



# 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:** February 27, 2001

**TO:** Board of Supervisors

**SUBJECT:** SECOND QUARTER REPORT ON PROJECTED 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. Although slowing, we continue to benefit from a strong economy in 1999 and early 2000 as well as your Board's and management's commitment to fiscal discipline. The second quarter projection of General Fund fund balance for Fiscal Year 2000-01 is \$17.9 million higher than the first quarter and stands at \$88.7 million. Of this amount, \$50.2 million is from savings in departmental operations and Management Reserves, \$20.3 million is from additional General Revenues, and \$18.2 million is from anticipated year-end balances in the Contingency Reserve and other General County Expense accounts. These estimated balances take into account paying \$16.7 million more in gas & electricity costs than the \$13.5 million that was originally budgeted for this fiscal year, for a total of \$30.2 million.

#### **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 ended 2000 on a high note. The U.S. Gross Domestic Product (GDP) is expected to show growth of 5.1% in 2000 which will be the largest gain in 16

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

years. It's the tenth year of strong growth and the five year period ending with the year 2000 will achieve the best five-year performance since 1986. The State's growth rate is expected to top 6.9%. Despite the robust full year figures, the final weeks of 2000 brought unsettling news on several fronts that indicates that the rapid growth will slow significantly in 2001 and possibly 2002. Consumer confidence dropped in November and December. We've experienced a significant rise in energy prices and the stock market has declined, especially in the technology sector. As a result, economists see slower growth in consumer spending (primarily in durable goods and auto sales) as measured by taxable sales (U.S. as a whole, 2.7% growth in 2001 vs. 4.9% in 2000; California, 4.9% growth in 2001 vs. 11.3% in 2000), higher unemployment rates (U.S. as a whole, 4.7% in 2001 vs. 4.1% in 2000; California 5.4% in 2001 vs. 4.9% in 2000) and lower personal income growth (U.S. as a whole, 3.4% growth in 2001 vs. 4.2% in 2000; California 2.4% growth in 2001 vs. 5.0% in 2000). Inflation will be impacted by higher energy prices, resulting in an anticipated growth in the CPI of 3.4% and 3.7% for the U.S. and California, respectively, which is about .8% higher than previous years. In summary, while there are a number of unfavorable economic indicators, the National and State economy will still experience positive growth in 2001 and 2002, but California's economy is very vulnerable due to the energy crisis and the high concentration of the high-tech sector in the Silicon Valley. (Source: UCLA Anderson Forecast (December 2000) and Standard & Poors *DRI*.)

Locally, San Diego's Gross Regional Product is expected to show growth of 6.4% for 2000 and economists are projecting a growth of 3.5% for 2001. The unemployment rate is estimated to be 3.0% for both 2000 and 2001. Both measures are generally in line with or better than the national and state levels. However, the recent decline in leading economic indicators, as tracked by the University of San Diego, suggest a possible negative impact on employment levels in various sectors, i.e., retail, and construction. Also, San Diego is experiencing a high inflation rate in comparison to the National (3.4%) and State (3.7%) rates. Based on information from the State Department of Industrial Relations, the San Diego CPI is estimated to have realized an annual average increase of 4.7% to 5.0% for 2000. 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, State of California Employment Development Department, University of San Diego.)

Changes in County General Revenues normally lag changes in the overall economy. We are therefore still benefiting from strong growth in 1999 and early 2000. General Revenues are expected to exceed budgeted levels by \$20.3 million. The State budget is responsible for \$6.6 million of this amount for a one-time Educational Revenue Augmentation Fund (ERAF) adjustment, but ironically changes in the State Unitary Tax Roll (property assessed by the State) are responsible for a decrease of about \$2.7 million in Current Secured Property Taxes. Revenues from Vehicle License Fees, Interest on Deposits, Redevelopment Agency Tax Increments, Unsecured Supplemental Property Taxes, and miscellaneous other sources are expected to yield \$17.9 million above budgeted levels. Locally assessed Property Taxes will be

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

about \$1.5 million below budgeted levels due to a slightly smaller increase in assessed valuation and higher refunds than were 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 \$50.2 million (comprised of \$30.4 million in operational cost savings and \$19.8 million in projected year-end management reserves). The remaining \$18.2 million of the total \$88.7 million in projected year-end fund balance is expected to come from savings of \$6.9 million in various General County Expense accounts and from maintaining the Contingency Reserve at its current \$11.3 million level through year end.

