



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: May 22, 2001

TO: Board of Supervisors

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

SUMMARY:

Overview

This report is my third this year on the fiscal status of the County. It summarizes my estimates of the County's financial position as measured by projected fiscal year end fund balance by Agency/Group and by fund type. For the General Fund, the County's primary operating fund, the third quarter projection of fund balance for Fiscal Year 2000-01 is \$26.4 million higher than the second quarter and stands at \$115.0 million. Of the total projected fund balance, \$70.2 million is from savings in departmental operations and Management Reserves, \$26.7 million is from additional General Revenues, and \$18.1 million is from anticipated year-end balances in the Contingency Reserve and other General County Expense accounts. These estimated balances take into account paying \$16.7 million more in gas & electricity costs than the \$13.5 million that was originally budgeted for this fiscal year, for a total of \$30.2 million. Although slowing, we continue to benefit from a strong economy in 1999 and early 2000 as well as your Board's and management's commitment to fiscal discipline.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

File this report.

Fiscal Impact

There is no fiscal impact resulting from this report.

Business Impact Statement

N/A

Advisory Board Statement

N/A

BACKGROUND:

**SUBJECT: THIRD QUARTER REPORT ON PROJECTED RESULTS OF OPERATIONS
 FOR FISCAL YEAR ENDING JUNE 30, 2001**

Both the U.S. and California economies ended 2000 on a high note. The U.S. Gross Domestic Product (GDP) grew by 5.0% in 2000. The State's growth was 9.1%. Despite the robust full year figures, the final weeks of 2000 and the first few months of 2001 have brought mixed signals on several fronts that indicate that this high rate of growth will slow significantly in 2001 and possibly 2002. Consumer confidence has fallen for five consecutive months (since last November). As a result, economists see slower growth in consumer spending and cutbacks in business investments. The major stock market corrections seem to be over, but the recovery most likely will be sluggish. The Federal Reserve Board is cutting interest rates and the promise of a federal tax cut could help the economy in the second half of 2001. Despite these efforts, economists are projecting U.S. GDP growth of 1.5% in 2001 vs. 5.0% in 2000 and for California, 2.3% in 2001 vs. 9.1% in 2000. Higher unemployment rates are expected in 2001 both nationally and in California (U.S. as a whole, 4.7% in 2001 vs. 4.0% in 2000; California, 5.4% in 2001 vs. 4.9% in 2000). The rate of personal income growth is forecasted to be lower in 2001 (U.S. as a whole, 2.3% growth in 2001 vs. 3.8% in 2000; California 1.8% growth in 2001 vs. 8.4% in 2000). Inflation will be impacted by higher energy prices, resulting in an anticipated growth in the CPI of 3.4% and 3.7% for the U.S. and California respectively. In summary, for the U.S. economy, the first six months of 2001 will be bumpy with a number of unfavorable economic indicators, but a prolonged severe downturn is not projected for 2001 and 2002. The slowdown of U.S. investment in information technology and software has significant implications for California, especially in the northern region. California's economy is very vulnerable due to the energy crisis and the high concentration of the high-tech sector in the Silicon Valley. Recent layoffs in the high-tech firms in the San Francisco Bay Area confirm that the California economic downturn will begin to show in aggregate data, such as taxable sales and in State income tax revenues which have been running below the Governor's forecast for the last three months. The energy issue will not be resolved in the short-run, and the impact to the economy could be discouragement of business expansion. Finally, various studies have indicated that the entire California surplus last year can be attributed to income taxes related to capital gains and stock options. If the stock market and the energy crisis do not improve soon, the State's resources could decline and could impact local programs. (Source: UCLA Anderson Forecast (March 2001) and Standard & Poors *DRI, April 2001*)

According to the latest UCLA Forecast (March 2001) and local economic indicators, Southern California will most likely escape recession, but will still experience many economic stresses during the coming fiscal year. Locally, San Diego's Gross Regional Product grew by 6.4% for 2000 and economists are projecting a growth of 3.5% for 2001. The unemployment rate is estimated to be 3.0% for both 2000 and 2001. Both measures are better than the national and state levels. However, the recent decline in leading economic indicators, as tracked by the University of San Diego, suggest a possible negative impact on employment levels in various sectors, i.e., retail and construction. Based on information from the State Department of Industrial Relations, the San Diego Consumer Price Index (CPI) for 2000 was 5.8%, significantly higher than the National (3.4%) and State (3.7%) inflation rates. This increase is attributed to high utility and housing costs in the region. Continuation of high costs in these sectors could have a negative impact on the region's growth. High utility costs impact operating costs for businesses. High utility and housing costs impact household budgets. In both cases, these costs reduce dollars available for spending in other sectors. (Source: San Diego Chamber of

**SUBJECT: THIRD QUARTER REPORT ON PROJECTED RESULTS OF OPERATIONS
 FOR FISCAL YEAR ENDING JUNE 30, 2001**

Commerce, State of California Department of Industrial Relations, State of California Employment Development Department, University of San Diego.)

