



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: June 24, 2002

TO: Board of Supervisors

SUBJECT: THIRD QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2002 (District: All)

SUMMARY:

Overview

This report summarizes my third quarter estimates of the County's financial position as measured by projected year-end fund balance by Agency/Group and fund type. For the General Fund, the County's primary operating fund, the projected fund balance is \$151.8 million. In comparison, last year's third quarter fund balance projection was \$115.0 million. Of the \$151.8 million, \$18.6 million is from additional General Purpose Revenues, \$77.9 million is from savings or additional revenues in departmental operations, and \$55.3 million is based on anticipated balances in the countywide Contingency Reserve and Group and Department Management Reserves. The projected balance for all other funds combined is \$36.0 million. Approximately \$105.9 million of the projected General Fund savings have been used to fund one-time items or maintain Management Reserves in the CAO Proposed Operational Plan for Fiscal Years 2002-03 and 2003-04 or in the CAO's proposed Change Letter. These savings will also be the source for making Quality First payments to employees where applicable in the coming year. While these figures indicate that the County's current fiscal health is strong, we must remain vigilant in our fiscal discipline efforts. I expect that some of savings will be needed to help the County weather some portion of the impact that the State's budget problems will have on us and for unanticipated critical service needs. As these impacts become clear, I will report back to your Board with options and recommendations.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

File this report.

Fiscal Impact

There is no fiscal impact by this action.

Business Impact Statement

N/A

**SUBJECT: THIRD QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS
 FOR FISCAL YEAR ENDING JUNE 30, 2002**

Advisory Board Statement

N/A

BACKGROUND:

Schedule A summarizes the fund balance projections by Group and Department and by fund type. The notes to Schedule A explain variances from budget. The estimates are based on actual revenue and expenditure data through the third quarter (July 2001– March 2002) and staff’s best estimates of activity through the remainder of the year. Schedule B summarizes the anticipated General Fund results by Group and distinguishes between Contingency or Management Reserve savings and operational savings.

While the national and state economies slowed considerably in the second half of 2000 and in 2001, there are signs of recovery in the first quarter of 2002. It appears, however, that the San Diego economy has weathered the national and state economic slowdown very well. Specifically, while the rest of the state lost jobs, San Diego’s employment, while growing at a slower pace, has not declined. The real estate sector continues to be strong and the service sector has held steady. As a result, 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) will exceed the amounts we budgeted by \$18.6 million.

By contrast, Realignment and Public Safety Sales Tax (Proposition 172) revenues, which are driven by statewide economic conditions, are coming in at lower levels than were budgeted. Realignment revenues are derived from the statewide sales tax and vehicle license fees (VLF) and are used to fund various Health and Human Services Agency programs. In the prior two Fiscal Years, these revenues grew at an average annual rate of 10%. For FY 2001-02, due to the weak state economy, we assumed only a modest increase of 5%. The State is projecting that sales tax revenues will be 2% to 5% less than the prior years. VLF revenues continue to be stable, but the overall result could be a \$9.0 million to \$13.0 million shortfall in Realignment revenues from budget. Proposition 172 program funding is generated through statewide sales tax revenues and we are projecting a \$6.0 million shortfall in this account. In the case of Realignment revenues, program savings more than offset the projected loss of revenue which will result in a positive fund balance of \$11.1 million in the special revenue fund. For Proposition 172 revenues, however, the revenue shortfall will reduce the unappropriated fund balance otherwise available (based on prior year over-realized revenues) in that special revenue fund.

We have been particularly watchful for direct impacts on the County from the State’s budget problems. For this fiscal year, the impacts are relatively small. The Department of Agriculture, Weights and Measures was expecting an increase of about \$300,000 for the High Risk Pest Exclusion program, but that funding has been withdrawn. The District Attorney was recently informed that the State Controller’s Office might delay reimbursement of approximately \$600,000 for the Child Abduction and Recovery program. Also withdrawn was the funding for a teen center and gymnasium in Spring Valley.

**SUBJECT: THIRD QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS
 FOR FISCAL YEAR ENDING JUNE 30, 2002**

The impact of the State's economy and the budget have been of particular concern for us as we prepared the County's Operational Plan for the next two fiscal years. As we're now aware, the Governor and the Legislature are struggling to close a \$23.6 billion gap in the State's fiscal year 2002-03 budget. We have not attempted to guess the outcome of these efforts in terms of the impact on services to County residents in either the my Proposed Operational Plan for Fiscal Years 2002-03 and 2003-04 or my Proposed Operational Plan Change Letter. We are further concerned that the Fiscal Year 2002-03 "fixes" may not correct the underlying fiscal problems facing the State's revenue structure. Not fixing this flawed system may mean we have years and years of financial uncertainty ahead.

On May 14, 2002 the Governor issued the "May Revise" for his proposed Fiscal Year 2002-03 State Budget that outlined a strategy to eliminate the deficit. We analyzed that proposal and found that it would result in a revenue loss of approximately \$68.5 million and would impact certain health, social services and public safety programs operated by the County. Furthermore, the State's budget problems are not a one-year issue. Many of the solutions proposed use one-time money to address ongoing funding shortfalls with the hope that the State's economy will improve dramatically over the next year. The Legislature has made a number of changes to the Governor's proposal since the May Revise was published, and while we cannot determine at this time what the final outcome will be, I am certain that the fiscal discipline that we've maintained over the last few years will serve us well as we confront the challenges that we'll undoubtedly face over the next few months and two to three years. We will continue to keep your Board apprised as we obtain new information.

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

SUBJECT: THIRD QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2002

AGENDA ITEM INFORMATION SHEET
(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

12-4-01 (16) First Quarter Report On Estimated Results of Operations For Fiscal Year Ending June 30, 2002.

