



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: May 18, 2004

TO: Board of Supervisors
Redevelopment Agency Board of Directors

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

SUMMARY:

Overview

This report summarizes the third quarter estimate of the County's financial position as measured by projected year-end fund balance by Agency/Group and fund type for the FY 2003-04 Operational Plan. The projected fund balance from current year operations of the General Fund is \$135.0 million. This projected net savings results from strategies to manage hiring and service levels in anticipation of fewer resources in Fiscal Year 2004-05, certain one-time projects not being completed this year (most of which will be proposed to be re-budgeted in Fiscal Year 2004-05) and year-end balances in contingency and management reserves.

The recommended budget adjustments would transfer, establish or cancel appropriations for various purposes including park, road, airport, detention facility, sidewalk, library, automation, facilities modernization, and asbestos abatement projects. In addition, they would transfer appropriations to pay costs of court orders outside the defense attorney contracts, to pay for temporary help and overtime costs for the March 2004 election, to pay tax increment revenue to school districts and to the housing fund, to support the emancipated foster youth program, and to reimburse staff costs related to the October fires in various Public Works department funds from the road fund. Further, they would transfer 14 positions within the Land Use and Environment Group to the Department of Planning and Land Use, the Department of Public Works General Fund, and the Airport Enterprise Fund, and would amend the Employee Benefits Internal Service Fund spending plan to pay unanticipated unemployment insurance expenses.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Accept the Fiscal Year 2003-04 third quarter report on projected year end results.
2. Waive Board Policy A-91, Mid-Year Budget Changes.

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

3. Transfer appropriations of \$400,000 from Public Safety Group Management Reserves to Defense Attorney Contracts for the costs of court orders for payments outside the contract.
4. Cancel Appropriations and related Operating Transfer In of \$374,504 in the Criminal Justice Fund for Capital Project 1000142, East Mesa Juvenile Facility Access Road, to provide funds for HVAC Controls at the George Bailey Detention Facility.
5. Establish Appropriations of \$374,504 in the Public Safety Group Executive Office for Major Maintenance Project MP4877, HVAC Controls at George Bailey Detention Facility, based on fund balance made available from the cancellation of funding in Capital Project 1000142. (4 VOTES)
6. Amend the General Services Major Maintenance Internal Service Fund spending plan in the amount of \$374,504, for HVAC Controls at the George Bailey Detention Facility, based on charges in the General Fund. (4 VOTES)
7. Transfer appropriations of \$175,000 from the Department of Parks and Recreation to Contributions to Capital Outlay Fund, for Capital Project 1004978, Tijuana River Valley Habitat/Trail Restoration.
8. Establish appropriations of \$20,000 in the Fallbrook PLDO fund, Operating Transfer Out, to provide funds for the Rainbow Park Improvements project, based on fund balance available in the Fallbrook PLDO fund. (4 VOTES)
9. Establish appropriations of \$20,000 in Capital Project 1000195, Rainbow Park Improvements, based on an Operating Transfer from the Fallbrook PLDO fund. (4 VOTES)
10. Establish appropriations of \$14,500 in the Department of Parks and Recreation for services and supplies for the Spring Valley Teen Center based on unanticipated lease revenue. (4 VOTES)
11. Establish appropriations of \$50,000 in the Department of Parks and Recreation for the Lakeside Critical Hours Program, based on unanticipated grant revenue from the State Department of Health. (4 VOTES)
12. Establish appropriations of \$95,373 in the Department of Parks and Recreation for the preparation of the Goodan Ranch/Sycamore Canyon management plan based on unanticipated revenue from State revenue and taxation code funds for open space. (4 VOTES)
13. Transfer management reserves of \$25,000 from the Land Use and Environment

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

Group to the Department of Parks and Recreation for workplace enhancements.

14. Transfer appropriations of \$134,741 from the Department of Parks and Recreation to Contributions to Capital Outlay Fund for consultant contracts various capital projects.
15. Establish Appropriations of \$134,741 in the Capital Outlay Fund for Capital Projects: 1000174, Lake Morena Park Equipment (\$66,190); 1004980, Potrero Park Playgrounds (\$27,506); 1000003, Fallbrook Community Park Playground (\$22,350); and 1004981, Felicita Park Improvements (\$18,695) based on an Operating Transfer from the General Fund. (4 VOTES)
16. Establish appropriations of \$20,000 in the Spring Valley area PLDO fund, Operating Transfer Out, to provide funds for the Spring Valley Basketball Court Improvements project, based on fund balance available in the Spring Valley PLDO fund. (4 VOTES)
17. Establish appropriations of \$20,000 in the Capital Outlay Fund for Capital Project 1005320, Spring Valley Park Basketball Court Improvements, based on an Operating Transfer from the Spring Valley PLDO fund. (4 VOTES)
18. Cancel appropriations and related State Legislative revenue of \$246,250 in the Capital Outlay Fund for Capital Project 1000213, Ramona Boys and Girls Club, due to reduction in State funding.
19. Establish appropriations of \$50,000 in the San Dieguito PLDO fund, Operating Transfer Out, to provide funds for the San Dieguito Picnic/Playground Improvements project, based on fund balance available in the San Dieguito PLDO fund. (4 VOTES)
20. Establish appropriations of \$50,000 in the Capital Outlay Fund for Capital Project 1000004, San Dieguito Picnic/Playground Improvements, based on an Operating Transfer from the San Dieguito PLDO fund. (4 VOTES)
21. Cancel appropriations and related Prop 12 Per Capita revenue of \$25,000 in the Capital Outlay Fund for Capital Project 1000198, Lake Jennings Playgrounds, to provide funds for the Lakeside Teen Center Landscaping project.
22. Establish appropriations of \$25,000 in the Capital Outlay Fund for Capital Project 1000275, Lakeside Teen Center Landscaping, based on the cancellation of Prop 12 Per Capita appropriations in the Capital Outlay Fund. (4 VOTES)
23. Establish appropriations of \$220,000 in the Department of Public Works Airport Enterprise Fund, for completion and maintenance of a water line for aircraft fire protection at the Fallbrook Community Airstrip (Phase II), based on

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

fund balance available in the Airport Enterprise Fund. (4 VOTES)

24. Establish appropriations of \$80,000 in the Department of Public Works Airport Enterprise Fund for Capital Project K47TL6, Fallbrook Taxilane, based on fund balance available in the Airport Enterprise Fund. (4 VOTES)
25. Establish appropriations of \$33,178 in the Department of Public Works Airport Enterprise Fund for Capital Project K47TA2, Palomar Realign Taxiway "Alpha", based on fund balance available in the Airport Enterprise Fund. (4 VOTES)
26. Authorize the transfer of two positions, one Intermediate Clerk and one Analyst I, from the Department of Public Works Road Fund to the Airport Enterprise Fund.
27. Establish appropriations of \$100,000 in CSA 115, Pepper Drive Fire District, for a prior year road project based on fund balance available in CSA 115. (4 VOTES)
28. Establish appropriations of \$35,000 in the Department of Public Works Road Fund, Operating Transfer Out, for fire related costs based on fund balance available in the Road Fund. (4 VOTES)
29. Establish appropriations of \$10,000 in the Department of Public Works Inactive Waste Sites Management Fund for fire related costs based on an Operating Transfer from the Department of Public Works Road Fund. (4 VOTES)
30. Establish appropriations of \$10,000 in the Department of Public Works Airport Enterprise Fund for fire related costs based on an Operating Transfer from the Department of Public Works Road Fund. (4 VOTES)
31. Establish appropriations of \$15,000 in the Department of Public Works Wastewater Management Enterprise Fund for fire related costs based on an operating transfer from the Department of Public Works Road Fund. (4 VOTES)
32. Establish appropriations of \$46,000 in the Department of Public Works Detailed Work Program for sidewalk improvements along Old Highway 80 in Jacumba, based on unanticipated Transportation Development Act revenue. (4 VOTES)
33. Authorize the transfer of two positions from the Land Use and Environment Group to the Public Works General Fund for the Performance Management Team.

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

34. Authorize the transfer of ten positions, two from the Land Use and Environment Group, three from the Department of Environmental Health, two from Agriculture, Weights and Measures, two from the Air Pollution Control District and one from the Department of Public Works General Fund to the Department of Planning and Land Use to provide additional resources for permit processing.
35. Establish appropriations of \$753,707 in the Redevelopment Agency Gillespie Field Project Special Debt Service Fund for transfer to the Redevelopment Agency Capital Project Fund based on over realized tax increment revenue. (4 Votes)
36. Transfer appropriations of \$350,000 from the Community Services Group Executive Office Management Reserves to the Registrar of Voters for costs associated with the March 2004 Primary Election.
37. Establish appropriations of \$4,410 in the Department of Housing and Community Development for the Emancipated Foster Youth Program based on a cost applied agreement with the Health and Human Services Agency. (4 VOTES)
38. Cancel appropriations and the related Operating Transfer of \$96,577 in the Capital Outlay Fund for Capital Project 1000162, Cardiff Library. These appropriations should be budgeted in the Library Capital Outlay Fund.
39. Establish appropriations of \$96,577 in the Library Capital Outlay Fund for Capital Project 1000162, Cardiff Library, based on an Operating Transfer from the Library Fund. (4 VOTES)
40. Transfer estimated revenue of \$150,000 in the Capital Outlay Fund from Donations from Private Parties to Operating Transfer In from the General Fund for Capital Project 1000263, Bonita History Museum Project.
41. Establish appropriations of \$150,000 in Contributions to Capital Outlay Fund, Operating Transfer Out, for Capital Project 1000263, Bonita History Museum Project, based on donations from the Bonita Sunnyside Fire Protection District and the Bonita Historical Society. (4 VOTES)
42. Establish appropriations of \$175,000 in the Department of Media and Public Relations for an EOC Video Link for CTN based on fund balance available in the Cable TV fund. (4 VOTES)
43. Establish appropriations of \$902,011 in the Assessor/Recorder/County Clerk for the acquisition of hardware, software and information technology services for the implementation of automated functionality and/or upgrade of existing systems in the Assessor/Recorder/County Clerk Department based on funds

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

available in the Modernization Trust Fund, AB 589 Trust Fund, and the Vital Statistics Trust Fund. (4 Votes)

44. Establish appropriations of \$767,000 in the Assessor/Recorder/County Clerk for facilities modernization and capital replacement and required tenant improvements in leased facilities based on funds available in the Micrographics Trust Fund, Modernization Trust Fund, AB 589 Trust Fund, and the Vital Statistics Trust Fund. (4 Votes).
45. Establish appropriations of \$295,000 in the Treasurer/Tax Collector Department for asbestos abatement of its offices in the County Administration Complex based on over-realized AB 2890 revenue. (4 Votes).
46. Transfer appropriations of \$500,000 in the Treasurer/Tax Collector Department from Management Reserves to Major Maintenance for asbestos abatement of its offices in the County Administration Complex.
47. Amend the Department of Human Resources Employee Benefits Internal Service Fund spending plan in the amount of \$382,000 for unemployment insurance based on charges in the General Fund.

Fiscal Impact

The funds for a portion of these requests are not budgeted. These actions will cancel budgeted appropriations and the related sources of funding in the amount of \$746,741. If approved, these actions will establish additional appropriations of \$5,323,505 resulting in a net increase in appropriations of \$4,576,764.