Changes in County General Revenues normally lag changes in the overall economy. We are therefore still benefiting from strong growth in 1999 and early 2000. General Revenues are expected to exceed budgeted levels by \$26.7 million. The State budget is responsible for \$6.6 million of this amount with a one-time Educational Revenue Augmentation Fund (ERAF) adjustment, but ironically changes in the State Unitary Tax Roll (property assessed by the State) are responsible for a decrease of about \$2.7 million in Current Secured Property Taxes. Revenues from Vehicle License Fees, Interest on Deposits, Redevelopment Agency Tax Increments, Unsecured Supplemental Property Taxes, and miscellaneous other sources are expected to yield \$22.0 million above budgeted levels. Locally assessed Property Taxes will be about \$2.0 million below budgeted levels due to a slightly smaller increase in assessed valuation and higher refunds than were assumed in the Operational Plan.

Projected results of Agency/Group operations are also favorable. Total fund balance at the Group/Agency level is projected to be \$70.2 million (comprised of \$43.3 million in operational cost savings and \$26.9 million in projected year-end management reserves). The remaining \$18.1 million of the total \$115.0 million in projected year-end General Fund fund balance is expected to come from savings of \$6.8 million in various General County Expense accounts and from maintaining the Contingency Reserve at its current \$11.3 million level through year end.

Schedule A summarizes the fund balance projections by Group and provides comments on variances from budget. Schedule B shows the projected fund balance by Group split between operating and management reserve balances.

UPDATE ON UTILITIES/ENERGY CONSERVATION

On February 27, 2001 (26) I estimated the impact of higher utility prices to be \$16.7 million over budgeted levels of \$13.5 million for a total cost of \$30.2 million. My estimate has not changed. The State is still working to craft a long term solution to the energy crisis and the County, at your Board's direction is exploring alternative means of securing or generating electrical power including creating a municipal utility district and solar power for appropriate County facilities. The Department of General Services is working with an energy consultant and County departments to identify and implement energy conservation measures. In addition, County employees are making conscientious efforts to save energy by turning off lights and electrical machinery when not needed. Other efforts to conserve energy include the following:

- Since January 2001 General Services staff conducted employee information meetings for over 500 employees at more than 21 sites.
- General Services installed 100 occupancy sensors throughout County facilities.
- The County received a grant from the California Energy Commission to help offset costs of reducing peak electric consumption through delamping. Ten buildings, included in the first phase of the project, are complete. Delamping work is being done in the evenings and on weekends. All work is scheduled to be completed by June 1, 2001. A second grant was received to partially fund a landfill gas to electric generation device.

**SUBJECT: THIRD QUARTER REPORT ON PROJECTED RESULTS OF OPERATIONS
 FOR FISCAL YEAR ENDING JUNE 30, 2001**

- The County is participating in the voluntary demand reduction program sponsored by SDGE and San Diego Regional Energy Office. Twenty-nine sites have been identified for possible participation.
- General Services submitted a proposal to participate in SDGE energy efficiency program for Energy Retrofits for Leased Space Demonstration Project with incentives of up to \$340,000 to offset retrofit costs.
- General Services redesigned training programs for building maintenance staff to ensure that building management systems maximize energy efficiency.

IMPACT OF UTILITY COST INCREASES

As noted in the First and Second Quarter Fund Balance Status Reports, our General Management System and your sound fiscal policies provide us the flexibility to handle these unanticipated costs this year, but it means that we have fewer resources available for one-time projects of benefit to the community. The General Management System highlights and focuses on opportunities to invest one-time resources in improvements to the delivery of public services or the reduction in the cost of public services.

The unprecedented run-up in utility rates has deprived us of the opportunity to invest in the improvements or cost reductions. As you know, your Board approved a Long Term Obligation Redemption Fund in June of 2000 to allow the use of one-time money to extinguish our long term debt to free money to pay for new or improved services rather than interest to bond holders. This is a lost opportunity due to utility cost increases. The current Downtown Courthouse is in need of repairs or replacement and the increased cost of utilities has shifted money away from improvements in the safety and security of the existing facilities and acquisition of a possible replacement site. Along with SEIU we have been pursuing funding for a replacement for our Edgemoor facility and the utility cost increases diverted resources from the planning and replacement effort. Further, the State's ability to help with the cost of replacing Edgemoor is in jeopardy because of the financial impact of their failed deregulation effort. This, along with delays in our aggressive efforts on the clean water front, expanded MSCP (Multiple Species Conservation Program) opportunities, parks improvements, automation for our libraries and animal shelter improvements are just a few of the areas that will suffer due to our use of \$16.7 million to pay our utility bill.

Regretfully I cannot report that the State is further along in unburdening us from this failed initiative. We therefore fully expect to need all of the \$16.7 million and have set aside \$20.0 million in our Fiscal Year 2001-02 Operational Plan in anticipation of another year of excessive utility costs. These resources are being set aside as a prudent measure even though I am optimistic about the efforts of our staff and the actions being taken by our Department of General Services as noted above.

