



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 12, 2009

TO: Board of Supervisors

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN
STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

SUMMARY:

Overview

This report summarizes the status of the County's Fiscal Year 2008-09 Operational Plan, as measured by projected year-end fund balance from current year operations. The projected balance for the General Fund is \$190.0 million, and for all budgetary funds combined, is \$233.1 million. The projected balance in the General Fund reflects some structural savings from operations, but primarily delays in currently funded projects that will be re-budgeted in Fiscal Year 2009-10 and the conservation of management and contingency reserves.

This letter also recommends budget adjustments to make resource reallocations or to fund various one-time projects. In the Public Safety Group, adjustments are recommended to transfer funds to the Regional Communications System Trust Fund and establish appropriations for costs related to the court facilities transfer. Other significant adjustments include the use of fund balance and management reserves to mitigate the decline in Proposition 172 revenues in the Sheriff's Department, and to provide funds for the cost of outfitting a surveillance van and other costs related to the Department of Homeland Security and Federal Bureau of Investigation revenue.

In the Land Use and Environment Group, significant adjustments include a transfer of management reserves to support the implementation of the Business Case Management System in the Department of Agriculture, Weights and Measures, amending the Airport Alternative Minimum Tax (AMT) Fund Spending Plan and the Airport Non-AMT Fund Spending Plan to provide funding for a capital project at McClellan-Palomar Airport, and to substitute funding sources for Department of Public Works Road Fund projects. Other adjustments include requests to establish appropriations to implement a beach water monitoring program in the Department of Environmental Health and to prepare an Environmental Impact Report related to the implementation of a wind turbine ordinance in the Department of Planning and Land Use. In addition, a request is submitted to reduce the fund balance designation within the General Fund for

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Environmental Health to provide funding for data imaging projects.

In the Community Services Group, significant adjustments include requests to establish appropriations for the May 19, 2009, Statewide Election and for the Documentum upgrade. Another request includes an accounting adjustment to properly reflect a prior transfer of working capital funds from the General Fund to the Housing and Community Development Special Revenue Fund.

In the Capital Program, significant adjustments include requests to appropriate or transfer funds for augmenting capital projects (e.g. Jess Martin Exercise Path and Park Improvements, Lakeside Community Center Photo-voltaic project, and Lindo Lake Boathouse). Other recommendations include adjustments to cancel remaining appropriations and related revenue for 10 projects that are anticipated to be completed and capitalized at the end of the fiscal year, and adjustments to properly reflect transactions related to the COC Redevelopment Project and the North Central Public Health Center.

Finally, in Finance Other, a request is submitted to establish appropriations to properly reflect the sale of the 2008 Taxable Pension Obligation Refunding Bonds.

Recommendation(s)

CHIEF ADMINISTRATIVE OFFICER

1. Accept the Fiscal Year 2008-09 third quarter report on projected year-end results.
2. Establish appropriations of \$400,000 in Contributions to Trial Court, services and supplies, for payment to the Facilities Management Internal Service Fund for costs related to the court facilities transfer based on General Fund Fiscal Year 2007-08 fund balance available. (4 VOTES)
3. Amend the Fiscal Year 2008-09 Facilities Management ISF spending plan in the amount of \$400,000 to provide funding for outside counsel support and staff work related to the transition of the East County Regional Center, County Courthouse and adjacent parcels to the Administrative Offices of the Courts, based on charges for services.
4. Establish appropriations of \$50,000 in the District Attorney's State Seized Asset Forfeiture Fund, Contributions to Other Agencies, for community-based crime prevention and victim services, based on fund balance available. (4 VOTES)
5. Cancel appropriations in salaries and benefits and related Proposition 172 revenue of \$14,440,000 in the Sheriff's Department due to the national

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economic recession and reduced sales tax receipts supporting critical regional law enforcement services.

6. Transfer appropriations of \$6,000,000 from the Public Safety Group Executive Office, Management Reserves, to the Sheriff's Department, salaries and benefits, for critical regional law enforcement services.
7. Establish appropriations of \$8,440,000 in the Sheriff's Department, salaries and benefits, for critical regional law enforcement services based on Public Safety Group's Fiscal Year 2007-08 fund balance available. (4 VOTES)
8. Establish appropriations of \$1,430,000 in the Public Safety Group Executive Office, services and supplies, for transfer to the Regional Communications System Trust Fund based on Public Safety Group's Fiscal Year 2007-08 fund balance available. (4 VOTES)
9. Establish appropriations of \$60,000 in the Sheriff's Department, salaries and benefits, for the 2006 Homeland Security Grant Program based on unanticipated revenue from the Department of Homeland Security, passed through the California Emergency Management Agency. (4 VOTES)
10. Amend the Fiscal Year 2008-09 Department of General Services Fleet Internal Service Fund Spending Plan by cancelling \$100,000 and related operating transfer from the General Fund for outfitting a surveillance van within the Sheriff's Department.
11. Transfer appropriations of \$100,000 from the Contributions to Fleet Internal Service Fund, Operating Transfer Out, to the Sheriff's Department, fixed assets, to provide funds for outfitting a surveillance van.
12. Transfer appropriations and related Edward Byrne Memorial Discretionary Grant revenue of \$79,789 from the Sheriff's Department to the District Attorney for the Byrne Grant Program.
13. Establish appropriations of \$80,000 in the Sheriff's Department, services and supplies, for the San Diego Regional Firearms Training Center, based on unanticipated revenue from Federal Bureau of Investigation. (4 VOTES)
14. Cancel appropriations and related revenue of \$10,181,594 in the Department of Public Works Detailed Work Program due to a reduction in Prop 1B (\$9,917,594) and Air Quality Improvement Program Grant (\$264,000) funding for the following projects: Asphalt Resurfacing and Culvert Replacement (\$7,957,594), Culvert Rehabilitation by Installation of Internal Paving (\$360,000), Culvert Rehabilitation by Installation of Lining (\$600,000), Bridge

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Deck Repair and Resurfacing (\$1,000,000), and the Jamacha Boulevard Traffic Signal Interconnect Project (\$264,000).

15. Establish appropriations of \$9,569,000 in the Department of Public Works Detailed Work Program, services and supplies, based on unanticipated revenue from TransNet funding for the following projects: Asphalt Resurfacing and Culvert Replacement (\$7,345,000), Culvert Rehabilitation by Installation of Internal Paving (\$360,000), Culvert Rehabilitation by Installation of Lining (\$600,000), Bridge Deck Repair and Resurfacing (\$1,000,000), and the Jamacha Boulevard Traffic Signal Interconnect Project (\$264,000). (4 VOTES)
16. Amend the Fiscal Year 2008-09 Department of Public Works Inactive Waste Equipment Acquisition Internal Service Fund Spending Plan in the amount of \$173,599.79, Operating Transfer Out, to provide funding for equipment rental based on unanticipated revenue from recovered expenditures.
17. Establish appropriations of \$173,599.79 in Department of Public Works Inactive Waste Fund Site Maintenance, services and supplies, for equipment rental based on an operating transfer from the Department of Public Works Inactive Waste Equipment Acquisition Internal Service Fund. (4 VOTES)
18. Cancel appropriations and related revenue of \$250,000 in the Campo Water Service Area B Fund due to a reduction in interest and customer charge revenue.
19. Establish appropriations of \$250,000 in the Campo Water Service Area B Fund, services and supplies, to replace the loss of revenue and interest earnings due to a downturn in the economy based on fund balance available. (4 VOTES)
20. Establish appropriations of \$150,000 in the Campo Sewer Area Fund, services and supplies, for the Rotary Arms Installation project based on fund balance available. (4 VOTE)
21. Establish appropriations of \$6,350,000 in the Department of Public Works Detailed Work Program, services and supplies, for the Borrego Springs Asphalt Resurfacing project based on Proposition 42 funding. (4 VOTES)
22. Amend the Fiscal Year 2008-09 Airport Alternative Minimum Tax (AMT) Fund Spending Plan by up to \$100,000, Operating Transfer Out, to provide funding for the McClellan-Palomar Airport Terminal Building project based on unanticipated revenue from Interest on Deposits and fund balance available.
23. Amend the Fiscal Year 2008-09 Airport Non-AMT Fund Spending Plan by up to \$100,000, Operating Transfer Out, to provide funding for the McClellan-

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Palomar Airport Terminal Building project based on unanticipated revenue from Interest on Deposits and fund balance available.

