

COUNTY OF
RIVERSIDE
STATE OF CALIFORNIA



COUNTY EXECUTIVE OFFICER'S

FY 2011-12
FIRST-QUARTER
BUDGET REPORT

Presented by

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Interim County Executive Officer

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October 26, 2011

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

4/5th Vote

SUBJECT: FY 11/12 First Quarter Budget Report

Board members:

As much as I wish I could offer you better economic and budget news than you have heard recently, the situation remains challenging. Looking to next year, our county continues to face a stubborn deficit, projected at \$80 million, largely the result of an economy unlike any I have ever seen.

Tepid signs of recovery are outmatched by the recession's massive lingering effects. Unemployment remains near record levels. Upside-down mortgages, high foreclosures, and low demand for homes foretell a long wait before assessed values improve significantly. Property taxes have declined near to FY 04/05 levels, before the housing bubble reset revenues to a new baseline. We need to pull expenses down to revenue levels, as there is no sign revenue will grow significantly in the near-term.

I cannot promise you significant near-term improvements to the foundations of our troubles, namely high unemployment, uncertain economic growth, and stagnant property values. In fact, we must accept lower annual discretionary revenue as the new reality. I can offer you a renewed effort to identify options. My staff is developing a detailed multiyear budget plan focused on achieving structural balance.

Analysis of our core discretionary revenues reveals much cause for concern. Sporadic gains in sales and use taxes are driven primarily by fuel prices, which are erratic, leading our estimates to remain flat. The same holds true for our estimate of supplemental property taxes, driven by even more erratic trends in foreclosures and home sales. Assessed values remained negative this year, and will likely be flat next year – though they could fall further under continued drag from foreclosures. Early projections indicate current-year discretionary revenues might fall again by several million dollars, led by additional losses in property tax. We will continue to monitor revenue collections and

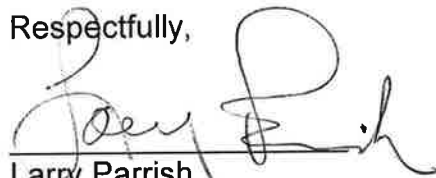
update the Board in the mid-year report.

At end of the first quarter, most department heads indicate they will end the fiscal year within the net county cost (NCC) targets you set for them, though the Sheriff, Fire, Registrar of Voters, the Medically Indigent Services Program, and Environmental Health all warn of possible cost overruns. These projected shortfalls, totaling \$12 million, are significant but manageable and will continue to be monitored. Updates and recommendations will be included in subsequent quarterly reports, as necessary.

I have met with department heads and am evaluating how each has adjusted over the last three to four years. Even at this early stage, I am impressed by how well most have hit their targets while minimizing impacts on services. I am confident they will continue to maximize revenue, cut costs, and draw upon their own reserves to hit the targets you set for them. My recommendations in this report continue the steps necessary for the county to weather this reversal and take advantage of economic recovery when it eventually occurs.

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 approve Resolution No. 440-8873 amending Ordinance 440 contained in Attachment B.

Respectfully,



Larry Parrish
Interim County Executive Officer

TABLE OF CONTENTS

A. EXECUTIVE SUMMARY	1
B. ECONOMIC OUTLOOK	1
General Outlook.....	1
Local Outlook.....	2
STATE BUDGET UPDATE	3
State Revenue.....	3
Realignment.....	3
Trigger Cuts	4
C. MULTIYEAR BUDGET OUTLOOK.....	4
LONG-RANGE PLAN.....	4
OPTIONS TO MANAGE BUDGET CHALLENGES.....	5
Ongoing Options	6
One-Time Options	7
Potential New Revenue Options	8
D. FIRST QUARTER ACTIVITY	8
CREDIT RATING DOWNGRADE.....	8
FUND BALANCE	9
Assumptions.....	9
General Fund Commitments and Designations	9
DISCRETIONARY REVENUE	10
Property Taxes.....	10
Teeter Tax Losses Reserve Fund (TLRF) Overflow	10
Sales and Use Taxes.....	10
Proposition 172 Public Safety Sales Tax	11
Interest Earnings	11
Revenue Summary	12
APPROPRIATIONS FOR CONTINGENCY.....	12
E. DEPARTMENTAL STATUS.....	13
GENERAL GOVERNMENT	13
County Counsel.....	13
Assessor-County Clerk-Recorder.....	13
Auditor-Controller	13
Treasurer-Tax Collector	14
Registrar of Voters	14
Economic Development Agency/Facilities Management (EDA/FM).....	15
PUBLIC PROTECTION.....	17
Fire	17
Sheriff	17
District Attorney	18
Probation Department.....	19
PUBLIC WAYS AND FACILITIES.....	19
Transportation Land Management Agency (TLMA).....	19
HEALTH AND SANITATION	21
Health Care Reform	21
Community Health Agency.....	21

<i>Riverside County Regional Medical Center Programs</i>	22
<i>Department of Mental Health</i>	23
<i>PUBLIC ASSISTANCE</i>	23
<i>Department of Public Social Services (DPSS)</i>	23
<i>Community Action Partnership (CAP)</i>	24
<i>Veterans' Services</i>	24
<i>EDUCATION, RECREATION, AND CULTURE</i>	24
<i>Library</i>	24
<i>Edward Dean Museum</i>	25
<i>ENTERPRISE FUNDS</i>	26
<i>Riverside County Regional Medical Center</i>	26
<i>Waste Management</i>	26
<i>INTERNAL SERVICE FUNDS</i>	27
<i>Fleet Services</i>	27
<i>Online Administrative Services Information System (OASIS)</i>	27
<i>SPECIAL DISTRICTS</i>	28
<i>Redevelopment Agency (RDA)</i>	28
<i>Debt Service Fund</i>	28
<i>Flood Control and Water Conservation District</i>	28
<i>Regional Parks and Open Space District</i>	28
<i>County Service Areas</i>	32
Attachment A Summary of Recommendations	
Attachment B Resolution 440-8873	
Attachment C Sales and Use Tax Update	
Attachment D Budget Adjustment Regarding Public Health Grant Funding	
Attachment E Quarterly Retired Fleet Vehicle Report	

A. EXECUTIVE SUMMARY

Repositioning county operations in line with a solid revenue footing requires close examination of the spending increases that occurred during the housing bubble. Going forward, this means targeted consideration of spending priorities and service levels. The Executive Office is working proactively on multiple initiatives to manage these ongoing budget challenges, while at the same time keeping initiatives such as the correctional facility needs assessment moving forward, and accelerating planning and site selection for our number one capital project: jail expansion.

The Executive Office is accelerating the FY 12/13 budget process, and already is working with departments to assess these considerations, beginning with our review of internal service rates. We are pressing for ways to achieve labor savings and looking at opportunities to achieve ongoing cost savings by tightening management ratios, restructuring operations, increasing operational efficiencies identified in the SCRAPE initiative, and generating new revenue. We are moving toward a targeted approach that reevaluates policy decisions made since FY 04/05 to identify where operations expanded during the housing bubble and where spending priorities should be reconsidered.

We look to every county department to fully tap and deploy their available revenue streams, and to apply their available cash reserves to bridge the gap and preserve core services short-term as we retrench. Repositioning will require some to step outside their comfort zone, but there is no choice. The economy shifted under our feet and we must find stable ground, not just for a year or two, but for the foreseeable future. The Executive Office will return at mid-year with a report that maps out a multiyear budget plan in further detail.

B. ECONOMIC OUTLOOK

General Outlook

The California Department of Finance reports that although non-farm payroll employment rose by 1.2 percent from August 2010 to August 2011, California lost jobs in August for the second consecutive month, and the fourth month out of the last six. The state's unemployment rate rose again in August for the third consecutive month to 12.1 percent.

Statewide, home building is showing signs of growth in multi-family residential construction, although single-family permits are still declining. This highlights the trend toward renting rather than owning as a result of financial hardship. The median price of existing, single-family homes rose in August to the highest median price this year. The index of unsold inventory fell to 5 months, though the average number of days needed to sell a home lengthened to 52.7 days. Although non-residential construction slowed in August, it is up year to date over the prior year.

Local Outlook

Unemployment and Jobs

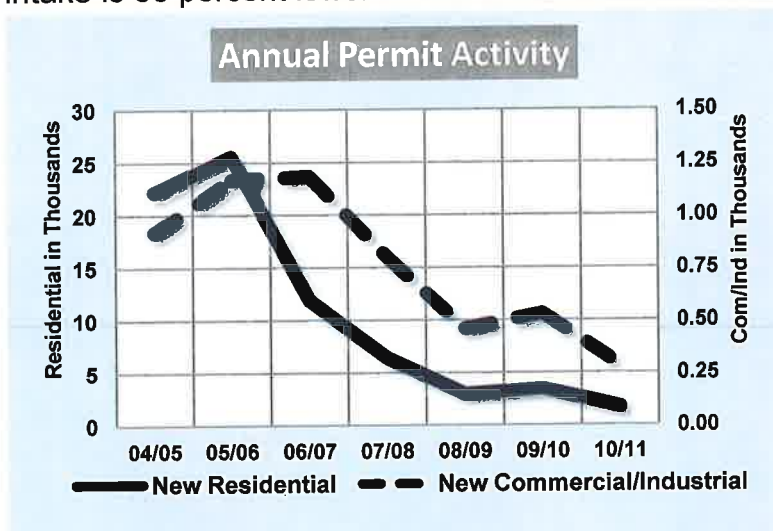
In California and locally, the economy continues gradual recovery. By the end of August, California's unemployment rate had declined slightly to 12.1 percent, ranging from 7.8 percent in Marin County to 32.4 percent in Imperial County. However, in another setback, the unemployment rate in Riverside County rose again to 14.7 percent in August.

Documentary Transfer Activity

Information from the Assessor-County Clerk-Recorder's office reflects this struggling economy in the first quarter of FY 11/12. Documentary transfer tax revenues and recording fees are down about 5 percent from initial budget projections. On a positive operational note, over 20 percent of the documents were recorded electronically during this quarter.

Building Permits

In addition, overall building permit volume (single-family, grading, plan check, etc.) in FY 10/11 dropped 7 percent to 10,873 cases compared to 11,667 cases in FY 09/10. Case intake is 33 percent lower for the first two months of this fiscal year compared to the first



two months of FY 10/11. Receipts in the first two months of this fiscal year dropped by 24 percent, from \$1,459,009 to \$1,103,273, compared to the same period last fiscal year.

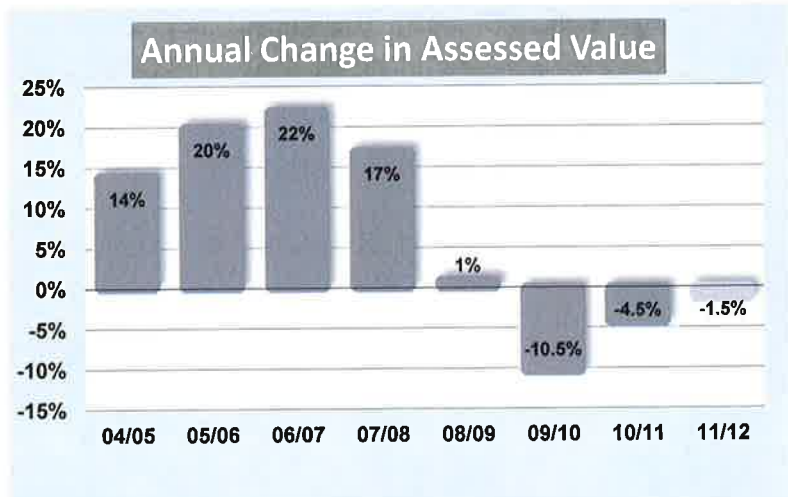
Planning applications during the first two months of this fiscal year declined to 88 compared to 157 during the same period last fiscal year, a drop of 44 percent, though permit activity fluctuates month to month. Major and minor

case intake dropped from 96 in July 2010 to 37 in January 2011, and then slowly started picking up through June 2011 to 67. July and August 2011 were very slow again. Overall, case intake dropped from 1,994 in FY /0910 to 803 in FY 09/11, a drop of 388 cases or a 19 percent.

Assessed Value

The chart below shows the exceptional growth in the county's assessed property value beginning in FY 04/05, and the abrupt decline that started in FY 07/08.

The commercial real estate sector continues to decline, although minor signs of recovery are seen in mega-warehouses and hotel properties. The residential real estate market has changed little since last year, with the median price of single family residences declining slightly, though still above the low point in 2009. On a positive note, current data suggests movement in the consumer price index for 2012 may permit return to the maximum 2 percent increase for properties subject to Prop. 13. We will work closely with the Assessor and Cal State University, Fullerton, and Beacon Economics to refine future year projections in our midyear report.



STATE BUDGET UPDATE

The legislature is on interim recess until January unless the Governor or legislative leaders call a special session. A special session may be necessary if revenues continue to lag behind estimates used to balance the current-year budget. The state budget contains triggers, discussed in more detail below, that call for automatic reductions if revenues do not reach prescribed levels. The revenue picture will be reviewed in December by the Director of Finance and the Legislative Analyst's Office. Their forecasts will be used to determine whether the trigger budget reductions will be implemented.

State Revenue

The Budget Act projected a \$4 billion increase in revenues for FY 11/12. However, the State Controller recently reported state revenues \$705.5 million below budget projections for the first quarter. If revenues are to reach the state's budgeted estimates, the bulk will have to be reflected in higher tax payments from December through June. The Controller's numbers do point to some positive signs, such as growth in personal income taxes, which have grown beyond pre-recession levels. Sales and use tax receipts exceeded projections in July and August, but fell short in September.

Realignment

October 1, 2011, marked the beginning of a paradigm shift in criminal justice, as counties took over significant areas of responsibility from the state. The legislature approved funding for the first year, but ongoing funding remains a concern for counties around the state. The Governor continues to pledge "maximum state support" to local governments impacted by the shift of responsibility. A ballot measure is planned for November 2012 to constitutionally guarantee continuous funding for realignment.

The Riverside Community Corrections Partnership Executive Committee (CCP)

approved the distribution of \$21.9 million to facilitate probation oversight and services for inmates released from state prison. The allocation also addresses correctional staff in county jails and consolidation of the Sheriff's alternate sentencing programs. The CCP plans to review local efforts in January and April 2012.

Trigger Cuts

The Budget Act forecast state general fund revenues \$4 billion above the Governor's May revision estimates. Pursuant to the Budget Act, if actual revenue falls short of that forecast, the need for trigger cuts will be determined by December 15. The following trigger cuts will be implemented, as necessary:

Tier 0: If between \$3 billion and \$4 billion of the additional state general fund revenue is received as budgeted, the state will not impose cuts beyond those in the Budget Act.

Tier 1: If between \$2 billion and \$3 billion of that additional revenue is received, the state will impose about \$600 million in cuts and await the 2012-13 Budget Act to make additional reductions.

Tier 2: If between \$0 and \$2 billion of that additional revenue is received, the state will impose the Tier 1 cuts noted above plus up to \$2 billion in additional cuts, including a \$1.5 billion reduction to schools that would assume seven fewer classroom days, the elimination of \$248 million for school bus transportation, and a \$72 million cut to community colleges.