BOARD POLICIES APPLICABLE:

NA

BOARD POLICY STATEMENTS:

NA

CONTRACT NUMBER(S):

NA

**FY 2001-2002 3rd Quarter
Projected Year-end Results**
(in thousands)

COUNTY SUMMARY

Expenditure Variance	Revenue Variance	3rd Quarter FY01-02 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund

Community Services	\$ 10,161	\$ (567)	\$ 9,594
Finance & General Government	31,825	2,851	34,676
Health & Human Services	124,037	(110,398)	13,639
Land Use & Environment	20,135	(7,409)	12,726
Public Safety	42,157	(6,964)	35,193
Total Agency/Group	228,315	(122,487)	105,828
General Revenues	-	18,585	18,585
General County Expenses	27,397	-	27,397
Total General Fund	\$ 255,710	\$ (103,902)	\$ 151,809

Special Revenue Funds

Community Services	18,362	(17,174)	1,188
Finance & General Government	-	-	-
Health & Human Services	24,182	(13,073)	11,109
Land Use & Environment	18,632	(13,042)	5,590
Public Safety	3,820	(5,632)	(1,812)
Finance Other - Capital Program	5,647	(5,390)	257
Total Special Revenue Funds	\$ 70,642	\$ (54,311)	\$ 16,331

Internal Service Funds Departments

Community Services	28,424	(23,639)	4,786
Finance & General Government	2,898	(2,898)	-
Health & Human Services	-	-	-
Land Use & Environment	3,561	(916)	2,645
Public Safety Group	252	(103)	149
Finance Other	(614)	614	-
Other County	-	-	-
Total Internal Service Funds	\$ 34,522	\$ (26,943)	\$ 7,580

Enterprise Fund Departments

Land Use & Environment	\$ 18,100	\$ (16,670)	\$ 1,430
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Special District Funds Departments

Health & Human Services	-	-	-
Land Use & Environment	11,229	(604)	10,625
Public Safety Group	-	-	-
Total Special District Funds	\$ 11,229	\$ (604)	\$ 10,625

Other County Funds Departments

Community Svcs. Dept - Redevelopment Agencies	\$ 1,077	\$ (1,077)	\$ -
LUEG - Debt. Svc. Local Boards	-	-	-
Total Other County Funds	\$ 1,077	\$ (1,077)	\$ -

Total County Projected Operating Balance	\$ 391,280	\$ (203,506)	\$ 187,774
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5/23/2002

**FY 2001-2002 3rd Quarter
Projected Year-end Results**
(in thousands)

COMMUNITY SERVICES GROUP

	Expenditure Variance	Revenue Variance	3rd Quarter FY01-02 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Departments

Animal Control	\$ 535	\$ (8)	\$ 526
Community Services Group Exec Office	7,059	83	7,142
Contribution to ISFs	-	-	-
General Services Funds	63	3	66
Housing & Community Development	1,248	(899)	350
Library Services	-	-	-
Registrar of Voters	1,255	254	1,509
Total General Fund	<u>10,161</u>	<u>(567)</u>	<u>9,594</u>

Special Revenue Funds Departments

Library Services	1,319	(130)	1,188
Housing & Community Development	17,043	(17,043)	-
Total Special Revenue Funds	<u>18,362</u>	<u>(17,174)</u>	<u>1,188</u>

Internal Service Funds Departments

Facilities Management	13,849	(12,534)	1,315
Fleet Management	5,063	(2,001)	3,062
Purchasing & Contracting	8,281	(7,872)	409
Document Services	1,232	(1,232)	-
Total Internal Service Funds	<u>28,424</u>	<u>(23,639)</u>	<u>4,786</u>

Other County Funds Departments

Redevelopment Agency	1,077	(1,077)	-
Total Community Services Group	<u>\$ 58,024</u>	<u>\$ (42,457)</u>	<u>\$ 15,567</u>

**FY 2000-2001 3rd Quarter
Projected Year-end Results**
(in thousands)

**FINANCE & GENERAL
GOVERNMENT GROUP**

			3rd Quarter FY01-02 Projected Fund Balance Favorable/ (Unfavorable)
Expenditure Variance	Revenue Variance		

General Fund Departments

Assessor/Recorder/County Clerk	\$ 1,287	\$ 2,261	\$ 3,548
Board of Supervisors	288	3	291
Board of Supervisors-General	-	-	-
CAC-Major Maintenance	-	3	3
CFO/Auditor & Controller	2,680	(385)	2,295
Chief Administrative Officer	742	-	742
Chief Technology Office	814	253	1,067
Civil Service Commission	35	-	35
Clerk of the Board of Supervisors	239	242	481
Contributions to Capital Outlay Fund	14,052	123	14,175
County Counsel	1,381	159	1,540
Finance & GG Exec Office	7,898	-	7,898
Human Resources	1,066	(298)	768
Treasurer/Tax Collector	1,342	490	1,832
Total General Fund	31,825	2,851	34,676

Special Revenue Funds Departments

Media & Public Relations	-	-	-
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Internal Service Funds Departments

Chief Technology Office	2,898	(2,898)	-
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**Total Finance & General
Government Group**

\$ 34,723	\$ (47)	\$ 34,676
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**FY 2000-2001 3rd Quarter
Projected Year-end Results**
(in thousands)

**HEALTH & HUMAN SERVICES
AGENCY**

	Expenditure Variance	Revenue Variance	3rd Quarter FY01-02 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Programs

Agency Administration	\$ 23,802	\$ (14,340)	\$ 9,462
Adult Mental Health	3,782	(5,889)	(2,106)
Aging & Independence Services	14,466	(11,779)	2,686
Children's Mental Health	7,508	(10,479)	(2,970)
Children's Team	-	-	
Office of Public Health	11,862	(9,533)	2,329
Policy & Program Support	15,524	(15,666)	(142)
Proposition 10	384	(384)	-
Regional Operations	44,995	(41,015)	3,980
Strategy & Planning	1,714	(1,314)	400
Total General Fund	124,037	(110,398)	13,639

