



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 23, 2010

TO: Board of Supervisors

SUBJECT: FISCAL YEAR 2009-10 SECOND QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

SUMMARY:

Overview

This report summarizes the status of the County's Fiscal Year 2009-10 Operational Plan, as measured by projected year-end fund balance from current year operations. The projected balance for the General Fund is \$73.7 million, and for all budgetary funds combined, is \$100.7 million. The projected balance in the General Fund reflects operational savings in the Health and Human Services Agency, Land Use and Environment Group, Community Services Group and Finance and General Government Group. These positive balances are offset by a projected operational shortfall in Public Safety due to an ongoing decline in Proposition 172 sales tax revenues driven by the economic recession wherein we've seen significant declines in consumer spending. In addition, the projected fund balance reflects the conservation of management and contingency reserves and projects that general purpose revenues will do better than estimated in the adopted budget.

This letter also recommends budget adjustments to make resource reallocations or to fund various one-time projects. In the Public Safety Group, adjustments include recommendations to establish appropriations in the Sheriff's Department to temporarily fund a frozen Sheriff's captain position to manage the Law Enforcement Coordination Center (LECC) as well as cancel appropriations in the Sheriff's Department due to the reallocation of grant funds from the Sheriff's Department back to the City of San Diego and due to the termination of the North County Transit District contract in Fiscal Year 2009-10. Additional recommendations would transfer appropriations to the Medical Examiner to correctly record the expenditures for furniture, fixtures and equipment for the Medical Examiner's portion of the new Medical Examiner and Forensic Center at the County Operations Center.

In the Land Use and Environment Group, adjustments include a request to establish appropriations in the Department of Parks and Recreation for major maintenance repairs to water and sewer lines at Felicita Park. Additional recommendations would

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transfer appropriations from the Land Use and Environment Group Executive Office to the Department of Planning and Land Use for completion of the Special Area Management Plan (SAMP) for the Otay River and to the Department of Parks and Recreation for a cost recovery and allocation consultant contract.

In the Community Services Group, recommendations would transfer appropriations to the Department of Planning and Land Use for the Ramona Village Design Phase II project and establish appropriations for the remodel of the Vista Branch Library.

In the Finance and General Government Group, adjustments would transfer appropriations from the Finance and General Government Group Executive Office to the County Technology Office to fund Phase II of the Virtualization Server Consolidation, establish appropriations in the Information Technology Internal Service Fund to support countywide components of the Information Technology outsourcing contract, and amend the Employee Benefits Internal Service Fund Spending Plan for increased unemployment insurance claims based on additional charges to various County funds.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Accept the Fiscal Year 2009-10 second quarter report on projected year-end results.
2. Transfer appropriations of \$6,020 within the Sheriff's Asset Forfeiture Fund, from services and supplies to Operating Transfer Out, to fund overtime in the Sheriff's Department associated with the Prescription Drug Take Back Operation.
3. Establish appropriations of \$6,020 in the Sheriff's Department, salaries and benefits, for overtime associated with the Prescription Drug Take Back Operation based on an operating transfer from the Sheriff's Asset Forfeiture fund. (4 VOTES)
4. Establish appropriations of \$186,000 in the Sheriff's Department, salaries and benefits, based on unanticipated revenue from the High Intensity Drug Trafficking Area (HIDTA). (4 VOTES)
5. Establish appropriations of \$26,399 in the Sheriff's Department, services and supplies (\$15,000) and fixed assets (\$11,399), for the 2008 State Homeland Security Grant Program (SHSP) based on unanticipated revenue from the Department of Homeland Security, passed through the California Emergency Management Agency. (4 VOTES)
6. Cancel appropriations of \$335,189 in the Sheriff's Department, services and supplies (\$272,343) and fixed assets (\$62,846), and related 2007 Public Safety Interoperable Communications Grant (PSIC) Homeland Security Grant revenue

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due to reallocation of grant funds from the Sheriff's Department back to the City of San Diego to facilitate procurement of equipment required to complete the joint County/City PSIC grant project.

7. Cancel appropriations of \$653,309 in salaries and benefits and related revenue in the Sheriff's Department due to the termination of the North County Transit District contract in Fiscal Year 2009-10.
8. Cancel appropriations of \$116,896 in salaries and benefits and related trial court revenue in the Sheriff's Department due to the reduction of funds available for Court Security Services in the Fiscal Year 2009-10 State Budget.
9. Cancel appropriations of \$3,048,306 and related Operating Transfer from the General Fund in the Justice Facility Construction Fund for Capital Project 1006566, Medical Examiner and Forensic Center, to provide funds for the Department of Medical Examiner for furniture, fixtures and equipment related to the new Medical Examiner and Forensic Center.
10. Transfer appropriations of \$3,048,306 from the Contributions to Capital Outlay Fund, Operating Transfer Out, to the Department of Medical Examiner, services and supplies (\$492,287) and fixed assets (\$2,556,019), for furniture, fixtures and equipment.
11. Amend the Fiscal Year 2009-10 Department of Public Works Inactive Waste Equipment Acquisition Internal Service Fund Spending Plan in the amount of \$173,599.79, Operating Transfer Out, to provide funding for equipment rental based on fund balance available.
12. Establish appropriations of \$173,599.79 in Department of Public Works Inactive Waste Site Maintenance Fund, services and supplies, for equipment rental based on an operating transfer from the Department of Public Works Inactive Waste Equipment Acquisition Internal Service Fund. (4 VOTES)
13. Establish appropriations of \$4,380 in the PRD 23 Rock Terrace Road Fund, services and supplies, for road repair and maintenance of the permanent road division based on unanticipated revenue from assessments for parcel benefits. (4 VOTES)
14. Establish appropriations of \$40,393.54 in the Capital Outlay Fund for Capital Project 1013683, Oak Country II Trail project, based on unanticipated revenue from Proposition 40 Per Capita Grant. (4 VOTES)
15. Transfer appropriations of \$40,393.54 from Contributions to Capital Outlay Fund,

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Operating Transfer Out, to the Department of Parks and Recreation, services and supplies, to provide funds to correctly record project expenditures.

16. Establish appropriations of \$500,000 in the Department of Parks and Recreation, services and supplies, for major maintenance repairs to sewer lines based on Fiscal Year 2008-09 General Fund fund balance available. (4 VOTES)
17. Transfer appropriations of \$60,400 from the Land Use and Environment Group Executive Office, Management Reserves, to the Department of Planning & Land Use, services and supplies, for completion of the Special Area Management Plan (SAMP) for the Otay River.
18. Transfer appropriations of \$150,000 from the Land Use and Environment Group Executive Office, Management Reserves, to the Department of Parks and Recreation, services and supplies, for a cost recovery and allocation consultant contract.
19. Establish appropriations of \$462,688 in the Library Fund, services and supplies, for the remodel of the Vista Branch Library based on unanticipated revenue from private donations. (4 VOTES)
20. Transfer appropriations of \$2,606 within the Housing and Community Development Special Revenue Fund from services and supplies to Operating Transfer Out for transfer to the Department of Planning and Land Use.
21. Establish appropriations of \$2,606 in the Department of Planning and Land Use, services and supplies, for the Ramona Village Design Phase II project, based on an operating transfer from the Housing and Community Development Special Revenue Fund. (4 VOTES)
22. Transfer appropriations of \$1,171,000 from the Finance and General Government Group Executive Office, Management Reserves, to the County Technology Office, services and supplies, to fund Phase II of the Virtualization Server Consolidation project.
23. Amend the Fiscal Year 2009-10 Employee Benefits Internal Service Fund Spending Plan in the amount of \$2,500,000 for increased unemployment insurance claims based on additional charges from various County funds.
24. Transfer appropriations of \$582,725 from Finance Other – General County Expense, Miscellaneous Expense, to Contributions to Information Technology Internal Service Fund, Operating Transfer Out, to support countywide components of the Information Technology outsourcing contract.
25. Amend the Fiscal Year 2009-10 Information Technology Internal Service Fund

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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 \$1,105,394 in the General Fund and will establish additional appropriations of \$721,025 in the General Fund, resulting in a net decrease in appropriations of \$384,369. The funding sources include unanticipated revenue from the High Intensity Drug Trafficking Area, the General Fund Fiscal Year 2008-09 fund balance, and miscellaneous other revenue sources.

In all other funds combined, these actions will cancel budgeted appropriations and the related funding sources in the amount of \$3,048,306 and will establish additional appropriations of \$3,937,386 resulting in a net increase in appropriations of \$889,080. Funding sources include unanticipated revenue from Proposition 40 Per Capita Grant, Department of Public Works Inactive Waste Equipment Acquisition Internal Service Fund fund balance, donations to the County Library Fund, and contributions or payments from the General Fund and miscellaneous other sources.

Business Impact Statement

N/A

Advisory Board Statement

N/A

BACKGROUND:

Fiscal Year 2009-10 Fund Balance Projections

For the General Fund, the second quarter projection of year-end fund balance from current year operations is \$73.7 million. The projected balance is a combination of expecting to end the year with General Purpose Revenues above budget by \$15.5 million, along with a net positive variance of \$15.0 million from departmental operations, and a positive variance of \$43.2 million in unspent contingency and management reserves. The projected balance for all other funds combined is \$27.0 million. Schedule A summarizes the fund balance projections by Group and department. The Notes to Schedules A and B 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 2009 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 \$73.7 million is based on the estimate that expenditures will be a net \$245.6 million less than budgeted in the Fiscal Year 2009-10 Amended Budget and revenues will be a net \$171.9 million less than

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budgeted in the Fiscal Year 2009-10 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 lower than budgeted projected expenditures in the General Fund are primarily attributable to the following:

- \$57.6 million in appropriation savings, predominantly in the Public Safety Group and Health and Human Services Agency (HHS), but also in Land Use and Environment Group, Community Services Group, and Finance and General Government Group, from lower than budgeted salaries and employee benefits costs due to staff turnover, department management of vacancies, and reductions in overtime to mitigate current and anticipated revenue shortfalls. Savings in salaries and benefits in HHS are also associated with the return of Childcare Stage 2 and 3 to the State.
- \$96.3 million in appropriation savings in services and supplies across the County.
 - In the Public Safety Group, a net positive expenditure variance of \$1.2 million is a combination of over expenditure in certain categories offset by savings in others. Over expenditures are attributed to increased costs for utilities and facilities management in Contributions to Trials Courts and an increase in professional and specialized services in the Public Defender's Department. Savings are anticipated in special departmental expense and Information Technology application service costs in the Executive Office, in automotive and fuel costs in the Sheriff's Department, and various services and supplies accounts in Probation as a result of efforts to reduce overall expenditures.
 - In the Health and Human Services Agency, savings are projected primarily in contracted services (e.g., in Behavioral Health Services for savings in un-awarded and delayed Mental Health Services Act (MHSA) contracts; savings in Early Periodic Screening, Diagnosis and Treatment (EPSDT) services due to lower service levels than projected, savings in Alcohol and Drug Services due to reductions in State Proposition 36 funding, and savings to reduce spending in numerous programs to align expenditures with anticipated revenue levels), savings in County Medical Services (CMS) due to less than expected Coverage Initiative costs, savings in Community Action Partnership due to the slow start up of contracts associated with the new American Recovery and Reinvestment Act (ARRA) of 2009 grant, savings in Aging and Independence Services as a result of revised estimates of growth trends in In Home Supportive Services (IHSS), savings in emergency appropriations for bio-terrorism and glide slope reserve appropriations, and savings in Regional Operations based on efforts to reduce spending to align with available revenue.
 - In the Land Use and Environment Group, anticipated savings are primarily in consultant contracts in the Department of Planning and Land Use related to the multi-year funded grant for the Hazardous Fuels Reduction Program and the Valley Center Village Design project.

