

## EXECUTIVE SUMMARY

In this final budget, the Board will add \$12.8 million and 262 positions for its highest commitment: jail system expansion. Between this and the previous two budgets, the Board has approved and funded the \$144 million 800 MHz program, approved the sale of \$271 million in tobacco securitization bonds for hub jail construction, approved 473 new correctional staff, approved and funded the \$79 million expansion of the Smith Correctional facility, and approved the initiation of a dramatic expansion of the Ben Clark training facility.

During this same period (FY 06/07, 07/08 and 08/09 budgets), the Board has demonstrated its continued commitment to the District Attorney by adding \$23.9 in ongoing general fund support, approving 328 new positions, taking the steps necessary to either buy or build new downtown office space for the department, and approving a new multi-million dollar lease for office space in the southwest county.

The Board's continuing commitment to all public safety is evident in the FY 08/09 final budget, where the Sheriff, District Attorney, Fire, Code Enforcement and Animal Services have substantial increases in funding.

Board priorities at this time call for a balance between sustaining critical services and avoiding a persistent structural budget deficit. Maintaining financial benchmarks and eliminating the county's current cyclical deficit are key objectives which will formulate the foundation of future budget strategies. The FY 08/09 final budget recognizes additional discretionary revenue (\$26.1 million), additional beginning fund balance (\$8 million), funding for board commitments identified during budget hearings (\$43.8 million), and the use of reserves (\$21.8 million). The net effect is a 35 percent reduction of the county's structural deficit.

The Executive Office continues its practice of using the most current available data to update general fund revenue expectations. Following budget hearings, the Treasurer-Tax Collector and the Executive Office developed and refined a model of tax loss reserve funds (TLRF) based on tax delinquencies and the latest assessed values. The model makes use of the correlation between TLRF revenue and the economy. As the economy improved during the late 1990's and early 2000's, TLRF revenue declined. Over the past three years the size of the TLRF program has increased about 300 percent. Over the next five years, this increase in program capacity and the downturn in the economy are expected to generate about \$15 million per year over prior projections.

The Treasurer has also examined his interest earnings projections to bring them in line with the most current market conditions. Most economists now believe that the Federal Reserve has completed its interest rate cuts for this cycle. Assuming that Fed Funds do not dip lower than the current level of two percent, the new estimate of interest earnings is \$27.5 million as opposed to the proposed budget estimate of \$23.2 million. It should be noted that final earnings will be affected by delays in payments from the state and the Treasurer's forecast does include some planned reduction in cash balances. The Executive Office and the Treasurer will monitor earnings closely and report any changes, if needed, on a quarterly basis.

Following budget hearings, Board priorities were applied to departments' requests for funding. Those priorities included continued strong support for public safety. Per Board direction during budget hearings, requests from the Sheriff's Department and District Attorney's Office were given high priority. Sustaining services in Code Enforcement, Probation, Animal Services, and the Fire Department, also weighed heavily into final budget recommendations.

The Assessor-Clerk-Recorder has computed the FY 08/09 assessed values and the impact of Proposition 8 property reductions. Preliminary data suggests that an increase, in the range of one percent, is possible. The Executive Office recommends this be recognized and held in contingency to reduce the structural deficit. At first quarter, first priority funding should be allocated to other unfunded needs and the reduction of the budget deficit. In addition, it will be critical to fund additional public defenders to maintain balance in the criminal justice system. The Executive Office will monitor this and other likely sources of additional revenue, such as additional FY 07/08 ending fund balance resulting from departmental savings, and will advise the Board. This incremental adjustment is an example of the close monitoring now in the budget process.

Should the economy continue to slow, there will be no new revenue next fiscal year to fund expanded services; there could be a loss of revenue. The Executive Office's intent in approaching the budget has been neither to increase revenue estimates ahead of known conservative levels, until realized, nor to increase the structural deficit by using one-time funds to cover ongoing costs. Department heads should therefore manage spending to prevent any additional demand on the general fund, and hold general fund budget requests until each quarterly report so that they can be evaluated in the context of the latest economic data, departmental needs, and any new resources.

