



# 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:** November 14, 2000

**TO:** Board of Supervisors

**SUBJECT:** FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS  
FOR FISCAL YEAR ENDING JUNE 30, 2001 (District: All)

### SUMMARY:

#### Overview

This report summarizes my estimates of the County's financial position at the end of this fiscal year as measured by projected General Fund fund balance. We continue to benefit from a strong economy as well as your Board's and management's commitment to fiscal discipline. The projected General Fund fund balance for Fiscal Year 2000-01 is \$70.8 million, which is less than the \$73.6 million that what was projected in last year's first quarter report. Of this amount, \$17.5 million is from additional General Revenues, \$14.5 million is from savings in departmental operations (which may potentially be used to fund the Quality First Program for next year) and \$38.8 million is from anticipated year-end balances in Contingency and Management Reserves.

#### Recommendation(s)

##### CHIEF ADMINISTRATIVE OFFICER

File this report.

#### Fiscal Impact

There is no fiscal impact resulting from this report.

#### Business Impact Statement

N/A

#### Advisory Board Statement

N/A

### BACKGROUND:

Both the U.S. and California economies continue to grow at a steady pace. The U.S. projected Gross Domestic Product (GDP) growth of 5.1% in 2000 will surpass last year's. It's the tenth year of strong growth and the five year period ending with this year will achieve the best five-year performance since 1986. The State's growth rate is projected to top 6.9%. There is accumulating evidence, however, that the rapid growth will slow to a more sustainable pace in 2001. The

**SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2001 (District: All)**

factors that contribute to projected slower growth are primarily the following: a.) the tightening of interest rates by the Federal Reserve over the last year, b.) higher fuel prices, and c.) the corrections occurring in the stock market. The consequences of these factors are reflected in projected slower growth in consumer spending as measured by taxable sales (U.S. as a whole, 5.1% in 2000 vs. 3.4% growth in 2001; California, 10.9% growth in 2000 vs. 5.6% in 2001) and projected lower personal income growth (U.S. as a whole, 4.2% growth in 2000 vs. 3.4% in 2001; California 5.0% growth in 2000 vs. 2.4% in 2001). There is little sign of inflation, except in energy prices, and productivity is expected to continue growing. The CPI will remain at the 3.0% and 3.4% levels for the U.S. and California, respectively. The unemployment rate at the national level will remain at about 4.1% and at about 5% for California, the lowest in the last twenty years. (Source: UCLA Anderson Forecast (September 2000) and Standard and Poors *DRI*.)

Locally, San Diego's projected Gross Regional Product growth of 6.4% for 2000 and 3.5% for 2001 and its estimated unemployment rate of 3.0% for both 2000 and 2001 are generally in line with or better than the national and state levels. San Diego, however, is experiencing a high inflation rate in comparison to the national and State rates. For the first half of 2000, the San Diego CPI increased by 4.4% and it is estimated to exceed the 5% level by year's end. This increase is attributed to high utility and housing costs in the region. Continuation of high costs in these sectors could have a negative impact on the region's growth. High utility costs impact operating costs for businesses. High utility and housing costs impact household budgets. In both cases, these costs reduce dollars available for spending in other sectors. (Source: San Diego Chamber of Commerce, State of California Department of Industrial Relations and State of California Employment Development Department.)

The impact of this economic growth on County General Revenues has been positive. General Revenues are expected to exceed budgeted levels by \$17.5 million. The State budget contributes \$5.7 million of this amount for a one-time Educational Revenue Augmentation Fund (ERAF) adjustment, but ironically the State is also responsible for a decrease of \$2.7 million in Current Secured Property Taxes. The reduction is due to a decrease in values for property assessed by the State. Revenues from Vehicle License Fees, Interest on Deposits, Redevelopment Agency Tax Increments, Unsecured Supplemental Property Taxes, and miscellaneous other sources are expected to yield \$15.4 million above budgeted levels. Locally assessed Property Taxes will be about \$1.0 below budgeted levels due to a slightly smaller increase in assessed valuation than was assumed in the Operational Plan.

