



# COUNTY OF SAN DIEGO

## AGENDA ITEM

### BOARD OF SUPERVISORS

GREG COX  
First District

DIANNE JACOB  
Second District

PAM SLATER  
Third District

RON ROBERTS  
Fourth District

BILL HORN  
Fifth District

**DATE:** March 16, 1999

**TO:** Board of Supervisors

**SUBJECT:** REPORT ON THE SECOND QUARTER ESTIMATE OF FY 98-99 YEAR-END FINANCIAL OPERATIONS (District: All)

### SUMMARY:

#### Overview

Our Second Quarter Report of financial operations reflects your Board's financial discipline to maintain structural balance in revenues and expenditures as well as prudent reserves for future obligations, while at the same time improving services to the public. Your leadership during the quarter improved funding for Probation, Foster Care, Libraries, Y2K compliance, etc; improved services in Fleet, Environmental Health and others through Competition and Reengineering; and allowed development of the RFP for Information Technology which should lead to a dramatic leap in improving services by use of world class technology.

#### Recommendations

##### CHIEF ADMINISTRATIVE OFFICER

1. File the Report on the Second Quarter Estimate of FY 98-99 Year-End Financial Operations and the attached 1998-99 Analysis (See Appendix I).
2. Waive Board of Supervisors Policy A-91 regarding midyear appropriation of general fund revenues, and approve the transfer of appropriations from Contingency Reserve in the amount of \$958,173 to the Land Use and Environment Group (\$76,887), Chief Administrative Office (\$12,911), Competition and Reengineering Office (\$46,708), Auditor and Controller (\$283,780) and the Department of Information Services (\$537,887) to cover costs associated with the outsourcing of Information Technology and Telecommunications. (4 Votes)

#### Fiscal Impact

If approved this action will transfer \$958,173 from Contingency Reserve to various budget units to cover costs of outsourcing Information Technology and Telecommunications.

**Subject:** REPORT ON THE SECOND QUARTER ESTIMATE OF FY 98-99 YEAR-END FINANCIAL OPERATIONS (District: All)

**BACKGROUND:**

Our Second Quarter Report reflects a continued improvement due to economic conditions and operational efficiencies. At this time, we estimate a favorable operating variance of \$34.6 million. Total net operating balances and reserves at year-end are estimated to be \$293.9 million (See Appendix I, Attachment A).

**A. Appropriation Transfer from Contingency Reserves**

On February 23, 1999, we advised your Board that we would return with the Second Quarter Financial Operations Report with appropriation transfers to fund our continuing Information Technology outsourcing effort.

Recommendation 2 provides for the appropriation of funds to cover the costs associated with the management of the outsourcing of Information Technology and Telecommunications Services (the "IT Project"). These costs include supplies, travel and professional services in support of the IT Tiger Team preparation of the Request for Proposal. These costs will reimburse the Land Use and Environment Group, Chief Administrative Office, and Competition and Reengineering budgets.

In addition, Contingency Reserve funds in the amount of \$283,780 will be transferred to the Auditor and Controller in support of the financial services provided by PricewaterhouseCoopers (PWC) in preparation of the cost comparison and evaluation of the IT Project proposals submitted by the vendors. PWC will also provide financial consulting services through the negotiations and "best and final offer" process leading to the award of contract.

The transfer of \$537,887 from Contingency Reserve to the Department of Information Services is for the additional necessary consulting services for The Warner Group. The Warner Group will assist with the proposer conference, prepare written responses to vendor questions, evaluate vendor responses, coordinate the "best and final offer" process and provide assistance with contract negotiations.

**B. Second Quarter Review**

**The Economy**

The outlook for Fiscal year 1998-99 continues to be optimistic. During calendar year 1998 the San Diego economy continued its overall growth, but at slightly lower levels than in 1997. We are estimating continued slowing this calendar year, but no significant downturn is anticipated.

The historical performance of some key indicators of economic activity is found in the table below:

**Subject:** REPORT ON THE SECOND QUARTER ESTIMATE OF FY 98-99 YEAR-END FINANCIAL OPERATIONS (District: All)

<b>Change in:</b>	<b>1997</b>	<b>1998</b>
<b>Gross Regional Product</b>	6.7%	6.3%
<b>Population</b>	2.4%	2.1%
<b>Employment (civilian)</b>	4.0%	1.7%
<b>Housing Permits</b>	62.3%	14.8%
<b>Taxable Sales</b>	9.0%	6.8%
<b>Personal Income (Household)</b>	6.2%	4.9%

Source: Economic Research Bureau, Greater SD Chamber of Commerce, Jan 99

Strength in these areas of the economy will affect the results of FY 1998-99 County operations either directly or indirectly. There are a number of other issues that bear close monitoring as we continue through the year. As with last quarter, uncertainty exists at the State level, especially with respect to the new Administration. With 44% (\$933.9 million) of \$2.109 billion of Total Revenues in FY 1997-98 coming from State grants and subventions, the County remains highly vulnerable to State funding policy and priorities.

**Estimated Results – FY 1998-99**

1. General Revenues are expected to exceed budget by \$10.1 million (see Appendix I, Attachment B). This favorable variance is \$5.4 million more than the 1<sup>st</sup> quarter forecast. The central driving force behind these revenue revisions is the health of the real estate markets due to low interest rates and high population growth. The resultant positive impact shows up in several revenue categories and is discussed in detail in Appendix I, Attachment B-1.

The Agency/Group analyses and discussions of operations are found in Appendix I, Attachment C. They project positive operating variances from budget of \$24.4 million. Combined with projected reserve balances of \$40.8 million, the total Agency/Group expected available balance on 6/30/99 is estimated to be \$65.3 million. With the increase in general revenue of \$10.1 million, we project that Agency/Group reserves and operating balance will total \$75.7 million at the end of the fiscal year. This \$75.5 million, when coupled with projected countywide reserves of \$218 million, results in the year end balance of \$293.9 million.