Special Revenue Funds

Social Services Realignment	11,187	(8,217)	2,970
Mental Health Realignment	3,034	(1,770)	1,263
Health Realignment	9,961	(3,086)	6,876
Total Special Revenue Funds	24,182	(13,073)	11,109

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	\$ 148,219	\$ (123,471)	\$ 24,748
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**FY 2000-2001 3rd Quarter
Projected Year-end Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

	Expenditure Variance	Revenue Variance	3rd Quarter FY01-02 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Departments

Agriculture, Weights & Measures	\$ 554	\$ (174)	380
Environmental Health	5,655	(3,080)	2,575
Farm Advisor	51	-	51
Land Use & Environment Group Exec Office	6,626	(208)	6,418
Parks & Recreation	2,871	(1,677)	1,194
Planning & Land Use	3,816	(1,786)	2,029
Public Works	562	(484)	79
Total General Fund	<u>20,135</u>	<u>(7,409)</u>	<u>12,726</u>

Special Revenue Funds Departments

Agriculture, Weights & Measures	-	8	8
Parks & Recreation	6,357	(1,495)	4,863
Public Works	12,274	(11,555)	719
Total Special Revenue Funds	<u>18,632</u>	<u>(13,042)</u>	<u>5,590</u>

Internal Service Funds Departments

Public Works	3,561	(916)	2,645
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Enterprise Funds Departments

Public Works	18,100	(16,670)	1,430
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Special District Funds Departments

Air Pollution Control District	778	597	1,375
Parks and Recreation	1,184	(237)	947
Public Works	9,267	(964)	8,303
Total Special Districts Funds	<u>11,229</u>	<u>(604)</u>	<u>10,625</u>

Other County Funds Departments

Debt Service-Local Boards	-	-	-
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Total Land Use & Environment Group	<u>\$ 71,657</u>	<u>\$ (38,641)</u>	<u>\$ 33,016</u>
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**FY 2000-2001 3rd Quarter
Projected Year-end Results**
(in thousands)

PUBLIC SAFETY GROUP

			3rd Quarter FY01-02 Projected Fund Balance Favorable/ (Unfavorable)
Expenditure Variance	Revenue Variance		

General Fund Departments

Alternate Public Defender	\$ 1,135	\$ (609)	\$ 526
Child Support	6,756	(4,138)	2,618
Contributions for Trial Courts	(797)	674	(124)
Defense Attorney Contract Admin.	(468)	110	(358)
District Attorney	4,720	(998)	3,723
Grand Jury	22	1	24
Law Enforcement Review Board	14	-	14
Medical Examiner	300	74	374
Office of Disaster Preparedness	399	167	566
Probation	15,836	(2,324)	13,512
Public Defender	1,804	(68)	1,736
Public Safety Executive Office	2,955	618	3,573
Sheriff	9,481	(471)	9,011
Total General Fund	<u>42,157</u>	<u>(6,964)</u>	<u>35,193</u>

Special Revenue Funds Departments

District Attorney	-	5	5
Probation	(36)	75	39
Sheriff	3,857	530	4,387
Public Safety - Proposition 172	-	(6,242)	(6,242)
Total Special Revenue Funds	<u>3,820</u>	<u>(5,632)</u>	<u>(1,812)</u>

Internal Service Funds Departments

Probation	-	-	-
Sheriff	252	(103)	149
Total Internal Service Funds	<u>252</u>	<u>(103)</u>	<u>149</u>

Special District Funds

	-	-	-
Total Group Projected Fund Balance	<u>\$ 46,229</u>	<u>\$ (12,699)</u>	<u>\$ 33,530</u>

**FY 2000-2001 3rd Quarter
Projected Year-end Results**

(in thousands)

**GENERAL REVENUES &
GENERAL COUNTY EXPENSES**

Expenditure Variance	Revenue Variance	3rd Quarter FY01-02 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund

General Revenues:

All Current Property Taxes	\$ -	\$ 5,224	\$ 5,224
All Other Taxes-Local	-	6,341	6,341
Licenses, Permits & Franchises	-	2,511	2,511
Fines, Forfeitures & Penalties	-	1,276	1,276
Revenue for Use of Money & Property	-	(10)	(10)
Intergovernmental Revenue	-	3,579	3,579
Charges for Current Services	-	(713)	(713)
Miscellaneous Revenue	-	378	378
Total General Revenues	-	18,585	18,585

General County Expenses:

Cash Borrowing Program	1,129	-	1,129
Community Enhancement	-	-	-
Contingency Reserve	11,000	-	11,000
Contributions to Library Fund	-	-	-
Community Projects & Services	-	-	-
Countywide Expenses	15,268	-	15,268
Total General County Expenses	27,397	-	27,397
Total General Fund	27,397	18,584	45,981

Special Revenue Funds Departments

Capital Program	5,647	(5,390)	257
Debt Service-Pension Obligation Bonds	-	-	-
Total Special Revenue Funds	5,647	(5,390)	257

Internal Service Funds Departments

Unemployment & Workers Compensation	-	-	-
Public Liability	(614)	614	-
Total ISF Funds	(614)	614	-

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

\$	32,430	\$	13,808	\$	46,238
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COUNTY OF SAN DIEGO
FY2001-2002 3rd Quarter
Projected Reserves and Operating Balances at June 30, 2002
(dollars in thousands)

Schedule B

Category	Projected Management & Contingency Reserves	Projected Operating Balances	3rd Quarter FY01-02 Projected Fund Balance Favorable/ (Unfavorable)
General Fund			
Community Services	\$ 8,109	\$ 1,485	\$ 9,594
Finance & General Government	11,017	23,659	34,676
Health and Human Services	9,808	3,831	13,639
Land Use and Environment	6,887	5,839	12,726
Public Safety	8,519	26,674	35,193
Agency/Group Totals	\$ 44,340	\$ 61,488	\$ 105,828
General Revenues		18,585	18,585
General County Expenses	-	16,397	16,397
Contingency Reserve	11,000	-	11,000
Total Gen'l. Revs & Gen'l. County Exp.	\$ 11,000	\$ 34,982	\$ 45,982
Total General Fund	\$ 55,340	\$ 96,470	\$ 151,809

Numbers may not total due to rounding.

