



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

GREG COX
First District

DIANNE JACOB
Second District

PAM SLATER-PRICE
Third District

RON ROBERTS
Fourth District

BILL HORN
Fifth District

DATE: February 26, 2008

TO: Board of Supervisors

SUBJECT: FISCAL YEAR 2007-08 SECOND QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

SUMMARY:

Overview

This report summarizes the status of the County's Fiscal Year 2007-08 Operational Plan, as measured by projected year-end fund balance. The projected fund balance from current year operations for the General Fund is \$88.1 million and for all budgetary funds combined is \$117.2 million.

This letter also recommends budget adjustments to make resource reallocations or to fund various one-time projects. Among these adjustments are recommendations to appropriate or transfer funds for augmenting capital projects (e.g., Escondido Creek Acquisition, I-122 Loss Allotment District 3 Acquisitions, Mt. Olympus Preserve Improvements, San Luis Rey Master Plan, San Dieguito Park ADA Ballfield and Santa Maria Creek Restoration), for erosion control services related to Firestorm 2007, for Geographical Information Systems scanning and data conversion needs, for a document management system for the Department of Planning and Land Use, to provide repairs for McClellan-Palomar Airport, Gillespie Field, Ramona Airport, and Borrego Valley Airport, to replace worn out audio equipment in the Ruffin Road Annex Hearing Room, and for an information technology project for the Treasurer-Tax Collector. In addition, the Board is asked to authorize the Auditor and Controller to reduce the fund balance designation within the General Fund for Environmental Health to provide funding for imaging, household hazardous waste and other one-time projects.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Accept the Fiscal Year 2007-08 second quarter report on projected year-end results.
2. Transfer appropriations of \$120,000 from the District Attorney's Office to the Sheriff's Department for expenditures associated with the Project Safe Neighborhood Grant.

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3. Amend the Fiscal Year 2007-08 Airport Enterprise Fund Spending Plan in the amount of \$114,000, services and supplies, to provide funding for the repair of the West Detention Basin at McClellan-Palomar Airport based on unanticipated revenue from the Federal Emergency Management Administration (\$61,068) and fund balance available (\$52,932).
4. Amend the Fiscal Year 2007-08 Airport Enterprise Fund Spending Plan in the amount of \$150,000, services and supplies, to provide funding for the Gillespie Field Broadway Channel Repair based on unanticipated revenue from the Federal Emergency Management Administration (\$146,674) and fund balance available (\$3,326).
5. Amend the Fiscal Year 2007-08 Airport Enterprise Fund Spending Plan in the amount of \$14,293, services and supplies, to provide funding for the Ramona Airport Taxiway Throat Repairs based on unanticipated revenue from the Federal Emergency Management Administration.
6. Amend the Fiscal Year 2007-08 Airport Enterprise Fund Spending Plan in the amount of \$4,290, services and supplies, to provide funding for the Borrego Valley Airport ditch work based on unanticipated revenue from the Federal Emergency Management Administration.
7. Amend the Fiscal Year 2007-08 Airport Enterprise Fund Spending Plan in the amount of \$4,699, other charges, to provide funding for airport infrastructure depreciation based on fund balance available.
8. Amend Fiscal Year 2007-08 Department of Public Works ISF Equipment Acquisition - Inactive Waste Fund Spending Plan in the amount of \$4,100, services and supplies, to provide funding for depreciation expense based on fund balance available.
9. Cancel appropriations and related revenue of \$80,000 in the Inactive Waste Site Management Fund due to cancellation of projects.
10. Cancel appropriations and related Operating Transfer from the Inactive Waste Site Management Fund of \$80,000 in the Capital Outlay Fund for Capital Projects 1000281, Jacumba II Burnsite Land Purchase (\$50,000) and 1000282 Descanso Burnsite Land Purchase (\$30,000), due to cancellation of the projects.
11. Establish appropriations of \$20,140 in the East Otay Mesa Sewer Maintenance District Fund for depreciation expense based on unanticipated revenue from service to property owners. (4 VOTES)
12. Establish appropriations of \$147,554 in the PRD 1015 Landavo Drive et al Fund, other charges, for partial prepayment of principal balance on construction loan based on unanticipated revenue from service to property owners

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(\$134,524) and fund balance available (\$13,030). (4 VOTES)

13. Cancel appropriations and related Operating Transfer from the General Fund of \$1,130,000 in the Capital Outlay Fund for Capital Project 1011474 - Open Space Land Acquisitions, to provide funds for land acquisitions in Escondido Creek watershed (\$950,000) and I-122 Loss Allotment District 3 Acquisitions (\$180,000).
14. Establish appropriations of \$1,130,000 in the Capital Outlay Fund for Capital Project 1000249 – Escondido Creek Acquisitions (\$950,000) and Capital Project 1006234 – I-122 Loss Allotment District 3 Acquisitions (\$180,000), based on an Operating Transfer from the General Fund. (4 VOTES)
15. Transfer appropriations of \$350,000 from the Department of Parks and Recreation, Professional and Specialized Services, to Contributions to Capital Outlay Fund, Operating Transfer Out, to provide funds for Mt. Olympus Preserve Improvements.
16. Establish appropriations of \$350,000 in the Capital Outlay Fund for Capital Project 1011952, Mt. Olympus Preserve Improvements, based on an Operating Transfer from the General Fund. (4 VOTES)
17. Authorize the Auditor and Controller to discharge an accounts receivable of \$50,000 in the Capital Outlay Fund, from the Proposition 12 Roberti-Z'berg-Harris grant, for project costs that will not be reimbursed by the State, for the San Luis Rey Master Plan project.
18. Cancel appropriations and related Operating Transfer from the General Fund of \$50,000 in the Capital Outlay Fund for Capital Project 1008292, San Dieguito Park ADA Ballfield, to provide funds for Capital Project 1000036, San Luis Rey Master Plan.
19. Establish estimated revenue of \$50,000 in the Capital Outlay Fund for Capital Project 1000036, San Luis Rey Park Master Plan, based on an Operating Transfer from the General Fund. (4 VOTES)
20. Establish appropriations of \$50,000 in the Capital Outlay Fund for Capital Project 1008292, San Dieguito Park ADA Ballfield, based on Proposition 12 Roberti-Z'berg-Harris grant funds. (4 VOTES)
21. Establish appropriations of \$50,000 in the Valley Center Park Land Dedication Ordinance (PLDO) Fund, Contributions to Other Agencies, to fund a Joint Exercise of Powers Agreement (JEPA) with the Valley Center-Pauma Unified School District based on fund balance available. (4 VOTES)
22. Establish appropriations of \$20,000 in the Pauma PLDO Fund, Contributions to Other Agencies, to fund a Joint Exercise of Powers Agreement (JEPA) with the

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Valley Center-Pauma Unified School District based on fund balance available.
(4 VOTES)

23. Establish appropriations of \$25,000 in County Service Area (CSA) 81 – Fallbrook Local Park District, services and supplies, to provide funds for security improvements at Rainbow Park based on fund balance available. (4 VOTES)
24. Establish appropriations of \$50,000 in the Department of Environmental Health, services and supplies, to provide outreach and develop collection infrastructure for universal waste based on unanticipated revenue from the California Integrated Waste Management Board Household Hazardous Waste Grant. (4 VOTES)
25. Authorize the Auditor and Controller to reduce the fund balance designation within the General Fund for Environmental Health by \$620,000 to provide funding for various one time projects.
26. Establish appropriations of \$620,000 in the Department of Environmental Health, salaries and benefits (\$100,000) and services and supplies (\$520,000), to fund various one time projects based on Environmental Health’s designation with the General Fund. (4 VOTES)
27. Establish appropriations of \$124,000 in the Farm and Home Advisor to adjust salaries and benefits (\$32,000) and services and supplies (\$92,000) for various unforeseen costs based on Land Use and Environment Group’s Fiscal Year 2006-07 fund balance available. 4 VOTES)
28. Establish appropriations of \$2,400,000 in the Department of Public Works General Fund, services and supplies, for erosion control services related to Firestorm 2007, based on Land Use and Environment Group’s Fiscal Year 2006-07 fund balance available. (4 VOTES)
29. Establish appropriations of \$500,000 in the Department of Public Works General Fund, services and supplies, for Geographical Information Systems scanning and data conversion based on Land Use and Environment Group’s Fiscal Year 2006-07 fund balance available. (4 VOTES)
30. Establish appropriations of \$100,000 in the Department of Planning & Land Use, salaries and benefits, for temporary extra help to assist with implementation of Oracle Financials in the Discretionary Permit program as well as conversion efforts to the new solution based on Land Use and Environment Group’s Fiscal Year 2006-07 fund balance available. (4 VOTES)
31. Establish appropriations of \$30,000 in the Department of Planning & Land Use, services and supplies, for monitoring activities associated with stormwater

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management plans based on Land Use and Environment Group's Fiscal Year 2006-07 fund balance available. (4 VOTES)

32. Establish appropriations of \$121,000 in the Department of Planning & Land Use, services and supplies, for Public Hearing Room audio upgrades based on Land Use and Environment Group's Fiscal Year 2006-07 fund balance available. (4 VOTES)
33. Establish appropriations of \$100,000 in the Department of Planning & Land Use, services and supplies, to develop a Purchase of Agricultural Conservation Easement Program based on Land Use and Environment Group's Fiscal Year 2006-07 fund balance available. (4 VOTES)
34. Establish appropriations of \$40,000 in the Department of Planning & Land Use, services and supplies, to support implementation of watershed clean-up events based on Land Use and Environment Group's Fiscal Year 2006-07 fund balance available. (4 VOTES)
35. Establish appropriations of \$4,000 in the Department of Planning & Land Use, services and supplies, for computer costs for four Satellite Code Enforcement Storefront offices based on Land Use and Environment Group's Fiscal Year 2006-07 fund balance available. (4 VOTES)
36. Establish appropriations of \$333,000 in the Department of Planning & Land Use, services and supplies, for implementation of a document management system based on Land Use and Environment Group's Fiscal Year 2006-07 fund balance available. (4 VOTES)
37. Authorize the reallocation of \$19,000 in Housing and Community Development Community Development Block Grant (CDBG) funds to the Borrego Springs Christmas Circle Community Park Supplement from the CDBG Housing Development Fund.
38. Establish appropriations of \$565,000 in the Treasurer-Tax Collector, services and supplies, for the one-time purchase of information technology hardware and software based on over realized Banking Services Pooled revenue. (4 VOTES)
39. Establish appropriations of \$80,000 in Media and Public Relations, services and supplies, for asbestos removal and improvements of CAC room 043, project #1011630 based on fund balance available. (4 VOTES)
40. Establish appropriations of \$3,300.37 in the Capital Outlay Fund for Capital Project 1005264, Santa Maria Creek Restoration, based on fund balance available. (4 VOTES)

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Fiscal Impact

The funds for a portion of these requests are not budgeted. If approved, these actions will cancel budgeted appropriations and the related sources of funding in the amount of \$1,340,000 and will establish additional appropriations of \$7,154,376, resulting in a net increase in appropriations of \$5,814,376. Funding sources include General Fund Fiscal Year 2006-07 fund balance, Federal Emergency Management Administration revenue, Airport Enterprise fund balance, banking services pooled revenue, and miscellaneous other sources.

Business Impact Statement

N/A

Advisory Board Statement

N/A

BACKGROUND:

FY 2007-08 Fund Balance Projections

For the General Fund, the second quarter projection of year-end fund balance from current year operations is \$88.1 million. The projected balance is a combination of expecting to end the year with General Purpose Revenues above budget by \$12.6 million, \$48.3 million in net savings from departmental operations, and \$27.2 million in unspent contingency and management reserves. The projected balance for all other funds combined is \$29.1 million. Schedule A summarizes the fund balance projections by Group and department. The Notes to Schedule A explain variances from budget by department. Schedule B shows the projected General Fund fund balance by Group split between operating and reserve balances. These projections are based on actual experience through December 2007 and expected expenditures and revenues through the end of the fiscal year.

As shown in Schedule A, the General Fund year-end fund balance projection of \$88.1 million is based on the estimate that expenditures will be a net \$176.4 million less than budgeted in the Fiscal Year 2007-08 Amended Budget, and revenues will be a net \$88.3 million less than budgeted in the 2007-08 Amended Budget. The Amended Budget consists of the Adopted Budget plus encumbrances carried over from the prior year, plus year to date changes that have been either approved by the Board or Chief Financial Officer where permitted. The projected revenue under-realization to budget consists of both positive and negative variances. A positive revenue variance of \$18.8 million is expected in the following categories: taxes current property (\$3.9 million), taxes other than current secured (\$6.7 million), fines, forfeitures and penalties (\$0.2 million), revenue from use of money and property (\$4.7 million), miscellaneous revenue (\$1.1 million), and the anticipated appropriation of fund balance in the Office of Emergency Management (\$2.2 million). The positive variances are offset by a \$107.1 million negative variance to budget in all other sources of revenues (substantially in intergovernmental revenues and largely the result of expenditure savings in caseload driven programs but also notably in Proposition 172 sales tax revenues).

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The lower than budgeted projected expenditures in the General Fund are primarily attributable to the following:

- \$33.9 million in appropriation savings from lower than budgeted salaries and employee benefit costs due to turnover and ongoing recruitment challenges in select classifications.
- \$64.4 million in appropriation savings in services and supplies across the County. In the Health and Human Services Agency, savings are projected in contracted services (e.g., in Behavioral Health Services for delays in Mental Health Services Act (MHSA), Homeless Adult with Mental Illness, Alcohol and Drug Service, savings in inpatient fee-for-service costs, delays in contract implementation for SB 1448 (the Governor's Health Care Initiative), in emergency appropriations for bioterrorism, and in Information Technology related transition savings.
- \$45.0 million in appropriation savings in other charges primarily reflects lower than budgeted caseloads and aid payments (e.g., for Child Care payments, CalWORKS, Welfare to Work General Relief payments and in County Child Welfare Services for Severely Emotionally Disturbed (SED), Foster Care, Aid to Adoptive Parents, and KinGap due to caseload projections that are less than budget). In addition, savings from reduced TRANs borrowing cost represents the balance of these appropriation savings.
- \$4.6 million in appropriation savings in capital assets equipment primarily reflecting the decision not to purchase additional voting units for the 2008 Election cycle.
- \$2.2 million in appropriation savings from reduced operating transfers out to the In Home Support Services (IHSS) Public Authority due to timely abatements received for health benefits, and in the General Fund Contribution to Purchasing ISF due to a reduction in the operating transfer out for the records management division.
- \$17.0 million in contingency reserves that are projected to be unspent at year-end.
- \$10.1 million in management reserves that are projected to be unspent across the groups at year-end.