2. The Second Quarter total estimated operating balance and reserves at year-end decreased by approximately \$5.8 million in comparison to the First Quarter Report. The principal factors causing this change were reductions in the Health and Human Services Agency estimated operating balance as a result of cost increases in Foster Care expenditures and other assistance payments, Polinsky Children’s Center, and In-Home Supportive Services.

Our Agency/Group reserves were approximately \$60 million (at the end of the First Quarter including Agency/Group Management Reserves and General Revenues) and today they are projected to be \$41 million at year-end. Agency/Groups have expended a total of approximately \$15 million and are requesting another \$4 million in Second Quarter Board letters on such important items as the following:

**Subject: REPORT ON THE SECOND QUARTER ESTIMATE OF FY 98-99 YEAR-END FINANCIAL OPERATIONS (District: All)**

Public Safety Group - \$6 million. Between the First and Second Quarters, your Board has approved the use of Reserves for such one-time uses as for the Drug Court Program (\$740,000). Crime Lab Improvements (\$321,773), Y2K (\$1,045,894), Sheriff's Facility remodels – Duffy Center Remodel (\$195,000) and the Descanso Detention Facility Restoration and Refurbishment (\$700,000), and for the JIMS Digital Imaging Acquisition (\$715,142). Without the availability of these funds, projects such as the Crime Lab and the Drug Court Program and Y2K would have been deferred, thus, causing a delay in providing services.

Health & Human Services Agency - \$.7 million. Reserves were approved primarily for increases in Alcohol and Drug Services.

Land Use and Environment Group - \$.8 million. Efforts of departments within the Land Use and Environment Group have resulted in Group Reserves that are available for high priority one-time needs. This Fiscal Year, Reserves in the amount of \$400,000 related to additional automation in the Department of Environmental Health, have been set aside. In addition, the Department of Agriculture, Weights and Measures has requested the use of \$112,363 to purchase equipment items that are necessary for ongoing operations. This request is contained the 2<sup>nd</sup> Quarter Budget Adjustment letter submitted by the Land Use and Environment Group. Other requests for uses of Group Reserves (\$280,000) will be included in the 1999-00 Operation Plan.

Community Services Group - \$3.1 million. Primarily, County Library was provided \$1 million from group management reserves to fund preliminary design and site acquisition work on 5 new Library facilities. Automation improvements were also funded from group management reserves for General Services' new facility management system (\$500,000) and Animal Control upgrades (\$300,000).

Finance and General Government Group - \$2.7 million. Reserves were used for various one-time expenditures, most notably for the County's new Financial Planning and Tracking System which will facilitate operational plan preparation, strategic planning, and the ongoing tracking of expenditures and revenues.

General Revenues/Contingency Reserve - \$7 million. Reserves of \$3.4 million were approved for Y2K expenditures and \$2.5 million for the IT Project. An additional \$958,000 is being requested in this letter for continued support of the IT Project.

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In conclusion, we continue to be cautiously optimistic concerning the fiscal outlook for this year and are encouraged with the County's steadily improving financial strength. To sustain this progress, we advise that your Board maintain its steadfast commitment to fiscal restraint.

Respectfully submitted,

LAWRENCE B. PRIOR III  
Chief Administrative Officer

**BOARD OF SUPERVISORS  
AGENDA ITEM INFORMATION SHEET**

**SUBJECT:** REPORT ON THE SECOND QUARTER ESTIMATE OF FY 98-99  
YEAR-END FINANCIAL OPERATIONS (District: All)

**CONCURRENCE(S)**

**COUNTY COUNSEL** Approval of Form [ ] Yes [ X ] N/A  
Type of Form: [ ] Standard Form [ ] Ordinance [ ] Resolution [ ] Contract  
Review Board Letter Only [ ] Yes [ ] N/A

**CHIEF FINANCIAL OFFICER/AUDITOR** [ X ] Yes [ ] N/A  
Requires Four Votes [ ] Yes [ ] No

**CHIEF INFORMATION OFFICER** [ ] Yes [ X ] N/A

**DEPARTMENT OF HUMAN RESOURCES** [ ] Yes [ X ] N/A

**CONTRACT REVIEW PANEL** [ ] Yes [ X ] N/A

**Other Concurrence(s):**

**BUSINESS IMPACT STATEMENT:** [ ] Yes [ X ] N/A

**PREVIOUS RELEVANT BOARD ACTIONS:**

November 10, 1998 (2) First Quarter Report on Estimated Results of Operations  
for Fiscal Year Ending June 30, 1999; July 21, 1998 (25) Adoption of 1998-99  
Budget.

**BOARD POLICIES APPLICABLE:**

**ORIGINATING DEPARTMENT:**

Chief Financial Officer/Auditor and Controller

**CONTACT PERSON:**

<u>Chris Gilmore</u>	<u>(S30) 531-5175</u>	<u>(S30) 531-6261</u>	<u>A-5</u>	<u>cgilmoac</u>
Name	Phone	Fax	Mail Station	E-Mail

<u>William J. Kelly</u>	<u>March 16, 1999</u>
DEPARTMENT AUTHORIZED REPRESENTATIVE	Meeting Date

**FY 1998-99 Estimated Year-End Reserves  
and Operating Balances**

APPENDIX I  
ATTACHMENT A

(dollars in thousands)

<b>Category</b>	<b>Projected Reserves At 6/30/99</b>	<b>2nd Qtr. Estimated Operating Balance</b>	<b>2nd Qtr Projected Reserves plus Operating Balance at 6/30/99</b>
Public Safety	\$ 27,158	\$ 12,492	\$ 39,650
Health and Human Services	\$ 3,306	\$ 760	\$ 4,066
Land Use and Environment	\$ 2,682	\$ 2,254	\$ 4,936
Community Services	\$ 2,200	\$ 3,048	\$ 5,248
Finance & General Government	\$ 5,178	\$ 5,280	\$ 10,458
Competition and Reengineering	\$ 310	\$ 613	\$ 923
<b>Group Totals</b>	<b>\$ 40,834</b>	<b>\$ 24,447</b>	<b>\$ 65,281</b>
General Revenues	\$ 324	\$ 10,126	\$ 10,450
<b>Totals</b>	<b>\$ 41,158</b>	<b>\$ 34,574</b>	<b>\$ 75,732</b>
Reserves Countywide			\$ 50,000
Reserves Operational*			\$ 9,642
Debt Service Reserve			\$ 31,000
Environment Trust Fund Reserve			\$ 104,000
Worker's Compensation			\$ 16,000
Public Liability			\$ 7,500
<b>Totals</b>			<b>\$ 293,874</b>

\*After recommended transfer of \$958,173 for Information Technology Project.