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- In the Community Services Group, savings are primarily in the Department of Housing and Community Development related to program administration costs for projects that are being funded by ARRA that will not be completed this year and will be re-budgeted next fiscal year, as well as savings from lower fuel usage.
- In the Finance and General Government Group, the positive expenditure variance of \$1.0 million is primarily from savings in the Auditor and Controller due to reduced costs for information technology and a reduction in miscellaneous expenses.
- \$47.8 million in appropriation savings in other charges primarily reflects variances from budgeted caseload and aid payments in Health and Human Services Agency. Spending is projected to be over budget because of a requirement for additional support and care costs in the California Children's Services (CCS) program, in Public Health Services. These costs are offset by savings in Regional Operations due to the savings in Participant Benefits in Child Care Stage 2 and 3 and savings in Child Welfare Services based on revised estimates of caseload levels, growth trends, and unit cost per case for Severely Emotionally Disturbed, Foster Care, and KinGap programs. In the Public Safety Group, savings are projected in the Office of Emergency Services related to grant supported activities that will carry over to next fiscal year, and in Contributions to Trial Courts based on the required expenditure level to support revenue sharing requirements related to Trial Court Funding. In addition, savings occur from lower than budgeted TRANs borrowing costs in Finance Other.
- \$1.3 million in appropriation savings in the Health and Human Services Agency in operating transfers out to the In-Home Supportive Services (IHSS) Public Authority related to health benefit costs for providers being less than budgeted.
- \$20.0 million in contingency reserves that are projected to be unspent at year-end.
- \$23.2 million in management reserves in the Health and Human Services Agency (\$20.0 million) and the Community Services Group (\$3.3 million) that are projected to be unspent at year-end.

The projected revenue under-realization to budget consists of primarily negative variances, with partially offsetting positive variances. Of the overall net negative revenue variance in the General Fund of \$171.9 million, \$160.4 million is within intergovernmental revenues and is largely the result of expenditure savings in caseload driven programs mentioned above, as well as a projected reduction in Realignment revenues of \$19.2 million due to shortfalls in sales tax and vehicle license fees. The negative revenue variance is also due to Proposition 172 sales tax revenues that are projected to be below budget by \$30.0 million, and a drop of \$1.3 million in AB 2890 Recovered Costs in charges for current services due to continued declines in sales and permitting activity offset by an anticipated increase of \$2.8 million in Property Tax Administration (SB2557) charges. A positive revenue variance of \$19.8 million is expected in the following categories: taxes current property (\$4.3 million); taxes other than current secured (\$6.6 million); licenses permits and franchises (\$0.8 million); revenue from use of money and property (\$2.4 million); charges for current services (\$2.3 million); and miscellaneous revenue (\$3.4 million).

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The projected shortfall of \$30.0 million in Proposition 172 revenues results in a net negative fund balance in the current year in the Public Safety Group of \$6.9 million. The negative variance is planned to be mitigated through a combination of managing current year expenditures and the use of prior year fund balance. If required, specific recommendations for adjustments will be brought to your Board in the Third Quarter Operational Plan Status Report.

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

Fiscal Year 2009-10 Budget Adjustments

The budget adjustment recommendations in this letter are explained below.

Recommendations 2 & 3

These requests will establish appropriations of \$6,020 in the Sheriff's Department based on an operating transfer from the Sheriff's Asset Forfeiture Fund. On October 24, 2009, the Sheriff's Department, with the assistance of the Drug Enforcement Agency (DEA), conducted a program for residents to drop off unwanted and unneeded prescription drugs. The Asset Forfeiture Fund will provide funding for the overtime costs associated with the program.

Recommendation 4

This request will establish appropriations of \$186,000 in the Sheriff's Department based on unanticipated revenue from the High Intensity Drug Trafficking Area (HIDTA) to temporarily fund a frozen Sheriff's captain position to manage the Law Enforcement Coordination Center (LECC).

The LECC is an all crimes, all threats intelligence/fusion center comprised of most federal, state and local law enforcement agencies in the region and governed by a Board of Directors of local police chiefs, the Sheriff and agency heads of the Federal Bureau of Investigation, Drug Enforcement Administration and Immigration and Customs Enforcement. The LECC was managed by an Executive Director who left employment and the LECC Executive Board requested the Sheriff's Department assign a Captain to lead the facility on a temporary basis. The Captain's position will be funded by HIDTA revenue, as was the Executive Director's position.

The Sheriff's Department will unfreeze a captain position that was frozen in the Fiscal Year 2009-10 budget. This action will establish appropriations of \$186,000 based on HIDTA revenue to fund the frozen position for Fiscal Year 2009-10. The Sheriff's Department currently has six other positions funded by HIDTA and was authorized to serve as the fiscal agent for HIDTA funding along the southwest border on June 20, 2006 (3).

Recommendation 5

This request will establish appropriations of \$26,399 in the Sheriff's Department based on unanticipated revenue from the Department of Homeland Security, passed through the California Emergency Management Agency (CALEMA). On January 27, 2009 (6), your Board authorized the acceptance and appropriation of \$1,707,676 from the California's Office of Homeland

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Security State Homeland Security Program (SHSP) grant funds. The request will re-appropriate funds which will be used for training and fixed asset equipment.

Recommendation 6

On May 27, 2008, the San Diego Urban Area was awarded a total of \$6,532,102 for the 2007 Public Safety Interoperable Communications (PSIC) Homeland Security Grant. The grant funds were awarded to complete a joint City of San Diego/County of San Diego public safety interoperable communications project. On October 28, 2008 (3), your Board authorized the Sheriff's Department, as a sub-grantee of the City of San Diego, to accept \$2,319,749 in PSIC grant funds to complete the County's portion of the grant funded project. Subsequent to the original grant allocations, the Sheriff's Wireless Services Division determined that grant funds of \$335,189 should be returned to the City of San Diego for procurement of equipment and training required to complete this joint project. This request will cancel appropriations and related PSIC Homeland Security Grant revenue of \$335,189 in Sheriff's Department due to a reallocation of grant funds.

Recommendation 7

On June 13, 2006 (5), your Board authorized the Sheriff's Department to provide law enforcement services on the commuter train for the North County Transit District (NCTD) for the period of July 1, 2006 through June 30, 2011. The four positions that provided law enforcement services for the NCTD were frozen in October of 2009. This request will cancel appropriations and related revenue of \$653,309 in the Sheriff's Department due to the termination of the NCTD contract in Fiscal Year 2009-10.

Recommendation 8

This request will cancel appropriations and related revenue of \$116,896 in the Sheriff's Department due to the further reduction of funds available for Court Security Services in the Fiscal Year 2009-10 State Budget. Two positions that currently provide court security will be frozen. On September 22, 2009 (14), your Board approved a \$1,538,275 reduction to reflect the State Budget. On December 8, 2009 (33), your Board approved an additional reduction of \$323,437 to reflect the exclusion of retiree health benefits. This action will cancel an additional \$116,896 to reflect the most recent change in the annual fixed revenue amount to be received from the Court for a total reduction of Court Security Contract funding of \$1,978,608.

Recommendations 9 & 10

On March 1, 2005 (13), and in a series of subsequent actions, your Board authorized the design and construction of a new Medical Examiner and Forensic Center on the site of Building 11 at the County Operations Center. The building was opened on December 17, 2009. The project includes funds earmarked for furniture, fixtures and equipment (FFE). However, funds related to FFE should be incurred in the operating department. A transfer of \$775,000 was approved by the Board of Supervisors on December 8, 2009 (33). This appropriation transfer of \$3,048,306 reflects the determination that certain other equipment items purchased for the new facility should be expensed in the Medical Examiner's department instead of in the capital project.

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Recommendations 11 & 12

These recommendations transfer \$173,599.79 from the Inactive Waste Equipment Acquisition Internal Service Fund to the Department of Public Works Inactive Waste Site Management Fund to provide funds for heavy equipment rental in Fiscal Year 2009-10 and subsequent years. The fire recovery insurance reimbursement was received in Fiscal Year 2008-09 and recorded in the Inactive Waste Equipment Acquisition Internal Service Fund for a 10-yard dump truck that was destroyed in the October 2007 wildfires. Inactive Waste Site Management staff determined it is more cost effective to rent trucks as-needed than to purchase a new truck.

Recommendation 13

If approved, this request will establish additional appropriations of \$4,380 in the Rock Terrace Road Fund, based on unanticipated revenue from assessments for parcel benefits. On April 22, 2009 (1), your Board certified the results of the ballots sent to owners of properties benefiting from road maintenance services provided by Permanent Road Division Zone No. 23, proposing to increase the maximum assessment per benefit unit. The certified results were in favor of approval of the increase. Accordingly, the increased assessments will bring in an additional \$4,380 in unanticipated revenue during Fiscal Year 2009-10 which will be used for road repair and maintenance.

Recommendation 14

If approved, this request will establish appropriations of \$40,393.54 in the Capital Outlay Fund for Capital Project 1013683, Oak Country II Trail project, based on unanticipated revenue from Proposition 40 Per Capita Grant. The funds will be utilized for restoration of roads in the Oak Country II /Ramona Grasslands Open Space Preserve along with the improvement of new trail segments and a staging area. This project will provide public access to the western portion of the Oak Country II/Ramona Grasslands Preserve.

Recommendation 15

On December 8, 2009 (33), your Board approved recommendations 18-21, which authorized the discharge of accounts receivable totaling \$40,393.54 for Capital Projects 1011720, Trans-County Trail Acquisition (\$38,076.61) and 1011721, Trans County Trail (\$2,316.93). The Board also authorized the transfer of appropriations from the Department of Parks and Recreation to the Capital Outlay Fund to fund the expenditures for the two capital projects. The Department of Parks and Recreation will not move forward with the two projects as they have been unable to identify available and/or suitable land in the area for acquisition and development of trails. The \$40,393.54 in previous expenditures related to the two capital projects could not be capitalized due to accounting thresholds for the capitalization of fixed assets. In order to close the project, the fixed asset expenditures, along with the appropriations of \$40,393.54 will transfer back to the Department of Parks and Recreation.

Recommendation 16

Felicita Park, a 52 acre park located in Escondido, has an array of features for the residents of San Diego County to enjoy, making the park one of the most diverse gathering places in the County. This park includes seven reservable picnic areas, two wedding ceremony areas, a

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reception tent, and small museum. The park generates revenue through day use fees and through the rental of group areas for family events, corporate events and weddings. Recent ruptures to main water lines throughout the park have interrupted water service to the park and caused cancellation of several events as well as a corresponding loss of revenue. The ruptures are due to a combination of old age, tree root intrusions and shallow pipe depth. These failures in the water and sewer systems can pose a health hazard and may result in the closure of the park until repairs are made. This request will establish appropriations of \$500,000 in the Department of Parks and Recreation based on General Fund fund balance to assist with the repair of the water and sewer lines at Felicita Park.

Recommendation 17

The Department of Planning and Land Use has been developing a Special Area Management Plan (SAMP) for the Otay River. On September 12, 2001 (32), your Board of Supervisors approved a sole source contract with a consultant to assist in the development of this management plan. Recently our partnering agency has requested the preparation of a plan document and revisions to other portions of the Otay SAMP prior to their approval. This additional work was not included in the original contract scope, therefore additional funding is needed. The Land Use and Environment Group Executive Office will transfer \$60,400 of Management Reserves to fund this request.

Recommendation 18

As state budget cuts continue to impact the County, steps must be taken to evaluate department activities and develop new approaches to provide quality parks services to residents while reducing reliance on General Purpose Revenue (GPR). This request will transfer Management Reserves of \$150,000 from the Land Use and Environment Group Executive Office to the Department of Parks and Recreation to fund a consulting contract to develop a cost recovery model and revenue enhancement opportunities to reduce the department's dependence on GPR.