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.

Impact of Utility Cost Increases

In November, 2000 (11/14/00, #13) we estimated the impact of higher utility prices to be \$9.3 million over budgeted levels of \$13.5 million and the major reason for the higher cost was the skyrocketing price of electricity. In the interim, electricity prices have continued to soar and the cost for natural gas has also risen significantly. Thus our current estimate increases the \$9.3 million figure to \$16.7 million. This estimate is based on current rates and does not assume any savings should the State be successful in securing long-term contracts that would lower and stabilize the rates. The Department of General Services is working with an energy consultant and County departments to identify and implement energy conservation measures. In addition, County employees are making conscientious efforts to save energy by turning off lights and electrical machinery when not needed.

As noted in the First Quarter Fund Balance Status Report, our General Management System and your sound fiscal policies provide us the flexibility to handle these unanticipated costs this year, but it means that we have fewer resources available for one-time projects of benefit to the community. The General Management System highlights and focuses on opportunities to invest one-time resources in improvements to the delivery of public services or the reduction in the cost of public services. The unprecedented run-up in utility rates has deprived us of the opportunity to invest in the improvements or cost reductions. As you know your Board approved a Long Term Obligation Redemption Fund in June of 2000 to allow the use of one-time money to extinguish our long term debt to free money to pay for new or improved services rather than interest to bond holders. This is a lost opportunity due to utility cost increases. The current Downtown Courthouse is in need of repairs or replacement and the increased cost of utilities has shifted money away from improvements in the safety and security of the existing facilities and acquisition of a possible replacement site. Along with SEIU we have been pursuing funding for a replacement for our Edgemoor facility and the utility cost increases diverted resources from the planning and replacement effort. Further, the State's ability to help with the cost of replacing Edgemoor is in jeopardy because of the financial impact of their failed deregulation effort. This, along with delays in our aggressive efforts on the clean water front, expanded MSCP (Multiple Species Conservation Program) opportunities, parks improvements, automation for our libraries

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

and animal shelter improvements are just a few of the areas that will suffer due to our use of \$16.7 million to pay our utility bill.

Respectfully submitted,

**WALTER F. EKARD**  
Chief Administrative Officer

**SUBJECT: SECOND QUARTER REPORT ON PROJECTED 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	
Written disclosure per County Charter §1000.1 required?	<input type="checkbox"/>	Yes	<input type="checkbox"/> No
<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

**Other Concurrence(s):** N/A

**ORIGINATING DEPARTMENT:** Auditor and Controller

**CONTACT PERSON(S):**

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**AUTHORIZED REPRESENTATIVE:**

William J. Kelly, Chief Financial Officer

**SUBJECT: SECOND QUARTER REPORT ON PROJECTED 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  
November 14, 2000 (13), First Quarter Report on Estimated Results of Operations for Fiscal Year Ending June 30, 2001

**BOARD POLICIES APPLICABLE:**

N/A

**BOARD POLICY STATEMENTS:**

N/A

**CONTRACT NUMBER(S):**

N/A

**FY 2000-2001 2nd Quarter  
Projected Year-end Results**

(in thousands)

