommendation 12:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and releasing restricted fund balance for EDA Mitigation in the amount of \$42,071, as follows:

|                                  |  |          |
|----------------------------------|--|----------|
| Increase appropriations:         |  |          |
| 32710-1900100000-536280          | Contribution – project implementation costs  | \$42,071 |
| Release restricted fund balance: |  |          |
| 32710-1900100000-322100          | Restricted for construction/capital projects | 42,071   |

**Recommendation 13:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Workforce Development Center in the amount of \$2,350,000, as follows:

Increase estimated revenue:  
 21550-1900300000-765000 Federal – Workforce Investment Act \$2,350,000

Increase appropriations:  
 21550-1900300000-530440 Client service 2,350,000

**Recommendation 14:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue, and releasing assigned fund balance for Aviation totaling \$266,958, as follows:

Increase estimated revenue:  
 22100-1910700000-741500 Temporary use lease \$112,588  
 22100-1910700000-777520 Reimbursement for services 25,000  
 22100-1910700000-780240 Sales – gas & oil franchise fees 40,881  
 Total 178,469

Increase appropriations:  
 22100-1910700000-522310 Maintenance – building & improvements 100,568  
 22100-1910700000-524820 Engineering services 19,268  
 22100-1910700000-527660 Operational marketing 15,000  
 22100-1910700000-536920 Interfund – general office expense 18,628  
 22100-1910700000-537020 Interfund – legal services 22,192  
 22100-1910700000-537180 Interfund – salary reimbursement 91,302  
 Total 266,958

Release assigned fund balance:  
 22100-1910700000-350100 Assigned fund balance for program money 88,489

**Recommendation 15:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Hemet Ryan Airport totaling \$23,726, as follows:

Increase estimated revenue:  
 22350-1910300000-790500 Operating transfers – in \$23,726

Increase appropriations:  
 22350-1910300000-537180 Interfund transfers – salary reimbursement 5,564  
 22350-1910300000-542040 Buildings – capital projects 18,162  
 Total 23,726

**Recommendation 16:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and releasing restricted fund balance for the Desert Center Airport totaling \$133,792, as follows:

Increase appropriations:  
 22350-1910500000-551000 Operating transfers – out \$133,792

Release of restricted fund balance:  
 22350-1910500000-321101 Restricted program money 133,792

**Recommendation 17:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the French Valley Airport totaling \$317,021, as follows:

|                             |                                |               |
|-----------------------------|--------------------------------|---------------|
| Increase estimated revenue: |                                |               |
| 22350-1910600000-751230     | CA – state match               | \$ 26,143     |
| 22350-1910600000-767060     | Federal – airport improvements | 256,369       |
| 22350-1910600000-790500     | Operating transfers – in       | <u>34,509</u> |
|                             | Total                          | 317,021       |
| Increase appropriations:    |                                |               |
| 22350-1910600000-542040     | Buildings – capital projects   | 317,021       |

**Recommendation 18:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for the Sheriff's Department totaling \$9,100, as follows:

|                          |                    |         |
|--------------------------|--------------------|---------|
| Increase appropriations: |                    |         |
| 10000-2500300000-546140  | Equipment – office | \$9,100 |
| Decrease appropriations: |                    |         |
| 10000-2500800000-546140  | Equipment – office | 9,100   |

**Recommendation 19:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Sheriff's Department totaling \$15,000, as follows:

|                             |                            |          |
|-----------------------------|----------------------------|----------|
| Increase estimated revenue: |                            |          |
| 10000-2500300000-732060     | Asset forfeiture revenue   | \$15,000 |
| Increase appropriations:    |                            |          |
| 10000-2500300000-546320     | Vehicle – car, light truck | 15,000   |

**Recommendation 20:** That the Board of Supervisors 1) approve amending Ordinance No. 440 by adding one (1) supervising research specialist, one (1) IT applications developer II, one (1) correctional cook, and one (1) correctional senior food service worker, and deleting one (1) research analyst, one (1) house manager, one (1) senior group supervisor/instructor – culinary arts, as indicated in Attachment B; and, 2) approve and direct the Auditor-Controller to make adjustments to increase appropriations and estimated revenue for Probation totaling \$120,000, as follows:

|                             |   |               |
|-----------------------------|---|---------------|
| Increase appropriations:    |   |               |
| 10000-2600700000-510040     | Regular salaries                        | \$ 84,000     |
| 10000-2600700000-518100     | Budgeted benefits                       | <u>36,000</u> |
|                             | Total                                   | 120,000       |
| Increase estimated revenue: |   |               |
| 10000-2600700000-755180     | CA – Due from other government agencies | 120,000       |

**Recommendation 21:** That the Board of Supervisors approve increases to the existing

agreements for the maximum amounts as follows: Boys and Girls Club of Coachella Valley \$260,596, MFI Recovery Center \$115,821, Carolyn E. Wylie Center \$115,821, Family Service Association of Western Riverside County \$115,821 and Operation Safehouse, Inc. \$45,820, and authorize the Purchasing Agent to initiate and sign the amendments.