Recommendation 19

This recommendation establishes appropriations for remodeling the Vista Branch Library based on trust fund monies donated in previous years for enhancements to the Vista Branch Library. The funds consist of one major bequest of \$300,000 in Fiscal Year 2006-07 and many other smaller donations; these donations have been received by the Board of Supervisors in the regular San Diego County Library Donations Board letters. Under the terms of the bequest and donations, the funds must be spent on the Vista Branch Library. The remodeling will significantly increase the space available to the public by decreasing space set aside for staff activities, changes made possible by the installation of new self-check stations. The remodeling will include adding 2 quiet study rooms, a computer lab, children's area improvements, a teen room, decreased circulation and reference desk footprints and other cosmetic and safety improvements.

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Recommendations 20 & 21

On March 3, 2009 (4), your Board approved the reallocation of prior years' Community Development Block Grants totaling \$50,000 from cancelled Fiscal Year 2007-08 Regional Analysis of Impediments to Fair Housing Choice for 2010-15 (\$25,000) and the Housing Development Fund (\$25,000) to the Fiscal Year 2008-09 Ramona Village Design Phase II project. The Department of Planning and Land Use requested that \$50,000 be reallocated to the Ramona Village Design Phase II project for the development of a portion of a Ramona-specific zoning plan and design standards for the town center, which will lead to possible mixed use developments with opportunities for low/moderate income and senior housing, as well as job creation for low/moderate income persons, and the removal of architectural barriers for persons with disabilities. These recommendations will re-establish the amount of the grant that was not spent in Fiscal Year 2008-09 and not included in the Fiscal Year 2009-10 Operational Plan.

Recommendation 22

The Virtualization Server Consolidation project was initiated to provide benefits to both internal operations in the County as well as to the public. Consolidation of the servers via virtualization will result in a smaller physical footprint in both data centers, as well as providing high availability of business applications and reduced down time of services for the public. The virtualization of servers will also utilize the full capacity of servers to provide maximum benefit of these resources to the County. To complete this project and achieve these benefits, the project has been split into three phases. Phase I provided the Assessment and Plan for Implementation of the project. Phase II will virtualize and consolidate the majority of test and development servers in the two data centers, while Phase III will virtualize and consolidate the production servers in the two data centers.

The Virtualization Server Consolidation project phase II was originally scheduled for Fiscal Year 2010-11; however implementing phase II of the project during Fiscal Year 2009-10 will allow the County to accelerate the benefits of this initiative. The Finance and General Government Group Executive Office will transfer \$1,171,000 of Management Reserves to the County Technology Office to fund one-time expenses related to the accelerated project schedule.

Recommendation 23

This request will amend the Fiscal Year 2009-10 Employee Benefits Internal Service Fund Spending Plan in the amount of \$2,500,000. The Employee Benefits Internal Service Fund accounts for the County's entire workers' compensation program, unemployment insurance and related medical expenses. County funds pay into the Employee Benefits Internal Service Fund, Unemployment Insurance, to cover potential unemployment claims which are based on historical data and full time employees. Unemployment claims are projected to exceed budget by \$2.5 million due to the nationwide increase in unemployment driven by the recession coupled with Federal action taken to extend unemployment benefits. The funding source to offset these increased costs will be from additional charges to the various County departments. Adequate appropriation savings are available in other accounts in the departments' budgets to cover this unanticipated expense.

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Recommendations 24 & 25

This request will transfer appropriations of \$582,725 from Finance Other – Countywide General Expense to the Information Technology Internal Service Fund. These appropriations will be used to support unanticipated costs related to the countywide components of the IT outsourcing contract. The adopted budget included \$2,667,275 to pay for various licenses and maintenance agreements for applications such as Oracle, PeopleSoft, and Kronos, Infomatica Archive Software, Taviz integration suite, FormScape, and Kofax. The additional expense is primarily due to the recent acquisition of new PeopleSoft applications including e-Apps, e-performance, payroll/benefits/HR, as well as additional Oracle items related to EBS modules, and Micro Focus Server Express Cobol for Unix software maintenance.

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 2009-10 Budget and outlined by our three Strategic Initiatives – Kids, the Environment, and Safe and Livable Communities.

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

ATTACHMENT(S)

Schedule A

Schedule B

Notes to Schedules A and B

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AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

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

Other Concurrence(s): N/A

ORIGINATING DEPARTMENT: Chief Financial Officer

CONTACT PERSON(S):

Donald F. Steuer, Chief Financial Officer

Janel Pehau, Director, Office of Financial
Planning

Name

Name

(619) 531-5413

(619) 531-5175

Phone

Phone

(619) 531-5219

(619) 531-6261

Fax

Fax

A-5

A-5

Mail Station

Mail Station

Donald.Steuer@sdcounty.ca.gov

Janel.Pehau@sdcounty.ca.gov

E-mail

E-mail

AUTHORIZED REPRESENTATIVE:

Donald F. Steuer, Chief Financial Officer

SUBJECT: FISCAL YEAR 2009-10 SECOND QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

AGENDA ITEM INFORMATION SHEET

(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

December 8, 2009 (33) Fiscal Year 2009-10 First Quarter Operational Plan Status Report and Budget Adjustments; August 4, 2009 (17) County of San Diego Fiscal Year 2009-10 Adopted Budget Resolution for Family of Funds, Enterprise Funds and Internal Services Funds, Prior Year Encumbrances and Penalty Assessment Resolution; April 22, 2009 (1) Noticed Public Hearing: Assessment Ballot Proceedings – Permanent Road Division Zones No. 11D – Cimarron Terrace and No, 23 – Rock Terrace; March 3, 2009 (4) Noticed Public Hearing – Recommended Fiscal Year 2008-10 Annual Plan for CDGB, HOME ESG, ad HOPWA Programs; Reallocation of Previous Years’ CDBG Funding; and Modifications to the Existing CDBG Home Repair Loan Program; January 27, 2009 (6) Office of Emergency Services – Homeland Security Grant Program Acceptance; October 28, 2008 (31) Sheriff’s Department – Public Safety Interoperable Communications Grant Acceptance as a Sub-Grantee; June 20, 2006 (3) Sheriff Department’s High Intensity Drug Trafficking Area (HIDTA) Program; June 13, 2006 (5) Sheriff’s Department Law Enforcement Agreement with the North County Transit District; March 1, 2005 (13) Fiscal Year 2004-05 Second Quarter Operational Plan Status Report, Budget and Staffing Adjustments; September 12, 2001 (32) Sole Source Contract for Consulting Services Regarding Permits Regulating Wetlands and Other Aquatic Resources

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION NUMBER(S):

N/A



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 23, 2010

TO: Board of Directors, County of San Diego Redevelopment Agency

SUBJECT: FISCAL YEAR 2009-10 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS (District: All)

SUMMARY:

Overview

This letter recommends budget adjustments to make payments to the Supplemental Educational Revenue Augmentation Fund and to transfer required funds to the Gillespie Field Redevelopment Housing Fund to provide funds for housing programs.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Establish appropriations of \$543,345 in the Gillespie Field Redevelopment Special Debt Service Fund, other charges, for payment to the Supplemental Educational Revenue Augmentation Fund (SERAF) based on unanticipated Redevelopment Agency Tax Increment revenue (\$258,307) and fund balance available (\$285,038). (4 VOTES)
2. Establish appropriations of \$250,000 in the Gillespie Field Redevelopment Capital Fund, other charges, for contribution to the SERAF based on fund balance available. (4 VOTES)
3. Establish appropriations of \$80,827 in the Gillespie Field Redevelopment Special Debt Fund, Operating Transfer Out, for transfer to the Redevelopment Agency Gillespie Field Redevelopment Housing Fund based on unanticipated Redevelopment Agency Tax Increment revenue. (4 VOTES)
4. Establish appropriations of \$80,827 in the Gillespie Field Redevelopment Housing Fund, services and supplies, for housing programs based on an operating transfer from the Gillespie Field Redevelopment Special Revenue Fund. (4 VOTES)

Fiscal Impact

The funds for this request were not budgeted in the Fiscal Year 2009-10 Operational

**SUBJECT: FISCAL YEAR 2009-10 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS (District: All)**

Plan. These recommendations establish additional appropriations of \$954,999.

Business Impact Statement

N/A

Advisory Board Statement

N/A

BACKGROUND:

Recommendations 1 & 2

Property tax revenue from aircraft is projected by the Auditor and Controller to be \$404,134 higher than budgeted. These recommendations propose to appropriate \$339,134 of that amount to make required payments to the State Supplemental Educational Revenue Augmentation Fund (SERAF) (\$258,307) and to the Gillespie Field Redevelopment Housing Fund (\$80,827).

The State legislature enacted AB 26 x4 to shift \$2.05 billion from redevelopment agencies (\$1.7 billion for Fiscal Year 2009-10 and \$350 million for Fiscal Year 2010-11) to the state for deposit into the SERAF to meet the State's Prop 98 obligations to schools. Each redevelopment agency is required to remit their proportionate share of the first installment by May 10, 2010. The second installment is due May 10, 2011. The County of San Diego Redevelopment Agency, Gillespie Field Project's proportionate share is \$793,345. The funding source will be unanticipated redevelopment agency tax increment revenue (\$258,307) and fund balance available (\$535,038). A similar required payment was part of the State's Fiscal Year 2008-09 budget but was successfully challenged in court by the California Redevelopment Association (CRA). CRA has again sued to stop the payment. That case is still in court and is expected to be decided before the payment to SERAF is due.

Recommendations 3 & 4

Per Health and Safety Code section 33334.2, redevelopment project areas are required to transfer twenty percent of tax increment to their respective housing funds to provide affordable housing that is geographically related to the project areas. These recommendations will approve an operating transfer of \$80,827 which reflects the anticipated increase in property tax revenue.

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 2009-10 Budget and outlined by our three Strategic Initiatives – Kids, the Environment, and Safe and Livable Communities.

SUBJECT: FISCAL YEAR 2009-10 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS (District: All)

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

**SUBJECT: FISCAL YEAR 2009-10 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS (District: All)**

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 Planning
_____ Name	_____ Name
(619) 531-5413	(619) 531-5175
_____ Phone	_____ Phone
(619) 531-5219	(619) 531-6261
_____ Fax	_____ Fax
A-5	A-5
_____ Mail Station	_____ Mail Station
Donald.Steuer@sdcounty.ca.gov	Janel.Pehau@sdcounty.ca.gov
_____ E-mail	_____ E-mail

AUTHORIZED REPRESENTATIVE: _____
Donald F. Steuer, Chief Financial Officer

SUBJECT: FISCAL YEAR 2009-10 SECOND QUARTER OPERATIONAL PLAN
BUDGET ADJUSTMENTS (District: All)

AGENDA ITEM INFORMATION SHEET

(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

December 8, 2009 (1) Board of Directors, County of San Diego Redevelopment Agency: Fiscal Year 2009-10 First Quarter Operational Plan Budget Adjustments; August 4, 2009 (1) Board of Directors, County of San Diego Redevelopment Agency: Adoption of Fiscal Year 2009-10 Budget for the County of San Diego Redevelopment Agency

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

**ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION
NUMBER(S):**

N/A

**FY 2009-2010 2nd Quarter
Projected Year-End Results**
(in thousands)

COUNTY SUMMARY

	Expenditure Variance	Revenue Variance	2nd Quarter FY09-10 Projected Fund Balance
	Favorable/(Unfavorable)		

General Fund

Public Safety	\$ 36,017	\$ (42,897)	\$ (6,880)
Health & Human Services Agency	169,406	(142,393)	27,014
Land Use & Environment	6,518	(4,039)	2,479
Community Services	4,849	(508)	4,341
Finance & General Government	5,175	2,059	7,234
Total Agency/Group	<u>221,965</u>	<u>(187,778)</u>	<u>34,188</u>
General Revenues	0	15,543	15,543
Finance Other	23,684	285	23,969
Total General Fund	<u>\$ 245,649</u>	<u>\$ (171,950)</u>	<u>\$ 73,700</u>

Special Revenue Funds

Public Safety	\$ 30,011	\$ (29,732)	\$ 279
Health & Human Services Agency	3,300	0	3,300
Land Use & Environment	21,321	(5,616)	15,705
Community Services	42,367	(41,095)	1,272
Total Special Revenue Funds	<u>\$ 96,999</u>	<u>\$ (76,443)</u>	<u>\$ 20,556</u>

