



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

GREG COX
First District

DIANNE JACOB

Second District

PAM SLATER
Third District

RON ROBERTS
Fourth District

BILL HORN
Fifth District

DATE: December 9, 2003

TO: Board of Supervisors

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET
ADJUSTMENTS (District: All)

SUMMARY:

Overview

This First Quarter Report is set within the backdrop of significant challenges and recent events that have had and will continue to have a profound impact upon the County of San Diego in Fiscal Year 2003-04 and beyond.

- In October 2003 the Firestorm 2003, considered to be the worst fire in the history of San Diego County, has focused government, public and media attention upon the needs of the fire victims throughout the region and on solutions to prevent a recurrence.
- The State's multi-year budget imbalance continues to be a huge concern. Uncertainties pertaining to the outcome of legal challenges to the issuance of bonds to finance the State's budget deficit along with the uncertainties surrounding the relationship of the newly elected governor and his administration to the legislature place many State funded as well as County discretionary services at risk this fiscal year.
- It is clear that long-term State budget structural reforms are necessary and likely. The State's economy has made modest gains, but it is unlikely that the State can grow out of the budget problems over the next few years. As with the solutions to the immediate State budget problems, it is highly likely that these structural reforms will impact both State funded services and resources used to provide local discretionary services.

The fund balance projections that are shown in the attached summary represent a "before" snapshot, in that most of them were prepared prior to the outbreak of the disastrous fires and before the November 17th rollback of the vehicle license fee. This "before" snapshot shows a modest year-end fund balance of \$63.0 million for the General Fund. We've chosen to use this projection rather than attempt to update it based on these significant events for two reasons. One is to provide a benchmark of what would otherwise be the case, and the other is that we don't have sufficient data to prepare a defensible alternative. The data show that we have some flexibility to absorb

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET ADJUSTMENTS (District: All)

one-time added expenses or revenue losses, but not without impacting long-range facility and service delivery plans. We need to focus our attention on positioning the County to best deal with both unexpected expenses as well as the possibility of losing significant amounts of vehicle license fees. Because of your Board's fiscally prudent leadership, this County is better situated than most other counties in the State, but that does not mean that our choices will be easy.

This letter also recommends budget adjustments to establish appropriations from available Fiscal Year 2002-03 fund balance to offset Quality First payments earned by employees.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Accept the Fiscal Year 2003-04 first quarter report on projected year end results.
2. Direct the Chief Administrative Officer to return to the Board after the Governor releases his Proposed Budget for Fiscal Year 2004-05 with a recommended course of action for funding fire recovery activities and for dealing with the potential loss of at least two-thirds of the County's Vehicle License Fee revenues in the current fiscal year.
3. Waive Board Policy A-91, Mid-Year Budget Changes.
4. Establish Appropriations of \$13,675,487 in Salaries and Benefits for Quality First payments, based on the Public Safety's Group's Fiscal Year 2002-03 available fund balance as follows: District Attorney, \$1,667,916; Medical Examiner, \$161,645; Public Defender, \$651,000; Public Safety Group Executive Office, \$41,781; Office of Emergency Services, \$25,377; Sheriff, \$6,056,198; Community Law Enforcement Review Board (CLERB), \$13,474; Alternate Public Defender, \$241,352; Probation, \$3,204,339 and Child Support Services, \$1,612,405. (4 VOTES)
5. Establish Appropriations of \$1,732,478 in Salaries and Benefits for Quality First payments, based on the Land Use and Environment Group's Fiscal Year 2002-03 available fund balance as follows: Agriculture, Weights and Measures, \$256,806; Environmental Health, \$537,861; Farm and Home Advisor, \$9,316; Parks and Recreation, \$338,069; Planning and Land Use, \$472,600; Public Works-General Fund, \$56,200 and Executive Office, \$61,626. (4 VOTES)
6. Establish appropriations of \$85,000 in the Wastewater Management Enterprise Fund for Quality First payments based on fund balance available. (4 VOTES)
7. Amend the Fiscal Year 2003-04 Department of Public Works Airport Enterprise Fund Spending Plan to increase appropriations in the amount of \$65,000 for Quality First payments, based on fund balance available in the Airport Enterprise Fund.

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET ADJUSTMENTS (District: All)

8. Establish appropriations of \$309,000 in Salaries and Benefits for Quality First payments, based on Fiscal Year 2002-03 available fund balance in the Air Pollution Control District. (4 VOTES)

9. Establish appropriations of \$279,979 in Salaries and Benefits for Quality First payments, based on FY 2002-03 Community Services Group available fund balance as follows: Community Services Executive Office, \$24,864; Department of Animal Services, \$176,250 and Registrar of Voters, \$78,865. (4 VOTES)

10. Establish appropriations of \$178,029 in Salaries and Benefits for Quality First payments in Housing and Community Development based on unanticipated revenue from the Department of Housing and Urban Development. (4 VOTES)

11. Establish appropriations of \$385,433 in Salaries and Benefits for Quality First payments in the County Library based on FY 2002-03 Library Fund available fund balance. (4 VOTES)

12. Establish appropriations of \$2,032,000 in salaries and benefits for Quality First payments, based on Fiscal Year 2002-03 available Finance and General Government Group fund balance as follows: Assessor/Recorder/County Clerk, \$780,000; Auditor and Controller, \$570,000; Chief Administrative Office, \$49,000; Civil Service Commission, \$9,000; Clerk of the Board, \$54,000; County Counsel, \$140,000; County Technology Office, \$47,000; Treasurer/Tax Collector, \$172,000 and Human Resources, \$211,000. (4 VOTES)

13. Establish appropriations of \$49,000 in the Department of Media and Public Relations in Salaries and Benefits for Quality First payments based on Fiscal Year 2002-03 available CATV Special Revenue Fund balance. (4 VOTES)

Fiscal Impact

The funds for this request are not budgeted. If approved, these actions will establish additional appropriations of \$18,791,406 in Salaries and Benefits in various departments for the Quality First Program. The funding sources are fund balance in various funds as follows: General Fund, \$17,719,944; Wastewater Management Enterprise Fund, \$85,000; Airport Enterprise Fund, \$65,000; Air Pollution Control District, \$309,000; County Library Fund, \$385,433; and the Cable Television Fund, \$49,000; and federal housing and urban development revenues of \$178,029.

Business Impact Statement

N/A

Advisory Board Statement

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET ADJUSTMENTS (District: All)

N/A

BACKGROUND:

Fiscal Year 2003-04 Fund Balance Projections

For the General Fund, the first quarter projection of year-end fund balance is \$63.0 million, made up of an estimated \$37.3 million shortfall in General Purpose Revenues, \$24.2 million in savings from departmental operations, and \$76.1 million in unspent Contingency and Management Reserves. The projected balance for all other funds combined is \$31.8 million. Schedule A summarizes the fund balance projections by Group. The Notes to Schedule A explain variances from budget. Schedule B shows the projected General Fund fund balance by Group split between operating and reserve balances.