**Recommendation 22:** That the Board of Supervisors approve and direct the Auditor Controller to make adjustments to appropriations for the Grand Jury totaling \$567,471, as follows:

|                          |                                 |           |
|--------------------------|---------------------------------|-----------|
| Decrease appropriations: |                                 |           |
| 10000-1101000000-551000  | Operating transfers – out       | \$567,471 |
| Increase appropriations: |                                 |           |
| 10000-1104400000-510040  | Regular salaries                | 89,015    |
| 10000-1104400000-518100  | Budgeted benefits               | 41,808    |
| 10000-1104400000-520320  | Telephone service               | 5,830     |
| 10000-1104400000-521380  | Maintenance – copier            | 250       |
| 10000-1104400000-523700  | Office supplies                 | 3,260     |
| 10000-1104400000-523800  | Printing/binding                | 1,200     |
| 10000-1104400000-524500  | Administrative support – direct | 56,747    |
| 10000-1104400000-525310  | OASIS processing – HRMS         | 350       |
| 10000-1104400000-525440  | Professional services           | 182,740   |
| 10000-1104400000-526700  | Rent-lease buildings            | 176,223   |
| 10000-1104400000-527780  | Special program expense         | 1,500     |
| 10000-1104400000-537080  | Interfund miscellaneous         | 8,548     |
|                          |                                 | 567,471   |

**Recommendation 23:** That the Board of Supervisors 1) approve amending Ordinance 440 by adding five (5) registered nurse V positions and one (1) senior public information specialist for Public Health, as indicated in Attachment B; and, 2) approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Public Health, as follows:

|                          |                           |           |
|--------------------------|---------------------------|-----------|
| Increase appropriations: |                           |           |
| 10000-4200100000-510040  | Regular salaries          | \$704,809 |
| 10000-4200100000-510320  | Temporary salaries        | 25,009    |
| 10000-4200100000-510520  | Bilingual pay             | 624       |
| 10000-4200100000-518100  | Budgeted benefits         | 305,317   |
| 10000-4200100000-520240  | Communications equipment  | 38,678    |
| 10000-4200100000-520705  | Food                      | 3,000     |
| 10000-4200100000-522890  | Pharmaceuticals           | 108,704   |
| 10000-4200100000-523700  | Office supplies           | 1,000     |
| 10000-4200100000-523800  | Printing & binding        | 3,000     |
| 10000-4200100000-525340  | Temporary help services   | 49,723    |
| 10000-4200100000-525440  | Professional services     | 543,478   |
| 10000-4200100000-526700  | Rent-lease storage        | 19,457    |
| 10000-4200100000-526960  | Small tools & instruments | 20,027    |
| 10000-4200100000-527780  | Special program expense   | 5,505     |

|                             |                                      |                    |
|-----------------------------|--------------------------------------|--------------------|
| 10000-4200100000-528140     | Conference/registration fees         | 2,000              |
| 10000-4200100000-528900     | Air transportation                   | 500                |
| 10000-4200100000-529000     | Miscellaneous travel expense         | 500                |
| 10000-4200100000-529040     | Private mileage reimbursement        | 2,000              |
| 10000-4200100000-572800     | Intra-fund transfers – miscellaneous | <u>(267,033)</u>   |
|                             | Total                                | 1,566,298          |
| Decrease appropriations:    |                                      |                    |
| 10000-4200100000-522860     | Medical – dental supplies            | 10,000             |
| 10000-4200100000-572200     | Intra-fund transfers – grant         | <u>(1,238,494)</u> |
|                             | Total                                | (1,228,497)        |
| Increase estimated revenue: |                                      |                    |
| 10000-4200100000-751680     | CA – grant revenue                   | 2,105,793          |
| 10000-4200100000-767220     | Federal – other operating grants     | <u>718,171</u>     |
|                             | Total                                | 2,823,964          |
| Decrease estimated revenue: |                                      |                    |
| 10000-4200100000-762040     | Federal – health grants              | 29,172             |
| Increase appropriations:    |                                      |                    |
| 21750-4200100000-520705     | Food                                 | 9,056              |
| 21750-4200100000-522860     | Medical – dental supplies            | 206                |
| 21750-4200100000-523620     | Books & publications                 | 15,706             |
| 21750-4200100000-523640     | Computer equipment – non-fixed asset | 14,027             |
| 21750-4200100000-523760     | Postage – mailing                    | 491                |
| 21750-4200100000-526700     | Rent-lease storage                   | 25,626             |
| 21750-4200100000-527180     | Operational supplies                 | 144,503            |
| 21750-4200100000-546080     | Equipment – computer                 | <u>17,086</u>      |
|                             | Total                                | 226,701            |
| Decrease appropriations:    |                                      |                    |
| 21750-4200100000-510040     | Regular salaries                     | 95,197             |
| 21750-4200100000-518100     | Budgeted benefits                    | 68,993             |
| 21750-4200100000-525440     | Professional services                | <u>68,798</u>      |
|                             | Total                                | 232,988            |
| Decrease estimated revenue: |                                      |                    |
| 21750-4200100000-767220     | Federal – other operating grants     | 6,287              |
| Increase appropriations:    |                                      |                    |
| 21760-4200100000-525440     | Professional services                | 53,149             |
| Increase estimated revenue: |                                      |                    |
| 21760-4200100000-767220     | Federal – other operating grants     | 53,149             |
| Increase appropriations:    |                                      |                    |
| 21770-4200100000-525440     | Professional services                | 74,733             |
| Increase estimated revenue: |                                      |                    |
| 21770-4200100000-767220     | Federal – other operating grants     | 74,733             |
| Increase appropriations:    |                                      |                    |
| 21780-4200100000-525440     | Professional services                | 47,319             |



Increase estimated revenue:  
 21780-4200100000-767220 Federal – other operating grants 47,319

**Recommendation 24:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustment to appropriations and estimated revenue for the Community Health Agency, as follows:

Decrease appropriations:  
 10000-4200300000-525440 Professional services \$500,000  
 10000-4200300000-572800 Intrafund transfers – miscellaneous (500,000)

**Recommendation 25:** That the Board of Supervisors 1) authorize the Department of Mental Health to purchase 10 computer servers, conditional on sign-off by the Riverside County Information Technology department; and, 2) approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Mental Health in the amount of \$75,000, as follows:

Increase estimated revenue:  
 10000-4100400000-751040 CA – Mental Health Services Act \$75,000

Increase appropriations:  
 10000-4100400000-546160 Equipment – other 75,000

**Recommendation 26:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments reducing appropriations and estimated revenue for the Library totaling \$380,281, as follows:

Decrease estimated revenue:

|                         |                                      |               |
|-------------------------|--------------------------------------|---------------|
| 21200-1900700000-741020 | Admissions                           | \$ 7,000      |
| 21200-1900700000-741200 | Industrial & commercial space        | 1,000         |
| 21200-1900700000-741320 | Miscellaneous event charge           | 140,000       |
| 21200-1900700000-741360 | Concessions                          | 900           |
| 21200-1900700000-776710 | Day use                              | 35,000        |
| 21200-1900700000-776770 | Edward Dean Museum                   | 70,000        |
| 21200-1900700000-778200 | Interfund miscellaneous              | 50,000        |
| 21200-1900700000-780160 | Other taxable sales                  | 500           |
| 21200-1900700000-781220 | Contributions & donations            | 2,500         |
| 21200-1900700000-790600 | Contribution from other county funds | <u>73,381</u> |
|                         | Total                                | 380,281       |

Decrease appropriations:

|                         |                                      |        |
|-------------------------|--------------------------------------|--------|
| 21200-1900700000-520320 | Telephone service                    | 6,200  |
| 21200-1900700000-520820 | Janitorial service                   | 9,362  |
| 21200-1900700000-520930 | Insurance liability                  | 18,129 |
| 21200-1900700000-520945 | Insurance property                   | 9,090  |
| 21200-1900700000-521360 | Maintenance computer equipment       | 160    |
| 21200-1900700000-521540 | Maintenance office equipment         | 285    |
| 21200-1900700000-522310 | Maintenance building and improvement | 23,961 |
| 21200-1900700000-522320 | Maintenance grounds                  | 46,120 |
| 21200-1900700000-523230 | Miscellaneous expense                | 400    |

|                         |  |                |
|-------------------------|--|----------------|
| 21200-1900700000-523270 | Special events                             | 6,000          |
| 21200-1900700000-523290 | Bank charges                               | 1,440          |
| 21200-1900700000-523700 | Office supplies                            | 500            |
| 21200-1900700000-523760 | Postage/mailing                            | 1,300          |
| 21200-1900700000-525300 | OASIS processing – Financials              | 3,544          |
| 21200-1900700000-525310 | OASIS processing – HRMS                    | 1,184          |
| 21200-1900700000-525320 | Security guard service                     | 9,000          |
| 21200-1900700000-525330 | RMAP services                              | 400            |
| 21200-1900700000-525440 | Professional service                       | 20,000         |
| 21200-1900700000-525600 | Security                                   | 300            |
| 21200-1900700000-526420 | Advertising                                | 10,000         |
| 21200-1900700000-527780 | Special program expense                    | 500            |
| 21200-1900700000-527960 | Parks & rec                                | 3,700          |
| 21200-1900700000-527980 | Contracts                                  | 35,000         |
| 21200-1900700000-528500 | Project cost expense                       | 41,829         |
| 21200-1900700000-528920 | Car pool expense                           | 1,000          |
| 21200-1900700000-529040 | Private mileage reimbursement              | 250            |
| 21200-1900700000-529540 | Utilities                                  | 50,000         |
| 21200-1900700000-536840 | Interfund County support service           | 8,152          |
| 21200-1900700000-536920 | Interfund expense – general office expense | 26,301         |
| 21200-1900700000-537180 | Interfund expense – salary reimbursement   | 45,174         |
| 21200-1900700000-546160 | Equipment – other                          | 500            |
| 21200-1900700000-551100 | Contribution to other county funds         | 500            |
|                         | Total                                      | <u>380,281</u> |

**Recommendation 27:** That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Edward Dean Museum totaling \$468,452, as follows:

Increase estimated revenue:

|                         |                                      |                |
|-------------------------|--------------------------------------|----------------|
| 10000-1930100000-741020 | Admissions                           | \$ 7,000       |
| 10000-1930100000-741200 | Industrial & commercial space        | 1,000          |
| 10000-1930100000-741320 | Miscellaneous event charge           | 140,000        |
| 10000-1930100000-741360 | Concessions                          | 900            |
| 10000-1930100000-776710 | Day use                              | 35,000         |
| 10000-1930100000-776770 | Edward Dean Museum                   | 70,000         |
| 10000-1930100000-778200 | Interfund miscellaneous              | 138,171        |
| 10000-1930100000-780160 | Other taxable sales                  | 500            |
| 10000-1930100000-781220 | Contributions & donations            | 2,500          |
| 10000-1930100000-790600 | Contribution from other county funds | <u>73,381</u>  |
|                         | Total                                | <u>468,452</u> |