Capital Program

Finance Other	0	0	0
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Internal Service Funds Departments

Public Safety Group	\$ 0	\$ 1	\$ 1
Health & Human Services Agency	0	0	0
Land Use & Environment	3,830	(820)	3,011
Community Services	27,398	(28,095)	(697)
Finance & General Government	90	0	90
Finance Other	111	150	261
Total Internal Service Funds	<u>\$ 31,429</u>	<u>\$ (28,764)</u>	<u>\$ 2,665</u>

Enterprise Fund Departments

Land Use & Environment	\$ 4,482	\$ (2,978)	\$ 1,504
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Special District Funds Departments

Public Safety Group	\$ 0	\$ 0	\$ 0
Health & Human Services Agency	272	(55)	217
Land Use & Environment	3,870	(1,837)	2,034
Total Special District Funds	<u>\$ 4,142</u>	<u>\$ (1,891)</u>	<u>\$ 2,251</u>

Other County Funds Departments

LUEG - Debt. Svc. Local Boards	\$ 0	\$ 0	\$ 0
Community Svcs. - Redevelopment Agencies	272	(208)	64
Finance Other - Majestic Pines	0	0	0
Total Other County Funds	<u>\$ 272</u>	<u>\$ (208)</u>	<u>\$ 64</u>

Debt Service - Pension Obligation Bonds	\$ 1,792	\$ (1,792)	\$ 0
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Total County Projected Operating Balance	<u>\$ 384,766</u>	<u>\$ (284,026)</u>	<u>\$ 100,740</u>
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**FY 2009-2010 2nd Quarter
Projected Year-End Results**

(in thousands)

PUBLIC SAFETY GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY09-10 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Child Support	\$ 1,715	\$ (821)	\$ 894
Contributions for Trial Courts	1,534	(1,534)	0
Defense Attorney Contract Admin.	81	146	226
District Attorney	4,403	201	4,605
Emergency Services	4,049	(3,666)	383
Law Enforcement Review Board	82	0	82
Medical Examiner	176	(53)	122
Probation	3,780	(8,949)	(5,169)
Public Defender	2,484	(973)	1,511
Public Safety Executive Office	554	(16,944)	(16,391)
Sheriff	17,160	(10,303)	6,856
Total General Fund	\$ 36,017	\$ (42,897)	\$ (6,880)

Special Revenue Funds Departments

District Attorney (Asset Forfeiture - State & Federal)	0	0	0
Probation - Asset Forfeiture	1	0	1
Probation - Inmate Welfare Program	0	0	0
Sheriff - Asset Forfeiture	0	43	43
Sheriff - Inmate Welfare Program	0	236	236
Public Safety - Proposition 172	30,010	(30,010)	0
Total Special Revenue Funds	30,011	(29,732)	279

Internal Service Funds Departments

Probation	0	0	0
Sheriff(Jail Stores)	0	1	1
Total Internal Service Funds	0	1	1

Special District Funds

Sheriff (Regional 800 MHz)	0	0	0
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Total Group Projected Fund Balance	\$ 66,028	\$ (72,628)	\$ (6,600)
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**FY 2009-2010 2nd Quarter
Projected Year-End Results**

(in thousands)

HEALTH & HUMAN SERVICES AGENCY

	Expenditure Variance	Revenue Variance	2nd Quarter FY09-10 Projected Fund Balance
	Favorable/(Unfavorable)		

General Fund Programs

Administrative Support	\$ 37,203	\$ (13,974)	\$ 23,229
Aging & Independence Services	21,600	(20,893)	707
Behavioral Health Services	51,713	(51,713)	0
Child Welfare Services	22,736	(22,736)	0
Public Administrator/Public Guardian	97	(18)	80
Public Health Services	4,966	(4,229)	737
Regional Operations	28,809	(26,889)	1,920
Strategic Planning & Operational Support	2,282	(1,941)	341
Total General Fund	\$ 169,406	\$ (142,393)	\$ 27,014

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	272	(55)	217
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Total Health & Human Services Agency	\$ 172,978	\$ (142,448)	\$ 30,531
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**FY 2009-2010 2nd Quarter
Projected Year-End Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY09-10 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Agriculture, Weights & Measures	\$ 33	\$ 681	\$ 714
Environmental Health	1,920	(1,136)	784
Land Use & Environment Group Exec Office	0	322	322
Parks & Recreation	371	(339)	32
Planning & Land Use	4,010	(3,387)	624
Public Works	184	(180)	4
Total General Fund	\$ 6,518	\$ (4,039)	\$ 2,479

Special Revenue Funds Departments

A,W & M (Grazing and Fish & Game Commission)	0	0	0
Parks & Recreation - PLDO	2	392	394
DPW - Aviation Funds	110	(105)	5
DPW - Road Funds	19,909	(4,604)	15,305
DPW - Inactive Waste	1,300	(1,299)	1
Total Special Revenue Funds	21,321	(5,616)	15,705

Internal Service Funds Departments

Public Works - DPW Equip. ISF Prg. (35525-35700)	3,830	(820)	3,011
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Enterprise Funds Departments

Airport Enterprise Fund	3,717	(2,561)	1,156
Liquid Waste Enterprise Fund	765	(416)	348
Total Enterprise Funds:	4,482	(2,978)	1,504

Special District Funds Departments

Air Pollution Control District	1,430	(292)	1,138
Parks and Recreation	15	1	15
Planning and Land Use - CSAs	74	9	83
DPW - Sanitation Districts & Sewer Maintenance	2,326	(1,529)	797
DPW - CSAs	0	0	0
DPW - PRDs	0	0	0
DPW - Flood Control	0	0	0
DPW - Street Lighting Districts	25	(25)	0
Total Special Districts Funds:	3,870	(1,837)	2,034

Other County Funds Departments

Debt Service-Local Boards	0	0	0
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Total Land Use & Environment Group	\$ 40,022	\$ (15,289)	\$ 24,733
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**FY 2009-2010 2nd Quarter
Projected Year-End Results**

(in thousands)

COMMUNITY SERVICES GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY09-10 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Animal Services	\$ 357	\$ (1)	\$ 356
Community Services Group Exec Office	3,598	0	3,598
General Services	0	0	0
Housing & Community Development	894	(597)	297
Purchasing & Contracting	0	0	0
Library Services	0	0	0
Registrar of Voters	0	90	90
Total General Fund	\$ 4,849	\$ (508)	\$ 4,341

Special Revenue Funds Departments

Library Services	3,879	(2,607)	1,272
Housing & Community Development	38,488	(38,488)	0
Total Special Revenue Funds	42,367	(41,095)	1,272

Internal Service Funds Departments

Facilities Management	1,840	(1,518)	323
Major Maintenance ISF	22,355	(22,355)	0
Fleet Management	2,356	(2,351)	6
Purchasing & Contracting	846	(1,872)	(1,026)
Total Internal Service Funds	27,398	(28,095)	(697)

Other County Funds Departments

Redevelopment Agency	272	(208)	64
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Total Community Services Group	\$ 74,886	\$ (69,906)	\$ 4,980
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**FY 2009-2010 2nd Quarter
Projected Year-End Results**

(in thousands)

**FINANCE & GENERAL GOVERNMENT
GROUP**

Expenditure Variance	Revenue Variance	2nd Quarter FY09-10 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Assessor/Recorder/County Clerk	\$ 1,465	\$ 1,601	\$ 3,066
Auditor & Controller	1,956	15	1,971
Board of Supervisors	258	0	259
CAC-Major Maintenance	0	0	0
Chief Administrative Officer	149	0	149
Civil Service Commission	27	0	27
Clerk of the Board of Supervisors	42	40	82
County Counsel	565	33	598
County Technology Office	0	0	0
Finance & GG Exec Office	0	0	0
Grand Jury	9	0	9
Human Resources	410	1	411
Media and Public Relations	212	1	213
Treasurer-Tax Collector	81	368	449
Total General Fund	<u>\$ 5,175</u>	<u>\$ 2,059</u>	<u>\$ 7,234</u>

Internal Service Funds Departments

CTO - Information Technology	90	0	90
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**Total Finance & General
Government Group**

	<u>\$ 5,265</u>	<u>\$ 2,059</u>	<u>\$ 7,324</u>
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**FY 2009-2010 2nd Quarter
Projected Year-End Results**

(in thousands)

**GENERAL REVENUES &
FINANCE OTHER**

Expenditure Variance	Revenue Variance	2nd Quarter FY09-10 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund

General Revenues:

All Current Property Taxes	\$ 0	\$ 4,257	\$ 4,257
All Other Taxes-Local	0	6,580	6,580
Licenses, Permits & Franchises	0	800	800
Fines, Forfeitures & Penalties	0	(777)	(777)
Revenue for Use of Money & Property	0	1,800	1,800
Intergovernmental Revenue	0	2,040	2,040
Charges for Current Services	0	843	843
Miscellaneous Revenue	0	0	0
Total General Revenues	\$ 0	\$ 15,543	\$ 15,543

General County Expenses:

Cash Borrowing Program	\$ 2,700	\$ 0	\$ 2,700
Community Enhancement	0	0	0
Contingency Reserve	20,000	0	20,000
Contributions to the Capital Outlay Fund	958	6	964
Contributions to Library Fund	0	0	0
Neighborhood Reinvestment Program	0	0	0
Countywide Expenses	26	279	305
Total Finance Other Expenses	\$ 23,684	\$ 285	\$ 23,969
Total General Fund	\$ 23,684	\$ 15,828	\$ 39,512

Capital Program Funds

Capital Program	\$ 0	\$ 0	\$ 0
Total Capital Program Funds	\$ 0	\$ 0	\$ 0

Internal Service Funds Departments

Workers Compensation	\$ 0	\$ 150	\$ 150
Unemployment Insurance	0	0	0
Public Liability	111	0	111
Total ISF Funds	111	150	261

Other County Funds Departments

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

Pension Obligation Bonds	\$ 1,792	\$ (1,792)	\$ 0
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Total General Revenues & Finance Other	\$ 25,587	\$ 14,186	\$ 39,773
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**FY 2009-2010 2nd Quarter
Projected Year-End Results**
(in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	2nd Quarter FY09-10 Projected Fund Balance
	Favorable/(Unfavorable)		
General Fund			
Public Safety	\$ 0	\$ (6,880)	\$ (6,880)
Health and Human Services Agency	20,000	7,014	27,014
Land Use and Environment	0	2,479	2,479
Community Services	3,250	1,091	4,341
Finance & General Government	0	7,234	7,234
Agency/Group Totals	\$ 23,250	\$ 10,938	\$ 34,188
General Revenues	0	15,543	15,543
General County Expenses	0	3,969	3,969
Contingency Reserve	20,000	0	20,000
Total Gen'l. Revs & Gen'l. County Exp.	\$ 20,000	\$ 19,512	\$ 39,512
Total General Fund	\$ 43,250	\$ 30,450	\$ 73,700

COUNTY OF SAN DIEGO
NOTES TO SCHEDULES A and B
FY 2009 -10 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 variances (greater than \$300,000) in total expenditure, total revenue, or net variances from plan are discussed below and categorized by fund.

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

PUBLIC SAFETY GROUP (PSG)

General Fund

Child Support Services

A net positive variance of \$0.9 million is projected for the Department of Child Support Services.

A positive expenditure variance of \$1.7 million is projected in salaries and benefits due to delays in hiring and underfilled positions.

A negative revenue variance of \$0.8 million is projected. A net negative variance of \$0.3 million is projected for intergovernmental revenues due to a decrease in claimable expenditures and a negative variance of \$0.5 million in charges for current services due to a projected decline in public assistance child support collections.

Contributions for Trial Courts

No net variance is projected for the Contributions for Trial Courts.