24. Amend the Fiscal Year 2008-09 Airport Enterprise Fund Spending Plan by cancelling up to \$200,000 for Capital Project 1000095, McClellan-Palomar Airport Terminal Building, and the related Federal Aviation Administration (FAA) grant to replace with revenue from the AMT and Non-AMT Funds.
25. Amend the Fiscal Year 2008-09 Airport Enterprise Fund Spending Plan by up to \$200,000, to provide funding for Capital Project 1000095, McClellan-Palomar Airport Terminal Building, based on Operating Transfers from the AMT (\$100,000) and Non-AMT (\$100,000) Funds.
26. Establish appropriations of \$45,000 in the Palomar Julian PLDO fund, Operating Transfer Out, for the Jess Martin Park Exercise Path and Park Improvements project based on fund balance available. (4 VOTES)
27. Cancel appropriations of \$5,940.70 and related Operating Transfer from the General Fund in the Capital Outlay Fund for Capital Project 1006565, Jess Martin Well Improvements, to provide funding for the Jess Martin Park Exercise Path and Park Improvements.
28. Cancel appropriations of \$97,940.86 and related Operating Transfer from the General Fund in the Capital Outlay Fund for Capital Project 1005254, Jess Martin Park Sportsfield, to provide funding for the Jess Martin Park Exercise Path and Park Improvements project.
29. Establish appropriations of \$148,881.56 in the Capital Outlay Fund for Capital Project 1013102, Jess Martin Exercise Path and Park Improvements based on an operating transfer from the General Fund (\$103,881.56) and fund balance available in the Palomar Julian PLDO fund (\$45,000). (4 VOTES)
30. Transfer appropriations of \$521,000 from the Department of Parks and Recreation, Fixed Assets Equipment, to the General Fund Contributions to Fleet Services Internal Service Fund (ISF) to provide funding to the Department of General Services Fleet ISF for the purchase of wood chippers, water buffalos, gators, all terrain vehicles (polaris and quads), trailers and a tractor for use at various County parks.
31. Amend the Fiscal Year 2008-09 Fleet Services ISF Spending Plan in the amount of \$521,000 to provide funding for the purchase of wood chippers, water buffalos, Gators, all terrain vehicles (polaris and quads), trailers and a tractor based on an operating transfer from the General Fund.

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32. Authorize the Auditor and Controller to discharge various accounts receivables totaling \$81,685.91, for Capital Projects 1000185 – San Elijo Acquisitions (\$66,416.52), 1000021 – North County Open Space Acquisition (\$7,258), 1000174 – Lake Morena Park Equipment (\$5,204.07), 1000200 – William Heise Playground Restoration (\$916.76), 1000211 – Volcan Mountain Restoration Erosion (\$1,802.92) and 1000000 – Los Penasquitos Trail Restoration (\$87.64) in the Capital Outlay Fund, from various granting agencies, due to accounts receivable discrepancies between the amounts billed to the grantors and the amounts established in the accounts receivable accounts.
33. Transfer appropriations of \$81,685.91 from the Department of Parks and Recreation, services and supplies, to the Contributions to Capital Outlay Fund, Operating Transfer Out, to provide funds for costs that will not reimbursed by the various granting agencies for Capital Projects 1000185 – San Elijo Acquisitions (\$66,416.52), 1000021 – North County Open Space Acquisition (\$7,258), 1000174 – Lake Morena Park Equipment (\$5,204.07), 1000200 – William Heise Playground Restoration (\$916.76), 1000211 – Volcan Mountain Restoration Erosion (\$1,802.92) and 1000000 – Los Penasquitos Trail Restoration (\$87.64).
34. Establish estimated revenue of \$81,685.91 in the Capital Outlay Fund, Operating Transfer In, for Capital Projects 1000185 – San Elijo Acquisitions, 1000021 – North County Open Space Acquisition, 1000174 – Lake Morena Park Equipment, 1000200 – William Heise Playground Restoration, 1000211 – Volcan Mountain Restoration Erosion and 1000000 – Los Penasquitos, based on an operating transfer from the General Fund.
35. Transfer appropriations of \$150,000 from the Department of Parks and Recreation, services & supplies, to the Contributions to Capital Outlay Fund, Operating Transfer Out, to provide funds for the Lakeside Community Center Photo-voltaic (PV) project.
36. Cancel appropriations and related Operating Transfer from the General Fund of \$150,000 in the Capital Outlay Fund for Capital Project 1010594, Lakeside Community Center, to provide funds for the Lakeside Community Center Photo-voltaic (PV) project.
37. Establish appropriations of \$300,000 in the Capital Outlay Fund for Capital Project 1013103, Lakeside Community Center Photo-voltaic (PV) project, based on an operating transfer from the General Fund. (4 VOTES)
38. Transfer appropriations of \$150,000 from the Department of Parks and Recreation, services and supplies, to the Contributions to Capital Outlay Fund,

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Operating Transfer Out, to provide funds for the Lindo Lake Boathouse Restoration project.

39. Establish appropriations of \$150,000 in the Capital Outlay Fund for Capital Project 1009269, Lindo Lake Boathouse Restoration project, based on an operating transfer from the General Fund. (4 VOTES)
40. Establish appropriations of \$5,000 in the San Dieguito PLDO fund, Operating Transfer Out, for appraisal costs related to the Ranch Santa Fe Valley land acquisition based on fund balance available. (4 VOTES)
41. Establish appropriations of \$5,000 in the Department of Parks and Recreation, services and supplies, to provide funds for the appraisal of a land acquisition in the Rancho Santa Fe Valley based on an operating transfer from the San Dieguito PLDO fund. (4 VOTES)
42. Establish appropriations of \$75,000 in the Department of Environmental Health, services and supplies, to implement a beach water monitoring program based on General Fund Fiscal Year 2007-08 fund balance available. (4 VOTES)
43. Authorize the Auditor and Controller to reduce the fund balance designation within the General Fund for the Department of Environmental Health by \$550,000 to provide funding for data imaging projects.
44. Establish appropriations of \$550,000 in the Department of Environmental Health, services and supplies, to fund data imaging projects based on Environmental Health's fund balance designation within the General Fund (4 VOTES)
45. Establish appropriations of \$350,000 in the Department of Planning and Land Use, services and supplies, to prepare an Environmental Impact Report analyzing impacts related to implementation of a two tiered wind turbine ordinance based on General Fund Fiscal Year 2007-08 fund balance available. (4VOTES)
46. Transfer appropriations of \$500,000 from the Land Use and Environment Group Executive Office, Management Reserves, to the Department of Agriculture, Weights and Measures, services and supplies to support the implementation of the Business Case Management System (BCMS). (4 VOTES)
47. Establish appropriations of \$424,654 in the Department of Agriculture, Weights and Measures, salaries and benefits, for Asian Citrus Psyllid and Light Brown

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Apple Moth containment efforts based on unanticipated revenue from California Department of Food and Agriculture contracts. (4 VOTES)

48. Establish appropriations of \$6,042,000 in the Registrar of Voters for the May 19, 2009 Statewide Election, based on unanticipated revenue from partial reimbursement of precinct ballot costs (\$294,000), other participating agencies for election services (\$20,000), and Community Services Group's Fiscal Year 2007-08 fund balance available (\$5,728,000). (4 VOTES)
49. Amend the Fiscal Year 2008-09 Fleet Management ISF Accident Repair Spending Plan in the amount of \$360,000 to provide funding for vehicle accident repairs based on charges for services.
50. Cancel appropriations and related revenues of \$161,499 in the Library Capital Outlay Fund for Capital Project 1000179, Julian Branch Library due to disallowed State of California Grant claims.
51. Establish appropriations of \$161,499 in the Library Fund, Operating Transfer Out, for the Julian Branch Library based on fund balance available. (4 VOTES)
52. Establish appropriations of \$161,499 in the Library Capital Outlay Fund for Capital Project 1000179, Julian Branch Library based on an operating transfer from the Library Fund. (4 VOTES)
53. Establish appropriations of \$1,900,000 in the Community Services Group Executive Office, services and supplies, for an upgrade to the Documentum enterprise content management application based on General Fund Fiscal Year 2007-08 fund balance available. (4 VOTES)
54. Establish appropriations of \$4,500,000 in Community Services Group Executive Office, Operating Transfer Out, and the related Operating Transfer In, in the Housing and Community Development Special Revenue Fund to provide working capital based on Community Services Group's Fiscal Year 2007-08 fund balance available. (4 VOTES)
55. Authorize the Auditor and Controller to establish a fund balance designation of \$4,500,000 within the Housing and Community Development Special Revenue Fund based on working capital provided by the General Fund.
56. Transfer appropriations of \$330,000 from Finance Other – General County Expense, Miscellaneous Expense to Contributions to Information Technology ISF, Operating Transfer Out, to support countywide components of the IT outsourcing contract.

