



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: March 1, 2011

##

TO: Board of Supervisors

SUBJECT: FISCAL YEAR 2010-11 SECOND QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS (DISTRICT: ALL)

SUMMARY:

Overview

This report summarizes the status of the County's Fiscal Year 2010-11 Operational Plan, as measured by projected year-end fund balance from current year operations. The projected balance for the General Fund is \$122.8 million, and for all budgetary funds combined is \$147.4 million. In the General Fund, positive balances are projected for all five groups. 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 for service of bench warrants and to amend the Sheriff's Jail Stores Internal Service Fund Spending Plan to provide additional operational costs related to the new e-commerce site.

In the Health and Human Services Agency, an adjustment is proposed to transfer appropriations for costs related to upgrading windows and repainting buildings at the San Pasqual Academy.

In the Land Use and Environment Group, significant adjustments include requests to cancel appropriations and related revenue for the Jamacha Boulevard Phase II Project due to the non-formation of an underground utility district and transfer appropriations from the Department of Public Works Detailed Work Program from Rubberized Emulsion Asphaltic Slurry Resurfacing and Asphalt Resurfacing to the Jamacha Boulevard Phase II Project. Other significant requests are submitted to establish appropriations for the Alpine Sanitation District to expedite sewer improvements on Alpine Boulevard and to cancel appropriations in the Capital Outlay Fund for the Otay Valley Regional Park Trail Improvements to provide funding for the Swiss Park Trail Connection and Improvements.

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In the Community Services Group, a recommendation would establish appropriations for improvements, library materials and project planning for the Bonita, Imperial Beach, Lincoln Acres and various other branch libraries and for minor equipment in various other library branches.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Accept the Fiscal Year 2010-11 second quarter report on projected year-end results.
2. Establish appropriations of \$640,000 in the Sheriff's Department, salaries and benefits, for service of bench warrants based on unanticipated revenue from the Sheriff's Warrant Automation Trust Fund. (4 VOTES)
3. Amend the Fiscal Year 2010-11 Sheriff's Jail Stores Internal Service Fund Spending Plan by \$400,000, services and supplies, to provide funds for additional operational costs related to the new e-commerce site based on unanticipated revenue from e-commerce sales.
4. Cancel appropriations of \$188,420.44 and related Operating Transfer from the General Fund in the Capital Outlay Fund for Capital Project 1011679, San Pasqual Academy Tech Center, to provide funds for upgrading windows and repainting buildings at the San Pasqual Academy.
5. Transfer appropriations of \$188,420.44 from the Contributions to Capital Outlay, Operating Transfer Out, to the Health and Human Services, Facilities Management, services and supplies, for costs related to upgrading windows and repainting buildings at the San Pasqual Academy.
6. Cancel appropriations of \$700,000 and related Operating Transfer from the General Fund in the Capital Outlay Fund for Capital Project 1009268, Otay Valley Regional Park Trail Improvements to provide funding for Capital Project 1014352, Swiss Park Trail Connection & Improvements.
7. Establish appropriations of \$700,000 in the Capital Outlay Fund for Capital Project 1014352, Swiss Park Trail Connection & Improvements, based on an Operating Transfer from the General Fund. (4 VOTES)
8. Cancel appropriations of \$12,000 and related Operating Transfer from the General Fund in the Capital Outlay Fund for Capital Project 1005259, Guajome Park Playground/Restroom/Dock Improvements to provide additional funding for the Guajome Regional Park Restroom project.
9. Establish appropriations of \$12,000 in the Capital Outlay Fund for Capital Project 1010407, Guajome Regional Park Restrooms, based on an Operating Transfer from the General Fund. (4 VOTES)

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10. Cancel appropriations of \$384,994.46 and related revenue from Proposition 12 Riparian and Riverine Habitat Program in the Capital Outlay Fund for Capital Project 1014256, Oak Country II Trail Project.
11. Establish appropriations of \$384,994.46 in the Capital Outlay Fund for Capital Project 1014256, Oak Country II Trail Project, based on revenue from Proposition 40 Per Capita Program grant funds. (4 VOTES)
12. Cancel appropriations of \$15,000 and related operating transfer from Landscape Maintenance District Zone No. 1 (LMDZ1) Fund in the Department of Parks and Recreation due to the need for the districts' resources to be redirected to pay unanticipated increases in water rates and usage at local parks.
13. Transfer appropriations of \$15,000 from Operating Transfer Out to services and supplies within the Landscape Maintenance District Zone No. 1 (LMDZ1) Fund to provide funds for increases in water rates in local parks.
14. Establish appropriations of \$40,000 in County Service Area 26 Rancho San Diego (CSA26), services and supplies, to provide funds for park maintenance based on fund balance available. (4 VOTES)
15. Cancel appropriations of \$4,421,000 and related revenue (Gas Tax (\$2,191,000), San Diego Gas & Electric Utility (Rule 20A funds) (\$1,330,000), AT&T (\$500,000), and Cox Communication (\$400,000)) in the Department of Public Works Detailed Work Program for the Jamacha Boulevard Phase II Project due to non-formation of an underground utility district.
16. Transfer appropriations of \$4,421,000 in the Department of Public Works Detailed Work Program from Rubberized Emulsion Asphaltic Slurry Resurfacing and Asphalt Resurfacing to the Jamacha Boulevard Phase II Project construction.
17. Establish appropriations of \$104,000 in the Department of Public Works Hillsborough Landfill Maintenance Fund, services and supplies, for routine and non-routine gas, stormwater, and groundwater operation and maintenance costs based on fund balance available. (4 VOTES)
18. Establish appropriations of \$400,000 in Alpine Sanitation District, for costs related to the Alpine Interceptor Sewer project, based on fund balance available (4 VOTES)
19. Establish appropriations of \$125,000 in Campo Sewer Area, services and supplies, for wastewater treatment improvements based on fund balance available. (4 VOTES)

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20. Amend the Fiscal Year 2010-11 Airport Enterprise Fund Spending Plan by transferring appropriations of \$100,000 from the Gillespie Field Taxiway - Reconstruction of C/D (taxiways Charlie and Delta) project to the Gillespie Field Access Road Project.
21. Establish appropriations of \$382,000 in the Library Fund, services and supplies, for improvements, library materials and project planning for the Bonita, Imperial Beach, Lincoln Acres and various other branch libraries (\$331,456) and for minor equipment in various other library branches (\$50,544), based on fund balance available. (4 VOTES) |

Fiscal Impact

The funds for this request are not budgeted. If approved, in the General Fund, this action will establish additional appropriations of \$640,000. The funding source is unanticipated revenue from the Sheriff's Warrant Automation Trust Fund.

In all other funds combined, these actions will cancel budgeted appropriations and the related funding sources in the amount of \$5,721,415 and will establish additional appropriations of \$2,547,994 resulting in a net decrease in appropriations of \$3,173,421. Funding sources include Sheriff's Jail Stores Internal Service Fund Spending Plan unanticipated revenue, Alpine Sanitation District fund balance, Campo Sewer Area fund balance, Library Fund fund balance, and miscellaneous other sources.

Business Impact Statement

N/A

Advisory Board Statement

N/A

BACKGROUND:

For the General Fund, the second quarter projection of year-end fund balance from current year operations is \$122.8 million. This projected one-time resource is a combination of expecting to end the year with General Purpose Revenue (GPR) above budget by \$7.0 million, along with a net positive variance of \$73.3 million from departmental operations and a positive variance of \$42.5 million in unspent contingency and management reserves. Although GPR is expected to be \$7.0 million above budget, this estimate is lower than the first quarter GPR estimate of \$16.0 million. The change in the projection is largely due to an adjustment made to Property Taxes – Current Secured based on a revised estimate of \$17.7 million in roll corrections and refunds attributed to several large multi-year commercial reassessments.

The projected balance for all other funds combined is \$24.6 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

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actual experience through December 2010 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 \$122.8 million is based on the estimate that expenditures will be a net \$237.4 million less than budgeted in the Fiscal Year 2010-11 Amended Budget and revenues will be a net \$114.6 million less than budgeted in the Fiscal Year 2010-11 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:

- \$51.0 million in net appropriation savings, predominantly in the Public Safety Group (PSG) 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 and department management of vacancies. Additional expenditures in PSG in the Department of Public Defender are associated with the expiration of a contract for Dependency Representation and staff remaining on the payroll for a period of time following the expiration of the contract to perform services.
- \$94.5 million in appropriation savings in services and supplies across the County.
 - In the Public Safety Group, a net positive expenditure variance of \$15.9 million is projected. Savings are anticipated in the Public Defender's Office due to a year-end expenditure accrual and reversal, cost avoidance from the consolidation of the indigent defense program and the establishment of controls to eliminate unnecessary costs, savings in Probation are projected as a result of efforts to reduce overall expenditures, savings in the Department of Child Support Services are primarily due to contract and lease/utility cost savings, and savings in the Public Safety Group Executive Office is primarily due to a spending delay for the tree removal grant while an Environmental Impact Report (EIR) is prepared, as well as funds not required to match grants and consultant contract cost savings.
 - In the Health and Human Services Agency, net expenditure savings of \$66.8 million are projected primarily in contracted services (e.g., in Behavioral Health Services related to un-awarded and delayed Mental Health Services Act (MHSA) contracts; in Alcohol and Drug Services due to un-awarded contracts; in Early Periodic Screening, Diagnosis and Treatment (EPSDT) services due to lower service levels than projected); in the Community Action Partnership program due to roll-over encumbrances that are now not needed and due to efforts to reduce spending; in Aging and Independence Services as a result of revised estimates of growth trends in In Home Supportive Services (IHSS) Individual Provider (IP) costs; in Public Health Services primarily due to reductions in contracts for Immunization services based on State funding reductions; in emergency appropriations for bio-terrorism; and in glide slope reserves. Additional expenditure requirements are anticipated due to additional information technology

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activity in Administrative Support; increased costs associated with County Medical Services, the Coverage Initiative, refugee services and other costs in Strategic Planning and Operational Support; and additional projected services and supplies costs at Polinsky Children's Center and the San Pasqual Academy in County Child Welfare Services.