See the Notes to Schedule A for a description of significant variances by department.

The Economy

The U.S. economy's Gross Domestic Product (GDP) growth for 2006 was a revised 2.9%, versus an adjusted 3.1% growth in 2005 and 3.6% in 2004. A GDP growth rate of 2.1% is forecasted for 2007. First quarter 2007 growth of 0.6%, was followed by 3.8% and 4.9% in the second and third quarters of 2007. The fourth quarter advance GDP estimate of 0.6% was released on January 30, 2008. Updated estimates, "advance figures," for the fourth quarter will be released on February 28, 2008. The fourth quarter increase in GDP reflected a positive contribution from personal consumption expenditures, governmental spending, exports and non-residential structures. This was largely offset by a negative contribution from private inventory investment and residential fixed investment. The deceleration in real GDP growth in the fourth quarter primarily reflected a downturn in inventory investment and deceleration in exports. Projected growth for 2008 is 1.9%. The downturn in the housing market presents a continued drag for 2008. Ongoing risks facing the U.S. economy include the slowing housing market, the federal budget deficit, relatively high core inflation, and continued volatility in oil prices.

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California's economy, like the U.S. economy, grew at a healthy rate in 2006. California payroll jobs experienced growth of 1.9%; the job growth also contributed to real personal income growth of 2.9%; and adjusted taxable sales grew 1.2%. The unemployment rate continued to decline, dropping down to 4.9% in 2006, versus 5.4% in 2005, 6.2% in 2004, and 6.8% in 2003.

However, the housing boom, which was a major driver of both the California and U.S. economies, has faded. "Housing construction/real estate" slowing is contributing to overall slowing in the growth of the State economy in 2007. The gross state product projected growth in 2007 is 3.9%, down from 4.2% in 2006, 3.8% 2005 and 4.9% in 2004. While wholesale and retail trade, finance, professional and technical services, and administrative support contributed to overall job growth in 2006, the slowing in the housing market is impacting construction and finance jobs in 2007. For 2007, slower growth rates are estimated - job growth is projected at 1.3%, taxable sales will grow by only 0.2%, and personal income is anticipated to grow at 2.7%.

San Diego's economy has continued to enjoy economic stability in recent years. This is reflected in the annual unemployment rate which was estimated at 4.5% for the 12-month period of January 2007 through December 2007. This compares to a State of California unemployment rate of 5.3% for the same period. San Diego's unemployment rate continues to compare favorably to both the US (4.6% in 2006 and the projected national rate of 4.6% for 2007 and 5.0% for 2008) and California unemployment rate (4.9% in 2006, and the projected California rate of 5.3% for 2007 and 6.0% for 2008).

The slowing in "housing construction/real estate" at the national and state level is also being felt regionally. The demand for housing in the County has slowed, and this can be seen from a number of indicators: slowing in deeds recorded (down 19% for 2007 compared to 2006), declining median housing prices (down 13% in the San Diego region for December 2007 compared to December 2006), drop in the numbers of homes sold in 2007 compared to 2006 (San Diego region is down 22.0%), increase in notices of default (up 115% for all of 2007 compared to 2006); and increase in foreclosure activity (foreclosure up 307% for 2007 compared to 2006). Other trends that are being watched include the number of residential building permits issued which saw a slight improvement in December 2007 compared to November 2007, and the median number of days it took to sell a single-family home (the number of days in December 2007 was reported at 67.2 compared to 72.1 days for December 2006). Another small improvement can be seen in the housing affordability index. The percentage of households that could afford to buy an entry-level home in San Diego stood at 24% in November 2007, up from 23% in June 2007, and up from 21% in June 2006, while previously at 23% in June 2005. Overall, however, slowing in housing is impacting the rate of San Diego's regional growth and employment and it is also contributing to slowing in the overall assessed value growth of all taxable properties in the County.

California Budget Outlook

On January 10, 2008, the Governor released his Proposed 2008-09 State Budget. The State of California's Legislative Analyst provided an overview of the Governor's plan on January 14, 2008. The State's budget is severely constrained by a number of factors including nondiscretionary programs, voter approved spending priorities and tax limitations. Further, the revenues upon which it is dependent are highly sensitive to economic cycles as are all levels of

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government in this state. A declining economic outlook, sagging revenues, and rising costs have created bleak prospects for the State's current- and budget years.

The Governor identified a gap of \$14.5 billion between revenues and expenditures and proposes more than \$17 billion in current and budget-year solutions to bring the state's budget back into balance. These budget-balancing actions include the issuance of additional deficit-financing bonds, increased revenue accruals, delayed payments, and budget reductions across most state programs. A number of these proposals would require legislative action in the current fiscal year, which led the Governor to declare a fiscal emergency under the State Constitution and call the Legislature into special session.

Impact of the Governor's Budget on the County

Staff from across the five groups have been analyzing the potential impacts of the Governor's budget on the County. It is clear that the reductions would have negative impacts on County operations, contract service providers, and clients. The State funds many County health and social services programs, but also provides grants to help sustain library, environmental health, transportation and public safety programs as well. It is too soon to speculate about the final outcome of State budget talks, but staff will keep the Board updated as solutions begin to emerge.

Impact of the Economic Slowdown on the County's Budget

The downturn in the economy is having an effect on the County's resources for locally funded services as well. The County's general purpose revenues are heavily dependent upon real estate activity, so with the slump in the housing market, we are seeing a significant slowing of growth in these revenues after a very rapid run-up in assessed values over a five year period beginning in 2001. Consumer taxable spending is virtually flat on a statewide basis; consequently we've seen a flattening in revenues that are dependent upon retail sales activity, particularly in the Proposition 172 Public Safety Sales Tax account and in Health and Social Services Realignment. Costs for services funded by these revenues continue to grow, however, creating a fiscal challenge for the County. The County is fortunately in a better position than most other counties to weather this slowdown because of our planning cycles, conservative spending and the fiscal discipline inherent in our General Management System.

With respect to general purpose revenues for the current fiscal year, we are projecting to be above budget by about \$12.6 million. This overall positive amount is a combination of revenues being above and below budget. Notable accounts that are above budget are secured property tax revenues and property tax in lieu of vehicle license fees where we assumed a lower rate of growth in the budget than has actually occurred. Revenues in these accounts are tied to the assessed value (AV) of real property. For statutory reasons, the AV base for these two revenues sources is slightly different; we assumed an AV increase of 7.5% for secured property, but the actual increase was 9.96%. We assumed an AV increase of 7% for property tax in lieu of vehicle license fees, but the actual increase was 9.25%. It is important to note here that there is a lag between when the growth in AV occurs and when it is felt in the County's budget. For the current fiscal year, FY 2007-08, property tax revenues are a function of the change in property values from January 1, 2006 through December 31, 2006. Calendar year 2006 produced a lower rate of growth than each of the three preceding years (peaking at over 13% in 2004), but we've

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seen significantly more slowing during calendar year 2007. And while the Assessor will not complete the assessment roll until June, 2008, our early estimates are that we will see a 6% increase in AV over the prior roll and that value will determine our secured property tax revenues for FY 2008-09.

General Purpose Revenues that are projected to be below budget this fiscal year include Current Supplemental Property Taxes and Real Property Transfer Taxes. These revenue sources reflect more current levels of real estate related activity. In both cases, budgeted revenue for this year was below FY 2006-07 actuals (approximately \$2.0 million in each case) in anticipation of a further slowdown. Data to this point in time suggest that we will end the year about \$4.1 million under budget for Current Supplemental Property Taxes and about \$2.0 million under for Real Property Transfer Taxes. This data also reinforces our expectation of lower overall property tax growth for Fiscal Year 2008-09 and probably FY 2009-10 as well.

Proposition 172 revenues, as noted above, have also been affected by the slowdown in the economy. They are dependent on a combination of statewide retail sales activity and on San Diego County's share of that activity. The State had estimated a growth in retail sales of about 5%, but instead sales have been flat. The County's Proposition 172 revenue was budgeted for the current fiscal year to be about 4.8% above the FY 2006-07 budgeted (and estimated actual) level. Towards the end of FY 2006-07, however, sales tax revenues stagnated and they have remained generally below prior year levels through December 2007. Consequently we are now projecting Proposition 172 revenues to be below its budget of \$249.9 million by \$13.0 million to \$18 million, which will put a strain on the budgets for the Sheriff, District Attorney and Probation this year. Most of the shortfall can be absorbed in the current fiscal year with available fund balance or management reserves, but if retail sales do not begin an upward trend soon, it may be necessary to increase the allocation of general purpose revenues to these departments to sustain ongoing essential services.

Realignment revenues, budgeted at \$323.4 million, are used to fund certain public health, social, and mental health services. They are derived from sales tax and vehicle license fees, so like Proposition 172 revenues, they too have been negatively impacted by the economic downturn. The current estimate is that we will finish the year with realignment revenues being below budget by about \$10.0 million or at about the same total level as FY 2006-07 actual revenues. Similar to the situation with Proposition 172 revenues, our strong fiscal position will enable us to absorb the shortfall in the current year, but depending upon demand for services, a continued slump in this funding source may result in a new area of competition for general purpose revenues.

With expectations for a decreased rate of growth in general purpose revenues, flattening special purpose revenues, and the high probability that the State will be cutting funding to counties for various services, we are likely to face a more difficult priority setting process for the County than has been the case in the recent past.

FY 2007-08 Budget Adjustments

The budget adjustment recommendations in this letter are explained below.

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Recommendation 2

This request will transfer appropriations of \$120,000 from the District Attorney's Office to the Sheriff's Department for expenditures associated with the Project Safe Neighborhood (PSN) Grant. On January 19, 2007 (3), the Board approved the application and acceptance of PSN grant funds. The District Attorney's Office is the fiscal agent for the PSN Grant and was appropriated the grant funds. The PSN Committee subsequently approved the transfer of grant funds to the Sheriff's Department to support their participation in the North County and East County Gang Task Forces whose goal is to combat street gang violence. Funds will be used for overtime and supplies for personnel.

Recommendation 3

This recommendation amends the Fiscal Year 2007-08 Airport Enterprise Fund's Spending Plan by \$114,000 to provide funding for the West Detention Basin at McClellan-Palomar Airport based on the September 07, 2007 FEMA Time Extension Request, Department of Public Works project #2161, Disaster #FEMA-1577 DR-CA, Office of Emergency Services I.D. #073-99073-01. The work will be performed through the County's Job Order Contract (JOC). All funds are reimbursable through Federal Emergency Management Administration (\$61,068) and Airport Enterprise Fund's fund balance available (\$52,932). This project lies within the Airport's property boundary. The basin is at the western property line near one of the airport's low points directly upstream of a neighboring property owner. The basin serves as a storm water sedimentary trap and a filtering device.

Recommendation 4

This recommendation amends the Fiscal Year 2007-08 Airport Enterprise Fund's Spending Plan by \$150,000 to provide funding for the Gillespie Field Broadway channel repairs. This is based on the September 07, 2007 FEMA Time Extension Request, Department of Public Works project #2083, Disaster #FEMA-1577 DR-CA, Office of Emergency Services I.D. #073-99073-01. The work will be performed through the County's Job Order Contract (JOC). All funds are reimbursable through Federal Emergency Management Administration (\$146,674) and Airport Enterprise Fund's fund balance available (\$3,326). The project is near the southern boundary of Gillespie Field Airport. The portion of this drainage channel within the Airport's property boundary is a non-vegetated earthen channel. During the heavy rain storms between December 27, 2004 and January 11, 2005, heavy erosion impacted approximately 2,200 feet of the Broadway Channel. Work includes grubbing, reestablishing the original flow line, and reconstructing eroded slope areas.

Recommendation 5

This recommendation amends the Fiscal Year 2007-08 Airport Enterprise Fund Spending Plan by \$14,293 to provide funding for the Ramona Airport's taxiway throat repairs based on the September 07, 2007 FEMA Time Extension Request, Department of Public Works project #2366, Disaster #FEMA-1577 DR-CA, Office of Emergency Services I.D. #073-99073-01. The work will be performed through the County's Job Order Contract (JOC). All funds are reimbursable through Federal Emergency Management Administration. Ramona Airport Taxiway throats became flooded during the heavy rains of December 27, 2004 and January 11, 2005. The heavy floods caused the asphalt in the throat areas to crack under aircraft loading.

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These throat areas provide access to the runway for the Cal Fire Aircraft during times of emergencies. The proposed repairs include saw cutting away cracked portions of asphalt, reestablishing the sub-grade and repaving the asphalt sections.

Recommendation 6

This recommendation amends the Fiscal Year 2007-08 Airport Enterprise Fund's Spending Plan by \$4,290 to provide funding for the Borrego Valley Airport ditch work based on FEMA Reimbursement letter dated September 07, 2007 FEMA Time Extension Request, Department of Public Works project #2164, Disaster #FEMA-1577 DR-CA, Office of Emergency Services I.D. #073-99073-01. The work has been completed by Borrego Road Crew. All funds are reimbursable through Federal Emergency Management Administration. During the storms of December 27, 2004 and January 11, 2005, the entrance of the airport and several hangars were flooded due to sedimentation of a drainage ditch near the airport entrance. County's Borrego Road Crew staff was used to remove the sedimentation in the ditch to reestablish the original flow. The cost to remove the sediment and reestablish the flow was \$4,290 utilizing the Borrego Road Crew.