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57. Amend the Fiscal Year 2008-09 Information Technology ISF spending plan in the amount of \$330,000 to provide funding for the IT outsourcing contract.
58. Establish appropriations of \$443,515,000 in Countywide General Expense, other charges (\$441,037,794) and Operating Transfer Out (\$2,477,206), to record the issuance of the 2008 Taxable Pension Obligation Bonds and its associated costs, based on bond proceeds. (4 VOTES)
59. Establish appropriations of \$2,477,206 in the Pension Obligation Fund, other charges, to account for the costs associated with the sale of the 2008 Taxable Pension Obligation Bonds, based upon an operating transfer from the General Fund. (4 VOTES)
60. Cancel appropriations of \$114,000 and related Operating Transfer from the General Fund in the Library Capital Outlay Fund for Capital Project 1011406, Borrego Springs Branch Library to correct the budget.
61. Establish appropriations of \$114,000 in the Library Fund, services and supplies, for the Borrego Springs Branch Library tenant improvements, based on an operating transfer from the General Fund. (4 VOTES)
62. Transfer appropriations of \$67,133,948 within the Contributions to Capital Outlay Fund, from Operating Transfer Out to Special Departmental Expense, to properly account for the unspent portion of the County's cash contribution that was deposited in the construction fund held by the trustee.
63. Cancel appropriations of \$6,350,000, and related operating transfer from the General Fund, in the Capital Outlay Fund for Capital Project 1011214, County Operations Center to align the capital project budget.
64. Cancel appropriations of \$7,000,000 and related operating transfer from the General Fund, in the Capital Outlay Fund for Capital Project 1011214, County Operations Center, to provide funds for the purchase of the North Central Public Health Clinic.
65. Cancel appropriations of \$7,500,000 and related operating transfer from the General Fund in the Capital Outlay Fund for Capital Project 1012285, HHSA PSG CSG Office Relocations, to provide funds for the purchase of the North Central Public Health Clinic.
66. Establish appropriations of \$14,500,000 in the County Health Complex Capital Outlay Fund for Capital Project 1013010, COC Annex/North Central Public Health Clinic, based on an operating transfer from the General Fund. (4 VOTES)

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67. Cancel appropriations and related revenue up to \$548,181 in the Capital Outlay Fund for projects completed in Fiscal Year 2008-09.
68. Cancel appropriations and related revenue up to \$2,712 in the County Health Complex Capital Outlay Fund for the project completed in Fiscal Year 2008-09.
69. Cancel appropriations and related revenue up to \$74,065 in the Justice Facility Construction Capital Outlay Fund for the project completed in Fiscal Year 2008-09.
70. Cancel appropriations and related revenue up to \$6,726 in the Library Projects Capital Outlay Fund for projects completed in Fiscal Year 2008-09.

Fiscal Impact

The funds for a portion of these requests are not budgeted. If approved, these actions will cancel budgeted appropriations and the related sources of funding in the amount of \$14,440,000 in the General Fund and will establish additional appropriations of \$467,771,654 in the General Fund, resulting in a net increase in appropriations of \$453,331,654 in the General Fund. The funding sources include bond proceeds from the sales of the 2008 Taxable Pension Obligation Bonds, the General Fund Fiscal Year 2007-08 fund balance, and unanticipated revenue from California Department of Food and Agriculture contracts.

In addition to the General Fund, these actions will cancel budgeted appropriations and the related funding sources in the amount of \$32,742,659 million in all other funds and will establish additional appropriations of \$36,790,285 resulting in a net increase in appropriations of \$4,047,626 in all the other funds combined. Funding sources include unanticipated revenue from TransNet, Proposition 42 funding, charges for services, and miscellaneous other sources.

Business Impact Statement

N/A

Advisory Board Statement

N/A

BACKGROUND:

Fiscal Year 2008-09 Fund Balance Projections

For the General Fund, the third quarter projection of year-end fund balance from current year operations is \$190.0 million. The projected balance is a combination of expecting to end the year with General Purpose Revenues below budget by \$22.5 million, offset by a net positive variance of \$160.2 million from departmental operations, and a positive variance of \$52.3

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million in unspent contingency and management reserves. The projected balance for all other funds combined is \$43.1 million. Schedule A summarizes the fund balance projections by Group and department. The Notes to Schedules A and B explain variances from budget by department. Schedule B shows the projected General Fund fund balance by Group split between operating and reserve balances. These projections are based on actual experience through March 2009 and expected expenditures and revenues through the end of the fiscal year.

As shown in Schedule A, the General Fund year-end fund balance projection of \$190.0 million is based on the estimate that expenditures will be a net \$336.4 million less than budgeted in the Fiscal Year 2008-09 Amended Budget and revenues will be a net \$146.4 million less than budgeted in the Fiscal Year 2008-09 Amended Budget. The Amended Budget consists of the Adopted Budget plus encumbrances carried over from the prior year, plus year to date changes that have been either approved by the Board or Chief Financial Officer where permitted.

The lower than budgeted projected expenditures in the General Fund are primarily attributable to the following:

- \$60.9 million in appropriation savings, predominantly in the Public Safety Group but also in Health and Human Services Agency, Land Use and Environment Group, and Finance and General Government Group, from lower than budgeted salaries and employee benefits costs due to staff turnover and department management of vacancies to mitigate current and anticipated revenue shortfalls.
- \$210.1 million in appropriation savings in services and supplies across the County. In the Public Safety Group, a net savings of \$8.6 million is a combination of over expenditure in certain categories offset by savings in others. Over expenditures are attributed to increased costs for food and pharmaceuticals in the jails in the Sheriff's Department; unanticipated Information Technology upgrades, computing costs, professional expert testimony, facilities maintenance costs, and an unanticipated increase in the number and costs of witness protection and relocation cases in the District Attorney's Office; and costs associated with the expansion of the Department of Child Support Services at the North County Regional Center. Savings are attributed to cost reduction measures including fewer computer, software and minor equipment purchases, curtailed travel, and reduced utility costs in the Sheriff's Department; savings in contracted services, application services and in the major maintenance program in the Public Safety Group Executive Office; savings related to grant activities in the Office of Emergency Services that will be carried over to Fiscal Year 2009-10, and savings in Probation due to enacted State budget reductions. In the Health and Human Services Agency, savings are primarily projected in contracted services (e.g., in Behavioral Health Services for savings in un-awarded Mental Health Services Act (MHSA) contracts; savings in Early Periodic Screening, Diagnosis and Treatment (EPSDT) services due to a decrease of EPSDT contractor spending associated with increased accessibility of MHSA funding, aligning costs to State allocations including cuts by the State to Proposition 36 and the Offender Treatment program (OTP)), savings in emergency appropriations for pandemic or bio-terrorism, savings associated with major maintenance and imaging

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projects, savings in County Medical Services (CMS) due to continued start-up of the Coverage Initiative and lower than expected retro-active CMS payments for prior year claims, and savings associated with the Welfare Case Data Information System and CalWIN. In the Land Use and Environment Group, appropriation savings are anticipated in the Department of Environmental Health due to closely watching planned spending to ensure costs do not exceed revenue, savings in the Department of Planning and Land Use due to projected savings in consultant services related to the Hazardous Fuels Reduction activities, and Business Case Management System (BCMS) and General Plan update that will not be spent in Fiscal Year 2008-09, and savings in the Department of Public Works due to reduced spending for wildfire recovery. In the Finance and General Government Group, savings are primarily in the Executive Office and are due to delays in Oracle Financial Upgrade and Integrated Property Tax System (IPTS) projects that will require the funds to be re-budgeted in Fiscal Year 2009-10. Finally, appropriations in Finance Other set aside for economic uncertainty are anticipated to be unspent through the end of the fiscal year.

- \$10.5 million in appropriation savings in other charges primarily reflects variances from budgeted caseload and aid payments in Health and Human Services Agency. Spending is projected to be over budget because of higher than budgeted caseloads in CalWORKs, Welfare to Work, Child Care and in Support and Care in California Children's Services, offset by savings in Child Welfare Services based on revised estimates of caseload levels, growth trends, and unit cost per case for Severely Emotionally Disturbed, Foster Care, Aid to Adoptive Parents, and KinGap programs. In addition, savings occur from lower than budgeted TRANs borrowing costs.
- \$1.7 million in appropriation savings primarily from reduced operating transfers out to the In-Home Supportive Services Public Authority due to timely abatements received for Health Benefits.
- \$20.3 million in contingency reserves that are projected to be unspent at year-end.
- \$32.0 million in management reserves across the groups that are projected to be unspent at year-end.

