



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: March 11, 2003

TO: Board of Supervisors

SUBJECT: SECOND QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2003 (District: All)

SUMMARY:

Overview

This report summarizes my second quarter estimate of the County's current financial position and makes recommendations for investment of one-time funds and budget adjustments for various County departments. Despite the uncertainty surrounding the State budget for Fiscal Year 2003-04, the County of San Diego continues to pursue the Board of Supervisors' priorities as adopted in the Operational Plan for Fiscal Years 2002-03 and 2003-04. Our County staff continues to manage resources prudently to pursue Board directed activities to provide livable/safe communities, enhance the lives of kids and protect the environment.

The good news is that I expect the County to end the year with a positive fund balance. The bad news is that the State's budget deficit for this fiscal year and next combined is estimated to be between \$26.5 and \$34.6 billion. The State's lack of financial management will impact all cities and counties in California over the next few years. Discussions continue in Sacramento and up and down the State regarding how to balance the State's budget for the remainder of this year and the coming budget year, but no solutions have begun to gel. It is conceivable that the County will lose some of its General Purpose Revenues and likely that it will lose specific State program revenues. Despite this uncertainty, it is important for the County to maintain a long-range strategic view and to take actions accordingly. While many of the recommendations before you today pertain to technical adjustments to the budget, there are a number that request investment of a portion of our one-time resources for one-time improvements for our communities, kids, and environment, to ensure the ongoing sustainability of our enterprise resource planning system and to manage the long term debt obligations of the County.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Waive Board Policy A-91, Mid-Year Budget Changes.

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2. Approve the allocation of up to \$50 million in one-time resources in the CAO's Proposed Operational Plan for Fiscal Years 2003-05 to extinguish a portion of the variable rate Pension Obligation Bond debt.
3. Waive Board Policy B-29, Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery.
4. Cancel the fund balance designation of \$7,351,500 for the North Embarcadero Planning Project.
5. Establish appropriations of \$474,040 in the Contributions for Trial Courts budget for the Juvenile Court Trailer major maintenance project MM1440 based on unanticipated revenue from the Poway Redevelopment Trust Fund (Fund 547300). (4 Votes)
6. Establish appropriations of \$1,100,000 in the Contributions for Trial Courts budget for the Courthouse air handler unit project MP3828 based on revenue from the AB189 Penalty Assessment Fund (Fund 300501). (4 Votes)
7. Establish appropriations of \$1,100,000 in the AB189 Penalty Assessment Fund for an Operating Transfer to the General Fund for major maintenance expenses based on fund balance in the AB189 Penalty Assessment Fund. (4 Votes)
8. Establish appropriations of \$640,000 in the Public Safety Group Executive Office for the East County Regional Center Chiller Replacement and Control Expansion major maintenance project MP3316 based on unanticipated revenue from the AB189 Penalty Assessment Fund (Fund 300501). (4 Votes)
9. Establish appropriations of \$640,000 in the AB189 Penalty Assessment Fund for an Operating Transfer to the General Fund for major maintenance expenses based on fund balance in the AB189 Penalty Assessment Fund. (4 Votes)
10. Transfer appropriations of \$942,000 from the Public Safety Group Executive Office Management Reserve to the Contribution for Trial Courts Department for the Memorandum of Understanding negotiated revenue sharing and increased cost of revenue collection efforts. (4 Votes)
11. Transfer appropriations of \$900,000 from the Sheriff's Department to Contributions to Capital Outlay budget for an operating transfer to the Capital Outlay Fund for the Vista Detention Facility Control Panel project.
12. Transfer appropriations of \$1,500,000 from the Sheriff's Department to Contributions

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to Capital Outlay budget for an operating transfer to the Capital Outlay Fund for the Vista Detention Facility Control Panel project. (4 Votes)

13. Establish appropriations of \$2,400,000 in the Criminal Justice Fund for Capital Project KK3439, Vista Detention Control Panels, based on an operating transfer from the General Fund. (4 Votes)
14. Cancel appropriations and related Operating Transfer from the General Fund of \$100,000 in the Criminal Justice Fund for Capital Project KK1904, East Mesa Vehicle Impound Lot, to provide funding for the Juvenile Court Expansion project.
15. Establish appropriations of \$100,000 in the Contributions to Capital Outlay Fund (Operating Transfer Out), for the Juvenile Court Expansion project, based on fund balance made available in the General Fund from the cancellation of funding in Capital Project KK1904. (4 Votes)
16. Establish appropriations of \$100,000 in the Criminal Justice Fund for Capital Project KK3424, Juvenile Court Expansion, based on an Operating Transfer from the General Fund. (4 Votes)
17. Establish appropriations of \$175,000 in the Probation Inmate Welfare Fund for the Campo School HVAC Project based on fund balance in the Probation Inmate Welfare Special Revenue Fund (Fund 124030). (4 Votes)
18. Establish appropriations of \$2,000,000 in the Defense Attorney Contract Administration budget for indigent criminal defense expenses based on County general fund FY 2001-02 fund balance. (4 Votes)
19. Cancel appropriations and associated revenue in the amount of \$10,367,062 for State and Federal Child Support Program revenue and fees that exceed the current allocation and projected fee collection.
20. Establish appropriations of \$1,968,313 within the Department of Child Support Services for program operational costs based on over-realized revenue from recovered aid payments. (4 Votes)
21. Transfer appropriations in the amount of \$150,000 within the Department of Child Support Services, Services and Supplies Temporary Contract Help to Out-of-County Travel to allow staff to participate in the ARS Consortium with the State Department of Child Support Services for statewide business process uniformity.
22. Transfer appropriations in the amount of \$315,000 within the Department of Child

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Support Services from Services and Supplies, Temporary Contract Help to Fixed Assets to accommodate increased Information Technology needs.

23. Transfer appropriations of \$15,000 from the Public Safety Group Management Reserve to the General Fund Contribution to Fleet ISF to provide funding to the Fleet Internal Service Fund for the purchase of one vehicle for the Office of Emergency Services. (4 Votes)
24. Amend the FY 02-03 Fleet Internal Service Fund Spending Plan in the amount of \$23,344 to provide funding for the purchase of one vehicle and equipment (\$15,000) and related vehicle depreciation, fuel and maintenance (\$8,344) based on an operating transfer and charges in the General Fund. (4 Votes)
25. Transfer appropriations of \$1,350,000 from the Public Safety Group Management Reserve to the Contributions to Capital Outlay Fund (Operating Transfer Out), for final payments related to the Downtown Block Acquisition. (4 Votes)
26. Transfer appropriations of \$1,350,000 from the Finance and General Government Group Management Reserve to the Contributions to Capital Outlay Fund (Operating Transfer Out) for final payments related to the Downtown Block Acquisition. (4 Votes)
27. Establish appropriations of \$2,700,000 in the Criminal Justice Fund for Capital Project KA8030, Downtown Block Acquisition, based on an Operating Transfer from the General Fund. (4 Votes)
28. Authorize the Director, Department of General Services to negotiate a purchase contract for the acquisition of Assessor's Parcels No. 533-483-04 & 05, owned by Union Street Associates, LLC.
29. Authorize the Chief Financial Officer, Auditor and Controller, to deposit all lease revenue, less six percent (6%) lease management fee to be credited to the Facilities Management ISF – Real Estate Services Division, into Public Safety Group, Org. 0631, Account 9210, Rents & Concessions.
30. Transfer appropriations of \$333,079 from the Public Safety Group's Executive Office Management Reserves to Services and Supplies to pay for true up costs associated with negotiated rate adjustments under the Information Technology Services Agreement with the Pennant Alliance. (4 Votes)
31. Transfer appropriations of \$40,000 from the Public Safety Group Executive Office Management Reserve to the Housing and Community Development Department for the partial funding of a staff person providing services to the Drug Court. (4 Votes)

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32. Approve and authorize the Clerk of the Board to execute a revenue agreement with the State Department of Education for Child Care Stage 3 (State contract # F3TO-2053) in the amount of \$3,356,031 for the period July 1, 2002 through June 30, 2003 and any amendments for cost of living adjustments that do not increase the total contract amount above \$3,523,833 or materially impact or alter the program.
33. Approve and authorize the Clerk of the Board to execute a revenue agreement with the California Endowment in the amount of \$25,000 for the period of December 1, 2002 to November 30, 2003 for a cultural competence regional conference.
34. Establish appropriations of \$10,000 in the Health and Human Services Agency for planning cost for a cultural competence conference based on unanticipated revenue from the California Endowment. (4 Votes)
35. Authorize the Health and Human Services Agency to accept the cash donation from the Anderson Trust of an anticipated amount of \$296,000 but not to exceed \$300,000 for use in the California Children Services Program.
36. Establish appropriation of \$50,000 in the Health and Human Services Agency for the California Children Services Program based on unanticipated revenue from the Anderson Trust. (4 Votes)
37. Approve and authorize the Clerk of the Board to execute, upon receipt, an amendment to the revenue agreement with the State Department of Education adding \$2,409 for a total of \$122,860 for the Child Care and Development Planning Council for the period July 1, 2002 through June 30, 2003, and to execute subsequent amendments or renewals that do not materially affect either the grant program or funding level, subject to the approval of the Director of the Health and Human Services Agency.
38. Establish appropriations of \$2,409 in the Health and Human Services Agency for the Child Care Development and Planning Council for child care activities based on unanticipated revenue. (4 Votes)
39. Establish appropriations of \$4,158,500 in the Health and Human Services Agency for CalWORKs activities that contribute to the federal TANF goals based on unanticipated revenue from CalWORKs Incentive Funds revenue. (4 Votes)
40. Authorize the Director, County Library to sign a Memorandum of Agreement with Director, Health and Human Services Agency to provide services that address the health and wellness of needy families.

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41. Transfer appropriations of \$895,239 from the Health and Human Services Agency's Management Reserves to Services and Supplies to pay for true up costs associated with negotiated rate adjustments under the Information Technology Services Agreement with the Pennant Alliance. (4 Votes)
42. Transfer appropriations of \$100,000 from the Land Use and Environment Group Management Reserves to the Department of Agriculture Weights and Measures for one-time workspace improvements. (4 Votes)
43. Establish appropriations of \$250,000 in the Department of Parks and Recreation based on Cost Applied from the Health and Human Services Agency for the CalWORKs program to youth and families of low-moderate income communities.
44. Transfer appropriations of \$366,333 from the Land Use and Environment Group Management Reserves to the Department of Environmental Health for various information technology improvements. (4 Votes)
45. Transfer appropriations of \$375,017 from the Land Use and Environment Group's Management Reserve to Services and Supplies to pay for true up costs associated with negotiated rate adjustments under the Information Technology Services Agreement with the Pennant Alliance. (4 Votes)
46. Transfer appropriations of \$1,400,000 from the Community Services Group Management Reserves to Contributions to Capital Outlay Fund (Operating Transfers Out) for the Ramona Library Campus project. (4 Votes)
47. Establish appropriations of \$1,400,000 in Contributions to Capital Outlay Fund (Operating Transfers Out), based on County General Fund Fiscal Year 2001-2002 fund balance for the Ramona Library Campus project. (4 Votes)
48. Establish appropriations of \$2,800,000 in Capital Project KA2987 – Ramona Library Campus project, based on an Operating Transfer from the General Fund. (4 Votes)
49. Find that the Heritage Park Painting/Restoration Improvements project is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15301.
50. Transfer appropriations of \$261,000 from Land Use and Environment Group Management Reserves to the Department of Parks and Recreation for painting and lead removal for the Heritage Park Painting/Restoration Improvements. (4 Votes)
51. Find that the Whaley Compound/Verna House Restoration project is exempt from the

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California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15301.