See Recommendation #2 and discussion thereof.

**FY1998-99**  
**COUNTY OF SAN DIEGO - CHIEF FINANCIAL OFFICER/AUDITOR AND CONTROLLER**  
**RE-ESTIMATION OF GENERAL REVENUES AND OTHER ADJUSTMENTS**  
**Quarter Ending 12/31/98**

(ROUNDED TO NEAREST \$1,000)

GENERAL REVENUES & OTHER ADJUSTMENTS	ADOPTED BUDGET	YEAR-END ESTIMATE	VARIANCE
<b><u>Current Property Taxes</u></b>			
Secured - Regular-9010	\$218,400,000	\$223,958,495	\$5,558,495
Secured - Supplemental-9011	3,250,000	5,000,000	1,750,000
Unsecured - Regular-9020	10,500,000	11,160,000	660,000
Unsecured - Supplemental-9021	0	25,000	25,000
Redevelopment Agreement-9088	2,450,000	2,526,700	76,700
<b>Total Current Property Taxes</b>	<b>234,600,000</b>	<b>242,670,195</b>	<b>8,070,195</b>
<b><u>Other Local Taxes</u></b>			
Prior Unsecured - Regular & Supp. 9040-9041-9031	1,400,000	2,700,000	1,300,000
Penalties & Costs of Delinquencies 9050	6,128,789	6,800,000	671,211
Penalties & Costs of Delinquencies - Current & 9086	11,000,000	11,000,000	0
Other Tax - Aircraft 9081	800,000	835,000	35,000
Sales and Use Tax 9060	14,040,000	14,040,000	0
Transient Occupancy Tax 9083	2,550,000	2,550,000	0
Real Property Transfer Tax 9084	10,920,073	13,000,000	2,079,927
Franchises 9070	2,300,000	2,500,000	200,000
<b>Total Other Local Taxes</b>	<b>49,138,862</b>	<b>53,425,000</b>	<b>4,286,138</b>
<b><u>Revenue From Other Agencies</u></b>			
Homeowners' Property Tax Redemption 9490	4,300,000	4,300,000	0
State Mandated Reimbursement (SB90) 9518	2,500,000	2,500,000	0
Vehicle License Fee (VLF) In Lieu Tax 9260	126,156,442	128,200,000	2,043,558
Booking Fees/City of San Diego 9857	5,200,000	5,200,000	0
Proposition A Residuals/sales txs 9063	4,700,000	4,700,000	0
Other Revenue	0	0	0
<b>Total Revenue from Other Agencies</b>	<b>142,856,442</b>	<b>144,900,000</b>	<b>2,043,558</b>
<b><u>Miscellaneous</u></b>			
Court Fines & Forfeitures	1,700,000	1,700,000	0
Civil Assessments 9169	6,026,997	1,503,534	(4,523,463)
Interest on Deposits 9190	11,600,000	12,600,000	1,000,000
Interfund Transfers	1,841,116	1,841,116	0
Business Certificates 9119	750,000	0	(750,000)
Other/Open Space/Federal In Lieu 9645	400,000	400,000	0
<b>Total Miscellaneous</b>	<b>22,318,113</b>	<b>18,044,650</b>	<b>(4,273,463)</b>
<b>Sub-Total General Revenue</b>	<b>448,913,417</b>	<b>459,039,845</b>	<b>10,126,428</b>
<b><u>Other Adjustments</u></b>			
Debt Service	(11,830,000)	(11,830,000)	0
Debt Service - Teeter			0
Contributions to Other Agencies	(2,000,000)	(2,000,000)	0
Prior Year Encumbrances - Estimated Savings	0	0	0
Fund Balance - Appropriated From Prior Year	89,870,409	89,870,409	0
Solid Waste Proceeds/Contingency Reserve		0	0
<b>Sub-Total Other Adjustments</b>	<b>76,040,409</b>	<b>76,040,409</b>	<b>0</b>
<b>TOTAL</b>	<b>\$524,953,826</b>	<b>\$535,080,254</b>	<b>\$10,126,428</b>



## DISCUSSION OF GENERAL REVENUES

General Revenues are expected to exceed budget by \$10.126 million (see Attachment B). This favorable variance is more than double that forecast after the 1<sup>st</sup> quarter estimate, an increase of \$5.35 million. In the 1<sup>st</sup> quarter, the year-end estimates reflected primarily the known overrealized revenues. Now, at the halfway mark of the fiscal year, the County's economy has continued to improve. The central driving force behind these revenue revisions is the health of the real estate markets due to low interest rates and high population growth. The resultant positive impact shows up on several revenue categories and are discussed in detail in Attachment B. (Variances over \$.5 million are discussed below. All variances are favorable except for Civil Assessments and Business Certificates).