The projected revenue under-realization to budget consists of primarily negative variances, with partially offsetting positive variances. Of the overall net negative revenue variance in the General Fund of \$146.4 million, \$134.9 million is within intergovernmental revenues and is largely the result of expenditure savings in caseload driven programs mentioned above, as well as a projected reduction in Realignment revenues of \$38.1 million due to sales tax and vehicle license fees decreases. The negative revenue variance is also due to current year property taxes that are below budget by \$28.8 million, Proposition 172 sales tax revenues that are below budget by \$34.2 million, and a drop of \$9.0 million in recording fees and \$5.2 million in AB 2890 Recovered Costs in charges for current services. A positive revenue variance of \$51.3 million is expected in the following categories: fines, forfeitures and penalties (\$0.9 million); taxes other than current secured (\$10.1 million), and miscellaneous revenue (\$40.3 million) including \$21.0 million due to the anticipated receipt of funds associated with the contract dispute settlement from the Integrated Property Tax System and \$8.5 million from the State of California for the February 2008 Special Presidential Primary Elect costs in the Registrar of Voters Office.

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

FY 2008-09 Budget Adjustments

The budget adjustment recommendations in this letter are explained below.

Recommendations 2 & 3

The Lockyer-Isenberg Trial Court Funding Act of 1997 transferred the obligation for funding of trial court operations from counties to the State along with an annual maintenance-of-effort payment by each county. However, under the Act each county remained responsible for providing necessary and suitable trial court facilities for court operations. This remaining county responsibility for trial courts was addressed in the Trial Court Facilities Act of 2002 (SB 1732), which allows the transfer of responsibility for court facilities located in county-owned buildings, and in some cases requires transfer of title to those buildings, to the State. Upon transfer, each county is relieved of its legal responsibility to provide necessary and suitable trial court facilities for court operations, and must also begin remitting to the State a County Facilities Payment (CFP), which represents the historical expenditures for facilities maintenance, utilities, insurance, and leases. These requests will establish appropriations in the Contributions to Trial Court organization of \$400,000 and amends the Facilities Management ISF Spending Plan by \$400,000 to provide funding for outside counsel support and staff work related to the transition of the East County Regional Center, County Courthouse and adjacent parcels to the Administrative Offices of the Courts. Planned work includes negotiation and preparation of legal documents and title reports required to complete the transfers.

Recommendation 4

This is a request to establish appropriations of \$50,000 for one-time contributions to community groups and educational projects which provide community-based crime prevention and victim services. This financial support is allowable under the District Attorney's State Seized Asset Forfeiture Fund guidelines. The District Attorney will enter into contracts which will explicitly state the purposes for which the monies will be used.

Recommendations 5 - 7

Revenues associated with Proposition 172, the one half cent sales tax for public safety, have been impacted by the severe economic slowdown in the national, state and local economy and the reduction in consumer spending and retail activity. This sales tax based revenue provides ongoing support for critical regional law enforcement and public safety services in the Sheriff's Department, the Office of the District Attorney and the Probation Department. Your Board received information in the First and Second Quarter Operational Plan Status Reports that these revenues stagnated at the end of Fiscal Year 2006-07 and have remained at lower than prior year levels throughout Fiscal Year 2007-08 and Fiscal Year 2008-09. Current available information leads us to project that Proposition 172 revenues will be below the budgeted level of \$235.9 million by \$34.2 million in Fiscal Year 2008-09. This shortfall can be absorbed in the current year through a combination of projected operating savings, the transfer of budgeted management

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reserves and the appropriation of \$8.44 million in available fund balance as included in these recommendations.

Recommendation 8

On April 11, 2000 (27), the Board approved the establishment of a fund balance designation within the General Fund for Public Safety Group Capital Projects based on revenue from various cities for entry into the Regional Communications System (RCS). Payments from the cities of Chula Vista and La Mesa were made to the Public Safety Group Executive Office but were not transferred into the Public Safety Group Capital Projects fund balance designation. This is a request to establish appropriations based on Public Safety Group Fiscal Year 2007-2008 fund balance available in the amount of \$1,430,000 and to request that your Board approve the transfer of these funds to the Regional Communications System Trust fund established by your Board on June 19, 2001(14) for RCS future system capital requirements

Recommendation 9

This request will establish appropriations in the Sheriff's Department of \$60,000 based on unanticipated revenue from the Department of Homeland Security, passed through the California Emergency Management Agency (CALEMA). The original appropriations for the 2006 Homeland Security Grant Program (HSGP) were approved by your Board on October 24, 2006 (8). The original grant performance period was scheduled to end on March 31, 2008 with an extension granted by CALEMA until December 31, 2008. However, since there was an unspent balance remaining for the 2006 HSGP funds, another extension was given by CALEMA until June 30, 2009. Since the original grant period has already expired, the funds were not re-budgeted in this fiscal year's operational plan. The funds will be used for overtime expenditures for Mobile Field Force trainings.

Recommendations 10 & 11

On September 23, 2008 (2), the Board approved funding to enhance cooperation and coordination between law enforcement agencies in a joint mission to reduce boarder related crimes and assist in securing the United States borders. The Department of General Services Fleet Internal Service Fund was amended by \$448,737 to include funding for the purchase of vehicles. However, funds in the amount of \$100,000 should have been appropriated in the Sheriff's Department to provide funds for the outfitting of a surveillance van. These requests are technical adjustments to transfer funds to the Sheriff's Department.

Recommendation 12

This request will transfer appropriations and related Edward Byrne Memorial Discretionary (Byrne) Grant revenue of \$79,789 from the Sheriff's Department to the District Attorney. The Sheriff's Department is the fiscal agent for the Byrne Grant as approved by your Board on January 29, 2008 (7). A portion of the grant funds are for the District Attorney's participation in the partnership of targeting and reducing violent crime and gang violence in the North San Diego County Area. Funds will be used for overtime.

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

Recommendation 13

This request will establish appropriations of \$80,000 based on revenue from Federal Bureau of Investigation. The funds will be used for fence repairs at the San Diego Regional Firearms Training Center.

Recommendations 14 & 15

On July 23, 2008 (20), the Board approved a request to establish appropriations of \$264,000 for the Jamacha Boulevard Interconnect Project based on unanticipated revenue from the Congestion Management and Air Quality Improvement Program Grant. On January 28, 2009 (14, 15, 16, & 17), the Board approved the substitution of State or federal stimulus funding with Proposition 1B funding, should it become available, in the following projects: Culvert Rehabilitation by Installation of Internal Paving (up to \$360,000), Bridge Deck Repair and Resurfacing (up to \$1,050,000), Culvert Rehabilitation by Installation of Lining (up to \$680,000) and Asphalt Resurfacing and Culvert Replacement (up to \$10,200,000). On February 25, 2009 (4), the Board authorized the addition of 31 projects to the San Diego Association of Governments' (SANDAG) Regional Transportation Improvement Program in order to position the projects for receiving economic stimulus funding. On March 27, 2009, the SANDAG Board of Directors approved the exchange of federal economic stimulus funds with TransNet funds for local street and road projects. This exchange will provide the County with \$9,569,000 in TransNet funding and will be used to fund local streets and roads projects as follows: Asphalt Resurfacing and Culvert Replacement (\$7,345,000), Culvert Rehabilitation by Installation of Internal Paving (\$360,000), Culvert Rehabilitation by Installation of Lining (\$600,000), Bridge Deck Repair and Resurfacing (\$1,000,000), and the Jamacha Boulevard Traffic Signal Interconnect Project (\$264,000).

Recommendations 16 & 17

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

Recommendations 18 & 19

These recommendations are needed to substitute fund balance for loss of revenue from interest and customer charges and fees. The reduction of \$249,000 in customer charge revenue is due to foreclosures, bankruptcies and the slowdown home sales and residential properties associated with the economic downturn. Interest Income is projected to fall short of budget by \$11,000 due to decreased earnings on investments. This request will allow the Water Area to continue providing necessary services to clients.

Recommendation 20

On April 23, 2008 (7), the Board authorized the advertisement and award of a project to replace 40-foot rotary arms at the Rancho del Campo wastewater treatment plant with new 72-foot

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

arms. This recommendation provides appropriations of \$150,000 in Campo Sewer Area for the Rotary Arms upgrade and installation project based on fund balance available.

Recommendation 21

On July 23, 2008 (19), the Board authorized the advertisement and award of a contract to resurface various roadway segments in the unincorporated Borrego Springs area. The action inadvertently identified the project as being budgeted. This request will appropriate \$6,350,000 in the Department of Public Works Detailed Work Program for the Borrego Springs Asphalt Resurfacing project based on Proposition 42 funding available.