- In the Land Use and Environment Group, a net positive expenditure variance of \$4.7 million is anticipated. Savings are in the Department of Planning and Land Use due to contracted services that were budgeted but not awarded related to a Cal Trans grant, contract service savings from multi-year implementation of the Business Case Management System (BCMS) and the Zoning Ordinance update which has been delayed pending completion of the General Plan update, and savings in abatements which will not be needed this fiscal year due to increased homeowner compliance. Savings are also in Environmental Health due to efforts to reduce expenditures and ensure that costs do not exceed revenue as well as savings due to the multi-year implementation of the Business Case Management System (BCMS) that will be re-budgeted and savings are in the Executive Office due to delays in several projects causing a decrease in projected use of consultant and contract services for business process reengineering. Additional expenditure requirements are projected in Agriculture, Weights and Measures attributable to additional costs related to the implementation of a mobile wireless upgrade for the Business Case Management System (BCMS) and additional management reports.
 - In the Community Services Group, savings are primarily in Housing and Community Development (HCD) due to the postponement of digitizing loan and grant documents, reduced fuel and vehicle maintenance costs, and lower than anticipated expenditures on multi-year projects.
 - In the Finance and General Government Group, savings are largely in the Auditor and Controller Department from pass through accounting for outside collection activity in Revenue and Recovery and in the Department of Human Resources due to positive claim experience associated with the County insurance policies and lower than anticipated expenses from the Workers' Compensation Internal Service Fund.
- \$48.7 million in appropriation savings in other charges primarily reflects net variances from budgeted caseload and aid payments in the Health and Human Services Agency. Spending is projected to be over budget in Public Health Services because of a requirement for additional support and care costs in the California Children's Services (CCS) program and in Behavioral Health Services associated with an increase in State support and care hospital rates. These costs are offset by savings in Regional Operations, mainly the result of revised caseload levels in Child Care Stage 1, and savings in Child Welfare Services based on revised estimates of caseload levels, growth trends, and unit cost per case for Foster Care and KinGap programs. In the Public Safety Group, savings are projected in the Contributions for Trial Courts to recognize the level of expenditures required to support the revenue sharing requirements of Government Code 77205, related to Trial Court funding. These savings are offset by additional expenditure requirements

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projected for Foster Care in the Probation Department. In the Community Services Group, savings are projected in Housing and Community Development due to lower than anticipated expenditures on multi-year projects. In addition, savings occur from lower than budgeted tax and revenue anticipation note (TRAN) borrowing costs in Finance Other and from savings in various lease payments from interest credits.

- \$1.3 million in appropriation savings primarily in the Health and Human Services Agency in operating transfers out to the In-Home Supportive Services (IHSS) Public Authority are 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.
- \$22.5 million in management reserves in the Health and Human Services Agency (\$20.0 million) and in the Community Services Group (\$2.5 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 \$114.6 million, \$123.7 million is within intergovernmental revenues and is largely the result of expenditure savings in caseload driven programs mentioned above. A contributing factor to the negative revenue variance is a change in projections for taxes current property. The change in the taxes current property projection is due largely to a revised estimate of \$17.7 million in roll corrections and refund adjustments attributed to several large multi-year commercial reassessments, compared to \$6.7 million projected for these adjustments in the first quarter. A positive revenue variance of \$23.6 million is expected in the following categories: taxes other than current secured (\$9.5 million); licenses permits and franchises (\$1.8 million); revenue from use of money and property (\$2.6 million); and miscellaneous revenue (\$9.7 million).

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

Fiscal Year 2010-11 Budget Adjustments

The budget adjustment recommendations in this letter are explained below.

Recommendation 2

This is a request to establish appropriations of \$640,000 in the Sheriff's Department based on revenue from the Sheriff's Warrant Automation Trust Fund. The funds will be used to conduct Bench Warrant Service Sweeps on overtime to serve bench warrants within the County. Revenues received in the Sheriff's Warrant Automation Trust Fund are based on assessments made pursuant to Penal Code Section 853 and Vehicle Code Section 40508 and are to be used to modernize and maintain the automated warrant system. If sufficient funds are available after appropriate expenditures to develop, modernize, and maintain the automated warrant system, a county may use the balance to fund a warrant service task force for the purpose of serving all bench warrants within the county.

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Recommendation 3

This request will amend the Sheriff's Jail Stores Internal Service Fund Spending Plan by \$400,000 for increased costs to provide commissary style goods, including food, snacks, stationary and personal care items for inmates. In Fiscal Year 2009-10, a new e-commerce site was implemented which provided an opportunity for friends and families to order commissary gift packs for inmates via the internet. This action is necessary due to an increased demand for these items through e-commerce.

Recommendations 4 & 5

On November 6, 2007 (8), the Board established appropriations of \$1,040,000 for Capital Project 1011679, San Pasqual Academy Tech Center for the construction of the San Pasqual Academy Technology and Career Information Center, to benefit the 100+ student residents at the San Pasqual facility. The project is complete and has been operational since July 2009. Today's recommendation will cancel the remaining appropriations of \$188,420.44 in the Capital Outlay Fund and transfer the balance to Health and Human Services, Facilities Management to provide funding for building improvements at the San Pasqual Academy in the form of upgrading windows and repainting buildings.

Recommendations 6 & 7

The Otay Valley Regional Park will represent one of the major open space areas within the southern area of San Diego County, linking south San Diego Bay with lower Otay Lake. The Department of Parks and Recreation completed stage one of the Otay Valley Regional Park (OVRP) project that included construction of trail connections and improvements in the OVRP. The second phase of the OVRP project is nearing completion and construction and development costs were lower than anticipated. Today's recommendation will cancel a portion of the remaining appropriations in the amount of \$700,000, based on an Operating Transfer from the General Fund in the Capital Outlay Fund and redirect those appropriations to the Swiss Trail project. It is anticipated that the OVRP project will be closed in the next quarter when remaining invoices have been paid. The development and construction of the Swiss Trail will connect the OVRP to the Bayshore Biking trail.

Recommendations 8 & 9

On December 7, 2010 (30) the Board authorized the transfer of appropriations of \$20,000 from Capital Project 1005259, Guajome Playground/Restroom/Dock Improvement to Capital Project 1010407, Guajome Regional Park Restroom to supplement existing project funds. The Guajome Playground/Restroom/Dock Improvement project is nearly complete and construction costs were lower than anticipated. Today's recommendation will cancel a portion of the remaining appropriations of \$12,000 in the Guajome Playground/Restroom/Dock Improvement and redirect those appropriations to the Guajome Regional Park Restroom project for costs related to additional Americans With Disabilities Act (ADA) features. These added ADA features will ensure compliance with federal law and allow all park visitors the opportunity to utilize the improvements. It is anticipated that the Guajome Playground/Restroom/Dock Improvement project will be closed in the next quarter when remaining invoices have been paid.

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Recommendations 10 & 11

On October 14, 2009 (10), the Board authorized to establish appropriations of \$452,154 in the Capital Outlay Fund for Capital Project 1014256, Oak Country II Trail project. The funding sources identified are Proposition 12 Riparian and Riverine Habitat (Prop 12 RRH) Program (\$424,994.46), an Operating Transfer from the General Fund (\$11,706.79) and Sale of Fixed Assets (SOFA) fund (\$15,452.75). The Department of Parks and Recreation inadvertently did not identify the correct grant funding source for this project. If approved, this action will cancel appropriations of \$384,994.46 based on grant fund revenue from Prop 12 RRH in the Capital Outlay Fund for Capital Project 1014256, Oak Country II Trail project and establish appropriations of \$384,994.46 in the Capital Outlay Fund for Capital Project 1014256, Oak Country II Trail based on Proposition 40 Per Capita grant funds.

Recommendations 12 & 13

The requested actions will cancel appropriations of \$15,000 and related operating transfer from the Landscape Maintenance District Zone No. 1 (LMDZ1) Fund in the Department of Parks and Recreation so that the LMDZI can redirect these funds to services and supplies. The additional appropriations are needed in LMDZI to for unanticipated increases in costs for water at local parks associated with recent increases in water rates and usage by local water districts.

Recommendation 14

The requested action will establish appropriations of \$40,000 in the County Service Area 26 Rancho San Diego (CSA26) based on fund balance available. This adjustment is necessary to cover unanticipated increases in water rates.

Recommendations 15 & 16

On September 29, 2010 (9) the Board approved advertising and awarding a construction contract for Jamacha Blvd Phase II. Subsequent to Board's approval, staff determined that the funding budgeted for this project was not available for utility undergrounding; rather the developer is responsible for the utilities undergrounding costs. Today's recommendations will replace the Gas Tax (\$2,191,000), San Diego Gas & Electric (\$1,330,000), AT&T (\$500,000) and Cox Communication (\$400,000) funding sources previously budgeted for the Jamacha Boulevard Phase II project with Proposition 1B funding until such time as the developer pays its portion. Proposition 1B funding is being made available through the reduction of the construction approved by the Board of Supervisors on October 20, 2010 (20) for the Rubberized Emulsion Asphaltic Slurry Resurfacing project and for the Asphalt Resurfacing project approved on July 14, 2010 (6). Award of these two projects is expected in late March.

Recommendation 17

This recommendation establishes appropriations of \$104,000 in the Hillsborough Landfill Maintenance Fund for increased costs associated with mitigation activities required by the Local Enforcement Agency for migrating landfill gas. Mitigation efforts include installation of new wellheads, wellfield adjustments and follow-up perimeter monitoring.

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Appropriations will also be used to repair the landfill gas collection system and flare, in accordance with state and local regulations, as well as fire suppression work. The funding source is Hillsborough Landfill Maintenance Fund available fund balance.

Recommendation 18

This recommendation establishes appropriations of \$400,000 in the Alpine Sanitation District for expedited sewer improvements on Alpine Boulevard to be funded with available fund balance. The segment of sewer requiring improvements is located above the planned placement of underground electrical transmission lines within the Sunrise Powerlink construction site. The improvements and relocation of the sewer line is necessary before the installation of underground transmission lines to avoid negative impacts on the sewer line from the Powerlink construction. These additional appropriations are needed to complete the project.

Recommendation 19

This recommendation establishes appropriations of \$125,000 in Campo Sewer Area based on available fund balance, for increased project costs, related to design, contract support, and construction management costs of the Campo Treatment Plant process improvements. The construction contract portion of this project was included in the Department of Public Works General Fund Fiscal Year 2010-11 Operational Plan and was funded with one-time Fiscal Year 2009-10 General Fund fund balance available.

Recommendation 20

This recommendation amends the Airport Enterprise Fund Spending Plan by reducing remaining appropriations and related Airport Enterprise Fund available fund balance for the Gillespie Field Taxiway - Reconstruction of C/D (taxiways Charlie and Delta) project, which has been completed, and transferring these funds to the Gillespie Field Access Road project for design and environmental work.

Recommendation 21

This recommendation establishes appropriations of \$382,000 for projects and equipment supporting improvements at several library branches. This request includes appropriations for library materials and equipment supporting the new construction at the Lincoln Acres Library Branch (\$200,000), improvements at the Bonita Branch Library (\$46,456), planning and implementing improvements at the Imperial Beach Branch Library as well as various other branch libraries (\$85,000). The remaining appropriations will support the purchase of minor equipment such as motorized library book drop carts needed for the steep inclines at the La Mesa Branch and other minor equipment in various other libraries (\$50,544).