Projected results of Agency/Group operations are also favorable. Total fund balance at the Group/Agency level is projected to be \$41.4 million (comprised of \$13.4 million in operational cost savings and \$28.0 million in projected year-end management reserves). The remaining \$11.9 million of the \$70.8 million in projected year-end fund balance will come from Contingency Reserve and cash borrowing savings.

Schedule A summarizes the fund balance projections by Group and provides comments on variances from budget. Schedule B shows the projected fund balance by Group split between operating and management reserve balances.

**SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2001 (District: All)**

Impact of Utility Cost Increases

On October 31, 2000 (1), the Board discussed the impact on the County of the recent increases in utility costs. The current estimated impact is \$9.3 over budgeted levels. The fund balance estimates contained in this report take these higher rates into account. We are anticipating using mostly management reserves or one-time savings to pay the higher energy bills. For example, as previously mentioned, the State Budget provided the County with \$5.7 million as a one-time resource to make up for the \$171 million shifted to schools by the State known as ERAF (Educational Revenue Augmentation Fund). These resources will be needed to fund the higher energy costs related to the State's deregulation effort. We will continue to refine our estimates and take measures to conserve energy consumption. While our sound fiscal condition provides us the flexibility to handle these unanticipated costs this year, it does mean that we have fewer resources for one-time projects of benefit to the community. Further, as we plan ahead for future years, we must treat these utility costs as ongoing which may impact County programs and services. We will be reporting to the Board periodically as we develop more information and measures for controlling our energy costs.

Respectfully submitted,

WALTER F. EKARD  
Chief Administrative Officer

**SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2001 (District: All)**

**AGENDA ITEM INFORMATION SHEET**

**CONCURRENCE(S)**

<b>COUNTY COUNSEL REVIEW</b>	<input type="checkbox"/> Yes	
<b>GROUP/AGENCY FINANCE DIRECTOR</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A
<b>CHIEF FINANCIAL OFFICER</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> N/A
Requires Four Votes	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<b>GROUP/AGENCY INFORMATION TECHNOLOGY DIRECTOR</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A
<b>CHIEF TECHNOLOGY OFFICER</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A
<b>DEPARTMENT OF HUMAN RESOURCES</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A
<b>Other Concurrence(s):</b>	N/A	

**ORIGINATING DEPARTMENT:** Auditor and Controller

**CONTACT PERSON(S):**

William J. Kelly  
Name  
(619) 531-5413  
Phone  
(619) 531-5219  
Fax  
A-5  
Mail Station  
bkellyac@co.san-diego.ca.us  
E-mail

Janel Pehau  
Name  
(619) 531-5175  
Phone  
(619) 531-6261  
Fax  
A-5  
Mail Station  
jpehauac@co.san-diego.ca.us  
E-mail

**AUTHORIZED REPRESENTATIVE:** \_\_\_\_\_  
William J. Kelly, Chief Financial Officer

**SUBJECT: FIRST QUARTER REPORT ON ESTIMATED RESULTS OF OPERATIONS FOR FISCAL YEAR ENDING JUNE 30, 2001 (District: All)**

**AGENDA ITEM INFORMATION SHEET**  
(continued)

**PREVIOUS RELEVANT BOARD ACTIONS:**

August 1, 2000 (8), Adoption of FY 2000-01 and 2001-02 Operational Plan

**BOARD POLICIES APPLICABLE:**

N/A

**BOARD POLICY STATEMENTS:**

N/A

**CONTRACT NUMBER(S):**

N/A

**FY 2000-2001 1st Quarter  
Projected Year-end Results**

(in thousands)