Recommendation 7

This recommendation amends the Fiscal Year 2007-08 Airport Enterprise Fund's Spending Plan by \$4,290 to provide funding for unexpected depreciation costs in airport infrastructure related to the Fallbrook drainage project at Fallbrook Community Airpark and construction of a service road at Ramona Airport based on their fund balance available.

Recommendation 8

This recommendation amends the Fiscal Year 2007-08 Department of Public Works ISF Equipment Acquisition - Inactive Waste Fund Spending Plan by \$4,100 for unanticipated increase in depreciation expense based on their fund balance available. The depreciation expense for two used vehicles utilized by new staff was higher than anticipated.

Recommendations 9 & 10

These recommendations cancel appropriations of \$160,000 in the Inactive Waste Site Management Fund (\$80,000) that was set up for purchases of the Jacumba and Decanso burn sites and in the Capital Outlay Fund for Capital Projects 1000281, Jacumba II Burnsite Land Purchase (\$50,000) and 1000282 Descanso Burnsite Land Purchase (\$30,000). Landfill Management received grant funding from the California Integrated Waste Management Board to perform final closure of the Jacumba burn site, however, the purchase of land is not necessary with this final closure. In addition, Landfill Management is not pursuing the purchase of the Decanso Burnsite. Therefore, the appropriations for these two capital projects can be cancelled.

Recommendation 11

This recommendation establishes appropriations of \$20,140 in East Otay Mesa Sanitation District for depreciation expenditures related to equipment, structures, infrastructure, and wastewater sewer conveyance system.

Recommendation 12

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This request will establish appropriations of \$147,554 in PRD 1015 Landavo Drive Et Al Fund for partial prepayment on a construction loan. Property owners within Permanent Road Division 1015 have indicated their desire to partially prepay the principal balance of their construction loan in order to shorten its term from ten years to approximately seven years, which will result in savings of nearly \$39,000 in interest expense. Property owners remitted \$13,030 to the Department of Public Works during Fiscal Year 2006-07 and \$134,524 on December 15, 2007. The total amount of remittances was unknown during the budget process, therefore, this action will increase the budget for the prepayment of the loan.

Recommendations 13 & 14

On October 24, 2007 (17), the Board approved the purchase contract for the Greer property in the amount of \$675,000. The purchase was completed in January, 2008 at the contract amount and other related costs such as escrow fees and stewardship costs. On January 9, 2008 (6), the Board approved the purchase contract for the Val Sereno property in the amount of \$1,360,000. Funds for the acquisition of both properties were appropriated in Capital Project 1000249 – Escondido Creek. However, after the purchase of the Greer property in January, there were not enough remaining appropriations in the Capital Project to purchase both properties at the contract amount and other related costs. On January 9, 2008 (6) the Board approved the transfer of appropriations of \$180,000 from Capital Project 1006234 – I-122 Loss Allotment, District 3 Acquisitions to Capital Project 1000249 – Escondido Creek in order to complete the Val Sereno purchase. At the time it was not known that funding from Capital Project 1011474, Open Space Land Acquisitions was available for the open space purchase of the above two properties in District 3. These actions will restore \$180,000 to the I-122 Loss Allotment, District 3 Acquisitions. In addition, \$950,000 is being transferred from Capital Project 1011474, Open Space Land Acquisitions to Capital Project 1000249 – Escondido Creek for the purchase of future properties in the Escondido Creek Watershed area.

Recommendations 15 & 16

These requests will transfer appropriations of \$350,000 from the Department of Parks and Recreation to Capital Project 1011952, Mt. Olympus Preserve Improvements which will be used to plan and implement park improvements to allow public access to the 711-acre Mt. Olympus Preserve in Pala. Planning will include analyzing existing structures and hazardous materials testing, and cultural and biological determinations. Improvements include rehabilitating an existing road into a pathway and demolition and removal of existing buildings and hazards. Additional park improvements include a staging area, signage, benches, kiosk, fencing and gates, trailheads, and related public safety and resource conservation activities.

Recommendations 17 - 20

On May 5, 2004 (10), the Board approved the transfer of \$50,000 Prop 12 Roberti-Z'berg-Harris grant funds from Capital Project 1000256, Bonsall Park Site Acquisition to Capital Project 1000036, San Luis Rey River Park Planning/Development project. Prior year expenditures of \$50,000 were incurred in the San Luis Rey River Park capital project and an accounts receivable was established. Although the grant application was originally approved by the State, project costs were subsequently denied. The State determined that Master Plan expenses are not eligible for reimbursement. However, the State will allow the substitution of another capital project for this grant. The Department of Parks and Recreation has identified Capital Project 1008292 San Dieguito Park, ADA Ballfield as the capital project eligible for the Prop 12 Roberti-Z'berg-

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Harris \$50,000 grant funds. Phase I has been completed and these expenditures will be submitted to the State for reimbursement. These requests will discharge the accounts receivable in Capital Project 1000036, San Luis Rey River Park, then an accounts receivable will be established in Capital Project 1008292, San Dieguito Park, ADA Ballfield based on Prop 12 Roberti-Z'berg-Harris grant revenue. Capital Project 1000036, San Luis Rey River Park will be funded with general fund revenue that was previously budgeted in Capital Project 1008292, San Dieguito Park, ADA Ballfield. Capital Project 1008292, San Dieguito Park, ADA Ballfield will be funded by Prop 12 Roberti-Z'berg-Harris grant funds.

Recommendations 21 & 22

On September 20, 2006 (17), the Board approved a JEPA with the Valley Center-Pauma Unified School District in the amount of \$70,000 (\$50,000 funded with Valley Center PLDO funds and \$20,000 funded with Pala/Pauma PLDO funds) to fund a portion of the construction costs for the new Performing Arts Center at Valley Center High School. The requested action will budget funding in the current fiscal year based on the PLDOs fund balance available.

Recommendation 23

In response to vandalism at Rainbow Park in Fallbrook, Sheriffs Department staff has indicated a need for additional security measures to be taken at the park. The requested action appropriates \$25,000 from CSA 81 Fund Balance to provide for items such as fencing, lighting, gates and signage, as well as installation of security camera equipment. The requested funding will be used to purchase as much of the needed equipment as funding will allow.

Recommendation 24

This request will establish appropriations of \$50,000 in the Department of Environmental Health based on unanticipated revenue from the California Integrated Waste Management Board Household Hazardous Waste grant. On May 16, 2007 (6), the Board approved the application for and acceptance of this grant. The grant was awarded in October 2007. Grant funds will be used to plan, coordinate, develop, and expand specific programs for the collection and recycling of universal waste and home-generated medical sharps in the unincorporated areas of the county.

Recommendations 25 & 26

On February 24, 2004 (23), the fund balance designation for the Department of Environmental Health (DEH) was established. This designation ensures that revenue from fees and permits over the cost paid by Environmental Health customers are used only to fund fee-related expenses in DEH. This request will establish appropriations of \$620,000 in the Department of Environmental Health to fund data imaging contract costs with Anacomp (\$100,000), salaries and benefits cost to prepare files for imaging (\$100,000), various Northrop Grumman work requests (\$100,000), Household Hazardous Waste Temporary Collection Events (\$220,000), a consultant contract to review the Food Safety Program (\$50,000), and to purchase lock boxes for public swimming pool keys for inspector access (\$50,000). If approved the remaining balance in this fund balance designation will be \$6,491,309.

Recommendation 27

This request will make budgetary corrections in the Farm and Home Advisor program. When the budget was developed a negative adjustment was made in error to the salaries and benefits

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account (\$32,000). Additional funds are also being provided to pay for other unforeseen costs such as \$37,000 for Shared Major Maintenance and lease costs negotiations and \$55,000 in additional IT Northrop Grumman costs. This action will correct the error and ensure the necessary funds are available to pay for the additional unbudgeted cost.

Recommendation 28

This recommendation increases appropriations of \$2,400,000 in the Department of Public Works General Fund for erosion control related services being performed by County staff, contractors, and California Conservation Corps crews to install emergency protective measures. On October 22, 2007, shortly after the Harris, Witch Creek, Rice Canyon, and Poomacha wildfires began, the Department of Public Works entered into a \$100,000 public exigency contract with GeoSyntec Consultants to identify flood and erosion hazards caused by the fires, engineer appropriate emergency protective measures, and provide engineering expertise guiding installation of protective measures before winter storms threaten public health and safety. On November 7, 2007 (18), the Board authorized the Director, Department of Purchasing and Contracting, to execute a sole source agreement with GeoSyntec Consultants for an amount of \$900,000 to identify flood and erosion risks caused by the 2007 wildfires and engineer protective measures. Also on November 7, the Board appropriated \$1,100,000 to begin placement of identified erosion control measures on private property. GeoSyntec identified several residential areas where homes were at high risk for water damage due to flooding and/or debris flows. After GeoSyntec completed its full analysis of the burned areas, the estimate to complete all the necessary erosion control work is approximately \$4,400,000 for erosion control services. Included in this estimate is the cost for emergency flood protection and erosion control measures such as the placement of sandbags, fiber rolls, gravel bags, hydraulic stabilization mulch, bonded fiber matrix, k-rails, rock fencing, etc. in the unincorporated areas of the County. This project was an emergency response to provide for the restoration and protection of properties and roadways from immediate threats as a result of the October 2007 Harris, Witch Creek, Rice Canyon, and Poomacha fires. Reimbursement for these costs is being sought from Federal Highway Administration (FHWA), National Resources Conversation Service (NRCS) and Federal Emergency Management Administration (FEMA).

Recommendation 29

This recommendation will increase appropriations by \$500,000 in the Department of Public Works (DPW) for costs related to improving the Geographical Information System. DPW has numerous asset management needs for managing facilities and programs across the County, and these items can best be managed through the use of Geographical Information Systems (GIS) technology. DPW has identified several GIS layers for flood control facilities, bikeway facilities, and loss mitigation accident tracking. Flood control asset management will indicate when required improvements and upgrades will be required, and having GIS information available that tracks flood control facilities will help significantly with response times during very large rain events. Bikeway facilities need to be coordinated between jurisdictions and require enhanced asset tracking for more efficient striping and signage maintenance. For loss mitigation, tracking accident information can provide historical evidence during litigation. All of these uses for GIS will integrate with current GIS-based asset tracking systems, including the recently converted County maintained roads network.

**SUBJECT: FISCAL YEAR 2007-08 SECOND QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS**

Recommendation 30

This recommendation will increase appropriations by \$100,000 in the Department of Planning & Land Use for needed temporary extra help. The Department of Planning and Land Use provides cashiering & banking services for various Land Use and Environment Group departments, and customer service for over 8,800 Developer Deposit (DD) accounts. Additional staff is required temporarily to perform various tasks such as reconciling and balancing the DD Trust fund of approximately \$40 million; reconciling bank accounts, suspense accounts, credit card charges, and returned warrants; processing escheatments, conversion error corrections, ownership changes, funds transfers, and verifying accuracy of monthly statements until a better solution can be developed and implemented as ORACLE Financials are fully implemented and integrated into departmental functions. The new solution should be developed and implemented within the next two fiscal years.

Recommendation 31

Implementation of the Municipal Stormwater Permit requires the installation and ongoing inspection of post-construction best management practices (BMPs) for most development projects approved within County boundaries. The purpose of installing post-construction BMPs is to mitigate any water quality impacts caused by development through structures, devices, or project site features that filter, detain, or otherwise treat runoff from the site. Detailed tracking of installed BMPs is necessary for the purposes of maintaining compliance with new stormwater regulations and managing the post-construction BMP inspection program. Funding in the amount of \$30,000 will be used to upgrade our existing KIVA permit system to monitor this requirement.

Recommendation 32

The audio distribution system in the Public Hearing Room was installed in the 1980's. Much of the outdated equipment only works intermittently and is beyond repair. This request will provide funding in the amount of \$121,000 to update and upgrade the equipment including an audiovisual streamlining encoder to broadcast meetings on the Internet. This will allow internal and external customers to listen to Planning Commission and Zoning Administrator meetings without driving to the Kearny Mesa Office. In addition, this site has been chosen by the Board of Supervisors as a back-up for Board meetings as part of the Business Continuity Plan.

Recommendation 33

This recommendation will increase appropriations by \$100,000 in the Department of Planning & Land Use for costs related to the development of a Purchase of Agricultural Conservation Easement Program (PACE). PACE provides a mechanism for identifying agricultural lands of importance from an agricultural, economic, conservation and/or community character standpoint and will be used to facilitate the implementation of the North County Multiple Species Conservation Program (MSCP). The program is important to attract and direct potentially millions of dollars of state and federal funding toward the purchase of farmlands. Due to the unique nature of agriculture in San Diego (more associated with climate than soil resources) adequate models for such a program do not exist. Engagement of an expert in the development of a local PACE program ensures that the mechanics and infrastructure of the program are appropriate and technically viable.

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Recommendation 34

This recommendation will increase appropriations by \$40,000 in the Department of Planning & Land Use for support costs related to the implementation of watershed clean-up events. The implementation of watershed clean-up events to reduce trash and bacteria loadings in the County's waterways is mandated by the California Regional Water Quality Control Board Municipal Permit. Objectives for the trash and debris clean-up events are to identify and prioritize trash problem areas in the unincorporated County, conduct the necessary clean-ups and quantify the trash being removed. By conducting these clean-up activities the County is effectively reducing the amount of pollutants that have the potential to enter into the receiving waters and enhancing beneficial uses of waterways in the County of San Diego.

In addition, these events are often marketed through a variety of media that stress the importance of keeping litter and debris from spoiling the region's watersheds and encourage the public to be active and aware of the importance of pollution prevention. This project is being coordinated between Department of Planning and Land Use, Department of Public Works, Department of Environmental Health and the Land Use and Environment Group Water Issue Core Group.