**COUNTY OF SAN DIEGO
NOTES TO SCHEDULE A
FY 2001 - 2002 3rd 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, 2002 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.

COMMUNITY SERVICES GROUP

General Fund:

Animal Control

A net positive variance of \$.5 million is projected, primarily the result of staff savings of \$.3 million and a year-end management reserve of \$.2 million.

Community Services Group Executive Office

A projected net positive variance of \$7.1 million is almost all related to management reserves that are anticipated to remain unexpended this fiscal year.

Housing and Community Development

A net positive variance of \$.3 million is projected based upon an aggregate expense reduction of \$1.2 million offset by a \$.9 million revenue decrease. The

expense variance is comprised of staff savings of \$.5 million, \$.2 million in reduced use of contract/temporary help, and \$.5 million savings from IT support costs. The decline in revenues of \$.9 million is directly associated with reduced reimbursements from the noted expenditure savings.

Registrar of Voters

A net positive variance of \$1.5 million is anticipated due to staff savings of \$.4 million, a year-end management reserve of \$.9 million, and increased revenue of \$.2 million for services to other agencies.

Special Revenue Funds:

County Library

A net positive variance of \$1.2 million is primarily related to staff savings of \$1.2 million due to positions deliberately held open to coincide with the new library opening in Rancho San Diego, and fixed asset savings of \$.1 million, offset by reduced revenues of \$.1 million.

Internal Service Funds:

General Services Facilities Management

A net positive variance of \$1.3 million is projected, a net result of expenditure reductions of \$13.8 million and decreased revenues of \$12.5 million. Expenditure savings stem chiefly from utility savings, and staff savings of \$.7 million. The decreased revenues reflect lower charges to departments as a result of the expenditure savings. The net positive variance of \$1.3 million will be used to cover depreciation and uncompensated leave balances in the ISF.

General Services Fleet Management

A net positive variance of \$3.1 million is projected, a result of underexpenditures totaling \$5.1 million and a revenue reduction of \$2.0 million. The variance is the result of the postponement of vehicle purchases into the next fiscal year (\$2.3 million), associated lower than anticipated depreciation expense (\$1.7 million), savings in services and supplies (\$.7 million) and staff savings (\$.4 million). The revenue reduction relates directly to corresponding decreased billings as a result of the expenditure savings.

Purchasing and Contracting

An aggregate expenditure reduction of \$8.3 million and revenue reduction of \$7.9 million provide a net positive variance of \$.4 million. The majority (\$8.0 million) of the expenditure reduction results from customers' decreased use of blanket purchase orders and procurement of Central Stores inventory. Staff savings contributed an additional \$.3 million in positive variance. The revenue reduction is directly associated with the decreased expenditures.

FINANCE & GENERAL GOVERNMENT GROUP

General Fund:

Assessor/Recorder/County Clerk

A net positive variance of \$3.5 million is projected resulting from expenditure savings of \$1.3 million and increased revenue of \$2.2 million. The expenditure variance is the result of services & supplies savings of \$1.1 million, due primarily to delays in automation projects, and staff savings of \$.2 million. The net revenue increase is chiefly related to increased recording fees of \$3.1 million from refinancing of home mortgages, offset by \$.9 million in reductions associated with delayed IT projects that are funded from Assessor/Recorder/Clerk trust funds.

Board of Supervisors

A net positive variance of \$.3 million is due to staff savings.

CFO/Auditor & Controller

A net positive variance of \$2.3 million is projected. The variance is primarily the result of staff savings of \$.6 million, services and supplies savings of \$.8 million in IT costs, reduced revenues of \$.4 million and a year-end management reserve of \$1.3 million.

Chief Administrative Office

A projected net positive variance of \$.7 million is the result of staff savings of \$.2 million and a year-end management reserve of \$.5 million.

County Technology Office

A projected net positive variance of \$1.1 million is the result of staff savings of \$.2 million, services and supplies savings of \$.1 million, a year-end management reserve of \$.5 million and increased revenue of \$.3 million related to interest earnings on postponed payments to vendors and charges for services to non-General Fund departments.

Clerk of the Board of Supervisors

A net positive variance of \$.5 million is the result of \$.2 million in staff savings and revenue increases of \$.3 million primarily related to utility ISF rebates.

Contributions to Capital Outlay

A net positive variance of \$14.2 million is projected, the result of lease payment savings of \$5.6 million stemming from interest credits on long-term obligations, principally those related to the Regional Communication System (\$4.7 million). Another \$8.4 million, originally set aside for utility cost contingencies and to pay down the County's long-term debt will not be used this fiscal year.

County Counsel

A projected net positive variance of \$1.5 million is related to \$.4 million in savings for office supplies, minor equipment and IT costs and \$1.0 million in management reserves. Increased revenue of \$.2 million stems from increased charges for legal services.

Finance & General Government Group Executive Office

A projected net positive variance of \$7.9 million is the result of \$1.0 million in delayed IT costs and \$6.9 million in estimated year-end group management reserves.

Human Resources

A net positive variance of \$.8 million is projected. This is primarily the result of projected staff savings of \$.5 million, services and supplies savings of \$.1 million, fixed asset savings of \$.2 million, miscellaneous revenue reductions of \$.3 million and a year-end management reserve of \$.3 million.

Treasurer-Tax Collector

A projected net positive variance of \$1.8 million is the result of staff savings of \$.3 million, services and supplies savings of \$.5 million due to delays in IT acquisitions, increased revenue of \$.5 million in various accounts, including tax penalties and charges, recovered costs, property tax administrative fees paid by the State and banking services pooled money revenue that offset Treasury costs. A year-end management reserve of \$.5 million is anticipated.