**COUNTY SUMMARY**

	Expenditure Variance	Revenue Variance	2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	1st Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)
<b>General Fund</b>				
Community Services	\$ 8,409	\$ 353	\$ 8,762	\$ 7,899
Finance & General Government	12,615	(2,426)	10,189	9,010
Health & Human Services	34,821	(29,817)	5,004	-
Land Use & Environment	19,198	(14,561)	4,637	8,000
Public Safety	17,703	3,942	21,646	16,480
Total Agency/Group	92,746	(42,509)	50,238	41,389
General Revenues	-	20,270	20,270	17,501
General County Expenses	18,225	-	18,225	11,930
<b>Total General Fund</b>	<b>\$ 110,971</b>	<b>\$ (22,239)</b>	<b>\$ 88,733</b>	<b>\$ 70,820</b>
<b>Special Revenue Funds</b>				
Community Services	20,589	(20,589)	-	-
Finance & General Government	76	-	76	56
Land Use & Environment	6,433	(6,433)	-	-
Public Safety	635	(570)	66	-
Other County	-	-	-	-
<b>Total Special Revenue Funds</b>	<b>\$ 27,733</b>	<b>\$ (27,592)</b>	<b>\$ 141</b>	<b>\$ 56</b>
<b>Internal Service Funds Departments</b>				
Community Services	(17,517)	17,517	-	-
Finance & General Government	-	-	-	-
Health & Human Services	1	(1)	-	-
Land Use & Environment	1,610	(1,610)	-	-
Public Safety Group	64	(64)	-	-
Other County	-	-	-	-
<b>Total Internal Service Funds</b>	<b>\$ (15,842)</b>	<b>\$ 15,842</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Enterprise Fund Departments</b>				
Land Use & Environment	\$ 3,907	\$ (3,907)	\$ -	\$ -
<b>Special District Funds Departments</b>				
Health & Human Services	-	788	788	-
Land Use & Environment	3,699	(3,699)	-	-
Public Safety Group	-	-	-	-
<b>Total Special District Funds</b>	<b>\$ 3,699</b>	<b>\$ (2,911)</b>	<b>\$ 788</b>	<b>\$ -</b>
<b>Other County Funds Departments</b>				
Land Use & Environment	\$ 27	\$ (27)	\$ -	\$ -
<b>Total County Projected Operating Balance</b>	<b>\$ 130,495</b>	<b>\$ (40,834)</b>	<b>\$ 89,662</b>	<b>\$ 70,876</b>

**FY 2000-2001 2nd Quarter  
Projected Year-end Results**  
(in thousands)

**COMMUNITY SERVICES GROUP**

	2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)			1st Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)
	Expenditure Variance	Revenue Variance		
<b>General Fund Departments</b>				
Animal Control	\$ 532	\$ (9)	\$ 523	\$ 512
Community Services Group	6,740	73	6,813	6,607
Contribution to ISFs	-	-	-	-
General Services Funds	-	-	-	-
Housing & Community Development	184	116	300	-
Library Services	-	-	-	-
Registrar of Voters	953	174	1,127	779
<b>Total General Fund</b>	<b>8,409</b>	<b>353</b>	<b>8,762</b>	<b>7,899</b>
<b>Special Revenue Funds Departments</b>				
Library Services	-	-	-	-
Housing & Community Development	20,589	(20,589)	-	-
<b>Total Special Revenue Funds</b>	<b>20,589</b>	<b>(20,589)</b>	<b>-</b>	<b>-</b>
<b>Internal Service Funds Departments</b>				
Facilities Management	(19,840)	19,840	-	-
Fleet Management	2,662	(2,662)	-	-
Purchasing & Contracting	-	-	-	-
Document Services	(339)	339	-	-
<b>Total Internal Service Funds</b>	<b>(17,517)</b>	<b>17,517</b>	<b>-</b>	<b>-</b>
<b>Other County Funds Departments</b>				
Redevelopment Agency	-	-	-	-
<b>Total Community Services Group</b>	<b>\$ 11,481</b>	<b>\$ (2,719)</b>	<b>\$ 8,762</b>	<b>\$ 7,899</b>



**FY 2000-2001 2nd Quarter  
Projected Year-end Results**  
(in thousands)

**FINANCE & GENERAL GOVERNMENT  
GROUP**

			2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	1st Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)
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**General Fund Departments**

Assessor/Recorder/County Clerk	\$ 2,494	\$ (1,028)	\$ 1,466	\$ 1,196
Board of Supervisors	564	-	564	197
Board of Supervisors-General	32	-	32	28
CAC-Major Maintenance	319	-	319	237
CFO/Auditor & Controller	1,729	(228)	1,501	1,250
Chief Administrative Officer	447	1	448	369
Chief Technology Office	796	-	796	500
Civil Service Commission	48	-	48	36
Clerk of the Board of Supervisors	(1,290)	-	(1,290)	304
Contributions to Capital Outlay Fund	2,000	(500)	1,500	500
County Counsel	1,082	(171)	911	688
Finance & GG Office	1,100	-	1,100	1,100
Human Resources	2,230	(299)	1,931	1,775
Treasurer/Tax Collector	1,062	(200)	862	830
<b>Total General Fund</b>	<b><u>12,615</u></b>	<b><u>(2,426)</u></b>	<b><u>10,189</u></b>	<b><u>9,010</u></b>

**Special Revenue Funds Departments**

Media & Public Relations	76	-	76	56
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**Internal Service Funds Departments**

Information Technology	-	-	-	-
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**Total Finance & General  
Government Group**