**COUNTY SUMMARY**

	Expenditure Variance	Revenue Variance	FY 00-01 Projected Fund Balance Favorable/ (Unfavorable)
<b>General Fund</b>			
Community Services	\$ 8,150	\$ (251)	\$ 7,899
Finance & General Government	10,086	(1,076)	9,010
Health & Human Services	41,517	(41,517)	-
Land Use & Environment	22,421	(14,420)	8,000
Public Safety	19,238	(2,758)	16,480
<b>Total Agency/Group</b>	<b>101,412</b>	<b>(60,022)</b>	<b>41,389</b>
General Revenues	-	17,501	17,501
General County Expenses	11,930	-	11,930
<b>Total General Fund</b>	<b>113,342</b>	<b>(42,521)</b>	<b>70,820</b>
<b>Special Revenue Funds</b>			
Community Services	15,821	(15,821)	-
Finance & General Government	42	14	56
Land Use & Environment	6,994	(6,994)	-
Public Safety	-	-	-
Other County	500	(500)	-
<b>Total Special Revenue Funds</b>	<b>23,357</b>	<b>(23,301)</b>	<b>56</b>
<b>Internal Service Funds Departments</b>			
Community Services	(5,742)	5,742	-
Finance & General Government	3,707	(3,707)	-
Land Use & Environment	-	-	-
Public Safety Group	-	-	-
Other County	-	-	-
<b>Total Internal Service Funds</b>	<b>(2,035)</b>	<b>2,035</b>	<b>-</b>
<b>Enterprise Fund Departments</b>			
Land Use & Environment	(1,332)	1,332	-
<b>Special District Funds Departments</b>			
Health & Human Services	376	(376)	-
Land Use & Environment	921	(921)	-
Public Safety Group	-	-	-
<b>Total Special District Funds</b>	<b>1,297</b>	<b>(1,297)</b>	<b>-</b>
<b>Other County Funds Departments</b>			
Community Services	-	-	-
Land Use & Environment	-	-	-
<b>Total Other County Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total County Projected Operating Balance</b>	<b>\$ 134,629</b>	<b>\$ (63,753)</b>	<b>\$ 70,876</b>

**FY 2000-2001 1st Quarter**  
**Projected Year-end Results**  
(in thousands)

**COMMUNITY SERVICES GROUP**

		FY 00-01 Projected Fund Balance Favorable/ (Unfavorable)
Expenditure Variance	Revenue Variance	

***General Fund Departments***

Animal Control	\$ 507	\$ 5	\$ 512
Community Services Group	6,605	2	6,607
Contribution to ISFs	-	-	-
General Services Funds	-	-	-
Housing & Community Development	305	(305)	-
Library Services	-	-	-
Registrar of Voters	733	46	779
<b>Total General Fund</b>	<b>8,150</b>	<b>(251)</b>	<b>7,899</b>

***Special Revenue Funds Departments***

Library Services	1,506	(1,506)	-
Housing & Community Development	14,315	(14,315)	-
<b>Total Special Revenue Funds</b>	<b>15,821</b>	<b>(15,821)</b>	<b>-</b>

***Internal Service Funds Departments***

Facilities Management	(9,307)	9,307	-
Fleet Management	3,222	(3,222)	-
Purchasing & Contracting	342	(342)	-
Document Services	-	-	-
<b>Total Internal Service Funds</b>	<b>(5,742)</b>	<b>5,742</b>	<b>-</b>

***Other County Funds Departments***

Redevelopment Agency	-	-	-
<b>Total Community Services Group</b>	<b>\$ 18,230</b>	<b>\$ (10,331)</b>	<b>\$ 7,899</b>

**FY 2000-2001 1st Quarter  
Projected Year-end Results**  
(in thousands)

**FINANCE & GENERAL GOVERNMENT  
GROUP**

	Expenditure Variance	Revenue Variance	FY 00-01 Projected Fund Balance Favorable/ (Unfavorable)
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***General Fund Departments***

Assessor/Recorder/County Clerk	\$ 2,421	\$ (1,225)	\$ 1,196
Board of Supervisors	197	-	197
Board of Supervisors-General	28	-	28
CAC-Major Maintenance	237	-	237
CFO/Auditor & Controller	1,038	212	1,250
Chief Administrative Officer	369	-	369
Chief Technology Office	500	-	500
Civil Service Commission	29	7	36
Clerk of the Board of Supervisors	304	-	304
Contributions to Capital Outlay Fund	500	-	500
County Counsel	673	15	688
Finance & GG Office	1,100	-	1,100
Human Resources	1,860	(85)	1,775
Treasurer/Tax Collector	830	-	830
<b>Total General Fund</b>	<b><u>10,086</u></b>	<b><u>(1,076)</u></b>	<b><u>9,010</u></b>