HEALTH & HUMAN SERVICES AGENCY

General Fund:

Agency Administration

The Agency Administration consists of the following: Agency Executive Office, Financial Services, Contract Support, Information Technology, Human Resources and Agency management reserve. A net positive variance of \$9.5 million is projected. The variance is the result of projected available management reserves of \$9.7 million, as well as expenditure savings of \$1.7 million in salary and benefits, \$12.4 million in services and supplies, contract expenditures, and fixed assets. Revenue is projected as under realized by \$14.3 million. This revenue represents State and federal reimbursements for Agency administrative costs. The reduction in revenue corresponds to the projected expenditure savings.

Adult Mental Health

A net negative variance of \$2.1 million is being projected, all attributable to over expenditures of \$2.1 million for Sheriff Department's pharmaceutical costs. This variance is offset with savings in staff costs and services and supplies. Revenue is projected to be below budget by \$5.9 million, which includes \$2.1 million of

unrecovered expense for Sheriff's inmate pharmaceutical costs and underutilization of inpatient services, resulting in underrealization of managed care revenue. General purpose revenue savings in other HHS programs will offset the negative variance.

Aging and Independence Services

A net positive variance of \$2.7 million is projected. The variance is a result of projected staff savings of \$1.4 million and services and supplies savings of \$13.0 million, off set by an under realization of revenue of \$11.8 million. Both the expenditure savings and the under realization of revenue are due to delays in filling vacancies for nursing and social worker positions for Edgemoor and IHSS, savings in the Caregiver program, and reductions to other programs based on current expenditure trends.

Children's Mental Health

A net negative variance of \$3.0 million is being projected. The variance is a result of an underrealization of \$10.5 million in revenue partially offset by projected expenditure savings of \$7.5 million. The reduction in revenue corresponds, in part, to the projected expenditure savings, as well as increased Foster Care costs, and underrealized revenue associated with Medi-Cal and the AB-3015 Children's Mental Health System of Care services. Mental Health is identifying overpayments to contractors for Medi-Cal services, and steps are being taken to recoup these dollars. General purpose revenue savings in other HHS programs will offset the negative variance.

Office of Public Health

A net positive variance of \$2.3 million is projected. A projected \$11.8 million in expenditure savings includes \$2.6 million in staff savings, due to reduced extra help and vacancies, and \$9.2 million in services and supplies, including the termination of a \$1.1 million contract by the Department of Corrections, delays in contract implementation, as well as other anticipated contract cost savings. The under realization of revenue by \$9.5 million offsets most of the projected expenditure savings.

Regional Operations

A net positive variance of \$4.0 million is projected for Regional Operations. This is a result of expenditure savings of \$45.0 million with an offsetting revenue reduction of \$41.0 million. Expenditure savings include savings in subsistence payments of \$14.7 million, staff savings of \$14.3 million, and \$16.8 million in services and supplies due to contract savings. Increased costs are projected for Foster care and Aid to Adoptive Parents, due to caseload increases; however, these are more than offset by savings in other subsistence payments, such as CalWORKs Family Group, Two Parent and General Relief.

Strategy & Planning

A net positive variance of \$.4 million is projected. The projected \$1.7 million in expenditure savings is mainly in Services and Supplies for contracts with an underrealization of revenue projected at \$1.3 million.

Special Revenue Funds:

Realignment

A total net positive variance of \$11.1 million is projected for the three Realignment Special Revenue Funds. The \$24.2 million in expenditure savings is based on the anticipated fiscal year 2001-02 General Fund need. The negative revenue variance of \$13.1 million is based on current estimates for the sales tax and vehicle license fee revenues associated with Realignment.

During the prior two fiscal years, the sales tax and Vehicle License Fee (VLF) realignment revenues grew at an annual rate of approximately 10%. In the current year, due to the statewide economic slowdown, sales tax revenues are projected below last year's actuals and VLF revenues continue to grow 2.0-5.0% - a slower pace than previous years. As a result, the growth in Realignment revenues that was projected for the current year will not materialize.

LAND USE AND ENVIRONMENT GROUP

General Fund:

Agriculture Weights and Measures

A net positive variance of \$.4 million is projected. Staff savings are expected to total \$.6 million as a result of managing staffing levels in anticipation of revenue shortfalls. The overall revenue shortfall of \$.2 million is primarily the result of a \$.3 million decrease in monies directed to the High-Risk Pest Exclusion contract by the California Department of Food and Agriculture.

Environmental Health

Expenditure savings of \$5.7 million, offset by a revenue reduction of \$3.1 million, are anticipated to provide a net positive variance of \$2.6 million. Expenditure savings include \$1.6 million in anticipated staff savings due to vacant and modified positions, employees on Leave Without Pay, and delays filling positions at requested levels. Additional savings are anticipated from services and supplies of \$.4 million and year-end management reserves of \$.5 million.

In the Stormwater Program, due to delays in starting the program, we foresee \$3.2 million in expenditure savings in services and supplies (\$1.7 million), staff costs (\$1.4 million) and fixed assets (\$.1 million).

The savings in the above two sections will be negated, however, by a revenue shortfall due to a special assessment (\$3.5m) not materializing. This shortfall is

partially reduced by increased revenues (\$.4 million) from Hazardous Materials and Food and Housing permits, and Fines & Forfeitures.

Land Use and Environment Group Executive Office

A net positive variance of \$6.4 million is projected. This is primarily the result of unspent Management Reserves (\$5.9 million) expected to be available for Board approved initiatives. The remaining amount relates to staff savings (\$.3 million), due to underfillings and vacancies, and Services and Supplies of \$.2 million due to a contract that ended with corresponding revenue and cost less than anticipated.