52. Transfer appropriations of \$410,500 from Land Use and Environment Group Management Reserves to Contributions to Capital Outlay Fund (Operating Transfer Out) for the Whaley Compound/Verna House Restoration project. (4 Votes)
53. Establish appropriations of \$410,500 in Capital Project KN2918 – Whaley Compound/Verna House Restoration, based on an Operating Transfer from the General Fund. (4 Votes)
54. Transfer appropriations of \$500,000 from Land Use and Environment Group Management Reserves to Contributions to Capital Outlay Fund (Operating Transfer Out) for the San Luis Rey River Park Planning and Development. (4 Votes)
55. Establish appropriations of \$500,000 in Capital Project KN3432 – San Luis Rey River Park Planning and Development, based on an Operating Transfer from the General Fund. (4 Votes)
56. Establish appropriations of \$700,000 in the Contributions to Capital Outlay Fund (Operating Transfers Out), based on County General Fund Fiscal Year 2001-02 fund balance for the Tijuana River Valley Sportspark/Ballfields Construction project. (4 Votes)
57. Establish appropriations of \$700,000 in Capital Project KN0873 – Tijuana River Valley Sportspark/Ballfields Construction, based on an Operating Transfer from the General Fund. (4 Votes)
58. Find, pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15061(b)(c) that the administrative action of mid-year funding adjustments is exempt from provisions of CEQA because it can be seen with certainty there is no possibility the activity in question may have a significant effect on the environment.
59. Establish appropriations of \$1,500,000 in the Department of Public Works General Fund Landfill Closure Support (Operating Transfer Out) for San Pasqual waste site remediation, based on County General Fund Fiscal Year 2001-02 fund balance. (4 Votes)
60. Establish appropriations of \$1,500,000 in the Department of Public Works, Solid Waste Site Management for San Pasqual waste site consultant and contract services based on an Operating Transfer from the General Fund. (4 Votes)

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61. Establish appropriation of \$80,000 in the Air Pollution Control District based on overrealized Environmental Protection Agency (EPA) grant funds for the purchase of a particulate matter sampler. (4 Votes)
62. Establish appropriations of \$200,000 in Hillsborough Landfill Maintenance Fund for inactive landfill maintenance and operations, based on Hillsborough Landfill Maintenance Fund FY 2001-02 fund balance. (4 Votes)
63. Establish appropriations of \$5,674.27 in the Department of Public Works Internal Service Fund – Equipment Acquisition – LTF/CPL (Transit) to close out the Transit Equipment Internal Service Fund (ISF) Trust fund based on Department of Public Works Internal Service Fund – Equipment Acquisition – LTF/CPL (Transit) FY 2001-02 fund balance. (4 Votes)
64. Establish appropriations of \$1,000,000 in the Department of Public Works Internal Service Fund – Equipment Operations for an operating transfer out based on Department of Public Works Internal Service Fund – Equipment Operations FY 2001-02 fund balance. (4 Votes)
65. Establish appropriations of \$1,000,000 in the Department of Public Works Road Fund for reimbursement from the DPW Equipment ISF based on an Operating Transfer from Department of Public Works Internal Service Fund – Equipment Operations. (4 Votes)
66. Establish appropriations of \$90,000 in the Survey Remonumentation Fund for surveying expenses, based on Survey Remonumentation Fund FY 01-02 fund balance. (4 Votes)
67. Transfer Appropriations of \$1,000,000 from Land Use and Environment Group Management Reserves to Contributions to Capital Outlay Fund (Operating Transfer Out) for the Volcan Mountain West Acquisition. (4 Votes)
68. Establish Appropriations of \$1,000,000 in the Contributions to Capital Outlay Fund (Operating Transfer Out), for the Volcan Mountain West Acquisition, based on County General Fund Fiscal Year 2001-02 Fund Balance. (4 Votes)
69. Establish Appropriations of \$2,000,000 in the Capital Outlay Fund for Capital Project KA3438, Volcan Mountain West Acquisition, based on an Operating Transfer from the General Fund. (4 Votes)
70. Transfer appropriations of \$150,000 from the Land Use and Environment Group Management Reserve to the Department of Parks and Recreation for the assessment of County Trails. (4 Votes)

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71. Establish appropriations of \$1,239,000 in the Community Services Group, Executive Office, for licenses and current year operating costs associated with Documentum, based on County General Fund Fiscal Year 2001-02 Fund Balance. (4 Votes)
72. Establish appropriations of \$2,829,000 in the Community Services Group, Executive Office, in Management Reserves for future years' operating and maintenance costs associated with Documentum, based on County General Fund Fiscal Year 2001-02 Fund Balance. (4 Votes)
73. Approve and authorize the reallocation of \$40,000 in Community Development Block Grant (CDBG) funds to the Lakeside Teen Center Building Supplement project, from the CDBG Housing Development Fund.
74. Establish appropriations of \$40,000 in the Capital Outlay Fund for Capital Project KN0884, Lakeside Teen Center, based on Community Development Block Grant (CDBG) funds. (4 Votes)
75. Transfer appropriations of \$339,968 from the Community Services Group's Executive Office Management Reserves to Services and Supplies to pay for true up costs associated with negotiated rate adjustments under the Information Technology Services Agreement with the Pennant Alliance. (4 Votes)
76. Transfer appropriations of \$1,000,000 from the Community Services Group's Executive Office Management Reserves to Contributions to Capital Outlay Fund (Operating Transfer Out) for the North County Animal Shelter (KK1709). (4 Votes)
77. Establish appropriations of \$1,000,000 in the Capital Outlay Fund for Capital Project KK1709, North County Animal Shelter, based on an Operating Transfer from the General Fund. (4 Votes)
78. Transfer appropriations of \$400,000 from District Three Contribution to Community Projects to Contribution to Capital Outlay Fund (Operating Transfer Out) for the North County Animal Shelter.
79. Establish appropriations of \$400,000 in the Capital Outlay Fund for Capital Project KK1709, North County Animal Shelter, based on an Operating Transfer from the General Fund. (4 Votes)
80. Transfer appropriations of \$1,150,000 from Finance and General Government Management Reserves to Contributions to Capital Outlay Fund (Operating Transfer Out) for the Spring Valley Gym and Teen Center Project. (4 Votes)

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81. Establish appropriations of \$1,150,000 in the Capital Outlay Fund for Capital Project KK0865, Spring Valley Gym and Teen Center, based on an Operating Transfer from the General Fund. (4 Votes)
82. Cancel appropriations and related State Legislative Revenue of \$837,250 in the Capital Outlay Fund for Capital Project KK0865, Spring Valley Gym and Teen Center Project, due to cancellation of State Funding.
83. Transfer appropriations of \$1,500,000 in the Finance and General Government Group Management Reserves to Services and Supplies for costs related to upgrading the KRONOS application. (4 Votes)
84. Amend the Information Technology Internal Service Fund Spending Plan in the amount of \$1,500,000 to provide appropriations for upgrading the KRONOS application. (4 Votes)
85. Transfer appropriations of \$600,000 in the Finance and General Government Group Management Reserves to Services and Supplies for end-user training related to the Enterprise Resource Planning (ERP) system. (4 Votes)
86. Transfer appropriations of \$161,625 in the Finance and General Government Group Management Reserves to the Department of Human Resources for Services and Supplies related to the extension of the maintenance contract for the PeopleSoft application. (4 Votes)
87. Amend the Information Technology Internal Service Fund Spending Plan in the amount of \$161,625 to provide appropriations for the extension of the maintenance contract for the PeopleSoft application based on the charges in the General Fund. (4 Votes)
88. Transfer appropriations of \$476,724 from Finance and General Government Group's Management Reserves to Services and Supplies to pay for true up costs associated with negotiated rate adjustments under the Information Technology Services Agreement with the Pennant Alliance. (4 Votes)
89. Amend the Information Technology Internal Service Fund Spending Plan in the amount of \$2,916,507 to provide appropriations for negotiated rate adjustments under the Information Technology Services Agreement with Computer Sciences Corporation based on charges in various funds. (4 Votes)
90. Transfer appropriations of \$2,200,000 from Finance and General Government Group Management Reserves to Contributions to Capital Outlay Fund (Operating Transfer Out) for the San Marcos Land Acquisition. (4 Votes)

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91. Establish appropriations of \$2,200,000 in the Capital Outlay Fund for Capital Project KA3437, San Marcos Land Acquisition, based upon an Operating Transfer from the General Fund. (4 votes)
92. Transfer appropriations of \$700,000 from District One Contribution to Community Projects to Contributions to Capital Outlay Fund (Operating Transfer Out) for the Bonita-Sunnyside Branch Library project.
93. Establish appropriations of \$700,000 in the Library Capital Outlay Fund for Capital Project KL9540, Bonita-Sunnyside Branch Library, based on an Operating Transfer from the General Fund. (4 Votes)
94. Establish appropriations of \$1,000,000 in the Contributions to Capital Outlay Fund (Operating Transfer Out) for the Bonita-Sunnyside Branch Library, based on County General Fund Fiscal Year 2001-02 fund balance. (4 Votes)
95. Establish appropriations of \$1,000,000 in the Library Capital Outlay Fund for Capital Project KL9540, Bonita-Sunnyside Branch Library, based on an Operating Transfer from the General Fund. (4 Votes)
96. Transfer appropriations of \$109,600 in the Finance and General Government Group to the Chief Administrative Office for contract expenditures related to various consulting projects.
97. Amend Worker's Compensation Internal Service Fund Spending Plan in the amount of \$4,000,000 to provide appropriations for increased worker's compensation claims costs, based upon contributions from various funds. (4 Votes)
98. Transfer an ERP System Administrator (class 0998) from the Finance and General Government Group to the Auditor and Controller for assistance with ERP implementation.
99. Cancel appropriations and related Operating Transfer from the General Fund of \$84,336 in the Capital Outlay Fund for Capital Project KK0681, BS Chamber Modify, to provide funding for the CAC Elevator Upgrade project.
100. Cancel appropriations and related Operating Transfer from the General Fund of \$20,654 in the Capital Outlay Fund for Capital Project KK0682, CAC Ramp Access West, to provide funding for the CAC Elevator Upgrade project.
101. Cancel appropriations and related Operating Transfer from the General Fund of

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\$90,573 in the Capital Outlay Fund for Capital Project KK8025, CAC Renovation, to provide funding for the CAC Elevator Upgrade project.

102. Establish appropriations of \$195,563 in the Contributions to Capital Outlay Fund (Operating Transfer Out), for the CAC Elevator Upgrade project, based on Fund Balance made available in the General Fund from the cancellation of funding in Capital Projects KK0681, KK0682, and KK8025. (4 Votes)
103. Establish appropriations of \$195,563 in the Capital Outlay Fund for Capital Project KK3436, CAC Elevator Upgrade, based on an Operating Transfer from the General Fund. (4 Votes)
104. Transfer appropriations of \$404,437 from Finance and General Government Management Reserves to Contributions to Capital Outlay Fund (Operating Transfer Out) for the CAC Elevator Upgrade project. (4 Votes)
105. Establish appropriations of \$404,437 in the Capital Outlay Fund for Capital Project KK3436, CAC Elevator Upgrade, based on an Operating Transfer from the General Fund. (4 Votes)
106. Transfer appropriations of \$17,249 from County Counsel to the Fleet ISF to provide the necessary funding to the Fleet Internal Service Fund for the purchase of one vehicle and related vehicle maintenance.
107. Amend the Fleet Internal Service Fund Spending Plan in the amount of \$17,249 to provide funding for the purchase of one vehicle and related vehicle maintenance, depreciation, and fuel, based on an Operating Transfer and charges in the General Fund. (4 Votes)
108. Transfer appropriations of \$584,820 in Finance and General Government Group Services and Supplies to the Department of Human Resources for Services and Supplies related to ongoing support of the PeopleSoft application.