A net positive expenditure variance of \$1.5 million is projected. This is comprised of a net negative variance of \$0.5 million in services and supplies of which \$0.2 million is in utilities and \$0.3 million is due to increased Facility Management costs. This is offset by a projected positive variance of \$2.0 million in other charges, to recognize the level of expenditures required to support the revenue sharing requirements of Government Code 77205, related to Trial Court Funding.

A negative revenue variance of \$1.5 million is projected. This is comprised of a negative variance of \$0.7 million in fines, forfeitures & penalties to recognize the anticipated levels of revenues to be received, and a \$0.8 million decrease in charges for current services. The decrease in the charges for current services is comprised of \$0.6 million in Traffic School Fines and Other Court Costs and a reduction of \$0.2 million in recording fees. The lingering effects of the economic recession are still being endured by state and local governments. This has contributed to the decline of revenues allocated to the County to support statutory Contributions to Trial Courts.

District Attorney

A net positive variance of \$4.6 million is projected for the District Attorney's Office.

A net positive expenditure variance of \$4.4 million is projected. This positive variance is primarily due to projected savings of \$5.0 million in salaries and benefits due to vacancies created through normal attrition and savings from modified positions. A negative expenditure variance of \$0.6 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 positive revenue variance of \$0.2 million is primarily attributable to one-time increases in the State Urban Grant Auto Fraud Program (\$0.7 million), the Automobile Insurance Fraud Program (\$0.6 million), and the Worker's Compensation Insurance Fraud Program (\$0.2 million). The one-time revenue increases are offset by a reduction in State Grants of \$0.8 million (High Technology Prosecution Program \$0.6 million, Vertical Prosecution Block Grant \$0.2 million), a reduction of the Citizens' Option For Public Safety (COPS) program of \$0.3 million, and the elimination of the Domestic Violence Stalking Grant in the amount of \$0.2 million.

Office of Emergency Services

A net positive variance of \$0.4 million is projected for the Office of Emergency Services.

A positive expenditure variance of \$4.0 million is projected. A positive variance of \$0.2 million in services and supplies is due to lower than anticipated expenditures for the Fire

Suppression Aviation contract and a positive variance of \$3.8 million, which represents grant supported activities and expenditures that will carry over to next fiscal year.

A negative revenue variance of \$3.6 million is projected. The Buffer Zone Protection program is projected to be \$0.5 million under budget and the Homeland Security program is projected to be \$3.1 million under budget. These intergovernmental revenues are tied to the expenditure variances shown above that will be rebudgeted next fiscal year.

Probation

A net negative variance of \$5.2 million is projected for the Probation Department. The mitigation for the \$5.2 million projected shortfall includes a combination of achieving current year expenditure savings and the use of fund balance. If required, specific recommendations for adjustments will be brought to your Board in the Third Quarter Operational Plan Status Report.

A net positive expenditure variance of \$3.8 million is projected. This is comprised of a \$2.8 million positive variance in salaries and benefits due to positions held vacant in consideration of the revenue shortfalls described below. A \$1.2 million positive variance in services and supplies is projected from efforts to reduce overall expenditures. This is offset by a negative variance of \$0.2 million in other charges due to increased Foster Care costs.

A net negative revenue variance of \$9.0 million is projected. A negative variance of \$3.0 million is projected in Proposition 172 revenue (see explanation in the Proposition 172 section below). Funding for certain public safety programs was shifted from the state's general fund to a vehicle license fee increment in Fiscal Year 2009-10. A shortfall in vehicle license fee receipts for the first and second quarters has resulted in a projected negative variance of \$5.5 million of which \$2.6 million is in the Juvenile Justice Crime Prevention Act program and \$2.9 million in the Juvenile Probation Programs and Camps Funding. In addition, Title IV-E revenue is projected to be \$1.0 million under budget, due to less time claimed to this activity. These funds support multiple programs and staff will be provided training to increase Title IV-E revenue reimbursement for qualified project costs. Funds for SB618, the Prisoner Reentry Program, are projected to be \$1.1 million under budget due to revised State allocations. Furthermore, Cost of Supervision (\$0.4 million) and Work Crew revenues (\$0.3 million) are projected to be under-realized, primarily due to the lingering effects of the recent economic downturn. The Youthful Offender Block Grant is projected to be \$2.0 million over budget due to revised State allocations. An additional \$0.3 million will be over-realized in various other revenue sources, such as ARRA for Targeted Case Management and Foster Care, due to revised federal rates.

Public Defender

A net positive variance of \$1.5 million is projected for the Public Defender.

A net positive expenditure variance of \$2.5 million is projected. A \$3.1 million savings in salaries and benefits is projected due to staff retirements and turnover resulting in 27 vacant and frozen positions. A negative variance of \$0.6 million is anticipated in services and supplies due to an increase in professional and specialized services, which will be mitigated by a transfer of funds realized from salary savings.

A negative revenue variance of \$1.0 million is projected due to an overall decline in Court Appointed Attorney collected fees of \$0.6 million and a reduction of \$0.4 million in state revenues for representation of Sexually Violent Predators as the Department of Finance seeks changes in this State mandate.

Public Safety Group Executive Office

A net negative variance of \$16.3 million is projected for the Public Safety Group Executive Office.

A positive expenditure variance of \$0.6 million is projected due to \$0.5 million in anticipated savings in special departmental expense and Information Technology application services costs and savings of \$0.1 million in salaries and benefits due to vacant positions.

A net negative revenue variance of \$16.9 million is projected due to a negative variance of \$18.0 million in Proposition 172 revenue that will be under-realized throughout the Public Safety Group. The shortfall in these revenues and the planned mitigation is explained in the Proposition 172 section below. This shortfall is offset by a positive revenue variance of \$1.1 million in additional revenues in rents and concessions.

Sheriff

The Sheriff's Department projects a net positive variance of \$6.9 million.

A positive expenditure variance of \$17.2 million is projected. Salaries and benefits are projected to be \$16.9 million under budget due to a substantial reduction in overtime and salary savings as a result of 75 vacant positions (39 sworn and 36 professional staff). This projection includes expected new hires of 70 sworn staff from forthcoming academies, 21 professional staff, and 30 retirements/departures, for a net increase of 61 staff by the end of the fiscal year. A positive expenditure variance of \$0.3 million is projected in services and supplies due to a reduction in automotive fuel costs, offset by increased expenditures in vehicle maintenance and depreciation.

A net negative revenue variance of \$10.3 million is projected. A negative variance of \$9.0 million is projected in Proposition 172 revenue (see explanation in the Proposition

172 section below). Funding for certain public safety programs was shifted from the state's general fund to a vehicle license fee increment in Fiscal Year 2009-10. Due to a shortfall in vehicle license fee receipts for the 1st and 2nd quarters, a negative variance of \$0.8 million is projected in Local Detention Facility Revenue (Booking Fees), as well as a negative variance of \$0.9 million in COPS Program AB 3229 (Brulte). A negative variance of \$0.5 million is projected in Contract City Revenue due to reduced law enforcement services for contract cities. A negative variance of \$0.4 million is projected in rents and concessions due to adjustments related to utilities charges per the Corrections Corporation of America contract. This is offset by a positive variance of \$0.6 million is projected in State Criminal Alien Assistance Program (SCAAP) due to increased efforts to identify and verify undocumented criminal aliens for which incarceration costs could be claimed and an additional positive variance of \$0.7 million from a combination of a number of miscellaneous revenue sources.

Special Revenue Funds

Proposition 172

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

The Proposition 172 Special Revenue Fund finished Fiscal Year 2008-09 with no balance in the fund. Actual realized revenues for Fiscal Year 2008-09 were \$40.3 million less than the Adopted Operational Plan amount. In Fiscal Year 2009-10, the lingering effects of the severe nationwide economic recession are resulting in reduced consumer spending and reduced sales tax revenues which are the basis for Proposition 172 receipts. As a result, current year revenues are projected to be \$30.0 million under budget. Expenditures from the Special Revenue Fund will be capped to match anticipated revenues and are therefore projected to be \$30.0 million under budget for no net variance in the fund. Three public safety departments receive Proposition 172 revenues, the Sheriff, District Attorney and the Probation Department. The mitigation for the \$30.0 million projected shortfall includes current year projected operational savings and the use of fund balance. If required, specific recommendations for adjustments will be brought to your Board in the Third Quarter Operational Plan Status Report.

HEALTH AND HUMAN SERVICES AGENCY (HHSA)

General Fund

HHSA is projecting an overall positive fund balance of \$27.0 million. The economy continues to have an adverse impact on revenues even as caseloads and service demands escalate. Realignment revenue continues to decline and HHSA is projecting a shortfall of \$19.2 million from budget. Realignment revenues consist of Sales Tax and Vehicle License Fees (VLF). Current projections indicate that Sales Tax could be down by 9% and VLF down by 6% statewide by year-end. The Agency is managing these

financial and caseload challenges by executing a multi-phase “Economic Reality Plan” which holds positions vacant, and brings spending into alignment with available funding for Fiscal Year 09-10 and to prepare for the Fiscal Year 10-11 Operational Plan. The Agency has developed Phase II of the plan that focuses on consolidation, outsourcing, reengineering, revenue solutions and elimination of programs that are not mandated and core functions. Pursuant to Board direction, the County has relinquished contractual responsibility for the non-mandated State Child Care Stage 2 and Stage 3 programs which reverted to the State effective January, 2010. Recipients of these programs will continue to receive services through new and/or existing service providers who contract with the state.

Administrative Support

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

A net positive variance of \$23.2 million is projected for Administrative Support. The variance is the result of \$37.2 million in expenditure savings and \$14.0 million in projected under-realized revenues.

The \$37.2 million in expenditure savings includes \$0.9 million in salaries and benefits due to vacant positions, \$16.3 million in services and supplies and \$20.0 million in anticipated year-end management reserves. The \$16.3 million savings in services and supplies is comprised of \$7.4 million for bio-terrorism emergency appropriation savings associated with unsecuritized tobacco, \$5.0 million of savings associated with glide slope reserve, \$2.2 million of savings associated with various services and supplies, and \$1.7 million of Innovation Fund projects that are budgeted in the division but projected in Strategic Planning & Operational Support.

The \$14.0 million in under-realized revenue includes \$7.4 million of unsecuritized tobacco settlement revenue, \$6.2 million of realignment revenue, and \$0.4 million of miscellaneous revenues.

Aging and Independence Services

A net positive variance of \$0.7 million is projected for Aging & Independence Services. The variance is the result of \$21.6 million in expenditure savings and \$20.9 million in projected under-realized revenues.

The \$21.6 million in expenditure savings includes \$1.1 million in salaries and benefits due to vacant positions, \$19.0 million in services and supplies, \$0.2 million in capital assets and equipment and \$1.3 million in operating transfers. The \$19.0 million savings in services and supplies is mainly the result of revised estimates of growth trends in In Home Supportive Services (IHSS) Individual Provider costs. The \$1.3 million savings in

operating transfers out to the IHSS-Public Authority is related to health benefit costs being less than budgeted.

The \$20.9 million in under-realized revenue is mainly the result of lower projected expenditures in IHSS and decreased funding from the State including \$4.1 million in Realignment revenue.

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 and Edgemoor Skilled Nursing Facility.

No net variance is projected for Behavioral Health Services.

The \$51.7 million in expenditure savings includes \$4.4 million in salaries and benefits throughout Behavioral Health due to vacant positions and \$47.3 million in services and supplies. The \$47.3 million of savings in services and supplies includes \$31.7 million in un-awarded and delayed Mental Health Services Act (MHSA) contracts, a \$9.0 million reduction in Alcohol and Drug Services contracts to align expenditures with reductions in State Proposition 36 and other various allocations, \$3.0 million in Early Periodic Screening, Diagnosis and Treatment/Medi-Cal services due to lower service levels than projected, \$2.9 million as a result of efforts to reduce spending in numerous programs to align expenditures with anticipated revenue levels and \$0.7 million in discretionary contracts.