1. Current Secured Taxes: +\$5.558 million variance. As noted last quarter, an increase of 5.5% in assessed valuations was budgeted and the actual increase is approximately 7.5%. In addition refunds are lower by approximately \$1.0 million compared to the levels of prior years as the impact of Prop 8 revaluations (lowering property taxes) on property tax receipts continues to lessen with improving real estate markets.
2. Current Supplemental Taxes: +\$1.75 million variance. These taxes are assessed on valuations outside the Regular Tax Roll which take place during the year. This positive variance is due to continued favorable local economic conditions which support the real estate markets; i.e., limited real estate inventory and high demand. Tax receipts in this category through the second quarter are higher than the total received for all of FY 1997-98 and are the highest ever recorded since the establishment of the Supplemental Roll.
3. Unsecured Taxes: +\$.66 million variance. As noted last quarter, an increase of 5.0% was budgeted for this category and the actual increase is higher, approximately 7.3%.
4. Prior Regular and Supplemental Taxes: +\$1.3 million variance. This increase is again related to the Supplemental Roll and higher collections over FY 1997-98.
5. Penalties and Costs of Delinquencies: +\$.671 million variance. With the improving real estate markets, delinquent taxpayers are more inclined to bring taxes current. Also, the base of assessed valuations has risen.
6. Real Property Transfer Tax (RPTT): \$2.079 variance. This revenue source is a function of property sales and low interest rates. In FYs 1997 and 1998 RPTTs increased by almost 100% within two years, the highest ever recorded. During the first six months of the current fiscal year, these revenues reached a new record of almost 20% higher than last year at the same time. The trend is expected to continue for the balance of the current fiscal year.
7. Vehicle License Fee in Lieu Tax (VLF): \$2.044 million variance. Based on year-to-date trends, these revenues are a function of statewide new vehicle registrations and valuations. VLF revenues are projected to be about 1.6% higher than budgeted.
8. Civil Assessments: -\$4.523 million (unfavorable) variance. Due to an agreement with the Superior Court, the Court will offset the costs of the Civil Assessment Program (Commission Costs and Staff) and Local Judicial Benefit costs of \$3.7 million. This General Revenue reduction is offset with a corresponding expenditure reduction in the Public Safety group budget of "Contribution to Trial Courts." The remaining \$.8 million will be realized in the Pre-Trial Services budget of the Public Safety Group.
9. Interest on Deposits: +\$1 million variance. This variance is due to higher actual interest rates than budgeted for the first two quarters: 3.9% vs. 3.5%.
10. Business License Fees: -\$.75 million (unfavorable) variance. These fees have been eliminated.

COUNTY OF SAN DIEGO -CHIEF FINANCIAL OFFICER/AUDITOR AND CONTROLLER  
1998-99 PROJECTED OPERATING BALANCE - BY GROUP/AGENCY  
SECOND QUARTER

PAGE 1 of 2  
ADJUSTED  
DEPARTMENT  
OPERATING  
BALANCE

DEPARTMENT NAME	EXPENDITURES UNDER ( OVER ) BUDGET	REVENUE OVER ( UNDER ) BUDGET	DEPARTMENT OPERATING BALANCE UNADJUSTED	ADJUSTMENTS	ADJUSTED DEPARTMENT OPERATING BALANCE
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**PUBLIC SAFETY GROUP:**

ALTERNATE PUBLIC DEFENDER	\$ 117,000	\$ 11,000	\$ 128,000		\$ 128,000
CLERK	20,000	-	20,000	-	20,000
DEFENSE ATTORNEY CONTRACT ADM	-	171,000	171,000		171,000
DISTRICT ATTORNEY	2,122,000	(2,122,000)	-		-
GRAND JURY	(52,000)	-	(52,000)		(52,000)
MARSHAL	485,000	632,000	1,117,000		1,117,000
MEDICAL EXAMINER	(36,000)	-	(36,000)		(36,000)
OFFICE OF DISASTER PREPAREDNESS	41,000	21,000	62,000		62,000
PRETRIAL SERVICES	4,000	857,000	861,000		861,000
PROBATION	9,487,000	(2,444,000)	7,043,000		7,043,000
PUBLIC DEFENDER	499,000	(289,000)	210,000		210,000
PUBLIC SAFETY GROUP	-	-	-		-
SHERIFF	243,000	174,000	417,000		417,000
TRIAL COURTS	4,365,000	(1,814,000)	2,551,000		2,551,000
<b>GROUP OPERATING BALANCE BEFORE RESERVES</b>					<b>12,492,000</b>
<b>RESERVES</b>	<b>27,158,000</b>	-			<b>27,158,000</b>
TOTAL EXPENSE (OVER)/UNDER BUDG	44,453,000				
TOTAL REVENUE OVER/(UNDER) BUDGET		(4,803,000)			
TOTAL OPERATING BALANCE (UNADJUSTED)			12,492,000		
TOTAL ADJUSTMENTS				-	
<b>TOTAL EST. RESERVES PLUS OPERATING BALANCE ( ADJUSTED )</b>					<b>\$ 39,650,000</b>

**HEALTH AND HUMAN SERVICES AGENCY:**

AREA AGENCY ON AGING (3700)	\$ (1,614,000)	\$ 1,220,000	\$ (394,000)		\$ (394,000)
HEALTH AND HUMAN SERVICES (7000)	4,433,000	(1,570,000)	2,863,000		2,863,000
HEALTH SERVICES (6000)	7,033,000	(9,459,000)	(2,426,000)		(2,426,000)
PUBLIC ADMINISTRATOR (2050)	136,000	49,000	185,000		185,000
SOCIAL SERVICES (3900)	24,659,000	(24,175,000)	484,000		484,000
VETERAN SERVICES/CCY&FAMILIES (0	128,000	(80,000)	48,000		48,000
<b>GROUP OPERATING BALANCE BEFORE RESERVES</b>					<b>760,000</b>
<b>RESERVES</b>	<b>3,306,000</b>				<b>3,306,000</b>
TOTAL EXPENSE (OVER)/UNDER BUDG	38,081,000				
TOTAL REVENUE OVER/(UNDER) BUDGET		(34,015,000)			
TOTAL OPERATING BALANCE (UNADJUSTED)			760,000		
TOTAL ADJUSTMENTS				-	
<b>TOTAL EST. RESERVES PLUS OPERATING BALANCE ( ADJUSTED )</b>					<b>\$ 4,066,000</b>