Increase appropriations:

|                         |   |        |
|-------------------------|---|--------|
| 10000-1930100000-520320 | Telephone service                       | 6,200  |
| 10000-1930100000-520820 | Janitorial service                      | 9,362  |
| 10000-1930100000-520930 | Insurance liability                     | 18,129 |
| 10000-1930100000-520945 | Insurance property                      | 9,090  |
| 10000-1930100000-521360 | Maintenance – computer equipment        | 160    |
| 10000-1930100000-521540 | Maintenance – office equipment          | 285    |
| 10000-1930100000-522310 | Maintenance – building and improvements | 23,961 |
| 10000-1930100000-522320 | Maintenance – grounds                   | 46,120 |

|                         |  |                |
|-------------------------|--|----------------|
| 10000-1930100000-523230 | Miscellaneous expense                      | 400            |
| 10000-1930100000-523270 | Special events                             | 6,000          |
| 10000-1930100000-523290 | Bank charges                               | 1,440          |
| 10000-1930100000-523700 | Office supplies                            | 500            |
| 10000-1930100000-523760 | Postage/mailing                            | 1,300          |
| 10000-1930100000-525300 | OASIS processing – Financials              | 3,544          |
| 10000-1930100000-525310 | OASIS processing – HRMS                    | 1,184          |
| 10000-1930100000-525320 | Security guard services                    | 9,000          |
| 10000-1930100000-525330 | RMAP services                              | 400            |
| 10000-1930100000-525440 | Professional services                      | 80,000         |
| 10000-1930100000-525600 | Security                                   | 300            |
| 10000-1930100000-526420 | Advertising                                | 10,000         |
| 10000-1930100000-527780 | Special program expense                    | 500            |
| 10000-1930100000-527960 | Parks & recreation                         | 3,700          |
| 10000-1930100000-527980 | Contracts                                  | 35,000         |
| 10000-1930100000-528500 | Project cost expense                       | 70,000         |
| 10000-1930100000-528920 | Car pool expense                           | 1,000          |
| 10000-1930100000-529040 | Private mileage reimbursement              | 250            |
| 10000-1930100000-529540 | Utilities                                  | 50,000         |
| 10000-1930100000-536840 | Interfund county support services          | 8,152          |
| 10000-1930100000-536920 | Interfund expense – general office expense | 26,301         |
| 10000-1930100000-537180 | Interfund expense – salary reimbursement   | 45,174         |
| 10000-1930100000-546160 | Equipment – other                          | 500            |
| 10000-1930100000-551100 | Contribution to other county funds         | 500            |
|                         | <b>Total</b>                               | <b>468,452</b> |

**Recommendation 28:** That the Board of Supervisors 1) authorize acquisition of the vehicles for the Sheriff's Department contained in Attachment E; 2) approve transfer into the fleet of two (2) pick-up trucks received from the County of San Bernardino; and, 3) approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Fleet Services totaling \$1,326,312, as follows:

|                             |                                    |                  |
|-----------------------------|------------------------------------|------------------|
| Increase appropriation:     |                                    |                  |
| 45300-7300500000-546300     | Vehicles – buses/heavy trucks      | \$ 585,624       |
| 45300-7300500000-532600     | Capital lease-purchase – principal | 700,592          |
| 45300-7300500000-533720     | Capital lease-purchase – interest  | 40,096           |
|                             | <b>Total</b>                       | <b>1,326,312</b> |
| Increase estimated revenue: |                                    |                  |
| 45300-7300500000-777620     | Vehicle cost recovery              | 1,326,312        |

**Recommendation 29:** That the Board of Supervisors 1) approve acquisition of two (2) mowers, one (1) trailer, and one (1) large golf cart; and, 2) approve and direct the Auditor-Controller to make adjustments increasing appropriations and use of unassigned fund balance for the CSA's, as follows:

|                          |                   |           |
|--------------------------|-------------------|-----------|
| Increase appropriations: |                   |           |
| 23525-905102-546160      | Equipment – other | \$ 30,000 |

---

|   |  |         |
|---|--|---------|
| Use of fund balance:<br>23525-905102-321101     | Restricted program money               | 30,000  |
| Increase appropriations:<br>24875-915201-546320 | Vehicles – cars/light trucks           | 15,000  |
| Use of fund balance:<br>24875-915201-321101     | Restricted program money               | 15,000  |
| Increase appropriations:<br>23625-906001-522310 | Maintenance – building and improvement | 167,000 |
| Use of fund balance:<br>23625-906001-321101     | Restricted program money               | 167,000 |
| Increase appropriations:<br>24200-911501-537160 | Interfund expense – road maintenance   | 227,000 |
| Use of fund balance:<br>24200-911501-321101     | Restricted program money               | 227,000 |
| Increase appropriations:<br>24600-914901-537160 | Interfund expense – road maintenance   | 600,000 |
| Use of fund balance:<br>24600-914901-321101     | Restricted program money               | 600,000 |