***Special Revenue Funds Departments***

Media & Public Relations	42	14	56
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***Internal Service Funds Departments***

Information Technology	3,707	(3,707)	-
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<b>Total Finance &amp; General Government Group</b>	<b><u>\$ 13,835</u></b>	<b><u>\$ (4,768)</u></b>	<b><u>\$ 9,067</u></b>
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**FY 2000-2001 1st Quarter  
Projected Year-end Results**  
(in thousands)

**HEALTH & HUMAN SERVICES AGENCY**

	Expenditure Variance	Revenue Variance	FY 00-01 Projected Fund Balance Favorable/ (Unfavorable)
<b>General Fund Departments</b>			
Agency Executive Office	\$ 18,487	\$ (179)	\$ 18,308
Adult Mental Health	840	7	847
Aging & Independence Services	594	(1,555)	(961)
Children's Mental Health	12,294	(12,295)	(1)
Children's Team	165	(335)	(169)
Contract Operations	140	(11)	129
Financial Services	1,432	(742)	690
Human Resources	260	-	260
Information Technology	(331)	-	(331)
Office of Public Health	896	(531)	365
Policy & Program Support	1,635	(10,627)	(8,992)
Proposition 10	151	(147)	4
Regional Operations	4,954	<b>(15,101)</b>	(10,147)
Strategy & Planning	-	-	-
<b>Total General Fund</b>	<b><u>41,517</u></b>	<b><u>(41,517)</u></b>	<b><u>-</u></b>
<b>Special District Funds Departments</b>			
Ambulance Districts	376	(376)	-
<b>Other County Funds Departments</b>			
	-	-	-
<b>Total Health &amp; Human Services Agency</b>	<b><u>\$ 41,893</u></b>	<b><u>\$ (41,894)</u></b>	<b><u>\$ -</u></b>

**FY 2000-2001 1st Quarter  
Projected Year-end Results**

(in thousands)

**LAND USE & ENVIRONMENT GROUP**

	Expenditure Variance	Revenue Variance	FY 00-01 Projected Fund Balance Favorable/ (Unfavorable)
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***General Fund Departments***

Agriculture, Weights & Measures	\$ (8)	\$ 8	-
Environmental Health	431	622	1,053
Farm Advisor	-	-	-
Land Use & Environment Group Exec Office	5,485	-	5,485
Parks & Recreation	330	-	330
Planning & Land Use	887	419	1,306
Public Works	15,295	(15,470)	(175)
<b>Total General Fund</b>	<b>22,421</b>	<b>(14,420)</b>	<b>8,000</b>

***Special Revenue Funds Departments***

Agriculture, Weights & Measures	-	-	-
Parks & Recreation	1,409	(1,409)	-
Public Works	5,585	(5,585)	-
<b>Total Special Revenue Funds</b>	<b>6,994</b>	<b>(6,994)</b>	<b>-</b>

***Internal Service Funds Departments***

Public Works	-	-	-
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***Enterprise Funds Departments***

Public Works	(1,332)	1,332	-
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***Special District Funds Departments***

Air Pollution Control District	370	(370)	-
Parks and Recreation	-	-	-
Public Works	551	(551)	-
<b>Total Special Districts Funds</b>	<b>921</b>	<b>(921)</b>	<b>-</b>

***Other County Funds Departments***

Debt Service-Local Boards	-	-	-
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<b>Total Land Use &amp; Environment Group</b>	<b>\$ 29,004</b>	<b>\$ (21,003)</b>	<b>\$ 8,000</b>
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**FY 2000-2001 1st Quarter  
Projected Year-end Results**  
(in thousands)

***PUBLIC SAFETY GROUP***

Expenditure Variance	Revenue Variance	FY 00-01
		Projected Fund Balance Favorable/ (Unfavorable)

***General Fund Departments***

Alternate Public Defender	\$ 35	\$ -	\$ 35
Contributions for Trial Courts	-	-	-
Defense Attorney Contract Admin.	(1,770)	1,270	\$ (500)
District Attorney	5,799	(4,822)	977
Grand Jury	1	-	1
Law Enforcement Review Board	-	-	-
Medical Examiner	10	1	11
Office of Disaster Preparedness	35	-	35
Probation	4,052	(700)	3,352
Public Defender	765	266	1,031
Public Safety Executive Office	8,925	-	8,925
Sheriff	1,385	1,228	2,613
<b>Total General Fund</b>	<b>19,238</b>	<b>(2,758)</b>	<b>16,480</b>