Several of these cuts may impact county departments. DPSS anticipates a reduction in childcare funding of \$150,000. Riverside County Regional Medical Center (RCRMC) projects that payments for Medi-Cal managed care may be reduced by \$2 million with the implementation of the Tier 1 cuts.

Although unclear at this time, the Department of Public Social Services (DPSS) anticipates a decrease in the authorized hours provided to IHSS clients that would cut a total of \$18 million, the county's share of which is approximately \$3.3 million. In addition, despite the uncertainty of funding for IHSS fraud prevention and program integrity, the department previously recommended continuation of the program until funding cuts are determined on December 15. In the event funding is eliminated, DPSS would terminate the program and reduce expenses in other areas to absorb estimated costs of \$327,000 that may not be reimbursed by the state.

The California Department of Corrections and Rehabilitation will be cut approximately \$72 million of the \$80 million cut from public safety. Estimates of how the cut will be taken have not been provided; however, with the implementation of AB 109 Public Safety Realignment it is possible a portion of the cut will actually occur through salary savings and cost reductions at state penal institutions.

C. MULTIYEAR BUDGET OUTLOOK

LONG-RANGE PLAN

An effective budget plan establishes a strategy for keeping spending levels consistent

with immediate and ongoing changes to the anticipated level of resources available. The county's multi-year budget plan incorporates projected expenditures and revenue four years ahead. As with any plan based on forecasts, revisions must be made as more concrete information becomes available. Discretionary revenue is estimated at \$584 million this fiscal year, a \$200 million decrease from the peak of \$785 million in FY 06/07. The long-range projection for discretionary revenue anticipates modest growth, a trend consistent with many economists' forecasts of slow economic recovery.

General Fund Multiple-year Projection						
(in millions)						
	BUDGETED 11/12	11/12	12/13	13/14	14/15	15/16
RESOURCES:						
Beginning fund balance	40	40	40	40	40	40
Ongoing discretionary revenue	584	584	580	590	600	608
Use of reserves (to balance budget)	28	28	0	0	0	0
	652	652	620	630	640	648
APPROPRIATIONS:						
Ongoing GF Allocations (NCC)	665	665	660	600	600	600
Contingency funding	20	20	20	20	20	20
Negotiated Labor Savings	0	0	(20)	0	0	0
Budget cuts	(33)	(33)	(40)	0	0	0
Ongoing GF Allocation (net of cuts)	652	652	620	620	620	620
Available for budget needs	0	0	0	10	20	28
Increase to Reserve Detail						
Reserve for economic uncertainty	125	125	125	125	125	125
Reserve for disaster relief	15	15	15	15	15	15
Total Reserve Balance	140	140	140	140	140	140

Assumptions:

Departments to absorb retirement benefit costs and cost-of-living allowances.

Modest levels of growth

\$20 million in labor savings.

Does not include Prop. 172 Revenue

OPTIONS TO MANAGE BUDGET CHALLENGES

For several years, the impact of declining revenue was tempered by using general fund reserves and a multi-year reduction in general fund support. Spreading reductions over several years allowed departments to implement changes while minimizing the effects on services during any fiscal year.

Originally, the objective was to achieve structural balance within two years. However, continued decline in discretionary revenue and a long-term economic outlook with only modest growth, at best, made this goal unexpectedly aggressive. To remain committed to balancing the budget while assuring prudent reserves, the county must identify more innovative approaches.

Possible options fall into three categories: ongoing, one-time, and potential new revenue. Primarily using ongoing options is the ideal long-term budget solution. While one-time options may provide a temporary respite from damaging cuts, they lengthen and can even increase the difficulty of the challenge. Potential new options are risky to bank on now, and may not provide timely relief, if any at all. With time and study, their ongoing value and relative risk will become clearer.

Ongoing Options

The Executive Office is exploring the following ongoing options to help fill the projected \$80 million deficit in FY 12/13:

Operating Cost Reductions for Internal Service Departments

To help departments manage shrinking resources, internal service departments are directed to reduce operating costs from FY 10/11 levels as part of their FY 12/13 rate packages. In addition, internal service departments will reduce working capital reserves from 60 days to 45 days. Any surplus net assets remaining will be applied to FY 12/13 rate reductions.

Internal service departments are identifying potential service reductions and are working in partnership with user departments to identify further ways to maintain acceptable service levels at a reduced cost. FY 12/13 rate packages and supporting documentation are due to the Auditor-Controller's office in early November 2011. The Executive Office will submit these rates to the Board of Supervisors for approval in January 2012. Anticipated savings to departments will be reported at that time.

Revision to Budgeted Fund Balance

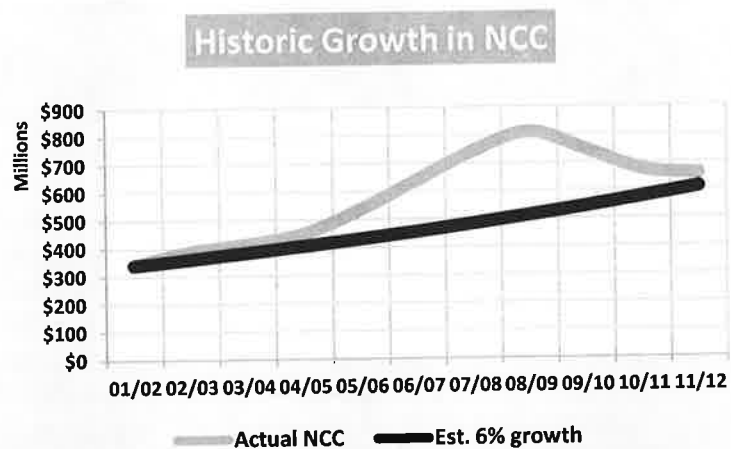
After reviewing the trend in actual beginning fund balance over the last few years, the Executive Office recommends assuming a beginning balance of \$40 million starting FY 12/13 to better reflect historic experience. While this will allow budget projections to more closely reflect resources historically available for county operations in the past, it does entail risk. If factors contributing to residual ending balances in past years do not recur, this assumption may be too high and result in a budget shortfall.

Repositioning General Fund Support of Departments

As previously reported, the current level of general fund discretionary support (net county cost, also referred to as NCC) declined \$161 million from the peak in FY 08/09. NCC

increased gradually at an average rate of roughly six percent annually until FY 04/05, when the real estate bubble began to emerge. By FY 08/09, NCC had expanded by \$360 million from FY 04/05 levels, a pace that in retrospect was clearly unsustainable. To gain solid footing, NCC must be repositioned to a

sustainable level that coincides with the historic pace of revenue growth prior to the real estate bubble. Although substantially less than the FY 08/09 peak, NCC



is \$205 million higher now than the FY 04/05 level, as the chart above illustrates.

To balance the budget while preserving reserves, the Executive Office is discussing with departments the impact of repositioning to growth-adjusted FY 04/05 operating levels. Based on information gathered from departments, analysis of FY 04/05 operations, and review of policy changes over recent years, the Executive Office will present NCC budget targets for general fund departments to the Board for approval in late January.

Labor Savings

Labor-related costs accounted for more than half of county's expenditures last year. Accordingly, obtaining labor savings will help meet budget challenges in future years. Successful negotiations with all labor groups will allow us to meet the goal of a structurally balanced budget while minimizing the reduction in personnel levels.

Currently, Human Resources is negotiating with the Deputy District Attorney Association (DDAA) and Service Employees International Union (SEIU). Negotiations for new agreements with the Law Enforcement Management Unit (LEMU), the Laborers International Union of North America (LIUNA), and most remaining unions will begin in calendar year 2012. While \$20 million in labor savings is incorporated in our budget planning assumptions, labor negotiations are in process, and actual savings are unknown at this time.

One-Time Options

To balance the FY 12/13 budget, all ongoing options should be exhausted before spending any one-time options. Incorporating these options into the budget would not deal with the challenge of adjusting to an operational level consistent with available resources. In addition, using these options could cause the county to be ill-equipped for unexpected financial setbacks, or may bring about bigger financial challenges in the near future.

Capital Improvement Program Funds

The Board previously committed general fund money to assist with funding the hub jail project, of which \$9.8 million remains. In addition, there is now \$21.5 million in restricted development impact fee (DIF) revenue set aside for jail bed expansion, which is sufficient to fund current jail expansion efforts.

Probation's recent grant application for the Van Horn Juvenile facility requires a \$5 million county match. This project is included in the current DIF nexus study. However, because the nexus study is not yet complete, DIF revenue cannot be used to meet the match requirement now. The Executive Office recommends the Board release the \$9.8 million in remaining general fund commitment for the hub jail and temporarily use \$5 million of that to meet the Van Horn grant match requirement. Once the nexus study is complete, DIF funds can then be used to reimburse the general fund.

Waste Management Loan

County Counsel opines that it is permissible for the Waste Management Enterprise Fund (WMEF) to provide a loan to the general fund. Terms of the loan would be at the treasury pool rate and payable within ten years.

Use of General Fund Commitments and Reserves

Currently, several general fund commitments and reserves may be used to temporarily fund budget shortfalls. These reserves would need to be restored in the near future to fund their original purposes; otherwise, the county may become more vulnerable to unexpected financial challenges.

Subfund Use

The Executive Office continues working closely with departments to ensure general fund subfund balances are drawn down and used to the greatest extent possible, within restrictions on the funding sources.

Potential New Revenue Options

The Executive Office does not recommend assuming use of potential revenue options to address budget challenges at this time. Incorporating such options too soon is risky and would likely result in significant budget shortfalls in the immediate future.

Waste

Staff is researching the availability of ongoing funding. A consultant was retained to study the county's waste management system and to make recommendations on maximizing its resources. The results of that study should be available later this year.

Solar Power Plant Fees

The county is currently working on a solar power plant policy that includes a fee component. The variables that will drive any potential revenue the county may receive from this source are many and significant. These include the number of projects that are viable and actually develop to completion, the size and scope of each project, and the timing of when they commence construction. These factors are in turn driven by myriad other factors such as the regulatory environment, availability of financing, and global competition in technology manufacturing. As a result, the Executive Office remains quite cautious about predicting the potential amount of revenue from this sector.

D. FIRST QUARTER ACTIVITY***CREDIT RATING DOWNGRADE***

Recently, Fitch Ratings downgraded several Riverside County bonds and certificates. The downgrade was based on an expectation that the previously pledged structural balance will not be achieved, an expectation that fund balances will decline to just adequate levels, and continued revenue pressures from lingering economic softness.

However, the rating agency now considers our outlook to have improved from negative to stable in part because of good management practices. Only a drastic change to the budget is likely to result in further downgrades.

The effects of this downgrade are not immediate, but further downgrades from Moody's or Standard and Poor's could affect future financings. Currently, a refinancing of the County Administrative Center is being reviewed. As of October 17, with the one downgrade from Fitch, the county still could save approximately \$650,000 on that refinancing given current interest rates. However, further downgrades could result in a loss of those savings.

FUND BALANCE

Assumptions

This year's general fund beginning fund balance was estimated at \$20 million. Based on information departments provided during the third quarter, this balance reflected anticipated departmental savings, discretionary revenue, and draws on contingency for the duration of last fiscal year. The Auditor-Controller reported in mid-October that the actual unassigned general fund beginning balance for FY 11/12 was \$40 million, or \$20 million more than budgeted due to departments heeding Board direction to cut costs. Most of the additional beginning fund was used to fund budget shortfalls within various public safety departments. In seven of the last eight years, the beginning fund balance was greater than \$40 million, so we believe it is prudent to assume this as a beginning balance going forward.

General Fund Commitments and Designations

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

General Fund Commitments and Designations					
(in millions)					
	FY 10/11 Ending Balances	Adjustments for Budget Use	FY 11/12 Beginning Balances	First- Quarter Adjustments	Balance Upon Approval
Economic uncertainty	152.5	(27.8)	124.7	0.0	124.7
Disaster relief	15.0	0.0	15.0	0.0	15.0
Property tax system	18.6	(7.0)	11.6	0.0	11.6
SB90 deferral	1.4	0.0	1.4	0.0	1.4
Historic courthouse remodel	0.5	0.0	0.5	0.0	0.5
CAC remodel	0.5	0.0	0.5	0.0	0.5
Community improvement	0.4	2.4	2.8	0.0	2.8
ACO internal audits unit	0.1	0.0	0.1	0.0	0.1
TOTAL	189.0	(32.4)	156.6	0.0	156.6

DISCRETIONARY REVENUE

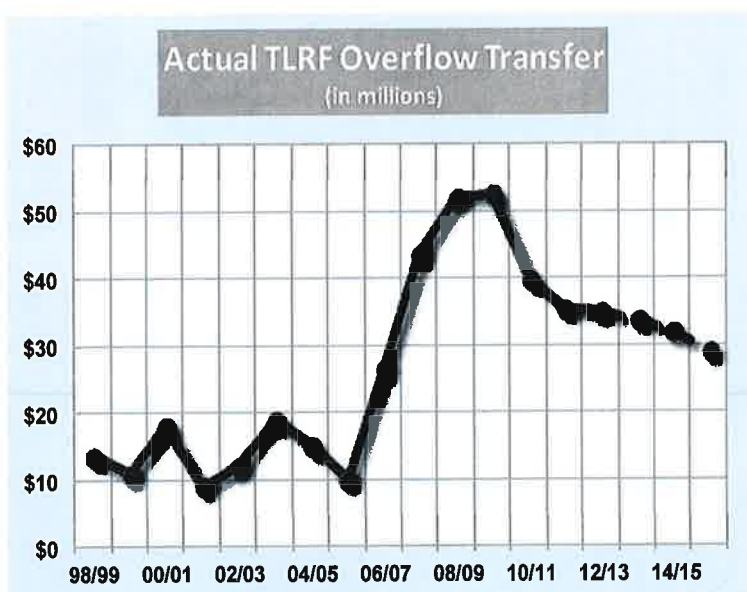
Property Taxes

Property tax revenue was budgeted at \$266.4 million based on a forecasted 1.5 percent drop in assessed values. The Auditor-Controller's current projections indicate property tax revenue may come in \$1.9 million short at an estimated \$264.4 million. In addition, current projections of property tax revenue received in lieu of motor vehicle tax indicate it may come in at \$186.7 million, \$2.3 million short of the \$189 million budget estimate. Supplemental property tax revenue remains difficult to predict due to the uncertainty associated with the sale of residential and commercial property. The Auditor-Controller estimates supplemental property tax revenue collections may increase by almost \$900,000. The Executive Office and Auditor-Controller will continue to monitor this revenue closely and make additional recommendations when more data is available.