**LAND USE AND ENVIRONMENT GROUP:**

ENVIRONMENTAL HEALTH	\$ 1,248,000	\$ (249,000)	\$ 999,000		\$ 999,000
PLANNING & LAND USE	785,000	919,000	1,704,000	(1,365,000)	339,000
PARKS & RECREATION	217,000	234,000	451,000		451,000
AGRICULTURE, WEIGHTS & MEASUR	56,000	329,000	385,000		385,000
PUBLIC WORKS - GENERAL FUND	16,347,000	(16,267,000)	80,000		80,000
FARM ADVISOR	0	0	0		0
LAFCO	0	0	0		0
LAND USE AND ENVIRONMENT OFFICE	0	0	0		0
<b>GROUP OPERATING BALANCE BEFORE RESERVES</b>					<b>2,254,000</b>
<b>RESERVES</b>	<b>2,682,000</b>				<b>2,682,000</b>
TOTAL EXPENSE (OVER)/UNDER BUDG	21,335,000				
TOTAL REVENUE OVER/(UNDER) BUDGET		(15,034,000)			
TOTAL OPERATING BALANCE (UNADJUSTED)			3,619,000		
TOTAL ADJUSTMENTS				(1,365,000)	
<b>TOTAL EST. RESERVES PLUS OPERATING BALANCE ( ADJUSTED )</b>					<b>\$ 4,936,000</b>

**COUNTY OF SAN DIEGO -CHIEF FINANCIAL OFFICER/AUDITOR AND CONTROLLER**  
**1998-99 PROJECTED OPERATING BALANCE - BY GROUP/AGENCY**  
**SECOND QUARTER**

PAGE 1 of 2  
ADJUSTED  
DEPARTMENT  
OPERATING  
BALANCE

DEPARTMENT NAME	EXPENDITURES UNDER ( OVER ) BUDGET	REVENUE OVER ( UNDER ) BUDGET	DEPARTMENT OPERATING BALANCE UNADJUSTED	ADJUSTMENTS	ADJUSTED DEPARTMENT OPERATING BALANCE
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<b>COMMUNITY SERVICES GROUP</b>					
ANIMAL CONTROL	\$ 260,000	\$ (146,000)	\$ 114,000		\$ 114,000
COMMUNITY SERVICES OFFICE	0	0	0		0
COUNTYWIDE EQUIPMENT ACQUISITIC	493,000	0	493,000		493,000
GENERAL SERVICES	1,140,000	120,000	1,260,000		1,260,000
HOUSING / COMMUNITY DEVELOPMEN	551,000	(61,000)	490,000		490,000
MAJOR MAINTENANCE	20,000	(39,616)	(19,616)		(19,616)
PUBLIC SERVICES UTILITIES	(70,000)	33,000	(37,000)		(37,000)
REGISTRAR OF VOTERS	(891,000)	1,639,000	748,000		748,000
<b>GROUP OPERATING BALANCE BEFORE RESERVES</b>					<b>3,048,384</b>
<b>RESERVES</b>	<b>2,200,000</b>				<b>2,200,000</b>
TOTAL EXPENSE (OVER)/UNDER BUDC	1,503,000				
TOTAL REVENUE OVER/(UNDER) BUDGET		1,545,384			
TOTAL OPERATING BALANCE (UNADJUSTED)			3,048,384		
TOTAL ADJUSTMENTS				-	
<b>TOTAL EST. RESERVES PLUS OPERATING BALANCE ( ADJUSTED )</b>					<b>\$ 5,248,384</b>

<b>FINANCE AND GENERAL GOVERNMENT GROUP</b>					
ASSESSOR/RECORDER/COUNTY CLEI	954,000	2,119,000	3,073,000		3,073,000
BOARD OF SUPERVISORS - ALL	-	-	-		-
BOARD OF SUPERVISORS - GENERAL	24,000	-	24,000		24,000
CAC - MAJOR MAINTENANCE	237,000	-	237,000		237,000
CFO/AUDITOR & CONTROLLER	2,099,000	(200,000)	1,899,000		1,899,000
CHIEF ADMINISTRATIVE OFFICER	145,000	6,000	151,000		151,000
CIVIL SERVICE COMMISSION	33,000	-	33,000		33,000
CLERK - BOARD OF SUPERVISORS	203,000	2,000	205,000		205,000
COMMUNITY ENHANCEMENT	-	-	-		-
CONTRIBUTIONS TO CAPITAL	-	-	-		-
COUNTY COUNSEL	606,000	81,000	687,000		687,000
ELECTRONIC SYSTEMS & EQUIPMENT	(1,087,000)	(30,000)	(1,117,000)		(1,117,000)
EQUAL OPPORTUNITY MGMT OFFICE	22,000	-	22,000		22,000
HUMAN RESOURCES	1,854,000	(798,000)	1,056,000		1,056,000
INFORMATION SERVICES	117,000	62,000	179,000		179,000
TREASURER/TAX COLLECTOR	603,000	-	603,000		603,000
<b>GROUP OPERATING BALANCE BEFORE RESERVES</b>					<b>5,280,000</b>
<b>RESERVES at 6/30/99</b>	<b>5,178,000</b>				<b>5,178,000</b>
TOTAL EXPENSE (OVER)/UNDER BUDC	10,988,000				
TOTAL REVENUE OVER/(UNDER) BUDGET		1,242,000			
TOTAL OPERATING BALANCE (UNADJUSTED)			5,280,000		
TOTAL ADJUSTMENTS				-	
<b>TOTAL EST. RESERVES PLUS OPERATING BALANCE ( ADJUSTED )</b>					<b>\$ 10,458,000</b>

<b>COMPETITION AND REENGINEERING GROUP</b>					
COMPETITION & REENGINEERING	\$657,000	(\$44,000)	\$613,000		\$613,000
RESERVES	309,691		309,691		309,691
TOTAL EXPENSE (OVER)/UNDER BUDC	966,691				
TOTAL REVENUE OVER/(UNDER) BUDGET		(44,000)			
TOTAL OPERATING BALANCE (UNADJUSTED)			922,691		
TOTAL ADJUSTMENTS				-	
<b>TOTAL EST. RESERVES PLUS OPERATING BALANCE ( ADJUSTED )</b>					<b>\$ 922,691</b>

<b>TOTAL ESTIMATED OPERATING RESERVES PLUS OPERATING BALANCES FOR ALL GROUPS</b>					<b>\$ 65,281,075</b>
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## **APPENDIX I**

### **ATTACHMENT C-1**

Public Safety  
Health & Human Services  
Land Use & Environment  
Community Services  
Finance & General Government

The following detailed explanations are provided by the Agency/Groups concerning estimated variances from original amounts included in the FY 1998-99 Adopted Budget.