**Attachment B Resolution No. 440-8914 Amending Ordinance No. 440****Resolution No. 440-8914**

BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on November 20, 2012, that pursuant to Section 4(a)(ii) of Ordinance No. 440, the Executive Office is authorized to make the following listed change(s), operative on the date of approval, as follows:

| <u>Job code</u>                          | <u>+/-</u> | <u>Department ID</u> | <u>Class Title</u>                   | <u>Type</u> |
|--|------------|----------------------|--------------------------------------|-------------|
| <b>Human Resources</b>                   |            |                      |                                      |             |
| 74772                                    | +3         | 1130100000           | Human Resource Analyst II            | Regular     |
| 13612                                    | +1         | 1130100001           | Human Resource Technician II         | Regular     |
| 74774                                    | +1         | 1130100000           | Senior Human Resource Analyst        | Regular     |
| 13873                                    | +1         | 1130100000           | Office Assistant – III-C             | Regular     |
| <b>Treasurer-Tax Collector</b>           |            |                      |                                      |             |
| 15915                                    | +1         | 1400100000           | Accounting Technician I              | Regular     |
| 74106                                    | -1         | 1400100000           | Admin Services Analyst II            | Regular     |
| <b>Facilities Management – Custodial</b> |            |                      |                                      |             |
| 13491                                    | +1         | 7200400000           | Real Property Coordinator            | Regular     |
| <b>Public Health</b>                     |            |                      |                                      |             |
| 73992                                    | +4         | 4200100000           | Registered Nurse V                   | Regular     |
| 74234                                    | +1         | 4200100000           | Senior Public Information Specialist | Regular     |
| <b>Economic Development Agency</b>       |            |                      |                                      |             |
| 74199                                    | -2         | 7200100000           | Administrative Supervisor            | Regular     |
| 74183                                    | -1         | 7200100000           | Development Specialist I             | Regular     |
| 62321                                    | -42        | 7200200000           | Custodian                            | Regular     |
| 62341                                    | -4         | 7200200000           | Housekeeper                          | Regular     |
| 62730                                    | -1         | 7200300000           | Building Maintenance Worker          | Regular     |
| 74185                                    | -1         | 7200300000           | Development Specialist III           | Regular     |
| 62742                                    | -1         | 7200300000           | Lead Maintenance Mechanic            | Regular     |
| 62231                                    | -7         | 7200300000           | Maintenance Electrician              | Regular     |
| 62735                                    | -1         | 7200300000           | Maintenance Mechanic                 | Regular     |
| 62251                                    | -6         | 7200300000           | Maintenance Painter                  | Regular     |
| 62271                                    | -3         | 7200300000           | Maintenance Plumber                  | Regular     |

|       |    |            |                                     |         |
|-------|----|------------|-------------------------------------|---------|
| 13865 | -1 | 7200300000 | Office Assistant II                 | Regular |
| 13491 | +1 | 7200400000 | Real Property Coordinator           | Regular |
| 74183 | -1 | 7200500000 | Development Specialist I            | Regular |
| 74184 | -1 | 7200500000 | Development Specialist II           | Regular |
| 74185 | -2 | 7200500000 | Development Specialist III          | Regular |
| 74803 | -1 | 7200500000 | Environmental Planner II            | Regular |
| 76602 | -1 | 7200500000 | Facilities Project Manager II       | Regular |
| 76608 | -1 | 7200500000 | Facilities Project Manager III      | Regular |
| 13865 | -2 | 7200500000 | Office Assistant II                 | Regular |
| 13866 | -2 | 7200500000 | Office Assistant III                | Regular |
| 33203 | -1 | 7200500000 | Senior Construction Inspector       | Regular |
| 62327 | -1 | 7200700000 | Customer Service Operations Manager | Regular |
| 74105 | -1 | 1900100000 | Administrative Services Analyst     | Regular |
| 15811 | -1 | 1900100000 | Buyer I                             | Regular |
| 74183 | -4 | 1900100000 | Development Specialist I            | Regular |
| 74185 | -1 | 1900100000 | Development Specialist III          | Regular |
| 13866 | -1 | 1900100000 | Office Assistant III                | Regular |
| 13923 | -1 | 1900100000 | Secretary I                         | Regular |
| 13924 | -1 | 1900100000 | Secretary II                        | Regular |
| 74186 | -3 | 1900100000 | Senior Development Specialist       | Regular |
| 74183 | -1 | 1900400000 | Development Specialist I            | Regular |
| 74185 | -1 | 1900400000 | Development Specialist III          | Regular |
| 13923 | -1 | 1900400000 | Secretary I                         | Regular |

**Probation**

|       |    |            |                                       |         |
|-------|----|------------|---------------------------------------|---------|
| 73834 | +1 | 2600700000 | Supervising Research Specialist       | Regular |
| 86101 | +1 | 2600700000 | IT Applications Developer II          | Regular |
| 54420 | +1 | 2600100000 | Correctional Cook                     | Regular |
| 54453 | +1 | 2600100000 | Correctional Senior Food Svc Worker   | Regular |
| 77462 | -1 | 2600700000 | Research Analyst                      | Regular |
| 54480 | -1 | 2600100000 | House Manager                         | Regular |
| 52874 | -1 | 2600100000 | Sr Group Sup/Instructor Culinary Arts | Regular |

**ROLL CALL:**

Ayes: Buster, Stone, Benoit, and Ashley  
 Nays: None  
 Absent: Tavaglione

The foregoing is certified to be a true copy of a resolution duly adopted by said Board of Supervisors on the date therein set forth.

KECIA HARPER-IHEM, Clerk of said Board

By:   
 Deputy

**Attachment C Sales and Use Tax Update**

# Q2

## Riverside County In Brief

The allocation of sales tax revenues from the unincorporated area's April through June sales was 12.4% lower than the same quarter one year ago.

The decline was primarily due to the previous incorporation of Jurupa Valley which negatively impacted revenues from most of the county agency's major sales and use tax generating categories.

The losses were partially offset by a solid quarter for the Desert Hills factory outlet center and by revenues related to the construction of various alternate energy projects in the county.