***Special Revenue Funds Departments***

District Attorney	-	-	-
Probation	-	-	-
Sheriff	-	-	-
<b>Total Special Revenue Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>

***Internal Service Funds Departments***

Probation	-	-	-
Sheriff's Jail Stores	-	-	-
<b>Total Internal Service Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>

***Special District Funds***

800 Mhz Communications	-	-	-
<b>Total Group Projected Fund Balance</b>	<b>\$ 19,238</b>	<b>\$ (2,758)</b>	<b>\$ 16,480</b>

**FY 2000-2001 1st Quarter  
Projected Year-end Results**  
(in thousands)

**GENERAL REVENUES & GENERAL COUNTY  
EXPENSES**

Expenditure Variance	Revenue Variance	FY 00-01 Projected Fund Balance Favorable/ (Unfavorable)

**General Fund**

General Revenues:

All Current Property Taxes	\$ -	\$ (3,670)	\$ (3,670)
All Other Taxes-Local	-	2,525	2,525
Licenses, Permits & Franchises	-	200	200
Fines, Forfeitures & Penalties	-	940	940
Revenue for Use of Money & Property	-	5,000	5,000
Intergovernmental Revenue	-	12,505	12,505
Charges for Current Services	-	-	-
Miscellaneous Revenue	-	-	-
	-	17,501	17,501
<b>Total General Revenues</b>	<b>-</b>	<b>17,501</b>	<b>17,501</b>

General County Expenses

Cash Borrowing Program	1,130	-	1,130
Community Enhancement	-	-	-
Contingency Reserve	10,800	-	10,800
Contributions to Library Fund	-	-	-
Community Projects & Services	-	-	-
	11,930	-	11,930
<b>Total General County Expenses</b>	<b>11,930</b>	<b>-</b>	<b>11,930</b>
<b>Total General Fund</b>	<b>11,930</b>	<b>17,501</b>	<b>29,431</b>

**Special Revenue Funds Departments**

Capital Outlay	500	(500)	-
Debt Service-Pension Obligation Bonds	-	-	-
	500	(500)	-
<b>Total Special Revenue Funds</b>	<b>500</b>	<b>(500)</b>	<b>-</b>

**Internal Service Funds Departments**

Unemployment & Workers Compensation	-	-	-
Public Liability	-	-	-
	-	-	-
<b>Total ISF Special Revenue Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	\$ 12,430	\$ 17,001	\$ 29,431
	<b>12,430</b>	<b>17,001</b>	<b>29,431</b>

**COUNTY OF SAN DIEGO  
NOTES TO SCHEDULE A  
FY 2000 - 2001 1<sup>ST</sup> 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 used in FY 2001-02. Included in their projections is the expectation that current Management Reserves will be augmented from Fund Balance from FY 1999-00.

Another source of Management Reserves is CERS savings due to the 1994 pre-funding of the County's pension obligations. Favorable Fund Balance due to Management Reserves alone will not be discussed in this section unless there is a significant variance due to operations alone. Projected Management Reserves at June 30, 2001 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.

**GENERAL FUND.** 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.

**Community Services Group**

*Executive Office.* Favorable Fund Balance at year end is projected at \$6.6 million, consisting mainly of \$5.8 million in carry over Management Reserves, \$600 thousand in Reserves from FY99-00 Fund Balance, and \$200 thousand in Services and Supplies savings.

*Animal Control.* Salary savings and stabilized Reserve Balances are projected to provide a favorable variance of \$512 thousand.

*Registrar of Voters.* A \$779 thousand favorable variance is expected to result from greater than budget reimbursements from the State for SB90 mandates, and increased management reserves from prior year fund balance.