SUBJECT: THIRD QUARTER REPORT ON PROJECTED RESULTS OF OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2001

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

**SUBJECT: THIRD QUARTER REPORT ON PROJECTED RESULTS OF OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2001**

AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

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

Other Concurrence(s): N/A

ORIGINATING DEPARTMENT: Auditor and Controller

CONTACT PERSON(S):

<u>William J. Kelly</u>	<u>Janel Pehau</u>
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AUTHORIZED REPRESENTATIVE: _____
William J. Kelly, Chief Financial Officer

SUBJECT: THIRD QUARTER REPORT ON PROJECTED RESULTS OF OPERATIONS
FOR FISCAL YEAR ENDING JUNE 30, 2001

AGENDA ITEM INFORMATION SHEET
(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

August 1, 2000 (8), Adoption of FY 2000-01 and 2001-02 Operational Plan

November 14, 2000 (13), First Quarter Report on Estimated Results of Operations for Fiscal Year Ending June 30, 2001

February 27, 2001 (26), Second Quarter Report on Projected Results of Operations for Fiscal Year Ending June 30, 2001

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

CONTRACT NUMBER(S):

N/A

**FY 2000-2001 3rd Quarter
Projected Year-end Results**

(in thousands)

COUNTY SUMMARY

	Expenditure Variance		Revenue Variance		3rd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)
General Fund						
Community Services	\$ 8,143	\$ 782	\$ 8,925	\$ 8,762		
Finance & General Government	14,577	(1,619)	12,958	10,189		
Health & Human Services	99,750	(82,064)	17,686	5,004		
Land Use & Environment	26,871	(16,215)	10,656	4,637		
Public Safety	19,553	466	20,019	21,646		
Total Agency/Group	168,894	(98,650)	70,244	50,238		
General Revenues	-	26,684	26,684	20,270		
General County Expenses	18,074	-	18,074	18,074		
Total General Fund	\$ 186,968	\$ (71,966)	\$ 115,002	\$ 88,582		
Special Revenue Funds						
Community Services	28,134	(28,134)	-	-		
Finance & General Government	215	(61)	154	76		
Land Use & Environment	26,774	(11,801)	14,973	-		
Public Safety	1,031	(657)	375	66		
Other County	500	(500)	-	-		
Total Special Revenue Funds	\$ 56,655	\$ (41,154)	\$ 15,502	\$ 142		
Internal Service Funds Departments						
Community Services	19,718	(16,573)	3,144	-		
Finance & General Government	-	-	-	-		
Health & Human Services	-	-	-	-		
Land Use & Environment	3,816	(447)	3,368	-		
Public Safety Group	404	(260)	144	-		
Other County	-	-	-	-		
Total Internal Service Funds	\$ 23,937	\$ (17,280)	\$ 6,656	\$ -		
Enterprise Fund Departments						
Land Use & Environment	\$ 9,564	\$ (9,564)	\$ -	\$ -		
Special District Funds Departments						
Health & Human Services	581	(581)	-	-		
Land Use & Environment	6,140	552	6,693	-		
Public Safety Group	102	439	541	-		
Total Special District Funds	\$ 6,823	\$ 410	\$ 7,234	\$ -		
Other County Funds Departments						
Land Use & Environment	\$ -	\$ -	\$ -	\$ -		
Total County Projected Operating Balance	\$ 283,946	\$ (139,552)	\$ 144,394	\$ 88,724		

**FY 2000-2001 3rd Quarter
Projected Year-end Results**
(in thousands)

COMMUNITY SERVICES GROUP

	3rd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)		2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	
	Expenditure Variance	Revenue Variance		
General Fund Departments				
Animal Control	\$ 406	\$ (30)	\$ 376	\$ 523
Community Services Group Exec Office	6,579	120	6,699	6,813
Contribution to ISFs	-	-	-	-
General Services Funds	-	(102)	(102)	-
Housing & Community Development	101	200	301	300
Library Services	-	-	-	-
Registrar of Voters	1,057	594	1,651	1,127
Total General Fund	8,143	782	8,925	8,762
Special Revenue Funds Departments				
Library Services	2,436	(2,436)	-	-
Housing & Community Development	25,698	(25,698)	-	-
Total Special Revenue Funds	28,134	(28,134)	-	-
Internal Service Funds Departments				
Facilities Management	5,002	(4,466)	536	-
Fleet Management	5,846	(3,703)	2,143	-
Purchasing & Contracting	8,772	(8,306)	465	-
Document Services	98	(98)	-	-
Total Internal Service Funds	19,718	(16,573)	3,144	-
Other County Funds Departments				
Redevelopment Agency	-	-	-	-
Total Community Services Group	\$ 55,994	\$ (43,925)	\$ 12,069	\$ 8,762

**FY 2000-2001 3rd Quarter
Projected Year-end Results**
(in thousands)

**FINANCE & GENERAL GOVERNMENT
GROUP**

Expenditure Variance	Revenue Variance	3rd Quarter	2nd Quarter
		FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	FY00-01 Projected Fund Balance Favorable/ (Unfavorable)

General Fund Departments

Assessor/Recorder/County Clerk	\$ 3,285	\$ (755)	\$ 2,530	\$ 1,466
Board of Supervisors	536	-	536	564
Board of Supervisors-General	-	-	-	32
CAC-Major Maintenance	120	1	121	319
CFO/Auditor & Controller	1,832	(166)	1,665	1,501
Chief Administrative Officer	479	4	483	448
Chief Technology Office	477	-	477	796
Civil Service Commission	39	-	39	48
Clerk of the Board of Supervisors	212	53	265	(1,290)
Contributions to Capital Outlay Fund	1,500	-	1,500	1,500
County Counsel	722	137	859	911
Finance & GG Exec Office	1,100	-	1,100	1,100
Human Resources	2,830	(643)	2,187	1,931
Treasurer/Tax Collector	1,446	(250)	1,196	862
Total General Fund	14,577	(1,619)	12,958	10,189