Teeter Tax Losses Reserve Fund (TLRF) Overflow

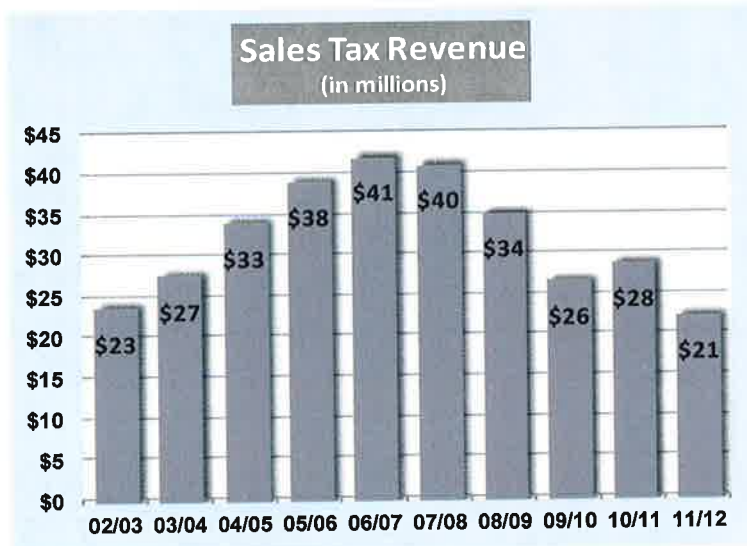
Under the California Teeter Plan, the county advances participating local agencies their property tax revenues based on assessed valuation. The county then retains all collected amounts, including penalties and interest for delinquent taxes. The tax losses reserve fund helps to manage revenues and expenditures associated with the program. Revenue that exceeds the cost of financing and tax loss reserves is discretionary revenue and is released to the general fund.

The rise in assessed value together with a spike in property tax delinquency rates significantly increased the Teeter Plan overflow in recent years. The overflow peaked at more than \$52 million in FY 09/10. However, with property tax delinquency rates declining, we expect the associated overflow may be \$35.5 million this fiscal year. This trend will continue to erode this revenue over future fiscal years. The chart shows both the historical and projected revenue from this source.



Sales and Use Taxes

Total quarterly receipts for all jurisdictions in Riverside County from the most recent quarter available rose 11.4 percent from the same quarter a year ago, 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. HdL reports the county's own sales tax receipts were up by 9.1 percent over the same quarter a year ago. This is just slightly less than the state overall, which increased 9.7 percent compared to the same quarter a year ago. Increased sales tax receipts in the county's



unincorporated area continue to be buoyed primarily by rising fuel prices and pent up demand for autos and recreational vehicles. Gains resulting from recent spikes in fuel prices are anticipated to taper off as relative stability is reestablished in North Africa. Additional detail is provided in HdL's sales tax update contained in Attachment C.

The FY 11/12 final budget estimate of sales and use tax revenue is \$21.3 million. This

factors-in the revenue loss to the incorporation of the new City of Jurupa Valley effective July 1, 2011, which contributed greatly to declines in the county's sales tax base. Given current trends, it appears at this time that estimate remains sound.

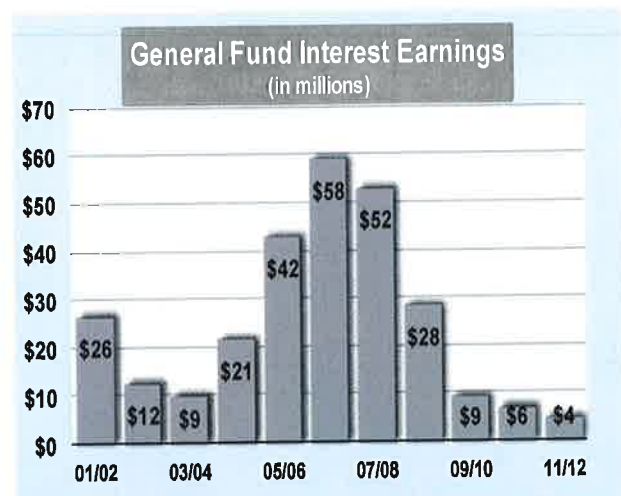
Proposition 172 Public Safety Sales Tax

HdL projects statewide public safety sales tax will be up from last fiscal year consistent with the overall trend in sales and use tax. While the company projects the county's pro rata share of that pool will shrink again this year, it currently projects a slight uptick in the county's pro rata share next fiscal year. If current-year receipts for this revenue exceed \$110 million, the Executive Office will work with the Auditor-Controller to execute the Board's directives regarding public safety sales tax approved in the FY 09/10 third quarter report.

Interest Earnings

The Treasurer has reduced the interest earnings estimate to \$4.3 million. This reflects the Federal Reserve's intervention and fallout from the European debt crisis on worldwide financial markets. U.S. Federal Reserve Chairman Ben Bernanke signaled that short term interest will likely remain low through calendar year 2013.

In addition, the Federal Reserve announced the launch of its \$400 billion "Operation Twist" at the end of September in an effort to spur recovery in the U.S. economy. All these factors will continue to impact earnings for the foreseeable future. The Treasurer will provide updates as the year progresses.



Revenue Summary

Based on information reported from various departments, current revenue estimates are weakening, and revenue is currently projected to be \$4.5 million less than budgeted. The Executive Office will continue to monitor and recommend budget adjustments at midyear if necessary. The chart at right summarizes the county's currently projected discretionary revenues.

General Fund Discretionary Revenue Projected (dollars in millions)

	Final Budget Estimate	1st Quarter Projection	Variance from Budget
Property Taxes	266.3	264.4	(1.9)
Motor Vehicle In Lieu	189.0	186.7	(2.3)
Tax Loss Reserve Overflow	35.5	35.5	0.0
Fines and Penalties	27.0	27.0	0.0
Sales Tax *	21.3	21.3	0.0
Tobacco Tax	10.0	10.0	0.0
Documentary Transfer Tax	10.5	10.5	0.0
Franchise Fees	5.0	5.5	0.5
Interest Earnings	5.4	4.3	(1.1)
Misc. Federal and State	6.0	6.2	0.2
Other (Prior Year & Misc.)	8.4	8.5	0.1
	584.4	579.9	(4.5)

* Does not include public safety sales tax revenue

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. The Executive Office cautioned departments that appropriations from contingency are being minimized.

USE OF CONTINGENCY

	Cost Adjustment	Revenue Adjustment	Total Adjustment	Balance Available
Beginning Balance:				\$ 20,000,000
Adjustments to date:				
09/13/11 Stale dated Warrant (Item 3.22)	\$502		(\$502)	
Actions recommended in this report:				
Planning	93,000	-	(93,000)	

Contingency balance upon approval of this report = \$ 19,906,498

Currently, the Board-approved contingency target is \$20 million or approximately 3 percent of ongoing discretionary revenue. As of late October, only minor appropriations for contingency were used during the first quarter. Funds remaining in contingency at year-end will be used to re-establish the appropriations for contingency next year.

E. DEPARTMENTAL STATUS**GENERAL GOVERNMENT****County Counsel**

County Counsel requests a budget adjustment in the amount of \$400,000 to accommodate increased revenue and appropriations resulting from caseload increases.

Recommendation 1: That the Board approved and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for County Counsel totaling \$400,000, as follows:

Increase estimated revenue:		
10000-1500100000-777520	Reimbursement for Services	\$300,000
10000-1500100000-778160	Interfund-Legal Services	<u>100,000</u>
	Total	400,000
Increase appropriations:		
10000-1500100000-510040	Regular Salaries	240,000
10000-1500100000-510800	Budgeted Benefits	<u>160,000</u>
	Total	400,000

Assessor-County Clerk-Recorder

The Assessor-County Clerk-Recorder requests additional appropriations for positions expected to be filled during the fiscal year fully supported by available fund balance of the Property Tax Administration Program (PTAP).

Recommendation 2: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations as follows:

Increase appropriations:		
10000-1200100000-510040	Regular salaries	\$ 50,000
10000-1200100000-518100	Budgeted benefits	<u>125,000</u>
	Total	175,000
Use of fund balance:		
11009-1200100000-321101	Restricted program money (PTAP)	175,000

Auditor-Controller

In an effort to meet budgetary targets while retaining adequate personnel for core services, the Auditor-Controller vacated an administrative position in its general accounting unit to make funding available for its internal audits unit, and currently requests transfer of \$100,000 to internal audits.

Recommendation 3: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for the Auditor-Controller in the amount of \$100,000, as follows:

Decrease appropriations:		
10000-1300100000-510040	Regular salaries	\$ 65,000

10000-1300100000-518100	Budgeted benefits	35,000
	Total	100,000
Increase appropriations:		
10000-1300200000-510040	Regular salaries	65,000
10000-1300200000-518100	Budgeted benefits	35,000
	Total	100,000

Treasurer-Tax Collector

During year-end closing, there was a process error and funding for the purchase of three OPEX machines was not encumbered to the new fiscal year. The department requests that a portion of its contribution to the property tax system designation be returned to pay for the machines.

Additionally, there was a change in methodology for charging the Treasurer-Tax Collector for interdepartmental services. Professional services related to the recorder's lien fees will now be treated as an expenditure account charge rather than a revenue account offset. The department requests budget adjustments to reflect this change.

Recommendation 4: That the Board approve and direct the Auditor-Controller to release \$210,129 in general fund committed fund balance and increase appropriations and estimated revenue for the Treasurer-Tax Collector, as follows:

Decrease designated fund balance:		
10000-1000100000-330141	CFB – Property tax system	\$210,129
Increase estimated revenue:		
10000-1400100000-770090	Treasurer-Tax Collector fees	120,000
Increase appropriations:		
10000-1400100000-525440	Professional services	330,129

Registrar of Voters

The Registrar of Voters expects to exceed its net county cost target for FY11/12 by approximately \$1.8 million due to SB 90 cuts to the state budget. State budget appropriations suspended FY 11/12 absentee ballot reimbursements for prior years as well. At this time, the county does not anticipate receiving reimbursement for prior year claims until 2021. This will leave the Registrar of Voters with only half of its anticipated revenue for FY 11/12. Going forward, reimbursement for absentee claims is uncertain.

The current budget assumes two mandated elections: the November 2011 Uniform District Election (UDEL) and the June 2012 primary. The Registrar is currently working to cut costs wherever possible and still maintain a proficient level of service for these elections. Previously, the Registrar of Voters had begun a search for a new facility. However, due to funding issues, the Registrar will adapt the existing space for the presidential election until the issue of a new facility can be revisited. The Executive Office recommends monitoring actual expenditures and addressing the Registrar's budget issues at mid-year.

Economic Development Agency/Facilities Management (EDA/FM)**Real Estate**

Facilities Management requests a budget adjustment for increased capital leases and depreciation costs.

Recommendation 5: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Facilities Management's Real Estate division in the amount of \$30,442, as follows:

Increase estimated revenue:		
47220-7200400000-777330	Leasing services	\$30,442
Increase appropriations:		
47220-7200400000-532600	Capital lease purchase principal	26,890
47220-7200400000-535560	Depreciation equipment	<u>3,552</u>
	Total	30,442

EDA Administration

The Economic Development Agency requests a budget adjustment for increased lease costs for two administrative divisions.

Recommendation 6: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for EDA Administration in the amount of \$691,600, as follows:

Increase estimated revenue:		
21100-1900100000-778220	Interfund office expense	\$691,600
Increase appropriations:		
21100-1900100000-537000	Interfund lease expense	691,600

Desert Expo

The Desert Expo requests a budget adjustment for increased revenue and expenses of fair contracts and a paving project.

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Desert Expo totaling \$175,975, as follows:

Increase estimated revenue:		
22200-1920100000-752600	CA-fairs	\$105,975
22200-1920100000-778200	Interfund misc	<u>70,000</u>
	Total	175,975
Increase appropriations:		
22200-1920100000-520820	Janitorial services	30,000
22200-1920100000-523800	Printing/binding	40,000
22200-1920100000-523270	Special event	35,975
22200-1920100000-542120	Improvements infrastructure	<u>70,000</u>
	Total	175,975

Aviation

Aviation requests a budget adjustment to increase appropriations for unanticipated engineering costs on a grant-funded construction project and a one-time payout on a lease cancelation.

Recommendation 8: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Aviation totaling \$162,151, as follows:

Increase estimated revenues:		
22100-1910700000-778330	Interfund-salary reimbursement	\$114,050
22100-1910700000-781360	Other misc revenue	25,000
22100-1910700000-781540	Contribution from other non-County fund	<u>23,101</u>
	Total	162,151
Increase appropriations:		
22100-1910700000-525440	Professional services	116,484
22100-1910700000-523230	Misc expense	<u>45,667</u>
	Total	162,151

French Valley Airport requests a budget adjustment to increase revenue and expenses for state and federal capital improvement grants.

Recommendation 9: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the French Valley Airport in the amount of \$268,414, as follows:

Increase estimated revenues:		
22350-1910600000-751230	CA-state match	\$ 9,184
22350-1910600000-767060	Fed-airport improvements	257,193
22350-1910600000-778200	Interfund misc	<u>2,037</u>
	Total	268,414
Increase appropriations:		
22350-1910600000-542040	Buildings-capital projects	268,414

Hemet Ryan Airport requests a budget adjustment to increase revenue and expenses for state and federal capital improvement grants.

Recommendation 10: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Hemet Ryan Airport in the amount of \$105,935, as follows:

Increase estimated revenues:		
22350-1910300000-751230	CA-state match	\$ 4,376
22350-1910300000-767060	Fed-airport improvements	98,934
22350-1910300000-778200	Interfund misc	<u>2,625</u>
	Total	105,935
Increase appropriations:		
22350-1910300000-525440	Professional services	96,335
22350-1910300000-537180	Interfund-salary reimbursement	<u>9,600</u>
	Total	105,935

PUBLIC PROTECTION

Fire

The Fire Department currently projects a \$2.1 million shortfall for FY 11/12. Per Board direction, the Fire Department has not closed any fire stations and has maintained municipal staffing; this is the driving force behind the estimated shortfall. There are ongoing negotiations to maximize ambulance revenue from American Medical Response (AMR). The best current estimate for this revenue is approximately \$600,000. The department has not received the final rate letter from CAL FIRE and plans to have a better estimate on the budget impact from the final rates and the ambulance revenue. The department's goal is to eliminate or significantly reduce the budget deficit.

The Fire Department has several grants with balances that will roll forward from FY 10/11 in the amount of \$256,000. In addition, the department will pay the ESRI contract costs for both Fire and Sheriff, with an \$88,000 reimbursement from the Sheriff's Department. An additional \$17,760 will come from the State of California for JAC training. These transactions require the budget adjustments described below.

Recommendation 11: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Fire Department totaling \$273,760, as follows:*

Increase appropriations:		
10000-2700200000-524900	GIS services	\$ 88,000
10000-2700200000-527780	Special program expense	243,000
10000-2700200000-526910	Field equipment-non assets	17,760
10000-2700200000-546120	Equipment-Fire	13,000
10000-2700200000-572800	Intrafund-Miscellaneous	(88,000)
	Total	273,760
Increase estimated revenue:		
10000-2700200000-767220	Federal other grants	256,000
10000-2700200000-781360	Other miscellaneous revenue	17,760
	Total	273,760

Sheriff

The Sheriff reports as follows:

We are projecting a deficit of approximately \$5 million dollars at the first quarter mark of this fiscal year. This is in line with calculations made by your office. During FY 11/12 budget hearings, we submitted an NCC funding request of \$287 million. This would have fully funded department operations and eliminated our structural deficit (ISF's, Prop 172 and COLA's). We were directed by the Board of Supervisors and CEO to resubmit our budget based on a NCC target of \$226 million. The new NCC target created a funding gap of \$61 million dollars. The gap could only be closed by consolidating patrol stations, closing portions of the newly opened SCF expansion, closing the east end Coroner's bureau and Deputy layoffs.