Recommendation 35

This recommendation will increase appropriations by \$4,000 in the Department of Planning & Land Use for costs related to four Satellite Code Enforcement Storefront offices will be opening in Fallbrook, Ramona, Spring Valley and Bonita. The Storefront locations will be staffed one day per week for an eight (8) hour period. The purpose of the Storefronts is to provide a presence in the communities that have 1) an increased level of concerns regarding code enforcement issues and 2) high incidences of reported zoning and regulatory violations. Storefront locations will benefit the community by serving as a satellite County office which will provide easy access to assistance, guidance or other related code enforcement services. A community outreach program will coincide with the opening and information will be disseminated through local service groups, community organizations, planning groups and the Code Enforcement website to promote this opportunity. Funds will be used for computers and related IT costs for the Code Enforcement Storefront Offices.

Recommendation 36

This recommendation will increase appropriations by \$333,000 in the Department of Planning & Land Use for costs related to the implementation of a document management system. The Department of Planning and Land Use has completely expended all existing filing space. Implementation of a document management system will achieve a reduction in the time spent by Land Use and Environment Group staff on the permitting process, reduces physical storage space, reduce loss of and damage to documents, improve business continuity, improve research capability for staff and the public and apply version control to all documents. This effort is for conversion of existing Department of Planning and Land Use files. On-going costs associated with files from this point forward will be built into the fee ordinance and offset by permit fee revenue.

Recommendation 37

**SUBJECT: FISCAL YEAR 2007-08 SECOND QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS**

On April 24, 2007 (7), the Board approved Community Development Block Grant (CDBG) funding in the amount of \$38,000 for design and construction of accessible improvements at Christmas Circle Community Park in Borrego Springs. Christmas Circle Community Park has requested \$19,000 in supplemental CDBG funding due to unanticipated additional construction costs related to installation of an accessible pathway. Therefore, in order to allow construction to proceed, it is recommended that \$19,000 be reallocated from the CDBG Housing Development Fund for the Borrego Springs Christmas Circle Community Park Supplement, for total project funding of \$57,000.

Recommendation 38

This request is to establish appropriations of \$565,000 in the Treasurer-Tax Collector's Office based on Banking Services Pooled Revenue. Pursuant to Government Code Section 27013, the treasurer may deduct from interest or income, the actual administrative cost of investing, depositing or handling of funds. This will fund the administrative cost of one-time purchases of information technology hardware and software to support current business requirements. The hardware and software includes an infrastructure in support of the Continuity of Operations Plan of the Treasury Accounting and Investments; specialized software that will provide advanced analytical tools for measurement and assessment of potential investment decisions for the County Pool; and upgrade of accounting and investments portfolio management software.

Recommendation 39

This recommendation will appropriate \$80,000 in Media and Public Relations for asbestos removal of CAC room 043 for major maintenance project #1011630 based on their fund balance available. The asbestos removal is required to meet health and safety standards and is being performed at this time due to the replacement of video production equipment utilized by Media and Public Relations.

Recommendation 40

On May 15, 2007 (18), the Board approved the cancellation of appropriations in the Capital Outlay Fund for Capital Project 1005264, Santa Maria Creek Restoration, due to project completion. Expenditures in the amount of \$3,300.37 which related to construction management services for the Santa Maria Creek Restoration project were incurred during Fiscal Year 2007-08. This request will appropriate funds based on the Capital Outlay Fund's fund balance available to align the budget with the associated expenditures.

Linkage to the County of San Diego Strategic Plan

The County of San Diego is fully committed to using its resources to meet the highest priority needs of its residents as identified in the Fiscal Year 2007-08 Budget and outlined by our three Strategic Initiatives – Kids, the Environment, and Safe and Livable Communities.

Respectfully submitted,

WALTER F. EKARD

SUBJECT: FISCAL YEAR 2007-08 SECOND QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS

Chief Administrative Officer

AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

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

Other Concurrence(s): N/A

ORIGINATING DEPARTMENT: Chief Financial Officer

CONTACT PERSON(S):

Donald F. Steuer, Chief Financial Officer

Janel Pehau, Director, Office of Financial
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AUTHORIZED REPRESENTATIVE: _____

Donald F. Steuer, Chief Financial Officer

AGENDA ITEM INFORMATION SHEET

(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

7/31/07 (16) County of San Diego FY 2007-08 Final Budget for Family of Funds, Enterprise Funds, Internal Service Funds, Prior Year Encumbrances, Fleet Service Transfer and Penalty Assessment Resolution; December 11, 2007 (18) Fiscal Year 2007-08 First Quarter Operational Plan Status Report and Budget Adjustments.

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

CONTRACT AND/OR REQUISITION NUMBER(S):

N/A

**FY 2007-2008 2nd Quarter
Projected Year-end Results**
(in thousands)

COUNTY SUMMARY

Expenditure Variance	Revenue Variance	2nd Quarter FY07-08 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund

Public Safety	\$ 12,689	\$ (6,301)	\$ 6,388
Health & Human Services	107,938	(79,506)	28,432
Land Use & Environment	12,707	(5,174)	7,532
Community Services	9,578	(4,909)	4,669
Finance & General Government	8,648	(4,918)	3,730
Total Agency/Group	151,560	(100,809)	50,751
General Revenues	0	12,640	12,640
Finance Other	24,832	(116)	24,716
Total General Fund	\$ 176,392	\$ (88,284)	\$ 88,107

Special Revenue Funds

Public Safety	\$ 13,533	\$ (13,020)	\$ 514
Health & Human Services	3,300	0	3,300
Land Use & Environment	7,583	(5,885)	1,698
Community Services	21,824	(19,789)	2,035
Finance & General Government	149	8	157
Finance Other	0	58	58
Total Special Revenue Funds	\$ 46,390	\$ (38,629)	\$ 7,761

Internal Service Funds Departments

Public Safety Group	\$ 36	\$ 0	\$ 36
Health & Human Services	0	0	0
Land Use & Environment	0	0	0
Community Services	17,439	(17,376)	63
Finance & General Government	2,787	0	2,787
Finance Other	7,721	3,000	10,721
Total Internal Service Funds	\$ 27,983	\$ (14,376)	\$ 13,606

Enterprise Fund Departments

Land Use & Environment	\$ 22,748	\$ (20,011)	\$ 2,738
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Special District Funds Departments

Public Safety Group	\$ 0	\$ 43	\$ 43
Health & Human Services	20	(286)	(266)
Land Use & Environment	2,748	(1,258)	1,491
Total Special District Funds	\$ 2,768	\$ (1,501)	\$ 1,267

Other County Funds Departments

LUEG - Debt. Svc. Local Boards	\$ 0	\$ 0	\$ 0
Community Svcs. - Redevelopment Agencies	3,710	3	3,713
Finance Other - Majestic Pines	0	0	0
Total Other County Funds	\$ 3,710	\$ 3	\$ 3,713

Debt Service - Pension Obligation Bonds	\$ 7,367	\$ (7,367)	\$ 0
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Total County Projected Operating Balance	\$ 287,357	\$ (170,164)	\$ 117,193
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**FY 2007-2008 2nd Quarter
Projected Year-end Results**

(in thousands)

PUBLIC SAFETY GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY07-08 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Alternate Public Defender	\$ 393	\$ (102)	\$ 290
Child Support	1,442	71	1,513
Contributions for Trial Courts	179	0	179
Defense Attorney Contract Admin.	91	(91)	0
District Attorney	4,223	(3,243)	980
Emergency Services	(2,035)	2,035	0
Law Enforcement Review Board	35	0	35
Medical Examiner	90	0	90
Probation	(318)	673	355
Public Defender	543	0	543
Public Safety Executive Office	0	895	895
Sheriff	8,048	(6,540)	1,509
Total General Fund	\$ 12,689	\$ (6,301)	\$ 6,388

Special Revenue Funds Departments

District Attorney (Asset Forfeiture - State & Federal)	0	0	0
Probation - Asset Forfeiture	0	0	0
Probation - Inmate Welfare Program	(0)	0	0
Sheriff - Asset Forfeiture	0	31	31
Sheriff - Inmate Welfare Program	29	454	482
Public Safety - Proposition 172	13,505	(13,505)	0
Total Special Revenue Funds	13,533	(13,020)	514

Internal Service Funds Departments

Probation	0	0	0
Sheriff(Jail Stores)	36	0	36
Total Internal Service Funds	36	0	36

Special District Funds

Sheriff (Regional 800 MHz)	0	43	43
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Total Group Projected Fund Balance	\$ 26,259	\$ (19,278)	\$ 6,981
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**FY 2007-2008 2nd Quarter
Projected Year-end Results**

(in thousands)

HEALTH & HUMAN SERVICES AGENCY

Expenditure Variance	Revenue Variance	2nd Quarter FY07-08 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Programs

Administrative Support	\$ 17,001	\$ (7,678)	\$ 9,324
Aging & Independence Services	1,912	(821)	1,091
Behavioral Health Services	33,788	(32,668)	1,120
Child Welfare Services	27,985	(25,748)	2,237
Public Administrator/Public Guardian	338	10	348
Public Health Services	3,064	(2,714)	350
Regional Operations	10,112	3,802	13,914
Strategic Planning & Operational Support	13,737	(13,690)	47
Total General Fund	\$ 107,938	\$ (79,506)	\$ 28,432

Special Revenue Funds

Tobacco Securitization Fund	3,300	0	3,300
Total Special Revenue Funds	3,300	0	3,300

Internal Service Funds

DMI-Working Capital(Edgemoor Hospital)	0	0	0
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Special District Funds Departments

Ambulance Districts	20	(286)	(266)
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Other County Funds Departments

	0	0	0
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Total Health & Human Services Agency	\$ 111,258	\$ (79,793)	\$ 31,465
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**FY 2007-2008 2nd Quarter
Projected Year-end Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY07-08 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Agriculture, Weights & Measures	\$ 1,902	\$ (1,793)	\$ 109
Environmental Health	3,313	(1,925)	1,388
Farm Advisor	0	0	0
Land Use & Environment Group Exec Office	981	14	994
Parks & Recreation	503	(65)	438
Planning & Land Use	5,869	(1,405)	4,464
Public Works	140	0	140
Total General Fund	\$ 12,707	\$ (5,174)	\$ 7,532

Special Revenue Funds Departments

A,W & M (Grazing and Fish & Game Commission)	0	0	0
Parks & Recreation - PLDO	113	1,127	1,239
DPW - Aviation Funds	1,164	(1,158)	6
DPW - Road Funds	1,719	(1,304)	415
DPW - Inactive Waste	4,588	(4,550)	38
Total Special Revenue Funds	7,583	(5,885)	1,698

Internal Service Funds Departments

Public Works - DPW Equip. ISF Prg. (35525-35700)	0	0	0
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Enterprise Funds Departments

Airport Enterprise Fund	22,257	(20,092)	2,165
Liquid Waste Enterprise Fund	491	81	573
Total Enterprise Funds:	22,748	(20,011)	2,738

Special District Funds Departments

Air Pollution Control District	1,994	(1,202)	792
Parks and Recreation	670	(265)	405
Planning and Land Use - CSAs	24	(11)	13
DPW - Sanitation Districts & Sewer Maintenance	1	59	59
DPW - CSAs	(0)	9	9
DPW - PRDs	0	120	120
DPW - Flood Control	30	(30)	0
DPW - Street Lighting Districts	30	62	92
Total Special Districts Funds:	2,748	(1,258)	1,491

Other County Funds Departments

Debt Service-Local Boards	0	0	0
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Total Land Use & Environment Group	\$ 45,787	\$ (32,328)	\$ 13,459
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**FY 2007-2008 2nd Quarter
Projected Year-end Results**

(in thousands)

COMMUNITY SERVICES GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY07-08 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Animal Services	\$ 301	\$ (77)	\$ 224
Community Services Group Exec Office	2,813	200	3,013
General Services	0	0	0
Housing & Community Development	526	(526)	0
Purchasing & Contracting	551	0	551
Library Services	0	0	0
Registrar of Voters	5,388	(4,507)	881
Total General Fund	\$ 9,578	\$ (4,909)	\$ 4,669

Special Revenue Funds Departments

Library Services	2,225	(191)	2,035
Housing & Community Development	19,599	(19,599)	0
Total Special Revenue Funds	21,824	(19,789)	2,035

Internal Service Funds Departments

Facilities Management	16,707	(16,707)	(0)
Fleet Management	576	(513)	63
Purchasing & Contracting	156	(156)	0
Total Internal Service Funds	17,439	(17,376)	63

Other County Funds Departments

Redevelopment Agency	3,710	3	3,713
Total Community Services Group	\$ 52,551	\$ (42,072)	\$ 10,479

**FY 2007-2008 2nd Quarter
Projected Year-end Results**

(in thousands)

**FINANCE & GENERAL GOVERNMENT
GROUP**

Expenditure Variance	Revenue Variance	2nd Quarter FY07-08 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Assessor/Recorder/County Clerk	\$ 2,577	\$ (3,582)	\$ (1,004)
Auditor & Controller	1,889	(579)	1,310
Board of Supervisors	99	0	99
CAC-Major Maintenance	0	0	0
Chief Administrative Officer	299	53	352
Civil Service Commission	22	0	22
Clerk of the Board of Supervisors	400	(100)	300
County Counsel	1,622	(580)	1,042
County Technology Office	550	3	553
Finance & GG Exec Office	90	0	90
Grand Jury	1	0	1
Human Resources	415	146	561
Treasurer-Tax Collector	684	(279)	404
Total General Fund	\$ 8,648	\$ (4,918)	\$ 3,730

Special Revenue Funds Departments

Media & Public Relations	149	8	157
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Internal Service Funds Departments

CTO - Information Technology	2,787	0	2,787
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**Total Finance & General
Government Group**