Business Impact Statement

N/A

Advisory Board Statement

N/A

BACKGROUND:

Fiscal Year 2003-04 Fund Balance Projections

For the General Fund, the third quarter projection of year-end fund balance from current year operations is \$135.0 million, made up of an estimated \$29.4 million shortfall in General Purpose Revenues, \$138.5 million in net savings from departmental operations, and \$25.9 million in unspent Contingency and Management Reserves. The projected balance for all other funds combined is \$57.1 million. Schedule A summarizes the fund balance projections by Group. The Notes to Schedule A explain variances from budget by department. Schedule B shows the projected General Fund fund balance by Group split between operating and reserve balances. These projections are based on actual experience through March, 2004 and expected

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

expenditures and revenues through the end of the fiscal year. Out of the estimated \$135.0 million of General Fund fund balance, approximately \$106.9 million has been budgeted as a source of funds for various appropriations in FY 2004-05 in the CAO Proposed Operational Plan. These savings will also be a source for making Quality First payments to employees where applicable in the coming year.

The Economy

The U.S. economy's calculated Gross Domestic Product (GDP) for 2003 showed an increase of 3.1%. Consumer spending jumped sharply in late-2003 boosting demand for domestic and imported goods. U.S. exports also started to grow again in late 2003. Much of the late-2003 spending was driven by the plunge in mortgage interest rates and tax cuts. Anticipated declines in government spending and housing activity are projected to offset growth in exports and investments. Overall, GDP growth is estimated at 4.1% for 2004.

California's economy is finally moving up and out of a period of very weak growth. The unemployment rate has been inching down, taxable sales are stronger, and job growth is starting to occur. The technology bust hit California companies very hard for three years, with the loss of wage and salary income concentrated in the San Francisco Bay Area.

Despite the challenges from 2001 through 2003, San Diego's economy appears to have fared well in that it outperformed both the California and national economies in terms of the rate of economic growth. The local economic indicators, San Diego's gross regional product, employment, and personal income, are suggesting a moderate growth rate. Local sales tax transactions have slowed somewhat to a 3.3% growth rate in 2003; however, the real estate market continues to be strong due to high demand and favorable low financing costs. The relative strength of the local economy is reflected in the County's general purpose revenues. Had the State not suspended the Vehicle License Fee backfill for the first three months of the year, the County's general purpose revenues would likely be coming in \$9.1 million over budget.

FY 2003-04 Budget Adjustments

The budget adjustment recommendations in this letter are explained below.

Recommendation 2

A waiver of Board Policy A-91, Mid-Year Budget Changes is requested for the mid-year appropriation of funds. Adjustments are for high priority or critical one-time items and will not result in ongoing expenses or will result in ongoing savings.

Recommendation 3

This is a request to transfer appropriations into the Defense Attorney contract budget to provide funding for court orders for payment for cases outside the bar contract. The county has received several court orders for payment of costs related to retained indigent cases, death penalty cases and appeal cases that are outside of the scope of the contract with the Bar association and could not have been predicted.

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

Recommendations 4 - 6

The Department of General Services has identified the HVAC project at the George Bailey Detention Facility as a high priority project. Capital Project 100142, East Mesa Road project, is near completion and has excess funding, based on current estimates of the project manager. These actions transfer some of that excess to the detention facility project.

Recommendation 7

This action will move the Operating Transfer from the Department of Parks and Recreation to Contributions to Capital Outlay Fund. This adjustment is a technical correction for the Capital Project budget.

Recommendations 8 & 9

These actions will provide additional funds that are needed to provide for a change order and unforeseen costs to close out the Rainbow Park Improvements project.

Recommendation 10

This action will appropriate unanticipated lease revenue from the County Office of Education for lease of Spring Valley Teen Center.

Recommendation 11

This action will appropriate unbudgeted grant revenue received from the Health and Human Services Agency, to operate the Lakeside Critical Hours Program.

Recommendation 12

This action will provide appropriations for the management plan for Goodan Ranch/Sycamore Canyon Open Space Preserve. As a requirement of the MSCP, management plans must be prepared for all open space sites.

Recommendation 13

This request will transfer management reserves from the Land Use and Environment Group to the Department of Parks and Recreation for workplace enhancements at various job sites.

Recommendations 14 & 15

Funding is being transferred from the Parks and Recreation Department to various Capital Projects to provide for unforeseen costs associated with playground projects in three parks.

Recommendations 16 & 17

These actions will provide the necessary funds for several improvements. San Miguel Local Park District, CSA 128, approved \$20,000 in Spring Valley PLDO funds to resurface the basketball court at Spring Valley Park as well as to install new backboards, rims, nets and benches.

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

Recommendation 18

This action will cancel appropriations of \$246,250. The unexpended State Legislative Appropriation grant funds of \$246,250 are being cancelled because grant funding reverted to the State.

Recommendations 19 & 20

These actions will establish appropriations of \$50,000 in the San Dieguito capital project. Supplemental funds are needed to pay for costs related to the design of additional ADA improvements that were added to the original playground and walkway design project.

Recommendations 21 & 22

These two recommendations will establish appropriations of \$25,000 in the capital project. This additional funding for the Lakeside Teen Center Landscaping project will provide for installation of additional rip rap and slope stabilization improvements for the lake, as well as the purchase and installation of site furnishings. The remaining funds will be expended on contract administration and inspection services.

Recommendation 23

The Board action of December 5, 2001 (#7), approved the Fallbrook Community Airpark: Agreement with Fallbrook Public Utility District for Design, Construction and Maintenance of a water line for aircraft fire protection, and the associated spending plan amendment. This action establishes \$220,000 in appropriations for the final phase of construction.

Recommendation 24

This request will establish appropriations of \$80,000 for the Fallbrook Taxilane, Capital Project K47TL6, to extend the taxiway an additional 240' for the use by the general aviation public using the Fallbrook Community Airpark facility.

Recommendation 25

This action will make available the necessary funds for Capital Project K47TA2, Palomar Realign Taxiway "Alpha," to cover current year shortfalls, based on available fund balance in the Airport Enterprise Fund

Recommendations 26

This recommendation transfers one (1) Intermediate Clerk and one (1) Analyst I position from the Public Works Road Fund to the Airport Enterprise Fund to provide for needed Real Property support and Airports financial support to continue to meet FAA requirements.

Recommendation 27

This request will establish additional appropriations for fire protection in CSA 115, Pepper Drive Fire District based on available fund balance.

Recommendations 28 - 31

These actions will reimburse the Airport Enterprise Fund, Inactive Waste Site Management and Wastewater Management Enterprise Fund for staff costs related to the October 2003 fires.

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

Recommendation 32

This request adds appropriations to the DPW Road Fund Detailed Work Plan for a non-motorized walkway along Old Highway 80 in Jacumba, based on Transportation Development Act revenue.

Recommendation 33

This action will amend recommendation #128 from the Fiscal Year 2003-04 Second Quarter Operational Plan Status Report that was approved on February 24, 2004 (#23). In that letter the positions that were being transferred were from the Health and Human Services Agency and the Department of Animal Services to the Land Use and Environment Group. The positions should have been transferred to the Department of Public Works General Fund.

Recommendation 34

This request will allow the transfer of ten positions from the various departments in the Land Use and Environment Group to the Department of Planning and Land Use. This action supports the Board's previous approval, of January 14, 2004 (#1), of the need for additional resources to improve overall permit processing by eliminating the separation of planning and environmental permit processing activity.

Recommendation 35

This item increases appropriations in the Redevelopment Agency Gillespie Field Project Special Debt Service Fund (96479). This will ensure sufficient appropriations are in place to transfer tax increment revenue to the Capital Project Fund (96517), which is then used to make payments to school districts and to the Housing Fund (96525). No adjustments are necessary to the Capital Project Fund as budgeted appropriations are adequate to make the necessary payments

Recommendation 36

This item transfers appropriations from the Community Services Group Executive Office Management Reserves to the Registrar of Voters for costs associated with the March 2004 Primary Election. The first-time use of a new election system required higher than anticipated use of overtime and temporary labor.

Recommendation 37

The Department of Labor Emancipated Foster Youth program officially ended on June 30, 2003, however, client participation continued through November 30, 2003, completing the allowed eighteen month participation. The Health and Human Service Agency has agreed to fund the July - November costs. Approval of these appropriations allow for fiscal closeout of the program.

Recommendations 38 & 39

These actions are technical adjustments to establish appropriations for Capital Project 1000162, Cardiff Library, in the correct fund. These appropriations currently reside in the Capital Outlay fund and should be in the Library Capital Outlay Fund.

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS

Recommendations 40 & 41

These actions are technical adjustments to establish appropriations and related revenue for Capital Project 1000263, Bonita History Museum Project, in the Contributions to the Capital Outlay Fund. Donations from private parties should be recorded in the General Fund.

Recommendations 42

This request will appropriate \$175,000 in funds available in the Department of Media and Public Relations to install a video link from the Emergency Operations Center (EOC) to County Television Network (CTN) facilities at the County Administration Center. This link will allow CTN to air live emergency news conferences and other events originating from the EOC.

Recommendation 43

The Assessor/Recorder/County Clerk is in the process of upgrading, automating, and consolidating many of its functions and related systems including its cashiering system, data migration and storage for imaging vital documents, and other information technology hardware. This action will appropriate \$902,011 of resources required to fund these projects with funds available in various trust funds intended for such purposes.

Recommendation 44

This request is to appropriate \$767,000 in trust fund revenue for the modernization of facilities and needed capital replacement, and tenant improvements required in leased facilities. This action will appropriate resources required to fund these projects based on funds available in various trust funds intended for such purposes.

Recommendation 45 & 46

These actions establish appropriations of \$295,000, and transfers \$500,000 in available Management Reserves to Major Maintenance, for asbestos abatement in the County Administration Complex, as part of the project to remove asbestos in work areas in the building.

Recommendation 47

This action will appropriate resources for the fourth quarter payment of unemployment insurance. There was an unanticipated 21% increase in unemployment insurance costs between FY 2002-03 and FY 2003-04. Factors for the cost increase include: an increase of unemployment benefit rates, the release of temporary workers from County employment and unemployment benefits being paid out over a longer period of time.

**SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS
REPORT AND BUDGET ADJUSTMENTS**

Linkage to the County of San Diego Strategic Plan

The County is fully committed to using its resources to meet the highest priority needs of its residents as identified in the FY 2003-04 Budget and outlined by our three Strategic Initiatives – Kids, Environment and Safe and Livable Communities.

Respectfully submitted,

WALTER F. EKARD
Chief Administrative Officer

**SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS
REPORT AND BUDGET ADJUSTMENTS**

AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

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

ORIGINATING DEPARTMENT: Chief Financial Officer

CONTACT PERSON(S):

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Janel Pehau, Director, Office of Financial
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AUTHORIZED REPRESENTATIVE:

Donald F. Steuer, Chief Financial Officer

SUBJECT: FISCAL YEAR 2003-04 THIRD QUARTER OPERATIONAL PLAN STATUS
REPORT AND BUDGET ADJUSTMENTS

AGENDA ITEM INFORMATION SHEET
(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

8/5/03 (7) County of San Diego Fiscal Year 2003-04 Final Budget Resolution; 12/9/03 (24) First Quarter Report on Estimated Results of Operations for Fiscal Year Ending June 30, 2004 and Budget Adjustments; 2/24/04 (23) Second Quarter Operational Plan Status Report, Firestorm 2003 Update, Contract Amendments, Ratification / Execution / Acceptance of Revenue / Grant Agreements, Early Redemption of Bonds, Adopt Resolution Re Community Services Block Grant, CHDP/EPSTDT Subvention Certification and Budget Adjustments

BOARD POLICIES APPLICABLE:

A-91, Mid-Year Budget Changes.