## **Finance & General Government Group**

*Assessor/Recorder/County Clerk.* A combination of appropriation savings (\$2.4 million) and revenue shortfalls (\$1.2 million) is anticipated to yield a \$1.2 million favorable variance in this department. Savings are expected in Salaries and Benefits due to vacant positions and in various Services and Supplies accounts. The management reserve balance at year-end is expected to be approximately \$500 thousand. Revenues are expected to be below budget due to a drop in recording activity and to lower than budgeted expenditures in the AB 719 Property Tax Administration program where revenues are directly tied to expenditures.

*Auditor and Controller.* An overall favorable variance of \$1.3 million is expected as a result of vacant positions, savings in Services and Supplies, a \$500 thousand year end management reserve and a revenue shortfall of \$250,000 in Property Tax Administration fees.

*Contributions to Capital.* Savings of \$500 thousand is anticipated due to lease payment credits being higher than assumed in the FY2000-01 Operational Plan.

*County Counsel.* A favorable fund balance of \$688 thousand is expected due to savings in various Services and Supplies accounts and to a projected year-end management reserve of \$396 thousand.

*Human Resources.* Overall savings of \$1.8 million is anticipated due to savings in Services and Supplies stemming from lower than budgeted costs for insurance premiums and a projected year end management reserve of \$1.3 million.

*Treasurer-Tax Collector.* A favorable fund balance of \$830 thousand is projected for this department as a result of vacant positions and a \$500 thousand management reserve at year-end.

## **Health & Human Services Agency**

*Agency Administration.* This portion of Agency operations consists of the Agency Executive Office, Financial Services, Contract Operations, Information Technology and Human Resources. The major element of the \$18.5 million savings appearing in this program is an estimated Agency-wide underexpenditure in Salary and Benefits, based on a historical vacancy rate of 6%. Other savings are based on delays in initiating various contracted services.

*Regional Operations.* This facet of the Agency is estimating an overexpenditure due to Stage 1 Child Care payments. Revenue for this service is shown in Policy and Program Support. Additional money is available from the State for this purpose and we anticipate full reimbursement for County costs. The major portion of under-realized revenue shown in Policy And Program Support is CalWORKS revenue due to vacancies within the Agency.

*Aging and Independent Services.* A business plan has been developed and processes are being initiated to bring revenues in line with projected expenditures.

*Information Technology.* It is anticipated that our IT applications costs may be greater than budgeted. Although we are not estimating overexpending in this area for this report, we will be reviewing our expenses for the 2<sup>nd</sup> quarter.

### **Land Use & Environment Group**

*Environmental Health.* A favorable variance of \$1.0 million is projected due to underexpenditures of \$.4 million and increased revenue of \$.6 million. LUEG savings primarily relate to salary savings from vacant positions. We are in the process of interviewing candidates to fill the vacant positions within the next month. Revenues reflect increases from a variety of funding sources.

*Land Use & Environment Group - Executive Office.* A favorable variance of \$5.5 million is projected due to retained Group management reserves. These reserves will be used to fund various one-time undertakings, including the Zoning Ordinance update and major maintenance projects. In addition, a reserve of \$1 million for unforeseen events will be retained.

*Planning & Land Use.* A favorable variance of \$1.3 million is projected due to expenditure savings of \$.9 million and increased revenue of \$.4 million. Savings are primarily related to Salary and Benefit underexpenditures, CERS management reserves, and Services and Supplies savings. Vacant positions are expected to be filled by the end of the second quarter.

Increased revenue primarily emanates from increased building activity in the County's unincorporated areas. A portion of the increased revenue will be set aside as a reserve designation to reflect work in progress in which Building Division revenue has been recorded, but expenditures are to be made at a later date.

### **Public Safety Group**

*Executive Office.* The Executive Office is projected to have an \$8.9 million positive fund balance by year-end, primarily due to the appropriation of FY 99-00 Fund Balance as Management Reserves. Our estimate takes into account an estimated \$6.0 million in unfunded utility costs for Public Safety Group departments. The Group will be returning to your Board to appropriate these funds as needs arise throughout the year.