In Fiscal Year 2009-10, Supervisor Cox allocated a total of \$371,456 in Neighborhood Reinvestment funding for these District 1 branches. Project schedules prevented completion of those projects in the prior fiscal year. This recommendation supports those projects by appropriating funding received from the Neighborhood Redevelopment Project in Fiscal Year 2009-10 along with Library Fund available fund balance.

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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 2010-11 Operational Plan 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

REQUIRES FOUR VOTES: Yes No

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED
 Yes No

PREVIOUS RELEVANT BOARD ACTIONS:

November 6, 2007 (8) San Pasqual Academy – Approve Third Amendment to Operating and Lease Agreement and Sublease for Housing Construction and Transfer Appropriations for School Improvements; October 14, 2009 (10) Establish Appropriations for Improvement of Trails in El Monte Park and Oak Country II/Ramona Grasslands Preserve and Approve the Oak Country II/Ramona Grasslands Preserve Trail Project; September 29, 2010 (9) Advertise and Award Contract for Construction of Jamacha Boulevard Phase II Road Improvements, Use of Utility Undergrounding Agreements, and Change Orders for Jamacha Boulevard Phase I Road Improvements, in Spring Valley; August 3, 2010 (27) County of San Diego Fiscal Year 2010-11 Adopted Budget Resolution for Family of Funds, Enterprise Funds and Internal Services Funds, Prior Year Encumbrances and Penalty Assessment Resolution; and December 7, 2010 (30) Fiscal Year 2010-11 First Quarter Operational Plan Status Report and Budget Adjustments.

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

MANDATORY COMPLIANCE:

N/A

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

N/A

ORIGINATING DEPARTMENT: Chief Financial Officer

OTHER CONCURRENCE(S): N/A

CONTACT PERSON(S):

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COUNTY OF SAN DIEGO
NOTES TO SCHEDULES A and B
Fiscal Year 2010 -11 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 established 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 \$2.7 million is projected for the Department of Child Support Services.

A net positive expenditure variance of \$1.2 million is projected. A positive variance of \$0.6 million is projected in salaries and benefits due to salary savings and under-

filled positions. A positive variance of \$0.6 million is projected in services and supplies primarily due to cost savings in contracts and lease/utility costs.

A net positive revenue variance of \$1.5 million is projected due to funds that will be received in advance for expenditures that overlap the new fiscal year.

Contributions for Trial Courts

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

A positive expenditure variance of \$1.5 million is projected. A positive variance of \$0.3 million is projected due to savings in utilities and facilities maintenance costs. A positive variance of \$1.2 million is projected 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 \$0.9 million in fines, forfeitures & penalties to recognize the anticipated levels of revenues to be received and a \$0.6 million decrease in charges for current services. The decrease in charges for current services is comprised of \$0.4 million in Traffic School Fines and a reduction of \$0.2 million in Other Court Costs revenues. Overall economic conditions continue to impact the revenues received by the County to support the statutory Contribution to Trial Courts.

District Attorney

A net positive variance of \$6.5 million is projected for the District Attorney's Office.

A net positive expenditure variance of \$6.3 million is projected. This variance is due to anticipated savings in salaries and benefits of \$7.1 million due to normal attrition and savings from modified and vacant positions. This is offset by a negative expenditure variance of \$0.8 million 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 attributable to unanticipated revenue for the Organized Automobile Insurance Fraud Program of \$0.8 million and the Worker's Compensation Insurance Fraud Program of \$0.3 million. This is offset by negative variances in the Vehicle License Fee receipts for the Local Safety Protection Account awarded through CalEMA for the High Technology Prosecution Program of \$0.7 million and the Vertical Prosecution Block Grant of \$0.2 million. These programs have been extended, but the District Attorney is still waiting for the final awards from CalEMA.

Probation

A net positive variance of \$0.2 million is projected for the Probation Department.

A net positive expenditure variance of \$0.9 million is projected. This is comprised of a \$1.5 million positive variance in salaries and benefits due to staff vacancies. A \$0.9 million positive variance in services and supplies is projected as a result of efforts made to reduce overall expenditures. These are offset by a negative variance of \$1.5 million in other charges, due to increased rates for Foster Care costs.

A net negative revenue variance of \$0.7 million is projected. Due to a projected increase in Vehicle License Fee receipts to the Local Safety Protection Account, a positive variance of \$1.0 million is projected in the Juvenile Probation Programs and Camps Funding. A positive variance of \$2.9 million is projected for the Youthful Offender Block Grant due to revised state allocations supporting these services. Title IV-E and Federal Foster Care revenue is projected to be \$1.0 million under budget due to less staff time being claimed to this activity and reductions in federal rates. Funds for SB618, the Prisoner Reentry Program, are projected to be \$1.5 million under budget due to revised state allocations. Additionally, funds related to various ARRA programs are projected to be \$0.6 million under budget due to program performance periods that extend over multiple years. The department will rebudget these funds in the CAO Proposed Fiscal Year 2011-13 Operational Plan. The Cost of Supervision account for collections is projected to be under-realized by \$0.3 million and Work Crew Fees are projected to be under-realized by \$0.6 million, primarily due to the economic situation. Revenue for the Offender Treatment Program is projected to be under-realized by \$0.4 million due to the elimination of State funding for this program. An additional \$0.2 million will be under-realized in various other revenue sources.

Public Defender

A net positive variance of \$5.6 million is projected for the Public Defender.

A net positive expenditure variance of \$4.9 million is projected. A negative variance of \$2.1 million is projected in salaries and benefits due to Dependency Representation contract staff remaining on the payroll for a period of time following the expiration of the contract with the State to perform this service, the unforeseen need to utilize temporary help, and the hiring of staff in advance of anticipated vacancies and positions. A positive variance of \$7.0 million in services and supplies includes \$3.3 million savings due to cost avoidance from the consolidation of the indigent defense program and the establishment of controls to eliminate unnecessary costs. The variance also includes savings for death penalty costs of \$1.0 million that will be included as a requested rebudget of funds in the CAO Proposed Fiscal Year 2011-13 Operational Plan and a positive variance of \$2.7 million related to an adjustment for a year-end expenditure accrual made in error and later reversed in the current fiscal year. The expenditure variance in salaries and benefits will be mitigated by planned transfers of appropriations from services and supplies.

A net positive revenue variance of \$0.7 million is projected due to over-realized revenue for the Fiscal Year 2008-09 Sexually Violent Predators state mandate reimbursement claim and a prior year Dependency Representation contract payment that was received in the current year.

Public Safety Group Executive Office

A net positive variance of \$4.1 million is projected for the Public Safety Group Executive Office.

A positive expenditure variance of \$7.0 million is projected in services and supplies primarily due to a \$4.8 million spending delay, for the tree removal grant while an Environmental Impact Report (EIR) is prepared (these funds will be rebudgeted in the CAO Proposed Fiscal Year 2011-13 Operational Plan). The positive variance is also due to \$0.8 million in funds not required to match grants, \$0.4 million projected savings in consultant contracts, \$0.3 million in projected savings in facility maintenance costs and \$0.1 million in projected savings in various accounts in the Public Safety Group Executive Office. An additional \$0.6 million variance represents funds to prepare a vegetation management EIR which will also be rebudgeted in the CAO Proposed Fiscal Year 2011-13 Operational Plan.

A negative revenue variance of \$2.9 million is projected. A negative revenue variance of \$4.8 million is projected due to the delayed expenditures noted above and will be included as a request to rebudget funds next fiscal year. This is offset by a positive revenue variance of \$1.9 million for additional revenues in rents and concessions. These funds were not included in the budget as part of a multi-year plan to reduce budgeted revenues which will no longer be received when these properties transfer to the State.

Sheriff

The Sheriff's Department projects a net positive variance of \$12.5 million.

A positive expenditure variance of \$15.7 million is projected. Salaries and benefits are projected to be \$15.3 million under budget due to salary savings as a result of 111 vacant positions (45 sworn and 66 vacant professional staff). This projection includes expected new hires of 85 sworn staff from forthcoming academies, 38 professional staff, and 65 retirements/ departures, for a net increase of 58 staff by the end of the fiscal year. A positive expenditure variance of \$0.2 million is projected in services and supplies primarily due to savings for medicines, drugs and pharmaceuticals as a result of the department's shift to generic drugs and projected savings in minor equipment. A positive expenditure variance of \$0.2 million is projected in other charges that are used to support inmate medical care.

A net negative revenue variance of \$3.2 million is projected. Positive variances of \$0.2 million in Local Detention Facility revenue (Booking Fees) and \$0.2 million in COPS Program AB 3229 revenue (Brulte) are due to a projected increase in Vehicle License Fee Receipts in the Local Safety Protection Account. A positive variance of \$0.5 million is projected in Recovered Expenditures due to reimbursements from CAL FIRE for firefighting helicopter response on State land and an increase in pharmaceutical rebates for inmates in the jails. This is offset by a projected negative variance of \$0.3 million in State Criminal Alien Assistance Program (SCAAP) due to a decrease in Federal funding

available for this program. A negative variance of \$0.9 million is projected in Jail Bed Leasing due to decreased jail bookings by the City of San Diego. A negative variance of \$2.1 million is projected in Contract City Revenue due to reduced law enforcement services for contract cities. A negative variance of \$0.7 million is projected in the Institutional Care State account, due to a decrease in the number of State parolees being housed in the detention facilities. An additional negative variance of \$0.1 million is due to projected budget shortfalls in a number of other miscellaneous revenue categories.

Special Revenue Funds

Sheriff's Inmate Welfare Fund

A net positive variance of \$1.0 million is projected for the Inmate Welfare Fund. A positive expenditure variance of \$0.4 million is projected in fixed assets due to the determination that the replacement of certain equipment can be delayed. This is augmented by a positive revenue variance of \$0.6 million in recovered expenditures from a reimbursement from the Grossmont Union High School District for contracted educational services.

Proposition 172

A positive variance of \$7.8 million is projected for the Proposition 172 Special Revenue Fund. In Fiscal Year 2010-11, it appears that these revenues, which are closely tied to economic activity, have begun to stabilize. Current year revenues are projected to be \$7.8 million greater than budget due to the combination of the revenues in Fiscal Year 2010-11 being budgeted below Fiscal Year 2009-10 actual amounts and a current year increase in the county's prorata share of statewide sales tax receipts.

HEALTH AND HUMAN SERVICES AGENCY (HHSA)

General Fund

HHSA is projecting an overall positive fund balance of \$36.8 million. The economy remains sluggish while there are continuing caseload and service pressures. The Agency is projecting Realignment revenues at Fiscal Year 2009-10 levels, which is an increase of \$5.3 million over the Fiscal Year 2010-11 budgeted amount. However, HHSA will monitor projections throughout the year. The Agency continues to manage these financial and caseload challenges through its multi-phase "Economic Reality Plan" which holds positions vacant, and brings spending into alignment with available funding for Fiscal Year 2010-11 and to prepare for the Fiscal Year 2011-12 Operational Plan.