The \$37.3 million general purpose revenue loss is primarily due to a shortfall of \$38.5 million (from a budgeted level of \$195.0 million) in Vehicle License Fee (VLF) revenue due to the State Budget eliminating the backfill after the fee restoration trigger was pulled in June, 2003. There was to be no backfill for the months of July through September, but in addition, the amount of VLF revenues going to Realignment was to be kept whole thereby reducing for that quarter the already lowered level of general purpose VLF. The loss of backfill for those three months is considered to be a "loan" from counties and cities and is supposed to be paid back in FY 2006-07. Vehicle owners were required to resume paying the full amount due on October 1, 2003, which would have returned VLF revenues to their normal monthly levels. Since then, the trigger has been reversed by Governor Schwarzenegger, but as of this writing, the legislature has not responded with a proposal to backfill the loss of this critical local government revenue. One bill, SBX5, has been introduced by Senator Brulte that would appropriate \$3.625 billion to backfill the VLF to cities and counties. That amount is intended to fund both the general purpose and Realignment VLF backfills from November through June, but based on the State's calculations, the \$3.625 billion would fall short of the total amount needed by \$425 million. That additional amount would also be paid back in FY 2006-07. We are currently attempting to reconcile the State's figures with our budgeted amounts to determine what impact the additional \$425 million "loan" might have on both general purpose and Realignment VLF revenues for FY 2003-04, but it could mean the loss of several million dollars more than the \$38.5 million in general purpose VLF revenues noted above as well as an unexpected loss of a few million dollars in Realignment VLF revenues. Without the backfill to general purpose VLF, the County stands to lose \$138.5 million of the \$195 we budgeted for Fiscal Year 2003-04. Realignment VLF would fall short by \$47.4 million out of the \$94.4 million budgeted. Governor Schwarzenegger has asked that the VLF backfill be included in a \$15 billion deficit bond measure that he proposes be on the March ballot as a substitute for the \$10.7 billion deficit bond financing plan that was part of the State's FY 2003-04 budget balancing technique that has been challenged in court. There is a deadline of December 5th to file this measure, but again, as of this writing, the legislature has not responded to the Governor's request. The risks to the County from a stalemate are significant. Further, if the deficit bond measure makes it to the ballot in March, it still has to be approved by two-thirds of the voters. If it is not approved, the State will be out of cash and both State and local government services will be severely disrupted.

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET ADJUSTMENTS (District: All)

Firestorm 2003

With respect to the historic fires, we can be extremely proud of the excellent performance by County staff as the disaster unfolded and during this early recovery period. County staff have assisted fire victims to assess their losses and to understand the rebuilding process, and have been tirelessly scoping the extent of public infrastructure damage and guarding against erosion as we move into the rainy season. The Federal Emergency Management Agency (FEMA) has been extremely helpful to us as we navigate the disaster assistance process. We expect to have a clearer picture of the costs once damage assessments are refined over the next few weeks. We expect a large portion of the extraordinary expenses to be reimbursed by FEMA and the State of California, but the County will be responsible for paying for repairs up front with reimbursement being provided during a future fiscal year. Fronting the costs means that both general and non-general fund resources will be impacted and we will need to determine the combination of funding sources to use. Our options include diverting resources from budgeted activities, and using Management Reserves, the Contingency Reserve, the General Reserve or potentially the Environmental Trust Fund. Further complicating these choices is the potential for losing a significant portion of our VLF revenues as discussed above. A separate report regarding budgetary actions necessary to respond to this historic disaster and to respond to the loss in VLF revenue will be presented to the Board after the Governor's Proposed Budget is published in January.

California's Long Term Budget Outlook

The State's budget crisis is not likely to be resolved soon. The Legislative Analyst's Office has estimated a budget shortfall of approximately \$14.0 billion for Fiscal Year 2004-05 with the roll back of Vehicle License Fees and assuming the deficit financing plan for FY 2003-04 succeeds. The State of California's budget crisis, which began in FY 2001-02, is fueled largely by a decline in taxable income. The decline in taxable income is directly related to the weakened economy and the huge stock market declines that occurred beginning in March, 2000. The continued intertwining of State programs with local discretionary revenues means that the protracted period that is expected for the State to grow out of its budget crisis also becomes a protracted period of uncertainty for the County and residents to whom we deliver services. Structural reforms are clearly necessary to stabilize expectations for revenues and for the County to be able to responsibly plan for meeting our residents' needs.

Recommendation 3

A waiver of Board Policy A-91, Mid-Year Budget Changes is requested for the mid-year appropriation of funds.

Recommendation 4

This request will establish appropriations in the various departments in the Public Safety Group for the Quality First payout based on available Fiscal Year 2002-03 fund balance.

Recommendation 5

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET ADJUSTMENTS (District: All)

This request will establish appropriations in the various departments in the Land Use and Environment Group for the Quality First payout based on available Fiscal Year 2002-03 fund balance.

Recommendation 6

This request will increase appropriations the Wastewater Management Enterprise Fund for the Quality First payout based on fund balance available.

Recommendation 7

This request will amend the Fiscal Year 2003-04 Department of Public Works Airport Enterprise Fund Spending Plan to cover costs for the Quality First Program, based on fund balance available in the Airport Enterprise Fund.

Recommendation 8

This request will increase appropriations in the Air Pollution and Control District for the Quality First payout based on available Fiscal Year 2002-2003 fund balance.

Recommendation 9

This request will establish appropriations in the various departments in the Community Services Group for the Quality First payout based on available Fiscal Year 2002-03 fund balance.

Recommendation 10

This request will establish appropriations of \$178,029 to fund Quality First payments in the Department of Housing and Community Development.

Recommendation 11

This request will establish appropriations of \$385,433 to fund Quality First payments in the County Library Fund based available on FY 2003-03 fund balance.

Recommendation 12

This request will establish appropriations in the various departments in the Finance and General Government for the Quality First payout based on available Fiscal Year 2002-03 fund balance.

Recommendation 13

This request will establish appropriations in the Department of Media and Public Relations for Quality First payments based on available Fiscal Year 2002-03 fund balance.

Linkage to the County of San Diego Strategic Plan

The County is fully committed to using its resources to meet the highest priority needs of its residents as identified in the FY 2003-04 Budget and outlined by our three Strategic Initiatives – Kids, Environment and Safe and Livable Communities.

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET
ADJUSTMENTS (District: All)

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET ADJUSTMENTS (District: All)

AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

COUNTY COUNSEL REVIEW	<input checked="" type="checkbox"/> Yes	
Written Disclosure per County Charter Section 1000.1 Required	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
GROUP/AGENCY FINANCE DIRECTOR	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> N/A
CHIEF FINANCIAL OFFICER	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> N/A
Requires Four Votes	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
GROUP/AGENCY INFORMATION TECHNOLOGY DIRECTOR	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A
COUNTY TECHNOLOGY OFFICE	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A
DEPARTMENT OF HUMAN RESOURCES	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A

Other Concurrence(s): N/A

ORIGINATING DEPARTMENT: Auditor and Controller

CONTACT PERSON(S):

William J. Kelly, Chief Financial Officer

Janel Pehau, Director, Office of Financial Planning

Name
(619) 531-5413

Name
(619) 531-5175

Phone
(619) 531-5219

Phone
(619) 531-6261

Fax
A-5

Fax
A-5

Mail Station
Bill.Kelly@sdcounty.ca.gov

Mail Station
Janel.Pehau@sdcounty.ca.gov

E-mail

E-mail

AUTHORIZED REPRESENTATIVE:

William J. Kelly, Chief Financial Officer

SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2004 AND BUDGET
ADJUSTMENTS (District: All)

AGENDA ITEM INFORMATION SHEET
(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

8/5/03 (7) County of San Diego Fiscal Year 2003-04 Final Budget Resolution.

BOARD POLICIES APPLICABLE:

A-91, Mid-Year Budget Changes;

BOARD POLICY STATEMENTS:

A-91 Mid-Year Budget Changes

A waiver of Board Policy A-91, Mid-Year Budget Changes, is requested for the mid-year appropriations of various funds' fund balance and additional revenues in Housing and Community Development. These funds are needed for payment to employees under the Quality First Program.