## PUBLIC SAFETY GROUP

### Department: Marshal

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 22,535,000	\$ 16,583,000	\$ 5,952,000
Current Estimate	<u>\$ 22,050,000</u>	<u>\$ 17,215,000</u>	<u>\$ 4,835,000</u>
Variance	<u>\$ 485,000</u>	<u>\$ 632,000</u>	<u>\$ 1,117,000</u>

Expenses are under budget because of vacancies (they can not fill the positions fast enough). Revenues are over budget because of additional Trial Court Funding (Rule 810).

### Department: Probation

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 102,095,000	\$ 59,617,000	\$ 42,478,000
Current Estimate	<u>\$ 92,608,000</u>	<u>\$ 57,173,000</u>	<u>\$ 35,435,000</u>
Variance	<u>\$ 9,487,000</u>	<u>\$ (2,444,000)</u>	<u>\$ 7,043,000</u>

Expenses are under budget because the more expensive out-of-home placements were redirected to local facilities with overall savings to taxpayers. And as a result, the associated revenues are also projected to be under-budget. Also, fee based revenues are running high than anticipated.

### Department: Sheriff

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 236,320,000	\$ 157,393,000	\$ 78,927,000
Current Estimate	<u>\$ 236,077,000</u>	<u>\$ 157,567,000</u>	<u>\$ 78,510,000</u>
Variance	<u>\$ 243,000</u>	<u>\$ 174,000</u>	<u>\$ 417,000</u>

Expenses are under budget primarily because of strong fiscal management of medical costs.

**Department: Trial Courts**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 73,205,000	\$ 37,439,000	\$ 35,766,000
Current Estimate	<u>\$ 68,840,000</u>	<u>\$ 35,625,000</u>	<u>\$ 33,215,000</u>
Variance	<u>\$ 4,365,000</u>	<u>\$ (1,814,000)</u>	<u>\$ 2,551,000</u>

Expenses are under budget because of a recent legislative change in AB 1590, Chapter 406, which in effect, reduced the County's FY 1998-1999 "maintenance of effort" to the State. In addition the flow of revenue from Civil Assessments has been changed. The Trial Courts will retain Civil Assessments to offset expenditures for an positive effect on this department of \$3.7 million. This agreement results in a decrease in revenues from Civil Assessments, a General Revenue source. (See discussion item #8, Attachment B-1, "Discussion of General Revenues.")

**Department: Reserves**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 24,670,000		\$ 24,670,000
Current Estimate	<u>\$ -</u>		<u>\$ -</u>
Variance	<u>\$ 24,670,000</u>	<u>\$ -</u>	<u>\$ 24,670,000</u>

The projected savings in the management reserves of the Public Safety Group will be used to help fund FY 1999-2000 County-wide priorities.

**HEALTH & HUMAN SERVICES AGENCY**

The Health and Human Services Agency is in the first year of a multi year effort to reorganize. Because much of the new organizational detail was unavailable at the point where the County's FY 1998-99 Line Item Budget was assembled, there continues to be problems with ensuring that all charges are recorded where anticipated.

While we continue to monitor activities at both the sub-program and program levels and make corrections where appropriate, we are focusing our executive level reviews on Agency-wide staffing, costs, revenue earnings, and County General Fund revenue impacts. We expect to implement a detailed activity based costing system with the adoption of the FY 1999-2000 Budget.

**Department: Veterans'/Commission on Youth & Families**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 4,854,000	\$ 3,234,000	\$ 1,620,000
Current Estimate	<u>\$ 4,726,000</u>	<u>\$ 3,154,000</u>	<u>\$ 1,572,000</u>
Variance	<u>\$ 128,000</u>	<u>\$ (80,000)</u>	<u>\$ 48,000</u>

The variance is due to savings in salary and benefits and services and supplies savings..

**Department: Public Administrator/Public Guardian**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 2,674,000	\$ 1,077,000	\$ 1,597,000
Current Estimate	<u>\$ 2,538,000</u>	<u>\$ 1,126,000</u>	<u>\$ 1,412,000</u>
Variance	<u>\$ 136,000</u>	<u>\$ (49,000)</u>	<u>\$ 185,000</u>

The variance is due to salary and benefit savings from vacant positions and an expected increase in revenue.

**Department: Area Agency on Aging**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 89,094,000	\$ 87,696,000	\$ 1,398,000
Current Estimate	<u>\$ 90,708,000</u>	<u>\$ 88,916,000</u>	<u>\$ 1,792,000</u>
Variance	<u>\$ (1,614,000)</u>	<u>\$ 1,220,000</u>	<u>\$ (394,000)</u>

The variance is due to higher than budgeted costs for the In Home Supportive Services (IHSS) Program. Severely disabled individuals are now eligible for more services as the result of a court order.

**Department: Social Services**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 570,532,000	\$ 574,722,000	\$ (4,190,000)
Current Estimate	<u>\$ 545,873,000</u>	<u>\$ 550,547,000</u>	<u>\$ (4,674,000)</u>
Variance	<u>\$ 24,659,000</u>	<u>\$ (24,175,000)</u>	<u>\$ 484,000</u>

The second quarter welfare administrative claim is not yet complete and administrative costs and revenue are based on incomplete data. The variance is primarily due to the continued decline in welfare caseloads. Positions are being held vacant as a result of the caseload decrease and assistance payment expenditures are expected to be less than budgeted. An increase in Foster Care aid payments has resulted from the 7/1/98 cost of living increase for group homes authorized in the State budget.

**Department: Health Services**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 310,497,000	\$ 307,310,000	\$ 3,187,000
Current Estimate	<u>\$ 303,464,000</u>	<u>\$ 297,851,000</u>	<u>\$ 5,613,000</u>
Variance	<u>\$ 7,033,000</u>	<u>\$ (9,459,000)</u>	<u>\$ (2,426,000)</u>

The variance is due in part to our attempts to resolve financial problems identified in the Edgemoor audit and to higher than budgeted costs for Sheriff's pharmaceuticals (\$0.9 million). Mitigation efforts at Edgemoor have reduced the estimated over run from \$2.8 million in the first quarter report to \$2.3 million in the second quarter. These overages are partially offset by savings in other areas.