Administrative Support

Administrative Support 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 \$27.0 million is projected for Administrative Support. The variance is the result of \$32.6 million in expenditure savings and \$5.6 million in projected under-realized revenues.

The positive expenditure variance of \$32.6 million includes \$0.6 million in salaries and benefits due to vacant positions, \$12.0 million in services and supplies, and a projected year-end balance of \$20.0 million in management reserves which are held for operating contingencies during the year. The \$12.0 million savings in services and supplies is comprised of \$7.5 million budgeted for bio-terrorism emergencies and \$5.0 million budgeted as glide slope reserves that are not expected to be required, offset by \$0.5 million in additional requirements in various services and supplies categories, primarily related to higher than anticipated information technology activity.

The negative revenue variance of \$5.6 million includes \$7.5 million of unsecuritized tobacco settlement revenue that is projected to not be recognized because the bio-terrorism appropriations are expected to be unspent, offset by \$1.4 million of additional Realignment revenue and \$0.5 million of miscellaneous revenues.

Aging and Independence Services

A net positive variance of \$2.9 million is projected for Aging & Independence Services, comprised of \$29.4 million in expenditure savings offset with \$26.5 million in projected under-realized revenues.

The positive expenditure variance of \$29.4 million includes savings of \$1.4 million in salaries and benefits due to vacant positions, \$26.7 million in savings in services and supplies, and \$1.3 million in operating transfers out. The \$26.7 million savings in services and supplies is mainly the result of lower estimated growth trends in In-Home Supportive Services (IHSS) Individual Provider (IP) costs. The \$1.3 million savings in operating transfers out for In Home Support Services-Public Authority is related to health benefit costs being less than anticipated.

The negative revenue variance of \$26.5 million is mainly due to lower projected expenditures in IHSS as discussed above.

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.

A zero net variance is projected for Behavioral Health Services.

The positive expenditure variance of \$30.6 million includes savings of \$1.8 million in salaries and benefits throughout Behavioral Health Services due to vacant positions and \$29.4 million in services and supplies, offset by a \$0.6 million negative variance in other charges, primarily associated with an increase in State support and care hospital rates. The \$29.4 million of savings in services and supplies includes \$19.7 million in un-

awarded Mental Health Services Act (MHSA) contracts, \$5.6 million in Early Periodic Screening Diagnosis and Treatment (EPSDT)/Medi-Cal services due to lower service levels than budgeted, and \$5.2 million in Alcohol and Drug Services due to un-awarded contracts in Short Doyle and Drug Medi-Cal services, offset by a \$1.1 million negative variance for Psychiatric Hospital expenses for temporary contract help and fee-for-service inpatient hospital costs.

The negative revenue variance of \$30.6 million is primarily associated with expenditure savings in MHSA and EPSDT/Medi-Cal and Drug Medi-Cal services.

County Child Welfare Services

A net positive variance of \$4.8 million is projected for County Child Welfare Services (CCWS), comprised of \$31.2 million in expenditure savings offset by \$26.4 million in under-realized revenues.

The positive expenditure variance of \$31.2 million includes \$5.6 million in salaries and benefits due to vacant positions and \$26.9 million in other charges due to revised estimates of caseload levels, growth trends, and unit cost per case in aid payments for Foster Care and KinGap. The savings are offset by a \$1.3 million negative variance in services and supplies, primarily associated with rolled-over encumbrance issues from previous fiscal year for the Polinsky Children's Center and unanticipated cost for trailers at the San Pasqual Academy.

The negative revenue variance of \$26.4 million is associated with the expenditure savings primarily for assistance payments; the match is not required and is reflected as under-realized revenue including realignment.

Public Administrator/Public Guardian

A negative variance of \$0.4 million is projected for Public Administrator/ Public Guardian. This is the result of \$0.4 million in projected under-realized revenues due to continued declining estate fees.

Public Health Services

A net positive variance of \$1.0 million is projected for Public Health Services. The variance is the result of \$0.3 million in expenditure savings and \$0.7 million in over-realized revenue.

The positive expenditure variance of \$0.3 million includes savings of \$0.1 million in salaries and benefits due to vacant positions and \$1.0 million in services and supplies offset by \$0.8 million in other charges due to a requirement for additional support and care costs in the California Children's Services (CCS) program. The \$1.0 million in services and supplies is due to reductions in contracts for Immunization services based on State funding reductions.

The positive revenue variance of \$0.7 million is due to a \$3.1 million decrease in CCS, CHDP and Immunization funding resulting from State budget cuts and the State cap on

the amount to be contributed to CCS, offset by increases of \$3.8 million in the Communities Putting Prevention to Work (Maternal Child and Family Health) program, CHIP AB75 Health Education allocation, Ryan White Care Act funding, Tuberculosis Control funding and 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 \$1.5 million is projected for Regional Operations. The variance is the result of \$16.1 million in expenditure savings offset with \$14.6 million in under-realized revenue.

The positive expenditure variance \$16.1 million includes savings of \$5.8 million in salaries and benefits due to vacant positions and \$3.2 million in services and supplies, which includes \$2.3 million in Community Action Partnership due to rollover encumbrances that are not needed and another \$0.9 million throughout Regional Operations in an effort to reduce spending to align with available revenue. An additional savings of \$7.1 million is in other charges, mainly the result of revised caseload levels in Child Care Stage 1.

The negative revenue variance of \$14.6 million is associated with the decrease of expenditures, of which a significant amount is for Child Care Stage 1.

Strategic Planning and Operational Support

A zero net variance is projected for Strategic Planning & Operational Support.

The negative expenditure variance of \$4.1 million includes savings of \$0.1 million in salaries and benefits offset by \$4.2 million in services and supplies. The \$4.2 million additional requirement in services and supplies is primarily due to increased costs associated with the County Medical Services, the Coverage Initiative, refugee services and other various services. No additional appropriations are necessary since savings are available in other program areas in the department to meet these expenditures.

The positive revenue variance of \$4.1 million includes an increase of \$2.7 million related to the increased expenditure for County, Medical Services, the Coverage Initiative and \$1.4 million in various other revenues, primarily in the refugee services allocation.

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.

Special District Funds

Ambulance Districts

A positive revenue variance of \$0.5 million is projected for the ambulance special district. This is comprised of a negative variance of \$0.3 million due to lower than anticipated property tax collections offset by a positive variance of \$0.8 million due to higher than anticipated ambulance transport fees from residents, resulting from new fee rates implemented in July, 2010.

LAND USE AND ENVIRONMENT GROUP (LUEG)

General Fund

Agriculture, Weights & Measures

A net positive variance of \$0.8 million is projected for the Department of Agriculture, Weights and Measures.

A net positive expenditure variance of \$0.7 million is projected. Savings of \$1.3 million in salaries and benefits is mainly due to vacancies. This is offset by a \$0.6 million negative variance in services and supplies. This negative variance is mainly due to \$0.4 million in additional costs related to the implementation of a mobile wireless upgrade for the Business Case Management System (BCMS), as well as additional management reports, and \$0.2 million in miscellaneous services and supplies accounts.

A net positive revenue variance of \$0.1 million is projected. This is primarily due to \$0.3 million over-realization of Unclaimed Gas Tax subvention, a \$0.1 million Light Brown Apple Moth state contract for the Plant Health and Pest Prevention program, and \$0.1 million in fines and penalties. These positive revenue variances are offset by a negative variance of \$0.4 million in revenue for state contracts, that is coming in lower than budget.

Environmental Health

A net positive variance of \$3.9 million is projected for the Department of Environmental Health.

A positive expenditure variance of \$4.5 million is projected. Savings of \$2.6 million in salaries and benefits is due to on-going vacancies, delays in hiring and under-filling positions and freezing positions. Savings of \$1.9 million in services and supplies consists of \$1.2 million due to the multi-year implementation of the Business Case Management System (BCMS) that will be re-budgeted, \$0.5 million in consultant contracts for projects that span several fiscal years that will be re-budgeted and \$0.2 million related to closely monitoring spending activities to ensure costs do not exceed revenue.

A net negative revenue variance of \$0.6 million is projected. This variance consists of over-realized revenue of \$0.5 million in Hazardous Materials Permit fees and \$0.9 million in Food Establishment Permit fees as a result of fee adjustments that include the cost of external overheads that are not part of budgeted revenue. This is offset by a shortfall of \$1.5 million from the Vector Control Trust Fund primarily associated with salaries and benefits and services and supplies savings in the Vector Control program, because revenue is only drawn from the Vector Trust Fund for actual costs incurred. In addition, a shortfall of \$0.3 million in Recovered Expenditures is due to fewer than anticipated land use projects related to the continued economic downturn and \$0.2 million in State funding due to projects that span several fiscal years that will be re-budgeted in the next fiscal year.

Land Use and Environment Group Executive Office (LUEG)

A net positive variance of \$1.5 million is projected for the LUEG Executive Office.

A net positive expenditure variance of \$1.7 million is projected. Savings of \$0.9 million in salaries and benefits is a result of vacancies and temporary help. Savings of \$0.8 million in services and supplies is due to delays in several projects causing a decrease in projected use of consultant and contract services for business process reengineering and final close outs of federal claiming programs. As a result, savings for the consultant contracts will be re-budgeted in the next fiscal year.

These savings are offset by a shortfall of \$0.2 million in operating transfers in, which will not be received as anticipated.

Department of Parks and Recreation

A net positive variance of \$0.2 million is projected for the Department of Parks and Recreation.

A positive expenditure variance of \$0.3 million in salary and benefits is due to vacant positions.

A negative revenue variance of \$0.1 million is projected. This variance is due to a revenue shortfall of \$0.2 million in charges for current services resulting from the delayed completion of the Sweetwater Summit Campground project which will result in reduced occupancy at the campground. This is offset with higher than anticipated revenues of \$0.1 million in other miscellaneous accounts.

Planning and Land Use

A net positive variance of \$3.0 million is projected for the Department of Planning and Land Use.

A positive expenditure variance of \$5.4 million is projected. Savings of \$2.7 million in salaries and benefits is mainly due to positions in Project Planning that are being held vacant due to a decreased workload during this economic downturn. Savings of \$2.5 million in services and supplies is due to appropriations that will not be spent as a result

of a Caltrans grant that was budgeted but not awarded, contracted services savings related to the Zoning Ordinance update which has been delayed pending approval of the General Plan Update and forced abatements which will not be needed this fiscal year due to increased homeowner compliance. Savings of \$0.2 million in expenditure transfer & reimbursements consists of GIS services to general fund departments. It is anticipated that \$2.6 million of the \$3.0 million projected fund balance will be re-budgeted related to one-time only funding for Building Fire Re-Build Fee Waivers, Zoning Ordinance consultant, Code Enforcement backlog and abatements.