Special Revenue Funds Departments

Media & Public Relations	215	(61)	154	76
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Internal Service Funds Departments

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**Total Finance & General
Government Group**

\$ 14,792	\$ (1,680)	\$ 13,112	\$ 10,265
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**FY 2000-2001 3rd Quarter
Projected Year-end Results**
(in thousands)

HEALTH & HUMAN SERVICES AGENCY

	3rd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)		2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	
	Expenditure Variance	Revenue Variance		
General Fund Programs				
Agency Administration	\$ 17,087	\$ (2,195)	\$ 14,892	\$ 5,387
Adult Mental Health	92	190	282	1,199
Aging & Independence Services	9,488	(7,899)	1,589	707
Children's Mental Health	26,342	(26,090)	252	2,304
Children's Team	-	-		
Office of Public Health	6,189	(5,984)	205	624
Policy & Program Support	2,340	(22,711)	(20,371)	(3,786)
Proposition 10	33	(33)	-	-
Regional Operations	37,746	(17,264)	20,482	(1,583)
Strategy & Planning	433	(78)	355	151
Total General Fund	99,750	(82,064)	17,686	5,004
Internal Service Funds				
DMI-Working Capital	-	-	-	-
Special District Funds Departments				
Ambulance Districts	581	(581)	-	-
Other County Funds Departments				
	-	-	-	-
Total Health & Human Services Agency	\$ 100,331	\$ (82,646)	\$ 17,686	\$ 5,004

**FY 2000-2001 3rd Quarter
Projected Year-end Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

	3rd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)		2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	
	Expenditure Variance	Revenue Variance		
General Fund Departments				
Agriculture, Weights & Measures	\$ 184	\$ (163)	21	98
Environmental Health	1,526	399	1,925	1,906
Farm Advisor	13	-	13	24
Land Use & Environment Group Exec Office	6,661	(120)	6,541	1,116
Parks & Recreation	965	(831)	134	408
Planning & Land Use	1,076	41	1,117	1,227
Public Works	16,446	(15,541)	905	(142)
Total General Fund	26,871	(16,215)	10,656	4,637
Special Revenue Funds Departments				
Agriculture, Weights & Measures	-	-	-	-
Parks & Recreation	3,736	502	4,238	-
Public Works	23,038	(12,303)	10,735	-
Total Special Revenue Funds	26,774	(11,801)	14,973	-
Internal Service Funds Departments				
Public Works	3,816	(447)	3,368	-
Enterprise Funds Departments				
Public Works	9,564	(9,564)	-	-
Special District Funds Departments				
Air Pollution Control District	736	2,312	3,048	-
Parks and Recreation	1,016	(18)	998	-
Public Works	4,387	(1,742)	2,646	-
Total Special Districts Funds	6,140	552	6,693	-
Other County Funds Departments				
Debt Service-Local Boards	-	-	-	-
Total Land Use & Environment Group	\$ 73,164	\$ (37,475)	\$ 35,689	\$ 4,637

**FY 2000-2001 3rd Quarter
Projected Year-end Results**
(in thousands)

PUBLIC SAFETY GROUP

			3rd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)
	Expenditure Variance	Revenue Variance		
<i>General Fund Departments</i>				
Alternate Public Defender	\$ 378	\$ 70	\$ 448	\$ 157
Contributions for Trial Courts	436	(1,079)	(643)	2,007
Defense Attorney Contract Admin.	-	-	-	-
District Attorney	6,770	(3,266)	3,504	3,311
Grand Jury	3	-	3	1
Law Enforcement Review Board	4	-	4	-
Medical Examiner	79	16	95	152
Office of Disaster Preparedness	44	-	44	44
Probation	6,975	456	7,431	6,699
Public Defender	2,333	109	2,442	1,138
Public Safety Executive Office	4,429	-	4,429	3,410
Sheriff	(1,898)	4,160	2,262	4,727
Total General Fund	19,553	466	20,019	21,646
<i>Special Revenue Funds Departments</i>				
District Attorney	-	53	53	28
Probation	36	(56)	(20)	38
Sheriff	995	(653)	342	-
Total Special Revenue Funds	1,031	(657)	375	66
<i>Internal Service Funds Departments</i>				
Probation	78	(68)	10	-
Sheriff	326	(192)	134	-
Total Internal Service Funds	404	(260)	144	-
<i>Special District Funds</i>				
800 Mhz Communications	102	439	541	-
Total Group Projected Fund Balance	\$ 21,090	\$ (11)	\$ 21,079	\$ 21,711

Numbers may not total due to rounding.