	\$ 11,584	\$ (4,910)	\$ 6,674
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**FY 2007-2008 2nd Quarter
Projected Year-end Results**

(in thousands)

**GENERAL REVENUES &
FINANCE OTHER**

Expenditure Variance	Revenue Variance	2nd Quarter FY07-08 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund

General Revenues:

All Current Property Taxes	\$ 0	\$ 3,855	\$ 3,855
All Other Taxes-Local	0	6,729	\$ 6,729
Licenses, Permits & Franchises	0	417	\$ 417
Fines, Forfeitures & Penalties	0	(360)	\$ (360)
Revenue for Use of Money & Property	0	2,000	\$ 2,000
Intergovernmental Revenue	0	0	\$ 0
Charges for Current Services	0	0	\$ 0
Miscellaneous Revenue	0	0	0
Total General Revenues	\$ 0	\$ 12,640	\$ 12,640

General County Expenses:

Cash Borrowing Program	\$ 7,000	\$ 0	\$ 7,000
Community Enhancement	0	0	0
Contingency Reserve	17,000	0	17,000
Contributions to the Capital Outlay Fund	358	(116)	242
Contributions to Library Fund	0	0	0
Community Projects & Services	0	0	0
Countywide Expenses	474	0	474
Total Finance Other Expenses	\$ 24,832	\$ (116)	\$ 24,716
Total General Fund	\$ 24,832	\$ 12,524	\$ 37,356

Special Revenue Funds Departments

Capital Program	\$ 0	\$ 58	\$ 58
Total Special Revenue Funds	\$ 0	\$ 58	\$ 58

Internal Service Funds Departments

Workers Compensation	\$ 4,000	\$ 3,000	\$ 7,000
Unemployment Insurance	0	0	0
Public Liability	3,721	0	3,721
Total ISF Funds	\$ 7,721	\$ 3,000	\$ 10,721

Other County Funds Departments

Majestic Pines	\$ 0	-	\$ 0
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Debt Service Funds Departments

Pension Obligation Bonds	\$ 7,367	\$ (7,367)	\$ 0
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Total General Revenues & Finance Other	\$ 39,919	\$ 8,216	\$ 48,135
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**FY 2007-2008 2nd Quarter
Projected Year-end Results**
(in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	2nd Quarter FY07-08 Projected Fund Balance
	Favorable/(Unfavorable)		
General Fund			
Public Safety	\$ 0	\$ 6,388	\$ 6,388
Health and Human Services	5,000	23,432	28,432
Land Use and Environment	908	6,625	7,532
Community Services	2,750	1,919	4,669
Finance & General Government	1,490	2,240	3,730
Agency/Group Totals	\$ 10,148	\$ 40,603	\$ 50,751
General Revenues	0	12,640	12,640
General County Expenses	0	7,716	7,716
Contingency Reserve	17,000	0	17,000
Total Gen'l. Revs & Gen'l. County Exp.	\$ 17,000	\$ 20,356	\$ 37,356
Total General Fund	\$ 27,148	\$ 60,959	\$ 88,107

COUNTY OF SAN DIEGO
NOTES TO SCHEDULES A and B
FY 2007 - 2008 2nd QUARTER

GENERAL NOTES

Projected Fund Balance

Projected fund balance as presented in this report is defined as the projected excess of revenues over expenditures as a result of current fiscal year operations. Schedule A presents projections by Group and Department by fund or fund type.

Contingency Reserve and Management Reserves

The County's General Fund budget contains a Contingency Reserve each year to be used in the event of unforeseen expenses or to offset revenue shortfalls. Management Reserves are appropriations that are set-aside at the Group or department level for unanticipated needs or planned future one-time expenses. Schedule B shows a summary of the General Fund's projected fund balance by Group/Agency that distinguishes between projected contingency/management reserve balances and operating balances.

Variance Reporting

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

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

PUBLIC SAFETY GROUP

General Fund

Alternate Public Defender

A net positive variance of \$0.3 million is projected.

A positive expenditure variance of \$0.4 million is projected in salaries and benefits primarily due to salary savings as a result of under-filling of positions and vacancies.

A negative revenue variance of \$0.1 million is due to a projected revenue shortfall in Recovered Expenditures.

Department of Child Support Services

A net positive variance of \$1.5 million is projected for the Department of Child Support Services.

A positive expenditure variance of \$1.4 million is projected in salaries and benefits due to savings recognized in the first two quarters where vacant positions were not filled. The Department has filled the majority of the vacant positions and employees have started their employment with the department in the 3rd quarter of the Fiscal Year 2007-08.

A net positive revenue variance of \$0.1 million is projected due to miscellaneous revenues received from AT&T and Northrup Gruman for information technology assets as a result of the department (DCSS) transitioning services to the county's information technology contract vendor.

District Attorney

A net positive variance of \$1.0 million is projected for the District Attorney's Office.

A net positive variance of \$4.2 million is projected for total expenditures. This positive variance is primarily due to projected savings in salaries and benefits of \$5.4 million due to normal attrition and the use of modified positions. A negative expenditure variance of \$1.2 million is projected in expenditure transfers and reimbursements due to normal attrition and delays in filling vacant positions in the Public Assistance Fraud Unit.

A net negative revenue variance of \$3.2 million is primarily attributable to the projected reduction of Proposition 172 revenue of \$2.6 million, a reduction of \$0.3 million in recovered expenditures due to the loss of revenue from the canceled federal office of personnel management background contract and a projected reduction of \$0.3 million from the State Office of Emergency Services for local criminal justice grant programs.

Office of Emergency Services

No net variance is projected for the Office of Emergency Services.

A net negative variance of \$2.0 million is projected for expenditures. A negative \$2.1 million variance in services and supplies is projected due to contracted services and other costs related to Firestorm 2007. \$3.0 million in appropriations added for Firestorm 2007 costs resulted in a positive variance of \$0.9 million in other charges. This is offset by a negative \$0.8 million variance projected for capital assets.

A net positive revenue variance of \$2.0 million is projected. A \$0.2 million negative variance in revenue offset for civil defense administrative costs is for amounts that will be carried over to next fiscal year. A positive variance of \$2.2 million is projected in the General Fund fund balance account to offset the unanticipated expenditures for Firestorm 2007. This will be addressed further by a request to your Board to appropriate Public Safety Group fund balance in the Third Quarter Operational Plan Status Report.

Probation

A net positive variance of \$0.4 million is projected for the Probation Department.

A net negative expenditure variance of \$0.3 million is projected. This is comprised of a \$0.9 million negative variance in salaries and benefits due to overtime costs as the result of increased detention facility populations and overtime related to Firestorm 2007. A \$0.4 million negative variance is projected in services and supplies also due to the increase in detention populations and minor equipment purchases. These negative variances are offset by a positive variance of \$1.0 million in other charges, primarily due to savings associated with juvenile justice realignment, for which the department can no longer send non 707(b) wards to the State. Any negative expenditure variance will be mitigated by a request to your Board to appropriate over-realized revenue as discussed below in the Third Quarter Operational Plan Status Report.

A net positive revenue variance of \$0.7 million is projected. Federal and State meal program revenues are expected to exceed budget by \$0.3 million. Work Projects, Airport Enterprise Funds, Road Funds, and Internal Service Fund accounts are projected to generate an additional \$0.6 million in revenue due to increased demand for Work Project crews. Title IV-E revenue will be \$1.1 million over budget due to increased activities eligible for reimbursement and rate adjustments. Juvenile programs and Camp funding will be \$0.5 million over budget due to unanticipated reimbursements for prior year services. Institutional Care Federal revenue and reimbursements from individuals are projected to be \$0.1 million over budget. An additional \$1.4 million is projected from various sources including State Aid for Corrections, Standards and Training for Corrections, Offender Treatment Program Funds, and Court Administration Fees due to adjusted training plans and a projected increase in collection of fees. Revenues projected to be under budget include Offender Reimbursements (\$0.5 million) due to the implementation of AB 3000 that changed the priority for the distribution of amounts collected, and Prop 172 (\$1.3 million) due to lack of growth in sales tax revenue. Other State and Federal grants including SB618 and SB933 will be \$1.5 million under budget due to program revisions and modifications.

Public Defender

A positive variance of \$0.5 million is projected for the Public Defender's Department. An expenditure variance of \$0.5 million is projected in salaries and benefits due to staff retirements and unfilled vacant positions.

Public Safety Executive Office

A net positive variance of \$0.9 million is projected for the Public Safety Group.

A positive revenue variance of \$0.9 million is due primarily to anticipated over-realized rents and concessions and miscellaneous revenues.

Sheriff

The Sheriff's Department projects a net positive variance of \$1.5 million.

An overall positive expenditure variance of \$8.0 million is projected. Salaries and benefits are projected to be \$8.8 million under budget due to salary savings as a result of 225 vacant positions. This projection includes "Expected New Hires" of 180 sworn staff from forthcoming detention and law enforcement academies, 22 professional staff, and 117 retirements/departures, for a net increase of 85 sworn and professional staff by the

end of the fiscal year. A negative expenditure variance of \$0.8 million is projected in services and supplies primarily due to additional expenditures for increased fuel costs and digital x-rays associated with tuberculosis screening for inmates.

A net negative revenue variance of \$6.5 million is projected. A negative variance of \$9.1 million is projected in Operating Transfer from the Proposition 172 Fund due to a projected shortfall in Proposition 172 revenue. A negative variance of \$0.5 million is projected in Booking Fees based on a new State formula for allocation of funding. A negative variance of \$0.4 million in Reimbursement from Trial Courts is due to deputies reassigned from Trial Court functions to the October 2007 wildfires. A positive variance of \$1.3 million is projected in Rents & Concessions due to an annual incentive payment which allows Corrections Corporation of America to retain use of 1,000 inmate beds for an extended period of time. A positive variance of \$1.2 million is projected in State Criminal Alien Assistance Program (SCAAP) due to increased efforts to identify and verify more undocumented criminal aliens for which incarceration costs could be claimed. A positive variance of \$0.4 million is projected in Donations from Private Parties and Recovered Expenditures. A number of miscellaneous revenue sources are projected to provide an additional combined positive variance of \$0.6 million.

Special Revenue Funds

Sheriff's Inmate Welfare Fund

A net positive variance of \$0.5 million is projected for the Inmate Welfare Fund.

This consists of a positive revenue variance that includes \$0.4 million that is due to a reimbursement from the Grossmont Union High School District for overpayment of contracted educational services and a positive variance of \$0.1 million projected for interest revenue.

Proposition 172

No net variance is projected for the Proposition 172 Special Revenue Fund.

The Proposition 172 Special Revenue Fund finished Fiscal Year 2006-07 with a \$7.0 million fund balance. Actual realized revenues for Fiscal Year 2006-07 were \$3.7 million less than the projected Operational Plan amount.

In Fiscal Year 2007-2008, the turbulent current national, state and local economic conditions, including the continuing decline in the housing market, are impacting consumer spending and the sales tax revenues which are the basis for Proposition 172 receipts. In addition, the San Diego region is generating a proportionately smaller share of sales tax revenues compared to other areas of the State. As the result of these conditions, current year revenues are projected to be \$13.0 to \$18.0 million under budget. Expenditures from the Special Revenue Fund will be capped to match anticipated revenues and are therefore projected to be \$13.5 million under budget for no net variance in the fund. The public safety departments that receive Proposition 172 funds, including the Sheriff, District Attorney and Probation Department have adjusted their current revenue projections to be under budget by \$13.0 million, with the possibility that the revenue shortfall and the resulting impact to these departments could be as large as \$18 million. There is an additional shortfall of \$0.5 million in budgeted fund

balance due to the shortfall in anticipated receipts in Fiscal Year 2006-2007. In the Third Quarter Operational Plan Status Report, when final year-end receipts for Proposition 172 revenues will be estimated, appropriations of fund balance and transfers of appropriations within the General Fund may be required to sustain current service levels in the public safety departments that rely on Proposition 172 revenues. Revenues will continue to be closely monitored, projections will be updated, and requests for mitigation actions will be included in future reports to your Board.

HEALTH AND HUMAN SERVICES AGENCY

General Fund

Administrative Support

The Administrative Support Program consists of the following: Agency Executive Office, Agency Contract Support, Financial Services and Support Division, Human Resources, Management Support, and First Five Commission

A net positive variance of \$9.3 million is projected for Administrative Support. The variance is the result of a net expenditure savings of \$17.0 million and projected under-realized revenues of \$7.7 million.

The \$17.0 million expenditure savings includes \$0.7 million in salaries and benefits due to normal attrition, \$11.3 million in services and supplies and \$5.0 million in anticipated year-end management reserves. The \$11.3 million savings in services and supplies are comprised of \$5.5 million of Bio-terrorism emergency appropriation savings associated with unsecuritized tobacco settlement, \$4.5 million due to IT related transition savings with Northrup Grumman and \$1.3 million in various other services and supplies accounts. The \$7.7 million of under-realized revenue includes \$5.5 million of unsecuritized tobacco settlement revenue, and \$2.2 million in Administrative revenues (County Expense Claim) associated with expenditure savings.

Aging and Independence Services

A net positive variance of \$1.1 million is projected for Aging and Independence Services. The variance is the result of a net expenditure savings of \$1.9 million and projected under-realized revenues of \$0.8 million.

The \$1.9 million expenditure savings includes a negative variance of \$0.2 million in salaries and benefits due to Quality First payments (the Agency does not adjust budgeted appropriations to pay Quality First, relying instead on Agency-wide appropriation savings from turnover to meet this requirement), offset by savings of \$0.5 million in services and supplies and \$1.6 million in operating transfers for the In Home Support Services (IHSS) Public Authority due to timely abatements received for Health Benefits. The \$0.5 million savings in services and supplies is due to savings in IT application services for IHSS and APS, and miscellaneous contracted services savings. The \$0.8 million of under-realized revenue is associated with the expenditure savings.