During budget hearings, the Sheriff presented an alternate plan that did not include layoffs. The plan called for service reductions in the unincorporated areas of the county, use of sub funds, and savings related to personnel costs. This did not eliminate the budget gap but the Board of Supervisors committed to finding ways of closing the remaining shortfall during final budget hearings.

On September 13th the final FY 11/12 budget was unanimously approved by the Board of Supervisors. An additional \$13.5 million was added to our NCC. Based on calculations by your office (and mentioned in the final budget book), this left a remaining structural deficit of \$5.5 million.

The department began last fiscal year with a structural deficit of \$26.2 million. The deficit was partially reduced by board action of re-appropriating \$12.4 million of our 09/10 surplus into our 10/11 budget. This left the Sheriff with a remaining structural deficit of \$13.8 million. The Sheriff directed his Executive Team to reduce operational costs where ever feasible. Our department embraced the challenge and erased a \$13.8 million structural deficit and returned approximately \$5 million dollars to the general fund (which equates to an NCC savings of approximately \$19 million). This was achieved through a number of one-time cost containment measures and cannot be expected this fiscal year. Consistent with prior practice, we request the estimated \$5 million dollar surplus be re-directed into our current budget to defray additional cuts to public safety.

As the Board and your office are aware, AB109 ushers in significant change for County government. The Sheriff's office, together with Probation, will bear the brunt of the burden. State and County "Realignment" takes effect this month and it is still too early to measure the full impact. We are hopeful the State will move to a constitutional amendment that would guarantee sufficient, ongoing, funding for counties impacted by realignment. We will report back on this issue with a separate Form 11 and during the mid year report.

The Executive Office examined the Sheriff's budget information and agrees with his current projection of a \$5 million shortfall. The Executive Office will continue to work with the Sheriff to monitor the current budget and possible additional revenue from the state Realignment program.

District Attorney

The District Attorney reports as follows:

The District Attorney's Office is currently projecting that we will finish the year below budget. This is as a result of approximately \$2.5 million in additional net revenues since the budget process began earlier this year. This strong financial position is weakened by the fact that we are facing a number of variables which could have a significant impact on our financial

position. As with every other public safety department, we face an uncertain future as a result of Realignment. While we will be receiving some money from the State for the balance of the fiscal year, it is not clear if the funds will be sufficient to meet the needs of this grand experiment. Additionally, the County is still in negotiations with the various bargaining units, and the financial impact of those discussions remains to be seen. Finally, the District Attorney's Office is in desperate need of rebuilding our information technology infrastructure. For far too long, IT was viewed as a necessary evil as opposed to a valuable tool to make the Office more effective and efficient. While we are in desperate need of upgrading our various systems, both in terms of hardware and software, we must do so with the intent of doing more with less.

The Executive Office examined the District Attorney's budget information and agrees with his current projection. The Executive Office will work closely with the District Attorney and his staff to monitor the budget and possible additional revenue from the state Realignment program.

Probation Department

The Probation Department is continuing last fiscal year's cost saving measures, including closing one wing of the Southwest Juvenile Hall, achieving salary savings by leaving vacant positions unfilled, standardizing menus, and consolidating central ordering and supply operations for all detention and treatment facilities. As part of continued streamlining to achieve greater efficiency and economy of scale, the department proposes exchanging one vacant house manager position for a buyer I position. The buyer will assume administrative responsibilities that will facilitate organizational restructuring of juvenile facilities. This exchange of positions requires no increase in NCC.

Recommendation 12: *That the Board of Supervisors approve amending Ordinance 440 to add one buyer I position and delete one house manager position as indicated in Attachment B.*

PUBLIC WAYS AND FACILITIES

Transportation Land Management Agency (TLMA)

Administrative Services

TLMA requests an adjustment increasing appropriations and estimated revenue for legal services provided by County Counsel to TLMA for various programs per a memorandum of understanding between the departments that were inadvertently left out of the budget this fiscal year.

Recommendation 13: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for TLMA administration in the amount of \$150,000, as follows:*

Increase appropriations:		
20200-3100200000-537020	Interfund expense - legal services	\$150,000

Use of fund balance:		
20200-3100200000-350100	Assigned fund balance	150,000

A contract with outside counsel for work on the general plan expired prior to completion of the necessary work. The department was unable to encumber the remaining funds without a current contract. The funds were therefore returned to the general fund at the end of the year. The Board of Supervisors approved a new contract with outside counsel on August 16, 2011 (Item 3.85). The department requests funding to pay for this service.

Recommendation 14: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for Planning totaling \$93,057, as follows:*

Increase appropriations:		
10000-3120100000-525020	Legal services	\$93,057

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	93,057

Transportation

The Board authorized the use of road funds to purchase land for the future site of the Transportation main yard on August 16, 2011 (Item 3.43). The budget adjustments that provided the full funding for the purchase were inadvertently left out of that Form 11. The budget adjustment proposed below corrects that oversight. The funding source and purchase amount remain the same.

Recommendation 15: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Transportation in the amount of \$1,707,028, as follows:*

Increase appropriations:		
20000-3130100000-540040	Land	\$1,707,028

Use of fund balance:		
20000-3130100000-321101	Restricted program money	1,707,028

Code Enforcement

On March 15, 2011, (Item 9.16) the Board of Supervisors adopted Ordinance 725.14, an Ordinance Establishing Procedures and Penalties for Violations of Riverside County Ordinances and Providing for Reasonable Costs related to enforcement. The purpose of the ordinance amendment is to streamline the abatement enforcement and hearing process, as well as to increase cost recovery. A fund was established to enable Code Enforcement to set aside fines and recovered costs in the amount of \$1 million with a 15 percent buffer to pay for necessary abatements. The department will report annually in the first quarter report of abatements funded beginning in FY 12/13.

HEALTH AND SANITATION

Health Care Reform

On February 8, 2011, the Board of Supervisors approved Agenda Item 3.27 authorizing submission of an application to the California Department of Health Care Services (DHCS) to implement a low-income health program (LIHP). The LIHP is the Medicaid coverage expansion and the health care coverage initiative portion of the federally approved "Bridge to Reform" Section 1115(a) waiver. Through this program, Riverside County will provide health care services to non-traditional Medi-Cal populations residing in Riverside County at or below 133 percent of the federal poverty level and receive a 50 percent match for qualified expenditures. To date, the county has submitted 25 deliverables outlining the Riverside County Health Care (RCHC) plan and demonstrating network adequacy to DHCS, which are currently under review. When DHCS determines the adequacy of the plan, a contract will be forwarded for execution, which is anticipated in the coming months.

County partners including Riverside County Regional Medical Center, Department of Public Health and Department of Mental Health are required to meet the annual combined maintenance of effort (MOE) of \$17,894,960. There are sufficient funds allocated in the collective department budgets to meet the annual MOE this fiscal year. Further cuts to NCC may make it difficult to meet this MOE requirement. The departments estimated the costs to implement the program based on available data; however, expenses are uncertain and must be closely monitored. Enrollment caps and adjustments to the eligible federal poverty level may be necessary so departments do not exceed their budget targets and require additional general fund support to operate.

Community Health Agency

Public Health

Public Health continues to work closely with RCRMC and other county departments on health care reform, particularly on submittals to the state for the low-income health program (LIHP), Riverside County HealthCare (RCHC). Once approved, the departments will receive a 50 percent match for qualifying expenditures or a capitation payment approved by the Centers for Medicare or Medicaid Services (CMS) for eligible participants. Sufficient funds are available this fiscal year to meet the required annual maintenance of effort (MOE); however, further budget cuts may make it difficult for the department to maintain the required MOE in FY 12/13. The department will continue to monitor and provide updates as necessary.

Public Health requests a budget adjustment to reflect changes in grant funding that were unknown at the time the budget was prepared. Due to the extent and length of this adjustment, the full text of the adjustment detail is contained in Attachment D as well as in the summary of recommendations in Attachment A.

Recommendation 16: *That the Board of Supervisors approve and direct the Auditor-Controller to make grant-related adjustments to appropriations and estimated revenue for Public Health contained in Attachment D.*

Department of Environmental Health

One-time costs associated with a new facility leased by the department were included in last year's budget; however, unforeseen delays pushed the expenditures into the current fiscal year. If necessary, the department will request a budget adjustment once the final costs are determined.

Environmental Health estimates that sufficient revenue is available to fill one vacant unfunded environmental health specialist III-desert to maintain service levels. The department requests approval to unfreeze the position and will work with the Executive Office to do so administratively.

Inadvertently, fees due to trash haulers were placed in a revenue account overstating FY 10/11 revenue by approximately \$900,000. Reconciliation of the amount due to the trash haulers will be completed in the second quarter and the impact on the current year will be known at that time. The department will monitor and report at mid-year.

Environmental Health requests approval of a budget adjustment to reflect one-time grant funding for a previously approved equipment purchase.

Recommendation 17: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Environmental Health in the amount of \$71,658, as follows:*

Increase estimated revenue:		
10000-4200400000-767220	Fed-other operating grant	\$40,658
10000-4200400000-781360	Other misc revenue	<u>31,000</u>
	Total	71,658
Increase appropriations:		
10000-4200400000-527780	Special program expense	36,875
10000-4200400000-523800	Printing/binding	3,783
10000-4200400000-546160	Equipment other	<u>31,000</u>
	Total	71,658

Riverside County Regional Medical Center Programs

Medically Indigent Services Program (MISP)

At this time, MISP anticipates meeting budget targets. However, delays in the approval of the low-income health program (LIHP) may mean that \$2 million in estimated revenue was over stated for the fiscal year. The department will continue to monitor and report at mid-year.

Detention Health

Detention Health reports that recruitment is underway to increase medical staffing levels at adult and juvenile detention facilities. Due to the lengthy hiring process, the department anticipates some salary savings this fiscal year, but achieving budgeted staffing levels next fiscal year may necessitate full-year funding. The department will continue to monitor and report in the future.

Department of Mental Health

Based on current projections, Mental Health anticipates no problems in meeting NCC targets. However, the department is using one-time funding to absorb NCC reductions to Public Guardian and Mental Health Treatment programs, which may require reductions next fiscal year.

Mental Health Detention has initiated the hiring process to provide Board-approved higher service levels. Salary savings may be realized in the current year due to the lengthy hiring process; however, the department anticipates needing full-year funding in FY 12/13. The department will continue to monitor and report in the future. Although the impacts are unclear, the department is also preparing for clients they may see resulting from implementation of criminal justice realignment under AB 109. The department will continue to monitor and provide updates as needed.

PUBLIC ASSISTANCE

Department of Public Social Services (DPSS)

AB 118 realigned various DPSS programs to the local level and guarantees only current-year funding. Affected programs include child welfare services (CWS), foster care administration, foster care assistance, adoptions, adoptions assistance, child abuse prevention and intervention (CAPIT), and adult protective services. DPSS must track the funding separately and will provide an update at mid-year on whether anticipated receipts will be sufficient to cover the increased county share of cost. In addition, several programs will be affected if state revenue estimates are not met by December 15, 2011. Service hour reductions of 20 percent are proposed for In-Home Supportive Services (IHSS), and IHSS fraud investigations and program integrity funding will be eliminated. The department will continue to monitor and report at mid-year.

The department currently projects NCC savings in mandated client services will be offset by an increase in categorical aid programs. At this time, DPSS anticipates shifting the funds from mandated to categorical will mitigate the need and additional general fund support will not be necessary. The department will continue to monitor and report at mid-year.

DPSS included funding to purchase new vehicles in the FY 11/12 budget. However, the department no longer plans to purchase the vehicles, and requests a budget adjustment reducing expenditures.

Recommendation 18: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing appropriations and estimated revenue for DPSS in the amount of \$633,333, as follows:*

Decrease estimated revenue:		
10000-5100100000-760000	Fed public asst administration	\$387,474
10000-5100100000-750740	CA realignment-DPSS	31,470
10000-5100100000-750300	CA public asst administration	<u>214,389</u>
	Total	<u>633,333</u>

Decrease appropriation:		
10000-5100100000-528920	Car pool expense	633,333

Homeless

The FY 11/12 homeless program budget utilized \$1.2 million in fund balance to maintain existing service levels, fully exhausting available reserves. The department anticipates needing \$1.2 million in general fund support in FY 12/13 to maintain current service levels for Board-approved homeless programs.

Riverside County Children and Families Commission (RCCFC)

The commission extended contracts as work continues on a new strategic plan. Contract funding decreased significantly in anticipation of proposed funding reductions authorized by AB 99. A pending lawsuit will determine the legality of the proposed funding reduction. The commission anticipates use of \$3.5 million of fund balance this fiscal year. Staff will continue to monitor and report at mid-year.

Community Action Partnership (CAP)

CAP requests a budget adjustment to reflect increased contract revenue and expenses that will be recognized in the current fiscal year.

Recommendation 19: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Community Action Partnership in the amount of \$2,375,000, as follows:*

Increase estimated revenue:		
21050-5200200000-767220	Fed-other grants	\$1,375,000
21050-5200200000-767440	Fed-ARRA sub-recipient	<u>1,000,000</u>
	Total	2,375,000
Increase appropriations:		
21050-5200200000-536240	Other contract agencies	2,375,000

Veterans' Services

The Department of Veterans Services officially opens its new location at 4360 Orange Street on October 31, 2011. EDA will host a formal ceremony at 8:30 a.m. on Veteran's Day, November 11, 2011, to publicly launch the opening of the new facility. Veteran Services anticipates completing the move within budget. Due to budget constraints, Veterans Services remains two representatives below previous staffing levels.

EDUCATION, RECREATION, AND CULTURE

Library

The Library requests a budget adjustment to account for E-rate Communications revenue approved in Agenda Item 3.7 on September 20, 2011, and enable vendor payments previously handled by the Library contractor.

Recommendation 20: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Library*

totaling \$957,489, as follows:

Increase estimated revenue:		
21200-1900700000-770830	Communication services	\$322,000
Increase appropriations:		
21200-1900700000-520200	Communications	459,000
21200-1900700000-521360	Maintenance-computer equipment	373,895
21200-1900700000-523620	Books and publications	55,000
21200-1900700000-536240	Other contract agencies	391,594
	Total	1,279,489
Use of fund balance:		
21200-1900700000-321101	Restricted program money	957,489

The Library also requests budget adjustments to remove two budgets inadvertently populated in OASIS. Deleting these budgets will eliminate over-stated appropriations.

Recommendation 21: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Library totaling \$7,704,552, as follows:

Decrease appropriations:		
21200-1100400000-542040	Buildings-capital projects	\$5,450,000
21200-1100400000-546160	Equipment-other	396,000
	Total	5,846,000
Increase fund balance available:		
21200-1100400000-370100	Unassigned fund balance	5,846,000
Decrease appropriations:		
21200-1102200000-521380	Maintenance-copier machines	\$725
21200-1102200000-525300	OASIS processing-financials	952
21200-1102200000-526530	Rent-lease equipment	351,375
21200-1102200000-532660	Capital leases-other	450,500
21200-1102200000-533740	Capital leases-interest	38,000
21200-1102200000-533760	Interest-long term debt	306,000
21200-1102200000-537000	Interfund expense-leases	711,000
	Total	1,858,552
Increase fund balance available:		
21200-1102200000-370100	Unassigned fund balance	1,858,552

Edward Dean Museum

The Edward Dean Museum requests a budget adjustment for increased revenue and expenses of a traveling exhibit grant, school tours, wedding ceremonies, and a golf fundraiser.