A net negative revenue variance of \$2.4 million is due to less than anticipated revenue from charges for current services resulting from a decreased workload in Project Planning (\$1.9 million) and a grant from Caltrans (\$0.5 million) that was not awarded.

Special Revenue Funds

Park Land Dedication Ordinance

A net positive variance of \$0.5 million is projected for the Park Land Dedication Ordinance due to greater than anticipated revenue for park land dedication fees.

Public Works - Road Fund

A net positive variance of \$2.5 million is projected for the Road Fund.

A net positive expenditure variance of \$7.1 million is projected. Projected savings of \$2.9 million in salaries and benefits is due to vacant, under-filled and frozen positions, the elimination of temporary help and the reduction in cash overtime in Land Development and other Road Fund programs. Savings of \$4.2 million is projected in services and supplies due to cancelled encumbrances for completed projects in the Detailed Work Program (\$3.6 million), as well as cancelled encumbrances for trash collection in Roads (\$0.5 million) and reductions in drafting supplies and equipment rental in Land Development (\$0.1 million).

A negative net revenue variance of \$4.6 million is projected due to the completion of construction projects in the Detailed Work Program at less than budgeted cost, as noted above (\$3.6 million). TransNet revenue is projected to be under-realized by \$0.9 million due to projects that have been completed under budget. Revenue from use of money and property is projected to be under-realized by \$0.1 million due to vacant rental properties and a decrease in interest on developer deposits.

Public Works - Inactive Waste Site Management

A net positive variance of \$0.6 million is projected for the Inactive Waste Site Management Fund.

A net positive expenditure variance of \$0.7 million is projected due to savings of \$0.2 million in salaries and benefits from the reclassification of the LUEG Program Manager Position and projected savings of \$0.5 million in services and supplies due to

cancellation of carry forward encumbrances for groundwater, stormwater and gas contracts.

A net negative revenue variance of \$0.1 million is projected. Revenue from use of money and property is projected to be under-realized by \$0.1 million due to vacant landfill residential buffer properties. Charges for current services is projected to be under-realized by \$0.1 million due to unanticipated grant revenue used to offset expenditures in the Environmental Trust Fund. These are offset \$0.1 million in projected over-realized Intergovernmental revenue for unanticipated grant revenue from the California Integrated Waste Management Board for Alpine and Jacumba Mitigation Projects.

Internal Service Funds

Public Works

A net positive variance of \$0.2 million is projected in the Public Works Equipment Acquisition Internal Service Fund.

A positive expenditure variance of \$0.7 million is projected. Projected savings of \$0.6 million in other charges is due to mandated emissions equipment for retrofitted vehicles not being fully depreciated at the time of purchase. Projected savings of \$0.1 million in capital assets equipment is due to reduced acquisition costs.

A negative revenue variance of \$0.5 million is projected. Under-realized revenue of \$0.6 million in the acquisition funds corresponds to the savings related to emissions equipment noted above. This is offset by \$0.1 million of over-realized revenue in the Operations Fund due to increased usage rates.

Enterprise Funds

Public Works – Airports

A net positive variance of \$1.2 million is projected for the Airport Enterprise Fund.

A net positive expenditure variance of \$1.3 million is projected. Salaries and benefits savings of \$0.2 million is due to vacancies and a decrease in cash overtime. Savings of \$0.2 million in services and supplies is projected due to lower than anticipated expenditures for major maintenance projects. Savings of \$0.9 million is projected in capital assets due to a decrease in work for capital projects that will not receive full grant funding this fiscal year (Fallbrook Airpark RSA, \$0.4 million; Gillespie Field Transient Ramp Bridge, \$0.2 million), and projects that have been completed (Gillespie Field Taxiway Charlie/Delta \$0.2 million; Palomar Airport Rehabilitation of Runway 6/24, \$0.1 million). This offset by a negative revenue variance of \$0.1 million in various miscellaneous revenue accounts.

Public Works - Liquid Waste

A net positive variance of \$0.5 million is projected in the Wastewater Enterprise Fund.

A positive expenditure variance of \$0.7 million is projected. Projected savings of \$0.3 million in salaries and benefits is due to vacancies and under-filled positions. Projected savings of \$0.4 million in services and supplies is due to decreased personnel related costs (safety clothing and devices, use of vehicles, small tools and equipment) and decreased interfund rental and laboratory services costs.

A negative revenue variance of \$0.2 million is projected in charges for services due to reduced staff charges in sanitation projects.

Special District Funds

Air Pollution Control District

A net positive variance of \$4.2 million is projected for the Air Pollution Control District (APCD). APCD has nine funds: Air Pollution Control Operations Fund (Operations) and eight incentive program funds. A zero net variance is projected in Operations and a \$4.2 million positive variance is projected in the incentive program funds.

A net positive expenditure variance of \$9.5 million is projected. Projected savings of \$1.4 million in salaries and benefits is due to staff retirements, turnover and vacancies. Projected savings of \$8.9 million in other charges and operating transfers includes: \$1.6 million in the Air Quality Power General Mitigation Fund and the Air Quality School Bus Program related to funds encumbered at the end of Fiscal Year 2009-10 which are no longer needed; \$4.1 million in the Air Quality State Moyer Program and Air Quality Goods Movement Emissions Reduction Match Fund due to the inability to find eligible projects that can be completed on time, savings will be re-budgeted in Fiscal Year 2011-12; \$2.7 million in the Air Quality Improvement Trust Fund due to a decrease in the amount of required matching funds for mobile source incentive projects and \$0.5 million in operating transfers out related to administrative support costs for mobile source incentive programs which will also be re-budgeted next fiscal year. These savings are offset by a negative variance of \$0.8 million in services and supplies due to higher than anticipated costs related to improvements in system functionality and the implementation of a newly available information system (\$0.5 million), unbudgeted costs related to special projects for the State that will be offset by an equal amount in revenue (\$0.2 million), and the remaining variance of \$0.1 million that is spread among various other accounts.

A net negative revenue variance of \$5.3 million is projected. A negative variance of \$1.0 million in licenses, permits and fees is projected due to a higher than anticipated decline in operating permits related to the economic downturn. This shortfall will be mitigated through a second quarter recommendation to transfer of \$0.7 million from the Air Quality Improvement Trust Fund, savings realized from the decreased amount of required matching funds for mobile source incentive projects. The negative variance of \$4.5 million in intergovernmental revenue is comprised of \$3.9 million in the Air Quality State Moyer Program due to the inability to find eligible projects that can be completed by the end of this fiscal year, and \$0.6 million in the Air Quality School Bus Program as

these incentive funds will not be received due to the cancellation of encumbrances as discussed above. This negative revenue variance is partially offset by a positive variance of \$0.2 million due to the increased services provided to other governmental agencies.

Public Works - Sanitation Districts

A net positive variance of \$0.9 million is projected in the Sanitation Districts.

A projected positive expenditure variance of \$1.0 million in services and supplies is due to decreased labor for sanitation projects funded thru internal agreements.

A projected net negative revenue variance of \$0.1 million is due to decreased interest on deposits and investments of \$0.2 million offset by an increase of \$0.1 million in sanitation service connection fees for new customers.

COMMUNITY SERVICES GROUP (CSG)

General Fund

Animal Services

A positive variance of \$0.4 million is projected for Animal Services.

This is due to anticipated savings of \$0.3 million in salaries and benefits as a result of staff turnover and vacant positions. Savings of \$0.1 million in services and supplies is based on current expenditure trends.

Community Services Group Executive Office

A positive variance of \$2.7 million is projected for the Community Services Group Executive Office. This includes a favorable variance of \$0.1 million in salary and benefits due to a vacant position and a projected year-end balance of \$2.6 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 \$0.6 million is projected for the Housing and Community Development (HCD) Department. The department is composed of two major activities, Housing and Community Development, which contains staff and operations, and Housing and Community Development Multi-Year Projects, which are funded through inter-governmental (mainly Federal) loans and grants for community development and affordable housing projects.

Housing and Community Development

A net positive variance of \$0.6 million is projected for Housing and Community Development.

A positive expenditure variance of \$1.0 million includes anticipated savings of \$0.4 million in salaries and benefits and \$0.7 million in services and supplies offset by a \$0.1 million negative variance in cost reimbursement from other agencies. The variance in salaries and benefits is due to savings from vacancies from employee turnover and normal delays in recruiting and hiring. The positive variance in services and supplies is due to the postponement of a special project to digitize loan and grant documents (\$0.3 million) and savings in various accounts such as fuel usage and vehicle maintenance costs. The negative expenditure variance in cost reimbursement from other agencies is due to less than anticipated Mental Health & Substance Abuse Program case referrals from HHSA.

A negative revenue variance of \$0.4 million is projected and is directly tied to the operating expenditure savings noted above.

Housing and Community Development Multi-Year Projects

No net variance is projected for HCD Multi-Year Projects. The net positive expenditure variance of \$16.4 million is offset by a projected negative revenue variance of \$16.4 million. Community Development projects eligible to receive funding are budgeted to facilitate the multi-year project cost expenditure request process. Revenues are projected to equal expenses as project costs are 100% revenue offset.

Registrar of Voters

A net positive variance of \$4.1 million is projected for the Registrar of Voters.

A positive expenditure variance is due to projected savings of \$0.4 million in capital assets due to lower than expected expenditures for the purchase of mail ballot-processing equipment.

A net positive variance of \$3.7 million in revenue is projected. This variance consists of over-realized revenue of \$5.0 million received in the current fiscal year from the State for the May 19, 2009 Statewide Special Election. This is offset by under-realized revenue of \$0.3 million in Help America Vote Act (HAVA) grant revenue that is directly tied to the expenditure savings stated above for the purchase of mail ballot-processing equipment and \$1.0 million in charges for current services due to lower than anticipated billing for the November 2, 2010 election as the result of fewer participating jurisdictions.

Special Revenue Funds

San Diego County Library

A net positive variance of \$0.4 million is projected for the San Diego County Library.

A positive expenditure variance of \$0.6 million is projected. A \$0.3 million savings in salaries and benefits is projected based on holding vacancies to reduce costs, along with a \$0.2 million savings in various services and supplies accounts. In addition, there is a projected year-end balance \$0.5 million in management reserves, which are held

for operating contingencies during the year. These savings are offset by an increase in fixed asset costs of \$0.4 million related to the new Fallbrook and Ramona libraries.

A net negative variance of \$0.2 million in revenues is projected. This reduction is due to shortfalls of \$0.4 million in fees from public printing and other library services offset by \$0.2 million in higher than anticipated revenue from unsecured property taxes.