**FY 2000-2001 3rd Quarter
Projected Year-end Results**

(in thousands)

**GENERAL REVENUES &
GENERAL COUNTY EXPENSES**

General Fund

General Revenues:

	Expenditure Variance	Revenue Variance	3rd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)	2nd Quarter FY00-01 Projected Fund Balance Favorable/ (Unfavorable)
All Current Property Taxes	\$ -	\$ (3,401)	\$ (3,401)	\$ (3,741)
All Other Taxes-Local	-	3,928	3,928	3,408
Licenses, Permits & Franchises	-	787	787	200
Fines, Forfeitures & Penalties	-	940	940	940
Revenue for Use of Money & Property	-	7,000	7,000	5,000
Intergovernmental Revenue	-	16,891	16,891	14,462
Charges for Current Services	-	539	539	-
Miscellaneous Revenue	-	-	-	-
Total General Revenues	-	26,684	26,684	20,270

General County Expenses

Cash Borrowing Program	1,179	-	1,179	1,179
Community Enhancement	-	-	-	-
Contingency Reserve	11,300	-	11,300	11,300
Contributions to Library Fund	-	-	-	-
Community Projects & Services	-	-	-	-
Countywide Expenses	5,595	-	5,595	5,595
Total General County Expenses	18,074	-	18,074	18,074
Total General Fund	18,074	26,684	44,758	38,344

Special Revenue Funds Departments

Capital Program	500	(500)	-	-
Debt Service-Pension Obligation Bonds	-	-	-	-
Total Special Revenue Funds	500	(500)	-	-

Internal Service Funds Departments

Unemployment & Workers Compensation	-	-	-	-
Public Liability	-	-	-	-
Total ISF Funds	-	-	-	-

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

\$ 18,574	\$ 26,184	\$ 44,758	\$ 38,344
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**COUNTY OF SAN DIEGO
NOTES TO SCHEDULE A
FY 2000 - 2001 3rd QUARTER**

GENERAL NOTES

Agency/Group Fund Balance Components

Fund Balance consists of two components - Management Reserves and Operating Balance. Operating Balance is the excess of Revenues over Expenditures as a result of current fiscal year operations. Management Reserves are appropriations that are set aside at the Group or department level for unanticipated needs or planned future one-time expenses.

Management Reserves

The Agency/ Groups do not plan to expend all of their respective Management Reserves during this year and therefore expect that some amount will be available for use in future years. Projected Management Reserves at June 30, 2001 are shown in **Schedule B**.

Projections of Agency/Group Operations

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

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.

COMMUNITY SERVICES GROUP

General Fund:

Animal Control

The Department is projecting a net positive variance of \$0.4 million. Savings are attributable to staff cost savings in classifications planned to be filled after the next Animal Control Officer Academy graduation in May 2001.

Community Services Group - Executive Office

The third quarter net variance for the Community Services Group Executive Office is \$6.7 million, comprised of \$0.1 million in Services and Supplies savings, revenue from Internal Service Funds (ISFs) of \$0.1 million, and carryover Management Reserves of \$6.5 million.

Housing and Community Development

Housing and Community Development is projecting a favorable variance from budget of \$0.3 million. Variances are primarily due to staff cost savings, reduced levels of program expenditures in multi-year projects, and reduced demands for CDBG and HOME residential rehabilitation loans.

Registrar of Voters

A net variance of \$1.7 million is projected, consisting of projected revenues of \$0.6 million over budget due to over-realized election revenues and carryover Management Reserves of \$1.1 million.

Internal Service Funds:

Department of General Services - Facilities Management

A net variance of \$0.5 million is projected for the Facilities Services ISF to generate planned reserves necessary for ISF continuing operations. Expenditures and corresponding revenues are projected under budget due to staff cost savings, and increases in consultant contracting, reducing rate collections.

Department of General Services - Fleet Management

A net variance of \$2.1 million is projected. Expenditure projections are \$.5 million below budget due to staff cost savings, below budget expenditures on parts required for newer vehicles, and delayed vehicle acquisitions/deliveries and invoice payments. A positive revenue variance of \$0.5 is projected to generate planned reserves necessary for ISF continuing operations.

Purchasing and Contracting

The Purchasing and Contracting Department has projected a net variance of \$0.5 million. This variance is partially the result of planned reserves necessary for ISF continuing operations. Savings are attributable to staff cost savings, decreased customer spending on blanket purchase orders and central stores, and increased use of procurement card purchases over Ready Cash purchase orders.

FINANCE & GENERAL GOVERNMENT GROUP

General Fund:

Assessor/Recorder/County Clerk

A projected favorable fund balance of \$2.5 million is primarily related to staff cost savings, IT savings and a year-end management reserve of \$.2 million. IT related savings, in excess of \$.6 million, reflect reductions in the number of reports requested, close management of application services, and no new application development. The negative revenue variance reflects projected reductions of \$.6 million each in the Property Tax Administration program, and

the Modernization trust fund, where revenues are directly tied to expenditures. These reductions are partially offset by over-realizing other revenues by a net of \$.4 million, due primarily to increased recording of revenues from refinancings.

Board Offices- All

In total, Board offices reflect a favorable year-end variance of \$.5 million due primarily to cost saving measures.

Auditor and Controller

An overall favorable variance of \$1.7 million is projected due primarily to recruitment difficulties, Services and Supplies savings and a year-end Management Reserve of \$.9 million.

Chief Administrative Officer

A favorable fund balance of \$.5 million is projected as a result of cost saving measures and a \$.2 million year-end Management Reserve.

Chief Technology Office

A favorable fund balance of \$.5 million is projected for this department as a result of Services and Supplies savings and a \$.3 million Management Reserve at year-end.