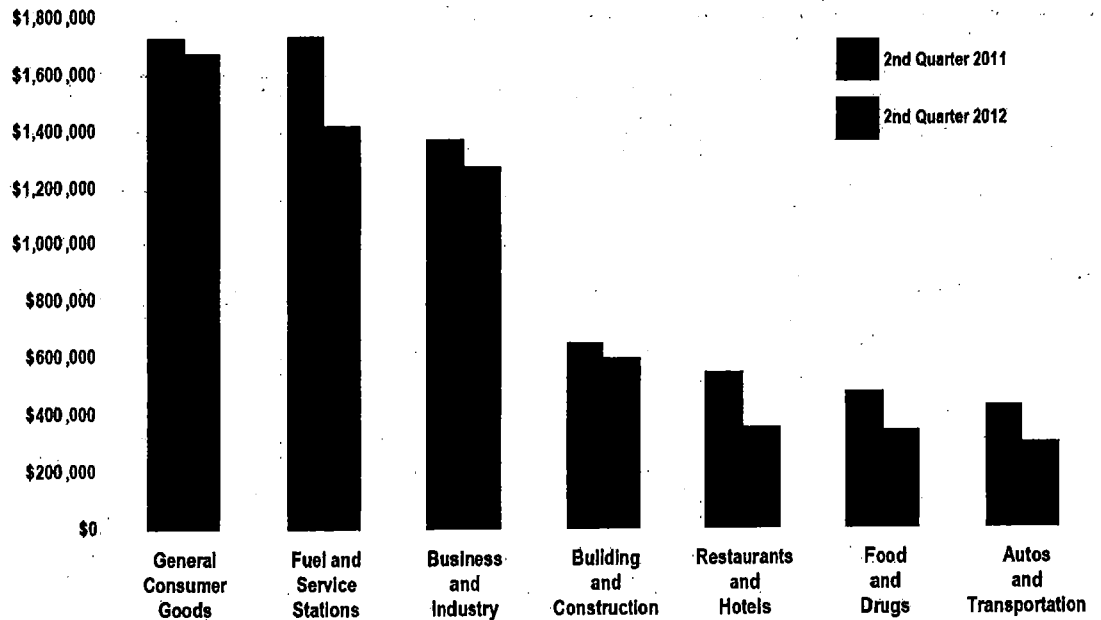
Adjusted for aberrations, sales and use tax receipts for all of Riverside County including its cities increased 9.2% over the comparable time period while Southern California as a whole was up 7.4%.



# Riverside County Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

|                               |                              |
|-------------------------------|------------------------------|
| Arco Travel Zone              | Gucci                        |
| Blackgold Operations          | Marley Cooling Technologies  |
| Burberry                      | Mecca Travel Center Subway   |
| California Trusframe          | Morongo Shell                |
| Calvin Klein                  | Nike                         |
| Chevron                       | Pilot Travel Center          |
| Circle K                      | Ralph Lauren                 |
| Coach                         | RDO Equipment                |
| Dos Lagos Arco                | Space Prada Miu Miu          |
| French Valley Shell           | Stater Bros                  |
| G & M Oil                     | Volvo Construction Equipment |
| Genesis Solar                 | Vons Fuel                    |
| Giant Inland Empire RV Center |                              |

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date

|                   | 2011-12       | 2012-13       |
|-------------------|---------------|---------------|
| Point-of-Sale     | \$6,941,399   | \$5,977,219   |
| County Pool       | 707,016       | 710,531       |
| State Pool        | (4,060)       | 5,998         |
| Gross Receipts    | \$7,644,354   | \$6,693,748   |
| Less Triple Flip* | \$(1,911,089) | \$(1,673,437) |

\*Reimbursed from county compensation fund



**Statewide Results**

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

**Outlook for the Year**

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

**Sales Tax from On-line Retailers**

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

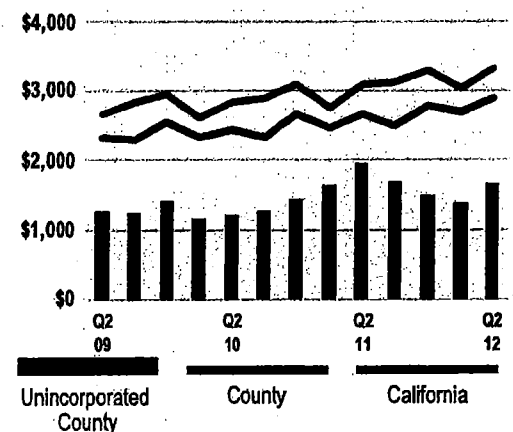
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