	<b><u>\$ 12,691</u></b>	<b><u>\$ (2,426)</u></b>	<b><u>\$ 10,265</u></b>	<b><u>\$ 9,066</u></b>
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**FY 2000-2001 2nd Quarter  
Projected Year-end Results**  
(in thousands)

**HEALTH & HUMAN SERVICES AGENCY**

Expenditure Variance	Revenue Variance	2nd Quarter	1st Quarter
		FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	FY00-01 Projected Fund Balance Favorable/ (Unfavorable)

**General Fund Programs**

Agency Executive Office	\$ 3,348	\$ 116	\$ 3,464	\$ 18,308
Adult Mental Health	1,199	-	1,199	847
Aging & Independence Services	3,659	(2,952)	707	(961)
Children's Mental Health	12,935	(10,631)	2,304	(1)
Children's Team	-	-	(169)	(169)
Contract Operations	499	-	499	129
Financial Services	1,721	(95)	1,626	690
Human Resources	156	-	156	260
Information Technology	(358)	-	(358)	(331)
Office of Public Health	2,567	(1,943)	624	365
Policy & Program Support	468	(4,254)	(3,786)	(8,992)
Proposition 10	112	(112)	-	4
Regional Operations	8,301	(9,884)	(1,583)	(10,147)
Strategy & Planning	214	(63)	151	-
<b>Total General Fund</b>	<b>34,821</b>	<b>(29,817)</b>	<b>5,004</b>	<b>-</b>

**Internal Service Funds**

DMI-Working Capital	1	(1)	-	-
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**Special District Funds Departments**

Ambulance Districts	-	788	788	-
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**Other County Funds Departments**

	-	-	-	-
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<b>Total Health &amp; Human Services Agency</b>	<b>\$ 34,822</b>	<b>\$ (29,030)</b>	<b>\$ 5,792</b>	<b>\$ -</b>
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**FY 2000-2001 2nd Quarter  
Projected Year-end Results**

(in thousands)

**LAND USE & ENVIRONMENT GROUP**

	2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)			1st Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)
	Expenditure Variance	Revenue Variance		
<b>General Fund Departments</b>				
Agriculture, Weights & Measures	\$ (127)	\$ 225	98	\$ -
Environmental Health	1,500	406	1,906	1,053
Farm Advisor	24	-	24	-
Land Use & Environment Group Exec Office	1,116	-	1,116	5,485
Parks & Recreation	888	(480)	408	330
Planning & Land Use	739	488	1,227	1,306
Public Works	15,058	(15,200)	(142)	(175)
<b>Total General Fund</b>	<b>19,198</b>	<b>(14,561)</b>	<b>4,637</b>	<b>8,000</b>
<b>Special Revenue Funds Departments</b>				
Agriculture, Weights & Measures	-	-	-	-
Parks & Recreation	3,274	(3,274)	-	-
Public Works	3,159	(3,159)	-	-
<b>Total Special Revenue Funds</b>	<b>6,433</b>	<b>(6,433)</b>	<b>-</b>	<b>-</b>
<b>Internal Service Funds Departments</b>				
Public Works	1,610	(1,610)	-	-
<b>Enterprise Funds Departments</b>				
Public Works	3,907	(3,907)	-	-
<b>Special District Funds Departments</b>				
Air Pollution Control District	905	(905)	-	-
Parks and Recreation	839	(839)	-	-
Public Works	1,955	(1,955)	-	-
<b>Total Special Districts Funds</b>	<b>3,699</b>	<b>(3,699)</b>	<b>-</b>	<b>-</b>
<b>Other County Funds Departments</b>				
Debt Service-Local Boards	27	(27)	-	-
<b>Total Land Use &amp; Environment Group</b>	<b>\$ 34,874</b>	<b>\$ (30,236)</b>	<b>\$ 4,637</b>	<b>\$ 8,000</b>