CONTRACT NUMBER(S):

N/A

**FY 2003-2004 1st Quarter
Projected Year-end Results**
(in thousands)

COUNTY SUMMARY

	Expenditure Variance	Revenue Variance	1st Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
General Fund			
Public Safety	\$ 26,695	\$ (4,858)	\$ 21,837
Health & Human Services	45,217	(43,675)	1,542
Land Use & Environment	4,174	(818)	3,356
Community Services	7,090	(1,054)	6,036
Finance & General Government	48,996	2,478	51,474
Total Agency/Group	<u>132,172</u>	<u>(47,927)</u>	<u>84,245</u>
General Revenues	-	(37,322)	(37,322)
General County Expenses	<u>18,143</u>	<u>(2,023)</u>	<u>16,120</u>
Total General Fund	<u>\$ 150,315</u>	<u>\$ (87,272)</u>	<u>\$ 63,043</u>
Special Revenue Funds			
Public Safety	\$ 1,280	\$ 126	\$ 1,406
Health & Human Services	25,763	1,875	27,637
Land Use & Environment	658	834	1,492
Community Services	18,245	(18,245)	-
Finance & General Government	302	(75)	227
Finance Other - Capital Program	<u>3,060</u>	<u>(3,060)</u>	<u>(0)</u>
Total Special Revenue Funds	<u>49,307</u>	<u>(18,546)</u>	<u>30,761</u>
Internal Service Funds Departments			
Public Safety Group	\$ -	\$ 25	\$ 25
Health & Human Services	-	-	-
Land Use & Environment	2	(2)	-
Community Services	7,094	(7,282)	(188)
Finance & General Government	-	-	-
Finance Other	-	-	-
Other County	<u>-</u>	<u>-</u>	<u>-</u>
Total Internal Service Funds	<u>7,097</u>	<u>(7,259)</u>	<u>(162)</u>
Enterprise Fund Departments			
Land Use & Environment	\$ 615	\$ (125)	\$ 490
Special District Funds Departments			
Public Safety Group	-	5	5
Health & Human Services	-	-	-
Land Use & Environment	<u>1,209</u>	<u>(497)</u>	<u>712</u>
Total Special District Funds	<u>\$ 1,209</u>	<u>\$ (492)</u>	<u>\$ 717</u>
Other County Funds Departments			
LUEG - Debt. Svc. Local Boards	-	-	-
Community Svcs. Dept - Redevelopment Agencies	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>
Total Other County Funds	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>
Total County Projected Operating Balance	<u>\$ 208,549</u>	<u>\$ (113,694)</u>	<u>\$ 94,855</u>

**FY 2003-2004 1st Quarter
Projected Year-end Results**

(in thousands)

PUBLIC SAFETY GROUP

			1st Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
Expenditure Variance		Revenue Variance	

General Fund Departments

Alternate Public Defender	\$ 150	\$ 211	\$ 361
Child Support	1,787	(1,787)	-
Contributions for Trial Courts	-	-	-
Defense Attorney Contract Admin.	-	80	80
District Attorney	272	(210)	62
Law Enforcement Review Board	-	-	-
Medical Examiner	239	0	239
Emergency Services	60	19	80
Probation	3,682	588	4,270
Public Defender	510	102	611
Public Safety Executive Office	12,576	5	12,580
Sheriff	7,420	(3,866)	3,553
Total General Fund	26,695	(4,858)	21,837

Special Revenue Funds Departments

District Attorney	-	51	51
Probation	-	8	8
Sheriff	1,280	66	1,346
Public Safety - Proposition 172	-	-	-
Total Special Revenue Funds	1,280	126	1,406

Internal Service Funds Departments

Probation	-	-	-
Sheriff	-	25	25
Total Internal Service Funds	-	25	25

Special District Funds

Sheriff (Regional 800 MHz)	-	5	5
----------------------------	---	---	---

Total Group Projected Fund Balance	\$ 27,975	\$ (4,702)	\$ 23,273
---	------------------	-------------------	------------------

**FY 2003-2004 1st Quarter
Projected Year-end Results**

(in thousands)

HEALTH & HUMAN SERVICES AGENCY

Expenditure Variance	Revenue Variance	1st Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
-------------------------	---------------------	--

General Fund Programs

Agency Administration	\$ 9,778	\$ (8,387)	\$ 1,392
Adult Mental Health	(4,434)	4,434	-
Aging & Independence Services	(8,707)	8,804	97
Alcohol & Drug Division	358	(5,531)	(5,174)
Children's Mental Health	216	(216)	-
Child Welfare Services	997	(3,066)	(2,069)
Policy & Program Support	1,517	(1,005)	511
Proposition 10	69	97	166
Public Health Services	4,021	(1,933)	2,088
Regional Operations	40,907	(36,594)	4,313
Strategy & Planning	495	(277)	218
Total General Fund	45,217	(43,675)	1,542

Special Revenue Funds

Social Services Realignment	4,336	3,028	7,364
Mental Health Realignment	5,576	(568)	5,008
Health Realignment	8,351	(586)	7,765
Tobacco Settlement Fund	7,500	-	7,500
Total Special Revenue Funds	25,763	1,875	27,637

Internal Service Funds

DMI-Working Capital	-	-	-
---------------------	---	---	---

Special District Funds Departments

Ambulance Districts	-	-	-
---------------------	---	---	---

Other County Funds Departments

	-	-	-
--	---	---	---

Total Health & Human Services Agency	\$ 70,980	\$ (41,800)	\$ 29,179
---	------------------	--------------------	------------------

**FY 2003-2004 1st Quarter
Projected Year-end Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

Expenditure Variance	Revenue Variance	1st Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
-------------------------	---------------------	--

General Fund Departments

Agriculture, Weights & Measures	\$ 121	\$ (113)	9
Environmental Health	620	3	623
Farm Advisor	16	-	16
Land Use & Environment Group Exec Office	1,178	(98)	1,080
Parks & Recreation	695	(175)	520
Planning & Land Use	1,545	(436)	1,109
Public Works	-	-	-
Total General Fund	<u>4,174</u>	<u>(818)</u>	<u>3,356</u>

Special Revenue Funds Departments

Agriculture, Weights & Measures	-	-	-
Parks & Recreation - PLDO	-	632	632
Public Works	658	202	860
Total Special Revenue Funds	<u>658</u>	<u>834</u>	<u>1,492</u>

Internal Service Funds Departments

Public Works	2	(2)	-
--------------	---	-----	---

Enterprise Funds Departments

Public Works	615	(125)	490
--------------	-----	-------	-----

Special District Funds Departments

Air Pollution Control District	880	33	913
Parks and Recreation	238	(199)	39
Public Works	92	(331)	(239)
Total Special Districts Funds	<u>1,209</u>	<u>(497)</u>	<u>712</u>

Other County Funds Departments

Debt Service-Local Boards	-	-	-
---------------------------	---	---	---

Total Land Use & Environment Group	<u>\$ 6,658</u>	<u>\$ (608)</u>	<u>\$ 6,050</u>
---	------------------------	------------------------	------------------------

**FY 2003-2004 1st Quarter
Projected Year-end Results**

(in thousands)

COMMUNITY SERVICES GROUP

Expenditure Variance	Revenue Variance	1st Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
-------------------------	---------------------	--