Recommendation 22: 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 \$69,298, as follows:

Increase estimated revenue:		
10000-1930100000-741080	Exhibit	\$ 1,250
10000-1930100000-776710	Day use	35,000
10000-1930100000-776770	Edward Dean Museum	33,320
10000-1930100000-781560	Contribution from non-county agencies	<u>728</u>
	Total	70,298
Increase appropriations:		
10000-1930100000-523270	Special event	1,250
10000-1930100000-527980	Contracts	35,000
10000-1930100000-528500	Project cost expense	33,320
10000-1930100000-529120	Transportation	<u>728</u>
	Total	70,298

ENTERPRISE FUNDS

Riverside County Regional Medical Center

RCRMC continues to work closely with the Department of Public Health and other county departments on health care reform, particularly on submittals to the state for the low-income health program (LIHP), Riverside County HealthCare (RCHC). Once approved, the departments will receive a 50 percent match for qualifying expenditures or a capitation payment approved by the Centers for Medicare and Medicaid Services (CMS) for eligible participants. Sufficient funds are available this fiscal year to meet the required annual maintenance of effort (MOE). RCRMC estimated approximately \$18 million in annual revenue would be generated with the approval of the LIHP. However, implementation delays may likely result in less revenue than budgeted. The department will continue to monitor and report at mid-year.

The current budget did not include estimated salary savings, and as a consequence budgeted expenses are overstated. RCRMC requests a reduction in appropriations to reflect more accurately anticipated salary expenditures and use of net assets.

Recommendation 23: That the Board of Supervisors approve and direct the Auditor-Controller to make an adjustment decreasing appropriations for the Riverside County Regional Medical Center by \$14,582,302, as follows:

Decrease appropriations:		
40050-4300100000-510040	Regular salaries	\$14,582,302
Decrease use of net assets:		
40050-4300100000-380100	Unrestricted net assets	14,582,302

Waste Management

The Waste Management Department requests a budget adjustment to cover the cost of the Comprehensive Operation Review (CORE) Assessment of Riverside County's landfills. The operational review was requested by the Executive Office to augment analysis of the solid waste system currently in process. On September 27, 2011, the Board awarded a contract in the amount of \$126,394 for the CORE assessment. In addition, the department requests \$130,000 to purchase a fuel/lube truck to fuel and supply oils and other lubricants to equipment at landfill sites on a daily basis. This truck

will help mitigate safety risks and aid in fluid tracking and inventory controls through metered fluid dispensing mechanisms.

Recommendation 24: *That the Board of Supervisors approve and direct the Auditor-Controller to make an adjustment increasing appropriations in the amount of \$256,394 for Waste Management offset by use of net assets, as follows:*

Increase appropriations:		
40200-4500100000-546360	Vehicles – buses/heavy equipment	\$130,000
40200-4500100000-524660	Consultants	<u>126,394</u>
		256,394
Use of net assets:		
40200-4500100000-380100	Unrestricted net assets	256,394

INTERNAL SERVICE FUNDS

Fleet Services

Per guidance from two vehicle policies, the number of county vehicles is gradually shrinking to meet the needs of the county's workforce and mission. As a result, county departments saved \$66,056 in mileage charges and fuel purchases over the last two quarters. A total of five vehicles, one patrol and four general use, were retired between April 1 and September 30, 2011, and are now pending sale. During the same period, 92 previously retired units were sold – 49 patrol and 43 general use – for an additional savings of \$68,908. Attachment D includes a table with additional detail.

Fleet Services requests authorization and approval of a budget adjustment to cover the specialty purchase of three mobile units and one truck for the Department of Mental Health and a Transit Connect van for the Office on Aging, which were initially requested by the departments in FY 09/10.

Recommendation 25: *That the Board of Supervisors authorize Fleet Services to purchase of three mobile units, one truck, and one van, and approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Fleet Services totaling \$621,000, as follows:*

Increase appropriation:		
45300-7300500000-546300	Vehicles-buses/heavy truck	\$532,000
45300-7300500000-546320	Vehicles-cars/light trucks	<u>89,000</u>
	Total	621,000
Increase revenue:		
45300-7300500000-777620	Vehicle cost recovery	621,000

Online Administrative Services Information System (OASIS)

OASIS requests Board approval for purchase of four new servers required to support a software upgrade necessary to maintain the vendor's software maintenance and support. The accompanying budget adjustment offsets the cost of the new equipment with a reduction in cost of capitalized software.

Recommendation 26: *That the Board of Supervisors authorize OASIS to purchase*

four (4) servers and approve and direct the Auditor-Controller to adjust appropriations by \$100,000, as follows:

Increase appropriations:		
45420-1109200000-546080	Equipment - computers	\$50,000
45420-1109300000-546080	Equipment - computers	<u>50,000</u>
	Total	100,000
Decrease appropriations:		
45420-1109200000-546280	Capitalized software	50,000
45420-1109300000-546280	Capitalized software	<u>50,000</u>
	Total	100,000

SPECIAL DISTRICTS

Redevelopment Agency (RDA)

Debt Service Fund

The RDA requests a budget adjustment to enable payment of additional costs of issuance, bond discounts, and related expenses for both the 2010 non-housing bond issuance and 2011 housing and non-housing bond issuances.

Recommendation 27: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the RDA debt service fund totaling \$6,366,921, as follows:

Increase estimated revenue:		
37100-934001-790500	Operating transfers-in	\$1,048,728
37100-934001-791000	Bond proceeds	<u>5,318,193</u>
	Total	6,366,921
Increase appropriations:		
37100-934001-533020	Bond interest	1,048,728
37100-934001-532160	Issuance costs	<u>5,318,193</u>
	Total	6,366,921

Flood Control and Water Conservation District

The overall financial status of the Flood Control and Water Conservation District is good for the first quarter of FY11/12. However, the district has encountered the same revenue challenges as other tax-dependent entities. At the same time, the economic downturn has resulted in construction savings. To take full advantage of construction savings within new fiscal constraints, the district budgeted the timing of construction projects to reflect these ongoing challenges and opportunities. The district expects to complete its scheduled construction projects and maintain all of its facilities throughout the fiscal year.

Regional Parks and Open Space District

Repairs are needed at several park caretaker residences in order to maintain the properties at an acceptable level, and a caretaker residence is needed at Gilman Ranch where none exists. Total costs for these two items will be \$135,000.

Recommendation 28: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations for Parks by \$135,000, as follows:

Increase appropriations:		
25510-931108-522310	Maintenance-building and Improvement	\$ 15,000
25510-931108-542100	Park buildings	<u>120,000</u>
	Total	135,000
Use of fund balance:		
25510-931108-321101	Restricted program money	135,000

The district has also implemented an infrastructure maintenance program in order to make regular repairs to other district buildings and infrastructure. Maintenance projects scheduled for FY11/12 will cost \$215,000.

The district has successfully marketed the newly opened Jurupa Aquatic Center through the use of billboards and intends to further advertise its parks throughout the county through this medium during the fiscal year at a cost of \$24,000.

The district has initiated a comprehensive planning project that will complement the recently adopted strategic plan. The plan is a development plan interrelating programs and physical resources. It will establish specific steps for park land acquisition and development, facility and operation management, coordination with other public entities, and provision of recreation services.

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations for Parks in the amount of \$314,000, as follows:

Increase appropriations:		
25400-931104-542060	Improvements – building	\$215,000
25400-931104-527660	Operational marketing	24,000
25400-931104-524660	Consultants	<u>75,000</u>
	Total	314,000
Use of fund balance:		
25400-931104-321101	Restricted program money	314,000

Appropriations were under-budgeted for some smaller special revenue and capital improvement program (CIP) funds. This amount needs to be increased in order to properly record fuel and legal expenditures.

Recommendation 30: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for Parks, as follows:

Increase appropriations:		
25520-931107-536910	Interfund expense – fuel	\$3,500
Use of fund balance:		
25520-931107-321101	Restricted program money	3,500

Increase appropriations:		
33110-931121-537020	Interfund expense – legal services	5,000

Use of fund balance:		
33110-931121-322100	Restricted for Construction/Capital Projects	5,000

Funds 25430 and 25440 are new as of FY 11/12 and were created to separate three distinct activities that were previously commingled in a single fund, 25520. The budgeted revenues and expenditures intended to be recorded in the new funds were initially placed in fund 25520, as the new funds did not exist at the time the budget was created.

The functions of habitat and open space management and off highway vehicle management have been combined in one fund with Arundo removal. To account separately for the revenues and expenditures of these distinct functions, two new funds have been established and budget adjustments are necessary to separate the budgets into each of these funds.

Recommendation 31: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for Parks, as follows:

Decrease estimated revenue:		
25520-931160-740020	Interest-invested funds	\$ 2,000
25520-931160-755190	Off highway vehicle park & recreation	100,000
25520-931160-790600	Contribution from other county funds	<u>49,643</u>
	Total	151,643

Decrease appropriations:		
25520-931160-528120	Board/commission expense	20,000

Use of fund balance:		
25520-931160-321101	Restricted program money	131,643

Increase estimated revenue:		
25440-931160-740020	Interest-invested funds	\$ 2,000
25440-931160-755190	Off highway vehicle park & recreation	100,000
25440-931160-790600	Contribution from other county funds	<u>49,643</u>
	Total	151,643

Increase appropriations:		
25440-931160-528120	Board/commission expense	20,000

Use of fund balance:		
25440-931160-321101	Restricted program money	131,643

Decrease estimated revenue:		
25520-931170-740020	Interest-invested funds	\$ 2,300
25520-931170-790500	Operating transfers-in	120,610
25520-931170-790600	Contribution from other county funds	<u>260,000</u>
	Total	382,910

Decrease appropriations:

25520-931170-520115	Uniforms-replacement clothing	1,500
25520-931170-520220	County radio systems	150
25520-931170-520230	Cellular phone	800
25520-931170-520320	Telephone service	200
25520-931170-520800	Household expense	1,000
25520-931170-520845	Trash	500
25520-931170-521420	Maintenance-field equipment	500
25520-931170-521500	Maintenance-motor vehicles	1,500
25520-931170-522310	Maintenance-building and improvement	500
25520-931170-522320	Maintenance-grounds	2,500
25520-931170-526960	Small tools and instruments	500
25520-931170-527140	Welding supplies	500
25520-931170-527720	Safety-security supplies	200
25520-931170-527940	Weed abatement	1,500
25520-931170-528260	Field supplies	1,000
25520-931170-528920	Car pool expense	<u>8,000</u>
	Total	20,850

Use of fund balance:

25520-931160-321101	Restricted program money	362,060
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Increase estimated revenue:

25430-931170-740020	Interest-invested funds	\$ 2,300
25430-931170-790500	Operating transfer-in	120,610
25430-931170-790600	Contribution from other county funds	<u>260,000</u>
	Total	382,910

Increase appropriations:

25430-931170-520115	Uniforms-replacement clothing	\$ 1,500
25430-931170-520220	County radio systems	150
25430-931170-520230	Cellular phone	800
25430-931170-520320	Telephone service	200
25430-931170-520800	Household expense	1,000
25430-931170-520845	Trash	500
25430-931170-521420	Maintenance-field equipment	500
25430-931170-521500	Maintenance-motor vehicles	1,500
25430-931170-522310	Maintenance-Building and Improvement	500
25430-931170-522320	Maintenance-grounds	2,500
25430-931170-526960	Small tools and instruments	500
25430-931170-527140	Welding supplies	500
25430-931170-527720	Safety-security supplies	200
25430-931170-527940	Weed abatement	1,500
25430-931170-528260	Field supplies	1,000
25430-931170-528920	Car pool expense	8,000
25430-931170-536910	Interfund expense – fuel	<u>6,500</u>
	Total	27,350

Decrease use of fund balance:

25430-931170-370100	Unassigned fund balance	\$355,560
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County Service Areas

County Service Areas 36, 121, 134, and 143 request authorization to increase vehicle purchases by one each, for a total purchase of six vehicles. In addition, these CSAs and CSA Administration request budget adjustments to increase appropriations for the vehicle purchases and for refund of assessments paid following city incorporations.

Recommendation 32: *That the Board of Supervisors approve four additional vehicle purchases for CSAs 36, 121, 134, and 143, bringing the total authorizations to 6, and approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the CSAs, as follows:*

Increase appropriations: 24625-915202-527780	Special program expense	\$165,000
Use of fund balance: 24625-915202-321101	Restricted program money	165,000
Increase appropriations: 23375-903601-546320	Vehicles-cars/light trucks	15,000
Use of fund balance: 23375-903601-321101	Restricted program money	15,000
Increase appropriations: 24250-912101-546320	Vehicles-cars/light trucks	15,000
Use of fund balance: 24250-912101-321101	Restricted program money	15,000
Increase appropriations: 24425-913401-546320	Vehicles-cars/light trucks	22,000
Use of fund balance: 24425-913401-321101	Restricted program money	22,000
Increase appropriations: 24550-914301-546320	Vehicles-cars/light trucks	22,000
Use of fund balance: 24550-914301-321101	Restricted program money	22,000

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 approved and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for County Counsel totaling \$400,000, as follows:*

Increase estimated revenue:		
10000-1500100000-777520	Reimbursement for Services	\$300,000
10000-1500100000-778160	Interfund-Legal Services	<u>100,000</u>
	Total	400,000
Increase appropriations:		
10000-1500100000-510040	Regular Salaries	240,000
10000-1500100000-510800	Budgeted Benefits	<u>160,000</u>
	Total	400,000

Recommendation 2: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations as follows:*

Increase appropriations:		
10000-1200100000-510040	Regular salaries	\$ 50,000
10000-1200100000-518100	Budgeted benefits	<u>125,000</u>
	Total	175,000
Use of fund balance:		
11009-1200100000-321101	Restricted program money (PTAP)	175,000

Recommendation 3: *That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for the Auditor-Controller in the amount of \$100,000, as follows:*

Decrease appropriations:		
10000-1300100000-510040	Regular salaries	\$ 65,000
10000-1300100000-518100	Budgeted benefits	<u>35,000</u>
	Total	100,000
Increase appropriations:		
10000-1300200000-510040	Regular salaries	65,000
10000-1300200000-518100	Budgeted benefits	<u>35,000</u>
	Total	100,000

Recommendation 4: *That the Board approve and direct the Auditor-Controller to release \$210,129 in general fund committed fund balance and increase appropriations and estimated revenue for the Treasurer-Tax Collector, as follows:*

Decrease designated fund balance:		
10000-1000100000-330141	CFB – Property tax system	\$210,129

Increase estimated revenue:		
10000-1400100000-770090	Treasurer-Tax Collector fees	120,000

Increase appropriations:		
10000-1400100000-525440	Professional services	330,129

Recommendation 5: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Facilities Management's Real Estate division in the amount of \$30,442, as follows:

Increase estimated revenue:		
47220-7200400000-777330	Leasing services	\$30,442

Increase appropriations:		
47220-7200400000-532600	Capital lease purchase principal	26,890
47220-7200400000-535560	Depreciation equipment	<u>3,552</u>
	Total	30,442

Recommendation 6: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for EDA Administration in the amount of \$691,600, as follows:

Increase estimated revenue:		
21100-1900100000-778220	Interfund office expense	\$691,600

Increase appropriations:		
21100-1900100000-537000	Interfund lease expense	691,600

Recommendation 7: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Desert Expo totaling \$175,975, as follows:

Increase estimated revenue:		
22200-1920100000-752600	CA-fairs	\$105,975
22200-1920100000-778200	Interfund misc	<u>70,000</u>
	Total	175,975

Increase appropriations:		
22200-1920100000-520820	Janitorial services	30,000
22200-1920100000-523800	Printing/binding	40,000
22200-1920100000-523270	Special event	35,975
22200-1920100000-542120	Improvements infrastructure	<u>70,000</u>
	Total	175,975

Recommendation 8: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Aviation totaling \$162,151, as follows:

Increase estimated revenues:

22100-1910700000-778330	Interfund-salary reimbursement	\$114,050
22100-1910700000-781360	Other misc revenue	25,000
22100-1910700000-781540	Contribution from other non-County fund	<u>23,101</u>
	Total	162,151

Increase appropriations:

22100-1910700000-525440	Professional services	116,484
22100-1910700000-523230	Misc expense	<u>45,667</u>
	Total	162,151

Recommendation 9: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the French Valley Airport in the amount of \$268,414, as follows:

Increase estimated revenues:

22350-1910600000-751230	CA-state match	\$ 9,184
22350-1910600000-767060	Fed-airport improvements	257,193
22350-1910600000-778200	Interfund misc	<u>2,037</u>
	Total	268,414

Increase appropriations:

22350-1910600000-542040	Buildings-capital projects	268,414
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Recommendation 10: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Hemet Ryan Airport in the amount of \$105,935, as follows:

Increase estimated revenues:

22350-1910300000-751230	CA-state match	\$ 4,376
22350-1910300000-767060	Fed-airport improvements	98,934
22350-1910300000-778200	Interfund misc	<u>2,625</u>
	Total	105,935

Increase appropriations:

22350-1910300000-525440	Professional services	96,335
22350-1910300000-537180	Interfund-salary reimbursement	<u>9,600</u>
	Total	105,935

Recommendation 11: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Fire Department totaling \$273,760, as follows:

Increase appropriations:

10000-2700200000-524900	GIS services	\$ 88,000
10000-2700200000-527780	Special program expense	243,000
10000-2700200000-526910	Field equipment-non assets	17,760
10000-2700200000-546120	Equipment-Fire	13,000
10000-2700200000-572800	Intrafund-Miscellaneous	<u>(88,000)</u>
	Total	273,760

Increase estimated revenue:		
10000-2700200000-767220	Federal other grants	256,000
10000-2700200000-781360	Other miscellaneous revenue	<u>17,760</u>
	Total	273,760

Recommendation 12: That the Board of Supervisors approve amending Ordinance 440 to add one buyer I position and delete one house manager position as indicated in Attachment B.

Recommendation 13: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for TLMA administration in the amount of \$150,000, as follows:

Increase appropriations:		
20200-3100200000-537020	Interfund expense - legal services	\$150,000

Use of fund balance:		
20200-3100200000-350100	Assigned fund balance	150,000

Recommendation 14: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for Planning totaling \$93,057, as follows:

Increase appropriations:		
10000-3120100000-525020	Legal services	\$93,057

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	93,057

Recommendation 15: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for Transportation in the amount of \$1,707,028, as follows:

Increase appropriations:		
20000-3130100000-540040	Land	\$1,707,028

Use of fund balance:		
20000-3130100000-321101	Restricted program money	1,707,028

Recommendation 16: That the Board of Supervisors approve and direct the Auditor-Controller to make grant-related adjustments to appropriations and estimated revenue for Public Health contained in Attachment D [detailed below].

Increase estimated revenue:		
10000-4200100000-754010	CA-tobacco tax prop 99	\$ 38,910
10000-4200100000-762040	Fed-health grants	83,287
10000-4200100000-767220	Fed-other operating grants	<u>147,000</u>

	Total	269,197
Decrease estimated revenue:		
10000-4200100000-751680	CA-grant revenue	191,124
10000-4200100000-754000	CA-tobacco tax Prop 10	228,073
10000-4200100000-767280	Fed-Federal revenue	<u>102,824</u>
	Total	522,021
Increase appropriations:		
10000-4200100000-510240	Per diem salaries	74,822
10000-4200100000-520250	Communications-equip install	4,000
10000-4200100000-520260	Computer lines	10,765
10000-4200100000-520705	Food	319
10000-4200100000-521380	Maintenance-copier machines	7,250
10000-4200100000-521540	Maintenance-office equipment	375
10000-4200100000-521640	Maintenance-software	2,730
10000-4200100000-523220	Licenses & permits	1,175
10000-4200100000-523600	Audiovisual expenses	500
10000-4200100000-523640	Computer equip non-fixed asset	5,769
10000-4200100000-523800	Printing/binding	1,957
10000-4200100000-524500	Administrative support-direct	242,082
10000-4200100000-525440	Professional services	110,514
10000-4200100000-526700	Rent-lease buildings	71,039
10000-4200100000-527780	Special program expense	3,723
10000-4200100000-528140	Conference/registration fees	7,800
10000-4200100000-528900	Air transportation	12,200
10000-4200100000-528960	Lodging	5,561
10000-4200100000-528980	Meals	4,290
10000-4200100000-529040	Private mileage reimbursement	<u>10,301</u>
	Total	577,172
Decrease appropriations:		
10000-4200100000-510040	Regular salaries	341,725
10000-4200100000-510320	Tap salaries	130,469
10000-4200100000-510360	In-charge pay	2,080
10000-4200100000-510520	Bilingual pay	15,620
10000-4200100000-517000	Workers compensation insurance	756
10000-4200100000-518100	Budgeted benefits	115,442
10000-4200100000-520200	Communications	100
10000-4200100000-520230	Cellular phones	13,288
10000-4200100000-520300	Pager service	100
10000-4200100000-520320	Telephone service	43,125
10000-4200100000-520330	Communication services	8,700
10000-4200100000-520820	Janitorial service	58,000
10000-4200100000-520930	Insurance-liability	212
10000-4200100000-520945	Insurance-property	160
10000-4200100000-521700	Maintenance-alarms	1,000
10000-4200100000-522310	Maintenance-building and improvement	40,000

10000-4200100000-522860	Medical dental supplies	1,100
10000-4200100000-523620	Books/publications	500
10000-4200100000-523660	Computer supplies	5,051
10000-4200100000-523680	Office equip non-fixed asset	2,000
10000-4200100000-523700	Office supplies	4,536
10000-4200100000-523720	Photocopying	5,500
10000-4200100000-523760	Postage-mailing	3,860
10000-4200100000-523780	Printed forms	500
10000-4200100000-524740	County support services	1,589
10000-4200100000-525120	Micrographic services	2,600
10000-4200100000-525220	Pre-employment services	2,000
10000-4200100000-525140	Personnel services	1,023
10000-4200100000-525300	OASIS processing Financials	96
10000-4200100000-525310	OASIS processing HRMS	249
10000-4200100000-525320	Security guard services	12,000
10000-4200100000-526420	Advertising	7,000
10000-4200100000-526720	Rent-lease storage	5,939
10000-4200100000-527840	Training-education/tuition	6,020
10000-4200100000-528920	Car pool expense	23,369
10000-4200100000-528940	Travel-fuel	100
10000-4200100000-529540	Utilities	32,000
10000-4200100000-572800	Intra-misc	(57,813)
	Total	829,996
Decrease estimated revenue:		
22700-4200100000-754000	CA-tobacco tax prop 10	934,106
Increase appropriations:		
22700-4200100000-517000	Workers compensation insurance	756
22700-4200100000-520930	Insurance-liability	212
22700-4200100000-520945	Insurance-property	160
22700-4200100000-524500	Administrative support-direct	7,975
22700-4200100000-524740	County support services	1,589
22700-4200100000-525140	Personnel services	1,023
22700-4200100000-525300	OASIS processing financials	96
22700-4200100000-525310	OASIS processing HRMS	249
	Total	12,060
Decrease appropriations:		
22700-4200100000-510040	Regular salaries	443,239
22700-4200100000-510520	Bilingual pay	1,879
22700-4200100000-518100	Budgeted benefits	188,815
22700-4200100000-520230	Cellular phones	7,564
22700-4200100000-520260	Computer lines	1,481
22700-4200100000-520320	Telephone services	18,375
22700-4200100000-520330	Communication services	400
22700-4200100000-520705	Food	5,000
22700-4200100000-521380	Maintenance-copier machines	2,290

22700-4200100000-521540	Maintenance-office equipment	272
22700-4200100000-521640	Maintenance-software	770
22700-4200100000-521700	Maintenance-alarms	114
22700-4200100000-522310	Maintenance-buildings and improvement	226
22700-4200100000-523100	Memberships	200
22700-4200100000-523220	Licenses & permits	75
22700-4200100000-523600	Audiovisual expense	1,100
22700-4200100000-523620	Books/publications	1,100
22700-4200100000-523640	Computer equip non-fixed asset	5,750
22700-4200100000-523660	Computer supplies	1,350
22700-4200100000-523680	Office equip non-fixed asset	200
22700-4200100000-523700	Office supplies	9,050
22700-4200100000-523720	Photocopying	2,000
22700-4200100000-523760	Postage-mailing	5,283
22700-4200100000-523800	Printing/binding	7,600
22700-4200100000-523840	Computer equipment-software	1,344
22700-4200100000-525320	Security guard services	785
22700-4200100000-525440	Professional services	9,127
22700-4200100000-526700	Rent-lease buildings	71,039
22700-4200100000-526720	Rent-lease storage	1,670
22700-4200100000-526960	Small tools & instruments	27,232
22700-4200100000-527780	Special program expense	8,465
22700-4200100000-527840	Training-education/tuition	21,875
22700-4200100000-528140	Conference/registration fees	1,555
22700-4200100000-528900	Air transportation	5,374
22700-4200100000-528920	Car pool expense	8,093
22700-4200100000-528960	Lodging	5,257
22700-4200100000-528980	Meals	1,180
22700-4200100000-529000	Misc-travel expense	330
22700-4200100000-529040	Private mileage reimbursement	7,879
22700-4200100000-529060	Public service transportation	220
22700-4200100000-529080	Rental vehicles	479
22700-4200100000-529540	Utilities	12,111
22700-4200100000-536720	Interfund expense-admin support	54,234
22700-4200100000-537240	Interfund expense-utilities	3,014
22700-4200100000-536780	Interfund expense-capital projects	770
	Total	946,166
Increase estimated revenue:		
21770-4200100000-767220	Fed-other operating grants	224,143
Increase appropriations:		
21770-4200100000-510040	Regular salaries	17,343
21770-4200100000-518100	Budgeted benefits	4,282
21770-4200100000-520200	Communications	1,746
21770-4200100000-520230	Cellular phones	762
21770-4200100000-520250	Communications-equip install	9,502

21770-4200100000-520330	Communication services	249
21770-4200100000-520340	Equip – vehicle communications	420
21770-4200100000-521560	Maintenance-other	1,839
21770-4200100000-521660	Maintenance-telephone	112
21770-4200100000-522310	Maintenance-building and improvement	20,314
21770-4200100000-522860	Medical dental supplies	39,767
21770-4200100000-523640	Computer equipment non-fixed asset	13,197
21770-4200100000-523680	Office equip non-fixed asset	31,905
21770-4200100000-523760	Postage-mailing	20,080
21770-4200100000-523840	Computer equipment-software	11,850
21770-4200100000-524820	Engineering service	1,909
21770-4200100000-526530	Rent-lease equipment	680
21770-4200100000-526720	Rent-lease storage	6,135
21770-4200100000-527180	Operational supplies	15,209
21770-4200100000-527780	Special program expense	11,294
21770-4200100000-527840	Training-education/tuition	4,989
21770-4200100000-528920	Car pool expense	2,374
21770-4200100000-529040	Private mileage reimbursement	178
21770-4200100000-546160	Equipment-other	8,007
	Total	224,143

Recommendation 17: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for Environmental Health in the amount of \$71,658, as follows:

Increase estimated revenue:		
10000-4200400000-767220	Fed-other operating grant	\$40,658
10000-4200400000-781360	Other misc revenue	31,000
	Total	71,658
Increase appropriations:		
10000-4200400000-527780	Special program expense	36,875
10000-4200400000-523800	Printing/binding	3,783
10000-4200400000-546160	Equipment other	31,000
	Total	71,658

Recommendation 18: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments decreasing appropriations and estimated revenue for DPSS in the amount of \$633,333, as follows:

Decrease estimated revenue:		
10000-5100100000-760000	Fed public asst administration	\$387,474
10000-5100100000-750740	CA realignment-DPSS	31,470
10000-5100100000-750300	CA public asst administration	214,389
	Total	633,333
Decrease appropriation:		
10000-5100100000-528920	Car pool expense	633,333

Recommendation 19: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the Community Action Partnership in the amount of \$2,375,000, as follows:

Increase estimated revenue:		
21050-5200200000-767220	Fed-other grants	\$1,375,000
21050-5200200000-767440	Fed-ARRA sub-recipient	<u>1,000,000</u>
	Total	2,375,000
Increase appropriations:		
21050-5200200000-536240	Other contract agencies	2,375,000

Recommendation 20: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Library totaling \$957,489, as follows:

Increase estimated revenue:		
21200-1900700000-770830	Communication services	\$322,000
Increase appropriations:		
21200-1900700000-520200	Communications	459,000
21200-1900700000-521360	Maintenance-computer equipment	373,895
21200-1900700000-523620	Books and publications	55,000
21200-1900700000-536240	Other contract agencies	<u>391,594</u>
	Total	1,279,489
Use of fund balance:		
21200-1900700000-321101	Restricted program money	957,489

Recommendation 21: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the Library totaling \$7,704,552, as follows:

Decrease appropriations:		
21200-1100400000-542040	Buildings-capital projects	\$5,450,000
21200-1100400000-546160	Equipment-other	<u>396,000</u>
	Total	5,846,000
Increase fund balance available:		
21200-1100400000-370100	Unassigned fund balance	5,846,000
Decrease appropriations:		
21200-1102200000-521380	Maintenance-copier machines	\$725
21200-1102200000-525300	OASIS processing-financials	952
21200-1102200000-526530	Rent-lease equipment	351,375
21200-1102200000-532660	Capital leases-other	450,500
21200-1102200000-533740	Capital leases-interest	38,000
21200-1102200000-533760	Interest-long term debt	306,000
21200-1102200000-537000	Interfund expense-leases	<u>711,000</u>
	Total	1,858,552

Increase fund balance available:

21200-1102200000-370100	Unassigned fund balance	1,858,552
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Recommendation 22: 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 \$69,298, as follows:

Increase estimated revenue:

10000-1930100000-741080	Exhibit	\$ 1,250
10000-1930100000-776710	Day use	35,000
10000-1930100000-776770	Edward Dean Museum	33,320
10000-1930100000-781560	Contribution from non-county agencies	728
	Total	70,298

Increase appropriations:

10000-1930100000-523270	Special event	1,250
10000-1930100000-527980	Contracts	35,000
10000-1930100000-528500	Project cost expense	33,320
10000-1930100000-529120	Transportation	728
	Total	70,298