**FY 2000-2001 2nd Quarter  
Projected Year-end Results**  
(in thousands)

***PUBLIC SAFETY GROUP***

			2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	1st Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)
	Expenditure Variance	Revenue Variance		
<b><i>General Fund Departments</i></b>				
Alternate Public Defender	\$ 132	\$ 25	\$ 157	\$ 35
Contributions for Trial Courts	(130)	2,137	2,007	-
Defense Attorney Contract Admin.	(1,270)	1,270	-	(500)
District Attorney	5,680	(2,369)	3,311	977
Grand Jury	1	-	1	1
Law Enforcement Review Board	-	-	-	-
Medical Examiner	141	11	152	11
Office of Disaster Preparedness	44	-	44	35
Probation	5,680	1,019	6,699	3,352
Public Defender	1,001	137	1,138	1,031
Public Safety Executive Office	3,410	-	3,410	8,925
Sheriff	3,014	1,713	4,727	2,613
<b>Total General Fund</b>	<b>17,703</b>	<b>3,942</b>	<b>21,646</b>	<b>16,480</b>
<b><i>Special Revenue Funds Departments</i></b>				
District Attorney	-	28	28	-
Probation	635	(597)	38	-
Sheriff	-	-	-	-
<b>Total Special Revenue Funds</b>	<b>635</b>	<b>(570)</b>	<b>66</b>	<b>-</b>
<b><i>Internal Service Funds Departments</i></b>				
Probation	64	(64)	-	-
Sheriff's Jail Stores	-	-	-	-
<b>Total Internal Service Funds</b>	<b>64</b>	<b>(64)</b>	<b>-</b>	<b>-</b>
<b><i>Special District Funds</i></b>				
800 Mhz Communications	-	-	-	-
<b>Total Group Projected Fund Balance</b>	<b>\$ 18,403</b>	<b>\$ 3,309</b>	<b>\$ 21,711</b>	<b>\$ 16,480</b>

Numbers may not total due to rounding.

**FY 2000-2001 2nd Quarter  
Projected Year-end Results**

(in thousands)

**GENERAL REVENUES &  
GENERAL COUNTY EXPENSES**

**General Fund**

General Revenues:

	<b>Expenditure Variance</b>	<b>Revenue Variance</b>	<b>2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)</b>	<b>1st Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)</b>
All Current Property Taxes	\$ -	\$ (3,741)	\$ (3,741)	\$ (3,670)
All Other Taxes-Local	-	3,408	3,408	2,525
Licenses, Permits & Franchises	-	200	200	200
Fines, Forfeitures & Penalties	-	940	940	940
Revenue for Use of Money & Property	-	5,000	5,000	5,000
Intergovernmental Revenue	-	14,462	14,462	12,505
Charges for Current Services	-	-	-	-
Miscellaneous Revenue	-	-	-	-
<b>Total General Revenues</b>	<b>-</b>	<b>20,270</b>	<b>20,270</b>	<b>17,501</b>

General County Expenses

Cash Borrowing Program	1,330	-	1,330	1,130
Community Enhancement	-	-	-	-
Contingency Reserve	11,300	-	11,300	10,800
Contributions to Library Fund	-	-	-	-
Community Projects & Services	-	-	-	-
Countywide Expenses	5,595	-	5,595	-
<b>Total General County Expenses</b>	<b>18,225</b>	<b>-</b>	<b>18,225</b>	<b>11,930</b>
<b>Total General Fund</b>	<b>18,225</b>	<b>20,270</b>	<b>38,495</b>	<b>29,431</b>

**Special Revenue Funds Departments**

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

**Internal Service Funds Departments**

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

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

<b>\$ 18,225</b>	<b>\$ 20,270</b>	<b>\$ 38,495</b>	<b>\$ 29,431</b>
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**COUNTY OF SAN DIEGO  
NOTES TO SCHEDULE A  
FY 2000 - 2001 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 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**

*Community Services Group Executive Office*

The second quarter net variance for the Community Services Executive Office is \$6.8 million. This projection is comprised of \$0.2 million in staff cost savings, such as positions at lower level than budgeted, savings in extra help, and savings from leave without pay, in addition to services and supplies savings, and revenue from ISF's. Carry-over management reserves for the Community Services Group are \$6.6 million.

### *Animal Control*

The Department of Animal Control is projecting a net positive variance of \$.0.5 million. Savings are attributable to cost saving measures implemented within the department.

### *Registrar of Voters*

A net positive variance of \$1.1 million is projected for the Registrar of Voters. The variance is the result of the carryover of \$0.9 million in prior year management and CERS reserves. Election revenues are expected to be over-realized by \$.2 million.

### *HCD-Multi-Year Projects*

There is no net variance; however, both expenditures and revenues are projected \$20.5 million below budget, representing the estimated amount of multi-year projects in CDBG, HOME, HOPWA, etc., that are anticipated to be carried over to next fiscal year.