General Fund Departments

Animal Services	\$ 248	\$ 9	\$ 257
Community Services Group Exec Office	5,707	0	5,708
Contribution to ISFs	-	-	-
General Services	-	-	-
Purchasing & Contracting	-	-	-
Housing & Community Development	1,095	(1,286)	(191)
Library Services	-	-	-
Registrar of Voters	40	223	262
Total General Fund	7,090	(1,054)	6,036

Special Revenue Funds Departments

Library Services	23	(23)	-
Housing & Community Development	18,222	(18,222)	-
Total Special Revenue Funds	18,245	(18,245)	-

Internal Service Funds Departments

Document Services	(2,211)	2,011	(199)
Facilities Management	8,573	(8,573)	-
Fleet Management	293	(282)	11
Purchasing & Contracting	439	(439)	-
Total Internal Service Funds	7,094	(7,282)	(188)

Other County Funds Departments

Redevelopment Agency	7	-	7
Total Community Services Group	\$ 32,436	\$ (26,581)	\$ 5,855

**FY 2003-2004 1st Quarter
Projected Year-end Results**

(in thousands)

**FINANCE & GENERAL GOVERNMENT
GROUP**

Expenditure Variance	Revenue Variance	1st Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
-------------------------	---------------------	--

General Fund Departments

Assessor/Recorder/County Clerk	\$ (1,232)	\$ 1,899	\$ 667
Board of Supervisors	637	2	638
Board of Supervisors-General	-	-	-
CAC-Major Maintenance	500	5	505
CFO/Auditor & Controller	1,329	68	1,397
Chief Administrative Officer	506	(6)	500
Civil Service Commission	0	-	0
Clerk of the Board of Supervisors	475	1	476
County Counsel	1,276	(26)	1,249
County Technology Office	805	11	816
Finance & GG Exec Office	42,860	1	42,861
Grand Jury	9	0	9
Human Resources	995	108	1,102
Treasurer/Tax Collector	836	417	1,253
Total General Fund	48,996	2,478	51,474

Special Revenue Funds Departments

Media & Public Relations	302	(75)	227
--------------------------	-----	------	-----

Internal Service Funds Departments

County Technology Office	-	-	-
--------------------------	---	---	---

**Total Finance & General
Government Group**

\$ 49,297	\$ 2,403	\$ 51,700
------------------	-----------------	------------------

**FY 2003-2004 1st Quarter
Projected Year-end Results**

(in thousands)

**GENERAL REVENUES &
GENERAL COUNTY EXPENSES**

Expenditure Variance	Revenue Variance	1st Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
-------------------------	---------------------	--

General Fund

General Revenues:

All Current Property Taxes	\$ -	\$ 1,476	\$ 1,476
All Other Taxes-Local	-	1,200	1,200
Licenses, Permits & Franchises	-	-	-
Fines, Forfeitures & Penalties	-	2,310	2,310
Revenue for Use of Money & Property	-	(3,755)	(3,755)
Intergovernmental Revenue	-	(38,345)	(38,345)
Charges for Current Services	-	(208)	(208)
Miscellaneous Revenue	-	-	-
Total General Revenues	-	(37,322)	(37,322)

General County Expenses:

Cash Borrowing Program	3,925	-	3,925
Community Enhancement	-	-	-
Contingency Reserve	5,000	-	5,000
Contributions to the Capital Outlay Fund	3,473	-	3,473
Contributions to Library Fund	-	-	-
Community Projects & Services	-	-	-
Countywide Expenses	5,746	(2,023)	3,723
Total General County Expenses	18,143	(2,023)	16,120
Total General Fund	18,143	(39,345)	(21,202)

Special Revenue Funds Departments

Capital Program	3,060	(3,060)	(0)
Debt Service-Pension Obligation Bonds	-	-	-
Total Special Revenue Funds	3,060	(3,060)	(0)

Internal Service Funds Departments

Unemployment & Workers Compensation	-	-	-
Public Liability	-	-	-
Total ISF Funds	-	-	-

**Total General Revenues & General County
Expenses Operating Budget**

\$ 21,204	\$ (42,406)	\$ (21,202)
-----------	-------------	-------------

**FY 2003-2004 1st Quarter
Projected Year-end Results**

Schedule B

(in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	1st Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
General Fund			
Public Safety	13,441	8,396	21,837
Health and Human Services	8,888	(7,346)	1,542
Land Use and Environment	1,056	2,301	3,356
Community Services	7,824	(1,789)	6,036
Finance & General Government	39,911	11,563	51,474
Agency/Group Totals	\$ 71,120	\$ 13,125	\$ 84,245
General Revenues		(37,322)	(37,322)
General County Expenses	-	11,120	11,120
Contingency Reserve	5,000	-	5,000
Total Gen'l. Revs & Gen'l. County Exp.	\$ 5,000	\$ (26,202)	\$ (21,202)
Total General Fund	\$ 76,120	\$ (13,077)	\$ 63,043

**COUNTY OF SAN DIEGO
NOTES TO SCHEDULE A
FY 2003 - 2004 1st QUARTER**

GENERAL NOTES

Firestorm 2003

Most of these estimates were prepared prior to the occurrence of Firestorm 2003. As a result, some departments' expenditure savings or revenue estimates may be too high. Firestorm 2003 costs are being tracked and year-end expenditure and revenue projections will be updated following the close of the second quarter.

Agency/Group Fund Balance Components

Fund Balance consists of two components - Management Reserves and Operating Balance. Operating Balance is the excess of Revenues over Expenditures as a result of current fiscal year operations. Management Reserves are appropriations that are set-aside at the Group or department level for unanticipated needs or planned future one-time expenses.

Management Reserves

The Agency/ Groups do not plan to expend all of their respective Management Reserves during this year and therefore expect that some amount will be available for use in future years. Projected Management Reserves at June 30, 2004 are shown in **Schedule B**.

Projections of Agency/Group Operations

Departments project changes to their operational plans based either on revised expectations or on actual revenues or expenditures to date. The significant (greater than \$300,000) variances in total expenditure or total revenue from plan are discussed below and categorized by funds.

Most County activities are carried out within the General Fund. The General Fund fund balance is considered to be the primary "equity" cushion of the County, authorized to be drawn upon by specific Board action and according to Board priorities and policies. Projected fund balances in all other funds are restricted to uses that are consistent with the purposes of the individual funds.

PUBLIC SAFETY GROUP

General Fund:

Alternate Public Defender

A net positive variance of \$0.4 million is projected for the Alternate Public Defender. The expenditure variance of \$0.2 million is the result of savings in services and supplies due to reduced Information Technology costs. Revenue is

expected to be over-realized \$0.2 million for Trial Court Funding reimbursement for unanticipated overhead costs. The final A-87 costs estimates were not received until after the budget was prepared, and they were significantly higher than the estimated costs. These A-87 costs are being included in the Trial Court Funding claim and the department anticipates receiving reimbursements for the additional A-87 costs.

Probation

A net positive variance of \$4.3 million is projected for the Probation Department. The variance is primarily due to anticipated savings of \$1.8 million in salaries and benefits and \$.6 million in related services and supplies due to the delay in the opening of the East Mesa Juvenile Detention Facility (EMJDF). There is also additional savings of \$1.5 million in salaries and benefits due to staff vacancies (approximately 96 vacant positions). In addition, there will be a savings of \$.2 million in services and supplies at the EMJDF due to the reduced number of maintenance staff needed. Other Charges are projected to be over budget by \$1.4 million. This is a result of the increased costs related to out of home placements projected to be \$2.5 million over budget. This overage is partially offset by cost savings for California Youth Authority placements as well as savings for costs related to illegal aliens of \$1.1 million. The department projects additional savings of \$0.4 million in fixed assets and expenditure transfers and reimbursements. The department also projects a year-end balance of \$0.6 million in Management Reserves.