Parks and Recreation

Expense reductions are expected to total \$2.9 million, more than offsetting an anticipated revenue shortfall of \$1.7 million, providing a positive year-end fund balance of \$1.2 million. Expenditure savings in Other Charges are \$1.8 million, due to environmental clearance delays in Proposition 12 projects in the communities of Alpine, Valley Center, and Borrego Springs. An additional \$1.1 million in savings is anticipated due to vacancies - recruitment/hiring processing issues (\$.7 million). The hiring delays then hindered completion of the Multiple Species Conservation Program (MSCP) acquisitions (\$.4 million).

A shortfall in revenue of \$1.7 million is projected, largely the result of the delays noted above in Proposition 12 recreational facility improvement projects in Alpine (\$.3 million), Valley Center (\$1.1 million), and Borrego Springs (\$.4 million).

Planning and Land Use

A net positive variance of \$2.0 million is projected - \$3.8 million less in expenditures and \$1.8 million less in revenues. Services and Supplies will incur a positive variance of \$2.8 million, primarily in contract savings and project delays that will be rebudgeted in the next fiscal year. Another \$.8 million will be the result of staff savings, owing to retention, recruitment and vacancy issues in the Stormwater program.

Revenues are projected to be under budget by \$1.8 million, \$1.0 million due to lower than planned billings in Environmental Services, Building Permits and Services to Property owners as a result of the staffing issues mentioned. Another reduction of \$.6 million comes from Federal Grants and Aid from other Agencies being pushed to the next fiscal year due to project delays and \$.2 million in underrealized Special Assessments that were anticipated to fund the Stormwater program.

Special Revenue Funds:

Parks and Recreation

A favorable balance of \$4.9 million is projected for the 25 Parkland Dedication Ordinance (PLDO) funds. This is a net result of \$6.4 million projected savings

due to the department's practice of budgeting all PLDO resources available, and a \$1.5 million shortfall in projected revenues, based on slowed housing construction starts relating to the US political/economic climate.

Public Works

A favorable balance of \$.7 million is projected, a net result of \$12.3 million projected expenditure savings and \$11.6 in unrealized revenues. \$6.2 million of the savings are due to project delays in the Detailed Work Program, also resulting in attendant underexpenditures in related consultant and contract services of \$2.5 million. Other savings stem from \$2.7 million in Services and Supplies, mainly for road materials and equipment rentals, \$.5 million in staff savings, and \$.3 million in reduced operating transfers. The \$11.6 million revenue shortfall is due directly to the decrease in costs incurred noted above.

Internal Service Funds:

Public Works Equipment

A favorable balance of \$2.6 million is projected. This is the result of \$3.5 million less in expenditures due to: \$1.5 million of equipment purchases that will not be made this year, \$.9 million savings in capital projects deferred to next fiscal year, less operating transfers of \$1.0 million, and reduced Services & Supplies of \$.1 million. Revenue is estimated to be \$0.9 million less due to reduced equipment user charges.

Enterprise Funds:

Public Works Airports Program

A favorable balance of \$1.4 million is projected - \$18.1 million less in expenditures and \$16.7 million less in revenue. The expenditure variance is primarily due to projects being delayed due to pending federal funding (\$14.0 million). Another \$1.3 million is due to direct billing to the Sanitation Districts rather than through the Wastewater fund and \$2.0 million is the result of contract savings, fuel costs, and other services and supplies. The aforementioned revenue reduction is due to the delayed and pending federal funding approval.

Special District Funds:

Air Pollution Control District

A net positive variance of approximately \$1.4 million is projected, a combination of projected savings of \$.8 million and overrealized revenues of \$.6 million. The underexpenditure of \$.7 million is primarily due to delays in filling vacancies. In addition, recruiting qualified employees has been difficult due to competition for technical labor and non-competitive District salaries, which are currently being reviewed by DHR. Projected services and supplies savings of \$0.1 million are anticipated from increased efficiency and process improvements.

Permit renewal revenue is projected to exceed budget by \$.4 million, primarily due to increased emission fee revenue. Also, emission penalties will exceed budget by \$.2 million because additional resources were committed to the Mutual Settlement program and resolution of violations.

Parks and Recreation Local Parks

A favorable balance of \$.9 million is projected, a net result of a \$.2 million revenue shortfall and expenditure savings of \$1.1 million. Projected expenditure savings are due to the department's practice of budgeting all Special District resources available, which enables the department to respond, at any time, to the communities to whom the funds belong. The majority (\$.9 million) of the expenditure positive variance relates to services and supplies (\$.8 million) at the San Dieguito Local Park.

Public Works - Sanitation, Flood Control Districts & CSAs

A favorable balance of \$8.3 million is projected - underexpenditures of \$9.3 million, (\$6.3 million from Sanitation Districts, \$2.4 million from Flood Control) reduced by revenue underrealization of \$1.0 million (\$1.9 million from Flood Control offset by a positive variance of \$.8 million from Sanitation Districts).

Expenditure savings of \$8.8 million are as a result of reduced or delayed capital projects, 66.0 % or \$5.8 million from Sanitation Districts. Revenues are anticipated to be underrealized, due to reductions in reimbursable projects being completed this year (\$1.9 million). This amount is mitigated by overrealization of revenues (\$1.0 million) due to more sewer connections than expected and interest earned on property tax received.

PUBLIC SAFETY GROUP

General Fund:

Alternate Public Defender

The Alternate Public Defender is projecting a positive Fund Balance of \$.5 million. Staff savings are anticipated to total \$.7 million due to a delay in the implementation of salary increases with the Public Defenders Association. Services and supplies will be under spent by \$.4 million due to department conservation efforts. Revenue is projected to be \$.6 million less than budgeted due to lack of reimbursement from Trial Court Funding for delayed pay increases (\$.4 million) and building lease costs (\$.2 million).