Behavioral Health Services

Behavioral Health Services consists of the following: Mental Health Services, Alcohol and Drug Services, and In-patient Health Services comprised of the San Diego County Psychiatric Hospital (SDCPH) and Edgemoor, a distinct part of SDCPH.

A \$1.1 million net positive variance is projected for Behavioral Health Services. This is a result of \$33.7 million in expenditure savings and \$32.6 million of under-realized revenue.

The \$33.7 million expenditure savings includes \$2.0 million savings in salaries and benefits through-out Behavioral Health due to normal attrition and \$31.6 million in services and supplies. The \$31.6 million is comprised of \$32.3 million savings, primarily in contracted services, offset by \$0.7 million in over-spending in Inpatient Health, primarily for temporary contract help for the San Diego Psychiatric Hospital. The contracted services savings include \$20.6 million for Mental Health Services Act (MHSA) services due to un-awarded contracts and delays in the start-up of these contracts; a \$3.8 million savings in Homeless Adult with Mental Illness contracts; a \$2.8 million savings in Alcohol and Drug Services; a \$2.0 million savings in inpatient fee-for-service costs and a \$2.9 million savings associated with prior year encumbrances that were not needed. The \$0.2 million savings in Other Charges is due to lower charges from State hospitals. The \$32.6 million in projected under-realized revenues is associated with the expenditure savings.

County Child Welfare Services

A net positive variance of \$2.2 million is projected for County Child Welfare Services (CCWS). This is a result of \$27.9 million in expenditure savings and \$25.7 million of under-realized revenue.

The \$27.9 million expenditure savings includes \$2.0 million in salaries and benefits due to normal attrition and hiring delays; \$28.2 million projected savings in aid payments for Severely Emotionally Disturbed (SED), Foster Care, Aid to Adoptive Parents (AAP) and KinGap based on revised estimates of caseload levels, growth trends, and unit cost per case. The savings are offset by a \$2.3 million negative variance in services and supplies primarily due to Adoptions and Foster Home Licensing recruitment activities, and facilities repair costs for the Polinsky Children's Center and the San Pasqual Academy. The \$25.7 million in projected under-realized revenues is associated with the expenditure savings primarily for assistance payments.

Public Administrator/Public Guardian

A net positive variance of \$0.3 million is projected for Public Administrator/Public Guardian (PA/PG). This is a result of \$0.3 million in salaries and benefits savings due to vacancies. No significant net variance is projected for revenues.

Public Health Services

A net positive variance of \$0.3 is projected for Public Health Services. This is a result of net expenditure savings of \$3.0 million offset by \$2.7 million in under-realized revenues.

The \$3.0 million expenditure savings consist of \$0.6 million in salaries and benefits and \$2.4 million in services and supplies. The \$0.6 million savings in salaries and benefits are the result of vacancies. The \$2.4 million savings in services and supplies is primarily due to savings in contracted services and non-contract services & supplies accounts, related to the reduction of funding for Outreach, Education, Recruitment and Utilization (OERU) for Medi-Cal eligible children. The \$2.7 million in projected under-realized revenues is associated with the elimination of the OERU funding and miscellaneous savings.

Regional Operations

Regional Operations consists of the following: Central, East, North Central, North Coastal, North Inland, and South regions, Community Action Partnership, Regional Self-Sufficiency and Regional Child Welfare Services.

A net positive variance of \$13.9 million is projected for Regional Operations. This is a result of \$10.1 million in expenditure savings and \$3.8 million of over-realized revenue.

The \$10.1 million in expenditure savings includes \$2.2 million in salaries and benefits due to vacant positions resulting from staff turnover, \$1.2 million in various services and supplies accounts, and \$6.7 million in other charges based on projected caseloads for CalWORKS, Welfare to Work, Child Care and General Relief payments. The \$3.8 million in projected over-realized revenues is associated with social service administrative revenue for external A-87 and internal overhead costs.

Strategic Planning and Operational Support

No net variance is projected for Strategic Planning and Operational Support. This is the result of \$13.7 million in expenditure savings and \$13.7 million of under-realized revenue.

The \$13.7 million expenditure savings in services and supplies is due to projected contract savings of \$9.9 million due to delayed implementation of the Coverage Initiative (SB1448) pilot project, \$2.5 million due to savings associated with the Welfare Case Data Information System, \$1.9 million in CalWORKS employment pay for performance contracts and \$0.3 million in various services and supplies accounts, offset by a \$0.9 million one time increase in Child Care (AB212) contract costs. The projected \$13.7 million in under-realized revenue is associated with the expenditure savings.

Special Revenue Funds

Tobacco Securitization Fund

A net positive variance of \$3.3 million is projected in the Securitized Tobacco Settlement Fund. This represents the difference between the projected annual available amount of Tobacco funds and what the Board of Supervisors has approved, based on an annual draw of \$27.5 million.

LAND USE AND ENVIRONMENT GROUP

General Fund

Agriculture, Weights & Measures

A net favorable variance of \$0.1 million is projected for the Department of Agriculture, Weights and Measures.

There is a positive expenditure variance of \$1.9 million. Projected savings of \$1.1 million in salaries and benefits is mainly due to freezing two positions and intentionally holding temporary staffing vacancies to reduce the impact from the anticipated loss of Unclaimed Gas Tax revenue. Projected net savings in services and supplies and cost applied is \$0.8 million due to an abatement of expenditures of \$0.4 million that had been budgeted as revenue and savings of \$0.4 million related to lower than anticipated spending for professional and specialized services and savings in vehicle costs due to delaying vehicle replacements and managing preventative maintenance.

Projected under-realization of revenue is \$1.8 million due to a loss of \$0.7 million in Unclaimed Gas Tax state subvention revenue due to increasingly restrictive guidelines for qualifying claimable expenses, \$0.9 million in state contract revenues due to decreased inspection service levels and \$0.4 million that is reflected above as an abatement of expenditures for services provided to other County departments. This shortfall will be offset by \$0.2 million in over-realized revenues from increased demand for services and recovery of investigative costs and pesticide civil administrative penalties.

Environmental Health

A net positive variance of \$1.4 million is projected for the Department of Environmental Health.

A favorable expenditure variance of \$3.3 million is based on a projected savings of \$1.7 million in salaries and benefits due to delays in hiring, under-filling positions, and intentionally holding three positions vacant to offset projected under-realized revenue in land use plan check projects. The projected savings in services and supplies of \$1.6 million is primarily due to controlling spending in the Land and Water Quality Division to offset the shortfall in revenue due to the decrease in plan check projects.

A net negative revenue variance of \$1.9 million is projected. This variance consists primarily of under-realized revenue of \$1.0 million in plan check & field inspections and \$0.3 million in septic installations due to a downturn in land use development projects. The remaining variance consists of a \$0.2 million shortfall in Solid Waste Tonnage Fees and a \$0.4 million shortfall spread over various other revenue accounts. These shortfalls are offset by the savings in salaries and benefits costs and services and supplies costs.

Land Use and Environment Group Executive Office

A net positive variance of \$1.0 million is projected by year end.

A positive expenditure variance of \$1.0 million includes \$0.1 million in salaries and benefits savings in SANGIS due to staff turnover and a projected year-end balance of \$0.9 million in management reserves that is being held for the County's Stormwater program. These monies will most likely be completed exhausted by next fiscal year.

Department of Parks and Recreation

A net favorable variance of \$0.4 million is projected by fiscal year-end.

A positive variance of \$0.5 million in expenditures is mainly due to combined projected savings in salaries and benefits of \$0.4 million and in services and supplies of \$0.1 million due to frozen positions budgeted for 4S Ranch parks.

A net negative variance of about \$0.1 million is due to the combination of over-realized revenue and revenue shortfalls in various revenue sources. There are projected increases of \$0.3 million in rents and concessions, \$0.1 million in park and camping fees, and \$0.2 million in various miscellaneous revenues. These are offset by a projected decrease of \$0.1 million in park and recreation fees and \$0.6 million in charges to other funds primarily caused by project delays, for example, 4S Ranch and Spring Valley Gym.

Planning and Land Use

A net positive variance of \$4.5 million is projected for Planning and Land Use by year's end.

Expenditure savings of \$5.9 million include \$2.3 million in salaries and benefits primarily related to \$0.8 million in the General Plan Update resulting in the reallocation of staff to vacant positions in revenue generating divisions along with the freezing of eleven vacant positions (savings will be shifted to consultant contracts) and \$0.6 million in fire rebuild extra help costs. The remaining \$0.9 million is related to on-going vacancies. Savings of \$3.6 million in services and supplies is primarily the result of projected savings of \$3.4 million in consultant services related to the General Plan Update, the Fire Safety, Fuels Reduction Program, the Multiple Species Conservation Program and overflow contracts for discretionary permit processing. Funding and expenditures span several years for these projects and will not be fully expended in Fiscal Year 2007-08. The remaining projected savings of \$0.2 million are spread throughout various other services and supplies accounts.

The net revenue shortfall of \$1.4 million is primarily in Service to Property Owners. Requests for Building Permits and discretionary permits are lower than anticipated as a result of a lower than normal construction projects in San Diego County. This shortfall is offset by the savings in salaries and benefits costs and services and supplies contract costs noted above.

Special Revenue Funds

Parks and Recreation

Park Land Dedication Fund

A net positive variance of \$1.2 million for Park Land Dedication is projected by fiscal year-end due to \$1.1 million in additional revenue being realized from park land dedication fees and projected savings of \$0.1 million spread throughout various expenditure accounts.

Department of Public Works

Aviation Fund

There is no net variance for the Aviation Fund.

A positive expenditure variance of \$1.1 million and corresponding negative revenue variance is due to several projects being on hold as a result of the shift in the State's project funding priorities.

Road Fund

A net positive variance of \$0.4 million is projected for the Road Fund.

A positive expenditure variance of \$1.7 million includes \$0.9 million savings in salaries and benefits due to turnover and vacancies pending recruitment and \$0.8 million in services and supplies due to savings from completed projects.

A negative revenue variance of \$1.3 million is projected and is in part related to the expenditure savings noted above. Revenue from taxes other than current secured is projected to be under-realized by \$0.7 million due to completion of Valley Center East and other projects funded by TransNet. Intergovernmental revenue is projected to be under-realized by \$0.6 million due to savings in Federal Highway Administration funded projects. Licenses permits and franchise revenue is projected to be under-realized by \$0.1 million due to the decline in issuance of building construction permits. Charges for current services are projected to be under-realized by \$0.6 million due to reassignment of staff to Firestorm 2007-related projects and decrease in work for others. This is offset by \$0.4 million in revenue that is projected to be over-realized due to interest on deposits and investments and developer deposits, and rents and concessions and a positive variance of \$0.3 million in miscellaneous revenue due to reimbursements from the Valley Center Municipal Water District to offset costs for the Valley Center North project that in the past were recorded as expenditure abatements as opposed to revenue.

Inactive Waste

There is no net variance projected for Inactive Waste.

A net positive variance of \$4.6 million in services and supplies is due to savings from delayed Groundwater, Stormwater, and Gas contract projects, including Capital Improvement Projects. This is offset by negative variance of \$4.6 million in revenue due

to decreased contributions from the Environmental Trust Fund for the reduced expenditures noted above.

Enterprise Funds

Airports

A net positive variance of \$2.1 million is projected for the Airport Enterprise Fund.

A positive expenditure variance of \$22.2 million includes a \$0.1 million savings in salaries and benefits due to turnover and vacancies pending recruitment. The projected savings in services and supplies of \$0.9 million is due to under-spent line item accounts for internal agreements and as needed consultant contracts. There is also a projected savings of \$21.2 million in Capital Assets/Land Acquisition due to not fully expending appropriations for the Palomar Airport Terminal Redevelopment Project, continuing EIR work for the Fallbrook Modular Terminal Building/Construct Terminal Parking Apron and postponed projects as grant awards have not yet been received for Ramona Slurry Seal Runway, Borrego Valley Slurry Seal, Agua Caliente Design & Reconstruct Runway, Jacumba Fence Airfield Boundary and Ocotillo Erosion Control.

A net negative variance of \$20.1 million in revenue is due to \$21.2 million in unearned revenue from federal and state grants related to the capital projects noted above. This offset by a positive variance of \$0.9 million in rents and concessions due to a one time lease equity adjustment from Gillespie Field Partners and \$0.2 million in interest earnings in the Airport Enterprise AMT Private 2005 and Airport Enterprise Non-AMT Public 2005 Funds.

Liquid Waste

A net positive variance of \$0.6 million is projected for the Wastewater Management Enterprise Fund.

A positive expenditure variance of \$0.5 million is due to savings in salaries and benefits due to turnover and vacancies pending recruitment. A positive expenditure variance of \$0.1 million in revenue is due to interest earnings and recovered expenditures.

Special Districts Funds

Air Pollution Control District

A net positive variance of \$0.8 million is projected by year-end for the Air Pollution Control District (APCD). APCD has five funds: Air Pollution Control Operations Fund (Operations), and four incentive project funds. The Operations Fund projects a net positive variance of \$0.3 million and the four incentive funds are projected to have a \$0.5 million positive variance.

A positive expenditure variance of \$2.0 million in Operations includes savings in salaries and benefits of \$1.1 million resulting from vacancies and under-filled positions, savings of \$0.7 million in services and supplies due to cost containment in the special departmental, inter-departmental and professional and specialty accounts and savings

of \$0.2 million in fixed assets and other charges (lease costs), also as a result of cost containment efforts.

A net negative revenue variance of \$1.2 million consists of \$1.7 million net negative revenue variance in Operations and \$0.4 million positive revenue variance in the four incentive funds. The variance in Operations includes \$1.0 million in under-realized permit fees due to lower than anticipated new permit application levels and the statewide extension of permits and deadlines for compliance Phase II-Enhanced Vapor Recovery, \$0.1 million less of federal funding, reduced charges for current services of \$0.2 million primarily due to a decrease in revenue from asbestos inspections, \$0.1 million less than anticipated in interest earnings and \$0.5 million in reduced fines and forfeitures revenue as a result of outreach and information campaigns to businesses producing better compliance with regulations and lower than anticipated penalty revenues for two significant violations. This is offset by \$0.2 million from unanticipated recovered expenditures. In addition, the four incentive funds are projected to have \$0.5 million in over-realized revenue from interest earnings.