Recommendations 22 - 25

On May 9, 2006 (15), the Board approved spending plan amendments for the AMT and Non-AMT Funds to provide funding for capital projects based on bond proceeds from the 2005 Redevelopment Agency Gillespie Field bond issuance. The bond covenant requires that all interest earnings on the proceeds be applied towards capital projects. These requests will comply with the bond requirements by appropriating interest earnings to be used for a capital project at McClellan-Palomar Airport and will amend the AMT Fund Spending Plan by up to \$100,000 and the Non-AMT Fund Spending Plan by up to \$100,000 for operating transfers to the Airport Enterprise Fund.

Recommendations 26 - 29

Jess Martin Park is a nine-acre multi-use recreational area, with ballfields, a skate park and playgrounds located in the community of Julian. On February 8, 2005 (25) the Board authorized establishing appropriations of \$215,000 in Capital Project 1006565, Jess Martin Well Improvements, to fund the drilling of a well to provide a safe and reliable source of drinking water for park users. Construction of the well is complete and a balance of \$5,940.70 remains. In addition, one-time funding, in the amount of \$100,000 was appropriated to Capital Project 1005254, Jess Martin Park Sportsfield, for sportsfield improvements but the Department of Parks and Recreation has not been able to secure complete funding to cover projected costs for the capital improvement. A balance of \$97,940.86 remains. The requested actions will transfer funds from the Palomar-Julian PLDO (\$45,000) along with the remaining funds from completed Capital Projects 1006565-Jess Martin Well Improvements (\$5,940.70) and 1005254-Jess Martin Park Sportsfield (\$97,940.86) to provide funds needed to complete the design and construction of an exercise path, a shade pavilion, and related improvements at the Jess Martin Park.

Recommendations 30 & 31

The Department of Parks and Recreation Operations staff utilizes wood chippers to assist staff in the removal of dead, dying and hazardous trees. Water buffalos are used to provide water to remote areas without existing water supplies and help with irrigation and wet down road beds and trails. The tractor will replace an existing tractor at Potrero Park that is aged and requires frequent maintenance. Gators, polaris and quads enable staff to perform routine duties in remote locations in County preserves with minimal impact to habitat areas and reduce usage of large

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

vehicles. A trailer is used to transport this equipment to various park sites. The requested actions will allow the Department to replace aged equipment with six Vermeer 1000 wood chippers (\$180,000), six water buffalos on trailers (\$60,000), Gators/Polaris/ Quads/Trailer (\$261,000), and a tractor (\$20,000) that will be used for maintenance at various County parks. The new equipment will be included in the Department of General Services (DGS) Fleet Services Internal Service Fund (ISF) equipment inventory. Appropriations savings in the Department of Parks and Recreations in the amount of \$521,000 will provide funding for the purchase of the equipment.

Recommendations 32 - 34

The requested action will authorize the Auditor and Controller to discharge accounts receivables totaling \$81,685.01 to correct accounts receivable discrepancies related to capital projects. The capital projects are 1000185 – San Elijo Acquisitions (\$66,416.52), 1005260 – Nancy Jane Park Swings (\$31,733), 1000174 – Lake Morena Park Improvement (\$5,204.01), 1000200 – William Heise Playground Restoration (\$916.76), 1000211 – Volcan Mountain Restoration (\$1,802.92) and 1000000 – Los Penasquitos Trail Restoration (\$87.64) and were funded by various grants. The discharge is needed due to discrepancies between the amounts billed to the grantors and the amounts established in the accounts receivable accounts. The Department of Parks and Recreation will fund these projects through an operating transfer from the General Fund. DPR is currently monitoring all accruals and reporting findings to the Auditor & Controller for further action.

Recommendations 35 - 37

In an effort to offset electricity consumption in the Lakeside Community Center, the Department of Parks & Recreation will install a grid-tied Photo-voltaic (PV) system, which uses solar cells to convert sunlight into electricity. The electricity provided by the PV system will directly power the community center and reduce energy consumption. The requested action will establish appropriations of \$300,000 in the Capital Outlay Fund for Capital Project 1013103, Lakeside Community Center Photo-voltaic (PV) System, based on Operating Transfers from Capital Project 1010594, Lakeside Community Center (\$150,000), and the General Fund (\$150,000). Appropriations of \$150,000 in Capital Project 1010594, Lakeside Community Center, which was initially set up for replacing windows and a great hall room divider, can be reallocated to the PV project since the Lakeside Community Center project scope has significantly changed and funding is not available at this time. These appropriations will allow DPR to install a PV system that will provide the Lakeside Community Center with an alternate electricity source and reduce energy consumption, while promoting the use of green technology.

Recommendations 38 & 39

The Lindo Lake Boathouse located in the community of Lakeside, was constructed in the late 1800s and has been designated as a Point of Historical Interest by the State Historical Preservation Office (SHPO). A Historical Structures Report for the boathouse lists repairs needed to restore this historically significant structure. The repairs will include structural shoring and anchoring, replacement of the roof, repair of the wood framing and deteriorated wood siding, additional rip-rap, and repainting the entire boathouse structure. Originally, the

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

funding sources for the project were budgeted as Proposition 12 Roberti-Z'berg-Harris grant (\$150,000) and General Funds grant match (\$64,286). However, the State currently suspended the Prop 12 bond funds due to the State crisis. Today's proposed action will allow the Department of Parks and Recreation to continue the project. If the bond proceeds become available in the future, DPR will be reimbursed.

Recommendations 40 & 41

On February 27, 2008 (4), the Board directed the Chief Administrative Officer to initiate the required steps to acquire approximately 5.68 acres for active recreation in the Rancho Santa Fe Valley Specific Plan referred to as Subarea II.31 with funds from the San Dieguito Park Land Dedication Ordinance (PLDO) Fund. The requested action will provide \$5,000 for appraisal costs related to land acquisition in the Ranch Santa Fe Valley.

Recommendation 42

On March 24, 2009 (9), the Board directed the Chief Administrative Officer to implement a beach water monitoring program at a reduced level appropriate to protect public health because Proposition 13 bond funding for this program had been frozen due to the State's continuing fiscal crisis. If approved, this request will appropriate \$75,000 which will allow the Department of Environmental Health to immediately implement a beach water monitoring program until the bond act money is unfrozen by the State.

Recommendations 43 & 44

On February 24, 2004 (23), the fund balance designation for the Department of Environmental Health (DEH) was established. This designation ensures that revenue from fees and permits over the cost paid by Environmental Health customers are used only to fund fee-related expenses in DEH. This request will establish additional appropriations of \$550,000 to fund various costs associated with data imaging projects in Land and Water Quality Division programs. If approved, the remaining balance in this fund balance designation will be \$5,853,339.

Recommendation 45

On February 25, 2009 (2), the Board directed the CAO to return to the Board with an analysis on developing a two-tiered wind turbine ordinance (domestic systems and commercial systems) and investigate funding opportunities for the preparation of an environmental analysis. This request will provide funding of \$350,000 which will be used to prepare the Environmental Impact Report that will analyze the environmental impacts related to the implementation of a two-tiered wind turbine ordinance.

Recommendation 46

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

This request will transfer \$500,000 of Land Use and Environment Group's management reserves to the Department of Agriculture, Weights and Measures to support the implementation of the Business Case Management System (BCMS). BCMS will enable staff to focus on core responsibilities and provide more timely and accurate services to both external and internal customers.

Recommendation 47

On March 25, 2009 (8), the Board approved revenue agreements between the Department of Agriculture, Weights and Measures and the California Department of Food and Agriculture for the Asian Citrus Psyllid (ACP) and Light Brown Apple Moth (LBAM) containment efforts. ACP is a new invasive insect that has the potential to transmit Huanglongbing, a disease that endangers the citrus industry in California. LBAM is noxious insect whose larvae cause significant damage to foliage and fruit on nearly all types of fruit crops, ornamentals, vegetables, glasshouse crops, and occasionally young pine seedlings. These exotic pests are harmful to local agriculture. This request will establish appropriations of \$424,654 to provide funding for temporary workers, which will enable the valuable work done to mitigate the spread of these exotic pests and protect local agriculture.