Contributions to Capital

Savings of \$1.5 million are anticipated due to lease credits being higher than assumed in the FY2000-01 Operational Plan. These credits are associated with the North and East County Courthouse and the Hall of Justice projects.

County Counsel

A favorable fund balance of \$.9 million is projected by year-end based primarily on staff cost savings, Services and Supplies savings and a year-end Management Reserve of \$.3 million.

Finance & General Government Group – Executive Office

A favorable fund balance of \$1.1 million is due to Services and Supplies savings of \$.1 million and a year-end Management Reserve of \$1.0 million.

Human Resources

A favorable fund balance of \$2.2 million is expected by year-end due to \$1.3 million in Management Reserves established to mitigate risk in the area of IT and ERP implementation; \$.5 million in budgeted one-time funds, expected to be unexpended in the current fiscal year due to changes in the timetable for implementation of several one-time projects; and \$.4 million in on-going staff cost and Services & Supplies savings.

Treasurer-Tax Collector

A favorable fund balance of \$1.2 million is expected by year-end due to staff turnover, delays in the implementation of the department's reorganization and a year-end Management Reserve of \$.6 million. In addition, Services & Supplies savings of \$.3 million are the result of reduced costs for the Treasury program and are offset by corresponding reductions in pooled money revenue.

HEALTH & HUMAN SERVICES AGENCY

General Fund:

The Agency Administration consists of the following operations: the Agency Executive Office, Financial Services, Contract Operations, Information Technology and Human Resources. The major savings in this program are from staff cost savings, retained Management Reserves (\$2.3 million), delays in spending on programs supported by tobacco settlement funds (\$3.5 million), and delays in initiating various information technology development projects, including Public Health Information System (PHIS), Health Insurance Portability and Accountability Act (HIPAA), Information Assessment and Referral (IAR) and Aging and Independence Services projects. Funds for these projects are being rebudgeted for next fiscal year.

The major portion of the \$20.4 million of under-realized revenue in Policy and Program Support is CalWORKs revenue due to vacancies within the Agency's Regional Operations. Regional Operations are estimating \$20.5 million in savings due to such vacancies and lower aid payments.

Within Aging and Independence Services, In-Home Supportive Services is estimating \$6.6 million savings, mainly due to delays in contracted services. Other areas within Aging and Independence Services are estimating \$2.9 million in expenditure savings. Of these savings, \$7.9 million is offset by reduced revenue, as the programs are based on cost reimbursement. Edgemoor is estimating a \$.5 million over-expenditure mainly due to increased salaries, overtime usage as a result of high turnover and difficulties in filling vacancies, and increased utility costs.

LAND USE AND ENVIRONMENT GROUP

General Fund:

Environmental Health

A net positive variance of \$1.9 million is projected, the result of projected savings in staff costs of \$1.4 million, including decreased overtime and premium pay expenditures. A projected savings of \$.1 million in Services and Supplies relates to reduced contracted services for State Block Grant oil clean-up activities.

There is also an anticipated over-realization of \$0.4 million in revenue due to an increased effort in billings and collections, and increased services provided on a cost-reimbursement basis.

Land Use Group – Executive Office

The Executive Office projects a positive fund balance of \$6.5 million at year- end, primarily due to unexpended Management Reserves.

Planning and Land Use

A positive fund balance of \$1.1 million is projected at year-end, \$.8 million of which is the result of staff cost savings due to recruitment difficulties and turnover (salary levels are 15 percent below industry standards), and a Management Reserve balance of \$.2 million. Revenues are holding steady, with a net slight increase of \$41,000.

Public Works

DPW projects a favorable net balance of \$.9 million. Expenditure savings of \$16.4 million and revenue decreases of \$15.5 million are projected, chiefly (\$15.8 million) due to delays caused by litigation and various negotiations with the City of San Marcos related to the San Marcos Closure Project.

Special Revenue Funds:

Parks and Recreation

A favorable balance of \$4.2 million is projected for the 29 Parkland Dedication Ordinances (PLDO) as a result of savings of \$3.7 million in Other Charges and an overrealization of revenue of \$.5 million. The variance results from the department's policy of budgeting all available resources even though specific projects and related expenditures have not yet been identified.

Public Works

A favorable net balance of \$10.7 million is projected. Overall savings of \$23.0 million are primarily composed of underexpenditures in Services and Supplies and Other Charges (\$22.7 million) as a result of the release of prior year encumbrances (\$4.7 million), delays in projects (\$13.7 million), not purchasing equipment (\$2.4 million), consultant costs (\$1.0 million), and miscellaneous other expense categories (\$.9 million).

Net revenue decreases of \$12.3 million are partially a result of expenditure reductions from the delays in projects and non-purchase of equipment previously mentioned. Major variances included under-realization of Sales/Use Transportation Taxes (\$6.0 million), Federal Aid - Highways (\$3.1 million), Other Miscellaneous (\$2.7 million), and Road and Street Services (\$1.6 million). These negative results were partially offset with a revenue over-realization from Interest on Deposits and Investments (\$1.4 million).

Internal Service Funds:

Public Works

A year-end fund balance net of \$3.4 million is projected. Reductions in expenditures of \$3.8 million are due to purchases not made (\$1.8 million) and reduced tank remitigation expenditures (\$2.0 million). Revenue under-realization of \$.5 million is directly a result of non-purchases of equipment, thereby resulting in reduced charges to user departments.