Revenue is projected to be over budget by approximately \$0.6 million. This is primarily due to over realized revenue totaling \$2.7 million from increases in State and Federal Foster Care of \$1.3 million as a result of increased placements in residential treatment facilities, reimbursement for institutional costs of \$0.4 million as a result of increased fee rates, Work Project revenue of \$0.5 million due to increased enrollment rates and more work projects than anticipated, and various other revenues totaling \$0.5 million. This overage is offset by under realized revenue of \$2.1 million primarily due to the reduction of statewide allocations for Temporary Assistance to Needy Families of \$0.8 million, the end of the Mentally Ill Offender grant of \$0.3 million, less available revenue of approximately \$0.7 million from the Local Juvenile Placement Trust Fund due to under realized savings from the previous fiscal year, and other revenues totaling \$0.3 million.

Public Defender

A net positive variance of \$0.6 million is projected for the Public Defender. The expenditure variance of \$0.5 million is all in salaries and benefits. This savings is from maintaining 10 frozen positions and from savings realized from other turnover as part of the department's management of its salaries and benefits to stay within budget. The net positive revenue variance of \$0.1 million is primarily due to over realized revenue from attorney fee collections.

Executive Office

A net positive variance of \$12.6 million is projected for the Public Safety Group Executive Office. The variance is the result of an anticipated year-end balance in Management Reserves of \$12.6 million from prior-year savings that are set aside for unexpected issues.

Sheriff

A net positive variance of \$3.5 million is projected for the Sheriff's Department. The positive expenditure variance of \$7.4 million is primarily the result of projected salaries and benefits savings of \$9.1 million due to 150 frozen positions and 150 vacancies, a total of 300 vacancies within the department. This savings is offset by unanticipated increases in inmate medical costs and services of \$1.4 million and a variance in expenditure transfers and reimbursement of \$0.6 million for mental health services in the jail. A positive variance of \$0.3 million in services and supplies and fixed assets is also anticipated.

Revenue is projected to be under realized by \$3.9 million due to reduced State funding for parole violation holds for \$2.0 million, reduced Federal funding for the Criminal Alien Assistance Program of \$1.3 million which is a direct result of more applicants vying for shrinking funds, reduced revenue from Booking Fees of \$0.3 million based on an analysis of first quarter actuals and historical trends, and under realized revenues from Contract Cities of \$2.1 million as a result of a reduction in services provided to the various cities. Some of these reductions are partially offset by an increase in Trial Court Funding of \$1.8 million since service levels to the courts have not decreased as anticipated when the budget was developed.

Special Revenue Funds:

Sheriff

A net positive variance of \$1.3 million is being projected in the Sheriff Inmate Welfare Fund. The \$1.3 million positive variance in expenditures includes approximately \$1.0 million in under-spending in assorted services and supplies due to less demand from inmates for personal needs, and \$0.3 million less in operating transfers due to savings in Inmate Welfare.

HEALTH & HUMAN SERVICES AGENCY

General Fund:

Agency Administration

The Agency Administration consists of the following: Agency Executive Office, Financial Services, Community Action Partnership, Information Technology, Human Resources and Agency Contract Support. A net positive variance of \$1.4 million is projected for Agency Administration. The variance is the result of net expenditure savings of \$9.8 million due to \$15.2 million savings that is offset by

\$5.4 million projected additional expenditures in Information Technology for HIPAA and CalWIN. The \$15.2 million expenditure savings include projected available Management Reserves of \$8.9 million and \$6.3 million in savings as a result of vacancies, contract reductions, un-obligated Tobacco Settlement funds, and reduced facility-related projects and fixed assets. Revenue reflects a net negative variance of \$8.4 million. This is the result of under-realized revenues of \$11.1 million of State and Federal reimbursements and \$3.0 million Securitized Tobacco Settlement, offset by \$5.7 million of increased CalWIN allocation.

Adult Mental Health

No net cost variance is projected in Adult Mental Health. Expenditures are expected to exceed the budget amount by \$4.4 million. These over-expenditures include anticipated additional costs of \$2.6 million for the Sheriff's Department Pharmaceutical costs, and \$1.8 million in contract costs due to increased clients enrolled in inpatient and outpatient services. These projected over-expenditures are offset by \$4.4 million of additional Realignment and Federal Short Doyle Medi-Cal revenue associated with the increased contract costs. Corresponding budget adjustments will be recommended to the Board of Supervisors.

Aging and Independence Services (AIS)

A net positive variance of \$0.1 million is projected for Aging and Independence Services. The projected over expenditure of \$8.7 million is the result of a \$9.1 million increase in In Home Support Services (IHSS) budgeted caseload offset by savings in salaries and benefits of \$0.4 million due to delays in filling vacancies. Over-realized revenue of \$8.8 million is due to the increase in IHSS. Corresponding budget adjustments will be recommended to the Board of Supervisors.

Alcohol and Drug Services

A net negative variance of \$5.2 million is projected for Alcohol and Drug services. This variance is due to projected under-realized revenue of \$5.5 million offset by expenditures savings of \$0.3 million in salaries and benefits and services and supplies. The revenue reduction of \$5.5 million is due to a \$1.4 million decrease in Proposition 36, \$1.0 million decrease in State allocations, and a \$3.1 million reduction to align with actual funding levels. A mitigation plan addressing expenditure and revenue issues is underway.

Children's Mental Health

No net cost variance is projected in Children's Mental Health. The anticipated overall expenditure savings of \$0.2 million is due to projected over-expenditures in salaries and benefits of \$0.4 million offset by savings of \$0.6 million in services and supplies due to delay in contract augmentations for the day treatment program. A projected decrease of \$0.2 million in revenues is associated with the decrease in contracts.

Child Welfare Services

A net negative variance of \$2.1 million is projected for County Child Welfare Services (CCWS). The expenditure savings of \$1.0 million is the result of \$1.8 million of over-expenditures, offset by planned savings of \$2.8 million in salaries and benefits. Over-expenditures of \$1.8 million include a \$1.4 million increase in court-ordered services for maintenance of wards and \$0.4 million in services and supplies due to under estimated costs in utilities and additional services in contracts. The \$3.1 million projected under-realized revenues is the result of \$1.3 million decrease in State allocation for adoptions and foster home licensing, \$0.8 million decrease in miscellaneous revenue due to donations not coming in as projected, and \$1.0 million decrease in the corresponding revenues due to expenditure savings. CCWS is looking at other funding sources to mitigate the shortfall in donations.

Policy and Program Support Division

A net positive variance of \$0.5 million is projected for the Policy and Program Support Division. Projected expenditure savings of \$1.5 million is the result of savings in salaries and benefits (\$0.4 million) due to hiring delays and 7 vacancies in the Fraud and Integrity Unit and 1 vacancy in CMS, and services and supplies (\$1.1 million) due to the anticipated \$1.0 million under-realization of revenues based on prior year actuals.