**SALES PER CAPITA**



**RIVERSIDE COUNTY TOP 15 BUSINESS TYPES**

| Business Type                             | Unincorporated County |               | County      | HdL State   |
|---|-----------------------|---------------|-------------|-------------|
|   | Q2 '12*               | Change        | Change      | Change      |
| Contractors                               | 454.3                 | 2.2%          | 5.6%        | 12.0%       |
| Drug Stores                               | 69.6                  | -9.1%         | 5.7%        | 3.6%        |
| Energy/Utilities                          | 498.4                 | 143.8%        | 66.5%       | 91.4%       |
| Family Apparel                            | 698.3                 | 13.5%         | 13.1%       | 8.9%        |
| Garden/Agricultural Supplies              | 81.7                  | 6.8%          | -6.6%       | 5.1%        |
| Grocery Stores Liquor                     | 156.2                 | -35.6%        | 2.1%        | 4.2%        |
| Heavy Industrial                          | 104.4                 | -21.1%        | 11.8%       | 14.7%       |
| Restaurants No Alcohol                    | 227.5                 | -39.6%        | 6.9%        | 8.1%        |
| Service Stations                          | 1,402.6               | -18.1%        | 3.0%        | 2.3%        |
| Shoe Stores                               | 179.6                 | 16.9%         | 12.0%       | 8.0%        |
| Specialty Stores                          | 154.0                 | -14.6%        | 2.3%        | 2.5%        |
| Trailers/RVs                              | 108.7                 | -29.3%        | -4.9%       | 9.4%        |
| Warehouse/Farm/Const. Equip.              | 116.0                 | 7.7%          | 5.6%        | 9.9%        |
| Wineries                                  | 177.7                 | 7.4%          | 7.4%        | 4.7%        |
| Women's Apparel                           | 375.2                 | 0.7%          | 3.1%        | 5.3%        |
| <b>Total All Accounts</b>                 | <b>\$5,977.2</b>      | <b>-13.9%</b> | <b>8.5%</b> | <b>6.7%</b> |
| <b>County &amp; State Pool Allocation</b> | <b>716.5</b>          | <b>1.9%</b>   |             |             |
| <b>Gross Receipts</b>                     | <b>\$6,693.7</b>      | <b>-12.4%</b> |             |             |

\*In thousands

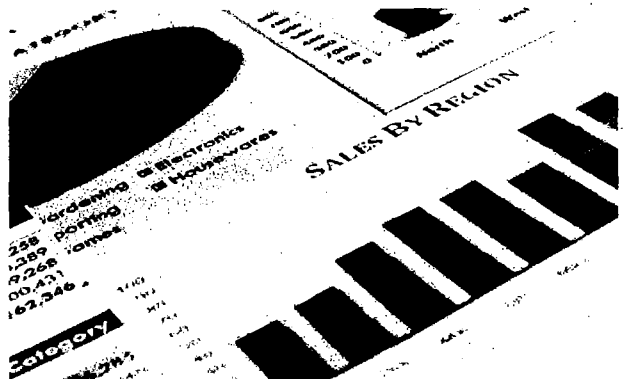


# California Forecast: Sales Tax Trends and Economic Drivers

October 2012

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

HdL serves over 350 cities, counties and special districts in California and across the nation.





2012-13      2013-14

5.0%

Demand for new automobiles continues to be robust despite mostly weak economic indicators. Low interest rates and easing credit availability are contributing to sales gains, as investors rush to buy securities made up of car loans. With the average age of vehicles in the U.S. at 11 years, many consumers are choosing to replace older less fuel efficient models. Well designed, feature rich compact cars and small crossovers are popular among buyers.

4.0%

The housing market is on the mend, but still far from healthy despite the Federal Reserve's efforts to push mortgage rates to historic lows. High unemployment and slow wage growth continue to be a drag on the housing market though rising rents are stimulating demand for high density projects mainly in coastal areas. The remaining unspent federal stimulus monies will help support the construction sector through the end of 2012.

5.0%

The manufacturing sector has been contracting for several months due to economic uncertainties in various parts of the globe. Alternative energy projects in some parts of California and a multi-billion dollar plan to expand and upgrade PG&E's gas and electric infrastructure will help prop up state-wide receipts over a two year period beginning in 2014. Analysts say high energy prices and rising salaries in emerging economies will cause some manufacturers to shift to "on-shoring" (bringing production closer to the point of sale) in coming years.

3.5%

The Midwest drought and rising transportations costs are pushing food prices higher. Chains catering to shoppers looking for convenience, fresh produce and prepared meals are outperforming traditional grocers. With new store concepts entering an already crowded market, gains in this category will come primarily from taxable non-grocery offerings such as fuel, liquor, pet food and cleaning products.

0.5%

**Despite an end to the busy driving season, record-low supplies** are keeping gasoline prices near historic highs. Analysts predict that higher oil prices, disruptions to U.S. output and an uptick in demand will keep short term gasoline prices above \$4.00 per gallon. Higher prices threaten to become a drag on consumer spending as the all-important holiday shopping season approaches.

3.0%

Improved consumer sentiment, pent-up demand and frugality fatigue are resulting in more spending on apparel, discount and specialty merchandise and home furnishings. As a result of the mismatch between spending and income, the personal savings rate, dropped in August 2012 to the lowest rate since August 2009. Holiday spending is projected to increase by 3% to 4%.

5.0%

Increased travel and tourism are helping to boost gains for restaurants with most of the increase going to full and quick service operators. Higher hotel occupancy rates are being attributed to pent-up demand among travelers who stayed close to home in recent years and to foreign visitors from countries with relatively strong economies including China, Japan and Australia.

7.5%

Private automobile transactions slowed in the second quarter after nine consecutive quarter over quarter increases. Equipment leases have been on the rise, as have out-of-state purchases of business equipment and supplies. Gains are expected to moderate somewhat in 2013-14.

4.1%

The **Proposition 172** growth factor is **3.4%** for Fiscal Year 2012-13. This factor varies from HdL's Bradley Burns growth rates due to differing collection periods and comparisons to prior year data that include onetime payment aberrations.



**2012-13    2013-14**

**2.9%**

Although growth in the U.S. economy was relatively lackluster, coming in below 2%, the underlying economic drivers continue to show signs of improvement. Retail sales have bounced back after dipping negative during the summer months, and seasonally adjusted auto sales have surged. Residential construction and business investment also added to real GDP growth, and the primary driver of the slowdown was the public sector. Growth is expected to increase in the second half of 2012 and increase modestly in 2013-14 as the economy heals further.