Fiscal year 08/09 beginning fund balances reported in budget schedules 1-3 and 13-15 (Attachment D) will be updated for the printing of the final budget when the year is officially closed and year-end balances are certain.

As of the date of this summary, the state budget had not been finalized. The Executive Office will analyze the final state budget's impact on Riverside County and return to the Board during the first quarter with proposed budget adjustments, if needed. We have maintained substantial reserves as a hedge against the state budget uncertainty.

## FINAL BUDGET CHANGES – Items Raised at Budget Hearings

Public safety cost of living allowances are given first priority each budget year. Actions the Board requested during budget hearings – approving public safety staff – will significantly increase future county costs.

### **Agricultural Commissioner**

The Executive Office recommends that CIP funding, totaling \$105,922, be redirected to the Agricultural Commissioner to fund lease costs for their new desert location. The Agricultural Commissioner's Office is being relocated from the Indio CAC into lease space and requires funding to offset monthly rental costs. In addition, \$50,440 in one-time costs is recommended

for the weights and measures division, to purchase specialized equipment to perform tests for field operations at the Indio Office. Without this equipment the county is subject to losing state funding to perform contracted services.

### **Animal Control Services**

The Executive Office recommends restoring funds (\$490,610) for shelter services to the public six days a week. Enforcement services were not reduced. The department recently proposed an administrative citation program which will reduce the need to refer citations to the superior court for criminal prosecution. This process will provide the department with \$300,000 in additional revenue as citation fees will be collected and retained by the department rather than retained by the superior court.

### **Auditor-Controller**

The Executive Office recommends one-time funding for computers and a new copier. Additional beginning fund balance (\$111,500) will be used to fund this request in the final budget. In addition, CIP funding totaling \$276,000 will be redirected to the Internal Audits Unit to fund lease costs at the new location in the Riverside Centre building.

### **Code Enforcement**

The Executive Office recommends funding a negotiated balance of Code Enforcement's first policy item totaling \$635,343. A review of the department's baseline budget submittal and the policy item was conducted after budget hearings and it was determined that these funds are needed to support operations for the coming fiscal year. Enforcement was not reduced.

### **County Counsel**

The Executive Office recommends funding County Counsel's first policy item totaling \$50,517. A review of the department was conducted after budget hearings and it was determined that these funds are needed to support operations for the coming fiscal year. County Counsel's budget was also increased to reflect funding for three new attorneys for the juvenile division in the amount of \$400,000. County Counsel will bill the Department of Public Social Services for the full cost; therefore, there is no increase in net county cost for these positions.

### **Cooperative Extension**

The Office of Cooperative Extension is being relocated from the Indio CAC into lease space and requires a budget adjustment to offset monthly rental costs. The Executive Office recommends redirecting CIP funding totaling \$133,200 to Cooperative Extension to fund lease costs at the new location.

### **Department of Public Social Services**

The Executive Office recommends that funds held in the DPSS realignment designation (\$5.3 million) be drawn down to support service levels achieved as a result of additional social workers hired in FY 07/08. DPSS anticipates that it will be able to obtain an increase in state allocation to fund these costs in the future. This funding will be used in an effort toward attaining staffing levels consistent with other counties and SB2030 recommended levels.

In addition, the Executive Office recommends that funds held in the CalWORKs designation (\$4.9 million) be drawn down to maintain current service levels for DPSS assistance programs.

DPSS will report back to the Board on the availability of state funding to cover future costs and the ability to sustain service levels in future years. However, in the event funding is not available from the state, service levels will be reduced. We should be cautious not to backfill state cuts.

DPSS has now determined that there is fund balance available in the homeless fund to maintain existing programs. No additional general fund support is needed at this time.

### **District Attorney**

The Executive Office recommends allocating ongoing funds totaling \$4,444,574 for the District Attorney in order to 1) fund 72 new positions as requested during budget hearings – to be hired the last quarter of the fiscal year, and 2) fund authorized vacant positions. Budget adjustments have been incorporated into the final budget. Target levels of salary savings should be monitored by the District Attorney's Office to meet budget planning.

### **Fire Protection**

The Executive Office recommends in the final budget \$4 million of new funding for continued staffing and operation costs for the West Riverside second roll engine, two hazardous material response units (for Station 34 and Station 81) and two breathing support units. Funding these services will maintain high levels of public and fire fighter safety.