Public Health Services

A net positive variance of \$2.1 million is projected for Public Health Services. This is the result of \$4.0 million in expenditure savings that includes \$2.4 million savings in salaries and benefits from 52 vacant positions, both from natural vacancies and positions purposely held open. The unit is managing its positions carefully to stay within available funding. An additional \$1.6 million savings in services and supplies is associated with reductions in operational costs for staff and services. The under-realization of revenue by \$1.9 million is a combination of under and over realization of revenues. The under realized revenues mainly consist of the following: \$0.5 million decrease in State Aid MH EPSDT due to a new allocation methodology, \$0.4 million adjustment for the State Aid WTW Gain revenue, and \$1.2 million from an adjustment in Health Realignment to align with expected levels of expenditures. The \$0.2 million over realized revenues is from a sublease of their Office of AIDS Coordination.

Regional Operations

A net positive variance of \$4.3 million is projected for Regional Operations. A total of \$40.9 million in expenditure savings is anticipated. Salaries and benefits savings are projected at \$4.4 million due to 201 vacant positions, 189 positions filled at lower than budgeted levels, and 7 frozen positions due to efforts to align staffing with funding levels and caseload reductions. Additional reductions in expenditures of \$1.9 million in services and supplies, and a \$34.5 million decrease in other charges for CalWORKS, General Relief, Welfare to Work payments including alignment of Child Care costs to revenue allocations are

projected. A decrease of \$36.6 million in revenues is anticipated as a result of the planned savings and other adjustments due to revenue allocations changes.

Strategy and Planning Division

A net positive variance of \$0.2 million is projected for the Strategy and Planning Division. The projected \$0.5 million in expenditure savings includes \$0.4 million savings in salary and benefits due to vacancies. The remaining \$0.1 million is the result of miscellaneous savings in services and supplies. The projected under-realization of revenue by \$0.3 million corresponds to the projected expenditure savings.

Special Revenue Funds:

A total net positive variance of \$27.6 million is projected for the three Realignment Special Revenue Funds and the Tobacco Securitization Fund.

Expenditure savings of \$18.3 million is projected in the three Realignment funds. This represents dollars that will not be utilized in the general fund for the current budget year but will be available for use in subsequent years. HHSA is attempting to maintain this fund balance due to uncertainties surrounding the future availability of VLF revenues and continued slow growth in sales tax receipts. The \$1.9 million net positive revenue variance represents current projections of both sales tax and VLF revenues.

The expenditure savings of \$7.5 million in the Tobacco Securitization fund represent dollars that remain unallocated in the 2003-05 Adopted Operational Plan.

LAND USE AND ENVIRONMENT GROUP

General Fund:

Environmental Health

A net positive variance of \$.6 million is projected for the Department of Environmental Health. The variance is the result of projected savings in salaries and benefits of \$.6 million from vacant positions. Positions being held vacant in the Radiological Health revenue agreement, to offset the possibility of funding reductions due to the State budget situation, will produce salary savings of \$.1 million. The Vector Surveillance and Control District is holding positions vacant to produce salary savings of \$.2 million to help conserve reserves in the Vector Surveillance and Control District trust fund. The remaining \$.3 million will come from salary savings from the time it takes to fill positions vacated due to normal attrition.

Land Use and Environment Group – Executive Office

A net positive variance of \$1.1 million is projected by year-end. The variance is due to the expectation of having \$1.1 million available in Management Reserves by year-end based on un-appropriated prior year savings in FY 2002-03.

Department of Parks and Recreation

A net positive variance of \$0.5 million is projected for the Department of Parks and Recreation. The variance is the result of projected savings in salaries and benefits of \$0.6 million due to a delay in filling permanent positions and to a reduction in the number of non-permanent staff in the use of seasonal (Extra Help) workers. In addition there is projected savings in services and supplies of \$0.1 million due to savings associated with the vacant positions, as well as other reductions. Expenditure savings are offset by a revenue shortfall of \$0.2 million associated with Charges to Capital Outlay Funds, Parkland Dedication Ordinances and Other Funds/Special Districts due to vacancies in the Project Manager series. The inability to fill the project manager positions directly contributes to delays in project schedules.

Planning and Land Use

A net variance of \$1.1 million is projected for the Department of Planning and Land Use. The variance is the result of projected expenditure savings in salaries and benefits of \$.2 million, savings in services and supplies of \$1.3 million and under-realized revenue of \$.4 million.

Savings in salaries and benefits of \$.2 million are a result of delays in hiring. The majority of the variance in services and supplies is related to consultant services due to: 1) Delays in the General Plan 2020 Project (\$230,000) due to Board of Supervisors direction to address and respond to public concerns and comments and development of traffic modeling. These delays prevented further work by the consultant related to the Environmental Impact Report and other scheduled tasks; 2) Work on the North and East County Subarea MSCP Plan (\$300,000) will take several years. The projected savings will be rebudgeted in subsequent years; 3) Projects for the USDRIP (\$65,800) and East Otay Mesa (\$70,000) are currently on hold pending Board direction; and 4) Overflow Planning Contracts (\$190,000) are not anticipated to be used because workloads have remained at manageable levels. The balance of the variance (\$446,000) is a result of a combination in projected savings spread among all remaining services and supplies accounts.

The revenue shortfall of \$.4 million is a result of a reduction in grant billing due to the reduced contract expenditures as identified above. Both revenue and expenditures for these activities will be re-budgeted in FY 2004-05.

Special Revenue Funds:

Park Land Dedication Ordinance (PLDO)

A net positive variance of \$0.6 million is projected for the 25 PLDO Special Revenue Funds. Actual revenue is projected to exceed the budgeted amount in the current year, and is consistent with the revenue stream from the prior year.

Department of Public Works

A net positive variance of \$0.9 million is projected for the Department of Public Works. This variance is divided between the Road Fund and the Inactive Waste Fund.

- Road Fund. A services and supplies variance of \$0.2 million is due to a reduction in estimated A-87 costs. A net over-realization of \$0.6 million is due to anticipated over-realization of \$1.2 million in revenues from the State Exchange and Matching Funds Program, the projected under-realization of revenue in the amount of \$0.6 million from Work for Others (Airports, General Fund, Flood Control, Special Districts, Developers) based on lower than expected first quarter actuals.
- Inactive Waste Fund. A salaries and benefits variance of \$0.2 million is based on savings from current and projected vacancies throughout 2003-04. The services and supplies variance of \$0.2 million is based on savings in consultant costs. The \$0.4 million revenue shortfall is directly attributed to expenditure savings given that revenue is earned on a cost reimbursement basis.

Enterprise Funds:

Public Works

A net positive variance of \$0.5 million is being projected. This variance is divided between the Airport Enterprise Fund and the Liquid Waste Enterprise Fund.

- Airport Enterprise Fund. Projected over-expenditure of \$0.1 million in salaries and benefits is due to Quality First, which was not budgeted. Projected savings in services and supplies of \$0.2 million is due to reduced requirements for security by Transportation Security Administration (\$0.3M), projected over-expenditures in routine maintenance (\$0.1M). Projected savings in Capital Projects of \$0.6 million is due to the cancellation of Gillespie Field navigational aid project. Projected under-realization of \$0.1 million in revenue from Transportation Security Administration is due to reduced security requirements.
- Liquid Waste Enterprise Fund. Projected over-expenditure of \$0.1 million in salaries and benefits is due to Quality First, which was not budgeted.

Appropriation adjustments are being recommended to the Board of Supervisors.

Special District Funds:

Air Pollution Control District

A net favorable variance of \$0.9 million is projected by year-end. A positive expenditure variance is due to projected savings in salaries and benefits of \$0.9 million. APCD projects savings in salaries and benefits of \$0.9 million at year-end as a result of implementing the mitigation plan to help reduce the impact of potential state budget cuts and increase in operational costs, and to minimize the effects of these risks on permitting fees. The plan includes keeping 2 positions vacant during the fiscal year, delaying the hiring for 10 vacant positions and continuing to under-fill some positions. APCD also projects over-realizing revenues by \$0.033 million.