*Probation.* This Department anticipates a favorable fund balance of \$3.4 million by year-end based on current spending patterns. Salaries and benefits are expected to be over budget by \$1.9 million due to payments made for the Quality

First Program and salary increases for specific classifications that were approved after the adoption of the budget. This overage is mitigated by underexpenditures in Other Charges of approximately \$5.7 million due to decreased Foster Care placements. Revenue accounts are projected to be under budget by approximately \$700,000 due to the corresponding decrease in revenue reimbursement for Foster Care placements and increased revenue in the areas of collections and fees.

*Sheriff.* The Sheriff's Department is projected to have a year-end positive fund balance of \$2.6 million. Salaries and Benefits are projected to be under budget by approximately \$1.9 million, taking into account the anticipated ratification of the County's current contract proposal to the Deputy Sheriff's Association (DSA). Overtime expenditures are projected to exceed budget, although the total overtime hours paid in the current fiscal year are estimated to be substantially reduced from last fiscal year due to the implementation of management guidelines within the department regarding overtime. Experience through Payroll 6 this year validates the projected decrease.

Based on current trends, a shortfall of \$583,000 is anticipated in Other Charges, reflecting payments to outside hospitals and clinics for medical services required for inmates, but which exceed the service capacity of the Department. There has been a general increase in services to inmates including in-house sick calls and increases in outside activities. Such outside services include trauma cases and court ordered services. Although the Sheriff's Department has increased this portion of the budget to cover contractual needs, the current service level trends indicate the budget will be exceeded. If the trend holds, a budget adjustment will be sought at a later date.

The Sheriff's Department anticipates revenue to exceed budget by approximately \$1.2 million. Trial Court funding is estimated to be approximately \$300,000 under budget due to the projected salary increase for sworn staff not being implemented as of the first quarter. It is anticipated that if the sworn staff pay raise is implemented, it will result in this revenue source realizing budgeted levels. The Department anticipates that Contract Cities revenue will be over-realized by approximately \$367,000 due to service levels exceeding plans reflected in the revenue budget. Due to higher than anticipated housing activity for State parole violators, revenue will be over-realized by approximately \$1.1 million Institutional Care State account. Revenues will also be overrealized in the Institutional Care Federal account by approximately \$.6 million due to unanticipated continued use of Sheriff detention facilities by the Immigration and Naturalization Services (INS).

*Public Defender.* The Department projects a \$1 million positive fund balance by year-end. Salaries and Benefits are projected to be \$.4 million less than budget due to the retention of vacancies in the first half of the year in anticipation of hiring entry level attorneys after the results of the fall bar exam. Services and



Supplies are projected to be \$.3 million less than budget due to adherence to a strict spending plan in order to meet Quality First goals. Revenue is projected to be over budget by \$.3 million, primarily due to increased collection efforts of the Court in assessing and collecting attorney fees.

*District Attorney.* The District Attorney is projected to end Fiscal Year 2000-01 with a positive fund balance of just under \$1 million, or less than 1 percent of the total operating budget. Salaries are projected to be under budget by \$6.3 million. This underexpenditure is comprised of \$4.7 million in Child Support, \$.4 million in the Public Assistance Fraud Division (PAF) and \$1.2 million in Criminal operations, all principally due to staffing vacancies. District Attorney investigator hiring is now continuous, with the first centralized hiring of Legal Assistants and Investigative Specialists scheduled to be completed in October and Deputy District Attorneys in January 2001.

Services and Supplies are projected to be under budget by \$.4 million and is comprised of under expenditures in Child Support, PAF and Criminal Operations. Revenue is projected to be \$4.8 million under budget, primarily in the Child Support Program, due to the under expenditures previously mentioned. Amounts in Management Reserves will be fully expended since the monies are committed to future year costs, such as Child Abduction, Quality First and Information Technology.

*Defense Attorney Contracts Administration.* An unfavorable variance of \$.5 million is projected. The budget is currently estimated to exceed budgeted expenditures by approximately \$1.7 million, comprised of costs associated with Minor's Counsel, estimated to be \$1.2 million over budget by year-end, and an estimated overage of \$.5 million from cases being handled under the Bar Association's previous contract. Revenue is estimated to be \$1.3 million over budget. For the services provided in Minor's Counsel, County Counsel has affirmed that this service is eligible for reimbursement from the Court under the Trial Court Funding Program. Therefore, our projection includes an anticipated reimbursement from the Superior Court of \$1.2 million for Minor's Counsel and \$70,000 for Dependency cases.