Fiscal Impact

The funds for this request are not budgeted. If approved, these actions will establish total new appropriations of \$53,476,724. These actions will also cancel budgeted appropriations and the related sources of funding in the amount of \$11,795,438, resulting in a net increase in appropriations of \$41,681,286.

Business Impact Statement

N/A

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Advisory Board Statement

N/A

BACKGROUND:

Fund Balance Projections

For the General Fund, the second quarter projection of year-end fund balance is \$117.6 million, up from \$85.7 million estimated at the close of the first quarter. The \$117.6 million is made up of \$10.6 million of additional General Purpose Revenues, \$32.2 million in savings from departmental operations, and \$74.8 million in unspent Contingency and Management Reserves. The projected balance for all other funds combined is \$33.1 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.

These projections are based on actual experience during the second quarter (October – December) and current expectations of demand for services and availability of funding to support those services. Two related factors pose significant risks to our expectations, the State budget crisis and the continuing weakness of the U.S., State, and local economies.

The Governor's 2003-04 Proposed Budget: On January 10, 2003 the Governor presented an amended state spending plan for the current year and his proposed budget for FY 2003-04. The Governor's budget identified a State revenue/expenditure deficit of \$34.6 billion for this two- year period. The governor attributes this deficit primarily to the following:

- Continued sluggish national and state economies;
- State revenue structural imbalances; and
- Failure to obtain repayments from the energy sector.

The Governor proposed to close this \$34.6 billion deficit as follows:

- Program savings/reductions;
- Revenue increase of \$8.3 billion along with realignment of state programs;
- Local government reductions notably including elimination of the Vehicle License Fee (VLF) backfill;
- Funding Shifts, including student fee increases;
- Transfers and other revenues, including renegotiating tribal gaming pacts; and
- Various loans and borrowing.

Of note for the County of San Diego, the Governor's plan would increase taxes by \$8.3 billion and shift this funding to counties along with State health and social service program obligations. Debate continues regarding the ability of the State to raise these taxes and whether they'd be sufficient to pay for the realigned services on a continuing basis. Also of note is the Governor's proposal to end the VLF backfill to counties and cities. VLF is a general purpose revenue for the County and loss of the backfill would mean a \$125 million gap in the County's Fiscal Year 2003-04 Operational Plan. In fact, the

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Governor's proposal regarding VLF would have halted payments this year, but it does not appear at this time that the County will lose any of the VLF revenue budgeted for Fiscal Year 2002-03 and that assumption is reflected in the fund balance projections.

The U.S., State, and local economies: The U. S. economy slowed significantly in the 4th quarter of 2002. It is now estimated that the Gross Domestic Product (GDP) will show an increase of 2.4% for 2002. The economy appears to be in a slow recovery mode but economists believe it will gather steam during the second half of this year. However, the uncertainties in 2003 are greater than usual. The chief ones are the possible war with Iraq and the proposed Federal tax cut packages.

Similarly, California's economy moved side ways during the second half of the 2002 and it now appears that the 1st half of the 2003 will continue to perform at a crawl. The major reasons are the sharp downturn in information technology and telecommunications industries that continue to suffer from excess capacity and weak earnings. This is reflected in weak personal income growth and consumer spending which are primary reasons for the state's budget deficit. However, there are two bright spots in the state's economy: auto sales and residential real estate. These sectors continue to be strong and they have benefited from the most favorable financing terms of the last 40 years.

Looking regionally, however, southern California has fared better than northern California. In fact, southern California increased employment by 1% during 2001 and 2002 while the bay area decreased by 5%. The San Diego economy continues to show positive growth but at a slower rate than the prior three years (e.g., gross regional product at 7.7% for 2000, at 2.2% for 2001, and at 1.8% for 2002). The performance of the County's General Purpose Revenues (e.g., property tax, vehicle license fees, sales tax, real property transfer tax, transient occupancy tax and other minor revenues) mirrors the San Diego economy. These revenues are discretionary ongoing resources that your Board allocates in order to advance strategic goals and leverage outside funding. The current year's General Purpose Revenue budget is \$608 million, and we expect to realize a small increase over budget of \$10.6 million.

Recommendation 1

A waiver of Board Policy A-91, Mid-Year Budget Changes is requested for the mid-year appropriation of funds. These funds are needed for effective and efficient operation of the Public Safety Group, Health and Human Services Agency, Land Use and Environment Group, Community Services Group, and the Finance and General Government Group

Recommendation 2

In October, 2002 the County issued Pension Obligation Bonds to meet its obligation to the County's Retirement System to fund the actuarial liability created by the conversion of County employees to the new Tier A benefit plan. The Bonds were structured such that a portion of them could be extinguished early in order to take advantage of lower short-term rates while giving the County the flexibility to use its financial strength to reduce our long-term liabilities.

Recommendation 3

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A waiver of Board policy B-29, Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery is requested because some of the funding does not offset all allocated indirect costs. Funds to cover the indirect costs are budgeted in the Health and Human Services Agency Fiscal Year 2002-03 Operational Plan.

Recommendation 4

The cancellation of the fund balance designation for the North Embarcadero Planning Project is being recommended because none of the other partners have set aside funding to support this project. Canceling the designation releases the remainder of the \$7.6 million that was set aside for this project to be used for other high priority County needs.

Recommendation 5

This action will establish appropriations in the Contributions for Trial Courts budget for a major maintenance project, Juvenile Court Trailer replacement (MM1440), established last fiscal year and scheduled to be completed this year. Funding for the project is from the Poway Redevelopment Trust Fund (fund 547300) was identified and initially established by Board action 4/23/2002 (4).

Recommendations 6 – 7

These actions establish appropriations in the Contributions for Trial Courts budget to replace the air handler units (AHU) for the downtown San Diego Courthouse. Due to the extreme age of the existing AHU, the system is highly susceptible to failure, which would impact the Department of Child Support Services, District Attorney, Superior Court, Sheriff and Wackenhut lease operations. General Services has identified this project as a high priority health and safety issue. Funding for the project is from available fund balance in the AB189 Penalty Assessment Fund (fund 300501).

Recommendations 8 – 9

These actions establish appropriations in the Public Safety Group Executive Office budget to replace the East County Regional Center chillers and control system, a major maintenance project number MP3316. Due to the age of the existing chillers and makeup of their existing controls, General Services has determined that there is a need to replace the current system. Failure of this system would have a negative impact on District Attorney, Superior Court, Sheriff, Public and Alternate Public Defender, Law Library and Probation staff. Funding for the project is from available fund balance in the AB189 Penalty Assessment Fund (fund 300501).

Recommendation 10

This action transfers appropriations from the Public Safety Group Management Reserve to the Contributions for Trial Courts budget to cover expenses incurred in payment to the Superior Court for negotiated revenue sharing (\$861,000) and increase revenue collection expenses (\$81,000). Revenue sharing has been a negotiated item in the Court and County Memorandum of Understanding. The revenue sharing period represented by the \$861,000 is from Fiscal Year 1996-97 through 2001-2002. Revenue collection efforts are made by the Court on behalf of the County with the County being required to pay for the services.

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Recommendations 11 – 13

These actions establish a capital project and provide funding for the replacement of the control panels in the Vista Detention Facility that control the cell doors, intercoms, and lights. The existing system is twenty-year old technology, which requires frequent repair with replacement parts not available in many instances. This poses a serious threat to the safety of deputies and inmates. Initially, the Sheriff had identified \$900,000 in funding for the anticipated cost of a major maintenance project required to replace the outdated control panels in phases. However, the condition of the current system requires replacement in its entirety now.

Recommendations 14 – 16

These actions increase funding for the Juvenile Court Facility Expansion Capital Project (KK3424) based on fund balance generated by the cancellation of funding in the East Mesa Vehicle Impound Lot Capital Project KK1904. On August 13, 2002 (11), your Board approved the establishment of appropriations of \$260,000 for the expansion of the Juvenile Court facility (KK3424) based on funding from the Sheriff's Major Maintenance account. This project includes conversion of the existing squad room into three new adult holding cells, and extension of the existing building to add a new squad room and new male and female locker rooms.

Review of the plans and specifications by the Sheriff, Department of General Services, and the Job Order Contractor have resulted in a revised project estimate of \$360,000. The revised estimate is believed to be reasonable based on current construction costs.

Project KK1904 is being completed for approximately \$50,000 by locating the impound lot at another site that requires less site preparation costs thereby freeing up \$100,000.

Recommendation 17

This action will establish appropriations in the Probation Inmate Welfare Fund based on existing fund balance for the replacement of the Campo School HVAC system. Due to the age of this system at the Juvenile Ranch Facility, it poses a health and safety concern necessitating its immediate replacement.

Recommendation 18

This action appropriates County General Fund FY 2001-02 fund balance to the Defense Attorney Contract Administration budget for indigent criminal defense services. The appropriations will cover increased contract costs of the newly negotiated private bar contract and defense expenses that fall outside the contract.

Recommendation 19-20

The Department of Child Support Services (DCSS) FY 02-03 Adopted Budget includes \$5,186,543 in Federal revenue, \$5,115,519 in State revenue and \$65,000 in anticipated fees that are in excess of currently expected receipts. The actions proposed in this letter will cancel \$10,367,062 in revenue and fees to align the FY 02-03 County Adopted Budget with the State FY 02-03 Child Support

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Administrative Allocation. In addition, the DCSS FY 02-03 Adopted Budget includes revenue of \$831,687 in the County share of recovered costs for aid payments. This is \$1,968,313 less than anticipated based on year to date receivables. This revenue will fund critical DCSS operational needs that would be cut based on the previous recommendation.

Recommendation 21

DCSS requires an increase of \$150,000 to their currently authorized level of Out-of-County Travel to enable staff to continue to be heavily involved in both the ARS case management system's three county consortium (10/8/2002 #9) and the State's DCSS Core Curriculum Development (7/23/2002 #16). Both activities require staff to travel to Sacramento, Commerce and Santa Ana on a regular basis. The outcome of these efforts will have significant impact on local child support collection business practices and customer service.

Recommendation 22

The transfer of \$315,000 in appropriations from DCSS Services and Supplies to Fixed Assets will provide funds to purchase Information Technology equipment to improve front-end access (internet technology) to the ARS case management system and information, to provide State and Federal reporting for the ARS consortium and increased storage and back-up capabilities for the ARS reporting server. This will improve local customer service and statewide communication links.

Recommendations 23-24

These actions will provide funding for the acquisition of a vehicle for the Office of Emergency Services (OES). OES is working with Fleet Services to acquire a new Ford Explorer for use by the Staff Duty Officers for emergency responses. The new vehicle will be equipped with a 3rd rear seat and be a 4X4.

Fleet Services has been in contact with HHSa and Probation to coordinate a trade. HHSa will receive OES's three-year-old van and will trade their 15-passenger van to Probation. Probation has budgeted a new vehicle for this year. OES will be able to utilize the Probation funds on a new vehicle that will not exceed \$35,000. Fleet Services is working with the Ford Dealership to determine the exact costs for the OES vehicle.

Fleet Services will acquire this new vehicle by combining the \$22,200 in funds budgeted by Probation for a new vehicle was and the \$12,800 from this action.

Recommendations 25-29

These actions will authorize the final payment for the full acquisition of the Downtown Block Acquisition, Capital Project KA8030. On January 12, 1999 (36), your Board established appropriations of \$1,180,000 in Project KK8030 for use as land option payments for the Downtown Block based on the revenue from the sale of the County Solid Waste System. On May 16, 2000 (11), your Board approved option agreements for the initial parcel purchases. On August 7, 2001 (10), your Board approved exercising the options to purchase the parcels and found in accordance with Article 19, Section 15301 of the California Environmental Quality Act Guidelines, that the acquisition of parcels on

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this block is categorically exempt from the environmental assessment, as it involves the continued operation of existing private structures and facilities with no expansion of the existing uses. On August 6, 2002 (8), your Board authorized the acquisition of an additional parcel.