### *Document Services ISF-Department of General Services*

The Document Services ISF is projecting no net variance. Offsetting increases of expenditures and revenues are due to increased postage and production labor costs of \$0.3 million.

### *Fleet ISF-Department of General Services*

No net variance is projected for Fleet ISF; however, both expenditure and offsetting revenue variances are projected at \$2.7 million below budget. This is largely the result of \$1.7 million less than anticipated in current year depreciation costs, and \$1.0 million less in fixed assets due to delays in vehicle acquisitions and deliveries.

### *Facilities Services ISF-Department of General Services*

There is no net variance projected for the Facilities Services ISF. Variances projected for both expenditures and revenues total \$19.8 million over budget. The variances result from increases in maintenance contract costs of \$0.9 million, utility costs of \$12.3 million, ADA and major maintenance project costs of \$6.6 million, and are offset by program revenues.

## **Finance & General Government Group**

### *Assessor/Recorder/County Clerk*

A favorable fund balance of \$1.5 million is expected by year-end. Expenditure savings of \$2.5 million are expected due to staff cost savings, savings in Services and Supplies and a year-end management reserve of \$156 thousand. Revenues reflect an improvement of \$.2 million since the 1<sup>st</sup> Quarter report due to increased recording revenues associated with the reduction in interest rates. Overall, revenues still reflect a decrease in Supplemental (AB2890) revenues

and reduced expenditures in the AB719 Property Tax Administration program where revenues are directly tied to expenditures.

*Auditor and Controller*

An overall favorable variance of \$1.5 million is projected by year-end due primarily to staff cost savings, Services and Supplies savings and a year-end management reserve of \$1.0 million.

*Board Offices- All*

In total, Board offices reflect a favorable year-end variance of \$.6 million due primarily to cost saving measures.

*Chief Administrative Officer*

A favorable fund balance of \$.5 million is projected as a result of cost saving measures along with a \$165 thousand management reserve at year-end.

*Chief Technology Office*

A favorable fund balance of \$.8 million is projected as a result of Services and Supplies savings and a \$.5 million management reserve at year-end.

*Clerk, Board of Supervisors*

The unfavorable fund balance of \$1.3 million is not related to operational plan problems, but is the result of increased utility costs. All utility costs for the County Administration Center are budgeted in this department. One-time funding will be used for the remainder of the fiscal year to close the funding gap.

*Contributions to Capital*

Savings of \$1.5 million are anticipated due to lease savings being higher than assumed in the FY2000-01 Operational Plan.

*County Counsel*

A favorable fund balance of \$.9 million is projected by year-end based primarily on staff cost savings, Services and Supplies savings and a year-end management reserve of \$.4 million.

*Human Resources*

A favorable fund balance of \$1.9 million is expected by year-end. This fund balance includes \$1.3 million in management reserves plus current year staff cost savings and Services and Supplies savings.

*Treasurer-Tax Collector*

A favorable fund balance of \$.9 million is projected due primarily to staff cost savings, Services and Supplies savings and a \$.5 million management reserve at year-end.



## **Health & Human Services Agency**

### *Regional Operations*

Overexpenditures are estimated due to Stage 1 Child Care payments. Revenue for this service is shown in Policy and Program Support. Appropriations and revenues were approved by the Board on October 31, 2000 # 14, but have not been posted to ARMS. The major portion of under-realized revenue shown in Policy and Program Support is CalWORKs revenue due to vacancies within the Agency.

### *Aging and Independence Services*

A favorable expenditure variance of \$3.6 million is being realized along with an under-realization of revenue by \$2.9 million. One million of the revenue underrealization is due to patient count at Edgemoor and is not offset by expenditure savings. A business plan has been developed and processes are being initiated to increase the patient count at Edgemoor that will result in increased revenue. Expenditure savings in other areas within Aging and Independence Services is offsetting the remaining \$1.9 million under-realization of revenue.

### *The Special District Funds*

Increased revenue of \$.8 million is reflected to pay for prior year expenditures and do not affect the General Fund Balance.

## **Land Use & Environmental Group**

### ***General Fund:***

#### *Environmental Health*

A favorable fund balance variance of \$1.9 million is projected. Expenditure savings of \$1.5 million are due to staff cost savings, such as savings in extra help and savings from leave without pay. A favorable revenue variance of \$.4 million is due to an unanticipated increase in the Vector Control Division. Environmental Health maintains a spending plan for all savings realized.