The \$51.7 million in under-realized revenues is primarily associated with the expenditure savings in MHSA services including \$4.5 million in Mental Health Realignment due to a lower match requirement for the reduced program expenditures as detailed above.

County Child Welfare Services

No net variance is projected for County Child Welfare Services (CCWS).

The \$22.7 million in expenditure savings includes \$1.3 million in salaries and benefits due to vacant positions and \$23.0 million in aid payments for Severely Emotionally Disturbed (SED), Foster Care, and KinGap based on revised estimates of caseload levels, growth trends, and unit cost per case. The savings are offset by a \$1.6 million over-expenditure in services and supplies primarily due to hiring of temporary staff at the Polinsky Children's Center, increased costs associated with court ordered travel, employee mileage and maintenance costs for the Polinsky Children's Center and the San Pasqual Academy.

The \$22.7 million in under-realized revenues is associated with the expenditure savings primarily for assistance payments. Of the \$22.7 million in under-realized revenue, \$1.8 million is Social Services Realignment. Realignment is used to partially cover the local match requirements for assistance payments. Since there is a \$23.0 million projected savings in assistance payments, the match is not required and is reflected as under-realized Realignment revenue which helps mitigate the overall Realignment shortfall the Agency is experiencing.

Public Health Services

A net positive variance of \$0.7 million is projected for Public Health Services. This is a result of net expenditure savings of \$4.9 million offset by \$4.2 million in under-realized revenues.

The \$4.9 million in expenditure savings includes \$2.2 million in salaries and benefits due to vacant positions and \$3.5 million in services and supplies savings offset by a requirement for an additional \$0.8 million in support and care costs in the California Children's Services (CCS) program. The \$3.5 million of savings in services and supplies is primarily due to reductions in contracts for HIV services based on State funding reductions, under spending of the H1N1 allocation, and the gradual implementation of the Economic Reality Plan phase II.

The \$4.2 million in under-realized revenue is the result of a \$9.4 million decrease in CCS, Maternal Child and Family Health and Immunization Assistance programs due to State budget cuts and the State cap on the amount to be contributed to CCS, and under spending of the H1N1 funding. This includes \$2.4 million in reduced Realignment revenue due to a lower match requirement for these programs. This amount is offset by a \$3.8 million increase in Tuberculosis Control, Refugee Cash Assistance, and Medi-Cal Administrative Activities/Targeted Case Management, \$0.8 million in STD, Health Education-Tobacco Control and \$0.6 million in other revenues and fees.

Regional Operations

Regional Operations consist 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 \$1.9 million is projected for Regional Operations. The variance is the result of \$28.8 million in expenditure savings and \$26.9 million in under-realized revenues.

The \$28.8 million in expenditure savings includes \$9.4 million in salaries and benefits due to vacant positions and savings associated with the return of Childcare Stage 2 and 3 programs to the State, \$3.2 million in services and supplies which consists of \$1.5 million in Community Action Partnership due the slow start up of contracts associated

with a new ARRA grant, and another \$1.7 million throughout Regional Operations in an effort to reduce spending to align with available revenue. In addition there is \$16.2 million of savings in Child Care Participant benefits, primarily due to the return of Child Care Stage 2 and 3 to the State effective January, 2010.

The \$26.9 million in under-realized revenue includes \$1.1 million of Realignment and the remaining is due to a decrease of expenditures, of which a significant amount is for Child Care Stage 2 and 3.

Strategic Planning and Operational Support

A net positive variance of \$0.3 million is projected for Strategic Planning and Operational Support. The variance is the result of \$2.3 million in expenditure savings and \$1.9 million in under-realized revenues.

The \$2.2 million in expenditure savings includes \$0.1 million in salaries and benefits as a result of vacant positions and \$2.1 million in services and supplies. The \$2.1 million of savings in services and supplies is primarily due to \$3.8 million less than expected Coverage Initiative costs offset by \$1.7 million for Innovation Fund projects that are budgeted in the Administrative Services division but projected in Strategic Planning & Operational Support.

The \$1.9 million in under-realized revenues is associated with a decrease of \$3.8 million for the Coverage Initiative, \$1.9 million due to State funding cuts and \$1.0 million in various revenues, offset by an increase of \$3.9 million in third party reimbursements and \$0.9 million in Realignment for Health Care Policy Administration (HCPA).

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 (LUEG)

General Fund

Agriculture, Weights & Measures

A net positive variance of \$0.7 million is projected for the Department of Agriculture, Weights and Measures.

There is a no net expenditure variance projected. Projected savings of \$0.8 million in salaries and benefits is due to vacancies. This is offset by a negative variance in services and supplies of \$0.8 million due to higher than anticipated costs related to the new Business Case Management System state reporting requirements.

A projected positive revenue variance of \$0.7 million is primarily due to unanticipated funding of \$0.4 million in the State Pest Detection contract and \$0.6 million in the Unclaimed Gas Tax (UGT) state subvention in intergovernmental revenues. UGT is reimbursement from the State that partially offsets local agricultural programs. The additional UGT is mainly due to recent legislative changes that increased the County's funding for eligible costs. These positive revenue variances are offset by a negative variance of \$0.3 million in state aid grants, veterinarian fees, and other miscellaneous program revenues.

Environmental Health

A net positive variance of \$0.8 million is projected for the Department of Environmental Health.

A favorable expenditure variance of \$1.9 million is projected. Projected savings of \$1.7 million in salaries and benefits is due to on-going vacancies, delays in hiring and under filling positions. Projected savings of \$0.2 million in services and supplies are due to closely monitoring spending activities to ensure costs do not exceed revenue.

A net negative revenue variance of \$1.1 million is projected. This variance consists of a shortfall of \$0.5 million in revenue from the Vector Control Trust Fund associated with the salary & benefit savings in the Vector Control program. Revenue is only drawn from the Vector Trust Fund for actual costs incurred. A shortfall of \$0.5 million in intergovernmental revenues is associated with the implementation of projects related to the Above Ground Petroleum Storage Act and Urban Area Security Initiative. These projects span several fiscal years and will be rebudgeted in the next fiscal year. The remaining shortfall of \$0.1 million is spread over various revenue accounts.

Land Use and Environment Group Executive Office

A positive variance of \$0.3 million is projected for the LUEG Executive Office due to higher than anticipated reimbursement of overhead costs.

Parks and Recreation

No net variance is projected for the Department of Parks and Recreation.

A positive expenditure variance of \$0.4 million is due to savings in salaries and benefits due to vacant and under filled positions as well as a reduction in seasonal employees.

A negative revenue variance of \$0.4 million is projected. The shortfall consists of \$0.2 million in less than anticipated intergovernmental revenue and \$0.2 million in park and camping fees.

Planning and Land Use

A net positive variance of \$0.6 million is projected for the Department of Planning and Land Use.

A net positive expenditure variance of \$4.0 million is projected. Savings of \$0.1 million in salaries and benefits is due to vacancies and under-filled positions in the Project Planning and Building divisions. Savings of \$3.9 million is spread over various accounts but is primarily concentrated in consultant contracts (\$3.2 million) for the multi-year grant-funded Hazardous Fuels Reduction program, which will be re-budgeted, and the Valley Center Village Design project, which was not awarded – both are revenue offset.

A net negative revenue variance of \$3.4 million is projected. The intergovernmental revenue negative variance of \$3.2 million is related to the expenditure savings in contracted services discussed above. The remaining \$0.2 million shortfall is spread over other programs.

Special Revenue Funds

Park Land Dedication Ordinance

A positive variance of \$0.4 million is projected. The variance is due to \$0.3 million in unanticipated revenue for park land dedication fees and \$0.1 million in projected interest earnings based on current fund balances.

Public Works

Road Fund

A net positive variance of \$15.3 million is projected for the Road Fund.

A positive expenditure variance of \$19.9 million is projected. Projected savings of \$3.4 million in salaries and benefits is due to positions held vacant in Land Development and other Road Fund programs as a result of decreased funding caused by the economic downturn. Savings of \$15.0 million is projected in services and supplies as a result of spending cuts due to cancellations of encumbrances for completed projects (\$9.8 million), reduced use of consultant work (\$3.8 million), project deferrals due to a projected reduction in Proposition 42 funding (\$1.1 million) and combined savings in various other expenditure accounts (\$0.3 million). Projected savings of \$1.5 million in other charges is due to the cancellation of right-of-way (ROW) acquisitions for several Detailed Work Program projects.

A net negative variance of \$4.6 million is projected in revenue. A projected \$1.0 million in TransNet funding will not be realized due to projects that are complete or near completion and under budget. Interest earnings are projected to be under budget by \$0.2 million based on recent interest trends. Intergovernmental revenue is projected to be under-realized by \$1.4 million, which includes a projected decrease of \$1.1 million in Proposition 42 funding based on the State's percentage allocation decrease and a decrease of \$0.9 million of Federal Highway Administration funding. These shortfalls are offset by projected increases of \$0.1 million in state construction and state match funding for projects, \$0.1 million in federal reimbursement for 2005 winter storm damage and \$0.4 million of unanticipated reimbursement from various other State and federal funding sources. Charges for current services are projected to be under-realized by \$2.0 million due to a projected \$1.3 million decrease in service to property owners caused by the slowing of new construction and a decrease of \$2.9 million in Transportation Impact Fee projects. These decreases are offset by a projected \$2.2 million in over-realized revenue for work provided to other funds and the sale of environmental mitigation credits.

Inactive Waste

No net variance is projected for Inactive Waste.

A positive expenditure variance of \$1.3 million is projected. The savings in services and supplies consist of \$0.9 million due to reductions in the Groundwater, Stormwater, and Gas contract scope as well as a re-evaluation of needs, including Capital Improvement Projects in the landfill management program, and \$0.4 million due to reductions in grant contract expenditures in the recycling program.

A negative revenue variance of \$1.3 million is projected. This is comprised of \$0.7 million in decreased contributions from the Environmental Trust Fund due to the reduced expenditures noted above, \$0.1 million less in revenue from the use of money and property due to vacant properties and \$0.1 million in reduced revenue from San Marcos Landfill cogeneration sales in the landfill management program. In addition there is a negative variance of \$0.4 million in grant revenue for the recycling program due to the reduction in State funding noted above.

Internal Service Funds

Public Works

A net positive variance of \$3.0 million is projected in the Public Works Equipment Acquisition ISF.

A positive expenditure variance of \$3.8 million is projected due to a reduction in the purchase of vehicles (\$2.8 million) and a reduction in the total number of vehicles in the ISF that will result in reduced fuel (\$0.4 million) and depreciation costs (\$0.6 million).

A negative revenue variance of \$0.8 million is projected in revenue due to decreased interest earnings (\$1.0 million) offset by an increase of \$0.2 million in intergovernmental revenue due to a grant from the Barona Indian Tribe for a street sweeper.

Enterprise Funds

Airports

A net favorable variance of \$1.1 million is projected for the Airport Enterprise Fund.

A positive expenditure variance of \$3.7 million is projected. Salaries and benefits savings of \$0.2 million is projected due to a vacant position and a decrease in cash overtime. Savings of \$1.0 million in services and supplies is projected due to lower than anticipated expenditures for major maintenance and contracted services. A \$1.4 million decrease in other charges is projected due to decreased depreciation expense for projects in progress that are not expected to be capitalized this fiscal year. Capital asset savings of \$1.1 million is projected due to decreased work on capital projects that will not receive full grant funding this fiscal year (Cajon Air Center \$0.3 million; Fallbrook Airpark RSA \$0.4 million; Borrego Airport Lighting \$0.1 million; Gillespie Field Runway/Taxiway Lighting and Signage, \$0.2 million; Borrego Airport Runway Protection Zone, \$0.1 million).