**Department: HHSA Agency**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 54,545,000	\$ 8,706,000	\$ 45,839,000
Current Estimate	<u>\$ 50,112,000</u>	<u>\$ 7,136,000</u>	<u>\$ 42,976,000</u>
Variance	<u>\$ 4,433,000</u>	<u>\$ (1,570,000)</u>	<u>\$ 2,863,000</u>

The variance results from efforts to further reduce overhead costs by holding positions vacant and an assumption that savings will be achieved in centrally budgeted and purchased services and supplies.

**LAND USE & ENVIRONMENTAL GROUP**

**Department: Environmental Health**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 19,837,000	\$ 19,884,000	\$ (47,000)
Current Estimate	<u>\$ 18,589,000</u>	<u>\$ 19,635,000</u>	<u>\$ (1,046,000)</u>
Variance	<u>\$ 1,248,000</u>	<u>\$ (249,000)</u>	<u>\$ 999,000</u>



The favorable expenditure variance is primarily related to holding open positions prior to the re-engineering effort approved by the Board on 10/27/98. The revenue shortfall is directly related to the Vector Control program that was reduced with re-engineering. An equal amount of savings in the Vector Control program is reflected in the expenditure variance.

**Department: Planning and Land Use**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 13,717,000	\$ 7,393,000	\$ 6,324,000
Current Estimate	<u>\$ 12,932,000</u>	<u>\$ 8,312,000</u>	<u>\$ 4,620,000</u>
Variance	<u>\$ 785,000</u>	<u>\$ 919,000</u>	<u>\$ 1,704,000</u>
Designation Adjustment	<u>\$ -</u>	<u>\$ (1,365,000)</u>	<u>\$ (1,365,000)</u>
Adjusted Variance	<u>\$ 785,000</u>	<u>\$ (446,000)</u>	<u>\$ 339,000</u>

The favorable expenditure variance is related to unfilled positions during the first half of the year. The department is currently filling these positions in response to increased workload. Increased revenues of \$919,000 are related to increased building activity. The designation adjustment of \$1,365,000 reflects the amount of revenue collected in the Building division that is restricted to building permit activities. The department is currently revising building permit fees that will result in lower fees and reduced funds going into the reserve designation.

**Department: Parks and Recreation**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 9,305,000.00	\$ 3,228,000.00	\$ 6,077,000.00
Current Estimate	<u>\$ 9,088,000.00</u>	<u>\$ 3,462,000.00</u>	<u>\$ 5,626,000.00</u>
Variance	<u>\$ 217,000</u>	<u>\$ 234,000</u>	<u>\$ 451,000</u>

The favorable expenditure variance is made up of salary savings of \$28,000, services and supplies savings of \$74,000, other charges savings of \$30,000 and retirement savings of \$85,000. The revenue increase of \$234,000 is related to increased services to special districts and increased park and camping revenue.

**Department: Agriculture, Weights and Measures**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 7,087,000	\$ 5,353,000	\$ 1,734,000
Current Estimate	<u>\$ 7,031,000</u>	<u>\$ 5,682,000</u>	<u>\$ 1,349,000</u>
Variance	<u>\$ 56,000</u>	<u>\$ 329,000</u>	<u>\$ 385,000</u>

The favorable expenditure variance is primarily related to salary savings. Increased revenues reflect increased Unrefunded Gas Tax, increased State funding for the Pest exclusion Program and increased fee revenue for Phytosanitary Certification of plants and plant products.

## COMMUNITY SERVICES GROUP

### Department: Animal Control

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 7,204,000	\$ 6,058,000	\$ 1,146,000
Current Estimate	<u>\$ 6,944,000</u>	<u>\$ 5,912,000</u>	<u>\$ 1,032,000</u>
Variance	<u>\$ 260,000</u>	<u>\$ (146,000)</u>	<u>\$ 114,000</u>

The favorable expenditure variance is primarily related to salary savings from vacant positions during the first half of the year. The department has scheduled an Animal Control Officer Training Academy to begin during the third quarter and will be filling these vacancies. The unfavorable variance in revenue is principally due to a shortfall of animal license revenues, which is partially offset by increased revenue from contract cities.

### Department: Community Services Executive Office (Reserves)

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 2,999,000	\$ -	\$ 2,999,000
Current Estimate	\$ 799,000	\$ -	\$ 799,000
Variance	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ 2,200,000</u>

The favorable expenditure variance is due to management reserves that are not anticipated to be spent this fiscal year. It is anticipated these reserves will be retained for future re-investments.

### Department: Countywide Equipment Acquisition

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 10,571,000	\$ -	\$ 10,571,000
Current Estimate	<u>\$ 10,078,000</u>	<u>\$ -</u>	<u>\$ 10,078,000</u>
Variance	<u>\$ 493,000</u>	<u>\$ -</u>	<u>\$ 493,000</u>

The favorable expenditure variance is related to anticipated reductions in vehicle purchases.

**Department: General Services – Operations**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 35,029,000	\$ 10,767,000	\$ 24,262,000
Current Estimate	<u>\$ 33,889,000</u>	<u>\$ 10,887,000</u>	<u>\$ 23,002,000</u>
Variance	<u>\$ 1,140,000</u>	<u>\$ 120,000</u>	<u>\$ 1,260,000</u>

The favorable expenditure variance is related to savings expected in salaries and benefits due to staff reductions resulting from reengineering and savings expected in services and supplies due to quality first target savings and cost control measures. Revenues are expected to be \$120,502 over-realized due to increased revenue from the capital outlay fund and new revenue leases.