### **Contract Indigent Defense**

Included in the final budget is an additional \$1.3 million for contract attorneys assigned to the new vertical calendaring program. This will continue funding for 11 new defense attorneys now appearing in the expanded criminal calendar courts in Riverside, Indio and Southwest, as part of the Court's backlog reduction effort.

### **Interest on TRANS**

The yearly sale of short-term notes for county cash-flow management is complete. Interest rates are lower this year than last and the county borrowed \$5 million less than last year. Most of the savings was anticipated and included in the proposed budget; still, there is an additional net county cost savings of \$250,000 incorporated in the final budget.

### **Mental Health**

Funds have been reserved to maintain the OASIS treatment program, pending resolution of contract negotiations.

### **Office on Aging**

The Office on Aging requested that the Board reinstate the 5 percent cut allocated in the Agency's proposed budget for Fiscal Year 08/09. That cut, along with a funding reduction from federal and state government, would affect the department's ability to sustain funding and service levels for its nutrition program. If this 5 percent cut is restored, it will allow Office on Aging to sustain service levels and help maintain a stable nutrition program for Riverside County seniors.

### **Probation**

The Executive Office recommends in the final budget allocating \$555,328 in ongoing funds for five senior probation officers as requested during budget hearings for the expanded superior court vertical calendar program. All in all, vertical calendar program funding – between Probation, the District Attorney, and contract indigent defense – is about \$2.8 million this year.

### **Sheriff's Department**

The Executive Office recommends allocating additional funds totaling \$4,444,574 to support the list of priority items requested by the Sheriff during budget hearings. The Sheriff should prioritize his budget requests to that amount, giving first priority to the 1.2/1000 patrol ratio and a tribal liaison lieutenant position. Also included in the final budget is \$635,000 in one-time funds for aircraft maintenance.

Jail expansion funding is also sustained in the final budget for: 22 staff and expanded support services (\$1,787,135), 35 staff for training center operations (\$1,765,493), an additional 155 staff at the Smith Correctional Facility (\$6,486,319), and 50 additional staff associated with the third and last phase of the California Correction Standards Authority Study (\$2,785,630).

TASIN (tribal grant) funds are not backfilled in the Sheriff's or the District Attorney's budgets. Funds have been appropriated for the Hadley building purchase.

### **Veterans' Services**

The Executive Office recommends allocating \$41,831 to cover the cost of providing services and the relocation of Veterans' Indio operations. Absent this funding, Veterans' Services would experience substantial challenges in maintaining service levels.

## FINAL BUDGET FUNDING SUMMARY

Table 1, below, illustrates the funding mechanisms utilized to support recommended adjustments in the final budget.

<b>Table 1</b>				
<b>Summary of Funding Mechanisms for Final Budget</b>				
Department	New Discretionary Revenue	Additional Beginning Fund Balance	Board Designations	Total Funding
Agricultural Commissioner	\$105,922	\$50,440		\$156,362
Animal Control Services	490,610			490,610
Auditor-Controller	276,000	111,500		387,500
County Counsel	50,517			50,517
Capital Projects	(515,122)		\$4,000,000	3,484,878
Code Enforcement	635,343			635,343
Cooperative Extension	133,200			133,200
DPSS			10,122,767	10,122,767
District Attorney	4,444,574			4,444,574
Fire Protection	4,000,000			4,000,000
Indigent Defense	1,320,000			1,320,000
Office on Aging	77,137			77,137
Probation	555,328			555,328
Sheriff's Department				
Tribal liaison lieutenant	152,228			152,228
Expanded Personnel Svcs	1,787,135			1,787,135
Training Center Expansion	1,765,493			1,765,493
Corrections staff		1,553,965	7,717,984	9,271,949
Aircraft maintenance		635,000		635,000
East Transportation Prog.	131,229			131,229
Patrol	4,161,117			4,161,117
Veterans' Services	41,831			41,831
Totals	<u>\$19,612,542</u>	<u>\$2,350,905</u>	<u>\$21,840,751</u>	<u>\$43,804,198</u>

Table 2, below, reflects the Board designations impacted in support of the recommended budget adjustments.