### **General Revenues & General County Expenses**

Fund balance for these two categories combined is estimated to be \$29.4 million comprised of \$17.5 million in additional General Revenues and \$11.9 million in savings in General County Expenses.

*General Revenues.* Steady economic growth at the State and Local levels through 2001 are the primary reason for the projected overall favorable Fund Balance of \$17.5 million. The \$17.5 million is the result of a combination of positive and negative projected year-end balances, significant components of which include:

- *Current Property Taxes* are expected to be short of the amount budgeted by \$3.7 million. This shortfall is primarily attributable to two factors.
  - ◆ The State assessed valuation, primarily as applied to utilities, decreased 17% and the Unitary assessed valuation was reduced by 14% compared with estimates assumed in the budget. Such assessment reductions will result in about \$2.7 million less revenue for the general fund.
  - ◆ The Local assessed valuation increased by 9.7% versus 10% assumed in the budget, reducing revenues about \$1.0 million.
- *Vehicle License Fee Revenues (VLF)* are expected to exceed the budgeted level by \$6.8 million. This increase is attributed to strong vehicle sales at the State level. The FY00-01 budget assumed an increase of 7%; however, current actual revenues through October 2000 are 13.4% higher than last year.
- *State Educational Revenue Augmentation Fund (ERAF)*. Due to the State's strong economy, one-time discretionary funding was provided to local agencies in the State's FY 2000-01 budget. The County's share is expected to be \$5.7 million.
- *Cash Borrowing*. Increased interest earnings of \$5.0 million are estimated at this time. This variance is attributed to the following:
  - ◆ The budget assumed an average daily cash balance of \$160 million whereas an average daily balance of \$200 million is currently being realized.
  - ◆ The budget assumed an interest earnings rate of 6%; during the 1<sup>st</sup> quarter of FY01, a rate of 6.6% was realized.
- *Penalties and Costs of Delinquent Taxes*. An additional \$.9 million is estimated at this time based on the higher delinquency rate of 1.7% versus the 1.5% assumed in the budget.
- *Redevelopment Agency Tax Increments*. An additional \$1.2 million is estimated due to back payments from various agencies related to the prior three years.
- *Supplemental Secured Taxes*. \$1.0 million of additional revenues are estimated based on the current year's supplemental billings.

*General County Expenses.*

- Debt service costs are projected to be lower than budgeted by \$1.1 million due to a lower borrowing rate of 4.5% versus that of 4.8% assumed in the budget.
- The Contingency Reserve is expected to be \$10.8 million at year-end.

**Special Revenue Funds.** These funds receive revenues that are earmarked and segregated for specific uses. Many Special Revenue Funds receive revenues for multi-year capital projects and have substantial accumulated fund balances that must be utilized according to the restrictions placed on the revenues.

**Special District Funds.** Established to provide authorized services such as road, fire protection, and ambulance services to specific areas in the County, these funds are financed by property taxes or by special assessments. As with the Special Revenue Funds, any accumulated fund balance reflects future services expected to be provided to the District.

COUNTY OF SAN DIEGO

Schedule B

FY 2000-2001 1st Quarter

Projected Reserves and Operating Balances at June 30, 2001

(dollars in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	Projected Reserves plus Operating Balances
<b>General Fund</b>			
Community Services	\$ 7,357	\$ 542	\$ 7,899
Finance & General Government	4,980	4,030	9,010
Health and Human Services	1,165	(1,165)	-
Land Use and Environment	5,583	2,417	8,000
Public Safety	8,945	7,535	16,480
<b>Agency/Group Totals</b>	<b>\$ 28,029</b>	<b>\$ 13,359</b>	<b>\$ 41,389</b>
General Revenues		17,501	17,501
Other General Fund		1,130	1,130
<b>Total General Revenues &amp; Other General Fund</b>		<b>18,631</b>	<b>18,631</b>
Contingency Reserve	10,800		10,800
<b>Total General Fund</b>	<b>\$ 38,829</b>	<b>\$ 31,990</b>	<b>\$ 70,820</b>

Numbers may not total due to rounding.