Recommendation 48

This request will establish appropriations of \$6,042,000 based on unanticipated revenue of \$294,000 for partial reimbursement of precinct ballot costs, unanticipated revenue of \$20,000 from other participating agencies for election services, and \$5,728,000 in one-time funding from Community Services Group's Fiscal Year 2007-08 fund balance available. The Registrar of Voters included funding in the Fiscal Year 2008-09 Adopted Operational Plan for the sole regularly-scheduled election for the fiscal year – the November 4, 2008 Presidential General Election. However, the Department will also conduct the May 19, 2009 Statewide Special Election. The Governor signed Senate Bill 19, which called for a special election, with the understanding that the Legislature will reimburse counties for the costs of the election. This request will provide the necessary appropriations, which will be partially offset by related revenues for the reimbursement of precinct ballot costs and from billable jurisdictions, to conduct the May 19, 2009 Statewide Special Election. Any reimbursement received from the State will be used to restore the Community Services Group's resources and make them available for other uses.

Recommendation 49

These recommendations amend the Fleet Management ISF Accident Repair Spending Plan by \$360,000 to provide adequate funding in support of vehicle accident repairs for the Sheriff (\$175,000) and County departments (\$185,000) based on charges for services.

Recommendations 50 - 52

The County Library building project for the Julian Branch Library was funded by a State of California Proposition 14 grant. Following a State of California Audit in January of 2008 of the expenditures for construction of the Julian Branch Library, a total of \$161,499 in revenues were denied due to unsupported and ineligible library construction costs due to deficiencies noted in

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

the County's record keeping and project billing practices. Therefore, the Library Fund will substitute funding from State of California.

Recommendation 53

Documentum is the County's enterprise content management application, used by all departments to manage and store records electronically with minimal reliance on paper. Many departments are digitizing paper records, such as contracts, case files, and photos, for internal County use and for external use by the public, which has led to benefits in customer service and business process reengineering. Increased usage has led to the need to expand the environment and upgrade to a newer version. This request will increase appropriations by \$1,900,000 to support upgrade costs associated with Documentum.

Recommendations 54 & 55

These recommendations are technical accounting adjustments based on Macias Gini & O'Connell's 2008 CAFR audit. They provide for: 1) The reclassification of a previous General Fund working capital loan to the Housing and Community Development Special Revenue Fund (HCDSRF) to an Operating Transfer Out; and 2) A designation of HCDSRF's fund balance in the aforementioned amount for working capital purposes.

Recommendations 56 & 57

This request will transfer appropriations of \$330,000 from Finance Other – Countywide General Expense to the Information Technology ISF. These appropriations are needed to augment funds budgeted for the annual maintenance fees for Countywide IT applications such as Oracle Financials, PeopleSoft and Kronos.

Recommendations 58 & 59

The County of San Diego issued \$443,515,000 of taxable pension obligation bonds on August 7, 2008 (2008 Bonds). The proceeds of these bonds were used to refinance the County's 2002B Taxable Pension Obligation Bonds in order to exit the auction rate securities market, take advantage of lower interest rates, obtain debt service savings, and level out the aggregate pension obligation bond debt service. Costs related to the sale of the 2008 Bonds include Bond counsel fees, rating agency fees, underwriter's discount, and initial fees of the liquidity facility provider. These requests will transfer funds to the Pension Obligation Fund to properly account for the transaction.

Recommendations 60 & 61

On September 18, 2007 (14), the Board allocated \$114,000 in District 5 Community Projects funds to the Library Fund for potential costs associated with tenant improvements in expanding the leased space of the Borrego Springs Library. Funds were inadvertently budgeted in the Library Capital Outlay Fund for Capital Project 1011406, Borrego Springs Branch Library instead of the Library Fund. These requests are technical adjustments to transfer the funds to the Library Fund.

Recommendation 62

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

On July 23, 2008(19), the Board authorized \$75 million for Capital Project 1011214, County Operations Center (COC). The balance of funds needed to phase 1A of the project was funded from the issuance of certificates of participation issued by the San Diego Regional Building Authority. The construction agreement with Lowe Enterprises required the county to transfer to an external bank its contribution toward the COC project. This request will transfer the unspent portion of the budgeted \$75,000,000.

Recommendations 63 - 66

These recommendations will reduce the appropriations in the COC Development Project to reflect the correct total project budget of \$188,534,944 and establish a separate capital project for the new Health and Human Services facility in Kearny Mesa. The \$6,350,000 in recommendation 63 represents the amount of appropriations established for expenses on the project prior to the issuance of the bonds that are to be reimbursed from bond proceeds. When the final budget for the project was set, the full amount of the bond proceeds was incorrectly added to the previously appropriated \$6,350,000, resulting in that amount being counted twice. The \$7,000,000 in recommendation 64 was inadvertently added to the COC Development Project's budget when the Board approved the acquisition of a building in Kearny Mesa to house the North Central Public Health Clinic and Family Resource Center. Those appropriations were intended to be added to Capital Project 1012285 HHS PSG CSG Office Relocations. This project provides a pool of funds to be used to acquire new space for occupants of the COC and COC Annex who won't be part of the new COC Campus. It has been subsequently determined that in order to properly capitalize the acquisition of the new facility, it should be established as a stand-alone project. This accounting change necessitates reducing the HHS PSG CSG Office Relocations project by \$7,500,000 (recommendation 65) and combining it with the \$7,000,000 being deleted from the COC Development Project to establish Capital Project 1013010 COC Annex/North Central Public Health Clinic with an appropriation of \$14,500,000.

Recommendations 67 – 70

At the end of Fiscal Year 2008-09 a total of 10 projects are anticipated to be completed and capitalized. These projects will have remaining appropriations and related revenue of up to \$631,685. The appropriations will be cancelled at the end of the fiscal year and the funding sources, which include operating transfers from the General Fund, operating transfers from the Park Land Dedication fund, and federal grants, will be returned to the respective sources where applicable. These projects are listed in Schedule C.

Linkage to the County of San Diego Strategic Plan

The County of San Diego is fully committed to using its resources to meet the highest priority needs of its residents as identified in the Fiscal Year 2008-09 Budget and outlined by our three Strategic Initiatives – Kids, the Environment, and Safe and Livable Communities.

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS
REPORT AND BUDGET ADJUSTMENTS (District: All)

Respectfully submitted,

[SIGNATURE]

WALTER F. EKARD
Chief Administrative Officer

ATTACHMENT(S)

Schedule A

Schedule B

Notes to Schedules A and B

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS
REPORT AND BUDGET ADJUSTMENTS (District: All)

AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

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

Other Concurrence(s): N/A

ORIGINATING DEPARTMENT: Chief Financial Officer

CONTACT PERSON(S):

Donald F. Steuer, Chief Financial Officer

Janel Pehau, Director, Office of Financial
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AUTHORIZED REPRESENTATIVE:

Donald F. Steuer, Chief Financial Officer

SUBJECT: FISCAL YEAR 2008-09 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT AND BUDGET ADJUSTMENTS (District: All)

AGENDA ITEM INFORMATION SHEET

(continued)

PREVIOUS RELEVANT BOARD ACTIONS:

7/22/08 (16) County of San Diego Fiscal Year 2008-09 Final Budget for Family of Funds, Enterprise Funds and Internal Service Funds, Prior Year Encumbrances, Fleet Services Transfer and Penalty Assessment Resolution; December 9, 2008 (30) Fiscal Year 2008-09 First Quarter Operational Plan Status Report and Budget Adjustments. February 24, 2009 (15) Fiscal Year 2008-09 Second Quarter Operational Plan Status Report and Budget Adjustments.

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

CONTRACT AND/OR REQUISITION NUMBER(S):

N/A

**FY 2008-2009 3rd Quarter
Projected Year-End Results**
(in thousands)

COUNTY SUMMARY

Expenditure Variance	Revenue Variance	3rd Quarter FY08-09 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund

Public Safety	\$ 44,088	\$ (36,202)	\$ 7,886
Health & Human Services Agency	114,475	(95,295)	19,179
Land Use & Environment	27,414	(18,700)	8,714
Community Services	7,462	(1,716)	5,746
Finance & General Government	45,293	19,443	64,737
Total Agency/Group	238,731	(132,469)	106,261
General Revenues	0	(22,530)	(22,530)
Finance Other	97,637	8,631	106,268
Total General Fund	\$ 336,368	\$ (146,369)	\$ 189,999

Special Revenue Funds

Public Safety	\$ 34,437	\$ (32,956)	\$ 1,481
Health & Human Services Agency	3,300	0	3,300
Land Use & Environment	25,082	(23,498)	1,584
Community Services	34,202	(26,348)	7,854
Finance & General Government	363	1,847	2,210
Finance Other	1,207	(1,160)	47
Total Special Revenue Funds	\$ 98,592	\$ (82,116)	\$ 16,476