Recommendation 30

This action will provide funding for the true up of IT costs related to servers and desktop computers. Billings were understated by this amount in previous periods for the Public Safety Group departments necessitating charges for prior costs not billed. The contract with the Pennant Alliance anticipates true ups to address both increases and decreases in volumes estimated in the contract. These adjustments are included in the Budget status reports each quarter as necessary for the Board's approval.

Recommendation 31

Per Board action on 12/12/00 (18), this Special Needs Housing Coordinator is jointly funded by HHSA, the Public Safety Group and Housing and Community Development for the period 12/12/00 through 6/30/03. This action represents the final year of funding for this position.

Recommendation 32

The Health and Human Services Agency administers child care programs for active and former CalWORKs recipients and low-income families. Payments are made directly to child care providers who care for the children of eligible families. This recommendation accepts \$3,356,031 in State Department of Education funding for Child Care Stage 3. This revenue will enable the County of San Diego to continue to provide child care payments to families who have been off CalWORKs cash aid for 2 years or more and for low-income families. These funds are federal and the current State budget crisis will not affect availability.

Recommendations 33 & 34

The California Endowment awarded a \$25,000 grant to support a one-day conference to provide information about best practices in culturally competent mental health care in San Diego County. This event, geared toward County staff, contracted mental health providers and the Children's System of Care stakeholders, will be held in November 2003. The \$10,000 appropriation will fund the conference planning process, which will begin prior to the end of this fiscal year. The balance of the grant will be expended next fiscal year when the conference occurs.

Recommendations 35 & 36

This action receives a donation from the Anderson Trust. The County has been notified that the Anderson Trust will distribute approximately \$296,000 for use by the California Children Services program. These funds will be deposited into a trust fund to be used for therapeutic equipment for the children and other needs in this medical therapy program.

Recommendations 37 & 38

Pursuant to State Legislation and previous Board action, the Child Care and Development Planning Council (Planning Council) provides overall planning for child care in San Diego County. The 35-

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member Planning Council is advisory to the Board of Supervisors and the County Office of Education. On May 14, 2002 (6), the Board approved the Planning Council's five-year comprehensive plan that includes the Planning Council's goals of improving affordability, accessibility and quality of child care, as well as increasing the expertise of child care providers through continuing education and training. On September 17, 2002 (4), the Board approved acceptance of revenue and appropriations for the Planning Council's FY 02-03 budget in the amount of \$120,451. This recommendation will allow additional revenue of \$2,409 to be added to the agreement for total costs and revenues of \$122,860. The subsequent year costs and revenues will be \$122,860. These funds are federal and the current State budget crisis will not affect availability.

Recommendation 39

On May 22, 2001 (3), the Board of Supervisors approved the California Work Opportunity and Responsibility to Kids (CalWORKs) Incentive Fund Spending Plan for Fiscal Year 2001-02. Today's item requests Board approval to establish appropriations of \$4,158,500 in CalWORKs Incentive Funds. Examples of the programs being funded with these appropriations include: adolescent alcohol and drug treatment, mental health services, Critical Hours, intergenerational programs, senior mentoring, and outreach/enrollment for health coverage. The funded activities contribute to the federal TANF goals and continue to focus on four areas in which previous investments have been made:

1. **Programs assisting families in overcoming barriers to employment**, such as transportation and parental substance abuse treatment.
2. **Services targeting children and youth**, such as after-school supervision and education enrichment activities, and support of children placed out of home with family members.
3. Efforts to continuously **improve the effectiveness of County programs** through such activities as training of staff or use of technology to increase productivity, efficiency and accountability.

Recommendation 40

If approved, this item will allow the San Diego County Library and Health and Human Services Agency to enter into a Memorandum of Agreement to enable the Library to receive CalWORKs Incentive funds from Health and Human Services Agency for providing services and programs to needy families. The Library will provide programs on various topics including wellness, parenting and nutrition and purchase library materials that will promote job preparation and address health and wellness of needy families.

Recommendation 41

This action will provide funding for the true up of IT costs related to servers and desktop computers. Billings were understated by this amount in previous periods for the Health and Human Services Agency's necessitating charges for prior costs not billed. The contract with the Pennant Alliance anticipates true ups to address both increases and decreases in volumes estimated in the contract. These adjustments are included in the Budget status reports each quarter as necessary for the Board's approval.

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Recommendation 42

The transfer of \$100,000 from the Land Use and Environment Group Management Reserves to the Department of Agriculture, Weights and Measures will provide needed one time funding for the required workspace improvements including the purchase of new modular furniture which will improve the ergonomic work environment, thereby, reducing workers compensation risk. The Department of Agriculture, Weights and Measures plans to procure the workspace improvements and modular ergonomic furniture through the County's competitively bid contract with BKM Total Office of California. These changes will also provide space for added Stormwater staff, alleviate an overcrowded and potentially unsafe work environment and replace substandard furniture for professional and support staff, the Department of Agriculture, Weights and Measures seeks to convert meeting room space into office space, add workstations and upgrade furniture. One of the guiding principles of the 2003-08 Strategic Plan is to promote a culture that values our employees, partners and customers and institutionalizes continuous improvement and innovation. The expansion and improvement of the Department's overcrowded and inadequate workspace helps to fulfill this principle by reducing noise that can hinder good customer service, by improving safety and by providing adequate work and file space for efficient operations.

Recommendation 43

This is a request to transfer Health and Human Services Agency (HHS) appropriations established for activities and services that contribute to the mission of CalWORKs, and based on CalWORKs Incentive Funds revenue, to the Department of Parks and Recreation. Monies must be expended this fiscal year or they will revert back to the State of California. The Department of Parks and Recreation (DPR) is working in partnership with HHS to support the goals of CalWORKs through a planned program for youth and families that includes recreational and educational activities and classes. DPR will complete the CalWORKs funded projects by June 30, 2003, the expiration date of the grant funding. Monies will be used to purchase sporting goods, audio-visual equipment, furnishings, outdoor recreation equipment, fund field trips, and compensate sub-contractors providing classes and counseling services. All activities and classes will be offered through the Lakeside Community Center, Lakeside Teen Center, and Spring Valley Teen Center.

Recommendation 44

This is a request for funding of information technology needs for the Department of Environmental Health. The first of these will allow customers the option of applying and paying for a permit via the internet, gaining access to needed information including such documents as maps and CAD plans (\$232,833). The second involves the Hazardous Materials Division and its ability to share information on the chemical inventories in the region with the various fire departments to help them respond to emergencies. This information will be provided in the field via handheld devices. This information is needed to protect firefighters, other emergency responders and ultimately the public (\$115,000). The third request is for the development, printing and distribution and outreach to businesses and the general public on the new regulatory requirements for handling Universal Waste and Cathode Ray Tubes (CRT's) (\$13,500). The fourth request will allow for the automation of moving permits and permit

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related activities from parcels that have been divided or changed. This is collaborative effort with the Departments of Public Works and Planning and Land Use (\$5,000).

Recommendation 45

This action will provide funding for the true up of IT costs related to servers and desktop computers. Billings were understated by this amount in previous periods for the Land Use and Environment Group departments necessitating charges for prior costs not billed. The contract with the Pennant Alliance anticipates true ups to address both increases and decreases in volumes estimated in the contract. These adjustments are included in the Budget status reports each quarter as necessary for the Board's approval.

Recommendations 46, 47 and 48

The community of Ramona has been working on the concept of an intergenerational community campus since October 1999. An option agreement on a proposed site at Main Street between 12th and 13th Streets was reached with the property owners for a 6.78-acre parcel. On June 18, 2002 (28), the Board approved the Option to Purchase for \$50,000. The property has been appraised at \$2,575,000. The requested funding of \$2,800,000 will provide the funds needed to pursue all actions necessary to purchase the proposed property.

Recommendations 49 and 50

This action will be used to restore, repair and revitalize the historic structures at Heritage Park in Old Town. The Victorian structures located in the park have not been painted in several years and the exterior wood structures (railings, stairs, windows and gingerbread work) are all in need of restoration, repair or replacement. The structures include the Burton House, Busheyhead House, Christian House, and the Senlis Cottage where work will include re-roofing with fire retardant shingles, repainting, dry rot repair and lead abatement and the Temple Beth with the repair of windows and re-roofing. Painting will be historically accurate with emphasis on multiple color schemes. All the structures are in critical need of wooden shake shingle replacement with a fire retardant product that closely resembles the original roofing. All structures require some form of lead abatement due to the age of the initial exterior painting.

Recommendations 51, 52 and 53

The Whaley Complex is a 0.5-acre historic site in Old Town consisting of five buildings including the Whaley House, the Derby-Pendleton House, two false-front structures, and the Verna House. Each of these buildings represents significant historic events from the American Period in San Diego. The funding will address the following projects: compound structure assessment, security systems and smoke detectors, Verna House foundation restoration, landscape and lighting improvements, and repair and restoration of the wall arch and Whaley back panel door.

Recommendations 54 and 55

The San Luis Rey River is located in the northwestern corner of San Diego County. The river is bounded by the Pacific Ocean and Lake Henshaw Dam. The recommended action will fund the

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planning and design of the San Luis Rey River Park. The park will combine active and passive recreation with open space preserves. Design and planning of the park will be done in conjunction with the alignment of State Route 76. It is vital for the County to develop the concept plan simultaneously with Caltrans mitigation discussions. Conceptual planning of the park will also seek to preserve and protect the San Luis Rey River including the various habitats created by the river.

Recommendations 56 and 57

Currently, the Tijuana River Valley Regional Park includes five ball fields. These dollars will be added to \$1.6 million of existing funds for each sport field to include a backstop, outfield fencing, bleachers, grass and irrigation. Additional turf and irrigation will be installed, allowing for the conversion of three of the baseball fields into multi-purpose fields. This project is a major contributor toward the County's goal of creating or enhancing ten sports fields each fiscal year.

Recommendations 58, 59 and 60

Actions will provide for services at inactive San Pasqual waste sites, including soil sampling, installation and testing of groundwater monitoring wells, covering of one site with a protective soil cap and totally removing the other site. Remediation of inactive waste sites at San Pasqual was unanticipated in the budget. These actions are important for environmental preservation.

Recommendation 61

This request is to appropriate \$80,000 in overrealized EPA grant funds to purchase a 2.5 micron particulate matter monitoring system, a particulate matter sampler and a continuous sampler and to acquire the digital access and data process and supplies necessary to operate these samplers. The current grant will end in April 2003 and any funds remaining will not be carried over to the new grant year. No local matching funds are required.

Recommendation 62

Appropriation of funds, based on Hillsborough Trust Fund Fiscal Year 2001-02 funds available, are necessary for unanticipated operations and maintenance needs at the inactive Hillsborough landfill. Maintenance needs have arisen since the budget was adopted by the Board.

Recommendation 63

In order to close out the Transit equipment ISF, this action appropriates the remaining fund balance in the Department of Public Works Equipment Acquisition LTF/CPL trust fund.

Recommendations 64 and 65

This action reimburses the Road Fund for excessive maintenance paid to the Department of Public Works - Equipment Operations Internal Service Funds in FY 2001-02.

Recommendation 66

The State of California provides the Survey Remonumentation Fund to pay for expenses incurred or authorized by the County Surveyor for preservation of historical monuments. Preservation of historic

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monuments is a primary duty of the County Surveyor. This year, because of efficiencies realized through contracting for survey services for County construction projects, the County Surveyor was able to perform more of this important work. Appropriation of funding from prior year Survey Remonumentation Fund fund balance will allow this work to continue to the end of the year.