Enterprise Funds:

Public Works

An underexpenditure of \$9.6 million is primarily due to delays in some projects in the Airport Enterprise Fund (\$7.5 million) and the Ramona runway extension, sewer line and control tower costs (\$2.4 million). The revenue shortfall of \$9.6 million represents under-realization of corresponding revenues from Federal Aid - Airports (\$7.5 million), State Aid for Construction (\$.4 million), Aid from Other Governmental Agencies (\$.5 million) and Charges to Special Districts (\$1.2 million).

Special District Funds:

Air Pollution and Control District

A favorable net fund balance of \$3.0 million is projected, primarily due to an over-realization of revenue of \$2.3 million in vehicle registrations and Air Quality Improvement monies, and overages from interest on Deposits and Investments. A savings of \$.7 million in staff costs is also projected due to unfilled positions.

Parks and Recreation

A positive fund balance of nearly \$1.0 million is projected. The variance results from the department's policy of budgeting all available resources even though specific projects and related expenditures have not yet been identified.

Public Works

A favorable net balance of \$2.6 million is projected. Expenditure savings of \$4.3 million are due to delays or reschedule of projects (\$2.9 million), and maintenance and contract/consultant services savings (\$1.4 million) in Sanitation/Sewer operations. A corresponding reduction in revenue of \$1.7 million is primarily due to the reduction of sewer connection and capacity fees stemming from the project delays.

PUBLIC SAFETY GROUP

The Departments within the Public Safety Group are projecting a net positive fund balance of \$20.9 million in the General Fund, and \$22.0 million overall. The projected year-end fund balance, however, has been significantly impacted by

escalating utility costs, estimated to be \$9.7 million over budget, due to the number of facilities managed by the departments within the group, many of which are 24-hour operations (Jails, Juvenile Hall, Sheriff substations). The \$9.7 million is comprised of projected overages of \$5.8 million for the Sheriff, \$2.4 million in the Contributions to Trial Court budget, \$1.1 million for the Probation Department, \$.3 million for the District Attorney, and \$.1 million in the Medical Examiner's office.

General Fund:

Alternate Public Defender

A net positive variance of \$.4 million is projected due to staff cost savings.

District Attorney

A net positive variance of \$3.5 million is projected, principally as a result of \$7.5 million in staff cost savings due to attorney positions held vacant pending the results from the Fall and Spring Bar exams; a projected savings of \$.3 million in Services and Supplies due to lower than anticipated resource requirements in Child Support Services and Public Assistance Fraud; a projected under-realization of \$1.2 million in Expenditure Transfer and Reimbursements (Cost Applied), primarily due to staff cost savings; and an anticipated under realization of \$3.3 million in revenue, primarily from State and Federal funding sources due to expenses not incurred for Child Support.

Probation

A net positive variance of \$7.4 million is projected. The variance is the result of projected staff cost savings of \$1.9 million due to reduced overtime, and frozen positions related to the cancellation of the INS contract and the Camp West Fork closure; a projected shortfall of \$.5 million in Service and Supplies, primarily due to utility costs; a projected savings of \$5.7 million in Other Charges, primarily due to reduced "out of home" placements for foster care; and an anticipated over-realization of \$.5 million in revenues from the State for the Breaking Cycles program. Subsequent to a Board of Supervisors directed transfer of funds of approximately \$1.9 million to the Local Juvenile Placement Trust Fund, generated by savings in the Out of Home Foster Care Placement program, the net positive fund balance projects at \$5.5 million.

Public Defender

A net positive variance of \$2.4 million is projected. The variance is the result of a projected savings of \$1.6 million in staff costs due to turnover of clerical staff and attorney positions held vacant pending the results from the Fall and Spring Bar exams; and savings of \$.7 million in Management Reserves for unexpended CERS appropriations.

Public Safety Group Executive Office

A net positive variance of \$4.4 million is projected. The variance is the result of Management Reserves that remain unexpended and are earmarked for Fiscal Year 2001-2002 contingencies, such as utilities.

Sheriff

A net positive variance of \$2.3 million is projected. The variance is the result of \$.8 million in staff cost savings; a projected overexpenditure of \$6.8 million in Services and Supplies due to utility and unexpected non-contracted medical expenditures; a projected overexpenditure of \$1.7 million in Other Charges, primarily due to three high cost inmate medical cases; and an anticipated over-realization of \$4.2 million in revenue from the recovery of increased utility costs for leased space, contract cities due to increased service levels and pay raises, and State and Federal inmate housing.

The unanticipated increase of \$1.3 million in non-contracted medical expenditures in the Services and Supplies budget is primarily the result of trauma care provided at a facility not under contract. Once an inmate is stabilized, he or she is transported to a contract facility where the service rates are lower. The three high cost inmates impacting Other Charges are an individual recovering from being shot by a local police agency (cost of \$.7 million through March), an inmate hospitalized with multiple medical problems (cost of \$1.0 million through March) and an inmate who is a cancer patient (cost of \$.3 million through March).

An appropriation transfer of \$5.8 million will be made as part of the Public Safety Group third-quarter budget status report for the over expenditure in utilities. The department would end the year with a negative fund balance of \$3.5 million without this transfer.