Recommendation 23: That the Board of Supervisors approve and direct the Auditor-Controller to make an adjustment decreasing appropriations for the Riverside County Regional Medical Center by \$14,582,302, as follows:

Decrease appropriations:

40050-4300100000-510040	Regular salaries	\$14,582,302
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Decrease use of net assets:

40050-4300100000-380100	Unrestricted net assets	14,582,302
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Recommendation 24: That the Board of Supervisors approve and direct the Auditor-Controller to make an adjustment increasing appropriations in the amount of \$256,394 for Waste Management offset by use of net assets, as follows:

Increase appropriations:

40200-4500100000-546360	Vehicles – buses/heavy equipment	\$130,000
40200-4500100000-524660	Consultants	126,394
		256,394

Use of net assets:

40200-4500100000-380100	Unrestricted net assets	256,394
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Recommendation 25: That the Board of Supervisors authorize Fleet Services to purchase of three mobile units, one truck, and one van, and approve and direct the Auditor-Controller to make budget adjustments increasing appropriations and estimated revenue for Fleet Services totaling \$621,000, as follows:

Increase appropriation:		
45300-7300500000-546300	Vehicles-buses/heavy truck	\$532,000
45300-7300500000-546320	Vehicles-cars/light trucks	<u>89,000</u>
	Total	621,000

Increase revenue:		
45300-7300500000-777620	Vehicle cost recovery	621,000

Recommendation 26: That the Board of Supervisors authorize OASIS to purchase four (4) servers and approve and direct the Auditor-Controller to adjust appropriations by \$100,000, as follows:

Increase appropriations:		
45420-1109200000-546080	Equipment - computers	\$50,000
45420-1109300000-546080	Equipment - computers	<u>50,000</u>
	Total	100,000

Decrease appropriations:		
45420-1109200000-546280	Capitalized software	50,000
45420-1109300000-546280	Capitalized software	<u>50,000</u>
	Total	100,000

Recommendation 27: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations and estimated revenue for the RDA debt service fund totaling \$6,366,921, as follows:

Increase estimated revenue:		
37100-934001-790500	Operating transfers-in	\$1,048,728
37100-934001-791000	Bond proceeds	<u>5,318,193</u>
	Total	6,366,921

Increase appropriations:		
37100-934001-533020	Bond interest	1,048,728
37100-934001-532160	Issuance costs	<u>5,318,193</u>
	Total	6,366,921

Recommendation 28: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations for Parks by \$135,000, as follows:

Increase Appropriations:		
25510-931108-522310	Maintenance-building and Improvement	\$ 15,000
25510-931108-542100	Park buildings	<u>120,000</u>
	Total	135,000

Use of Fund Balance:		
25510-931108-21101	Restricted program money	135,000

Recommendation 29: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments increasing appropriations for Parks in the amount of \$314,000, as follows:

Increase appropriations:		
25400-931104-542060	Improvements – building	\$215,000
25400-931104-527660	Operational marketing	24,000
25400-931104-524660	Consultants	<u>75,000</u>
	Total	314,000
Use of fund balance:		
25400-931104-321101	Restricted program money	314,000

Recommendation 30: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for Parks, as follows:

Increase appropriations:		
25520-931107-536910	Interfund expense – fuel	\$3,500
Use of fund balance:		
25520-931107-321101	Restricted program money	3,500
Increase appropriations:		
33110-931121-537020	Interfund expense – legal services	5,000
Use of fund balance:		
33110-931121-322100	Restricted for Construction/Capital Projects	5,000

Recommendation 31: That the Board of Supervisors approve and direct the Auditor-Controller to make adjustments to appropriations for Parks, as follows:

Decrease estimated revenue:		
25520-931160-740020	Interest-invested funds	\$ 2,000
25520-931160-755190	Off highway vehicle park & recreation	100,000
25520-931160-790600	Contribution from other county funds	<u>49,643</u>
	Total	151,643
Decrease appropriations:		
25520-931160-528120	Board/commission expense	20,000
Use of fund balance:		
25520-931160-321101	Restricted program money	131,643
Increase estimated revenue:		
25440-931160-740020	Interest-invested funds	\$ 2,000
25440-931160-755190	Off highway vehicle park & recreation	100,000
25440-931160-790600	Contribution from other county funds	<u>49,643</u>
	Total	151,643
Increase appropriations:		
25440-931160-528120	Board/commission expense	20,000
Use of fund balance:		
25440-931160-321101	Restricted program money	131,643

Decrease estimated revenue:

25520-931170-740020	Interest-invested funds	\$ 2,300
25520-931170-790500	Operating transfers-in	120,610
25520-931170-790600	Contribution from other county funds	<u>260,000</u>
	Total	382,910

Decrease appropriations:

25520-931170-520115	Uniforms-replacement clothing	1,500
25520-931170-520220	County radio systems	150
25520-931170-520230	Cellular phone	800
25520-931170-520320	Telephone service	200
25520-931170-520800	Household expense	1,000
25520-931170-520845	Trash	500
25520-931170-521420	Maintenance-field equipment	500
25520-931170-521500	Maintenance-motor vehicles	1,500
25520-931170-522310	Maintenance-building and improvement	500
25520-931170-522320	Maintenance-grounds	2,500
25520-931170-526960	Small tools and instruments	500
25520-931170-527140	Welding supplies	500
25520-931170-527720	Safety-security supplies	200
25520-931170-527940	Weed abatement	1,500
25520-931170-528260	Field supplies	1,000
25520-931170-528920	Car pool expense	<u>8,000</u>
	Total	20,850

Use of fund balance:

25520-931160-321101	Restricted program money	362,060
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Increase estimated revenue:

25430-931170-740020	Interest-invested funds	\$ 2,300
25430-931170-790500	Operating transfer-in	120,610
25430-931170-790600	Contribution from other county funds	<u>260,000</u>
	Total	382,910

Increase appropriations:

25430-931170-520115	Uniforms-replacement clothing	\$ 1,500
25430-931170-520220	County radio systems	150
25430-931170-520230	Cellular phone	800
25430-931170-520320	Telephone service	200
25430-931170-520800	Household expense	1,000
25430-931170-520845	Trash	500
25430-931170-521420	Maintenance-field equipment	500
25430-931170-521500	Maintenance-motor vehicles	1,500
25430-931170-522310	Maintenance-Building and Improvement	500
25430-931170-522320	Maintenance-grounds	2,500
25430-931170-526960	Small tools and instruments	500

25430-931170-527140	Welding supplies	500
25430-931170-527720	Safety-security supplies	200
25430-931170-527940	Weed abatement	1,500
25430-931170-528260	Field supplies	1,000
25430-931170-528920	Car pool expense	8,000
25430-931170-536910	Interfund expense – fuel	6,500
	Total	27,350

Decrease use of fund balance:

25430-931170-370100	Unassigned fund balance	\$355,560
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Recommendation 32: *That the Board of Supervisors approve four additional vehicle purchases for CSAs 36, 121, 134, and 143, bringing the total authorizations to 6, and approve and direct the Auditor-Controller to make adjustments to appropriations and estimated revenue for the CSAs, as follows:*

Increase appropriations:

24625-915202-527780	Special program expense	\$165,000
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Use of fund balance:

24625-915202-321101	Restricted program money	165,000
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Increase appropriations:

23375-903601-546320	Vehicles-cars/light trucks	15,000
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Use of fund balance:

23375-903601-321101	Restricted program money	15,000
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Increase appropriations:

24250-912101-546320	Vehicles-cars/light trucks	15,000
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Use of fund balance:

24250-912101-321101	Restricted program money	15,000
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Increase appropriations:

24425-913401-546320	Vehicles-cars/light trucks	22,000
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Use of fund balance:

24425-913401-321101	Restricted program money	22,000
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Increase appropriations:

24550-914301-546320	Vehicles-cars/light trucks	22,000
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Use of fund balance:

24550-914301-321101	Restricted program money	22,000
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Attachment B Resolution 440-8873

BE IT RESOLVED by the Board of Supervisors of the County of Riverside, State of California, in regular session assembled on November 1, 2011, that pursuant to Section 5.A. of Ordinance No. 440, the County Executive Officer is authorized to make the following listed change(s), operative on the date of approval, as follows:

<u>Job code</u>	<u>+/-</u>	<u>Title</u>	<u>Department</u>
54480	-1	House manager	2600100000
15811	1	Buyer 1	2600100000

Attachment C Sales and Use Tax Update

Q2 2011



Riverside County Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Riverside County In Brief

Receipts for second quarter sales in the unincorporated area increased 14.0% compared to the same period of 2010. Actual sales rose 9.1% after factoring out onetime accounting events.

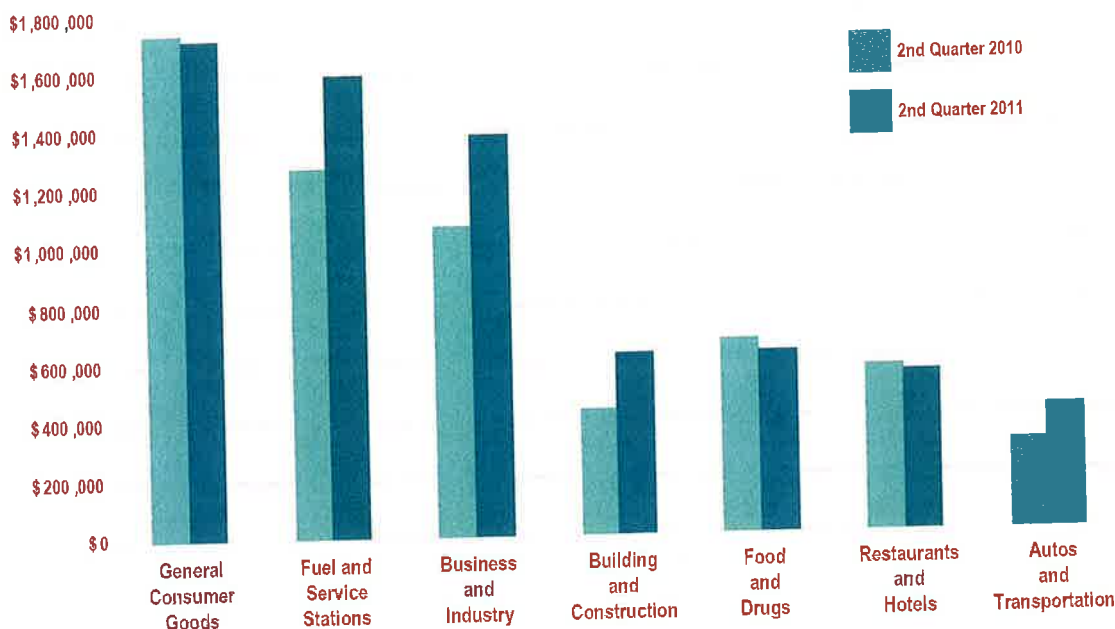
Accounting anomalies that affected one or both quarters understated the impact of recent incorporation-related revenue shifts on all major business groups, except food & drugs and restaurants & hotels.

Adjustments in the year-ago period inflated results from contractor supplies and the heavy industrial sector. Current quarter adjustments overstated returns from grocery-beer/wine, trailers/RVs and specialty retail and exaggerated service station gains from higher fuel prices. Onetime payments provided a lift to some categories in the business & industry group. Sales increased from factory outlet stores, wineries and office equipment.

Receipt of a double-up payment in last year's comparison quarter depressed the comparison for restaurants with no alcohol. Revenue shifts cut returns from grocery-liquor and lumber/building materials.

Adjusted for reporting aberrations, taxable sales for all of Riverside County rose 11.5% over the same period: Southern California totals were up 8.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Le Eve
Arco AM PM	Lennox Industries
Arco Travel Zone Center	Lowes
Blackgold Operations	McMahons RV
Chevron	Mecca Travel Center
Circle K	Subway
Coach	Morongo Shell
Costco	Pilot Travel Centers
Dos Lagos Arco	Ralph Lauren
Edward Don & Company	Stater Bros
French Valley Shell	Vons
G & M Oil	Williams Scotsman
General Electric	
Gucci America	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$6,074,836	\$6,941,399
County Pool	629,086	707,016
State Pool	3,232	(4,060)
Gross Receipts	\$6,707,155	\$7,644,354
Less Triple Flip*	\$(1,676,789)	\$(1,911,089)

**Reimbursed from county compensation fund*

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants. Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

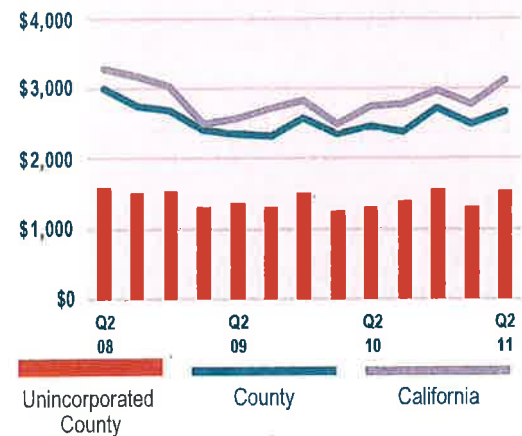
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

SALES PER CAPITA



RIVERSIDE COUNTY TOP 15 BUSINESS TYPES

Business Type	Unincorporated County		County	HdL State
	Q2 '11*	Change	Change	Change
Contractors	388.9	186.1%	24.7%	7.6%
Energy/Utilities	— CONFIDENTIAL —		na	142.2%
Family Apparel	568.4	3.8%	11.0%	12.6%
Grocery Stores Beer/Wine	218.8	17.0%	10.2%	2.2%
Grocery Stores Liquor	244.7	-25.4%	-3.8%	1.5%
Heavy Industrial	121.9	49.5%	22.0%	11.7%
Lumber/Building Materials	150.5	-29.0%	1.7%	1.3%
Office Equipment	147.6	42.8%	81.7%	9.8%
Repair Shop/Hand Tool Rentals	227.9	234.4%	53.9%	11.4%
Restaurants No Alcohol	382.4	-3.4%	1.5%	3.5%
Service Stations	1,572.7	23.2%	25.4%	31.0%
Specialty Stores	270.8	29.4%	29.6%	5.4%
Trailers/RVs	153.7	24.6%	4.2%	-4.6%
Wineries	155.1	18.6%	19.4%	13.2%
Women's Apparel	368.3	28.8%	16.2%	8.9%
Total All Accounts	\$6,941.4	14.3%	11.7%	10.1%
County & State Pool Allocation	703.0	11.2%		
Gross Receipts	\$7,644.4	14.0%		

*In thousands



California Forecast: Sales Tax Trends and Economic Drivers

September 2011

HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's allocation audits and software help clients to maximize revenues.

HdL serves over 335 cities, counties and special districts in California and across the nation.