Recommendations 67 to 69

The Rutherford West property in the Volcan Mountain region consists of approximately 60 parcels, totaling approximately 1,800 acres that were subdivided for residential development. The department is exploring a multi-year purchase of this property. The \$2 million, along with additional dollars from the San Dieguito Joint Powers Agreement and the Volcan Mountain Preserve Foundation, will be used as a down payment toward this incremental acquisition.

With this additional open space, the community will be able to access and enjoy over 7,000 acres of public land acquired on Volcan Mountain since 1994. San Diego County's Natural Community Conservation Plan (NCCP) seeks to classify and protect large, critical multi-species habitat areas in the county, extending from the San Diego coast to the Cleveland National Forest. The property is a biologically diverse area that includes a perennial stream, oak woodland, native and non-native grasslands, and mixed hardwood coniferous forest, providing first-class habitat for mule deer, mountain lion, bobcat, gray fox, golden eagle, and the long-eared owl.

Recommendation 70

A major component in the creation of the County Trails Program will involve an assessment of the trails identified within the Community Trails Master Plan. These dollars will provide for a consultant contract to conduct a trails condition assessment of all existing community trails (approximately 170 miles) to determine trail locations and field conditions, and to identify work needed to repair or maintain the trails at an acceptable level of service. The funding also will provide required field equipment (GPS units, related tools and supplies) and training for volunteers to assist in conducting the assessment of their community trails. The assessment will take approximately two years to complete. Without an assessment, the County cannot accurately identify or assess the inventory or move forward with a Trails Program.

Recommendations 71 and 72

The recommended actions will establish \$4,068,000 in funding for Documentum to cover one-time licensing cost, equipment purchases, and operating and maintenance costs for the next five years. In June of 2001, the County selected Documentum in a competitive bid process to be the County's content management standard. Integrated Document Management is an integral part of the County's IT strategic plan and a key component of the e-government vision. On December 4, 2001, the Board approved initial funding including first year maintenance costs, custom interfaces and consulting costs for the initial implementation of the enterprise software.

Recommendations 73 and 74

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The recommended actions will reallocate and appropriate \$40,000 in Community Development Block (CDBG) funds to supplement funding for the Lakeside Teen Center capital project. Construction bids on the Lakeside Teen Center were received on February 11, 2003. The low bid (\$420,000) exceeds the budgeted estimate for construction. The requested additional funds are required for contingency and metal roofing needed to make the structure compatible with the adjacent community center.

Recommendation 75

This action will provide funding for the true up of IT costs related to servers and desktop computers. Billings were understated by this amount in previous periods for the Community Services Group departments necessitating charges for prior costs not billed. The contract with the Pennant Alliance anticipates true ups to address both increases and decreases in volumes estimated in the contract. These adjustments are included in the Budget status reports each quarter as necessary for the Board's approval.

Recommendation 76 through 79

These recommendations will provide the appropriations necessary in KK 1709 to fully fund the North County Animal Shelter at \$6.2 million. The Department of Animal Services will return to the Board at the end of May or beginning of June for authorization to bid the project and award the construction contract. Ground breaking is expected to take place mid-July.

Recommendations 80, 81, and 82

The Spring Valley Gym and Teen Center (the "Gym" and "Teen Center", respectively) will be a joint facility located on Spring Valley School District (the "School District") property adjacent to the Spring Valley Library. The facility will be owned by the County, and operated and maintained by County Service Area 128 and the School District. The proposed funding, in addition to replacing grant funds that reverted to the State, will provide funding for costs related to soil remediation, installation of basketball hoops, bleachers, a scoreboard, block walls and a wood floor for the Gym. The Teen Center element of the building will offer counseling, recreational activities, group interaction, and homework assistance to pre-teen and teenage youth using the site. The County and the School District will develop mutually acceptable hours of operation for both the Gym and the Teen Center.

Recommendations 83 & 84

The KRONOS application is a part of the Enterprise Resource Planning (ERP) system currently being designed, tested, and implemented. The upgrade of this application is necessary to provide enhanced functionality required by the County.

Recommendation 85

This recommendation would transfer appropriations of \$600,000 from Finance and General Government Management Reserves to Services and Supplies to provide for end-user training costs associated with the deployment of the Enterprise Resource Planning (ERP) System. Under the current contract, the County and the Pennant Alliance agreed to a "train the trainer" approach. The County has since determined that providing training to end-users using professionals with Oracle and Kronos

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expertise would be more effective. This training would integrate the County's business policies and procedures with the use of the new applications.

Recommendations 86 & 87

PeopleSoft provides support for the most recent version of their application. As the County is not using the most current version, an extended maintenance agreement is required. Therefore, these recommendations would establish appropriations of \$161,625 to pay for extended maintenance costs through July 2004, during which time the County is exploring the option of upgrading to a more recent version of PeopleSoft.

Recommendation 88

This action will provide funding for the true up of IT costs related to servers and desktop computers. Billings were understated by this amount in previous periods for the Finance and General Government Group departments necessitating charges for prior costs not billed. The contract with the Pennant Alliance anticipates true ups to address both increases and decreases in volumes estimated in the contract. These adjustments are included in the Budget status reports each quarter as necessary for the Board's approval.

Recommendation 89

In an effort to evenly spread certain rates under the Information Technology Services Agreement with Computer Sciences Corporation that significantly increased in Contract Year 3, the County negotiated rate adjustments to evenly spread the cost of these rates over two years (Contract Years 2 and 3). As part of the annual true up, it was determined that the County has not billed correctly for servers and desktop computers. These recommendations establish the appropriations necessary to pay for these services. By way of background the contract with Pennant Alliance anticipates true ups to address both increases and decreases in volumes estimated in the contract. These adjustments are included in the Budget Status reports each quarter as necessary for the Board's approval. Of the \$2.916 million in additional costs, \$2.42 million will be shared by the five groups (see recommendations 29, 40, 44, 74, and 83), while \$0.496 million is the responsibility of the Court.

Recommendations 90 & 91

These recommendations establish appropriations of \$2,200,000 to acquire land in San Marcos for the future potential site of the Assessor/Recorder/County Clerk, the Department of Planning and Land Use, and the Department of Environmental Health. The Departments of Planning and Land Use and Environmental Health currently lease space in facilities shared with the Courts. The Courts are scheduling to move out of this facility sometime in July 2003, which could potentially place the County at risk of paying the entire cost of the building when the Court vacates. The purchase of a building to house services provided in North County by these departments would result in an approximate annual costs savings of \$223,000.

Recommendations 92 through 95

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Approval of these recommendations will provide \$1,700,000 in additional funding for the construction of the new Bonita-Sunnyside library, bringing the total project estimated cost to \$3,917,450. The Bonita-Sunnyside library was one of five priority projects approved for replacement by the Board on April 27, 1999 (21), in the Five-Year Library Capital Improvement Plan.

Recommendation 96

This recommendation would transfer appropriations of \$109,600 from Finance and General Government to the Chief Administrative Office for contract expenditures for various consulting projects performed at the request of the Finance and General Government Group related to GASB 34 and implementation of the new Oracle system.

Recommendation 97

The \$4,000,000 supplement represents a 23% increase to the budget. Key cost drivers are the substantial increase in number of medical disability payments. This phenomenon is occurring for employers throughout California. The Department of Human Resources has an array of cost management services to help manage these costs. These activities include bill review, utilization review, nurse case management and discounted pricing through contracts. In addition, new safety training and prevention education strategies are being rolled out to the Groups.

Recommendation 98

This recommendation would transfer an ERP System Administrator (class 0998) from the Finance and General Government Group to the Auditor and Controller for assistance with ERP implementation.

Recommendations 99 through 105

These recommendations would establish funding of \$600,000 for the CAC Elevator Upgrade Project (KK3436), based upon funding from Finance and General Government Management Reserves (\$404,437), and the transfer of appropriations remaining from the following completed projects: BS Chamber Modify Project (\$84,336), CAC Ramp Access West Project (\$20,654), and the CAC Renovation Project (\$90,573).

Recommendations 106 & 107

The Office of County Counsel, Juvenile Dependency Division, is in need of an additional vehicle to assist the investigation unit and the attorneys attending daily court hearings in the East County, South Bay and Vista court facilities. The Office of County Counsel anticipates sufficient savings in the services and supplies account to fund the expense of the requested vehicle.

Recommendation 108

As the Finance and General Government Group is currently incurring the costs related to the PeopleSoft application, this recommendation would transfer appropriations of \$584,820 from the Finance and General Government Group to the Department of Human Resources for management of the PeopleSoft application. The Department of Human Resources is the functional owner of the application, and

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therefore is the more appropriate organization to manage and control the costs related to the application.

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

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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

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AUTHORIZED REPRESENTATIVE:

William J. Kelly, Chief Financial Officer

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AGENDA ITEM INFORMATION SHEET

(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

December 3, 2002 (28) First Quarter Report on Estimated Results for Fiscal Year Ending June 30, 2003. September 18, 2001 (2), approved the execution of a revenue agreement with the California Department of Education. September 17, 2002 (4), approved acceptance of revenue and appropriations for the Child Care and Development Planning Council's FY 02-03 budget. August 13, 2002 (11) Authorizing the establishment of Juvenile Court Expansion Capital Project KK3424. May 14, 2002 (6), approved the Planning Council's five-year comprehensive plan. April 23, 2002 (4) Authorizing the establishment of appropriations for the Juvenile Trailer major maintenance project funded by revenues from the Poway Redevelopment Agreement Trust Fund. March 19, 2002 (15), approved a revenue agreement and contract amendment extending the original contract to FY 2002-03. September 12, 2001 (17), authorized staff to apply for Title I funding. December 4, 2001 (17) – Finance and General Government Group Budget Adjustments – established initial funding for Documentum. May 22, 2001 (3), approved the CalWORKs Incentive Fund Spending Plan for Fiscal Years 2001-02 and 2002-03. May 1, 2001 (12) – Document Management System – Negotiated Procurement.

BOARD POLICIES APPLICABLE:

A-91, Mid-Year Budget Changes, A-112, Acceptance of Gifts and Donations; B-29, Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery; B-51, Grants, Awards, and Revenue Contract – Department to Certify that Project Would be Worthy of County Financial Support

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 appropriation of various funds, including Fiscal Year 2001-02 Fund Balance. These funds are needed for effective and efficient operation of the Groups and Agency.

B-29 Fees, Grants, Revenue Contract – Department Responsibility for Cost Recovery

A waiver of Board Policy B-29, Fees, Grants, Revenue Contract – Department Responsibility for Cost Recovery is requested because the funding does not offset all allocated indirect costs. These costs are already budgeted and the benefits to the community far outweigh the indirect costs associated with these activities.

B-51 Grants, Awards, and Revenue Contracts – Department to Certify that Project Would be Worthy of County Financial Support

SUBJECT: SECOND QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2003 (District: All)

The Health and Human Services Agency certifies that these programs would be worthy of County financial support if outside funding were not available.