Public Works - Sanitation Districts

A net negative variance of \$0.2 million is projected for the Department of Public Works Sanitation District funds. The variance is the result of projected savings in services and supplies of \$0.1 million based on current expenditures in various accounts for all Sanitation Districts, and a projected net under-realization of \$0.3 million in revenues. The net under realization of revenues is primarily from a decrease in interest earnings. A mitigation plan addressing expenditure and revenue issues is underway.

COMMUNITY SERVICES GROUP

General Fund:

Community Services Group Executive Office

A net positive variance of approximately \$5.7 million is projected for the Community Services Executive Office. The variance is the result of an anticipated year-end balance in Management Reserves of \$5.7 million from prior-year savings, which is a contingency against unanticipated needs and for future one-time needs.

Housing & Community Development Administration

A net negative variance of \$0.2 million is projected for Housing and Community Development consisting of a positive expenditure variance of approximately \$1.1 million, offset by revenue under-realization of \$1.3 million. A mitigation plan addressing expenditure and revenue issues is underway. The expenditure variance is primarily the result of staff savings of \$0.5 million due to vacant and under-filled positions and \$0.5 million in services and supplies related to the upgrade of the Rental Assistance software that was less expensive than originally estimated. The projected revenue under-realization is a direct result of the projected expenditure savings; revenue is earned on a cost reimbursement basis.

Registrar of Voters

A net positive variance of \$0.3 million is projected for the Registrar of Voters. The variance is the result of revenue over-realization of \$0.3 million. A projected \$2.2

million over-expenditure from costs associated with the unanticipated Special Recall Election on October 7, 2003 is projected to be offset by \$2.2 million in FY 2002-03 fund balance as part of the Second Quarter Status Report. Projected revenue over-realization is from the return of monies previously deposited in trust accounts with the U.S. Post Office; in mid-September an automated debit account was established with the Postal Service eliminating the need to leave funds on deposit.

Special Revenue Funds:

Housing & Community Development

No net variance is projected for Housing & Community Development multi-year projects. A projected \$18.2 million expenditure savings is offset by revenue under-realization; costs are 100% revenue offset. To facilitate the multi-year project expenditure request process, all housing funds that the County is eligible to receive from the funding sources are budgeted. The expenditure savings is projected for multi-year projects that will not be completed in the current fiscal year.

Internal Service Funds

Document Services

A net negative variance of \$0.2 million is projected for the Document Services ISF. The variance is the result of \$2.2 million over-expenditure, partially offset by revenue over-realization of \$2.0 million. The projected over-expenditure is primarily the result of \$2.9 million anticipated for postage and print expenditures, partially offset with projected savings of \$0.1 million due to staff vacancies, \$0.1 million associated with reduced debt service requirement on Print and Records operations equipment purchases, and \$0.5 million collected from the Health and Human Services Agency in FY 2002-03 for a large microfilming job completed this fiscal year that is projected to be appropriated from FY 2002-03 fund balance as part of the Second Quarter Status Report. The over-expenditure is partially offset by a projected revenue over-realization of \$2.0 million directly related to the projected variance in expenses, primarily from the pass-through of postage costs.

The net cost variance of \$0.2 million is from revenue under-realization associated with the loss of Superior Court print business. Cost reductions will be pursued during the remainder of the fiscal year to offset this revenue reduction.

A modification of the spending plan to accommodate customer department postage usage will be included in the Second Quarter Budget Status letter.

Facilities Management

No net variance is projected for the Facilities Management ISF. A projected \$8.5 million expenditure savings is offset by \$8.5 million revenue under-realization

directly related to the projected variance in expenses. Expenditure savings include: \$0.3 million due to staff positions held vacant pending anticipated reduction in funding available for operations and maintenance; and, \$8.2 million in services and supplies, primarily due to delays in funding of shared major maintenance projects, less than anticipated service contracts requirements, less than anticipated requests for project management staff support on major maintenance projects, savings associated with eminent domain/condemnation and leasing projects, and the cancellation of a remodel project.

Fleet Management

No net variance is projected for the Fleet Management ISF. A projected \$0.3 million expenditure savings due to staff positions held vacant in response to workload demands is offset by a projected \$0.3 million in revenue under-realization directly related to the projected expenditure savings.

Purchasing & Contracting

No net variance is projected for the Purchasing & Contracting ISF. A projected \$0.4 million expenditure savings due to staff positions held vacant pending evaluation of workload requirements and the delayed implementation of a level-of-effort automation project is offset by a projected \$0.4 million in revenue under-realization directly related to the projected expenditure savings.

FINANCE & GENERAL GOVERNMENT GROUP

General Fund:

Assessor/Recorder/County Clerk

A net positive variance of \$.7 million is projected for the Assessor/Recorder/County Clerk. The negative expenditure variance of \$1.2 million, all in salaries and benefits, is due to overtime expenditures related to a high volume of recording activities. This negative expenditure variance is offset by a related positive revenue variance of \$1.9 million due to the revenue generated from these recording activities. Expenditures will be monitored and appropriations adjusted as part of the Second Quarter Status Report based on over-realized revenues.

Board of Supervisors

A net positive variance of \$.6 million is projected for the Board of Supervisors. The variance is the result of projected savings in salaries and benefits of \$.6 million due to staff savings.

CAC Major Maintenance

A net positive variance of \$.5 million is projected for CAC Major Maintenance. The variance is the result of a projected year-end balance of \$.5 million in Management Reserves.

CFO/Auditor & Controller

A net positive variance of \$1.4 million is projected for the Auditor & Controller. The variance is the result of projected savings in salaries and benefits of \$.5 million due to staff savings related to retirements and vacancies, a projected savings in services and supplies of \$.6 million due to savings in various contracted services, including information technology, and a projected year-end balance of \$.3 million in Management Reserves.

Chief Administrative Office

A net positive variance of \$.5 million is projected for the Chief Administrative Office. The variance is the result of projected savings in services and supplies of \$.5 million primarily due to a reduced use of consultants and expert professionals for various activities.

Clerk of the Board of Supervisors

A net positive variance of \$.5 million is projected for the Clerk of the Board of Supervisors. The variance is the result of projected savings in salaries and benefits of \$.1 million due to staff savings, and a projected year-end balance of \$.4 million in Management Reserves.

County Counsel

A net positive variance of \$1.2 million is projected for County Counsel. The variance is the result of projected savings in salaries and benefits of \$.3 million due to staff savings primarily related to retirements, and a projected year-end balance of \$.9 million in Management Reserves.

County Technology Office

A net positive variance of \$.8 million is projected for the County Technology Office. The variance is the result of projected savings in salaries and benefits of \$.3 million due to staff savings related to the Assistant Chief Information Officer vacancy as well as to savings achieved due to normal staff turnover, and a projected year-end balance of \$.5 million in Management Reserves.

Finance and General Government Group

A net positive variance of \$42.8 million is projected for the Finance and General Government Group. The variance is the result of projected savings in salaries and benefits of \$.5 million due to Enterprise Resource Planning (ERP) staff savings, a projected savings in services and supplies of \$5.7 million due to information technology expenditures savings, both of which result from the delay in ERP implementation, and a projected year-end balance of \$36.6 million in Management Reserves.