Parks and Recreation Community Service Areas (CSA's)

A net positive variance of \$0.4 million is projected for the Parks and Recreation CSA's.

A net positive expenditure variance of \$0.7 million is projected. There is \$0.5 million cost savings in salaries and benefits in CSA83A due to a freeze of positions, required because the 4S Ranch development is not fully built out, thus creating a revenue shortfall. The other five special district funds combined are projected to have about \$0.2 million of savings in services and supplies, mostly due to the delay in opening the Spring Valley Gym in CSA128.

A negative revenue variance of \$0.3 million is projected. There is a \$0.5 million shortfall in property tax revenue in CSA83A related to the 4S Ranch development, as noted above. This is offset by a \$0.2 million positive variance in property tax revenue in the five remaining Parks and Recreation Special District Funds.

COMMUNITY SERVICES GROUP

General Fund

Animal Services

A net positive variance of \$0.2 million is projected for year-end.

A favorable expenditure variance of \$0.3 million consists of \$0.2 million in salaries and benefits due to normal staff turnover and \$0.1 million savings in services and supplies. A net negative revenue variance of \$0.1 million is projected due to a decrease in adoption revenue and a decrease in license and shelter revenue.

CSG Executive Office

A favorable variance of \$3.0 million is projected.

A favorable expenditure variance of \$2.8 million is due to a projected year-end balance in management reserves, which are held in the Group Executive Office for departments' operating contingencies during the year. A favorable revenue balance of \$0.2 million is due to the receipt of a nonrefundable fee from a real estate development transaction. The Group Executive Office provided funding for staff and consultant development work on the transaction.

Housing and Community Development

No net variance is projected for Housing and Community Development (HCD).

It is projected that HCD will realize savings in all categories of expenditures, resulting in a projected positive expenditure variance of \$0.5 million. This variance is the result of projected salaries and benefits savings of approximately \$0.3 million due to vacant and under-filled positions, \$0.1 million in overall services and supplies savings and \$0.1 additional expenditure reimbursements.

Since HCD's direct expenditures are 100% offset by outside funding sources, a negative variance in revenues of \$0.5 million is projected as a result of the anticipated savings in the categories of expenditures noted above.

General Fund Contribution to Purchasing ISF

A favorable variance of \$0.6 million is projected for the General Fund Contribution to Purchasing ISF, due to a reduction in the budgeted Operating Transfer Out to support the Purchasing & Contracting Records Management division of the Internal Service Fund. Instead of this transfer, the Records Management division is projected to be partially funded by anticipated excess revenues collected in the ISF.

The Registrar of Voters

A net positive variance of \$0.9 million is projected for year-end.

A favorable expenditure variance of \$5.4 million is due to savings in Capital Equipment Fixed Assets, voting equipment that will not be purchased. An unfavorable revenue variance of \$4.5 million is projected, due primarily to \$5.4 million in under-realized State revenue for HAVA Grant reimbursements directly related to the Capital Asset expenditure savings. There is an additional unfavorable variance of \$0.4 million for State mandate reimbursement. This is offset by \$0.6 million in over-realized revenue from Special Elections and miscellaneous elections reimbursements and \$0.7 million in over-realized HAVA grants for elections activities.

Special Revenue Funds

San Diego County Library

A favorable net variance of \$2.0 million is projected for the Library. The expenditure variance is expected to be \$2.2 million. This consists of a \$0.4 million savings in salaries and benefits and a projected year-end balance of \$1.8 million in management reserves. A negative revenue variance of \$0.2 million is projected, due to a \$0.1 million

decrease in State funding and donations and a \$0.1 million shortfall in fees for Library services.

Housing and Community Development Special Revenue Fund

No net variance is projected for the HCD Special Revenue Fund. A positive expenditure variance of \$19.6 million is offset by a negative revenue variance of the same amount. The Department budgets all funds that it is eligible to receive from the funding sources, to facilitate the multi-year project expenditure request process. The projected savings of \$19.6 million is based on analysis of anticipated funding requests for approved projects. Revenue is projected to equal expenses, as project costs are 100% offset.

Internal Service Funds (ISFs)

Facilities Management

No net variance is projected for the Facilities Management ISF.

A favorable expenditure variance of \$16.7 million is offset by a negative revenue variance of \$16.7 million. Facilities Management consists of two funds, the Major Maintenance ISF and the Facilities Management ISF.

The Major Maintenance ISF projects a favorable expenditure variance of \$13.5 million offset by an unfavorable revenue variance of \$13.5 million. The favorable expenditure variance in operating transfers out (used to pay the Facilities Management ISF for project management services) is due to an internal agreement that was carried forward that was also included in the adopted budget. The unfavorable revenue variance is due to the same internal agreement that was carried forward and delays in new projects due to unsigned spending plans.

The Facilities Management ISF projects a favorable expenditure variance of \$3.2 million offset by an unfavorable revenue variance of \$3.2 million. The expenditure variance is the result of savings of \$2.3 million in services and supplies due to lower than anticipated costs for utilities, postage and facilities maintenance and \$0.9 million in salaries and benefits primarily associated staff vacancies related to the pending court transfer.

The net \$3.2 million revenue variance is the result of a negative variance of \$5.0 million projected in charges for services, offset by favorable variances of \$1.8 million in several categories. The \$5.0 million negative variance in charges for services is comprised of a negative variance of \$6.8 million in Charges in the General Fund due to the less than budgeted costs for utilities, postage, and contracted services (\$5.8 million) and project management/general management support (\$1.0 million). This is offset by favorable variances in the Charges for services category that total \$1.8 million in Charges in Trial Court Funds and in the Library Fund associated with reimbursements for contracts services. The categories that comprise the favorable revenue variance of \$1.8 million are: \$1.2 million in Miscellaneous Revenues associated with grant reimbursements for Proposition 40/porous pavement projects, \$0.4 million in Intergovernmental Revenues

associated with reimbursement for Court mail services, and \$0.2 million in rents and concessions and operating transfers.

Fleet Management

A favorable variance of \$0.1 million is projected for the Fleet Management ISF.

A total favorable expense variance of \$0.6 million is offset by an unfavorable net revenue variance of \$0.5 million.

The favorable expense variance of \$0.6 million is the result of savings of \$0.2 million in salaries and benefits due to staff vacancies, \$0.2 million in services and supplies primarily due to less than anticipated shop supplies purchases, \$0.1 million in unused contingency reserves, and \$0.1 million in combined expenses associated with anticipated depreciation and vehicle acquisition.

The unfavorable revenue variance of \$0.5 million is due to offsetting projections in several categories. Charges for services are projected to be \$0.3 million under budget, which includes \$0.6 million in Internal Service Fund Charges due to less than anticipated vehicle maintenance/repair and fuel requirements from Internal Service Fund departments, offset by over-realized Charges in the General Fund and various miscellaneous others of \$0.3 million due to higher than anticipated vehicle maintenance/repair and fuel requirements. A negative variance of \$0.2 million in other financing sources is projected due to lower than anticipated proceeds from the sale of vehicles at auction. The mitigation for both is to monitor and control costs during the balance of the year.

Other County Funds

San Diego County Redevelopment Agency

A net positive variance of \$3.7 million (\$0.4 million in services and supplies and \$3.3 million in contribution to others) is projected for the Upper San Diego River Project Redevelopment Agency (Redevelopment Agency). The Redevelopment Agency has entered into a Cooperative Agreement with the Lakeside Fire District for the funding of a new fire station. Pursuant to the agreement, the Agency will transfer funds to the Fire District upon submittal of a Project Plan and Budget. The Fire District has recently contracted with an architect and is in the process of preparing the Project Plan and Budget. It is now expected that the Fire District will submit the Project Plan and Budget to the County and initiate acquisition of a site towards the end of 2008. As a result, work on the redevelopment project is less than originally anticipated this fiscal year resulting in a positive fund balance projection of \$3.7 million.

FINANCE & GENERAL GOVERNMENT GROUP

General Fund

Assessor/Recorder/County Clerk

An overall net negative variance of \$1.0 million is projected for the Assessor/Recorder/County Clerk.

A net positive expenditure variance of \$2.6 million is primarily due to a \$1.3 million projected savings in salaries and benefits from staff turnover and vacancies, a \$1.0 million savings in services and supplies due to deferred projects and \$0.3 million in unexpended management reserves.

A net negative revenue variance of \$3.6 million is projected. A negative revenue variance of \$5.0 million is projected due to a shortfall in recording revenue associated with the slow down in home sales and a reduction in refinancing activities (\$3.7 million) and a shortfall in AB2890 Recovered Costs associated with the slow down in home sales (\$1.3 million). This is offset by a positive revenue variance of \$1.4 million due to anticipated over-realized Property Tax Administration (AB 589) revenue for one time projects (\$1.0 million) and other miscellaneous over-realized revenues (\$0.4 million).

This negative variance will be monitored and mitigated during the next quarterly status report if necessary.

Auditor and Controller

An overall net positive variance of \$1.3 million is projected for the Auditor and Controller.

A net positive expenditure variance of \$1.9 million is projected. Salaries and benefits savings of \$1.1 million are projected primarily due to staff turnover and normal delays in recruiting and hiring. The department experienced an average of 17 vacancies during the first and second quarters of the fiscal year. Savings of \$0.8 million in services and supplies is projected due to information technology savings and the use of contra-accounts to record pass thru tax intercept expenditures in Revenue and Recovery.

A net negative revenue variance of \$0.6 million is projected due to \$0.3 million in miscellaneous revenue shortfalls associated with the tax intercept expenditure savings noted above, an anticipated shortfall of \$0.2 million in A-87 reimbursements and a projected shortfall of \$0.1 million in recovered expenditures.

Chief Administrative Office

An overall net positive variance of \$0.4 million is projected for the Chief Administrative Office.

A net positive expenditure variance of \$0.3 million is projected due to \$0.2 million in anticipated savings in salaries and benefits due to staff turnover and \$0.1 million in anticipated savings in services and supplies.

A net positive revenue variance of \$0.1 million is projected due to increased A-87 reimbursements based on improved staff time reporting in the cost plan.

Clerk of the Board

An overall net positive variance of \$0.3 million is projected for the Clerk of the Board's Office.

A net positive expenditure variance of \$0.4 million is projected. Services and supplies savings of \$0.2 million are projected due to lower than anticipated contract and utility costs. Additionally, a \$0.2 million year-end balance is projected in management reserves. This is offset by a net negative revenue variance of \$0.1 million due to projected under-realized Property Tax System revenue.

County Counsel

An overall net positive variance of \$1.0 million is projected for the Office of County Counsel.

A net positive expenditure variance of \$1.6 million is primarily due to projected salaries and benefits savings of \$1.0 million due to departures of executive and attorney level staff and normal staff attrition and a projected \$0.6 million year-end balance in management reserves due to schedule delays associated with a one time Documentum project.

A net negative revenue variance of \$0.6 million is projected primarily due to a decrease in Charges to Internal Service Funds associated with the salaries and benefits savings described above.

County Technology Office

An overall net positive variance of \$0.6 million is projected for the Chief Technology Office.

A net positive expenditure variance of \$0.6 million is projected due to \$0.2 million in anticipated savings in salaries and benefits costs due to staff turnover and a projected year-end balance of \$0.4 million in management reserves.

Human Resources

An overall net positive variance of \$0.6 million is projected for the Department of Human Resources.

A net positive expenditure variance of \$0.4 million is projected due to successful County Property Insurance negotiations that resulted in savings on premiums.

A net positive revenue variance of \$0.2 million is due to projected over-realized Worker's Compensation Revenue (\$0.1 million) and other miscellaneous revenues (\$0.1 million).

Treasurer-Tax Collector

An overall net positive variance of \$0.4 million is projected for the Treasurer-Tax Collector.

A net positive expenditure variance of \$0.7 million is projected due to \$0.6 million savings in salaries and benefits as a result of turnover and anticipated savings of \$0.1 million in services and supplies.

A net negative revenue variance of \$0.3 million is projected due to under-realized revenue for AB2890 Recovered Costs and Property Tax Administration fees as a result of the declining home sales (\$0.5 million) and under-realized revenue for Banking Services Pooled Money based on the salaries and benefits savings identified above (\$0.1 million) offset by \$0.3 million in over-realized revenue due to unclaimed excess proceeds received from the sale of defaulted property.

Internal Service Funds

Information Technology Internal Service Fund

An overall net positive variance of \$2.8 million is projected for the Information Technology Internal Service Fund. The positive variance is due to savings associated with MASL's (Minimum Acceptable Service Levels) associated with the outsourcing supplier's performance including break/fix response times, Help Desk Services, Desktop Services and Application Services. These savings will be utilized to fund future enterprise-wide information technology initiatives.

GENERAL PURPOSE REVENUES & COUNTYWIDE EXPENSES

General Purpose Revenues & General County Expenses

A net positive variance of \$37.3 million is projected for these two categories combined, comprised of an estimated additional \$12.6 million in General Purpose Revenues and a \$24.7 million net positive variance in General County activities.

General Purpose Revenues

- The San Diego economy, overall, is seeing the impact of broad state-wide and national trends in housing and construction, consumer and business to business sales, consumer confidence, interest rates changes, and financial market volatility. Economic growth has slowed considerably as evidenced by the indicators below:
- San Diego's unemployment rate averaged 4.5% for the 12 month period of January 2007 through December 2007. This compares to a State of California unemployment rate of 5.3% for the same period. San Diego's unemployment rate continues to compare favorably to both the U.S. (4.6% in 2006 and the projected national rate of 4.6% for 2007) and California unemployment rate (4.9% in 2006, and the projected California rate of 5.3% in 2007).