CONTRACT NUMBER(S):
(80101)

**FY 2002-2003 2nd Quarter
Projected Year-end Results**
(in thousands)

COUNTY SUMMARY

	Expenditure Variance	Revenue Variance	2nd Quarter FY02-03 Projected Fund Balance Favorable/ (Unfavorable)
General Fund			
Public Safety	\$ 40,373	(15,384)	24,989
Health & Human Services	\$ 72,506	(69,071)	3,435
Land Use & Environment	\$ 10,748	(720)	10,029
Community Services	\$ 4,325	\$ (1,847)	\$ 2,477
Finance & General Government	\$ 44,068	1,865	45,933
Total Agency/Group	\$ 172,020	(85,157)	86,862
General Revenues	\$ -	10,557	10,557
General County Expenses	\$ 20,203	-	20,203
Total General Fund	\$ 192,223	\$ (74,600)	\$ 117,623
Special Revenue Funds			
Public Safety	6,380	(6,113)	267
Health & Human Services	18,865	64	18,929
Land Use & Environment	13,598	(11,608)	1,990
Community Services	29,533	(29,533)	-
Finance & General Government	225	34	259
Finance Other - Capital Program	1,236	(1,236)	0
Total Special Revenue Funds	69,838	(48,393)	21,445
Internal Service Funds Departments			
Public Safety Group	-	51	51
Health & Human Services	-	-	-
Land Use & Environment	1,003	(552)	451
Community Services	26,270	(20,766)	5,504
Finance & General Government	-	-	-
Finance Other	(3,983)	4,586	603
Other County	-	-	-
Total Internal Service Funds	23,290	(16,681)	6,609
Enterprise Fund Departments			
Land Use & Environment	\$ 2,530	\$ (2,285)	\$ 245
Special District Funds Departments			
Public Safety Group	-	890	890
Health & Human Services	-	-	-
Land Use & Environment	9,334	(5,851)	3,482
Total Special District Funds	\$ 9,334	\$ (4,961)	\$ 4,372
Other County Funds Departments			
LUEG - Debt. Svc. Local Boards	-	-	-
Community Svcs. Dept - Redevpment Agencies	\$ 400	\$ -	\$ 400
Total Other County Funds	\$ 400	\$ -	\$ 400
Total County Projected Operating Balance	\$ 297,615	\$ (146,920)	\$ 150,695

**FY 2002-2003 2nd Quarter
Projected Year-end Results**

(in thousands)

PUBLIC SAFETY GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY02-03 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Departments

Alternate Public Defender	\$ 1,301	\$ (824)	\$ 478
Child Support	8,917	(8,823)	94
Contributions for Trial Courts	142	441	583
Defense Attorney Contract Admin.	-	81	81
District Attorney	3,360	600	3,960
Grand Jury	13	-	13
Law Enforcement Review Board	11	0	11
Medical Examiner	165	10	174
Emergency Services	43	-	43
Probation	6,371	(2,636)	3,735
Public Defender	2,646	(351)	2,295
Public Safety Executive Office	11,759	3	11,763
Sheriff	5,645	(3,886)	1,759
Total General Fund	40,373	(15,384)	24,989

Special Revenue Funds Departments

District Attorney	-	-	-
Probation	80	80	160
Sheriff	-	107	107
Public Safety - Proposition 172	6,300	(6,300)	-
Total Special Revenue Funds	6,380	(6,113)	267

Internal Service Funds Departments

Probation	-	-	-
Sheriff	-	51	51
Total Internal Service Funds	-	51	51

Special District Funds

Sheriff (Regional 800 MHz)	-	890	890
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Total Group Projected Fund Balance	\$ 46,753	\$ (20,556)	\$ 26,197
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**FY 2002-2003 2nd Quarter
Projected Year-end Results**

(in thousands)

HEALTH & HUMAN SERVICES AGENCY

Expenditure Variance	Revenue Variance	2nd Quarter FY02-03 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Programs

Agency Administration	\$ 26,407	\$ (19,645)	\$ 6,763
Adult Mental Health	3,728	(6,616)	(2,889)
Aging & Independence Services	4,508	(4,550)	(42)
Children's Mental Health	4,722	(4,697)	25
Children's Team	-	-	
Office of Public Health	8,844	(8,307)	537
Policy & Program Support	1,857	(1,616)	241
Proposition 10	129	(129)	-
Regional Operations	21,762	(23,464)	(1,701)
Strategy & Planning	549	(48)	501
Total General Fund	72,506	(69,071)	3,435

Special Revenue Funds

Social Services Realignment	8,736	(3,000)	5,736
Mental Health Realignment	2,999	677	3,676
Health Realignment	5,088	-	5,088
Tobacco Settlement Fund	2,043	2,387	4,430
Total Special Revenue Funds	18,865	64	18,929

Internal Service Funds

DMI-Working Capital	-	-	-
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Special District Funds Departments

Ambulance Districts	-	-	-
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Other County Funds Departments

	-	-	-
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Total Health & Human Services Agency	\$ 91,371	\$ (69,007)	\$ 22,364
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**FY 2002-2003 2nd Quarter
Projected Year-end Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

	Expenditure Variance	Revenue Variance	2nd Quarter FY02-03 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Departments

Agriculture, Weights & Measures	\$ 553	\$ (349)	205
Environmental Health	1,916	(884)	1,032
Farm Advisor	9	-	9
Land Use & Environment Group Exec Office	6,653	(68)	6,585
Parks & Recreation	831	(126)	705
Planning & Land Use	1,050	510	1,561
Public Works	(266)	197	(69)
Total General Fund	<u>10,748</u>	<u>(720)</u>	<u>10,029</u>

Special Revenue Funds Departments

Agriculture, Weights & Measures	-	-	-
Parks & Recreation	3,936	(100)	3,836
Public Works	9,662	(11,508)	(1,846)
Total Special Revenue Funds	<u>13,598</u>	<u>(11,608)</u>	<u>1,990</u>

Internal Service Funds Departments

Public Works	1,003	(552)	451
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Enterprise Funds Departments

Public Works	2,530	(2,285)	245
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Special District Funds Departments

Air Pollution Control District	1,327	(434)	893
Parks and Recreation	407	(199)	208
Public Works	7,599	(5,218)	2,381
Total Special Districts Funds	<u>9,334</u>	<u>(5,851)</u>	<u>3,482</u>

Other County Funds Departments

Debt Service-Local Boards	-	-	-
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Total Land Use & Environment Group	<u>\$ 37,213</u>	<u>\$ (21,016)</u>	<u>\$ 16,197</u>
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**FY 2002-2003 2nd Quarter
Projected Year-end Results**

(in thousands)

COMMUNITY SERVICES GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY02-03 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Departments

Animal Services	\$ 444	\$ 7	\$ 451
Community Services Group Exec Office	1,003	-	1,003
Contribution to ISFs	-	-	-
General Services	-	-	-
Purchasing & Contracting	63	-	63
Housing & Community Development	1,282	(1,344)	(62)
Library Services	-	-	-
Registrar of Voters	1,532	(510)	1,022
Total General Fund	4,325	(1,847)	2,477

Special Revenue Funds Departments

Library Services	2,201	(2,201)	-
Housing & Community Development	27,333	(27,333)	-
Total Special Revenue Funds	29,533	(29,533)	-

Internal Service Funds Departments

Facilities Management	10,172	(10,172)	-
Fleet Management	6,285	(1,651)	4,634
Purchasing & Contracting	9,466	(8,949)	517
Document Services	347	6	353
Total Internal Service Funds	26,270	(20,766)	5,504

Other County Funds Departments

Redevelopment Agency	400	-	400
Total Community Services Group	\$ 60,529	\$ (52,147)	\$ 8,382

**FY 2002-2003 2nd Quarter
Projected Year-end Results**

(in thousands)

**FINANCE & GENERAL GOVERNMENT
GROUP**

			2nd Quarter FY02-03 Projected Fund Balance Favorable/ (Unfavorable)
Expenditure Variance	Revenue Variance		

General Fund Departments

Assessor/Recorder/County Clerk	\$ 470	\$ 1,382	\$ 1,852
Board of Supervisors	806	2	808
Board of Supervisors-General	-	-	-
CAC-Major Maintenance	-	-	-
CFO/Auditor & Controller	1,401	7	1,408
Chief Administrative Officer	291	(15)	276
County Technology Office	2,086	(13)	2,073
Civil Service Commission	93	-	93
Clerk of the Board of Supervisors	886	65	951
Contributions to Capital Outlay Fund	1,236	-	1,236
County Counsel	1,581	58	1,639
Finance & GG Exec Office	34,149	610	34,758
Human Resources	795	(331)	463
Treasurer/Tax Collector	273	101	375
Total General Fund	44,068	1,865	45,933

Special Revenue Funds Departments

Media & Public Relations	225	34	259
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Internal Service Funds Departments

County Technology Office	-	-	-
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**Total Finance & General
Government Group**

\$ 44,293	\$ 1,899	\$ 46,192
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**FY 2002-2003 2nd Quarter
Projected Year-end Results**

(in thousands)

**GENERAL REVENUES &
GENERAL COUNTY EXPENSES**

Expenditure Variance	Revenue Variance	2nd Quarter FY02-03 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund

General Revenues:

All Current Property Taxes	\$ -	\$ 4,014	\$ 4,014
All Other Taxes-Local	-	6,532	6,532
Licenses, Permits & Franchises	-	900	900
Fines, Forfeitures & Penalties	-	159	159
Revenue for Use of Money & Property	-	(5,600)	(5,600)
Intergovernmental Revenue	-	4,552	4,552
Charges for Current Services	-	-	-
Miscellaneous Revenue	-	-	-
Total General Revenues	-	10,557	10,557

General County Expenses:

Cash Borrowing Program	3,512	-	3,512
Community Enhancement	-	-	-
Contingency Reserve	11,000	-	11,000
Contributions to Library Fund	-	-	-
Community Projects & Services	-	-	-
Countywide Expenses	5,691	-	5,691
Total General County Expenses	20,203	-	20,203
Total General Fund	20,203	10,557	30,761

Special Revenue Funds Departments

Capital Program	1,236	(1,236)	0
Debt Service-Pension Obligation Bonds	-	-	-
Total Special Revenue Funds	1,236	(1,236)	0

Internal Service Funds Departments

Unemployment & Workers Compensation	(3,982)	3,982	-
Public Liability	(1)	605	603
Total ISF Funds	(3,983)	4,586	603

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

\$ 17,457	\$ 13,907	\$ 31,364
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**FY 2002-2003 2nd Quarter
Projected Year-end Results**

Schedule B

(in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	2nd Quarter FY02-03 Projected Fund Balance Favorable/ (Unfavorable)
General Fund			
Public Safety	12,944	12,045	24,989
Health and Human Services	12,984	(9,549)	3,435
Land Use and Environment	7,091	2,937	10,029
Community Services	2,236	241	2,477
Finance & General Government	28,584	17,349	45,933
Agency/Group Totals	\$ 63,839	\$ 23,023	\$ 86,862
General Revenues		10,557	10,557
General County Expenses	-	9,203	9,203
Contingency Reserve	11,000	-	11,000
Total Gen'l. Revs & Gen'l. County Exp.	\$ 11,000	\$ 19,761	\$ 30,761
Total General Fund	\$ 74,839	\$ 42,783	\$ 117,623

**COUNTY OF SAN DIEGO
NOTES TO SCHEDULE A
FY 2002 - 2003 2nd QUARTER**

GENERAL NOTES

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, 2003 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 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

Alternate Public Defender

A net positive variance of \$0.5 million is projected for the Alternate Public Defender. The variance is the result of a projected salaries and benefits savings of \$0.8 million due to vacancies and management of hiring; a projected savings in services and supplies of \$0.5 million related to reduced need for contracted services, IT services, and other miscellaneous items. The revenue variance is from an anticipated under-realization of \$0.9 million in Aid/ Other – Reimbursement for Trial Courts due to offsetting savings in salaries and benefits and services and supplies that are normally billed to the Courts; and an anticipated over-realization of \$0.1 million in recovered expenditures.

Child Support Services

A net positive balance of \$0.1 million is projected for the Department of Child Support Services. The variance is the result of a projected savings in salaries and benefits of \$2.2 million due to vacancies retained because of a reduced federal and state allocation, a projected savings in services and supplies of \$6.4 million due to reduced spending to remain within the allocation, and a projected savings in fixed assets of \$0.3 million due to reduced spending to remain within the allocation. The department anticipates an under-realization of \$5.3 million in State Aid – Support EMF Incentive due to reduced expenditures and allocation, an under-realization of \$5.5 million in Federal Other Title IV-D Administration due to reduced expenditures and allocation, and an over-realization of \$2.0 million in FSD Recovered Costs due to increased recovery of federal assistance dollars.