A negative revenue variance of \$2.6 million is projected. A projected decrease of \$1.1 million in revenue from use of money and property is due to lower than anticipated rents and leases revenue. This does not reflect a loss in revenue. Rather, it is the result of equity lease payment revenue that was budgeted in Fiscal Year 2009-10 but was recognized in Fiscal Year 2008-09 due to changes in revenue recognition and rent credits at Palomar Airport that has been closed for runway rehabilitation. Intergovernmental revenue is projected to be under-realized by \$1.5 million due to suspended State Aid funding (\$0.2 million) and a decrease in anticipated Federal Aviation Administration grants for capital projects (\$1.3 million).

Liquid Waste

A net positive variance of \$0.4 million is projected in the Wastewater Management Enterprise Fund.

A net positive expenditure variance of \$0.8 million includes \$0.5 million in salaries and benefits due to vacant, frozen and under-filled positions and a \$0.3 million positive variance in services and supplies due to savings in major maintenance on facilities, scheduled vehicle usage, Information Technology and professional services.

A negative variance of \$0.4 million in revenue is projected and is due to less work provided to special district projects (\$0.5 million) offset by a projected \$0.1 million in unanticipated revenue from general fund projects and recovered expenditures.

Special District Funds

Air Pollution Control District

A net positive variance of \$1.1 million is projected for the Air Pollution Control District (APCD).

A net positive expenditure variance of \$1.4 million is projected. This includes salaries and benefits savings of \$0.9 million due to vacancies and a \$0.5 million positive variance in operating transfers out due to the reduction of administrative cost reimbursements in administering the incentive state programs. Due to State budget constraints, expenditures are now limited to direct project costs.

A net negative revenue variance of \$0.3 million is projected. Under-realized revenue of \$0.5 million in other financing sources is related to the State budget constraints noted above. This is offset by a positive variance of \$0.2 million in projected interest earnings in the incentive program funds.

Public Works

Sanitation Districts

A net positive variance of \$0.8 million is projected in the Sanitation Districts.

A positive variance of \$2.3 million is projected in services and supplies due to a decreased need for consultant services (\$0.4 million), a reduction in major maintenance projects (\$0.8 million) and an adjustment in current year costs for water transportation based on an audit of the Metropolitan Sewage Transportation System (\$1.1 million).

A negative revenue variance of \$1.5 million is projected in interest on deposits and investments due to a decrease in the earnings rate and a reduction in the amount invested.

COMMUNITY SERVICES GROUP (CSG)

General Fund

Animal Services

A net positive variance of \$0.4 million is projected for Animal Services. This is due to projected savings of \$0.2 million in salaries and benefits as a result of turnover and

vacancies, for which Animal Services is currently recruiting, and savings of \$0.2 million in miscellaneous services and supplies accounts.

Community Services Group Executive Office

A net positive variance of \$3.6 million is projected for the Community Services Group Executive Office. This is due to anticipated savings of \$0.1 million in salaries and benefits as a result of a staff vacancy, \$0.2 million in services and supplies, and a projected year-end balance of \$3.3 million in management reserves, which are held in the Group Executive Office for departments' operating contingencies during the year.

Housing and Community Development

A net positive variance of \$0.3 million is projected for the Housing and Community Development.

A positive expenditure variance of \$0.9 million includes projected savings of \$0.5 million in salaries and benefits and \$0.5 million in services and supplies offset by \$0.1 million negative variance in cost reimbursement from other agencies. The \$0.5 million variance in salaries and benefits is due to vacancies from employee turnover and normal delays in recruiting and hiring. The \$0.5 million variance in services and supplies includes savings of \$0.3 million related to program administration costs for projects that are being funded by the American Recovery and Reinvestment Act (ARRA) of 2009 that will not be completed this year and will be re-budgeted next fiscal year. The remaining savings of \$0.2 million is primarily due to lower costs for fuel usage. The \$0.1 million negative variance in cost reimbursement from other agencies is due to fewer Mental Health & Substance Abuse program referrals from HHS.

A negative revenue variance of \$0.6 million is projected. The under-realized revenue is due to revenue offset for the vacant positions noted above and a one-time grant administration cost allocation that is not anticipated to be utilized this year due to delays in projects.

Special Revenue Funds

County Library

A net positive variance of \$1.3 million is projected for the Library.

A positive expenditure variance of \$3.9 million is projected. Savings of \$0.6 million is projected in salaries and benefits due to current and planned vacancies. Savings of \$1.8 million is projected in services and supplies due to lower than expected library material purchases (\$0.1 million), less than anticipated costs for minor equipment that are based on donations (\$0.6 million), less than anticipated Information Technology Internal Service Fund expenses due to the reduction in workstations (\$0.5 million) and other technology expenditures, and savings in interdepartmental expenses and program

costs (\$0.6 million) as part of the plan to reduce expenditures to match anticipated subsequent year resources. A year-end balance of \$1.5 million is projected in management reserves, which are held for operating contingencies that may occur during the year.

A net negative revenue variance of \$2.6 million is projected. This is due to an anticipated decrease in current year property tax revenues of \$1.3 million, a decrease of \$0.4 million in library services revenues and a projected decrease in donations of \$0.9 million.

Housing and Community Development Special Revenue Fund

No net variance is projected for the Housing and Community Development Special Revenue Fund.

The net positive expenditure variance of \$38.5 million is offset by projected under-realized revenue of \$38.5 million related to the direct cost variance. Community Development projects eligible to receive funding sources are budgeted in total to facilitate the multi-year project cost expenditure request process. Revenues are projected to equal expenditures as project costs budgeted are 100% revenue offset.

Internal Service Funds (ISF)

Facilities Management

A net positive variance of \$0.3 million is projected for the Facilities Management ISF.

A net positive expense variance of \$1.8 million is due to projected savings in salaries and benefits primarily associated with staff vacancies.

A net negative revenue variance of \$1.5 million is projected. This is the result of a positive variance of \$0.6 million in miscellaneous revenues associated with reimbursement from SDG&E Partnership for energy project administration costs (\$0.2 million), greater than anticipated rents and concessions (\$0.1 million) and charges for current services (\$0.3 million due to greater than anticipated reimbursement for contract services). This is offset by a negative variance of \$0.5 million in revenue from the State associated with facilities maintenance and \$1.6 million in other financing sources related to operating transfers from the Major Maintenance fund for project management services due to fewer projects than originally projected.

Major Maintenance

No net variance is projected for the Major Maintenance ISF.

A positive expense variance of \$22.4 million is projected. Savings of \$20.7 million in services and supplies and \$1.6 million in operating transfers out to Facilities

Management ISF for project management services are due to fewer than anticipated new projects and delays in starting new projects. Since costs incurred in this fund are reimbursed by customer departments, the negative revenue variance of \$22.4 million is directly related to the reduction in project costs.

Fleet Management

No net variance is projected for the Fleet Management ISF.

A net positive expense variance of \$2.4 million is the result of savings of \$0.6 million in salaries and benefits due to staff vacancies, \$2.4 million in services and supplies primarily due to less than anticipated costs for vehicle fuel and \$0.1 million in unspent reserves. This is offset with an unfavorable expense variance of \$0.7 million in other charges associated with depreciation costs being higher than anticipated.

A net negative revenue variance of \$2.4 million is projected. A negative revenue variance of \$1.8 million is projected in charges for current services due to less than anticipated fuel costs and maintenance/repair requirements by clients. The remaining negative variance consists of interest earnings which are projected to be under budget by \$0.4 million based on recent interest trends, a projected net loss on the sale of County vehicles of \$0.3 million and \$0.1 million in revenues from third party recovery for vehicle accident claims. This is offset by a positive revenue variance of \$0.2 million in capital contributions associated with donated vehicles.

Purchasing and Contracting

A net unfavorable variance of \$1.1 million is projected for the Purchasing and Contracting ISF. It is the department's intent to use Fund Balance to mitigate this shortfall.

A negative revenue variance of \$1.9 million is projected charges for services due to the continuing downward trend in countywide spending and reduced first and second quarter rebates (\$1.8 million) and less than anticipated interest revenues received due to recent interest trends (\$0.1 million). To help mitigate this shortfall, the department is implementing cost-cutting measures that include not filling positions as they become vacant, reducing services and supplies expenses and delaying special projects. As a result, a \$0.8 million favorable expenditure variance is projected that includes \$0.6 million in salary savings and \$0.2 million savings in services and supplies accounts.

FINANCE AND GENERAL GOVERNMENT GROUP (FGG)

General Fund

Assessor/Recorder/County Clerk

A net positive variance of \$3.1 million is projected for the Assessor/Recorder/County Clerk (ARCC).

A positive expenditure variance of \$1.5 million is projected. This is due to projected savings of \$1.5 million in salaries and benefits as a result of vacant positions that will remain unfilled.

A net positive revenue variance of \$1.6 million includes anticipated over-realized SB 2557 Property Tax Administration revenues of \$1.8 million which were conservatively budgeted, a projected shortfall of \$0.5 million in AB 2890 Recovered Cost revenues which is being driven by current economic conditions, specifically the continuing slowdown in housing sales and construction activity, and anticipated over-realized revenues of \$0.3 million in various miscellaneous revenue categories.

Auditor and Controller

A net positive variance of \$2.0 million is projected for the Auditor and Controller.

A positive expenditure variance of \$2.0 million is projected due to anticipated savings of \$1.1 million in salaries and benefits caused by 10 staff year vacancies and other positions that are under-filled. The remaining \$0.9 million expenditure savings are due to reduced costs for information technology and a reduction in miscellaneous expense related to the pass through accounting for outside collection activity in Revenue and Recovery.

No overall revenue variance is projected. A projected \$0.3 million shortfall in miscellaneous revenues is projected due to the shortfall in revenues generated by collection activity, noted above. In addition there is a projected revenue shortfall of \$0.1 million in AB 2890 Recovered Cost revenues, which is being driven by current economic conditions, specifically the continuing slowdown in housing sales and construction activity. These are offset by anticipated over-realized revenues of \$0.4 million in A-87 cost recovery reimbursement which was conservatively budgeted.

County Counsel

A net positive variance of \$0.6 million is projected in County Counsel due to unanticipated retirements of senior staff and other positions held vacant pending assessment of workloads.

Human Resources

A net positive variance of \$0.4 million is projected in the Department of Human Resources due to anticipated savings in salaries and benefits from unfilled positions.

Treasurer-Tax Collector

A net positive variance of \$0.5 million is projected for the Treasurer-Tax Collector.

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

A net positive revenue variance of \$0.4 million is projected due to anticipated over-realized SB 2557 Property Tax Administration revenues of \$1.0 million which were conservatively budgeted, a projected revenue shortfall of \$0.7 million in AB 2890 Recovered Cost revenues, which is being driven by current economic conditions, specifically the continuing slowdown in housing sales and construction activity, and anticipated over-realized revenues of \$0.1 million in various miscellaneous revenue categories.

GENERAL PURPOSE REVENUES & COUNTYWIDE EXPENSES

A net positive variance of \$39.5 million is projected for these two categories combined, comprised of an estimated additional \$15.5 million in General Purpose Revenues (GPR) compared to budget (\$966.2 million projected vs. \$950.7 million budgeted) and a \$24.0 million net positive variance in General County Expense activities. While the anticipated improvement in GPR is a positive sign, it is important to note that the projected amount of \$966.2 million is still \$54.2 million below the actual GPR received in Fiscal Year 2008-09 and \$23.6 million below the actual for Fiscal Year 2007-08.