Internal Service Funds (ISFs)

Facilities Management

A net negative variance of \$0.1 million is projected for the Facilities Management ISF. Staff plans to mitigate the projected unfavorable variance by managing expenses to the anticipated revenue levels.

A net positive variance of \$7.3 million in expenses is projected. Savings of \$0.9 million in salaries and benefits is due to staff vacancies. Projected savings in services and supplies of \$6.8 million is due to a number of categories: contract costs as a result of the erroneous carry forward of encumbrances at year end (\$2.4 million), postage costs associated with less than anticipated mail services requirements and a shifting workload associated with Court tickets/statements being printed and mailed out from Sacramento (\$0.7 million), lower utilities costs (\$3.4 million), real estate services specialty/appraisal consultant contracts (\$0.2 million) and vehicle maintenance services in maintenance operations (\$0.1 million); offset by an over-expenditure in California Energy Commission loan debt service payments of \$0.4 million.

A net negative revenue variance of \$7.4 million is projected. A projected negative variance of \$6.3 million in charges for current services is due to less than anticipated maintenance, utilities, contract and mail services requirements (\$10.1 million) from the General Fund, Library Fund, Fleet Internal Service Fund, and Road Fund, offset by anticipated over-realized revenue from Trial Courts, Capital Outlay Fund and third party reimbursements (\$3.8 million) associated with contract services costs reimbursement, project management labor reimbursement and SDG&E Partnership energy project administration costs reimbursements. A positive variance of \$0.4 million is projected for intergovernmental revenues due to higher than budgeted reimbursements for ARRA grant projects (\$0.7 million) offset by less than anticipated reimbursement for maintenance services from the State AOC (\$0.3 million). A negative variance in other financing sources of \$1.3 million is due to anticipated lower reimbursement of labor costs related to Major Maintenance projects and a negative variance of \$0.2 million in miscellaneous revenues due to real estate and project management services.

Major Maintenance

No net variance is projected for the Major Maintenance ISF.

A positive variance of \$21.7 million in expenses is projected. Anticipated savings of \$20.5 million in services and supplies and \$1.2 million in operating transfers out (amounts that would have been paid for project management services) is due to delays

in commencing new projects. Since costs incurred in this fund are reimbursed by operating departments, these project delays will result in a projected negative revenue variance in charges for current services of \$21.7 million.

Fleet Management

A net favorable variance of \$1.7 million is projected for the Fleet Management ISF.

A projected positive variance of \$6.7 million in expenses is the result of savings of \$0.2 million in salaries and benefits due to staff vacancies, \$1.7 million in services and supplies primarily due to less demand for vehicle fuel by Fleet customers, \$4.7 million in capital assets associated with the less than anticipated purchases of replacement vehicles and a \$0.1 million projected year-end balance in management reserves, which are held in the department for operating contingencies during the year.

A net negative revenue variance of \$5.0 million is projected. Charges for services are projected to be \$4.8 million under budget, due to less than anticipated fuel costs, maintenance/repair requirements, and equipment acquisitions by clients in the General Fund (\$3.8 million) and Internal Service Funds (\$1.0 million). Also, interest earnings are projected to be under budget by \$0.5 million based on current interest rates and cash balances in the fund. Finally, positive variances are anticipated from other financing sources due to the sale of salvaged vehicles (\$0.2 million) and from third party recoveries in accidents (\$0.1 million).

Purchasing and Contracting

A net negative variance of \$0.7 million is projected for the Purchasing and Contracting ISF. Purchasing and Contracting is maintaining two vacant positions and delaying the hiring for other vacancies to help mitigate the projected revenue shortfall. It is anticipated that any continuing shortfall will be addressed in the third quarter and funded by Purchasing & Contracting ISF available fund balance.

A net positive variance of \$0.5 million in expenses is projected for Purchasing and Contracting ISF. This variance is due to a \$0.4 million in salary savings from turnover and managed vacancies and \$0.1 million in services and supplies due to unanticipated delay in the start of a project to publish County contracts on the intranet.

A net negative revenue variance of \$1.2 million is projected based on the continuing reduced trend in countywide overall spending and reduced rebate revenues from the County P-Card program.

Other County Funds

San Diego County Redevelopment Agency

A net positive variance of \$0.7 million is projected for the County Redevelopment Agency.

A positive expenditure variance of \$1.1 million is projected. This includes \$0.4 million in expenditure reductions to mitigate the revenue shortfall discussed below. The remaining \$0.7 million savings in housing set aside funds.

A negative revenue variance of \$0.4 million is projected of which \$0.3 million is due to lower than anticipated property tax revenue and \$0.1 million in other financing sources. The latter variance is a negative variance in transfers of housing set-aside funds due to the property tax increment revenue shortfall.

FINANCE AND GENERAL GOVERNMENT GROUP

General Fund

Assessor/Recorder/County Clerk

A net positive variance of \$1.1 million is projected for the Assessor/Recorder/County Clerk.

A positive expenditure variance of \$0.8 million is projected in salaries and benefits due to departmental vacancies. A positive revenue variance of \$0.3 million is projected in SB 2557 Property Tax System Administration revenue due to greater than anticipated cost recovery associated with administering the property tax program.

Auditor and Controller

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

A positive expenditure variance of \$2.4 million is projected. Salaries and benefits savings of \$1.7 million are projected due to staff vacancies and under-filled positions. Savings of \$0.7 million in services and supplies are due to the pass through accounting for outside collection activity in Revenue and Recovery.

A net negative revenue variance of \$0.4 million is projected due in part to a negative variance of \$0.3 million in miscellaneous revenue associated with Revenue and Recovery pass through accounting for outside collection activity, which is directly attributable to the expenditure savings described above. A negative variance of \$0.2 million is projected in Revenue and Recovery collections due to poor economic conditions, partially offset by a positive variance of \$0.1 million in SB 2557 Property Tax System Administration revenue due to greater than anticipated cost recovery associated with administering the property tax program.

Clerk of the Board of Supervisors

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

A positive expenditure variance of \$0.1 million is due to projected savings in salaries and benefits as a result of vacant positions. A positive revenue variance of \$0.2 million is due to over-realized passport application fee revenue.

County Counsel

A net positive variance of \$0.2 million is projected for County Counsel.

A positive expenditure variance of \$0.7 million is projected due to unanticipated retirements and unfilled vacancies. A negative revenue variance of \$0.5 million is projected due to a decrease in workload associated with land use projects, Road Fund and Inactive Waste projects.

Human Resources

A net positive variance of \$0.3 million is projected for the Department of Human Resources.

The positive expenditure variance of \$0.6 million is projected due to savings in salaries and benefits of \$0.2 million from unfilled vacancies and savings of \$0.4 million in services and supplies due to positive claims experience associated with the County insurance policies and lower than anticipated expenses from the Workers' Compensation Internal Service Fund.

A negative revenue variance of \$0.3 million is projected due to lower than anticipated reimbursement from the Workers' Compensation Internal Service Fund.

Treasurer/Tax Collector

A positive variance of \$0.4 million is projected for the Treasurer-Tax Collector, primarily due to greater than anticipated cost recovery associated with administering the property tax program.

GENERAL PURPOSE REVENUE & COUNTYWIDE EXPENSES

A net positive variance of \$31.9 million is projected for these two categories combined, comprised of an estimated additional \$7.0 million in General Purpose Revenue (GPR) compared to budget (\$961.4 million projected vs. \$954.4 million budgeted) and a \$24.9 million net positive variance in General County Expense activities. While the anticipated improvement in GPR is a positive sign, it is lower than the First Quarter Status Report projection. The discussion below provides more detail on the change between the first and second quarter. Moreover, it is important to note that the projected amount of \$961.4 million is still \$21.9 million below the actual GPR received in Fiscal Year 2009-10 (\$983.3 million), \$59.1 million below the actual GPR received in Fiscal Year 2008-09 (\$1.02 billion), and \$28.5 million below the actual for Fiscal Year 2007-08 (\$989.9 million).

General Purpose Revenue

The U.S. economy suffered through a very deep recession beginning in December 2007 and ending in June 2009. The national recession, 2008 credit crises, and negative trends in the financial markets, housing and construction, and consumer and business

to business sales continued to impact San Diego and the rest of Southern California in 2009 and 2010. The County's GPR, particularly revenue related to property transactions, has been 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 past 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. 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 revenue funding sources. For Fiscal Year 2010-11, the economic news is expected to improve slowly. 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 2010 and December 2010 was 10.6%, with a December 2010 rate of 10.1%. This compares to a State of California average unemployment rate of 12.4% for the same 12 month period, with a December 2010 rate of 12.3%.
- Unadjusted local point of sales tax revenues improved by 4.8% for the July through September 2010 period in the unincorporated area compared to the same time period in 2009. For that same time period, sales tax revenues improved at the statewide level by an estimated 3.7%, southern California region by 3.7% and San Diego regional level by 4.4%. This increase is attributed to the early stages of recovery, which supports various economists' projections of a moderate recovery beginning in 2010 and improving in 2011.
- There are mixed signals in the housing market in the County:
 1. Small improvement in deeds recorded (up 0.5% for January through December 2010 compared to the same time period for 2009);
 2. Increase in median housing prices (up 0.9% in the San Diego region for December 2010 compared to December 2009);
 3. Decline in the number of homes sold for January through December 2010 compared to January through December 2009 (San Diego region down 6.3%);
 4. Improvement in notices of default (35.2% fewer for January through December 2010 compared to the same time period for 2009);
 5. Improvement in foreclosure activity (the number of foreclosures has decreased 13.0% for January through December 2010 compared to the same time period for 2009).

Current Property Taxes – All Categories

The three categories of Current Property Taxes combined are estimated to show a net negative variance to budget of \$0.6 million.

- *Property Taxes - Current Secured*
Current Secured Property Taxes are projected to be \$0.4 million higher than budget. The budgeted current secured property taxes assumed a local

secured assessed value decline of 2.35%, but the actual assessed value (AV) declined by only 1.66%. In addition, delinquency rates are anticipated to be better than budget based on Fiscal Year 2009-10 year-end experience and year-to-date trends. Further, the adjusted AB8 factor for property tax apportionment for all taxing entities in the county shows a marginal improvement in the share of property taxes for the County's general fund compared to the budgeted factor. The first quarter assumption for roll corrections and refunds used the budgeted level of roll corrections and refunds and factored in activity through apportionment three. Based on roll corrections and refunds through apportionment six (including adjustments for the San Diego Expressway LP) and items that are expected to be processed between now and fiscal closing (including Camp Pendelton and Quantico Housing LLP Properties and other anticipated multi-year adjustments) it is likely that roll corrections and refunds are going to exceed the amounts projected in the budget substantially. (Note: The 1.66% decline stated above represents the change in the AV for only the secured roll, which is different than the countywide overall decline published by the Assessor/Recorder/County Clerk on June 28, 2010 of 1.56%, which includes all assessed value components - secured and unsecured).