**Department: Housing and Community Development**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 6,280,000	\$ 6,396,000	\$ (116,000)
Current Estimate	<u>\$ 5,729,000</u>	<u>\$ 6,335,000</u>	<u>\$ (606,000)</u>
Variance	<u>\$ 551,000</u>	<u>\$ (61,000)</u>	<u>\$ 490,000</u>

Expenditures are expected to be lower than budgeted due to vacant positions that will not be filled until later in the fiscal year and anticipated savings in services and supplies.

**Department: Major Maintenance**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 8,059,000.00	\$ 603,813.00	\$ 7,455,187.00
Current Estimate	<u>\$ 8,039,000.00</u>	<u>\$ 564,197.00</u>	<u>\$ 7,474,803.00</u>
Variance	<u>\$ 20,000</u>	<u>\$ (39,616)</u>	<u>\$ (19,616)</u>

Revenues will be under realized by \$39,616 due to a budgeting error of \$41,000 for the JIM's project. Services and supplies expenses are anticipated to be reduced by \$20,000.

**Department: Public Services Utilities**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 13,862,000	\$ 13,711,000	\$ 151,000
Current Estimate	\$ 13,932,000	\$ 13,744,000	\$ 188,000
Variance	\$ (70,000)	\$ 33,000	\$ (37,000)

The expenditure variance is primarily related to increased costs due to new facilities coming on-line and decreases in energy retrofit project savings and cost-applied revenues. Revenue is anticipated to be over-realized by \$33,000, resulting in a net over-expenditure of \$37,000.

**Department: Registrar of Voters**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 6,703,000	\$ 1,710,000	\$ 4,993,000
Current Estimate	\$ 7,594,000	\$ 3,349,000	\$ 4,245,000
Variance	\$ (891,000)	\$ 1,639,000	\$ 748,000

Expenditures are greater than budgeted due to unbudgeted costs associated with the March special election. Quality first savings and other savings in services and supplies offset some of this increase. Revenue is higher than budget due to revenues from the March special election and additional cost recoveries from jurisdictions that participated in the November general election.

**FINANCE & GENERAL GOVERNMENT GROUP**

**Department: Assessor/Recorder/County Clerk**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 28,806,000	\$ 22,600,000	\$ 6,206,000
Current Estimate	\$ 27,852,000	\$ 24,719,000	\$ 3,133,000
Variance	\$ 954,000	\$ 2,119,000	\$ 3,073,000

An operating balance of nearly \$3.1 million is projected for the Assessor/Recorder/ County Clerk due to anticipated savings from staff turnover, savings in various Services and Supplies accounts and higher revenues than budgeted due largely to a significant increase in document recordings.

**Department: Auditor and Controller**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 18,146,000	\$ 4,328,000	\$ 13,818,000
Current Estimate	\$ 16,047,000	\$ 4,128,000	\$ 11,919,000
Variance	<u>\$ 2,099,000</u>	<u>\$ (200,000)</u>	<u>\$ 1,899,000</u>

The projected operating balance of \$1,899,000 for the Auditor and Controller assumes that budgeted management reserves will not be spent in the current year, but will instead be used to help fund County-wide priorities in the FY 1999-2000 budget. In addition, savings are expected in Salaries and Benefits due to staff vacancies (largely in Revenue and Recovery) and reengineering the budget office. Services and Supplies expenditures are expected to be slightly less than budgeted. Revenues are expected to be below budgeted levels mainly in the area of administrative collection fees.

**Department: County Counsel**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 11,685,000	\$ 2,281,000	\$ 9,404,000
Current Estimate	\$ 11,079,000	\$ 2,362,000	\$ 8,717,000
Variance	<u>\$ 606,000</u>	<u>\$ 81,000</u>	<u>\$ 687,000</u>

There is a projected operating balance of \$687,000 for County Counsel. This estimate assumes that existing management reserves will not be spent this fiscal year, that there will be savings in salaries and benefits as a result of vacancies and reengineering, and savings in services and supplies as a result of efforts to lower costs in various accounts. In addition, unanticipated billings will result in additional revenues.

**Department: Electronic Systems and Equipment**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 16,195,000	\$ 207,000	\$ 15,988,000
Current Estimate	\$ 17,282,000	\$ 177,000	\$ 17,105,000
Variance	<u>\$ (1,087,000)</u>	<u>\$ (30,000)</u>	<u>\$ (1,117,000)</u>

The \$1.1 million shortfall is related to anticipated higher than budgeted network management costs and SanConTel maintenance costs due to system growth. Recommended budget adjustments will be brought to the Board at the end of the third quarter. It is anticipated that each Group will contribute a proportionate share to offset the shortfall.

**Department: Group Operations (Reserves)**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 3,406,000		\$ 3,406,000
Current Estimate	\$ -		\$ -
Variance	<u>\$ 3,406,000</u>	<u>\$ -</u>	<u>\$ 3,406,000</u>

The projected savings in the Finance and General Government Group's management reserves will be used to help fund FY 1999-2000 County-wide priorities.

**Department: Human Resources**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 13,136,000	\$ 5,849,000	\$ 7,287,000
Current Estimate	\$ 11,282,000	\$ 5,051,000	\$ 6,231,000
Variance	<u>\$ 1,854,000</u>	<u>\$ (798,000)</u>	<u>\$ 1,056,000</u>

The projected operating balance in the Department of Human Resources is related to expected savings from staff turnover and from lower than budgeted costs for the employee drug and alcohol testing program. The reduction in revenues is related to vacancies in the Workers' Compensation and Employee Assistance programs. Costs in these two programs are offset by revenues from the Employee Benefits Internal Service Fund (ISF). Revenues are not earned if costs are not incurred.

**Department: Treasurer – Tax Collector**

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 8,086,000	\$ 4,918,000	\$ 3,168,000
Current Estimate	\$ 7,483,000	\$ 4,918,000	\$ 2,565,000
Variance	<u>\$ 603,000</u>	<u>\$ -</u>	<u>\$ 603,000</u>

The projected net operating balance of \$603,000 in the Treasurer-Tax Collector department is the result of anticipated savings in Salaries and Benefits due to vacant positions and the anticipated retention of a portion of existing management reserves for FY 1999-2000 one time expenses.