BOARD POLICY STATEMENTS:

A-91 Mid-Year Budget Changes

A waiver of Board Policy A-91, Mid-Year Budget Changes, is requested for the mid-year appropriations of various funds' fund balance and additional revenues in Housing and Community Development. These funds are needed for payment to employees under the Quality First Program.

CONTRACT AND/OR REQUISITION NUMBER(S):

N/A

**FY 2003-2004 3rd Quarter
Projected Year-end Results**
(in thousands)

COUNTY SUMMARY

	Expenditure Variance	Revenue Variance	3rd Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
General Fund			
Public Safety	\$ 32,530	\$ 6,139	\$ 38,670
Health & Human Services	79,896	(73,754)	6,142
Land Use & Environment	13,085	(703)	12,382
Community Services	7,521	(1,705)	5,816
Finance & General Government	14,551	2,403	16,953
Total Agency/Group	<u>147,584</u>	<u>(67,620)</u>	<u>79,963</u>
General Revenues	-	(29,441)	(29,441)
Finance Other	83,303	1,169	84,472
Total General Fund	<u>\$ 230,887</u>	<u>\$ (95,893)</u>	<u>\$ 134,994</u>
Special Revenue Funds			
Public Safety	\$ 1,560	\$ (1,237)	\$ 323
Health & Human Services	26,157	(3,602)	22,555
Land Use & Environment	10,987	(8,693)	2,294
Community Services	24,523	(23,713)	810
Finance & General Government	309	(265)	44
Finance Other - Capital Program	57,233	(46,013)	11,220
Total Special Revenue Funds	<u>120,769</u>	<u>(83,523)</u>	<u>37,246</u>
Internal Service Funds Departments			
Public Safety Group	\$ 115	\$ 609	\$ 724
Health & Human Services	-	-	-
Land Use & Environment	2	(2)	0
Community Services	32,324	(29,075)	3,249
Finance & General Government	-	-	-
Finance Other	5,500	(5,500)	-
Other County	-	-	-
Total Internal Service Funds	<u>37,941</u>	<u>(33,968)</u>	<u>3,974</u>
Enterprise Fund Departments			
Land Use & Environment	\$ 1,884	\$ 1,131	\$ 3,015
Special District Funds Departments			
Public Safety Group	-	18	18
Health & Human Services	-	-	-
Land Use & Environment	12,651	(996)	11,656
Total Special District Funds	<u>\$ 12,651</u>	<u>\$ (977)</u>	<u>\$ 11,674</u>
Other County Funds Departments			
LUEG - Debt. Svc. Local Boards	-	-	-
Community Svcs. - Redevelopment Agencies	\$ (382)	\$ 1,568	\$ 1,186
Total Other County Funds	<u>\$ (382)</u>	<u>\$ 1,568</u>	<u>\$ 1,186</u>
Total County Projected Operating Balance	<u>\$ 403,752</u>	<u>\$ (211,663)</u>	<u>\$ 192,089</u>

**FY 2003-2004 3rd Quarter
Projected Year-end Results**

(in thousands)

PUBLIC SAFETY GROUP

Expenditure Variance	Revenue Variance	3rd Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Departments

Alternate Public Defender	\$ 321	\$ 202	\$ 524
Child Support	770	942	1,712
Contributions for Trial Courts	1,213	(1,131)	82
Defense Attorney Contract Admin.	-	91	91
District Attorney	2,636	9,472	12,108
Law Enforcement Review Board	8	-	8
Medical Examiner	251	-	251
Emergency Services	1,519	(1,337)	182
Probation	5,629	1,196	6,825
Public Defender	321	166	487
Public Safety Executive Office	6,273	(13)	6,260
Sheriff	13,588	(3,450)	10,138
Total General Fund	32,530	6,139	38,670

Special Revenue Funds Departments

District Attorney (Asset Forfeiture - State & Federal)	-	202	202
Probation - Asset Forfeiture	-	29	29
Probation - Inmate Welfare Program	-	(6)	(6)
Sheriff - Asset Forfeiture	-	97	97
Sheriff - Inmate Welfare Program	1,560	(1,560)	-
Public Safety - Proposition 172	-	-	-
Total Special Revenue Funds	1,560	(1,237)	323

Internal Service Funds Departments

Probation	-	-	-
Sheriff(Jail Stores)	115	609	724
Total Internal Service Funds	115	609	724

Special District Funds

Sheriff (Regional 800 MHz)	-	18	18
Total Group Projected Fund Balance	\$ 34,206	\$ 5,529	\$ 39,735

**FY 2003-2004 3rd Quarter
Projected Year-end Results**

(in thousands)

HEALTH & HUMAN SERVICES AGENCY

Expenditure Variance	Revenue Variance	3rd Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Programs

Agency Administration	\$ 14,036	\$ (11,099)	\$ 2,937
Adult Mental Health	(4,545)	4,545	-
Aging & Independence Services	4,196	(3,046)	1,149
Alcohol & Drug Division	680	(5,430)	(4,750)
Children's Mental Health	3,172	(3,172)	-
Child Welfare Services	3,009	(3,317)	(308)
Policy & Program Support	2,211	(1,563)	649
Proposition 10	150	4	154
Public Health Services	5,033	(2,324)	2,709
Regional Operations	51,232	(47,942)	3,289
Strategy & Planning	721	(409)	312
Total General Fund	79,896	(73,754)	6,142

Special Revenue Funds

Social Services Realignment	5,684	1,788	7,471
Mental Health Realignment	5,771	(1,942)	3,828
Health Realignment	9,303	(3,447)	5,856
Tobacco Securitization Fund	5,400	-	5,400
Total Special Revenue Funds	26,157	(3,602)	22,555

Internal Service Funds

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

Ambulance Districts	-	-	-
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Other County Funds Departments

	-	-	-
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Total Health & Human Services Agency	\$ 106,053	\$ (77,356)	\$ 28,697
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**FY 2003-2004 3rd Quarter
Projected Year-end Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

Expenditure Variance	Revenue Variance	3rd Quarter
		FY03-04 Projected Fund Balance Favorable/ (Unfavorable)

General Fund Departments

Agriculture, Weights & Measures	\$ 1,050	\$ 547	\$ 1,597
Environmental Health	\$ 959	\$ 454	\$ 1,413
Farm Advisor	\$ 31	\$ -	\$ 31
Land Use & Environment Group Exec Office	\$ 1,138	\$ 135	\$ 1,272
Parks & Recreation	\$ 5,616	\$ (656)	\$ 4,960
Planning & Land Use	\$ 3,319	\$ (1,217)	\$ 2,102
Public Works	\$ 973	\$ 35	\$ 1,007
Total General Fund	\$ 13,085	\$ (703)	\$ 12,382

Special Revenue Funds Departments

A,W & M (Grazing and Fish & Game Commission)	-	24	24
Parks & Recreation - PLDO	1,268	1,001	2,269
DPW - Aviation Funds	192	(192)	-
DPW - Road Funds	3,696	(3,696)	-
DPW - Inactive Waste	5,831	(5,831)	-
Total Special Revenue Funds	10,987	(8,693)	2,294

Internal Service Funds Departments

Public Works - DPW Equip. ISF Prg. (35525-35700)	2	(2)	0
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Enterprise Funds Departments

Airport Enterprise Fund	1,813	1,245	3,058
Liquid Waste Enterprise Fund	71	(114)	(43)
Total Enterprise Funds:	1,884	1,131	3,015

Special District Funds Departments

Air Pollution Control District	2,502	140	2,642
Parks and Recreation	1,260	(217)	1,043
DPW - Sanitation Districts & Sewer Maintenance	2,929	51	2,979
DPW - CSAs	199	33	232
DPW - PRDs	4,606	50	4,656
DPW - Flood Control	1,155	(1,068)	88
DPW - Street Lighting Districts	-	15	15
Total Special Districts Funds:	12,651	(996)	11,656

Other County Funds Departments

Debt Service-Local Boards	-	-	-
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Total Land Use & Environment Group	\$ 38,609	\$ (9,264)	\$ 29,346
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**FY 2003-2004 3rd Quarter
Projected Year-end Results**

(in thousands)

COMMUNITY SERVICES GROUP

Expenditure Variance	Revenue Variance	3rd Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Departments

Animal Services	\$ 394	\$ 37	\$ 431
Community Services Group Exec Office	5,267	1	5,267
General Services	-	-	-
Purchasing & Contracting	-	-	-
Housing & Community Development	1,801	(1,742)	58
Library Services	-	-	-
Registrar of Voters	60	(1)	60
Total General Fund	7,521	(1,705)	5,816

Special Revenue Funds Departments

Library Services	1,177	(367)	810
Housing & Community Development	23,346	(23,346)	-
Total Special Revenue Funds	24,523	(23,713)	810

Internal Service Funds Departments

Document Services	-	-	-
Facilities Management	10,122	(10,122)	-
Fleet Management	6,644	(2,715)	3,928
Purchasing & Contracting	15,559	(16,237)	(679)
Total Internal Service Funds	32,324	(29,075)	3,249

Other County Funds Departments

Redevelopment Agency	(382)	1,568	1,186
Total Community Services Group	\$ 63,987	\$ (52,925)	\$ 11,062

**FY 2003-2004 3rd Quarter
Projected Year-end Results**

(in thousands)

**FINANCE & GENERAL GOVERNMENT
GROUP**

Expenditure Variance	Revenue Variance	3rd Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund Departments

Assessor/Recorder/County Clerk	\$ 15	\$ 592	\$ 607
Auditor & Controller	1,445	984	2,429
Board of Supervisors	1,103	2	1,104
Board of Supervisors-General	-	-	-
CAC-Major Maintenance	180	26	206
Chief Administrative Officer	372	(6)	366
Civil Service Commission	2	1	3
Clerk of the Board of Supervisors	1,009	77	1,087
County Counsel	1,246	117	1,362
County Technology Office	1,755	11	1,765
Finance & GG Exec Office	4,819	1	4,820
Grand Jury	(5)	0	(5)
Human Resources	2,327	(68)	2,259
Treasurer/Tax Collector	284	666	950
Total General Fund	14,551	2,403	16,953

Special Revenue Funds Departments

Media & Public Relations	309	(265)	44
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Internal Service Funds Departments

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

\$ 14,860	\$ 2,137	\$ 16,998
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**FY 2003-2004 3rd Quarter
Projected Year-end Results**

(in thousands)

**GENERAL REVENUES &
FINANCE OTHER**

Expenditure Variance	Revenue Variance	3rd Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
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General Fund

General Revenues:

All Current Property Taxes	\$ -	\$ 1,958	\$ 1,958
All Other Taxes-Local	-	9,595	9,595
Licenses, Permits & Franchises	-	287	287
Fines, Forfeitures & Penalties	-	4,117	4,117
Revenue for Use of Money & Property	-	(2,809)	(2,809)
Intergovernmental Revenue	-	(44,653)	(44,653)
Charges for Current Services	-	(115)	(115)
Miscellaneous Revenue	-	2,179	2,179
Total General Revenues	-	(29,441)	(29,441)

General County Expenses:

Cash Borrowing Program	4,179	-	4,179
Community Enhancement	-	-	-
Contingency Reserve	8,000	-	8,000
Contributions to the Capital Outlay Fund	3,477	-	3,477
Contributions to Library Fund	-	-	-
Community Projects & Services	-	-	-
Countywide Expenses	67,648	1,169	68,816
Total Finance Other Expenses	83,303	1,169	84,472
Total General Fund	83,303	(28,273)	55,031

Special Revenue Funds Departments

Capital Program	3,477	(3,477)	-
Debt Service-Pension Obligation Bonds	53,756	(42,536)	11,220
Total Special Revenue Funds	57,233	(46,013)	11,220

Internal Service Funds Departments

Workers Compensation	-	-	-
Unemployment Insurance	-	-	-
Public Liability	5,500	(5,500)	-
Total ISF Funds	5,500	(5,500)	-

Total General Revenues & Finance Other	\$ 146,036	\$ (79,786)	\$ 66,251
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**FY 2003-2004 3rd Quarter
Projected Year-end Results**

(in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	3rd Quarter FY03-04 Projected Fund Balance Favorable/ (Unfavorable)
General Fund			
Public Safety	3,467	35,203	38,670
Health and Human Services	5,736	407	6,142
Land Use and Environment	-	12,382	12,382
Community Services	5,188	628	5,816
Finance & General Government	3,527	13,427	16,953
Agency/Group Totals	\$ 17,917	\$ 62,046	\$ 79,963
General Revenues		(29,441)	(29,441)
General County Expenses	-	76,472	76,472
Contingency Reserve	8,000	-	8,000
Total Gen'l. Revs & Gen'l. County Exp.	\$ 8,000	\$ 47,031	\$ 55,031
Total General Fund	\$ 25,917	\$ 109,077	\$ 134,994

**COUNTY OF SAN DIEGO
NOTES TO SCHEDULE A
FY 2003 - 2004 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, 2004 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 in total expenditure, total revenue, or net variances from plan are discussed below and categorized by funds.

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

PUBLIC SAFETY GROUP

General Fund:

Alternate Public Defender

A net positive variance of \$0.52 million is projected for Alternate Public Defender. The expenditure variance of \$0.3 million is due to under expenditure of services and supplies (\$0.4 million) primarily due to conservation of funds in contracted services, IT services, and office services and supplies and over expenditure in salaries and benefits of (\$0.1 million) due to negotiated salary and benefit increases costing more than the funds appropriated. The revenue variance of \$0.2 million is due to higher than anticipated collections for attorney fees.

Child Support Services

A net positive variance of \$1.7 million is projected for the Department of Child Support Services (DCSS). Expenditures are expected to be \$0.8 million less than budgeted. The \$1.4 million positive variance in salaries and benefits is due to the staff attrition rate exceeding original projections, resulting in additional salary savings. The FY 2003-04 Operational Plan projected an attrition rate of 4 employees per month at an average annual salary of \$0.05 million. Since July 1, 2003 the average attrition rate has been over 7 employees per month.

The \$1.0 million negative variance in services and supplies is due to higher than anticipated operational costs primarily in the areas of rents and leases and Information Technology. Lease costs increased \$0.45 million due to the acquisition of the SBC lease from the District Attorney's office and higher lease management costs, which include utilities and miscellaneous repairs. Hardware and software maintenance costs increased by \$0.75 million with the implementation of the Open Scan system, the voice activated IVR system, and check scanners. In addition, DCSS has collaborated with the Superior court to open a courtroom in the Vista Courthouse specifically for child support cases. The anticipated costs of this project is \$0.13 million in services and supplies. A \$0.4 million positive variance in Capital Assets Equipment is due to no further purchases projected for this fiscal year.

A net positive revenue variance of \$0.9 million is projected. As the recovered cost revenue available is limited to a projected \$2.9 million, federal and state revenue is projected at \$51.3 million. The negative \$0.6 million variance in State aid is due in part to the State withholding \$1.98 million for exceeding the FY 2002-03 allocation. The \$2.2 million positive variance in federal IV-D is a result of an increase in the allocation for the Collection Enhancement Program and an increased allocation for EDP projects. The \$0.7 million negative variance in other federal grants is due to not receiving projected revenue from the Los Angeles ARS Consortium for county DCSS staff who travel and work for the consortium. Instead, the consortium agreed to directly pay for their travel and lodging costs, rather than reimbursing the county.

Contributions for Trial Courts

A net positive variance of \$0.1 million is projected for the Contributions for Trial Courts. Expenditures are projected to be \$1.2 million lower than budget all in services and supplies. Services and supplies is projected to be \$1.2 million under budget due to major maintenance projects that will not be completed this fiscal year. It is anticipated that these funds will be re-budgeted. These Major Maintenance projects were funded by AB 189 Penalty Assessment revenue, and there is a corresponding projected shortfall in that revenue. Revenue is projected to be under budget by \$1.1 million due to the lower than anticipated receipts from various fines, fees and collections which support the Trial Court MOE.

District Attorney

The District Attorney's Office is projected to end FY 2003-04, with a net positive variance of \$12.1 million.

Salaries and benefits are projected to be \$ 0.6 million under budget. The variance is due to extremely restricted hiring as of December of 2003 and the retirements of 26 employees in March of 2004. A savings of \$2.0 million is projected in services and supplies due to decreased spending levels in professional and specialized services (\$0.3 million), major maintenance (\$0.3 million), out of county travel (\$0.3 million), a credit to the other communication account (\$0.4 million), and \$0.70 million savings in office equipment. The District Attorney will utilize Federal Asset Forfeiture Funds for the purchases of critical one-time office equipment. A variance of \$0.3 million is projected in expenditure transfers & reimbursements due to a decrease in spending in services and supplies within the Public Assistance Fraud Program. No further transfers are planned from Management Reserves and a total of \$ 0.3 million is projected to fall to year-end Fund Balance at this time.

Total revenues are projected to be \$ 9.5 million over budget. The primary cause of this is unanticipated revenue in federal grants from the federal Southwest Border Prosecution Initiative. Damages for fraud revenue is projected to be over budget by \$1.3 million due to three cases: People v. Albertson's Supermarket (\$0.7 million); ARCO (\$0.4 million); and David Malcolm (\$0.2 million). A positive revenue variance of \$0.4 million in recovered expenses is due to the unanticipated reimbursements from the United States' Office of Personnel Management for reimbursement of background check costs (\$0.1 million); Albertson's Supermarket (\$0.1 million), and reimbursement of investigator overtime costs by the FBI, DEA, and RATT (\$0.1 million), and the California Witness Protection Program (\$0.1 million). Reimbursement under the state aid – Other State Grants revenue is projected to be \$0.5 million under budget due to the FY 2003-04 State Budget Act reduction of Vertical Prosecution programs funding by 50 percent, (\$0.3 million) and decrease spending in the CATCH program (\$0.2 million). Real Estate Fraud Prosecution Program is projected to be under budget by \$1.1 million due to critical departmental staffing needs, which has kept positions from being transferred into the Real Estate Fraud unit.

Office of Emergency Services

A net positive variance of \$0.2 million is projected for the Office of Emergency Services (OES). The variance is the result of a projected savings of \$1.5 million and under realized revenue of \$1.3 million. Projected savings of \$0.2 million in salaries and benefits is due to hiring less temporary workers than anticipated and for shorter duration. Projected savings of \$0.5 million in services & supplies is due to a delay in equipment purchases, lower than anticipated IT maintenance costs associated with E Team, the new crisis management software at the Emergency Operations Center, and exercise costs and planning costs

associated with FY03 State Homeland Security Grant Program (SHSGP) Part I will occur in FY 2004-05 not in the current Fiscal Year because the performance period of the grant was extended to March 31, 2005. Projected savings of \$0.8 million in other charges is due to reimbursements to other government agencies for the FY 2003-04 SHSGP Part I will be made primarily in FY 2004-05. These funds will be re-budgeted.

Under realized revenue of \$1.3 million is due to less reimbursement in federal other from the projected expenditure savings for the State Homeland Security Grant (\$1.5 million). This under realized revenue is offset by unanticipated revenue of \$0.2 million from the Tobacco funds for the Public Education Campaign.

The fund balance for Office of Emergency Services included the appropriations and expenses for Firestorm 2003. Appropriations of \$3 million were established through the November 4, 2003 (22) board letter to cover costs related to the response and initial recovery efforts for the Firestorms of 2003. The current total expenditures and encumbrances in the Firestorm org (which rolls up to OES) are \$2.8 million, leaving a balance of \$0.2 million. Since the expenses and encumbrances are incurred by other departments (like Public Works, General Services, etc.), the assumption is the remaining balance will be spent by the end of FY 2003-04.

Probation

A positive variance of \$6.8 million is projected for the Probation Department. The positive expenditure variance of \$5.6 million results primarily from projected salaries and benefits savings of \$4.1 million due to approximately 150 vacancies. The Department implemented a freeze on hiring mid year in anticipation of a budget reduction. Additionally, delays in the opening of the East Mesa Juvenile Detention facility has contributed to salary savings.

Services and supplies are projected to be \$0.9 million under budget. The savings in services and supplies is due to the projected under expenditure of \$3.1 million in various services and supplies accounts due to the delayed opening of East Mesa Juvenile Detention Facility. Additionally, other savings in services and supplies results from an under expenditure in contracted services of \$1.4 million. These savings are a result of IT costs being charged to the application services ISF, rather than the vendor contract. The applications services ISF is projected to be over spent by \$1.6 million due to costs outside the vendor contract related to the Probation Caseload Management System (PCMS). Costs relating to facility maintenance are projected to exceed budget by \$2.1 million as follows: Real Property ISF(\$0.1 million), Major Maintenance ISF (\$0.1 million) and facility occupancy costs (\$1.9 million). Fleet cost for the department will be over-spent by \$0.4 million due to increased costs of fuel (\$0.2 million) and the maintenance costs for the fleet exceeding budget projections (\$0.2 million).

The remaining under expenditures of \$0.4 million is the combination of multiple accounts and is due to lower than anticipated facility populations.

The other charges account is projected to be over budget by \$0.4 million. Included in this category is the Foster Care budget that is projected to be overspent by \$1.6 million, a result of increased wards ordered by the court to placement in residential treatment facilities. Cost savings for California Youth Authority placements of \$0.9 million as well as savings for costs related to illegal aliens of \$0.3 million offset this overage. The number of wards committed to the California Youth Authority has consistently decreased in the past seven years by nearly 50% a result of innovative programming directing services to prevention and intervention and treating the family of potential high risk juvenile offenders. Other accounts included in this object will be under budget by \$0.3 million they include a contract for CYA diagnostics and a savings resulting from the non-acquisition of equipment planned for lease purchase.

The department projects additional savings of \$0.5 million in expenditure transfers and reimbursements. These savings result from recouping actual costs of the Reflections program from Medi-Cal and Short Term Offender Program (STOP). Increased operational costs associated with negotiated salary and benefit increases are claimable. In addition any increase in the number of wards eligible for services under Medi-Cal impacts the claim.

The department also projects a year-end balance of \$0.6 million in Management Reserves. The reserve was achieved through the appropriation of the remaining Local Juvenile Placement Trust Fund, which was closed out in FY2002-03. The reserve was established to offset the development cost of PCMS.