- *Property Taxes - Current Supplemental*

Current Supplemental Property Taxes are projected to be \$0.6 million lower than the \$3.0 million that was budgeted, but a slight improvement from the first quarter. This projection is based on collections through apportionment six and estimates related to new construction and anticipated low turnover rates through Fiscal Year 2010-11. In Fiscal Year 2009-10, these revenues totaled \$1.9 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 \$0.4 million below 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. However, the current unsecured roll actually declined by 3.68%. Unlike the secured roll, the unsecured roll does not build on a prior year base.

Taxes Other Than Current Secured

Taxes Other Than Current Secured are anticipated to be \$9.5 million above budget.

- *Property Taxes Prior Secured Supplemental*

Property Taxes Prior Secured Supplemental is estimated to be \$2.2 million above the budgeted amount of \$2.0 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 2010-11 along with corrections in Fiscal Year 2010-11 involving prior year activity. In Fiscal Year

2009-10, these revenues totaled \$4.4 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 \$0.15 million above 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 2010-11.
- *Sales and Use Tax*
A positive revenue variance of \$0.7 million is projected for Sales and Use Tax revenue based on payments from the State through January 2011 and cautious estimates for anticipated revenue through the remainder of Fiscal Year 2010-11.
- *Other Tax Aircraft Unsecured*
A positive revenue variance of \$0.4 million is estimated for Other Tax Aircraft Unsecured based on outstanding open charges, year-to-date collections, and recent trends.
- *Real Property Transfer Taxes*
A positive revenue variance of \$1.0 million is estimated for Real Property Transfer Taxes based on realized revenues for the first six months of Fiscal Year 2010-11 as well as data regarding current year change in ownership and the anticipated level of new construction. This estimate is an increase from the conservatively budgeted figure; however, it represents only a \$0.1 million increase from Fiscal Year 2009-10 actuals.
- *Teeter Tax Reserve Excess*
The Teeter Tax Reserve Excess is estimated to be approximately \$6.5 million above budget, based on current penalty and interest collections and available data on the outstanding receivables 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). The 2010 Teeter buy-out of \$88.8 million was lower than the 2009 Teeter buy-out of \$122.8 million. For Fiscal Year 2010-11, the reserve requirement is \$22.2 million, an \$8.5 million decrease from the Fiscal Year 2009-10 requirement of \$30.7 million. All penalty and interest collections in Fiscal Year 2010-11 will be in excess of the reserve requirement. The \$6.5 million positive projection is made as of apportionment six and is cautious given collection fluctuations that can occur during the rest of the year.
- *In Lieu Local Sales and Use Taxes*

A positive revenue variance of \$0.6 million is estimated for In Lieu Local Sales and Use Taxes based on a higher growth rate calculated by the California Department of Finance (DOF) for Fiscal Year 2010-11 as identified in their August 31, 2010 letter to the County of San Diego.

- *Property Tax in Lieu of VLF*

Property Tax in Lieu of Vehicle License Fees (VLF) is projected to be \$1.8 million above the budgeted amount of \$301.8 million. The actual assessed value adjustment factor of negative 1.69% (which includes unsecured, local secured, current State non-unitary, and aircraft property tax components) for Fiscal Year 2010-11 is 0.58% better than the adjustment rate used to calculate the budgeted revenue (negative 2.27%).

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

A negative revenue variance of \$3.9 million is projected for collections from taxes receivable from the prior fiscal years because the delinquency rate in Fiscal Year 2009-10 was less than anticipated at the time that the Fiscal Year 2010-11 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 \$0.3 million higher than budget. Beginning in Fiscal Year 2009-10, the restructured cable and video licenses have been budgeted in General Purpose Revenue rather than in the Cable TV Media and Public Relations Special Revenue Fund, which was dissolved. 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 \$0.3 million.

Fines, Forfeitures and Penalties

A net negative variance of \$1.4 million is projected. Penalties and Cost Delinquency Taxes are projected to be approximately \$1.4 million below budget. Revenues in this account reflect the 10% penalty that is assessed on late current secured and unsecured property tax payments. A significant reason for the lower than budgeted revenues is the lower than expected delinquency rate as noted above in the paragraph regarding current secured property taxes.

Revenue from Use of Money and Property

A net negative variance of \$0.2 million is projected for interest on deposits. The second quarter interest rate was lower than projected and the projected interest rate outlook for the balance of the fiscal year is anticipated to remain lower than what was budgeted.

Intergovernmental Revenues

A net negative variance of \$0.4 million is projected for intergovernmental revenues.

A negative variance of \$0.4 million is in the Aid from Redevelopment Agencies category. This is due to lower tax sharing revenue payments from participating redevelopment agencies with contractual agreements (California Health and Safety Code 33401), lower revenue 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). This projection assumes a reduction in redevelopment agency payments to the County resulting from the State's redirection of redevelopment funds to the 2010-11 Supplemental Educational Revenue Augmentation Fund (SERAF).

General County Expenses

Cash Borrowing Program

A positive expenditure variance of \$4.4 million is projected. The savings are due to a lower tax and revenue anticipation note (TRAN) borrowing cost compared to budget for Fiscal Year 2010-11. At the time the budget was prepared, the size and terms of the TRAN 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 2010-11.

Contingency Reserve

The entire \$20.0 million budgeted in the Contingency Reserve in Fiscal Year 2010-11 is expected to be unspent at year-end.

Internal Service Fund

Public Liability Internal Service Fund

A negative variance of \$0.8 million is projected for the Public Liability Internal Service Fund.

A \$1.2 million negative variance is projected due to unanticipated settlement expenses. This is partially offset by a positive expenditure variance of \$0.4 million in projected services and supplies due to legal services charged to funding sources outside of the Public Liability Internal Service Fund. The Office of County Counsel plans to mitigate the projected negative expenditure variance by continuing its diligence with respect to the settlement values of cases and pursuing all potential legal remedies that may improve litigation and settlement positions. Sufficient fund balance exists to mitigate the projected negative expenditure variance if the situation does not improve in the current fiscal year.

**FY 2010-2011 2nd Quarter
Projected Year-End Results**
(in thousands)

COUNTY SUMMARY

	Expenditure Variance	Revenue Variance	2nd Quarter FY10-11 Projected Fund Balance
	Favorable/(Unfavorable)		
General Fund			
Public Safety	\$ 37,800	\$ (5,809)	\$ 31,991
Health & Human Services Agency	136,121	(99,332)	36,790
Land Use & Environment	12,680	(3,178)	9,502
Community Services	20,828	(13,058)	7,770
Finance & General Government	5,376	(474)	4,902
Total Agency/Group	<u>212,806</u>	<u>(121,851)</u>	90,955
General Purpose Revenue	0	6,995	6,995
Finance Other	24,663	221	24,884
Total General Fund	<u>\$ 237,469</u>	<u>\$ (114,634)</u>	<u>\$ 122,835</u>
Special Revenue Funds			
Public Safety	\$ 381	\$ 8,525	\$ 8,907
Health & Human Services Agency	3,300	0	3,300
Land Use & Environment	7,816	(4,234)	3,582
Community Services	634	(213)	421
Total Special Revenue Funds	<u>\$ 12,131</u>	<u>\$ 4,079</u>	<u>\$ 16,210</u>
Capital Program			
Finance Other	0	(98)	(98)
Internal Service Funds Departments			
Public Safety Group	\$ 0	\$ 0	\$ 0
Health & Human Services Agency	0	0	0
Land Use & Environment	652	(497)	155
Community Services	36,365	(35,424)	940
Finance & General Government	0	0	0
Finance Other	(784)	0	(784)
Total Internal Service Funds	<u>\$ 36,232</u>	<u>\$ (35,921)</u>	<u>\$ 311</u>
Enterprise Fund Departments			
Land Use & Environment	\$ 2,025	\$ (288)	\$ 1,738
Special District Funds Departments			
Public Safety Group	\$ 56	\$ (50)	\$ 5
Health & Human Services Agency	0	507	507
Land Use & Environment	10,577	(5,412)	5,165
Total Special District Funds	<u>\$ 10,633</u>	<u>\$ (4,955)</u>	<u>\$ 5,678</u>
Other County Funds Departments			
LUEG - Debt. Svc. Local Boards	\$ 0	\$ 0	\$ 0
Community Svcs. - Redevelopment Agencies	1,099	(394)	705
Finance Other - Majestic Pines	0	0	0
Total Other County Funds	<u>\$ 1,099</u>	<u>\$ (394)</u>	<u>\$ 705</u>
Debt Service - Pension Obligation Bonds	\$ 5	\$ (5)	\$ 0
Total County Projected Operating Balance	<u>\$ 299,595</u>	<u>\$ (152,216)</u>	<u>\$ 147,380</u>

**FY 2010-2011 2nd Quarter
Projected Year-End Results**

(in thousands)

PUBLIC SAFETY GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY10-11 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Child Support	\$ 1,204	\$ 1,540	\$ 2,744
Contributions for Trial Courts	1,500	(1,470)	30
Defense Attorney Contract Admin.	0	0	0
District Attorney	6,347	174	6,520
Emergency Services	58	55	113
Law Enforcement Review Board	25	0	25
Medical Examiner	259	(25)	233
Probation	873	(659)	214
Public Defender	4,870	721	5,590
Public Safety Executive Office	6,954	(2,894)	4,061
Sheriff	15,711	(3,250)	12,461
Total General Fund	\$ 37,800	\$ (5,809)	\$ 31,991

Special Revenue Funds Departments

District Attorney (Asset Forfeiture - State & Federal)	0	68	68
Probation - Asset Forfeiture	18	16	35
Probation - Inmate Welfare Program	0	0	0
Sheriff - Asset Forfeiture	0	1	1
Sheriff - Inmate Welfare Program	363	627	990
Public Safety - Proposition 172	0	7,814	7,814
Total Special Revenue Funds	381	8,525	8,907

Internal Service Funds Departments

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

Special District Funds

Sheriff (Regional 800 MHz)	0	1	1
County Service Area	56	(52)	4
Total Group Projected Fund Balance	\$ 38,237	\$ 2,666	\$ 40,903

**FY 2010-2011 2nd Quarter
Projected Year-End Results**

(in thousands)

HEALTH & HUMAN SERVICES AGENCY

Expenditure Variance	Revenue Variance	2nd Quarter FY10-11 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Programs