#### *Land Use & Environment Group – Executive Office*

A favorable variance of \$1.1 million is due to retained management reserves.

#### *Parks & Recreation*

A favorable variance of \$.4 million is projected. Expenditure savings of \$.9 million are due to staff cost savings. Underrealized revenue of \$.5 million is due to lower than expected Parks and Camping revenue.

### *Planning & Land Use*

A favorable variance of \$1.2 million is projected. Expenditure savings of \$.7 million has resulted from staff cost savings. Overrealized revenue of \$.5 million is a result of increased building activity and increased Current and Resource Planning activity.

### *Public Works*

An unfavorable variance of \$.1 million is projected due to overexpenditure of para-transit ride-along costs. The department is currently pursuing funding through TDA/SANDAG for these costs. The favorable expenditure and revenue variances of \$15.0 million are due to the San Marcos landfill closure.

## ***Special Revenue Funds***

### *Parks & Recreation*

No net variance is projected; however, both expenditure and revenue offsetting variances are due to changes in project schedules.

### *Public Works*

No net variance is projected. Offsetting expenditure and revenue variances are due to \$4.6 million savings in contract cancellations/changes in Inactive Waste Projects due to regulatory changes. These are offset by \$1.5 million overexpenditures indicated in the Road Fund due to the Governor's Gas Tax not showing in the BRASS budget amount but included in projections.

## ***Internal Service Funds***

### *Public Works*

No variance is projected. Offsetting expenditure and revenue variances are due to savings in the Equipment ISF due to equipment purchases now being made this year.

## ***Enterprise Funds***

### *Public Works*

No variance is projected. Offsetting expenditure and revenue variances are due to operating cost savings of \$3 million, \$.5 million in Transit due to MTDB allocations lower than budget, and \$.4 million in savings in Wastewater Salary and Benefits.

## ***Special District Funds***

### *Air Pollution Control District*

No net variance is projected. Offsetting expenditure and revenue variances are a result of salary savings in new positions causing underrealization of expense and related revenue.

### *Parks and Recreation*

No net variance is projected; however, both expenditure and revenue offsetting variances are due to changes in project schedules.

### *Public Works*

No variance is projected. Offsetting expenditure and revenue variances are due to \$.8 million contract savings in Flood Control, and \$1.1 Million in project and contract savings in Sanitation Districts.

## **Public Safety Group**

### *Public Safety Group Executive Office*

The Executive Office is projecting a year end fund balance of \$3.4 million. The variance is the result of projected savings in Management Reserves.

### *Sheriff*

The Sheriff is projecting a year end fund balance of \$4.7 million. The variance is the result of projected savings in Salaries and Benefits of \$3.8 million due to staff cost savings. Other Charges is projected to be approximately \$.6 million over budget due to higher than anticipated charges from contracts with health providers for inmates.

Revenues are projected to overrealize by \$1.7 million stemming from:

- \$.7 million of overrealized revenue in Rents and Leases, (offsetting a portion of increased utility costs);
- \$1.1 million in overrealized Contract Cities revenue associated with reimbursement from the increases in service level and DSA salary increases;
- \$1.5 million in overrealized revenue from housing State and Federal prisoners; and
- underrealized revenue of \$1.2 million from the Mentally Ill Offender grant and a reduction in reimbursement for housing criminal aliens under SCAAP.

### *District Attorney*

The District Attorney's Office is projecting a year-end fund balance of \$3.3 million. The variance is the result of projected savings of \$6.9 million in Salaries and Benefits, comprised of \$3.8 million in Child Support Enforcement, \$.7 million in Public Assistance Fraud, and \$2.4 million in Criminal Operations due largely to staff cost savings. Services and Supplies are projected to be \$.4 million over budget. This is due to \$.5 million in greater than expected spending in Criminal Operations for various expenses, primarily utilities, \$.1 million in projected savings in Child Support Enforcement, and \$26,000 in Public Assistance Fraud. Utility costs are projected to be \$.7 million over budget. Major Maintenance costs, projected to be \$.2 million over budget, are approximately double the amount budgeted.