- Adjusted local sales tax transactions dropped by 6.2% for the unincorporated area and 4.5% for the County as a whole for July through September 2007 compared to the same time period for 2006, according to HdL Companies. Statewide sales tax transactions dropped 2.9%, with Los Angeles dropping 2.2%, Orange County dropping 3.0%, San Bernardino dropping 5.5%, and Riverside dropping 6.9%. New car receipts were down state-wide 13.3% from the same quarter a year ago while revenues for building/construction materials dropped 11.3% and fuel 6.1%. Fourth quarter sales results (October through December 2007) will not be available until the end of March 2008. The consensus of economists is that retail sales will remain sluggish during 2008 with some recovery in 2009.
- The demand for housing in the County has slowed. This is evidenced by the following changes:
 1. Slowing in deeds recorded (down 19% for 2007 compared to calendar year 2006);
 2. Declining median housing prices (down 13% in the San Diego region for December 2007 compared to December 2006);
 3. Drop in number of homes sold in December 2007 compared to December 2006 (San Diego region down 35%);
 4. Continued increase in the notices of default (up 115% for all of 2007 compared to 2006);
 5. Increase in foreclosure activity (foreclosures up 307% for 2007 compared to 2006).

Consequently, property tax growth is decelerating, but the Federal Reserve's recent interest rate reductions, the increase in the conforming loan limits, the area's population growth and commercial construction activity will likely mitigate the possibility of an overall decline in property taxes.

All Current Property Taxes

All Current Property taxes are estimated to show a net positive variance of \$3.9 million.

- *Property Taxes - Current Secured*
Current Secured Property Taxes are projected to be \$8.8 million higher than budget. This projection is based on actual assessed value (A.V) growth of 9.96% compared to the projected A.V growth of 7.5% that was used to calculate budgeted current secured General Fund revenue. (Note: The 9.96% growth figure above represents only the current secured property tax growth, which is different than the county-wide overall growth published by the Assessor/Recorder/County Clerk on June 28, 2007 of 9.36%, which includes all assessed value components (secured, unsecured, airplanes, and boats)).
- *Property Taxes - Current Supplemental*
Current Supplemental Property Taxes are projected to be \$4.1 million lower than budget. This projection is based on revised A.V. growth, current billing

- through apportionment 6 and anticipated revenues, new construction and turnover through the remainder of Fiscal Year 2007-08.
- *Property Taxes - Current Unsecured*
Current Unsecured Property Taxes are projected to be \$0.8 million under budget. At the time the budget was prepared, current unsecured property tax revenues were based on the assumption that there would be no growth in the current unsecured roll. Unlike the secured roll, the unsecured roll does not build on a prior year base. The final roll was actually less than the roll for Fiscal Year 2006-07 by 4.33%, resulting in the projected revenue decrease.

Taxes Other Than Current Secured

Taxes Other Than Current Secured are anticipated to be \$6.7 million above budget.

- *Property Taxes Prior Secured Supplemental*
Property Taxes Prior Secured Supplemental is estimated to be \$2.9 million below budget. This projection is based on a combination of a lower than anticipated 2006-07 year-end Current Secured Supplemental uncollected amount of open charges and the projected rate of collections of prior secured supplemental property taxes in 2007-08.
- *Sales and Use Tax*
A negative revenue variance of \$0.5 million is projected for Sales and Use Tax revenue based on current year receipts through November 2007, advances through January 2008 and anticipated lower than budgeted actuals for the remainder of Fiscal Year 2007-08. Adjusting for accounting collection aberrations, sales tax activity in the unincorporated area was down 6.2% for the third quarter of calendar year 2007 compared to the third quarter of calendar year 2006. Sales tax receipts generally lag sales activity by about one quarter year.
- *Transient Occupancy Tax*
A positive revenue variance of \$0.3 million is estimated for Transient Occupancy Tax revenue based on current year collections and trends over the past two years.
- *Real Property Transfer Taxes*
A negative variance of \$2.0 million in revenue is estimated for Real Property Transfer Taxes based on realized revenues for the first 6 months of Fiscal Year 2007-08. The second quarter projection also factors in projected assessed value growth including the anticipated level of new construction and turnover, and the cumulative impact this has on estimated revenue.
- *Teeter Tax Reserve Excess*
The Teeter Tax Reserve Excess is estimated to be approximately \$2.5 million above budget, based on current available data on penalty and interest collections. This projection is based on a review of total reserves available to

meet the Revenue and Taxation Code requirement of maintaining a reserve of not less than 25% of the total teetered delinquent secured taxes and assessments (R&C section 4703.2). For Fiscal Year 2007-08, the reserve requirement is \$23.7 million, a \$7.0 million increase from the Fiscal Year 2006-07 requirement of \$16.7 million. Further, the available reserve was \$23.7 million as of December 31, 2007.

- *Redevelopment Agency Tax Increment*
A positive revenue variance of \$2.2 million is estimated for Redevelopment Agency Tax Increment based on year-to-date collections and higher pass through revenues than anticipated.
- *In Lieu Local Sales and Use Taxes*
A positive revenue variance of \$0.3 million is estimated for In Lieu Local Sales and Use Taxes based on a slightly higher growth rate calculated by the California Department of Finance (DOF) as identified by their August 31, 2007 letter to the County of San Diego, combined with a positive true-up for Fiscal Year 2006-07.
- *Property Tax in Lieu of VLF*
Property Tax in Lieu of Vehicle License Fees (VLF) is projected to be \$6.3 million over the budgeted amount of \$297.1 million. The actual assessed value growth factor of 9.25% (which includes unsecured, local secured, current State non-unitary, and aircraft property tax components) for 2007-08 is 2.25% higher than the growth rate used to calculate the budgeted revenue.
- *Teeter Property Tax Cumulative Prior Year*
A positive revenue variance of \$0.5 million is projected based on a higher (2007) Teeter year-end final buyout than projected. Collections in Fiscal Year 2007-08 on the higher-than-anticipated taxes receivable are projected to generate the positive revenue variance.

Licenses, Permits, and Franchises

Franchise payments are projected to be approximately \$0.4 million higher than budget. The 2008 payment from San Diego Gas and Electric has not been received; however, the 2008 payment is projected to exceed the 2007 payment of \$5.2 million.

Fines, Forfeitures and Penalties

Penalties and Cost Delinquency Taxes are projected to be approximately \$0.05 million above budget. This increase is attributed to the overall increase in the property tax base as well as a continued higher delinquency rate compared to prior years. Revenues in this account reflect the 10% penalty that is assessed on late current year property tax payments.

A negative variance of \$0.4 million is projected from fines and forfeitures collected through various code violations due to changes in the distribution of general court fines.

Revenue from Use of Money and Property

A net positive variance of \$2.0 million is projected for interest on deposits. This positive variance is based on two factors: one, higher cash balances during the year than estimated for the budget, and two, higher overall interest rates than projected in the budget. With the recent actions by the Federal Reserve to lower the federal funds rate a combined 125 basis points on January 22 and January 30, interest earnings from the use of money and property are expected to slow during the third and fourth quarter.

General County Expenses

Cash Borrowing Program

A positive \$7.0 million expenditure variance is projected. Savings is due to reduced TRANs borrowing costs in 2007. At the time the budget was prepared, the size of the TRANs borrowing had not been finalized. The reduced borrowing amount has led to expenditure savings for Fiscal Year 2007-08.

Contingency Reserve

On October 24, 2007, the Board of Supervisor's approved the transfer of \$3.0 million for Firestorm 2007 support activities. This leaves \$17.0 million budgeted in the Contingency Reserve in FY 2007-08. These appropriations are currently not anticipated to be spent at year-end.

Lease Purchase Payments – Capital Projects

A net positive variance of \$0.2 million is projected. A variance of \$0.1 million is the result of under-realized revenue in "Rents and Concessions" offset by \$0.3 million in expenditure savings on the lease payments.

Lease Purchase Payments - ERP

Savings of \$0.5 million in the Enterprise Resource Planning (ERP) lease purchase payment is projected. \$6.7 million was budgeted for the ERP system lease-purchase payment, but only \$6.2 million was required this year, net of various credits.

Internal Service Funds

Employee Benefits ISF - Workers Compensation

A net positive variance of \$7.0 million is projected for the fund. The \$4.0 million contingency reserve appropriations are not anticipated to be spent in Fiscal Year 2007-08. In addition, \$3.0 million in interest earnings are projected. The actuary assumed interest earnings in Fiscal Year 2006-07 and this led the County to direct interest earnings into the fund instead of applying it to the General Fund. Interest earnings were not included in the initial budget for Fiscal Year 2007-08. The positive fund balance will improve the fund's year-end cash balance and therefore the fund's reserve.

Public Liability ISF

An overall net positive variance of \$3.7 million is projected.

A net positive expenditure variance of \$0.6 million is projected in services and supplies primarily due to decreases in costs associated with non-litigation matters and decreases in interdepartmental staff costs.

A net positive variance of \$3.1 million is projected primarily in the settlements account due to the overturn of a \$1.5 million dollar verdict and the subsequent dismissal and delay of other cases with significant estimated liabilities.

Debt Service Funds

Pension Obligation Bonds (POBs)

A zero net variance is projected. However, a positive expenditure variance of \$7.4 million due to interest expense savings is offset by a net \$7.4 million revenue reduction.

The positive expenditure variance is a result of the variable interest rate expense being lower than budgeted. In order to ensure that sufficient funds are available to make interest payments to the bondholders in the face of possible interest rate volatility, the bond documents require that these interest payments be budgeted at 200 basis points higher than the past year's annual average variable interest rate. A portion of the interest expense on the 2002 POBs is typically offset by a swap receipt from our swap counterparties per the County's floating-to-fixed rate swap agreement that governs a portion of the 2002 POBs. It is projected there will be a decrease in swap revenues of \$8.4 million as a result of lower receipts from our counterparties due to lower than projected interest rates and basis risk. This \$8.4 million in revenue reduction is offset by \$1.0 million in over-realized revenue from higher than expected interest earnings for a net \$7.4 million revenue reduction.



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

GREG COX
First District

DIANNE JACOB
Second District

PAM SLATER-PRICE
Third District

RON ROBERTS
Fourth District

BILL HORN
Fifth District

DATE: February 26, 2008

TO: Board of Directors: Alpine, Julian, and Spring Valley Sanitation Districts

SUBJECT: FISCAL YEAR 2007-08 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS (District: All)

SUMMARY:

Overview

This report recommends budget adjustments for capital improvement projects in the Spring Valley and Alpine Sanitations Districts. In addition, routine maintenance costs will be appropriated in the Julian Sanitation District.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Transfer appropriations of \$1,700,000 within the Spring Valley Sanitation District Fund from services and supplies to Capital Improvement Project 1007115, Spring Valley Outfall Sewer, Manholes 35-37, for contracted services.
2. Establish appropriations of \$23,000 in the Spring Valley Sanitation District Fund for Capital Improvement Project 1000120, SR 125 Sewer Relocation, based on fund balance available. (4 VOTES)
3. Establish appropriations of \$40,000 in the Julian Sanitation District Maintenance Fund, services and supplies, for routine maintenance based on unanticipated revenue from the Federal Emergency Management Administration (\$8,000) and fund balance available (\$32,000). (4 VOTES)
4. Establish appropriations of \$200,000 in the Alpine Sanitation District Fund for Capital Improvement Project 1006580, Galloway Pump Station, based on fund balance available. (4 VOTES)

Fiscal Impact

Funds for these requests are not budgeted. If approved, these actions will establish additional appropriations of \$263,000.

Business Impact Statement

N/A

**SUBJECT: FISCAL YEAR 2007-08 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS**

Advisory Board Statement

N/A

BACKGROUND:

Recommendation 1

This recommendation transfers appropriations of \$1,700,000 to correct a year-end accounting error. Funds were approved by the Board of Supervisors on March 21, 2007 (1) for Spring Valley Outfall Sewer, Manholes 35-37 project. These funds were inadvertently encumbered in another capital project account at year-end, therefore, the appropriations carried forward in the incorrect account. This action will correct the appropriations needed for this capital project.

Recommendation 2

This recommendation increases appropriations of \$23,000 in Spring Valley Sanitation District for the State Route 125 project. An agreement was established with Caltrans to allow Wastewater Management Engineers to perform on going inspection of construction on SR 125 as it may effect the sanitation district operations. This project was expected to end last fiscal year but due to construction delays experienced by Caltrans the end date was pushed forward into Fiscal Year 2007-08.

Recommendation 3

This recommendation increases appropriations of \$40,000 in Julian Sanitation District for additional maintenance requirements due to the Witch Creek Firestorm disaster. Funding for this expenditure is available through reimbursement from the Federal Emergency Management Administration (\$8,000) and fund balance available (\$32,000).

Recommendation 4

This recommendation establishes appropriations of \$200,000 in Alpine Sanitation district for unexpected construction inspection costs associated with the Galloway Pump Station Project. Staff has continued to work with the contractor on this project to correct problems related to initial construction, resulting in additional construction inspection costs.

Linkage to the County of San Diego Strategic Plan

The County is fully committed to using its resources to meet the highest priority needs of its residents as identified in the Fiscal Year 2007-08 Budget and outlined by our three Strategic Initiatives – Kids, the Environment, and Safe and Livable Communities.

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

**SUBJECT: FISCAL YEAR 2007-08 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS**

AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

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

Other Concurrence(s): N/A

ORIGINATING DEPARTMENT: Chief Financial Officer

CONTACT PERSON(S):

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AUTHORIZED REPRESENTATIVE:

Donald F. Steuer, Chief Financial Officer

SUBJECT: FISCAL YEAR 2007-08 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS

AGENDA ITEM INFORMATION SHEET
(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

7/31/07 (1) Sanitation District Board: Adoption of Final Fiscal Year 2007-08 Budget for the Sanitation Districts.

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

CONTRACT AND/OR REQUISITION NUMBER(S):

N/A