Administrative Support	\$ 32,568	\$ (5,610)	\$ 26,957
Aging & Independence Services	29,436	(26,482)	2,954
Behavioral Health Services	30,619	(30,619)	0
Child Welfare Services	31,237	(26,377)	4,859
Public Administrator/Public Guardian	43	(432)	(389)
Public Health Services	265	690	955
Regional Operations	16,086	(14,632)	1,454
Strategic Planning & Operational Support	(4,132)	4,132	0
Total General Fund	\$ 136,121	\$ (99,332)	\$ 36,790

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	0	507	507
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Total Health & Human Services Agency	\$ 139,421	\$ (98,824)	\$ 40,597
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**FY 2010-2011 2nd Quarter
Projected Year-End Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY10-11 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Agriculture, Weights & Measures	\$ 689	\$ 149	\$ 839
Environmental Health	4,489	(556)	3,933
Land Use & Environment Group Exec Office	1,739	(213)	1,526
Parks & Recreation	309	(152)	158
Planning & Land Use	5,454	(2,407)	3,047
Public Works	\$ 0	\$ 0	\$ 0
Total General Fund	\$ 12,680	\$ (3,178)	\$ 9,502

Special Revenue Funds Departments

A,W & M (Grazing and Fish & Game Commission)	0	0	0
Parks & Recreation - PLDO	3	493	496
DPW - Aviation Funds	0	0	0
DPW - Road Funds	7,116	(4,580)	2,536
DPW - Inactive Waste	696	(146)	550
Total Special Revenue Funds	7,816	(4,234)	3,582

Internal Service Funds Departments

Public Works - DPW Equip. ISF Prg. (35525-35700)	652	(497)	155
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Enterprise Funds Departments

Airport Enterprise Fund	1,322	(81)	1,241
Liquid Waste Enterprise Fund	703	(206)	497
Total Enterprise Funds:	2,025	(288)	1,738

Special District Funds Departments

Air Pollution Control District	9,493	(5,246)	4,247
Parks and Recreation	53	(49)	4
Planning and Land Use - CSAs	0	0	0
DPW - Sanitation Districts & Sewer Maintenance	993	(79)	914
DPW - CSAs	0	0	0
DPW - PRDs	0	0	0
DPW - Flood Control	0	0	0
DPW - Street Lighting Districts	38	(38)	0
Total Special Districts Funds:	10,577	(5,412)	5,165

Other County Funds Departments

Debt Service-Local Boards	0	0	0
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Total Land Use & Environment Group	\$ 33,751	\$ (13,609)	\$ 20,142
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**FY 2010-2011 2nd Quarter
Projected Year-End Results**

(in thousands)

COMMUNITY SERVICES GROUP

Expenditure Variance	Revenue Variance	2nd Quarter FY10-11 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Animal Services	\$ 408	\$ 38	\$ 446
Community Services Group Exec Office	2,666	0	2,666
General Services	0	0	0
Housing & Community Development	17,398	(16,807)	591
Purchasing & Contracting	0	0	0
Library Services	0	0	0
Registrar of Voters	356	3,712	4,068
Total General Fund	\$ 20,828	\$ (13,058)	\$ 7,770

Special Revenue Funds Departments

Library Services	634	(213)	421
Housing & Community Development	0	0	0
Total Special Revenue Funds	634	(213)	421

Internal Service Funds Departments

Facilities Management	7,315	(7,372)	(57)
Major Maintenance ISF	21,778	(21,778)	0
Fleet Management	6,741	(4,999)	1,742
Purchasing & Contracting	531	(1,275)	(744)
Total Internal Service Funds	36,365	(35,424)	940

Other County Funds Departments

Redevelopment Agency	1,099	(394)	705
Total Community Services Group	\$ 58,925	\$ (49,088)	\$ 9,837

**FY 2010-2011 2nd Quarter
Projected Year-End Results**

(in thousands)

**FINANCE & GENERAL GOVERNMENT
GROUP**

Expenditure Variance	Revenue Variance	2nd Quarter FY10-11 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Assessor/Recorder/County Clerk	\$ 868	\$ 279	\$ 1,147
Auditor & Controller	2,404	(439)	1,965
Board of Supervisors	286	0	286
CAC-Major Maintenance	0	0	0
Chief Administrative Officer	224	0	224
Civil Service Commission	11	0	11
Clerk of the Board of Supervisors	100	200	300
County Communications Office	16	3	20
County Counsel	773	(578)	195
County Technology Office	0	0	0
Finance & GG Exec Office	0	0	0
Grand Jury	16	0	16
Human Resources	638	(313)	325
Treasurer-Tax Collector	40	374	414
Total General Fund	\$ 5,376	\$ (474)	\$ 4,902

Internal Service Funds Departments

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

\$ 5,376	\$ (474)	\$ 4,902
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**FY 2010-2011 2nd Quarter
Projected Year-End Results**

(in thousands)

**GENERAL PURPOSE REVENUE &
FINANCE OTHER**

Expenditure Variance	Revenue Variance	2nd Quarter FY10-11 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund

General Purpose Revenue:

All Current Property Taxes	\$ 0	\$ (623)	\$ (623)
All Other Taxes-Local	0	9,459	\$ 9,459
Licenses, Permits & Franchises	0	256	\$ 256
Fines, Forfeitures & Penalties	0	(1,443)	\$ (1,443)
Revenue for Use of Money & Property	0	(248)	\$ (248)
Intergovernmental Revenue	0	(405)	\$ (405)
Charges for Current Services	0	0	\$ 0
Miscellaneous Revenue	0	(0)	\$ (0)

Total General Purpose Revenue

\$ 0	\$ 6,995	\$ 6,995
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General County Expenses:

Cash Borrowing Program	\$ 4,400	\$ 0	\$ 4,400
Community Enhancement	0	0	0
Contingency Reserve	20,000	0	20,000
Lease Payments - Capital Projects	0	0	0
Contributions to the Capital Outlay Fund	263	(8)	256
Contributions to Library Fund	0	0	0
Neighborhood Reinvestment Program	0	0	0
Countywide Expenses	(0)	229	229

Total Finance Other Expenses

\$ 24,663	\$ 221	\$ 24,884
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Total General Fund

\$ 24,663	\$ 7,216	\$ 31,880
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Capital Program Funds

Capital Program	\$ 0	\$ (98)	\$ (98)
Total Capital Program Funds	\$ 0	\$ (98)	\$ (98)

Internal Service Funds Departments

Workers Compensation	\$ 0	\$ 0	\$ 0
Unemployment Insurance	0	0	0
Public Liability	(784)	0	(784)
Total ISF Funds	(784)	0	(784)

Other County Funds Departments

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

Pension Obligation Bonds	\$ 5	\$ (5)	\$ 0
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**Total General Purpose Revenue & Finance
Other**

\$ 23,884	\$ 7,113	\$ 30,998
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**FY 2010-2011 2nd Quarter
Projected Year-End Results**
(in thousands)

Schedule B

Category	Projected Management & Contingency Reserves	Projected Operating Balances	2nd Quarter FY10-11 Projected Fund Balance
	Favorable/(Unfavorable)		
General Fund			
Public Safety	\$ 0	\$ 31,991	\$ 31,991
Health and Human Services Agency	20,000	16,790	36,790
Land Use and Environment	0	9,502	9,502
Community Services	2,550	5,220	7,770
Finance & General Government	0	4,902	4,902
Agency/Group Totals	\$ 22,550	\$ 68,405	\$ 90,955
General Purpose Revenue	0	6,995	6,995
General County Expenses	0	4,884	4,884
Contingency Reserve	20,000	0	20,000
Total Gen'l. Purpose Rev. & Gen'l. County Exp.	\$ 20,000	\$ 11,880	\$ 31,880
Total General Fund	\$ 42,550	\$ 80,285	\$ 122,835



Air Pollution Control Board
San Diego County Air Pollution Control
District

Governing Body

GREG COX
First District

DIANNE JACOB
Second District

PAM SLATER-PRICE
Third District

RON ROBERTS
Fourth District

BILL HORN
Fifth District

AGENDA ITEM

DATE: March 1, 2011

##

TO: Air Pollution Control Board

SUBJECT: FISCAL YEAR 2010-11 SECOND QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS (DISTRICT: ALL)

SUMMARY:

Overview

This report recommends budget adjustments to the Air Pollution Control District Operations Fund due to a decrease in revenue from operating permits resulting from the economic downturn.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Transfer appropriations of \$700,000 within the Air Quality Improvement Trust Fund from Contributions to Others to Operating Transfer Out to provide funding for operational costs in the Air Pollution Control District Operations Fund due to lower than anticipated permit revenue.
2. Cancel appropriations of \$700,000 and related revenue in the Air Pollution Control District Operations Fund, services and supplies, due to a reduction of operating permit revenue which has resulted from the economic downturn.
3. Establish appropriations of \$700,000 in the Air Pollution Control District Operations Fund, services and supplies, based on an operating transfer from the Air Quality Improvement Trust Fund. (4 VOTES) |

Fiscal Impact

The funds for this request are included in the Fiscal Year 2010-11 Operational Plan. If approved, this request will transfer budgeted revenue of \$700,000 in Fiscal Year 2010-11 from the Air Quality Improvement Trust Fund to the Air Pollution Control District Operations Fund due to a revenue shortfall in the Air Pollution Control District Operations Fund. There will be no change in net General Fund cost and no additional staff years.

Business Impact Statement

**SUBJECT: FISCAL YEAR 2010-11 SECOND QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS (DISTRICT: ALL)**

N/A

Advisory Board Statement

N/A

BACKGROUND:

If approved, this request will cancel appropriations of \$700,000 in services and supplies and related revenue in the Air Pollution Control District Operations Fund and re-establish appropriations of \$700,000 based on an operating transfer from the Air Quality Improvement Trust Fund. The Air Pollution Control District Operations Fund has experienced a revenue decrease in operating permit activity resulting from the economic downturn. This transfer is necessary to support ongoing operational costs in the fund.

Linkage to the County of San Diego Strategic Plan

Today's proposed actions support the Safe and Livable Communities Strategic Initiative in the County of San Diego's 2010-2015 Strategic Plan by protecting the public from the harmful effects of air pollution, achieve and maintain air quality standards.

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

ATTACHMENT(S)

None

SUBJECT: FISCAL YEAR 2010-11 SECOND QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS (DISTRICT: ALL)

AGENDA ITEM INFORMATION SHEET |

REQUIRES FOUR VOTES: Yes No

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED
 Yes No

PREVIOUS RELEVANT BOARD ACTIONS:

August 3, 2010 (AP01) ADOPTION OF FISCAL YEAR 2010-11 BUDGET FOR THE SAN
DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

MANDATORY COMPLIANCE:

N/A

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

N/A

ORIGINATING DEPARTMENT: Auditor and Controller

OTHER CONCURRENCE(S): Air Pollution Control District

CONTACT PERSON(S):

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