General Purpose Revenues

The San Diego economy continues to feel the effects of broad statewide, national and global turmoil from the 2008 credit crisis and negative trends in the financial markets, housing and construction, and consumer and business to business sales. The County's GPR, particularly those related to property transactions, are impacted by these conditions. Property tax revenues, including current secured, current supplemental and prior year supplemental, have felt the impact of declining assessed values and construction activity over the last two years. Sales and Use Tax revenues, although a smaller percentage of the County's GPR, have been impacted substantially by the year over year decline in retail sales activity. Interest earnings have also declined substantially because of low interest rates. However, the county's diverse economic base and the area's population growth are seen as positive influences that will help stabilize locally generated general purpose funding sources. The economic trends are

summarized below followed by a discussion by revenue account of significant variances from budget:

- San Diego's monthly average unemployment rate for the 12 month period between January 2009 and December 2009 was 9.9%, with a December 2009 rate of 10.1%. This compares to a State of California average unemployment rate of 11.7% for the same 12 month period, with a December 2009 rate of 12.1%.
- Adjusted local sales tax revenues declined by 19.0% for the July through September 2009 period in the unincorporated area compared to the same time period in 2008. For that same time period, sales tax revenues have declined at the statewide level by an estimated 16.1%, southern California region by 15.9%, and San Diego regional level by 13%. This decline is attributed to the ongoing economic volatility, housing market declines, and increased savings rates. Early indications for the last three months of 2009 suggest some improvement in retail sales, which supports various economists' projections of a moderate recovery beginning in 2010.
- There are mixed signals in the housing market in the County:
 1. Slight improvement in deeds recorded (up 3.1% for January through December 2009 compared to the same time period for 2008) with much of the improvement coming in November and December 2009;
 2. Increase in median housing prices (up 10.0% in the San Diego region for December 2009 compared to December 2008). The median price has inched up each month throughout the calendar year;
 3. Improvement in the number of homes sold for January through December 2009 compared to January through December 2008 (San Diego region up 14.6%);
 4. Continued increase in the notices of default (up 12.4% for January through December 2009 compared to the same time period for 2008); however, December 2009 notices of default were down 38.1% compared to December 2008;
 5. A decline in foreclosure activity (the foreclosure rate has declined by 20.9% for January through December 2009 compared to the same time period for 2008). This improvement is in part attributed to the signing of SB1137 designed to reform the foreclosure process in the State of California. However, the recent trend from October through December 2009 shows an increase compared to October through December 2008 of 145 or 3.8%.

All Current Property Taxes

All Current Property Taxes are estimated to show a net positive variance to budget of \$4.3 million.

- *Property Taxes - Current Secured*

Current Secured Property Taxes are projected to be \$3.1 million higher than budget. While the actual assessed value (A.V.) declined by 2.8% compared to the projected A.V. decline of 2.5% that was used to calculate the budgeted current secured property taxes, other significant factors influence the total amount of these revenues. These include delinquency rates, amount of roll corrections and refunds, and the annual determination of the County's AB8 1% factor for property tax apportionment (which occurs subsequent to budget adoption). Based on year-to-date activity through apportionment six, the amount of corrections and refunds is expected to be higher than estimated in the budget and the delinquency rate is expected to be lower. In addition, the County's AB8 1% factor which was higher than the conservative estimate used for the budget. (Note: The 2.8% decline noted above represents only the net current secured property tax growth, which is different than the countywide overall decline published by the Assessor/Recorder/County Clerk on June 30, 2009 of 2.3%, which includes all assessed value components - secured and unsecured).

- *Property Taxes - Current Supplemental*

Current Supplemental Property Taxes are projected to be \$1.1 million higher than the \$0.3 million that was budgeted. This projection is based on collections through apportionment six and continued conservative estimates related to new construction and anticipated low turnover rates through Fiscal Year 2009-10. In Fiscal Year 2008-09, these revenues totaled \$2.5 million. The highest amount recorded in this account was \$31.0 million in Fiscal Year 2004-05.

- *Property Taxes - Current Unsecured*

Current Unsecured Property Taxes are projected to be \$0.1 million above 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. Although the final roll was actually 2.95% higher than the roll for Fiscal Year 2008-09, resulting in a first quarter projection of \$0.7 million above budget, subsequent refunds and tax roll corrections indicate that the revenue estimate for this account should be lowered.

Taxes Other Than Current Secured

Taxes Other Than Current Secured are anticipated to be \$6.6 million above budget.

- *Property Taxes Prior Secured Supplemental*

Property Taxes Prior Secured Supplemental is estimated to be \$0.4 million above the budgeted amount of \$2.6 million. This projection is based on the

projected rate of collections of supplemental property taxes related to prior year activity that is due and payable in Fiscal Year 2009-10 along with corrections in Fiscal Year 2009-10 involving prior year activity. In Fiscal Year 2008-09, these revenues totaled \$2.5 million. The highest amount recorded in this account was \$17.1 million in Fiscal Year 2005-06.

- *Property Taxes Prior Unsecured Supplemental*
Property Taxes Prior Unsecured Supplemental is estimated to be \$0.1 million below budget. This projection is based on the projected rate of collections of unsecured supplemental property taxes related to prior year activity that are due and payable in Fiscal Year 2009-10.
- *Sales and Use Tax*
A negative revenue variance of \$2.8 million is projected for Sales and Use Tax revenue based on payments from the State through January 2010 and cautious estimates for anticipated revenue through the remainder of Fiscal Year 2009-10.
- *Transient Occupancy Tax*
A negative revenue variance of \$1.0 million is estimated for Transient Occupancy Tax revenue based on year-to-date collections and recent trends. Fiscal Year 2009-10 first quarter collections were down considerably continuing the trend of lower than normal collections seen in the third and fourth quarters of Fiscal Year 2008-09.
- *Real Property Transfer Taxes*
A positive revenue variance of \$5.4 million is estimated for Real Property Transfer Taxes based on realized revenues for the first six months of Fiscal Year 2009-10 and also factors in the current year change in ownership, the anticipated level of new construction, and the cumulative impact these factors have on estimated revenue. This estimate is an increase from the cautious budgeted figure; however, it represents a \$1.1 million decrease from Fiscal Year 2008-09 actuals.
- *Teeter Tax Reserve Excess*
The Teeter Tax Reserve Excess is estimated to be approximately \$8.0 million above budget, based on current penalty and interest collections, available data on the outstanding receivable and projections through the end of the fiscal year. This estimate is also 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 2009-10, the

reserve requirement is \$30.7 million, a \$1.3 million decrease from the Fiscal Year 2008-09 requirement of \$32.0 million. Moreover, the 2009 Teeter buy-out was lower than anticipated, and all penalty and interest collections in Fiscal Year 2009-10 will be in excess of the reserve requirement.

- *In Lieu Local Sales and Use Taxes*

A negative revenue variance of \$1.1 million is estimated for In Lieu Local Sales and Use Taxes based on a lower growth rate calculated by the California Department of Finance (DOF) as identified in their August 31, 2009 letter to the County of San Diego (attributed to the continued slowing in sales and use tax revenues), combined with a negative true-up for Fiscal Year 2008-09.

- *Property Tax in Lieu of VLF*

Property Tax in Lieu of Vehicle License Fees (VLF) is projected to be \$0.4 million under the budgeted amount of \$309.2 million. The actual assessed value adjustment factor of negative 2.6% (which includes unsecured, local secured, current State non-unitary, and aircraft property tax components) for Fiscal Year 2009-10 is 0.2% lower than the adjustment rate used to calculate the budgeted revenue.

- *Teeter Property Tax Prior Year and Cumulative Prior Years*

A negative revenue variance of \$1.8 million is projected for collections from taxes receivable from the prior fiscal years because the delinquency rate in Fiscal Year 2008-09 was less than anticipated at the time that the Fiscal Year 2009-10 budget was developed. Moreover, collections through apportionment six are lower than what was estimated in the budget. Taxes paid after the fiscal year in which they are due are subject to both penalty and interest charges.

Licenses, Permits, and Franchises

Franchise payments are projected to be approximately \$0.8 million higher than budget. Beginning with this fiscal year, the restructured cable and video licenses are budgeted in the General Purpose Revenues rather than in the CATV Cable TV Media Public Relations Special Revenue Fund, which was dissolved last year. Based on a review of current revenues and projected revenues through year-end, cable and video licenses are expected to exceed the budgeted figure by \$0.8 million.

Fines, Forfeitures and Penalties

A net negative variance of \$0.8 million is projected. Penalties and Cost Delinquency Taxes are projected to be approximately \$0.9 million below budget. Staff will be monitoring the installment data closely and will be tracking collections through the end

of the fiscal year. Revenues in this account reflect the 10% penalty that is assessed on late current secured and unsecured property tax payments.

A positive variance of \$0.1 million is projected from fines and forfeitures collected through various code violations.

Revenue from Use of Money and Property

A net positive variance of \$1.8 million is projected for interest on deposits. This is in part due to receiving a slightly higher interest rate for the first and second quarter of Fiscal Year 2009-10 compared to what was used in the budget along with maintaining a slightly higher total pool compared to budgetary expectations.

Intergovernmental Revenues

A net positive variance of \$2.0 million is projected for intergovernmental revenues.

A positive variance of \$2.1 million is in the Aid from Redevelopment Agencies category. This is due to an incremental A.V. growth from participating redevelopment agencies with pass through agreements (California Health and Safety Code 33401), revenue growth from redevelopment agencies that fall under AB1290 Community Redevelopment Law Reform Act of 1993 (California Health and Safety Code 33607.5) and SB211 Redevelopment Indebtedness legislation (California Health and Safety Code 33607.7), as well as a current year increase in the number of contributing agencies under AB1290 and SB211. This projection assumes a reduction of \$1.4 million in redevelopment agency payments to the County resulting from the State's redirection of redevelopment funds to the 2009-10 Supplemental Educational Revenue Augmentation Fund (SERAF).

A negative variance of \$0.1 million is projected in State Aid HOPTR based on a slight decrease in the County's share of the claim for reimbursement for the Homeowner's Exemption (the ad valorem tax loss pursuant to subdivision (k) of Article XIII of the California Constitution).

Charges for Current Services

A net positive variance of \$0.8 million is projected, primarily from charges in the Road Fund as part of the roll-forward in the A-87 Cost Plan. The final figures from the cost plan were not available until after the budget was prepared.

General County Expenses

Cash Borrowing Program

A positive expenditure variance of \$2.7 million is projected. The savings are due to lower TRANs borrowing costs compared to budget for Fiscal Year 2009-10. At the time the budget was prepared, the size and terms of the TRANs borrowing had not been

finalized. The current low interest rate environment and the County's strong credit rating have reduced the borrowing cost and led to projected expenditure savings for Fiscal Year 2009-10.

Contingency Reserve

The entire \$20.0 million budgeted in the Contingency Reserve in Fiscal Year 2009-10 is expected to be unspent at year-end.

Countywide Exp. – General Misc. Expense

A positive revenue variance of \$0.3 million is projected. The over-realized revenues are due to an additional \$0.3 million related to the escheatment of money in County Trust Funds and from an unanticipated court settlement.

Lease Payments – Certificates of Participation – Capital Projects

A positive expenditure variance of \$1.0 million is projected from savings in lease payments made for the 1997 Central Jail Refunding (\$0.4 million), the 1999 East Mesa Refunding (\$0.1 million), the 2005 North & East Justice Facility Refunding (\$0.1 million), and the 2005 Regional Communication System (\$0.4 million). Total lease payments were lower than budgeted for these financings due to interest earning credits being higher than anticipated.

Internal Service Funds

Employee Benefits ISF - Workers Compensation & Unemployment Insurance

No overall variance is projected for the fund. Unemployment insurance costs are projected to exceed budget by \$2.5 million due to the nationwide increase in unemployment costs driven by the recession coupled with Federal action taken to extend unemployment benefits. The 2nd Quarter Operational Plan Status Report includes a recommendation to increase the ISF spending plan for unemployment insurance payments by \$2.5 million. The additional costs will be charged to departments. Anticipated savings in other salaries and benefits accounts will offset the additional charge.

Debt Service Funds

Pension Obligation Bonds (POBs)

No overall variance is projected for the fund.

A positive expenditure variance of \$1.8 million is projected as the result of interest expense savings of \$1.2 million and \$0.6 million in remarketing and auction agent fees due to the pre-payment of the outstanding \$100.0 million, 2008 Taxable Pension Obligation Bonds, Series B1-2 Variable Rate Demand Obligations, which was completed earlier than anticipated in the budget.

A negative revenue variance of \$1.8 million reflects a reduced charge to the departments because of the expenditure savings.