<b>Table 2 Funding from Board Designations for Final Budget Recommendations</b>					
<b>Department</b>	<b>Capital Project Designation</b>	<b>Jail Staffing Designation</b>	<b>DPSS CalWorks Designation</b>	<b>DPSS Realignment Designation</b>	<b>Total Funding</b>
Capital Projects	\$4,000,000				\$4,000,000
DPSS					
Protective Services				\$5,258,442	5,258,442
Assistance Program			\$4,864,325		4,864,325
Sheriff Department					
Expanded corrections staff		7,717,984			7,717,984
<b>Totals</b>	<b>\$4,000,000</b>	<b>\$7,717,984</b>	<b>\$4,864,325</b>	<b>\$5,258,442</b>	<b>\$21,840,751</b>

## TECHNICAL ADJUSTMENTS

It is not unusual for departments to submit requests for budget adjustments that do not impact the general fund. These routine adjustments are incorporated in the final budget and described in more detail below.

### Capital Project Fund

Four projects were late additions into the capital improvement program (CIP) and were not incorporated into the FY 08/09 proposed budget. The Executive Office recommends budget adjustments for: 1) one-time funds promised to the hospital, being held in the CIP fund for the information system project (\$6.6 million), 2) the purchase of 10 acres in Bermuda Dunes from the Christian School of the Desert (\$5.3 million), 3) the building purchase for the multi-service homeless project (\$4.9 million), and 4) the Hadley building purchase (\$4 million). The Bermuda Dunes land purchase and the multi-service building purchase will be financed by bonds scheduled to be sold in September; the CIP fund will make the purchases and be reimbursed with interest once the bond sale is final. None of these projects require any new general fund cash.

### Contributions to Other Funds

This budget unit has been updated to reflect \$4 million in appropriations to be transferred to the capital project fund for the purchase of the Hadley building. Also, a reduction in capital project funding (\$515,122) is reflected in this budget unit to recognize recommended funding for Auditor-Controller, Agricultural Commissioner, and Cooperative Extension lease space.

**Facilities Management**

The Maintenance division budget requires an adjustment to correct for overstated appropriations. In addition, the Design & Construction division inadvertently eliminated appropriations for temporary assistance. These technical adjustments reduce net county cost by \$105,872 and have been incorporated into the final budget.

**Tobacco Securitization**

A new fund (30120) was set up for tobacco securitization funds after the FY 08/09 budget process had begun. This fund will capture hub jail construction costs. A budget for this fund was inadvertently omitted from the proposed budget, so an adjustment totaling \$26 million will be incorporated into the final budget.

**FINAL BUDGET CONTINGENCY SUMMARY**

In accordance with Board policy, the recognition of additional ongoing discretionary revenue requires an increase in the contingency budget. The Board’s benchmark for contingency is 4 percent of ongoing discretionary revenue. The Executive Office recommends increasing appropriations for contingency by \$6.9 million which puts contingency above the four percent target and reduces the current structural budget deficit. Contingency in the final budget is funded at \$34.8 (Table 3). Requests for use of contingency will be brought to the Board during each quarterly report.

<b>Table 3</b> <b>Final Budget Contingency Update</b> <b>(in millions)</b>	
Contingency approved in FY 08/09 proposed budget	\$27.9
Final budget additions:	6.9
Final budget cancelations:	0.0
Total appropriations for contingency:	\$34.8

**GENERAL FUND BEGINNING FUND BALANCE**

The amount of year-end unreserved fund balance assumed to be available for the new budget was \$30 million (Table 4). Between the proposed budget and the final budget, \$8 million in additional fund balance was identified. The actual amount of the general fund’s beginning balance will depend on final year-end cost savings and realized income. The Board will receive an update on the closing position during the first quarter of the new year.

**Table 4**  
**General Fund Estimated Beginning Fund Balance**  
**(in millions)**

Budgeted beginning balance assumed (Proposed Budget):	\$30.0
Final budget adjustments	<u>8.0</u>
Final budget beginning balance assumed:	<u><u>\$38.0</u></u>