Internal Service Funds Departments

Public Safety Group	\$ 223	\$ 0	\$ 223
Health & Human Services Agency	0	0	0
Land Use & Environment	0	45	45
Community Services	14,612	(8,137)	6,475
Finance & General Government	125	0	125
Finance Other	5,727	(1,200)	4,527
Total Internal Service Funds	\$ 20,686	\$ (9,292)	\$ 11,394

Enterprise Fund Departments

Land Use & Environment	\$ 9,178	\$ (8,623)	\$ 555
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Special District Funds Departments

Public Safety Group	\$ 0	\$ 1	\$ 1
Health & Human Services Agency	0	123	123
Land Use & Environment	10,855	(5,593)	5,262
Total Special District Funds	\$ 10,855	\$ (5,469)	\$ 5,385

Other County Funds Departments

LUEG - Debt. Svc. Local Boards	\$ 0	\$ 0	\$ 0
Community Svcs. - Redevelopment Agencies	3,835	0	3,835
Finance Other - Majestic Pines	0	0	0
Total Other County Funds	\$ 3,835	\$ 0	\$ 3,835

Debt Service - Pension Obligation Bonds	\$ 21,045	\$ (15,546)	\$ 5,499
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Total County Projected Operating Balance	\$ 500,558	\$ (267,414)	\$ 233,144
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**FY 2008-2009 3rd Quarter
Projected Year-End Results**

(in thousands)

PUBLIC SAFETY GROUP

Expenditure Variance	Revenue Variance	3rd Quarter FY08-09 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Alternate Public Defender	\$ 174	\$ 39	\$ 213
Child Support	1,004	361	1,365
Contributions for Trial Courts	2,428	(3,007)	(580)
Defense Attorney Contract Admin.	1,232	(186)	1,047
District Attorney	9,045	(5,014)	4,031
Emergency Services	5,731	(5,328)	403
Law Enforcement Review Board	132	1	133
Medical Examiner	216	14	230
Probation	4,017	(7,057)	(3,040)
Public Defender	2,132	(1,039)	1,093
Public Safety Executive Office	2,278	(6,832)	(4,554)
Sheriff	15,697	(8,154)	7,544
Total General Fund	\$ 44,088	\$ (36,202)	\$ 7,886

Special Revenue Funds Departments

District Attorney (Asset Forfeiture - State & Federal)	150	0	150
Probation - Asset Forfeiture	0	62	62
Probation - Inmate Welfare Program	0	0	0
Sheriff - Asset Forfeiture	0	19	19
Sheriff - Inmate Welfare Program	73	1,177	1,250
Public Safety - Proposition 172	34,214	(34,214)	0
Total Special Revenue Funds	34,437	(32,956)	1,481

Internal Service Funds Departments

Probation	0	0	0
Sheriff(Jail Stores)	223	0	223
Total Internal Service Funds	223	0	223

Special District Funds

Sheriff (Regional 800 MHz)	0	1	1
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Total Group Projected Fund Balance	\$ 78,747	\$ (69,157)	\$ 9,590
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**FY 2008-2009 3rd Quarter
Projected Year-End Results**

(in thousands)

HEALTH & HUMAN SERVICES AGENCY

Expenditure Variance	Revenue Variance	3rd Quarter FY08-09 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Programs

Administrative Support	\$ 35,127	\$ (19,136)	\$ 15,991
Aging & Independence Services	\$ 6,973	\$ (6,481)	491
Behavioral Health Services	50,919	(50,773)	146
Child Welfare Services	21,572	(21,355)	217
Public Administrator/Public Guardian	238	(39)	199
Public Health Services	4,128	(4,004)	124
Regional Operations	(13,558)	15,456	1,898
Strategic Planning & Operational Support	9,077	(8,963)	114
Total General Fund	\$ 114,475	\$ (95,295)	\$ 19,179

Special Revenue Funds

Tobacco Securitization Fund	3,300	0	3,300
Total Special Revenue Funds	3,300	0	3,300

Internal Service Funds

DMI-Working Capital(Edgemoor Hospital)	0	0	0
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Special District Funds Departments

Ambulance Districts	0	123	123
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Other County Funds Departments

	0	0	0
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Total Health & Human Services Agency	\$ 117,775	\$ (95,173)	\$ 22,602
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**FY 2008-2009 3rd Quarter
Projected Year-End Results**

(in thousands)

LAND USE & ENVIRONMENT GROUP

Expenditure Variance	Revenue Variance	3rd Quarter FY08-09 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Agriculture, Weights & Measures	\$ (389)	\$ 464	\$ 75
Environmental Health	2,874	(2,389)	485
Land Use & Environment Group Exec Office	1,439	606	2,045
Parks & Recreation	635	(15)	620
Planning & Land Use	13,396	(7,908)	5,489
Public Works	9,458	(9,458)	0
Total General Fund	\$ 27,414	\$ (18,700)	\$ 8,714

Special Revenue Funds Departments

A,W & M (Grazing and Fish & Game Commission)	0	0	0
Parks & Recreation - PLDO	17	484	502
DPW - Aviation Funds	0	0	0
DPW - Road Funds	21,621	(20,749)	871
DPW - Inactive Waste	3,444	(3,233)	211
Total Special Revenue Funds	25,082	(23,498)	1,584

Internal Service Funds Departments

Public Works - DPW Equip. ISF Prg. (35525-35700)	0	45	45
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Enterprise Funds Departments

Airport Enterprise Fund	8,468	(8,144)	323
Liquid Waste Enterprise Fund	710	(478)	232
Total Enterprise Funds:	9,178	(8,623)	555

Special District Funds Departments

Air Pollution Control District	7,065	(5,688)	1,376
Parks and Recreation	0	45	45
Planning and Land Use - CSAs	114	(82)	32
DPW - Sanitation Districts & Sewer Maintenance	3,648	(80)	3,569
DPW - CSAs	0	8	8
DPW - PRDs	20	(0)	20
DPW - Flood Control	8	111	119
DPW - Street Lighting Districts	0	92	92
Total Special Districts Funds:	10,855	(5,593)	5,262

Other County Funds Departments

Debt Service-Local Boards	0	0	0
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Total Land Use & Environment Group	\$ 72,528	\$ (56,368)	\$ 16,160
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**FY 2008-2009 3rd Quarter
Projected Year-End Results**

(in thousands)

COMMUNITY SERVICES GROUP

Expenditure Variance	Revenue Variance	3rd Quarter FY08-09 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Animal Services	\$ 617	\$ (68)	\$ 549
Community Services Group Exec Office	3,603	0	3,603
General Services	0	0	0
Housing & Community Development	1,020	(542)	478
Purchasing & Contracting	17	0	17
Library Services	0	0	0
Registrar of Voters	2,204	(1,106)	1,098
Total General Fund	\$ 7,462	\$ (1,716)	\$ 5,746

Special Revenue Funds Departments

Library Services	7,841	13	7,854
Housing & Community Development	26,361	(26,361)	0
Total Special Revenue Funds	34,202	(26,348)	7,854

Internal Service Funds Departments

Facilities Management	12,553	(12,818)	(265)
Fleet Management	1,809	5,325	7,133
Purchasing & Contracting	250	(644)	(393)
Total Internal Service Funds	14,612	(8,137)	6,475

Other County Funds Departments

Redevelopment Agency	3,835	0	3,835
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Total Community Services Group	\$ 60,110	\$ (36,200)	\$ 23,910
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**FY 2008-2009 3rd Quarter
Projected Year-End Results**

(in thousands)

**FINANCE & GENERAL GOVERNMENT
GROUP**

Expenditure Variance	Revenue Variance	3rd Quarter FY08-09 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund Departments

Assessor/Recorder/County Clerk	\$ 1,628	\$ (2,332)	\$ (704)
Auditor & Controller	2,800	(38)	2,762
Board of Supervisors	290	0	290
CAC-Major Maintenance	-	-	-
Chief Administrative Officer	244	(59)	186
Civil Service Commission	57	0	57
Clerk of the Board of Supervisors	500	0	500
County Counsel	1,181	880	2,061
County Technology Office	517	(210)	307
Finance & GG Exec Office	36,289	21,021	57,309
Grand Jury	132	0	132
Human Resources	1,452	(53)	1,398
Treasurer-Tax Collector	203	234	438
Total General Fund	\$ 45,293	\$ 19,443	\$ 64,737

Special Revenue Funds Departments

Media & Public Relations	363	1,847	2,210
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Internal Service Funds Departments

CTO - Information Technology	125	0	125
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**Total Finance & General
Government Group**

	\$ 45,782	\$ 21,290	\$ 67,072
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**FY 2008-2009 3rd Quarter
Projected Year-End Results**

(in thousands)