Department of Child Support Services

The projected fund balance is \$2.6 million. Expenditure savings are projected to be \$6.8 million. This amount presumes transferring \$2 million out of a total \$8.7 million in salaries and benefits savings (as a result of permanent position vacancies as the department transitions to permanent staff from temporary) to services and supplies to pay for Pennant Alliance support on the new child

support collection system and for other temporary staff until all the new permanent positions can be filled. Revenues are expected to be under-realized by a net \$4.1 million as a result of claimable administrative expenses being under budget by \$6.8 million offset by other revenues being over budget by \$2.6 million. Recovered cost revenue will be over-realized by \$1.4 million. Overhead costs reimbursement revenue was not included in the budget, but approximately \$0.7 million will be realized. Budgeted expenses originally covered by recovered cost revenue were subsequently approved for State funding resulting in \$0.5 million positive variance.

Defense Attorney Contract Administration

Currently, this program is projected to be \$0.4 million over budget in services and supplies. This overexpenditure stems from unanticipated cases taken on by the existing Private Conflict Counsel. A budget adjustment has been made to correct this.

District Attorney

The department is projected to end Fiscal Year 2001-02 with a positive fund balance of \$3.7 million, comprised chiefly of management reserves of \$2.4 million and an operating balance of \$1.3 million. The District Attorney has proposed the expenditure of \$0.5 million of the management reserves in the FY 2002-04 Operational Plan. The office proposes to retain the remaining reserve amount for budget contingencies in the FY 2002-04 budget period.

Staff savings are projected to total \$2.6 million due to vacancies, turnover, and a delay in the implementation of salary increases with the Deputy District Attorney's Association. The District Attorney's Office anticipates filling approximately half the vacancies before the end of the 2001-02 fiscal year. The staff savings are offset by retirement payoffs of \$0.3 million as a result of the enhanced retirement benefits.

Cost applied amounts are projected to be \$0.7 million less than budgeted, partially due to lower than anticipated staff costs (\$0.8 million) in the Public Assistance Fraud program.

Total revenues are projected to be approximately \$1.0 million less than budgeted. Approximately \$0.6 million of this shortfall is related to the District Attorney's Child Abduction and Recovery program. The DA was recently informed that the State Controller's Office may delay reimbursement for these program costs until next fiscal year due to their tenuous fiscal situation. Revenues for the DA's High Tech Crime (CATCH) program are expected to be underrealized by \$0.6 million due to unfilled positions that support this program and under spending by CATCH partner agencies. These shortfalls will be partially offset by overrealized revenue in the Workers Compensation Insurance Fraud program, which is expected to realize \$0.4 million in revenues above the budgeted level due to an increase in the grant award amount.

Medical Examiner

A positive fund balance of \$.4 million is projected. Staff savings are projected to be \$.1 million due to vacancies and services and supplies are projected to be under spent by \$.2 million; however, \$.1 million of these funds will be requested to be transferred to fixed assets to purchase equipment in the Toxicology Lab.

Office of Disaster Preparedness

The Office is projecting a positive year-end fund balance of \$.6 million, primarily due to an under expenditure in services and supplies of \$.3 million that represents Tobacco Fund dollars allocated for a public education campaign on disaster preparedness which will not be expended this fiscal year and will be requested to be re-budgeted for fiscal year 2002-03. Revenues are projected to be \$.2 million over budget due to small amounts of overrealized revenue being projected in several accounts.

Probation

Currently, projected positive fund balance totals \$13.5 million; however after requested re-budgets and a transfer to the Local Juvenile Placement Trust Fund, the fund balance will be approximately \$7.3 million. There are projected staff savings of \$4.6 million, primarily due to positions being frozen from the closure of Camp West Fork (\$2.0 million) and a high rate of retirement. Services and supplies are estimated to be \$4.1 million under budget due to a delay in the completion of the Probation Caseload Management System. We will request that these funds be re-budgeted in fiscal year 2002-03 in order to complete the project. Other charges in Foster Care will be underspent by \$7.0 million due to reductions in the number of youths being placed in the State or other non-County institutions.

Revenue will be underrealized by \$2.8 million due to a decreased federal and State Foster Care reimbursement of \$4.3 million, offset by overrealized revenue of \$1.5 million from the Board of Corrections for reimbursement on deferred major maintenance projects. Due to the Foster Care savings, \$2.2 million will be transferred to the Local Juvenile Placement Trust Fund.

Public Defender

The Public Defender is projecting a positive net variance of \$1.7 million, almost all a result of staff savings. The positive variance is the result of the Public Defenders Association labor agreement being settled half way through the fiscal year and staffing vacancies in both the attorney and clerical areas.

Executive Office

The Public Safety Group Executive Office is projecting a positive variance of \$3.6 million, primarily due to \$3.4 million in unexpended Management Reserves - which will be requested to be carried over into fiscal year 2002-03. Staff costs are foreseen to be \$.4 million over budget, primarily due to retirement payoffs and Student Workers being hired in the Group's Diversity Training Program. This

item will be corrected with a transfer of appropriations from Management Reserves. Revenues are projected to be \$.6 million over budget due to revenue received from parking in the Hall of Justice and from the purchase of the Downtown Block.

Sheriff

The Sheriff is projecting a fund balance of \$9.0 million, all of which is related to unfinished projects. A request will be made as part of the Change Letter to rebudget for these projects in fiscal year 2002-03. Staff costs are projected to be \$1.3 million over budget, consisting primarily of \$1.1 million for retirement payoff costs beyond those provided for in the Adopted Budget. Services and supplies reflects a \$5.6 million surplus, due to projects such as the Jail Information Management System (JIMS) and the Sheriffs Integrated Records Information System (SIRIS) not being completed. Operating transfers reflect a positive variance of \$2.6 million which is the appropriation for the crime lab remodel. This project will be re-budgeted in Fiscal Year 2002-03. Management Reserves are projected to be reduced to \$2.6 million due to increased costs in the areas of jail medical services, IT, utilities, intercom, crime lab and facilities maintenance costs.