Revenue is projected to be over realized by \$1.2 million. Title 4-E revenue will exceed budget level by \$1.6 million a result of shifting staff who time study for reimbursement from TANF activities which is capped to Title 4-E claiming. Staff hours previously reported on TANF claims are now shifted to Title 4-E activities and claimed resulting in the over-realized revenue. State and Federal Foster Care revenues are projected to be over-realized by \$0.9 million due to an increase in the number of placements of juveniles in Residential Treatment Facilities. Parental reimbursement for institutional costs is projected to exceed budget by \$0.2 million. Institutional Care County will be over-realized by a net \$0.3 million due to an increased fee rate and the establishment of a new fee charged to parents for those male juveniles incarcerated at Camp Barrett offset by an under-realization from the federal government INS Institutional Care Federal. Revenue generated by the Work Project program is projected to exceed budget by \$0.5 million. Other over-realized revenues include cost reimbursement crews revenue, enrollment fee revenues and other miscellaneous revenue accounts. Offsetting these revenue increases are shortfalls of \$0.5 million due to reduced collections in recovery costs for supervision and pre sentence investigations (Other Court Costs), the result of less referrals of adult offenders.

State Emergency Assistance, TANF revenue is under-realized by \$0.8 million because of the statewide reduction in allocations. The Mentally Ill Offender grant was terminated in December and results in a loss of \$0.3 million in State Aid for Corrections. Aid From Other Government Agencies is under-realized by \$0.7 million. The account represents the remaining funds appropriated from the Local Juvenile Placement Trust Fund to partially fund PCMS. Due to under realized savings from the previous fiscal year, the available funds were less than anticipated.

Public Defender

A net positive variance of \$0.5 million is projected for the Public Defender. The expenditure variance of \$0.3 million is primarily in salaries and benefits. This savings is due to maintaining ten (10) frozen positions and from savings realized from other staff turnover as part of the department's management of its salaries and benefits to stay within budget.

The net positive revenue variance of \$0.2 million is due to over realized revenue from attorney fee collections and from the State, for reimbursement from Trial Court Funding for the Dependency Courts.

Public Safety Executive Office

The Public Safety Group Executive office is projecting a \$6.3 million fund balance. A positive variance of \$0.2 million is projected in salaries and benefits due to vacancies in both the executive office and the Juvenile Justice Commission. Capital assets equipment is projected to have a positive variance of \$3.5 million. These funds were allocated for the purchase of a Fire/Life/Safety helicopter by the Board of Supervisors. It is not anticipated that this purchase will occur in the current fiscal year. These funds will be re-budgeted to be available as soon as the Board receives recommendations from the helicopter advisory board. Additionally, the Group projects a year-end balance of \$2.6 million in Management Reserves. These management reserves will be utilized for unanticipated expenditures.

Sheriff

The Sheriff's Department's third quarter 2003-04 fiscal projections reflect a fund balance of \$10.1 million.

A net positive variance of \$11.1 million is projected in salary and benefits as a result of vacant positions. This projection includes "Expected New Hires" of 42 sworn staff for upcoming academies throughout the fiscal year. Services and supplies expenditures are projected to be \$2.9 million under budget due primarily to the following: a reduction in fleet size (\$0.6 million), lower than anticipated costs for utility charges (\$0.1 million), IT ISF services (\$0.7 million), foregoing planned current year expenditures in Mobile Data Terminal replacements (\$0.3 million), a reduction in Inmate Services expenditures due to less than anticipated inmate supplies and postponement of minor equipment purchases (\$0.5 million),

and a decrease in Hospital Guard Contract services due to use of deputies for guarding inmates in hospitals instead of contract security personnel (\$0.2 million). An additional savings of \$0.5 million is projected in various services & supplies accounts within Court Services and Human Resources bureau-wide due to postponement of purchases.

A net positive variance of \$0.2 million in Capital Assets Equipment is due to the foregoing planned expenditures of equipment. A negative variance of \$1.2 million is projected in expenditure transfer & reimbursements due to a reduction in reimbursements from HHSA for mental health services in jails (\$0.7 million) and a reduced demand for meals by the Probation department (\$0.5 million). Operating Transfers Out is projected to be under budget by \$0.5 million due to postponement of facility replacement.

A net negative revenue variance of \$3.5 million is projected. Under-realization of revenue is due to a \$5.9 million shortfall in Contract Cities revenue because of decreased service levels requested by the cities of Del Mar, Encinitas, Imperial Beach, Lemon Grove, Santee, and Vista and a recalculation of beat factors, a \$0.6 million shortfall in operating transfers from Inmate Welfare due to a reduction in services & supplies expenditures and staff vacancies, a \$1.3 million shortfall in State Criminal Alien Assistance Program (SCAAP) is due to an increased number of applicant counties vying for a decreasing amount of Federal funds, a \$0.5 million shortfall in Meals on Wheels revenue due to a delay in the planned expansion of the program into North County, a \$2.0 million shortfall in "Other Miscellaneous" reflects the unrealized revenue in the Sheriff's Designation fund reserved for Las Colinas replacement as the planned environmental impact studies and associated site reviews have been postponed until FY 2004-05, when grant and county match opportunities can be evaluated. An additional \$0.8 million in various miscellaneous other revenues accounts are expected to under budget. These revenue shortfalls are offset by over-realized revenue of \$5.0 million in Trial Court Funding due to the level of service reductions anticipated when the budget was developed have not been as severe as anticipated, over-realized revenue of \$0.5 million in Corrections Corporation of America (CCA) revenue due to an amendment of the lease agreement, over-realized revenue of \$0.3 million in Jail Bed Leasing due to increased bed rates as of January 2004, \$0.9 million in Parole Violation Holds (Institutional Care State) due to the State paying claims from FY 2002-03 and an additional \$0.9 million in miscellaneous revenue from various accounts due to unexpected and greater than anticipated services provided.

Special Revenue Funds:

Sheriff - Inmate Welfare

No net cost variance is projected. Services & supplies are projected to be \$0.4 million under budget due to less than anticipated costs for inmate supplies (Inmate Welfare packs, razors, reading glasses, etc.) and savings in minor

equipment and print shop supplies. Operating Transfers Out are projected to be \$1.2 million under budget due to a \$0.6 million savings in Inmate Welfare and a \$0.6 million savings due to a scale down of the commissary warehouse remodel.

Revenue is projected to be \$1.6 million under budget. This shortfall consists of the following components: \$0.3 million over budget in recovered expenditures, \$0.3 million under budget in interest on deposits & investments and other sales, and \$1.6 million under budget in the Fund Balance account (8969) due to decreases and delays in Inmate Welfare expenditures.

Sheriff Asset Forfeiture Program

The Asset Forfeiture Program projects a fund balance of \$0.1 million. Revenue is projected to be \$0.1 million over budget due to interest on deposits & investments and other sales.

Internal Services Funds:

Sheriff - Jail Stores

Jail Stores projects a year-end positive fund balance of \$0.7 million. Operating Transfers Out reflects a \$0.1 million savings due to vacant positions in Jail Stores. Revenue is anticipated to be \$0.6 million over budget due to increased inmate purchases.

HEALTH & HUMAN SERVICES AGENCY

General Fund:

Agency Administration

The Agency Administration consists of the following: Agency Executive Office, Financial Services, Information Technology, Human Resources and Agency Contract Support. A net positive variance of \$2.9 million is projected for Agency Administration. The variance is the result of net expenditure savings of \$14.0 million and projected under-realized revenues of \$11.1 million. The \$14 million expenditure savings include: \$4.2 million in Financial Services due to vacancies and reductions in purchases for facilities maintenance projects and modular furniture; \$0.6 million in Human Resources due to vacancies and includes savings in Information Technology due to unused dollars in CalWIN's State Consortium project; and \$9.2 million in Agency Executive Office due to \$3.5 million projected savings as a result of vacancies and contract reductions and \$5.7 million available management reserves. Revenue reflects a net negative variance of \$11.1 million. This is the result of under-realized revenues of \$8.1 million of State and Federal reimbursements as these are aligned with expenditure savings, and \$3.0 million Securitized Tobacco Settlement.

Adult Mental Health Services

No net cost variance is projected in Adult Mental Health. Expenditures are expected to exceed the budget amount by \$4.5 million. These over-expenditures include anticipated additional costs of \$2.6 million for the Sheriff's Department Pharmaceutical costs, \$2.7 million in contract costs due to increased clients enrolled in inpatient and outpatient services (and related increased costs for medications/pharmaceuticals), offset by savings in salaries and benefits of \$0.8 million due to vacancies and frozen positions. Sufficient appropriations are available within the Agency to cover the additional expenses and they will be offset by \$4.5 million of additional Realignment and Federal Short Doyle Medical revenue associated with the increased contract costs.

Aging and Independence Services (AIS)

A net positive variance of \$1.1 million is projected for Aging and Independence Services. The projected under-expenditure of \$4.1 million is the result of \$2.0 million decrease in salaries and benefits due to either not filling or delays in filling vacancies and a \$2.1 million decrease in services and supplies due to projected savings in IHSS services. A projected net decrease in revenue of \$3.0 million is the result of under-realized revenue of \$4.1 million, which is offset by a \$1.1 million increase for Edgemoor Skilled Nursing facility. The \$4.1 million under-realization includes a \$1.5 million decrease in IHSS revenues, due to lower caseload costs than budgeted, a \$0.4 million decrease in Adult Protective Services, due to the State administrative allocation being less than the budgeted amount, and \$2.2 million in under-realized revenue in Aging and Independence Services State Aid supported programs associated with decreased expenditures.

Alcohol and Drug Services

A net negative variance of \$4.7 million is projected for Alcohol and Drug services. This variance is due to projected under-realized revenue of \$5.4 million offset by expenditures savings of \$0.7 million in salaries and benefits and services and supplies. The revenue reduction of \$5.4 million is due to \$1.4 million decrease in Proposition 36 funds, \$1.0 million decrease in State allocations, and a \$3 million reduction to align with actual funding levels. The expenditure and revenue issues are being addressed in the FY 2004-06 Operational Plan.

Children's Mental Health Services

No net cost variance is projected in Children's Mental Health. The anticipated overall expenditure savings of \$3.1 million is due to projected over-expenditures in salaries and benefits of \$0.4 million offset by net savings of \$3.5 million in services and supplies due primarily to EPSDT contracts that will not be awarded (for Outpatient and Day Treatment Services). A projected decrease of \$3.1 million in revenues is associated with decreases in contracts.

County Child Welfare Services (CCWS)

A net negative variance of \$0.3 million is projected for County Child Welfare Services (CCWS). The net expenditure savings of \$ 3.0 million is the result of \$3.6 million savings in salaries and benefits due to vacancies and not filling

positions in the pipeline as they are vacated, offset by \$0.6 million of over-expenditures in services and supplies and other charges. Over-expenditures of \$0.6 million include a \$0.4 million increase in services and supplies for utilities and additional services for contracted help, and \$0.2 million increase in other charges such as court-ordered placement services for maintenance of wards. The projected \$3.3 million under-realized revenues is the result of a \$7.2 million increase in State reimbursement for Guardian Kin GAP Federal Family Preservation, and Federal Intergovernmental Revenue. The increase is offset by a \$10.5 million reduction in revenues for SED children due to caseload decrease, State allocation for adoptions and foster home licensing, EPSDT revenues based on projected unit cost at year-end, and miscellaneous revenues due to donations not coming in as projected. CCWS is looking at other funding sources to mitigate the shortfall in donations.

Policy and Program Support Divisions

A net positive variance of \$0.6 million is projected for Policy and Program Support. The projected \$2.2 million savings in expenditures includes \$0.5 million in salaries and benefits due to vacancies. Another \$1.7 million in services and supplies and other charges is due primarily to contract savings in Medical Care Program Admin and CALWorks with the remaining savings in other non-contract line items. The under-realization of revenue by \$1.6 million corresponds to the associated savings in expenditures.