Contribution for Trial Courts

A net positive variance of \$0.6 million is projected for the Contribution for Trial Courts. The variance is the result of a projected savings in services and supplies of \$0.1 million due to anticipated savings in utilities and an anticipated over-realization of \$0.4 million in various other revenue accounts due to higher than anticipated activity.

District Attorney

A net positive variance of \$4.0 million is projected for the District Attorney's Office. The variance is the result of a projected savings in salaries and benefits of \$4.6 million due to retained vacancies and management of hiring; a projected savings in services and supplies of \$0.7 million due to reduced spending for minor equipment, travel, temporary contract help and the Public Assistance Fraud Program; a projected savings in fixed assets of \$0.2 million due to deferred expenditures; a projected over-expenditure in other charges of \$0.3 million due to High Technology Theft and Prosecution Program - CATCH contract needs; and a projected under-realization of \$1.8 million in cost applied reimbursements due to reduced availability of funding from HHSA for the Public Assistance Fraud Program. The revenue variance is based on an anticipated over-realization of \$0.3 million in State Aid – Worker's Compensation Fund due to unanticipated revenues from the State for the Worker's Compensation Insurance Fraud Program; and an anticipated over-realization of \$0.3 million in various other revenue accounts primarily due to FBI, DEA and RATT reimbursements for overtime expenses.

Probation Department

A net positive variance of \$3.7 million is projected for the Probation Department. The variance is a result of a projected savings in salaries and benefits of \$2.9 million due to frozen positions associated with the closure of Camp West Fork and a higher than normal vacancy rate due to retirements, a projected over-expenditure in services and supplies of \$1.0 million due to Facility Maintenance ISF service billings, and a projected savings in Other Charges of \$4.5 million of which \$3.2 is attributable to the Foster Care Budget and \$1.1 related to maintenance of wards. The revenue variance is based on the anticipated over-

realization of \$0.5 million in State Admin. - Child Welfare Title XX revenues due to time studies proving increases in costs that are revenue offset; an anticipated over-realization of approximately \$.3 million in State Aid – Emergency Assistance; an anticipated under-realization of \$2.4 million in State and Federal revenues for the Foster Care Heartbeat program due to decreased Out-Of-Home placements; an anticipated under-realization of \$1.6 million in State Aid – Reimbursement Mandated SB90, State Aid – Other State Grants and State Aid – Citizens Option COPS revenues due to the State’s deferral of payment and reductions in the WINGS Program; an anticipated under-realization of \$0.6 million in Federal Other Federal Grants due to reduction in available JAIBG revenues; an anticipated over-realization of \$1.7 million in Other Court Costs revenues due to increased collections from offenders for investigative and supervision costs; an anticipated over-realization of \$0.3 million in Institutional Care County revenues due to higher collections from Revenue and Recovery; and an anticipated under-realization of \$0.8 million in Operating Transfer From Prop 172 Fund revenues due to reduced availability of one-time, prior year Proposition 172 revenues.

Public Defender

A net positive variance of \$2.3 million is projected for the Public Defender. The variance is the result of a projected savings in salaries and benefits of \$1.3 million due to vacancies and management of positions, a projected over-expenditure in services and supplies of \$0.1 million due to necessary IT expenditures related to document imaging, a projected year-end balance in Management Reserve of \$1.4 million due to retention of reserves for future one-time fiscal year needs, and an anticipated \$0.3 million due to under-realized revenues as result of vacancies in the dependency program.

Public Safety Group

A net positive variance of \$11.8 million is projected for the Public Safety Group. The variance is the result of a projected savings in salaries and benefits of \$0.2 million due to lower than anticipated student worker expenses and salary savings due to a retirement in the Juvenile Justice Commission, a projected savings in Other Charges of \$0.1 million due to lower than anticipated expenditures related to Hall of Justice employee parking, and a projected year-end balance in Management Reserve of \$11.5 million due to the need to retain resources for future one-time needs. The unit also anticipates an over-realization of \$0.4 million in Rents and Concession due to additional revenues from a parking lease and leased space at the Stalman Building, an over-realization of Employee Parking Fees of \$0.1 million due additional revenues from the Hall of Justice parking garage and surface lot, and an under-realization of Operating Transfer Prop. 172 Fund revenues of \$0.5 million due to reduced availability of one-time, prior year Prop. 172 revenues.

Sheriff

A net positive variance of \$1.8 million is projected for the Sheriff's Department. The expenditure variance is the result of a projected savings in salaries and benefits of \$8.1 million due to delays incurred in filling deputy positions and other vacancies; a projected over-expenditure in services and supplies of \$2.2 million due to utility expenses, crime lab costs, and inmate medical expenses (\$1.0 million) exceeding budget; a projected savings in fixed assets of \$0.5 million due to deferred expenditures; and a projected under-realization of \$0.7 in cost applied reimbursements due to lower than anticipated volume of meals delivered to the Probation Department. The revenue variance is based on an anticipated over-realization of \$0.5 million in Contract City Revenue due to the cities paying for a portion of the Domestic Violence Unit costs previously covered by grant funding; an over-realization of \$0.3 million in Institutional Care County revenues due to receipt of payment for prior year business; an anticipated under-realization of \$5.0 million in Operating Transfer From Prop 172 Fund revenues due to lower than anticipated availability of prior year over-realized revenues; and an anticipated over-realization of \$0.3 million in revenue from miscellaneous sources.

Special District Fund:

CSA 135 Regional 800 MHz

A net positive variance of \$0.9 million is projected for the CSA 135 Regional 800 MHz budget. An anticipated over-realization of \$0.9 million in other miscellaneous revenues is due to the City of Encinitas paying its entire portion of the 800 MHz debt service that will be used for enhancements to the Regional Communications System.

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 management reserve. A net positive variance of \$6.8 million is projected for Agency Administration. The expenditure variance is the result of projected available management reserves of \$13 million, \$4.7 million savings in Innovations from Tobacco Settlement Funds, \$6.6 million for computer applications that will not be completed this fiscal year and \$2.1 million in postage, major maintenance, print and records supplies and reduced contract expenditures. Revenue is projected as under realized by \$19.6 million. The under realized revenue represents State and Federal reimbursements for Agency administrative costs, projected expenditure savings in Tobacco Settlement revenues and includes reduction of anticipated realignment revenues.

Adult Mental Health

A net negative variance of \$2.9 million is being projected. The negative variance includes anticipated over expenditures of \$2.9 million for Sheriff department pharmaceutical costs. Although this expenditure is offset with savings in salaries and benefits and services and supplies due to reduced inpatient services, there is no revenue to offset the pharmaceutical costs.

Revenue is projected to be below budget by \$6.6 million, this is due to the above-mentioned reduction in inpatient services. Discussions are underway between HHSA and the Sheriff's Department to address pharmacy medication costs.

Aging and Independence Services

A small net negative variance of \$.04 million is projected for Aging and Independence Services. The variance is a result of projected under expenditures in salary and benefits of \$.9 million as well as expenditure savings in services and supplies and contracts of \$3.6 million for Edgemoor nursing vacancies, AIDS Waiver Case Management and IT applications. There is a corresponding under realization of revenue of \$4.5 million.

Children's Mental Health

A small positive variance of \$.02 million is being projected for Children's Mental Health. This variance includes utilizing Managed Care funds of \$5 million for the suspension of SB-90 reimbursements which deals with un-funded State mandated programs and the State now requiring a 10% County match for EPSDT funding. Other projected expenditure savings of \$4.7 million is mainly in services and supplies and contracts for EPSDT offset by an under-realization of \$4.7 million in revenue.

Policy and Program Support Division

A net positive variance of \$.24 million is projected for the Policy and Program Support Division. There is a projected \$1.85 million savings in expenditures mainly in contracted services for Alcohol and Other Drugs Program for outpatient individual and group sessions, case management and case assessment, Children's Welfare Services, and the ending of the Family Home Visiting contracts and the CalWORKs Learning Disability contract. There is a corresponding under realization of revenue projected at \$1.6 million.

Public Health Services

A net positive variance of \$.5 million is projected for Public Health Services. The projected \$8.8 million in expenditure savings includes \$2.2 million savings in salary and benefits as a result of the SDSU Foundation transition to County employment as the positions are still being classified. The \$6.9 million savings in services and supplies is a result of the Bio-terrorism program not yet being fully operational, a late start of the Children's Weight Initiative program and Maternal and Child Health program, savings in the Car Seat program and other savings

from non-contract accounts. The under realization of revenue by \$8.3 million corresponds to the projected expenditure savings.

Regional Operations

A net negative variance of \$1.7 million is projected for Regional Operations. This is a result of expenditure savings of \$21.7 million with a revenue reduction of \$23.4 million. Savings are due to decreased costs in CalWORKs assistance payments. These savings are partially offset by increased costs projected for Foster Care and Aid to Adoptive Parents that are State entitlement programs. The FY 02-03 State allocation for Stage I Child Care is \$9.7 million less than projected expenditures. HHSA has submitted a request for augmentation from the State's Child Care reserve. The Agency has been informed that the County may receive \$8.6 million in additional funds. This augmentation is included in our revenue projection.

Strategy and Planning Division

A net positive variance of \$0.5 million is projected for the Strategy and Planning Division. There is a projected \$ 0.55 million in expenditure savings mainly in services and supplies for contracts and a \$ 0.05 savings in salaries and benefits. There is a corresponding under realization of revenue projected at \$0.05 million.

Special Revenue Funds:

A total net positive variance of \$18.9 million is projected for the three Realignment Special Revenue Funds and the Tobacco Securitization Fund. Through a concerted effort, HHSA plans to control the expenditure of realignment funds to align more closely with reduced sales tax receipts that are projected due to the slow economic recovery. This results in a Net Variance of \$14.4 million in the realignment funds that will be used to prepare for FY 03-04.

The Tobacco Securitization Fund is showing a positive variance of \$4.4 million due to savings in HHSA Operations and interest earned in FY 02-03.

LAND USE AND ENVIRONMENT GROUP

General Fund:

Environmental Health

A net positive variance of \$1.0 million is projected by year-end for this department. The variance is the result of savings in salaries and benefits of \$1.4 million directly related to a projected revenue shortfall. The department also projects a year-end balance of \$0.5 million in Management Reserves. The revenue shortfall of \$0.9 million is linked to the later than anticipated effective date of the new fee rates.

Executive Office

A net positive variance of \$6.5 million is projected for the Executive Office. The variance of \$6.5 million is due entirely to projected year-end balance in Group Management Reserves. This amount is planned for use as has been directed by your Board.

Parks and Recreation

A net positive variance of \$.7 million is projected by year-end. The variance is the result of projected savings in salaries and benefits of \$0.6 million, largely due to vacancies. Services and supplies, other charges and operating transfers out are expected to also be under budget by \$0.2 million. Revenues are projected to be under-realized by \$0.1 million primarily due to less reimbursement than budgeted.

Planning and Land Use

A net positive variance of \$1.6 million is projected by year-end. The variance is the result of projected savings in salaries and benefits of \$1.0 million due to retention, recruitment and under filling positions due to the inability to find candidates at the higher levels. An additional \$.1 million in savings is from services and supplies. Revenue is projected to over realized by \$.5 million. The over realization is primarily in Building Permits and Plan Check and Field inspections. Historically, there is a decrease in activity in the months of November and December. However, this year the workload has remained steady.

Special Revenue Funds:

Parks and Recreation

A net positive variance of \$3.8 million is projected by year-end. This is primarily the result of budgeting all available resources in the PLDO funds in order to respond to the communities needs as necessary.