Special Revenue Funds:

Sheriff's Inmate Welfare

A net positive variance of \$.3 million is projected as a result of a projected savings of \$1.0 million in Services and Supplies due to a drop in inmate population resulting in lower than anticipated resource requirements, and an anticipated under realization of \$.7 million in revenues from telephone commissions.

Special District Funds:

CSA 135 Regional 800 MHz

A net positive variance of \$.5 million is projected for the Sheriff's CSA 135 Regional 800 MHz Fund as a result of a projected over-realization of revenues due to the addition of the cities of Chula Vista, Coronado, La Mesa and Lemon Grove to the Regional Communication System.

GENERAL REVENUES & GENERAL COUNTY EXPENSES

Fund balance for these two categories combined is estimated to be \$44.8 million, comprised of \$26.7 million in additional General Revenues and \$18.1 million savings in General County Expenses.

General Revenues

Strong economic growth at the State and Local levels through the end of 2000 and the sound fiscal policy of the County are the primary reasons for the projected overall favorable Fund Balance of \$26.7 million. The \$26.7 million is the result of a combination of positive and negative projected year-end balances, significant components of which include:

- *Current Property Taxes* are expected to be short of the amount budgeted by \$4.8 million. This shortfall is primarily attributable to the following factors.
 - ◆ The State assessed valuation, primarily as applied to utilities, decreased 17% and the Unitary assessed valuation was reduced by 14%, compared with estimates assumed in the budget. Such assessment reductions will result in about \$2.7 million less revenue for the general fund.
 - ◆ The Local Assessed Valuation increased by 9.7% versus 10.0% assumed in the budget, reducing revenues about \$1.0 million.
 - ◆ Refunds on Assessment Appeals and Corrections are higher than estimated in the budget by \$1.0 million.
- *Vehicle License Fee Revenues (VLF)* are expected to exceed the budgeted level by \$8.9 million, chiefly attributable to strong vehicle sales at the State level. The State reported that new car registrations for FY01 are the highest in 14 years. The FY00-01 budget assumed an increase of 7.0%; however, current actual revenues through April 2001 are 5.4% higher than budgeted.
- *State Educational Revenue Augmentation Fund (ERAF)*. Due to the State's strong economy, one-time discretionary funding was provided to local agencies in the State's FY 2000-01 budget. The County's share, \$6.6 million, has been received.
- *Revenue for Use of Money and Property*. Increased interest earnings of \$7.0 million are estimated at this time. This variance is attributed to the following:
 - ◆ The budget assumed an average daily cash balance of \$160 million, whereas an average daily balance of \$200 million is currently being experienced.

- ◆ The budget assumed an interest earnings rate of 6.0%; through the third quarter of Fiscal Year 2000-01, average interest of 6.6% has been realized.
- *Penalties and Costs of Delinquent Taxes.* An additional \$.9 million is estimated at this time based on the higher delinquency rate of 1.7% versus the 1.5% assumed in the budget.
- *Redevelopment Agency Tax Increments.* An additional \$1.5 million is estimated due to back payments from various agencies related to the prior three years.
- *Supplemental Secured Taxes.* \$1.5 million of additional revenues are estimated based on the current year's supplemental billings.
- *Reimbursement-State Mandated SB-90.* An additional \$1.4 million of revenues are estimated at year-end, representing claims prior to 1999.

General County Expenses

- Debt service costs are projected to be lower than budgeted by \$1.2 million due to a lower borrowing rate of 4.5% versus that of 4.8% assumed in the budget.
- The Contingency Reserve is expected to be \$11.3 million at year-end.
- Countywide General Expense year-end savings of \$5.6 million are estimated due to the following factors:
 - ◆ \$3.0 million was set aside in the budget to add to the General Reserve at year-end based on the favorable financial condition of the County. These funds are projected to be available for this purpose.
 - ◆ \$9.2 million was budgeted for the Enterprise Resource Planning (ERP) system lease-purchase payment. Only \$6.6 million is required this year because the Property Tax System component of the ERP Program was removed pending further review of available technology. The \$2.6 million in savings will be reserved until such time that a decision can be made on a new Property Tax System.

**COUNTY OF SAN DIEGO
FY2000-20001 3rd Quarter**

Schedule B

Projected Reserves and Operating Balances at June 30, 2001

(in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	3rd Quarter FY00-01 Projected Reserves plus Operating Balances	2nd Quarter FY00-01 Projected Reserves plus Operating Balances
General Fund				
Community Services	\$ 7,541	\$ 1,384	\$ 8,925	\$ 8,762
Finance & General Government	4,935	8,023	12,958	10,189
Health and Human Services	2,345	15,341	17,686	5,004
Land Use and Environment	6,806	3,850	10,656	4,637
Public Safety	5,255	14,764	20,019	21,646
Agency/Group Totals	\$ 26,883	\$ 43,362	\$ 70,244	\$ 50,238
General Revenues		26,684	26,684	20,270
General County Expenses		6,774	6,774	6,925
Contingency Reserve	11,300		11,300	11,300
Total Gen'l. Revs & Other Gen'l. Fund	\$ 11,300	\$ 33,458	\$ 44,758	\$ 38,495
Total General Fund	\$ 38,183	\$ 76,820	\$ 115,002	\$ 88,733

Numbers may not total due to rounding.