Public Health Services

A net positive variance of \$2.7 million is projected for Public Health Services. This is the result of \$5.0 million in expenditure savings that includes \$2.7 million savings in salaries and benefits due to vacancies in various programs. The variance also includes \$2.4 million savings in services and supplies due to late start up of contracts and lower demand for services than planned. The under-realized revenue of \$2.3 million corresponds to the projected expenditure savings, resulting in a significantly lower net cost than budgeted.

Regional Operations

A net positive variance of \$3.3 million is projected for Regional Operations at year-end. A total of \$ 51.2 million in expenditure savings consist of \$4.0 million in salaries and benefits savings due to vacant, under filled, and frozen positions in efforts to align staffing with funding levels and caseload reductions. Another \$4.0 million savings are anticipated in services and supplies due to reduced Welfare to Work contracts, ISF and other operational costs associated with vacancies, and CalWIN personal computer costs. Other charges include \$43.2 million in savings for CalWORKS, General Relief, Welfare to Work payments, and Child Care costs. A net decrease of \$47.9 million in revenues is projected as a result of expenditure savings including other adjustments related to changes in revenue allocations.

Strategy and Planning Division

A net positive variance of \$0.3 million is projected for Strategy and Planning Division. The projected \$0.7 million in expenditure savings includes \$.5 million in salaries and benefits due to vacancies and another \$.2 million in services and supplies savings from non-contract line items. The under-realization of revenue by \$0.4 million corresponds to the projected expenditure savings.

Special Revenue Funds

A total net positive variance of \$22.5 million is projected for the three Realignment Special Revenue Funds and the Tobacco Securitization Fund.

Expenditure savings of \$20.8 million is projected in the three Realignment Special Revenue Funds. This represents dollars that will not be utilized in the general fund for the current budget year. HHSA is attempting to maintain Realignment fund balance due to uncertainties surrounding the future availability of VLF revenues and continued slow growth in sales tax receipts. The net revenue variance of \$3.6 million represents current projections of both sales tax and VLF revenues.

The expenditure savings of \$5.4 million in the Tobacco Securitization fund represents the difference between the unallocated dollars in the Adopted Operational Plan and the available annual amount of \$27.3 million.

LAND USE AND ENVIRONMENT GROUP

General Fund:

Agriculture Weights and Measures

A net positive year-end fund balance of \$1.6 million is projected. Salaries and benefits are projected to be about \$0.9 million under budget. Of this amount, approximately \$0.6 million is a result of delays in new hires, promotions and positions projected to remain vacant throughout the remainder of the year due in part to anticipated revenue shortfalls and projected funding reductions. Another \$0.2 million savings is due to two positions moved to DPLU and delays in projected retirements. Services and supplies are projected to be \$0.2 million under budget. Approximately \$0.1 million is from abatement of structural pest control services provided to other County facilities. Other savings of approximately \$0.1 million are reductions in Information Technology and Telecommunications costs and projected credit adjustment in Application Services of Pennant Alliance for overcharged billing in FY02-03. Fixed Assets Equipment is projected to be about \$0.03 million over budget. An appropriation transfer will be used to purchase an electric meter test system for the Weights & Measures program and is funded by a recent settlement. Revenue is projected to be about \$0.5 million over budget. This is due to a larger than anticipated allocation in the State Aid Agricultural Gas Tax and receipts in Forfeitures and Penalties. These increases are mitigated by other reductions in State revenue

contracts, fees from fewer registered businesses and a decrease in services to other County departments.

Environmental Health

A net positive variance of \$1.4 million is projected for the Department of Environmental Health. The variance is the result of projected savings in salaries and benefits of \$1.0 million from vacant positions, and \$0.4 million in over realized revenue.

Positions being held vacant in the Radiological Health revenue agreement, to offset the possibility of funding reductions due to the State budget situation, will produce salary savings of \$0.2 million. The Vector Surveillance and Control District is holding positions vacant to produce salary savings of \$0.1 million to help conserve reserves in the Vector Surveillance and Control District trust fund. Positions have been held vacant pending transfer to the Department of Planning and Land Use for use in providing services related to Firestorm 2003 producing \$0.5 million in salary savings. The remaining \$0.2 million will come from salary savings as a result of the time it takes to fill positions vacated due to normal attrition. The \$.4 million in over realized revenue is the result of an unanticipated increase in the number of fee for service projects in such activities as septic system and underground storage tank installations and permitted businesses such as retail food handling facilities.

Land Use and Environment Group – Executive Office

A positive net variance of \$1.3 million is projected by year-end. Expenditure savings are estimated at \$1.1 million. Savings of \$0.5 million in salaries and benefits are due to vacancies and the mid year closing of the Office of Trade and Business. Savings \$0.5 million in services and supplies are as a result of the mid-year closing of the Office of Trade and Business and delays in IT Application Services and Major Maintenance costs. Over-realized revenue of \$0.2 million are recovered expenditures from special districts.

Parks and Recreation

A positive net variance of \$5.0 million is projected for FY 2003-04. Expenditure savings are estimated at \$5.6 million. Salary savings of \$0.9 million are due to vacancies, under-filling of positions, budgeted salary adjustments, and a reduction in the use of seasonal staff. Savings of \$4.0 million in services and supplies are due to timing constraints in implementing contracts for the rebuilding of burned parklands and facilities – these amounts will be re-budgeted in the 2004-05 Operational Plan to ensure completion of these projects. Savings of \$0.8 million in contributions to other agencies is estimated due to the fact that no expenditures associated with the JPA with Valley Center will be made by year-end.

Revenue is estimated to be \$0.7 million under budget primarily due to the following: Prop 12 is estimated to be \$0.4 million less than budgeted and

Operating Transfers from PLDOs are estimated to be \$0.4 million less than budgeted largely due to the above mentioned lack of expenditures in the Valley Center JPA. Park and Camping fees are estimated to be \$0.1 million under budget due to park closures from Firestorm 2003. Other revenues of \$0.2 million will be over budget but are being reviewed for accuracy prior to fiscal closing in 2003-04.

Planning and Land Use

A positive net variance of \$2.1 million is projected for Planning and Land Use. The positive expenditure variance of \$3.3 million is broken down between salaries and benefits, \$0.6 million, and services and supplies, \$2.7 million. Savings in salaries and benefits is the result of an average vacancy rate of 7% from July 2003 – March 2004. The department has continually strived to fill these positions, however, recruitment and retention issues prevented filling all vacancies. An additional 10 positions were added in January 2004, which increased the rate slightly during this quarter. Savings in services and supplies of \$2.7 million is primarily in Consultant Contracts. The majority of the savings is in the MSCP and GP2020 Programs (\$1.6 million) due to timing constraints in implementing consultant agreements. This entire savings will be re-budgeted in FY 2004-05 to ensure completion of these projects. The balance is related to an increase in appropriations to cover additional overflow consultant costs in the Building Division related to Firestorm 2003. Again this savings will be re-budgeted in FY 2004-05 to ensure continuation of consultant plan review and building inspections for fire related permits.

The revenue shortfall of \$1.2 million is projected by year-end. This projected decrease is largely due to vacancies in the permit processing programs (Environmental Services and Services to Property Owners). Revenue is not generated if the necessary staff is not available to process the permits.

Public Works

A net positive variance of \$1.0 million is projected for the Public Works General Fund. Salary and benefit savings of \$0.7 million resulted from transfer of five positions from the Department of Environmental Health, which were not filled; and from holding other positions vacant pending analysis of impacts from the State budget crisis. Services and supplies savings of \$0.3 million is due to reduced overhead charges of \$0.1 million and an overall savings of \$0.2 million in other services and supplies accounts.

Special Revenue Funds:

Parks and Recreation PLDOs

A positive net variance of \$2.3 million is anticipated for FY 2003-04. Expenditures are estimated to be \$1.3 million less than budgeted as encumbrances for JPA projects not completed will not be spent. Revenue is estimated to be \$1.0 million over budget, as only enough revenue required to

balance against expenditures was budgeted and actual revenue is much higher than planned expenditures, therefore creating a fund balance for future use by Planning Committees.

Public Works

A zero net variance is projected by year end for the various Special Revenue Funds in Public Works. The highlights are as follows:

- **Road Fund.** Savings of \$1.5 million in salaries and benefits is projected by year-end. \$0.5 million is due to positions being kept vacant as a result of revenue shortfalls. An additional savings of \$1.0 million is due to a mid-year Board action that reimbursed the Road Fund for prior year over-payments to the Equipment Operations ISF. Projected savings in services and supplies of \$2.1 million is due to a department-wide effort to reduce costs to offset revenue shortfalls. Projected under-realization of revenue is \$3.7 million. A decline in gas tax revenue of \$1.8 million is the result of a lower volume of gas sales attributed to increased cost of gas. A shortfall of \$1.8 million in other revenues is based on careful review of the status of current-year revenue-offset projects. Revenue shortfalls are offset by department wide cuts in services and supplies, as well as savings in salaries and benefits.
- **Inactive Waste Fund.** A projected salaries and benefits variance of \$0.2 million is based on savings from current and projected vacancies throughout Fiscal Year 2003-04. A projected services and supplies variance of \$5.2 million is due to rescheduling some projects to Fiscal Year 2004-05. Rescheduled projects include a gas system for the San Marcos Landfill, and corrective actions pending approval from the Regional Water Quality Control Board. A projected \$0.4 million savings in operating Transfers Out is due to fewer parcel purchases. The \$5.8 million projected revenue shortfall is directly attributed to expenditure savings given that revenue is earned on a cost reimbursement basis.
- **Special Aviation Fund.** Projected savings of \$0.2 million in services and supplies is primarily due to capital project expenditures that will not be made this year for Gillespie Runway 27R and Borrego Apron. Projected under-realization of \$0.2 million in revenue from the State is tied to the savings in services and supplies.

Enterprise Funds:

Department of Public Works

- **Airport Enterprise Fund.** A net positive variance of \$3.0 million is projected for the Airport Enterprise Fund. Projected savings of \$0.1 million in salaries and benefits is due to vacancies. Projected savings in services and supplies of \$0.8 million is due to reduced security requirements by

Transportation Security Administration (\$0.4 million), a reduction of environmental services costs for Ramona Airport (\$0.2 million), a savings in Ramona Airport Control Tower staff contract (\$0.1 million) and an overall savings in other services and supplies accounts (\$0.1million). Projected savings of \$0.9 million in Capital Projects is primarily related to the cancellation of the Gillespie Field LDA/DME project and rebudgeting the Borrego Airport Sign project to Fiscal Year 2004-05. Projected over-realization of \$1.2 million in revenue is primarily due to additional funding from Capital Contributions for purchase of land at Palomar Airport.

- Liquid Waste. A net negative variance of \$0.04 million is projected for the Liquid Waste Enterprise Fund and will be offset by fund balance. Projected savings of \$0.07 million in salaries and benefits is due to vacancies. Projected under-realization of \$0.11 million in revenue is primarily due to reduced requests from work for others.

Special District Funds:

Air Pollution Control

APCD is projecting a \$2.6 million positive net variance for fiscal year ending June 30, 2004. The variance is a result of projected savings in salaries and benefits of \$1.3 million due to delays in hiring and under-filled positions. Projected savings in services and supplies of \$1.1 million is due largely to reductions in IT ISF expenditures and reduced use of outside consultant services; \$0.1 million in savings results from a fixed asset technical correction. Fine and penalty revenues are projected to be over-realized by \$0.1 million.