**1.8%**

The specter of inflation remains a distant concern, but no immediate threats of price increases are on the horizon. This is underscored by the Federal Reserve's recent decision to buy mortgage debt in an effort to bring down long-term interest rates. Given that unemployment, though improving, remains high, the monetary stimulus will not lead to a significant bout of inflation over the short run. CPI growth is expected to average roughly 2% during the current and next fiscal years.

**2.0%**

In many ways, California escaped the summer slowdown that we observed across the remainder of the United States in 2012. Consumer spending increased during the second quarter, and in that same quarter, California accounted for nearly 50% of all the jobs created nationwide. Tourism and Professional and Business Services continue to lead the jobs recovery, though all major sectors continue to add jobs including construction and retail trade. Nonfarm employment is expected to hit its pre-recession peak of 15.2 million jobs by mid-2015.

**9.7%**

In August, California's unemployment rate dipped to 10.6%, the lowest since the end of the recession and a marked improvement from its peak of 12.4% in July 2010. Household employment has expanded by more than 465,000 workers since hitting its trough and although labor force growth has been volatile, the overall trend outside of the last two months has been upward since 2010. Given that payroll employment growth continues, the unemployment rate is expected to continue falling—hitting single-digits by the end of 2013-14.

**359,200**

Residential real estate is no longer exerting a drag on overall economic growth in the state. In August, California had its 14th consecutive month of year over year growth in home sales. Interest rates for 30-year fixed rate mortgages remain near all-time lows, and combined with improved affordability and growing labor markets, is helping to stimulate demand for home sales in the state. Home sales are expected to continue to improve, growing to almost 360,000 home sales by 2013-14.

**\$ 282,000**

Rising home sales in the state have led to some decent price appreciation in recent months. Through August, the median sales price of a home in California was over \$275,000—an increase of nearly 25% from their April 2009 trough level of \$221,000. Given that interest rates remain very low and home affordability is back to a level that makes sense with incomes again, home prices are expected to continue to increase, rising 8% this fiscal year and leveling off at 3.5% in 2013-14.

**100,025**

Construction continues to heat up—both in terms of construction employment as well as building permit activity. While nonresidential permitting has been bumpy, spending on construction and building materials has continued to increase. California permitted more than 50,000 units last fiscal year and is slated to increase this fiscal year as well. Ultimately, California still does not have enough housing as evidenced by some of the lowest housing vacancy rates in the nation. As the economic recovery continues to pick up steam, the pent-up demand for new housing units is expected to boost residential permitting during the current and next fiscal years.



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



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



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

**Attachment D Quarterly Fleet Vehicle Report**

| <b>Units Sold By Departments for Periods<br/>04/01/2012 to 09/30/2012</b>         |              |
|---|--------------|
| <b>Name</b>   | <b>Total</b> |
| AGRICULTURAL COMMISSIONER   | 2            |
| COMMUNITY HEALTH AGENCY   | 3            |
| DISTRICT ATTORNEY   | 4            |
| DPSS  | 7            |
| ECONOMIC DEVELOPMENT AGENCY   | 2            |
| EDA-ADMINISTRATION  | 20           |
| EXECUTIVE OFFICE  | 1            |
| HEMET DISPATCH  | 1            |
| INDIO DISPATCH  | 1            |
| PARKS   | 1            |
| PURCHASING AND FLEET SERVICES   | 3            |
| RCRMC   | 5            |
| RIDESHARE VEHICLES  | 8            |
| RUBIDOUX DISPATCH   | 2            |
| SHERIFF   | 54           |
| TLMA CODE ENFORCEMENT   | 1            |
| TRANSPORTATION  | 2            |
| <b>Grand Total</b>  | <b>117</b>   |
| <b>Units Pending Sale By Departments for Periods<br/>04/01/2012 to 09/30/2012</b> |              |
| <b>Name</b>   | <b>Total</b> |
| AGRICULTURAL COMMISSIONER   | 1            |
| BOARD OF SUPERVISORS  | 1            |
| DPSS  | 1            |
| MENTAL HEALTH   | 1            |
| RIDESHARE VEHICLES  | 1            |
| SHERIFF   | 14           |
| <b>Grand Total</b>  | <b>19</b>    |

**Attachment E Fleet Vehicle Purchase for the Sheriff's Department**

| <b>Fleet Services:</b>            | <b>Unit Cost</b> | <b>Quantity</b> | <b>Total Cost</b> |
|-----------------------------------|------------------|-----------------|-------------------|
| New compact hybrid vehicles       | \$26,100         | 8               | \$ 208,800        |
| New mid-size hybrid vehicles      | 27,100           | 25              | 677,500           |
| New mid-size vehicles             | 23,220           | 35              | 812,700           |
| New full size 15 passenger vans   | 25,100           | 19              | 476,900           |
| New full size 1/2 ton 4WD pickups | 21,900           | 1               | 21,900            |
| New full size 3/4 ton 4WD pickups | 25,650           | 4               | 102,600           |
| New mini utility 4WD              | 24,625           | 1               | 24,625            |
| New full size utility 4WD         | 26,275           | 1               | 26,275            |
| New full size patrol - new models | 30,000           | 20              | 600,000           |
| New full size patrol/admin        | 28,500           | 12              | 342,000           |
| New mini utility 2WD              | 17,350           | 2               | 34,700            |
|                                   |                  | <b>128</b>      | <b>3,328,000</b>  |