### *Probation*

The Probation Department is projecting a positive year-end fund balance of \$6.7 million. The variance is the result of a projected savings of \$1.6 million in Salaries and Benefits from positions being held vacant to accommodate staff impacted by the planned closure of Camp West Fork, and those frozen to fund East Mesa Juvenile Hall. Continued reduced placements in Foster Care have contributed \$5.6 million in savings in the Foster Care budget. Revenue is projected to be \$.4 million more than budgeted due to the receipt of \$1.9 million in unanticipated state revenue to fund a 4<sup>th</sup> year of the breaking Cycles program, increased collections in several areas totaling \$.7 million, which offsets the loss of an estimated \$1.8 million in revenue due to the INS no longer housing inmates at Camp Barrett.

### *Public Defender*

The Public Defender is projecting a positive year-end fund balance of \$1.1 million. The variance is the result of a \$1.3 million projected savings in Salaries and Benefits due to vacancies in attorney classifications being held until the results of the fall Bar exam are released, unanticipated turnover in clerical classes, and a delay in a clerical reorganization which created unanticipated salary savings. Services and Supplies are estimated to be \$.4 million over budget due to the cost of developing a new case management system. A transfer from budgeted Management Reserves in the 2<sup>nd</sup> quarter status report will correct this anticipated overexpenditure.

### *Contributions to Trial Courts*

Contributions to Trial Courts is projecting a year-end fund balance of \$2 million. This is a result of a projected over realization of revenue of \$2.1 million, and expenditures being over budget by \$.1 million, including the projected \$2.4 million in over budget utility costs for which the County is responsible.

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

Fund balance for these two categories combined is estimated to be \$38.5 million, comprised of \$20.3 million in additional General Revenues and \$18.2 million savings in General County Expenses.

### *General Revenues*

Steady economic growth at the State and Local levels through the end of 2000 is the primary reason for the projected overall favorable Fund Balance of \$20.3 million. The \$20.3 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 the following 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.
- ◆ Refunds on Assessment Appeals and Corrections are higher than estimated in the budget.
- *Vehicle License Fee Revenues (VLF)* are expected to exceed the budgeted level by \$7.8 million. This increase is attributed to strong vehicle sales at the State level; the State reported that new car registrations for FY00 were the highest in 14 years. The FY00-01 budget assumed an increase of 7%; however, current actual revenues through January 2001 are 12.9% 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 \$6.6 million.
- *Revenue for Use of Money and Property*. Increased interest earnings of \$5.0 million in the Cash Borrowing program 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 experienced.
  - ◆ The budget assumed an interest earnings rate of 6%; during the 1<sup>st</sup> and 2<sup>nd</sup> quarter of FY01, a rate of 6.65% 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*. \$1.4 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 \$1.3 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 \$11.3 million at year-end.

- Countywide General Expense year-end savings of \$5.6 million are estimated due to the following factors:
  - ◆ \$3.0 million was set aside in the budget to add to the General Reserve at year-end based on the favorable financial condition of the County. These funds are projected to be available for this purpose.
  - ◆ \$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.

COUNTY OF SAN DIEGO

Schedule B

FY 2000-2001 2nd Quarter

Projected Reserves and Operating Balances at June 30, 2001

(dollars in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	2nd Quarter FY00-01 Projected Reserves plus Operating Balances	1st Quarter FY00-01 Projected Reserves plus Operating Balances
<b>General Fund</b>				
Community Services	\$ 7,905	\$ 857	\$ 8,762	\$ 7,899
Finance & General Government	5,187	5,002	10,189	9,010
Health and Human Services	2,047	2,957	5,004	-
Land Use and Environment	1,476	3,161	4,637	8,000
Public Safety	3,230	18,416	21,646	16,480
<b>Agency/Group Totals</b>	<b>\$ 19,844</b>	<b>\$ 30,393</b>	<b>\$ 50,238</b>	<b>\$ 41,389</b>
General Revenues		20,270	20,270	17,501
General County Expenses		6,925	6,925	1,130
Contingency Reserve	11,300		11,300	10,800
<b>Total Gen'l. Revs &amp; Other Gen'l. Fund</b>	<b>\$ 11,300</b>	<b>\$ 27,195</b>	<b>\$ 38,495</b>	<b>\$ 29,431</b>
<b>Total General Fund</b>	<b>\$ 31,144</b>	<b>\$ 57,588</b>	<b>\$ 88,733</b>	<b>\$ 70,820</b>

Numbers may not total due to rounding.