Parks and Recreation CSAs

A positive net variance of \$1.0 million is projected for FY 2003-04. Estimated expenditures are projected to be \$1.2 million less than budgeted due to \$0.1 million in salary savings in temporary staff that were not hired, \$1.0 million savings in services and supplies for projects that were not initiated and for parks that did not come online from the developers this fiscal year, and \$0.2 million savings in fixed assets that were not purchased. Revenue is estimated to be \$0.2 million less than budgeted due to over-budgeted revenue on a newly created CSA.

Public Works

A net positive year-end variance of \$8.0 million is projected for the Department of Public Works.

- CSA's. Projected savings of \$0.2 million in routine maintenance due to decreased requests for service.
- Permanent Road Division Zones. A net positive variance of \$4.7 million is projected for Permanent Road Division Zones. Projected savings in

services and supplies is \$4.6 million. \$4.4 million was budgeted for anticipated El Nino damage that did not occur, which will be rolled over to next fiscal year. An additional savings of \$0.2 million in routine maintenance is due to decreased requests for service. Projected over-realization of \$0.1 million in revenue is due to increased revenue from interest.

- Sanitation Districts & Sewer Maintenance. Projected savings of \$1.7 million in services and supplies is due to over-budgeting of major maintenance (\$0.8 million), postponement of Metro repayment (\$0.7 million), fewer-than-expected requests for routine maintenance (\$0.4 million), and over-expenditures in contracted services (\$0.3 million). Projected savings of \$1.3 million in the Capital Projects is due to the delay of La Presa Trunk Realignment, Spring Valley Outfall, and Jamacha Boulevard Sewer. Additional savings are from the Whitestone Canyon project, which was completed under budget, and another lower-than-budgeted project bid. Projected revenue shortfall in interest revenue (\$0.5 million) is offset by increased revenue from other government agencies for shared costs (\$0.3 million) and from various other revenues (\$0.2 million).
- Flood Control District. A net positive variance of \$0.1 million is projected for the Flood Control District. Projected savings of \$1.2 million in services and supplies is due to the re-budget of Hart Drive to FY 2004-05, which also accounts for under-realization of \$1.2 million in revenue. Interest revenue is projected to be over-realized by \$0.1 million.

COMMUNITY SERVICES GROUP

General Fund:

Animal Services

A net positive variance of approximately \$0.4 million is projected for the Department of Animal Services. The variance is the net result of: \$0.6 million savings in salaries and benefits due to positions that are scheduled for elimination next fiscal year being held vacant as incumbents left; partially offset by \$0.2 million over-expenditure in services and supplies for an unanticipated major maintenance project at the South Region shelter.

Community Services Group Executive Office

A net positive variance of approximately \$5.3 million is projected for the Community Services Executive Office. The variance is a combination of \$0.1 million salary and benefits savings from a position held vacant pending resolution of the State Budget crisis, and \$5.2 million anticipated year-end balance in Management Reserves from prior-year savings. \$4.3 million of the anticipated Management Reserves savings is included in the FY 2004-06 Proposed

Operational Plan for: future-years' operations and maintenance of the Documentum enterprise standard content management system (\$2.5 million); two-year backfill funding for the Registrar of Voters due to the State's suspension of SB90 mandate funding (\$0.9 million); matching funds for potential Prop 14 Library construction grants for Ramona and Alpine (\$0.7 million); and, multi-year matching funds for a \$1.4 million Stormwater Management Demonstration project grant (\$0.3 million). The remaining \$0.9 million anticipated Management Reserves savings is a contingency against unanticipated needs, future one-time needs, and the still unknown fallout from the State Budget crisis.

Housing & Community Development

No net variance is projected for the Housing and Community Development department. A positive expenditure variance of approximately \$1.8 million is offset by revenue under-realization of \$1.8 million. The expenditure variance is primarily the result of: \$0.9 million savings in salaries and benefits due to holding positions vacant to assist with placement of at-risk County employees and the under-filling of series classifications to allow for professional growth; and, \$0.9 million savings in services and supplies due to less than anticipated support costs for the upgrade of the Rental Assistance software system and less than budgeted travel costs. The projected revenue under-realization is a direct result of the projected expenditure savings. Revenue is earned on a cost reimbursement basis.

Registrar of Voters

No net variance is projected for the Registrar of Voters. The transfer of \$0.4 million in appropriations from CSG Executive Office Management Reserves recommended in this letter offsets what would have been a projected \$0.4 million over-expenditure of salaries and benefits due primarily to additional temporary election workers needed for the implementation of the new Voting System under very short timelines and related overtime costs.

Special Revenue Funds:

County Library

A net positive variance of \$0.8 million is projected for the Library. The variance is the net result of: \$1.0 million savings in salaries and benefits due to positions that are scheduled for elimination next fiscal year being held vacant as incumbents left; \$0.2 million savings in services and supplies; \$0.4 million over-realization of Property Tax and Redevelopment Agency Tax Increment revenues; partially offset by \$0.7 million under-realization of revenue from Public Library Fund and other State grants due to the State budget crisis, and, \$0.1 million under-realization of revenue from miscellaneous fluctuations in other revenues.

Housing & Community Development

No net variance is projected for Housing & Community Development multi-year projects. A projected \$23.3 million expenditure savings is offset by revenue

under-realization; costs are 100% revenue offset. To facilitate the multi-year project expenditure request process, all housing funds that the County is eligible to receive from the funding sources are budgeted. The expenditure savings is projected for multi-year projects that will not be completed in the current fiscal year.

Redevelopment Funds:

San Diego County Redevelopment Agency

A net positive variance of \$1.2 million is projected for the San Diego County Redevelopment Agency. A \$0.4 million over-expenditure of services and supplies for payments to the housing set aside fund and schools districts is projected. The expenditure variance is offset by \$1.6 million over-realized revenue due to the taxes assessed on the unanticipated large number of jets landing at Gillespie Field. The Fiscal Year 2003-04 third quarter budget status report includes a recommendation to adjust appropriations to cover this payment.

Internal Service Funds:

Facilities Management

No net variance is projected for the Facilities Management ISF. A projected \$10.1 million expenditure savings is offset by revenue under-realization. The projected expenditure savings include: \$1.3 million in salaries and benefits due to positions being held vacant in response to decreased customer departments' use of services; \$7.7 million in services and supplies, primarily due to: rescheduling to next fiscal year for some major maintenance projects due to customer departments' State budget concerns; less than anticipated project management staff support on major maintenance projects, savings in real estate services associated with eminent domain/condemnation and leasing projects and the cancellation of a remodel project; \$0.7 million in other charges primarily due to right of way land acquisition that is not anticipated to be finalized by year end; \$0.2 million in capital assets primarily due to delaying the purchase of mail operations equipment pending final reviews; and, \$0.2 million in operating transfer out from major maintenance also associated with less than required Project Management staff support. The projected revenue under-realization reflects decreased use of department services by customer departments.

Fleet Management

A net positive variance of \$3.9 million is projected for the Fleet Management ISF. The variance is the net result of \$6.6 million in expenditure savings partially offset by \$2.7 million under-realized revenue. The expenditure savings consists of: \$0.1 million in salaries and benefits due to staff vacancies maintained in response to decreased service demand from customer departments; \$1.0 million in services and supplies related to decreased commercial service repairs; and, \$5.5 million in fixed assets as a result of departments deferring the purchase of current year budgeted replacement vehicles due to budget uncertainties. The projected

revenue under-realization reflects decreased use of department services by customer departments.

Purchasing & Contracting

A net negative variance of approximately \$0.7 million is projected for the Purchasing & Contracting ISF, consisting of expenditure savings of \$15.5 million offset by revenue under-realization of \$16.2 million. The projected expenditure savings include: \$0.8 million in salaries and benefits due to positions being held vacant in response to decreased customer departments' use of services; and, \$14.7 million in services and supplies due to conservative spending on the part of the department (\$0.8 million), and an accounting change with the implementation of the Oracle financial system in mid-February that changed from central processing of Blanket Purchase Orders and Ready Cash Purchase Orders within Purchasing & Contracting to each department including these as direct costs rather than as a payment to the ISF (\$13.9 million). The projected revenue under-realization includes: \$13.9 million due to the Oracle accounting change; and, \$2.3 million due to the cautious spending patterns of County departments during this unsettled budget year that have declined faster than the department has been able to reduce operating costs. The net variance will be addressed as a roll forward expense in the development of subsequent years' rates.

FINANCE & GENERAL GOVERNMENT GROUP

General Fund:

Assessor/Recorder/County Clerk

A net positive variance of \$0.6 million is projected for the Assessor/Recorder/County Clerk, due to projected over-realized revenue generated from recording activities.

Auditor & Controller

A net positive variance of \$2.4 million is projected for the Auditor & Controller. The variance is the result of projected savings in salaries and benefits of \$0.9 million due to staff savings related to retirements and vacancies, a projected year-end balance of \$0.5 million in Management Reserves, and anticipated over-realization of revenue of \$1.0 million resulting from Property Tax Administration revenue.

Board of Supervisors

A net positive variance of \$1.1 million is projected for the Board of Supervisors primarily as a result of projected savings in salaries and benefits of \$1.0 million due to vacant positions and a savings in various services and supplies expenditures.

CAC Major Maintenance

A net positive variance of \$0.2 million is projected for CAC Major Maintenance. The variance is the result of \$0.2 million savings in services and supplies due to savings in various contracted services related to the maintenance of the CAC.

Chief Administrative Office

A net positive variance of \$0.4 million is projected for the Chief Administrative Office as result of a projected savings in salaries and benefits of \$.1 million related to vacancies, and projected savings in services and supplies of \$0.3 million.

Clerk of the Board of Supervisors

A net positive variance of \$1.1 million is projected for the Clerk of the Board of Supervisors. The variance is the result of projected savings in salaries and benefits of \$0.3 million due to vacant positions, projected savings in services and supplies of \$0.3 million due to utility conservation activities, a projected year-end balance of \$0.4 million in Management Reserves, and anticipated over-realization of revenue of \$0.1 million primarily from revenue generated for services provided.

County Counsel

A net positive variance of \$1.4 million is projected for County Counsel. The variance is the result of projected savings in salaries and benefits of \$0.5 million due to staff savings primarily related to vacant positions and retirements, a projected year-end balance of \$0.8 million in Management Reserves, and anticipated over-realization of revenue of \$0.1 million related to legal services provided.

County Technology Office

A net positive variance of \$1.7 million is projected for the County Technology Office. The variance is the result of projected savings in salaries and benefits of \$0.4 million due to staff savings related to the Assistant Chief Information Officer vacancy as well as to savings achieved due to normal staff turnover, a projected savings of \$0.8 million in various services and supplies expenditures, and a projected year-end balance of \$0.5 million in Management Reserves.

Finance and General Government Group

A net positive variance of \$4.8 million is projected for the Finance and General Government Group. The variance is the result of projected savings in salaries and benefits of \$.6 million due to Enterprise Resource Planning (ERP) staff savings, a projected savings in services and supplies of \$3.0 million due to information technology expenditures savings, both of which result from the delay in ERP implementation, and a projected year-end balance of \$1.2 million in Management Reserves.

Human Resources

A net positive variance of \$2.3 million is projected for Human Resources. The variance of \$2.3 million is due to vacant positions and reduced use of temporary professional help.