Public Works

A net negative variance of \$1.8 million is projected by year-end. This negative variance is comprised of positive expenditure savings of \$9.7 million, including \$7.9 million in salaries and benefits and services & supplies due to delays in the Detailed Work Program, and \$1.8 million in other charges due to unavailability of Aviation grants & loans from the State.

Revenue is expected to be under realized by \$11.5 million which is comprised of a \$3.0 million shortfall in Transnet and Transnet exchange projects that have been delayed, \$4.7 million in AB 2928: Governor's Gas Tax Program, \$1.0 million in budgeted interest earnings, and \$.9 million in work for other County Departments and developers, \$1.8 million revenue shortfall from Aviation grants, and \$.2 due to savings in services & supplies where the offsetting revenue is not anticipated. Existing fund balance in the special revenue funds will be used to cover the net negative variance.

Internal Service Funds:

Public Works

A net negative variance of \$.5 is projected at year-end. This is comprised of a \$1 million savings caused by project delays and a \$.5 million revenue shortfall due to less reimbursement for the project delays.

Special District Funds:

Air Pollution Control

The net positive variance of \$.9 million is due to estimated expenditures savings projected to be \$1.3. This is made up of approximately \$1.2 million in salaries and benefits due to vacancies and a net of approximately \$.1 million savings in services and supplies, primarily for budgeted moving costs, which now will not occur this fiscal year.

These savings are reduced by \$.4 million in under-realized revenue, which includes a reduction below budget from the state subvention, lower realized interest, and lower realized permit fees. The projected expenditure savings \$1.3 million less projected revenue underage of \$.4 million yields a net savings of \$.9.

Public Works

A net positive variance of \$2.4 million is projected by year-end. The variance is the result of \$7.6 million projected savings in projects that either have been delayed or will not be executed in this fiscal year. \$5.2 in under realized revenue is due to less reimbursement for the project delays or for those projects that will not be executed in this fiscal year.

COMMUNITY SERVICES GROUP

General Fund:

Animal Services

The net positive variance of \$.5 million is primarily due to a projected year-end balance in Management Reserves.

Community Services Group Executive Office

A net positive variance of \$1 million is primarily due to a projected year-end balance in Management Reserves.

Registrar of Voters

A net positive variance of \$1 million is projected due to expenditure savings of \$.6 million, revenue reductions of \$.5 million and a projected year-end balance in Management Reserve of \$.9 million. Expenditures savings reflect staff savings of \$.3 million and \$.3 million related to supply savings associated with the

November election. Revenues reflect a reduction of \$.4 million in SB90 State Mandate revenue and \$.1 million in election services revenue. SB90 claims have been filed with the State, but reimbursement status by the State is unknown.

Internal Service Funds:

Document Services

A net positive variance of \$.4 million reflects reduced equipment maintenance costs.

Fleet Management

A net positive variance of \$4.6 million is related primarily to delayed vehicle purchases of 222 vehicles until next fiscal year. In addition, expenditure savings reflect \$1.7 million due to reduced depreciation and maintenance costs. Revenues reflect reduced depreciation and maintenance costs billed to customer departments.

Purchasing and Contracting ISF

A net positive variance of \$.5 million is projected due to expenditure savings of \$9.5 million and revenue reductions of \$9 million. Specifically, expenditures reflect staff savings of \$.7 million and \$8.8 million from outsourcing Central Stores with the use of “Just In Time” contracts for food and paper products. In addition, with the increased use of procurement cards, expenses are being charged directly to departments rather than going through the ISF. Revenues reflect reduced billings to customers as departments purchase supplies directly from vendors.

Other County Funds:

Redevelopment Agency

A net positive variance of \$.4 million reflects the cancellation of two redevelopment housing projects in the current year.

FINANCE & GENERAL GOVERNMENT GROUP

General Fund:

Assessor/Recorder/County Clerk

A net positive variance of \$1.8 million is projected for the Assessor/Recorder/County Clerk. The variance is the result of projected savings in services and supplies of \$.4 million due to a more conservative automation expansion plan, and an anticipated net over-realization of revenues of \$1.4 million, primarily attributable to an anticipated over-realization of recording revenues offset by an anticipated under-realization of AB2890 Recovered Costs revenue.

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 \$.4 million due to staff savings resulting from retirements, a projected savings in services and supplies of \$.5 million due to information technology expenditure savings, and a projected year-end balance of \$.5 million in Management Reserves.

Board of Supervisors

A net positive variance of \$.8 million is projected for the Board of Supervisors. The variance is the result of projected savings in salaries and benefits of \$.5 million due to staff savings, and a projected savings in services and supplies of \$.3 million due to information technology expenditure savings.

Chief Administrative Office

A net positive variance of \$.3 million is projected for the Chief Administrative Office. The variance is the result of projected savings in salaries and benefits due to staff savings.

County Technology Office

A net positive variance of \$2.1 million is projected for the County Technology Office. The variance is the result of projected savings in salaries and benefits of \$.4 million due to staff savings, a projected savings in services and supplies of \$1.2 million due to the elimination of critical milestone incentive payments to a contractor, and a projected year-end balance of \$.5 million in Management Reserves.

Clerk of the Board of Supervisors

A net positive variance of \$.9 million is projected for the Clerk of the Board of Supervisors. The variance is the result of projected savings in salaries and benefits of \$.3 million due to staff savings, a projected savings in services and supplies of \$.2 million due to information technology expenditure savings, and a projected year-end balance of \$.4 million in Management Reserves.

Contributions to Capital Outlay Fund

A net positive variance of \$1.2 million is projected. The variance is the result of lease payment savings stemming from interest credits on long-term obligations, principally those related to the Regional Communications System (\$.3 million), the Central Jail project (\$.2 million), the Hall of Justice project (\$.5 million), and the North & East Courthouse projects (\$.2 million).

County Counsel

A net positive variance of \$1.6 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, a projected savings in services and supplies of \$.3 million in various expenditure accounts, and a projected year-end balance of \$1 million in Management Reserves.

Finance and General Government Group

A net positive variance of \$34.8 million is projected for the Finance and General Government Group. The variance is the result of projected savings in salaries and benefits of \$3.2 million due to Enterprise Resource Planning (ERP) staff savings, a projected savings in services and supplies of \$5 million due to information technology expenditures savings resulting from the delay in ERP implementation, an unanticipated over-realization of revenue of \$.6 million due to arbitrage refund payments, and a projected year-end balance of \$26 million in Management Reserves.

Human Resources

A net positive variance of \$.5 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, and a projected year-end balance of \$.2 million in Management Reserves, which is offset by an anticipated under-realization of revenue of \$.3 million due to reduced trust fund contributions as a result of postponing an IT project.

Treasurer/Tax Collector

A net positive variance of \$.4 million is projected for the Treasurer/Tax Collector. The variance is the result of projected savings in salaries and benefits of \$.2 million due to staff savings, a projected savings in services and supplies of \$.1 million due to information technology expenditure savings, and an anticipated over-realization of revenue of \$.1 million due to increased penalty and other miscellaneous revenue (\$.3 million), offset by an anticipated under-realization of AB2890 Recovered Costs 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 \$30.8 million, comprised of \$10.6 million in additional General Revenues and \$20.2 million of savings in General County Expenses.

General Revenues

San Diego's economy continues to grow at a slow, but positive rate and the San Diego economy continues to outperform the State economy, primarily due to a strong local construction sector and continued demand for housing. Significant components of the \$10.5 million favorable revenue variance include:

All Current Property Taxes

All Current Property taxes are estimated to provide a \$4.0 million favorable net variance.

- Current Secured Property Taxes

Current Secured Property taxes are estimated at budget.

- Current Secured Supplemental Property Taxes

Current Supplemental taxes are estimated to exceed the budget by \$3.4 million. As was mentioned above, the construction and real estate activity has been strong in southern California and particularly in San Diego. Resale real estate activity as well as residential construction in 2002 continued to show the highest volume in a decade, as measured by building permits. This is the result primarily of favorable financing terms and continued positive Gross Regional Product growth of about 1.7%. Specifically, the value of new housing permits issued in 2002 were 8% higher than 2001. As a result, supplemental taxes are estimated at about 8.7% above last year's revenues.

- Current Unsecured Property Taxes

Current Unsecured Property Taxes are estimated to exceed the budget by \$.56 million. This is primarily the result of supplemental and correctional billing that took place during the year.

All Other Taxes - Local

All Other Taxes are anticipated to exceed budget by an aggregate of \$6.5 million:

- Prior-year Secured Supplemental Taxes are estimated to exceed the budget by \$1.4 million. This is attributed to the same factors described above in the Current Year Supplemental Property Taxes.
- Sales and Use Tax revenue is expected to exceed budget by \$0.8 million, attributable to continued steady retail activity in the unincorporated area. In 2001 San Diego's taxable sales increased by 4.4% while the statewide sales remained unchanged.
- Due to the strong economy, Aircraft Unsecured Taxes are estimated to exceed the FY02-03 budget by \$0.5 million.
- An additional \$3.5 million in revenue is estimated in Real Property Transfer Taxes. This is based on actual receipts through December, which are 29.6% higher than last year at the same time. This is attributed to the continued record low interest rates and to strong new construction activity.
- Redevelopment Agency revenues are estimated to be \$.5 million above budget due to modification of existing and the addition of new Redevelopment Agreements.
- Teeter Tax Reserve Excess revenues are estimated to be \$.2 million below budget. The primary reason is the lower delinquency rate of 1.8% versus the

budgeted 2%. This resulted in lower Teeter cash borrowing thus lesser Teeter Tax Reserves revenues.

Licenses, Permits & Franchises

An additional \$.9 million in Franchise fees is anticipated from Sempra Energy Company (SDG&E) for calendar year 2002. The County receives Franchise fees and Franchise fee equivalents from SDG&E for the right to utilize land in the unincorporated area. The franchise fees are based on the number of miles of lines and the sales of the electric and gas energy.

Revenue from Use of Money & Property

Interest on Deposits and Investments is projected to be \$5.6 million less than budget due to the difference between the interest rate assumed in the budget of 3.25% and current earnings rate of 2.5%. This reduction in revenues is partially offset by lower borrowing costs of \$3.5 million (see below, Cash Borrowing program)

Intergovernmental Revenue

A favorable variance of \$4.5 million is projected due to:

- Vehicle License Fee (VLF) revenues are expected to exceed budget by \$4.2 million as a result of sustained strength in automotive sales.
- Federal In-Lieu Taxes and State Aid HOPTR will exceed budgeted revenue by a combined \$.3 million.

General County Expenses

Cash Borrowing Program

Debt service costs are projected to be lower than budget by \$3.5 million due to:
a) lower interest expenditures of 3.0% versus 3.5% estimated for the budget and
b) higher premium discounts realized at the time of the sale of the Tax Revenue Anticipation Notes (TRANS) in July 2002.

Contingency Reserve

The entire \$11.0 million budgeted in the Contingency Reserve is expected to be unspent at year-end.

Countywide Expenses

A year-end savings of \$ 5.7 million is estimated due to:

- Savings of \$3.0 million is expected to be available at year-end based on the favorable financial condition of the County. These monies may be recommended for augmenting the General Reserve in Fiscal Year 2003-04 depending on the impact of the State's budget on the County.

- Savings of \$2.7 million in the ERP lease purchase payment. \$9.2 million was budgeted for the Enterprise Resource Planning (ERP) system lease-purchase payment. Only \$6.5 million is required this year because the Property Tax System component of the ERP Program is on hold pending further review of available technology.

Internal Service Funds

Public Liability Fund (ISF)

Increased revenue in the Public Liability Fund of \$.6 million is due to Interest Earnings due to cash balances in the Fund.