Human Resources

A net positive variance of \$1.1 million is projected for Human Resources. The variance is the result of projected savings in salaries and benefits of \$.6 million due to staff savings primarily related to the reduced use of temporary

professional help, a projected savings in services and supplies of \$.2 million due to reduced training and other contract costs, a projected year-end balance of \$.2 million in Management Reserves, and anticipated over-realization of revenue of \$.1 million from the recovery of expenditures related to the Courts.

Treasurer/Tax Collector

A net positive variance of \$1.2 million is projected for the Treasurer/Tax Collector. The variance is the result of projected savings in salaries and benefits of \$.3 million due to staff savings, a projected year-end balance of \$.5 million in Management Reserves, and anticipated over-realization of revenue of \$.4 million resulting from additional AB2890 and Property Tax System Administration revenue.

Special Revenue Funds:

Department of Media and Public Relations

A net positive variance of \$0.2 million is projected for Media and Public Relations. The expenditure variance of \$0.3 million is due to staff savings, as well as various services and supplies expenditures. This expenditure variance is offset by an overall \$0.1 million under-realization of revenue, primarily in cable franchise fee revenue.

GENERAL REVENUES & GENERAL COUNTY EXPENSES

General Revenues & General County Expenses

The General Fund fund balance for these two categories combined is projected to be a net negative \$21.2 million, comprised of a negative \$37.3 million estimate in General Revenues and a positive \$16.1 million of savings in General County Expenses.

General Revenues

The San Diego economy appears to have fared well in the past two years in that it has outperformed both the California and national economies in terms of rate of economic growth. Currently, local economic indicators are growing at a slow rate, but they are still growing. Local sales tax transactions continue to do well and the real estate market continues to be strong due to high demand and favorable low financing costs.

All Current Property Taxes

All Current Property taxes are estimated to provide a \$1.5 million favorable net variance.

- *Current Secured Property Taxes*
Current Secured Property taxes are estimated at \$1.7 million over budget due to the following:

- An increase in the Local Secured Assessed Value (A.V.) growth rate. The Local Secured A.V. rate used in the budget was based on a 9.3% growth rate versus a 9.9% actual growth rate;
 - A positive adjustment in the State Assessed Value (A.V.) due to the transfer of power plants assessed valuation from the Local A.V. Roll to the State A.V. Roll;
 - An adjustment to the Unitary A.V. ratio for 1997/98 through 2002/03.
- *Current Unsecured Property Taxes*
Current Unsecured Property Taxes are presently estimated to be under budget by \$0.2 million due to an actual lower Unsecured Assessed Value (A.V.) growth rate than budgeted.

All Other Taxes - Local

All Other Taxes are anticipated to exceed budget by an aggregate of \$1.2 million:

- An additional \$1.0 million in revenue is estimated in Real Property Transfer Taxes. This is based on actual receipts through August, which are 27% higher than last year at the same time. This is attributed to the continued low interest rates, strong new construction, and resale activity.
- Other Tax Aircraft Unsecured is anticipated to be approximately \$0.2 million over budget. The adopted budget estimate was based on 2002-03 actuals. The positive variance is due to an increase in open charges in 2003-04 and current collections in the apportionment system compared to last fiscal year.

Fines, Forfeitures & Penalties

Fine, Forfeitures and Penalties are anticipated to exceed budget by \$2.3 million.

- Penalties and Cost Delinquency Taxes. Penalties and Cost Delinquency Taxes are projected to be \$2.3 million over budget. This increase is attributed to the overall increase in the property tax base, and assuming the same delinquency rate of about 1.4% as in FY 2002-03. These penalties represent failure to pay any current and prior years' property tax by a specific due date.

Revenue from Use of Money & Property

Interest on Deposits and Investments is projected to be \$3.755 million less than budget due to the difference between the interest rate assumed in the budget of 2.75% and current earnings rate of 1.5%. This reduction in revenues is offset by lower borrowing costs of \$3.925 million (see below, Cash Borrowing program)

Intergovernmental Revenue

An unfavorable variance of \$38.3 million is projected due to:

- Vehicle License Fee (VLF) revenues are expected to be under budget by \$38.5 million as a result of State policy actions. In 1998, the State reduced the vehicle license fees paid by the vehicle owners and backfilled the revenue loss to counties and cities from State general funds. The 2003-04 State Budget eliminated the VLF backfill and reinstated the 2% license fee to vehicle owners. The VLF backfill was eliminated for the entire fiscal year, but the reinstatement of the 2% fee was made effective October 1, 2003, in order to give the Department of Motor Vehicles sufficient time to reprogram its computer system. The County anticipates a shortfall of approximately \$31.0 million as a result of this three-month funding gap. In addition, the State has chosen to keep the Realignment Program whole with respect to the portion funded by Vehicle License Fees. That decision means the loss of an additional \$7.5 million to the County's General Purpose vehicle license fee revenue for a total of \$38.5 million less than the \$195.0 million budgeted in Fiscal Year 2003-04. Alternative mitigation plans are being considered including curtailing plans to extinguish Pension Obligation Bond debt, offsetting the revenue loss with operational savings or offsetting the loss with Group Management Reserves.
 - Note: Subsequent to the adoption of the State Budget, California voters recalled Governor Gray Davis and selected Arnold Schwarzenegger to be the new governor. Governor Schwarzenegger's first action was to roll back the vehicle license fee. Should the legislation and governor not agree upon a plan to backfill the VLF through the remainder of the fiscal year, the loss to the County in general purpose revenues will be \$138.5 million.
- Federal In-Lieu Taxes and State Aid HOPTR will exceed budgeted revenue by a combined \$.2 million based on actual revenues received to date and the projected year-end estimate.

Charges for Current Services

A combined unfavorable variance of \$0.2 million is projected based on the revised September A-87 Cost Allocation Plan and anticipated transfers of revenue from the General Fund to the Department of Public Works Funds.

General County Expenses

Cash Borrowing Program

Debt service costs are projected to be lower than budget by \$3.925 million due primarily to the current actual interest expenditure cost of 2.0% versus the 3.0% budgeted. The budget was developed prior to the actual costs being known.

Contingency Reserve

Of the \$11.0 million budgeted in the Contingency Reserve, \$3.0 million has been transferred to the Office of Emergency Services for immediate disaster recovery efforts related to Firestorm 2003. An additional \$3.0 million is earmarked for potential additional recovery costs. A total of \$5.0 million is expected to be unspent at year-end.

Contributions to Capital Outlay Fund

A net positive variance of \$3.5 million is projected. The variance is the result of a debt service reserve fund that offset the lease payment due on the 1997 Master Refunding financing (\$2.8 million). Such amounts are only made available at the end of the life of the financing. The remaining savings, approximately \$0.7 million, resulted from interest credits on various long-term obligations.

Countywide Expenses

A year-end savings of \$3.7 million is estimated due to:

- Savings of \$3.1 million in the ERP lease purchase payment. \$9.2 million was budgeted for the Enterprise Resource Planning (ERP) system lease-purchase payment. Only \$6.1 million is required this year, however, since the Property Tax System component of the ERP Program is on hold pending further review of available technology.
- \$0.6 million in revenue was realized as part of a forward sale on the 2002 Taxable Pension Obligation Bond to fund the 1994 Taxable Pension Obligation Bond partial termination payment.

Special Revenue Funds

Capital Program

No net cost variance is projected in the Capital Program. Expenditure savings of \$2.9 million in the Capital Outlay Fund is anticipated for the 1997 Master Refunding. This savings is offset by a corresponding decrease in revenues. Expenditure savings of \$0.2 million in the Justice Facility Construction Fund is offset by an identical decrease in projected revenues.