	2011/12	2012/13
Autos/Transportation	9.2%	6.0%
Vehicle shortages, a lack of manufacturer incentives, economic uncertainty and renewed consumer caution are slowing the pace of sales. However, pent-up demand remains and financing is becoming easier. Analysts expect buyers to return to dealer showrooms in the second half of the year.		
Building/Construction	2.9%	2.5%
Private sector construction activity continues to be depressed. The loss of redevelopment financing and local and state budget cuts will further hamper spending. Stimulus-funded construction activity helped prop up first half results. Housing activity has stabilized but at historically low levels. High unemployment, strict mortgage underwriting and property foreclosures will keep single family homebuilding sluggish through 2013/14. Maintenance of existing homes and repair of foreclosures keeping home improvement chains stable.		
Business/Industry	4.6%	3.5%
Manufacturing has been one of the strongest sectors of the economy in the two years since the recession officially ended. Economic activity in the manufacturing sector expanded in August for the 25th consecutive month with business purchases of technology and computer software being particularly bright spots. However, political paralysis here and economic uncertainties in Europe have recently slowed the rate of growth and new investment.		
Food/Drugs	2.3%	2.0%
Traditional supermarket chains are facing fierce competition from independent operators while at the same time being squeezed by specialty markets on the high end and discounters on the low end. Chains are fighting back with more prepared meals and broader selections of other merchandise.		
Fuel/Service Stations	19.6%	3.0%
Long-term forecasts from oil industry analysts expect that investor activity, world events, increased export of U.S. refinery output to other countries, and growing fuel demand in Asia and South America will keep prices high for U.S. consumers even if domestic gasoline demand declines.		
General Consumer Goods	4.2%	3.5%
Retailers serving the luxury market have fared well since the end of the recession although stock market setbacks may slow this trend. Saturation, new competition and new uncertainties for middle and lower income families have resulted in only modest growth for many discounters. Consumer shifts to online spending are also impacting electronic stores and related brick-and-mortar retailers who are reducing inventories and floor space to better deal with heated price competition from online rivals.		
Restaurants/Hotels	4.2%	4.0%
Hotel occupancy is creeping back following a two-year drought of leisure and business travelers. Despite high fuel prices consumers are expected to boost spending on travel and leisure. Restaurants operators are reporting modest gains with same-store sales and increased customer traffic. New outlets are contributing to gains in the quick and full service restaurant segments.		
State and County Pools	6.9%	6.0%
Private vehicle transactions are up as have been equipment leases and out of state purchases of business equipment and supplies. Tax from out of state purchases under \$500,000 is allocated via use tax allocation pools rather than to place of use.		
TOTAL	6.8%	3.9%

The **Proposition 172** growth factor is **6.5%** for Fiscal Year 2011/12. 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.



	2011/12	2012/13
U.S. Real GDP Growth	2.7%	3.4%

U.S. real gross domestic product has slowed during the first half of 2011, though we remain optimistic about the second half of 2011 and 2012. Much of the recent slowdown in the economy was driven by transitory events like the tsunami in Japan and the tornados in the Midwest that disrupted the automobile supply chain and a spike in oil prices. These effects are already reversing trend with a surge in autos and declining prices at the pump, which should help to bolster real consumer spending.

U.S. CPI Inflation	2.0%	2.6%
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Although inflation has been kept relatively at bay, a lot of fiscal and monetary stimulus was injected into the U.S. economy during and after the Great Recession. The Federal Reserve has kept interest rates low in an effort to help stimulate spending, but eventually this extra liquidity will give rise to upward pressure on prices. We expect inflation to remain relatively stable over the short run, but by 2013 prices are expected to begin growing at a 3% rate.

California Population	38,086,835	38,561,128
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Recently released data from the 2010 Census shows that California grew at a slower pace between 2000 and 2010 than previously reported. The California Department of Finance revised its original growth rate of 13.9% down to 9.9%—a reduction of over 1.3 million residents. But, we forecast that California's population will continue to grow. California's housing market is more affordable than it has been for several years and the high unemployment in neighboring states should alleviate the incentive to migrate out of state.

California Nonfarm Employment	14,188,420	14,508,923
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California's labor markets stumbled slightly in August, but Beacon Economics remains confident that the labor market recovery is underway. Weekly hours in manufacturing remained above 41 per week in the most recent data and workers averaged more than 4 hours of overtime per week. Combined with falling initial claims for unemployment, the leading indicators show that there is still underlying demand for workers in the state. We forecast employment to grow by 1.6% in 2011-12 and by 2.3% next fiscal year.

California Unemployment Rate	11.3%	10.3%
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California's unemployment rate remains stubbornly high at 12.1%. Most of this has been driven by declining labor force statistics, which show that Californians are still relatively pessimistic about their chances of getting work. However, several sectors like professional/business services and education/healthcare have consistently added jobs. The bigger problem from California's labor markets is the skills mismatch. Many of the construction and retail workers who lost their jobs during the downturn are not equipped to take advantage of the growing high-skilled, high-technology jobs in the state. The labor markets will continue to recover, but the skills mismatch will make that process slower than it would otherwise be.

California Median Home Price	\$254,048	\$258,873
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Despite the hype in the news, Beacon Economics is not calling for a double-dip in home prices. In fact, the state's housing market is healthier than it has been in many years. Home prices have fallen to levels that make sense with incomes in the state and interest rates remain very low. This makes affordability conditions some of the best they have been over the past decade. In addition, defaults and foreclosures have been trending downward across the state, which will alleviate some of the downward pressure on home prices moving forward. As a result, we forecast that home prices will begin growing slowly—averaging less than 1% this year and by less than 2% next fiscal year.

California Nonresidential Permit Values (\$ Millions)	\$ 13,397	\$ 14,951
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Despite lackluster gains in the labor market, California has seen some increased demand for new nonresidential structures. Total nonresidential permit values have risen for two straight quarters, and modest growth is forecasted for the next two years as the economy gains steam.

California Single-Family Building Permits	30,016	39,905
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Residential construction remains tepid at best. Although home prices have stabilized and defaults and foreclosures have come down from peaks, there remains an inventory of distressed properties that must be reabsorbed into the system before new construction can begin again in earnest.



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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 Budget Adjustment Regarding Public Health Grant Funding

Following is the budget adjustment detail for Public Health in Recommendation 16:

Increase estimated revenue:		
10000-4200100000-754010	CA-tobacco tax prop 99	\$ 38,910
10000-4200100000-762040	Fed-health grants	83,287
10000-4200100000-767220	Fed-other operating grants	<u>147,000</u>
	Total	269,197
Decrease estimated revenue:		
10000-4200100000-751680	CA-grant revenue	191,124
10000-4200100000-754000	CA-tobacco tax Prop 10	228,073
10000-4200100000-767280	Fed-Federal revenue	<u>102,824</u>
	Total	522,021
Increase appropriations:		
10000-4200100000-510240	Per diem salaries	74,822
10000-4200100000-520250	Communications-equip install	4,000
10000-4200100000-520260	Computer lines	10,765
10000-4200100000-520705	Food	319
10000-4200100000-521380	Maintenance-copier machines	7,250
10000-4200100000-521540	Maintenance-office equipment	375
10000-4200100000-521640	Maintenance-software	2,730
10000-4200100000-523220	Licenses & permits	1,175
10000-4200100000-523600	Audiovisual expenses	500
10000-4200100000-523640	Computer equip non-fixed asset	5,769
10000-4200100000-523800	Printing/binding	1,957
10000-4200100000-524500	Administrative support-direct	242,082
10000-4200100000-525440	Professional services	110,514
10000-4200100000-526700	Rent-lease buildings	71,039
10000-4200100000-527780	Special program expense	3,723
10000-4200100000-528140	Conference/registration fees	7,800
10000-4200100000-528900	Air transportation	12,200
10000-4200100000-528960	Lodging	5,561
10000-4200100000-528980	Meals	4,290
10000-4200100000-529040	Private mileage reimbursement	<u>10,301</u>
	Total	577,172
Decrease appropriations:		
10000-4200100000-510040	Regular salaries	341,725
10000-4200100000-510320	Tap salaries	130,469
10000-4200100000-510360	In-charge pay	2,080
10000-4200100000-510520	Bilingual pay	15,620
10000-4200100000-517000	Workers compensation insurance	756
10000-4200100000-518100	Budgeted benefits	115,442
10000-4200100000-520200	Communications	100
10000-4200100000-520230	Cellular phones	13,288
10000-4200100000-520300	Pager service	100
10000-4200100000-520320	Telephone service	43,125
10000-4200100000-520330	Communication services	8,700
10000-4200100000-520820	Janitorial service	58,000
10000-4200100000-520930	Insurance-liability	212

10000-4200100000-520945	Insurance-property	160
10000-4200100000-521700	Maintenance-alarms	1,000
10000-4200100000-522310	Maintenance-building and improvement	40,000
10000-4200100000-522860	Medical dental supplies	1,100
10000-4200100000-523620	Books/publications	500
10000-4200100000-523660	Computer supplies	5,051
10000-4200100000-523680	Office equip non-fixed asset	2,000
10000-4200100000-523700	Office supplies	4,536
10000-4200100000-523720	Photocopying	5,500
10000-4200100000-523760	Postage-mailing	3,860
10000-4200100000-523780	Printed forms	500
10000-4200100000-524740	County support services	1,589
10000-4200100000-525120	Micrographic services	2,600
10000-4200100000-525220	Pre-employment services	2,000
10000-4200100000-525140	Personnel services	1,023
10000-4200100000-525300	OASIS processing Financials	96
10000-4200100000-525310	OASIS processing HRMS	249
10000-4200100000-525320	Security guard services	12,000
10000-4200100000-526420	Advertising	7,000
10000-4200100000-526720	Rent-lease storage	5,939
10000-4200100000-527840	Training-education/tuition	6,020
10000-4200100000-528920	Car pool expense	23,369
10000-4200100000-528940	Travel-fuel	100
10000-4200100000-529540	Utilities	32,000
10000-4200100000-572800	Intra-misc	(57,813)
	Total	829,996
Decrease estimated revenue:		
22700-4200100000-754000	CA-tobacco tax prop 10	934,106
Increase appropriations:		
22700-4200100000-517000	Workers compensation insurance	756
22700-4200100000-520930	Insurance-liability	212
22700-4200100000-520945	Insurance-property	160
22700-4200100000-524500	Administrative support-direct	7,975
22700-4200100000-524740	County support services	1,589
22700-4200100000-525140	Personnel services	1,023
22700-4200100000-525300	OASIS processing financials	96
22700-4200100000-525310	OASIS processing HRMS	249
	Total	12,060
Decrease appropriations:		
22700-4200100000-510040	Regular salaries	443,239
22700-4200100000-510520	Bilingual pay	1,879
22700-4200100000-518100	Budgeted benefits	188,815
22700-4200100000-520230	Cellular phones	7,564
22700-4200100000-520260	Computer lines	1,481
22700-4200100000-520320	Telephone services	18,375
22700-4200100000-520330	Communication services	400
22700-4200100000-520705	Food	5,000
22700-4200100000-521380	Maintenance-copier machines	2,290
22700-4200100000-521540	Maintenance-office equipment	272
22700-4200100000-521640	Maintenance-software	770

22700-4200100000-521700	Maintenance-alarms	114
22700-4200100000-522310	Maintenance-buildings and improvement	226
22700-4200100000-523100	Memberships	200
22700-4200100000-523220	Licenses & permits	75
22700-4200100000-523600	Audiovisual expense	1,100
22700-4200100000-523620	Books/publications	1,100
22700-4200100000-523640	Computer equip non-fixed asset	5,750
22700-4200100000-523660	Computer supplies	1,350
22700-4200100000-523680	Office equip non-fixed asset	200
22700-4200100000-523700	Office supplies	9,050
22700-4200100000-523720	Photocopying	2,000
22700-4200100000-523760	Postage-mailing	5,283
22700-4200100000-523800	Printing/binding	7,600
22700-4200100000-523840	Computer equipment-software	1,344
22700-4200100000-525320	Security guard services	785
22700-4200100000-525440	Professional services	9,127
22700-4200100000-526700	Rent-lease buildings	71,039
22700-4200100000-526720	Rent-lease storage	1,670
22700-4200100000-526960	Small tools & instruments	27,232
22700-4200100000-527780	Special program expense	8,465
22700-4200100000-527840	Training-education/tuition	21,875
22700-4200100000-528140	Conference/registration fees	1,555
22700-4200100000-528900	Air transportation	5,374
22700-4200100000-528920	Car pool expense	8,093
22700-4200100000-528960	Lodging	5,257
22700-4200100000-528980	Meals	1,180
22700-4200100000-529000	Misc-travel expense	330
22700-4200100000-529040	Private mileage reimbursement	7,879
22700-4200100000-529060	Public service transportation	220
22700-4200100000-529080	Rental vehicles	479
22700-4200100000-529540	Utilities	12,111
22700-4200100000-536720	Interfund expense-admin support	54,234
22700-4200100000-537240	Interfund expense-utilities	3,014
22700-4200100000-536780	Interfund expense-capital projects	770
	Total	946,166
Increase estimated revenue:		
21770-4200100000-767220	Fed-other operating grants	224,143
Increase appropriations:		
21770-4200100000-510040	Regular salaries	17,343
21770-4200100000-518100	Budgeted benefits	4,282
21770-4200100000-520200	Communications	1,746
21770-4200100000-520230	Cellular phones	762
21770-4200100000-520250	Communications-equip install	9,502
21770-4200100000-520330	Communication services	249
21770-4200100000-520340	Equip – vehicle communications	420
21770-4200100000-521560	Maintenance-other	1,839
21770-4200100000-521660	Maintenance-telephone	112
21770-4200100000-522310	Maintenance-building and improvement	20,314
21770-4200100000-522860	Medical dental supplies	39,767
21770-4200100000-523640	Computer equipment non-fixed asset	13,197

21770-4200100000-523680	Office equip non-fixed asset	31,905
21770-4200100000-523760	Postage-mailing	20,080
21770-4200100000-523840	Computer equipment-software	11,850
21770-4200100000-524820	Engineering service	1,909
21770-4200100000-526530	Rent-lease equipment	680
21770-4200100000-526720	Rent-lease storage	6,135
21770-4200100000-527180	Operational supplies	15,209
21770-4200100000-527780	Special program expense	11,294
21770-4200100000-527840	Training-education/tuition	4,989
21770-4200100000-528920	Car pool expense	2,374
21770-4200100000-529040	Private mileage reimbursement	178
21770-4200100000-546160	Equipment-other	<u>8,007</u>
	Total	224,143

Attachment E Quarterly Retired Fleet Vehicle Report

Units Sold by Departments 4/1/2011 to 9/30/2011	
NAME	Total
AGRICULTURAL COMMISSIONER	2
AUDITOR-CONTROLLER	1
BOARD OF SUPERVISORS	1
COMMUNITY HEALTH AGENCY	4
COUNTY FARM DISPATCH	1
DEPT OF CHILD SUPPORT SERVICES	1
DEPT OF COMMUNITY ACTION	1
DISTRICT ATTORNEY	2
DPSS	5
EDA-ADMINISTRATION	2
PROBATION	1
PURCHASING AND FLEET SERVICES	2
RIDESHARE VEHICLES	3
RIVERSIDE DISPATCH	1
RUBIDOUX DISPATCH	1
SHERIFF	59
TLMA	1
TLMA CODE ENFORCEMENT	3
TRANSPORTATION	1
Grand Total	92

Units Pending Sale By Department	
NAME	Total
DPSS	1
PURCHASING AND FLEET SERVICES	1
SHERIFF	3
Grand Total	5