Treasurer/Tax Collector

A net positive variance of \$1.0 million is projected for the Treasurer/Tax Collector. The variance is the result of projected savings in salaries and benefits of \$0.3 million due to vacant positions, and anticipated over-realization of revenue of \$0.7 million resulting from Property Tax System Administration revenue.

Special Revenue Funds:

Department of Media and Public Relations

No net cost variance is projected for Media and Public Relations. The expenditure variance of \$0.3 million is due to vacant positions, as well as savings in various services and supplies expenditures. This expenditure variance is offset by an overall \$0.3 million under-realization of revenue, primarily in cable franchise fee revenue.

GENERAL REVENUES & GENERAL COUNTY EXPENSES

General Revenues & General County Expenses

The General Fund fund balance for these two categories combined is projected to be \$55.0 million, comprised of a negative \$29.4 million estimate in General Revenues and a positive \$84.4 million of savings in General County Expenses.

General Revenues

The San Diego economy continues to fare well, outperforming both the California and national economies in terms of rate of economic growth. The local economic indicators, including San Diego's gross regional product, employment, and personal income, show moderate growth. Local sales tax transactions have slowed somewhat to a 3.3% growth for 2003; however, the real estate market continues to be strong due to high demand and favorable low financing costs.

All Current Property Taxes

All Current Property taxes are estimated to provide a \$2.0 million favorable net variance.

- *Current Secured Property Taxes*

- Current Secured Property taxes are estimated at \$1.1 million under budget due to the following:

- An increase in the Local Secured Assessed Value (A.V.) growth rate. The Local Secured A.V. rate used in the budget was based

on a 9.3% growth rate versus a 9.9% actual growth rate (\$2.3 million);

- A positive adjustment in the State Assessed Value (A.V.) due to the transfer of power plants assessed valuation from the Local A.V. Roll to the State A.V. Roll (\$0.6 million);
 - A negative adjustment to the Unitary A.V. ratio for the 1997/98 through 2002/03 (\$1.1 million); and
 - And negative adjustments due to estimated Tax Roll Corrections and Refunds (\$2.9 million).
- *Current Unsecured Property Taxes*
Current Unsecured Property Taxes are projected to be over budget by \$0.1 million, based on a higher collections estimate than previously projected.
 - *Current Secured Supplemental Taxes*
Current Secured Supplemental Taxes are projected to be \$3.0 million over budget. This projection is based on a review of current collections to open charges through April 2004 compared to last year at the same time and extrapolated for year-end. Overall, the supplemental roll (Charges) is up 22% from the same time last year and (Collections) is approximately 5% higher than last year at the same time. Adjustments/corrections for the Firestorms of 2003 have been incorporated in the year-end estimates.

All Other Taxes - Local

All Other Taxes are anticipated to exceed budget by an aggregate of \$9.6 million:

- An additional \$7.0 million in revenue is estimated in Real Property Transfer Taxes. This is based on actual receipts through March, which are 33% higher than last year at the same time. This is attributed to the continued low interest rates, strong new construction, and resale activity.
- Property Taxes Prior Secured Supplemental are projected to be \$1.3 million over budget. This projection is based on a review of collections to open charges through April 2004 and compared to last year at the same time and extrapolated to year end.
- Transient Occupancy Tax. It is anticipated that the fire-damaged areas of Firestorm 2003 will continue to be impacted; however, realized revenues are projected to be only slightly under budget by \$0.1 million through year-end.
- Teeter Tax Reserve Excess revenues are estimated to be \$0.3 million below budget. This projection is based on the lower total receivables compared to last year's collections and receivables at the same time.

- Redevelopment Agency Tax Increment revenues are estimated to be \$0.5 million above budget based on the year to date collections compared to last year at the same time, plus expected collections based on existing Redevelopment Agreements.
- Prop. A/San Diego Justice Facility Tax refund. The County received a refund of \$1.1 million on March 12, 2004 as part of the residual funds after current outstanding claims were paid. The County may receive an additional \$2.9 million by March 2005.
- Other Tax Aircraft Unsecured. Revenues are projected to be over budget by approximately \$0.1 million, based on higher open charges and collections than previously projected.

Franchises

Franchises are anticipated to exceed budget by an aggregate of \$0.3 million:

- An additional \$0.3 million in Franchise fees is anticipated from Sempra Energy Company (SDG&E) for calendar year 2003. The County receives Franchise fees and Franchise fee equivalents from SDG&E for the right to utilize land in the unincorporated area. The franchise fees are based on the number of miles of lines and the sales of the electric and gas energy.

Fines, Forfeitures & Penalties

Fine, Forfeitures and Penalties are anticipated to exceed budget by \$4.1 million.

- Penalties and Cost Delinquency Taxes. Penalties and Cost Delinquency Taxes are projected to be \$2.3 million over budget. This increase is attributed to the overall increase in the property tax base, and assuming the same delinquency rate as in FY 2002-03. These penalties represent failure to pay any current and prior years' property tax by a specific due date.
- Forfeitures and Penalties. A total of \$2.2 million from distribution of fines and penalties related to the ARCO environmental settlement was recorded in General Revenues.
- Misc. Fines and Penalties, including General Court Fines and General Vehicle Code Fees, are projected to be \$0.4 million under budget based on actual revenues received through March 2004 and projected revenues anticipated through year-end. Yearly revenues fluctuate based on fines and fee activity.

Revenue from Use of Money & Property

Interest on Deposits and Investments is projected to be \$2.8 million less than budget due to the difference between the interest rate assumed in the budget of 2.75% and current earnings rate of approximately 1.5%. This reduction in revenues is offset by lower borrowing costs of \$3.45 million (see below, Cash Borrowing program)

Intergovernmental Revenue

An unfavorable variance of \$44.7 million is projected due to:

- Vehicle License Fee (VLF) revenues are expected to be under budget by \$45.0 million. This is the result of State policy actions totaling \$38.5 million and a slow down in realized revenues through April 2004 for a projected additional year-end impact of \$6.5 million.

In 1998, the State reduced the vehicle license fees paid by the vehicle owners (at the rate of .65 percent versus the original 2 percent) and backfilled the revenue loss to counties and cities from State general funds. The 2003-04 State Budget eliminated the VLF backfill and reinstated the 2% license fee to vehicle owners. The VLF backfill was eliminated for the entire fiscal year, but the reinstatement of the 2% fee was made effective October 1, 2003, in order to give the Department of Motor Vehicles sufficient time to reprogram its computer system.

On November 17, 2003 Governor Schwarzenegger through an Executive Order rolled back the vehicle license fee retroactively to .65 percent but promised to backfill the VLF revenues to local governments for the remaining nine months of the fiscal year i.e. November thru July. The County anticipates a shortfall of approximately \$31.0 million as a result of this three-month funding gap. In addition, the State has chosen to keep the Realignment Program whole with respect to the portion funded by Vehicle License Fees. That decision means the loss of an additional \$7.5 million to the County's General Purpose vehicle license fee revenue for a total of \$38.5 million. Due to numerous policy directions at the Department of Motor Vehicles and the State Controller's Office and pending legislative actions, the monthly payments trends to the County are below last year at the same time by 5.0% or approximately \$6.5 million. Until the DOF, DMV and the State Controller's Office have made the proper adjustments (i.e., car sales and registrations, changes in legislation and statute) and monthly allocations are in line with the budget, an additional potential shortfall is incorporated in the year-end estimates.

- Federal In-Lieu Taxes, State Aid HOPTR, and State Aid Open Space will exceed budgeted revenue by a combined \$0.3 million based on actual revenues received to date.

Charges for Current Services

A combined unfavorable variance of \$0.1 million is projected based on the revised September A-87 Cost Allocation Plan and anticipated transfers of revenue from the General Fund to the Department of Public Works Funds. This is attributed primarily to the rollover accounting adjustments related with the A-87 overhead costs.

Miscellaneous Revenues

Other Miscellaneous revenues are expected to generate a net \$2.2 million in FY 2003-04. Flex Benefit Funds for FYs 98-99, 00-01 and 01-02 have been closed out and the balances have been transferred to the general fund. These balances were not incorporated in the FY 2003-04 adopted budget.

General County Expenses

Cash Borrowing Program

Debt service costs are projected to be lower than budget by \$4.2 million due primarily to the current actual interest expenditure cost of 1.75% versus the 3.0% budgeted. The budget was developed prior to the actual costs being known.

Contingency Reserve

Of the \$11.0 million budgeted in the Contingency Reserve, \$3.0 million has been transferred to the Office of Emergency Services for immediate disaster recovery efforts related to Firestorm 2003. A total of \$8.0 million is expected to be unspent at year-end.

Contributions to Capital Outlay Fund

A net positive variance of \$3.5 million is projected. The variance is the result of a debt service reserve fund that offset the lease payment due on the 1997 Master Refunding financing (\$2.8 million). Such amounts are only made available at the end of the life of the financing. The remaining savings, approximately \$0.7 million, resulted from interest credits on various long-term obligations.

Countywide General Expenses

A year-end savings of \$68.8 million is estimated due to:

- Savings of \$3.1 million in the ERP lease purchase payment. \$9.2 million was budgeted for the Enterprise Resource Planning (ERP) system lease-purchase payment. Only \$6.1 million is required this year, however, since the Property Tax System component of the ERP Program has been on hold. It is anticipated that the County will finance a new system in fiscal year 2004-05.
- Savings of \$26.0 million is expected to be available at year-end due to the County's planning and preparedness for economic uncertainty. These savings will be recommended to be used for one-time costs in the CAO's FY 2004-06 Proposed Operational Plan.

- \$0.6 million in revenue was realized as part of a forward sale on the 2002 Taxable Pension Obligation Bond to fund the 1994 Taxable Pension Obligation Bond partial termination payment.
- \$0.2 million in revenue was realized from the State Board of Equalization as a partial refund on a payment made in FY 2002/03 to the State on unreported fuel sales.
- Savings of \$0.4 million is projected to be realized based on the transfer of revenue from the computer trust through January 2004.
- In 2003-04, savings of \$38.5 million is projected to be realized based on the postponement of the General Fund contribution to the Pension Obligation Fund to pay down the debt on the 2002 POBs. Savings will be recommended to be used towards the defeasance of the remaining 1994 POBs as outlined in the CAO's FY 2004-06 Proposed Operational Plan.

Special Revenue Funds

Capital Program

No net cost variance is projected in the Capital Program. Expenditure savings of \$3.1 million in the Capital Outlay Fund is anticipated for the 1997 Master Refunding and 1996 Regional Communications System. This savings is offset by a corresponding decrease in revenues. There is also expenditure savings of \$0.4 million in the Justice Facility Construction Fund resulting from the 1996 North & East Courthouse, 1997 Central Jail and the 1999 East Mesa. These expenditure savings are offset by an identical decrease in projected revenues.

Pension Obligation Bonds

A \$11.2 million positive variance is projected for the Pension Obligation Bond (POB) Fund. This variance is attributed to positive expenditure variance of \$2.6 million in savings from interest expense and a projected positive revenue variance of \$8.6 received from all sources in fiscal year 2003-04. The \$11.2 million positive variance will be recommended to be re-appropriated in the CAO's 2004-06 Operational Plan to defease the remaining 1994 POBs .

Internal Service Funds

Public Liability

A year-end savings of \$5.5 million is due to projected expenditure savings compared to budget. These savings are attributed to lower settlements than anticipated.