Revenues reflect a net reduction of approximately \$.5 million. Underrealized revenues include a \$.7 million reduction in Court Service Bureau revenues, \$1.0 million for various grants and Brulte receipts, and \$3.6 million in project related revenues. These reductions are offset by overrealized revenue of \$1.9 million from SCAAP, \$1.6 million for Contract Cities, \$.9 million from utility rebates, and \$.4 million from jail bed leases and other cost reimbursements.

Special Revenue Funds:

Sheriff Inmate Welfare

The Fund is projecting a positive net variance of \$4.4 million. This is mainly due to anticipated underexpenditure in services and supplies (\$2.2 million), fixed assets (\$.4 million) and a reduction in Operating Transfers (\$1.2 million).

Proposition 172 Funds

A negative variance of \$6.2 million is projected for fiscal year 2001-02. During the prior three years, Prop 172 revenues for Public Safety programs, funded totally by sales tax revenues, grew at an annual rate of 10.7%. For fiscal year 2001-02 budgeting purposes, a 5.3% growth rate was assumed; however, Statewide sales through March 2002 have run 3-5% below projected levels. As a result, the \$6.2 million shortfall is projected for the current year. This shortfall will be covered by prior year unappropriated Prop 172 revenues.

GENERAL REVENUES & GENERAL COUNTY EXPENSES

General Revenues & General County Expenses

The General Fund fund balance for these two categories combined is projected to be \$46.0 million, comprised of \$18.6 million in additional General Revenues and \$27.4 million of savings in General County Expenses.

General Revenues

During 2001 and part of 2002, the San Diego economy grew at a slower pace than 2000, but still at a positive rate. Currently, the San Diego economy is outperforming the State economy, primarily due to a strong local construction sector and continued demand for housing. Significant components of the \$18.6 million favorable revenue variance include:

All Current Property Taxes

All Current Property Taxes are estimated to provide a \$5.2 million favorable net variance. Current Property Taxes are expected to be greater than budget by \$1.7 million due to the increase in the Local Assessed Valuation to 9.7% versus 9.0% assumed in the budget. Unsecured Property Taxes are anticipated to exceed budget by \$1.1 million due to the increase in Assessed Valuation from the 3.0% budgeted to 10.0%. Current Supplemental Secured Taxes are estimated to be favorable by \$2.4 million based on the pattern of the current year's supplemental billings. The significant growth in Supplemental Taxes is directly related to the healthy local economy, with demand for housing outpacing the supply.

All Other Taxes - Local

All Other Taxes are anticipated to exceed budget by an aggregate of \$6.3 million:

- An additional \$1.8 million of Prior Years Secured and Supplemental Taxes are estimated based on prior years' Secured and Supplemental billings.
- Sales and Use Tax revenues are expected to exceed budget by \$1.2 million, attributable to continued healthy retail activity in the unincorporated area (strong gains from heavy & light industrial and contractor categories). Receipts from the entire San Diego region grew by 2.9% versus the State's 2.0% decline for the same period (December of 2000 to December of 2001). The County's FY01-02 budget assumed no increase from the prior year; however, current actual revenues through April 2002 are 4.9% higher than last year.
- Due to the strong economy, Aircraft Unsecured Taxes are about 30% greater than last year's actual revenues, resulting in additional over realized revenue of \$.5 million.

- Teeter Tax Reserve (TTR) revenues are estimated to be underrealized by \$1.0 million. As TTR revenues represent penalties and interest charged on prior year's delinquent taxes and the prior year's delinquency rate has been running lower, corresponding collections are expected to be less.
- An additional \$2.8 million in revenues is estimated in Redevelopment Agency Tax Increments due to payments from various agencies for several prior years and for agreements where payment was deferred during the initial years of the agreement.

Licenses, Permits & Franchises

An additional \$2.5 million in Franchise fees was received from Sempra Energy Company (SDG&E) in calendar year 2001. 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. Due to high energy sales in 2001, the fees to the county increased 80% from prior years.

Fines, Forfeitures & Penalties

Penalties & Costs Delinquent Taxes are anticipated to provide an additional \$1.0 million based on the current higher delinquency rate of 1.7% versus 1.5% assumed in the budget. Fines and Civil Penalties revenues are foreseen to provide an additional one-time \$.3 million in revenue related to an Appellate Court decision between the State of California and a private enterprise.

Intergovernmental Revenue

A favorable variance of \$3.5 million is projected, due to:

- a) Vehicle License Fees (VLF) are expected to exceed budget by \$1.9 million as a result of strong automotive sales. Auto Registration in California during the last quarter was the strongest in the State's history, and is attributed to favorable financing rates;
- b) State Mandated Reimbursements related to SB90 from prior years were favorable by \$1.1 million, and
- c) Federal and State In-Lieu Taxes will exceed budget by \$.3 million.

Miscellaneous Revenues

A favorable variance of \$.4 million is anticipated due to better than expected Recovered Expenditures and other miscellaneous items.

General County Expenses

Cash Borrowing Program

Debt service costs are projected to be lower than budget by \$1.1 million due to higher premium discounts realized at the time of the sale of the Tax Revenue Anticipation Notes (TRANS) in July 2001.

Contingency Reserve

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

Countywide Expenses

Year-end savings of \$ 15.3 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 were set-aside in the budget to add to the General Reserve in fiscal year 2002-03.
- Savings of \$2.6 million in the ERP lease purchase payment. \$9.2 million was budgeted for the Enterprise Resource Planning (ERP) system lease-purchase payment. Only \$6.6 million is required this year because the Property Tax System component of the ERP Program was removed pending further review of available technology. The \$2.6 million in savings will be reserved until such time that a decision can be made on a new Property Tax System.
- Savings of \$ 9.7 million are expected to be available at year-end. For FY01-02, in light of the signs of a slowing economy at the national and State level, the County set aside this amount for economic uncertainties due to drastic fluctuations of the state revenue base and potential local economic down turn. At this time, the local economy is performing well and severe State fiscal implications are not anticipated for the current year.