**GENERAL REVENUES &
FINANCE OTHER**

Expenditure Variance	Revenue Variance	3rd Quarter FY08-09 Projected Fund Balance
Favorable/(Unfavorable)		

General Fund

General Revenues:

All Current Property Taxes	\$ 0	\$ (28,821)	\$ (28,821)
All Other Taxes-Local	0	10,092	\$ 10,092
Licenses, Permits & Franchises	0	40	\$ 40
Fines, Forfeitures & Penalties	0	182	\$ 182
Revenue for Use of Money & Property	0	(6,318)	\$ (6,318)
Intergovernmental Revenue	0	559	\$ 559
Charges for Current Services	0	0	\$ 0
Miscellaneous Revenue	0	1,735	1,735
Total General Revenues	\$ 0	\$ (22,530)	\$ (22,530)

General County Expenses:

Cash Borrowing Program	\$ 9,675	\$ 0	\$ 9,675
Community Enhancement	0	0	0
Contingency Reserve	20,294	0	20,294
Contributions to the Capital Outlay Fund	265	(91)	174
Contributions to Library Fund	0	0	0
Community Projects & Services	0	0	0
Countywide Expenses	67,403	8,722	76,125
Total Finance Other Expenses	\$ 97,637	\$ 8,631	\$ 106,268
Total General Fund	\$ 97,637	\$ (13,899)	\$ 83,738

Special Revenue Funds Departments

Capital Program	\$ 1,207	\$ (1,160)	\$ 47
Total Special Revenue Funds	\$ 1,207	\$ (1,160)	\$ 47

Internal Service Funds Departments

Workers Compensation	\$ 5,600	\$ (900)	\$ 4,700
Unemployment Insurance	(700)	0	(700)
Public Liability	827	(300)	527
Total ISF Funds	5,727	(1,200)	4,527

Other County Funds Departments

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

Pension Obligation Bonds	\$ 21,045	\$ (15,546)	\$ 5,499
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Total General Revenues & Finance Other	\$ 125,616	\$ (31,806)	\$ 93,810
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**FY 2008-2009 3rd Quarter
Projected Year-End Results**
(in thousands)

Category	Projected Management & Contingency Reserves	Projected Operating Balances	3rd Quarter FY08-09 Projected Fund Balance
	Favorable/(Unfavorable)		
General Fund			
Public Safety	\$ 725	\$ 7,161	\$ 7,886
Health and Human Services Agency	15,000	\$ 4,179	19,179
Land Use and Environment	685	\$ 8,029	8,714
Community Services	3,250	\$ 2,496	5,746
Finance & General Government	12,326	\$ 52,411	64,737
Agency/Group Totals	\$ 31,985	\$ 74,276	\$ 106,261
General Revenues	0	(22,530)	(22,530)
General County Expenses	0	85,974	85,974
Contingency Reserve	20,294	0	20,294
Total Gen'l. Revs & Gen'l. County Exp.	\$ 20,294	\$ 63,444	\$ 83,738
Total General Fund	\$ 52,279	\$ 137,720	\$ 189,999

COUNTY OF SAN DIEGO
NOTES TO SCHEDULES A and B
FY 2008 -09 3rd QUARTER

GENERAL NOTES

Projected Fund Balance

Projected fund balance as presented in this report is defined as the projected excess of revenues over expenditures as a result of current fiscal year operations. Schedule A presents projections by Group and Department by fund or fund type.

Contingency Reserve and Management Reserves

The County's General Fund budget contains a Contingency Reserve each year to be used in the event of unforeseen expenses or to offset revenue shortfalls. Management Reserves are appropriations that are set-aside at the Group or department level for unanticipated needs or planned future one-time expenses. Schedule B shows a summary of the General Fund's projected fund balance by Group/Agency that distinguishes between projected contingency/management reserve balances and operating balances.

Variance Reporting

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

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

PUBLIC SAFETY GROUP

General Fund

Child Support Services

A net positive variance of \$1.4 million is projected for the Department of Child Support Services (DCSS).

A net positive expenditure variance of \$1.0 million is projected. Salaries and benefits are projected to be \$1.9 million under budget due to vacant positions offset by a negative \$0.9 million in services and supplies due to costs associated with the expansion of DCSS activities at the North County Regional Center.

A net positive revenue variance of \$0.4 million is projected. A positive variance of \$0.7 million is projected for intergovernmental revenues due to an increase in expenditures

that can be reimbursed by federal and state revenues offset by a net negative variance of \$0.3 million in charges for current services due to a projected decline in public assistance child support collections.

Contributions for Trial Courts

A net negative variance of \$0.6 million is projected for Contributions for Trial Courts.

A net positive variance of \$2.4 million is projected for expenditures. This is comprised of a positive variance of \$1.6 million in services and supplies and a savings of \$0.8 million in other charges to recognize the level of expenditures required to support the revenue sharing requirements of Government Code 77205, related to Trial Court Funding.

A net negative variance of \$3.0 million is projected for revenues. This is comprised of a negative variance of \$0.5 million in fines, forfeitures & penalties to recognize the anticipated levels of revenues received and a decrease of \$2.5 million in charges for current services. The decrease in the charges for current services is comprised of an increase of \$0.3 million in Traffic Schools Fees, offset by a decrease of \$2.8 million in Recording fees. As a result of the general economic recession in the national, state and local economy and the associated impacts on the housing market, revenues from Recording Fees allocated to the County to support statutory Contributions to Trial Courts have declined.

The projected negative variance will be partially mitigated by a recommendation to appropriate \$0.4 million of General Fund fund balance available, included in the Third Quarter Operational Plan Status Report. There is sufficient Public Safety Group fund balance available to mitigate the remaining projected negative variance.

Defense Attorney Contract Administration

A net positive variance of \$1.0 million is projected for Defense Attorney Contract Administration.

A net positive expenditure variance of \$1.2 million is projected due to the timing of required payments resulting from the mid year implementation of the Office of Assigned Counsel.

A net negative revenue variance of \$0.2 million is projected due to under-realized revenue collections for court appointed attorney fees.

District Attorney

A net positive variance of \$4.0 million is projected for the District Attorney's Office.

A net positive variance of \$9.0 million is projected for total expenditures. This positive variance is primarily due to projected savings in salaries and benefits of \$13.0 million due to normal attrition, positions being held open in response to the economic downturn, and savings from modified positions. A negative expenditure variance of \$2.5 million is projected in services and supplies comprised of \$1.0 million for one-time Information Technology upgrades, \$0.5 million in Information Technology ISF costs for computing power, \$0.4 million in professional expert testimony, \$0.3 million in facilities maintenance costs and \$0.3 million due to an unanticipated increase in the number and costs of witness protection and relocation cases. A negative expenditure variance of \$1.0 million is projected in capital assets due to increased costs for one-time Information Technology upgrades. A negative expenditure variance of \$0.5 million is projected in expenditure transfers and reimbursements due to normal attrition and delays in filling vacant positions in the Public Assistance Fraud Unit.

A net negative revenue variance of \$5.0 million is projected. This negative variance is primarily attributable to a projected shortfall of \$5.6 million in Proposition 172 revenue due to the national, state and local economic recession and reduced consumer spending. A negative variance of \$1.1 million in intergovernmental revenues is due to reductions in State Grants (High Technology Prosecution Program, \$0.5 million; Vertical Prosecution Block Grant, \$0.2 million; High Technology Identity Theft Program, \$0.1 million; the Spousal Abuse Prosecution Program, \$0.1 million; the Parole Advocacy Program, \$0.1 million, and a reduction of \$0.1 million for the Citizen's Option For Public Safety program). These shortfalls are offset by a \$1.7 million in unanticipated revenues of \$0.6 million from Proposition 64 Consumer Trust Fund, \$0.5 million from the State Witness Protection Program, \$0.3 million from the State Department of Insurance Urban Auto Fraud Grant, \$0.1 million from the Southwest Border Prosecution Initiative, \$0.1 million from other miscellaneous and \$0.1 million from the Indian Gaming Trust Fund. The net negative revenue variance is mitigated by the expenditure savings shown above.

Office of Emergency Services

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

A net positive expenditure variance of \$5.7 million is projected. This includes a variance of \$0.2 million in salaries and benefits due to vacancies in the department, a variance of \$3.1 million in services and supplies due to lower than anticipated expenditures for the Fire Suppression Aviation contract (\$0.3 million) and appropriations for grant supported activities that will be carried over to next fiscal year (\$2.8 million) and a \$2.4 million variance in other charges due to lower than anticipated expenditures for grant supported activities in other jurisdictions that will also be carried over to in next fiscal year.

A net negative revenue variance of \$5.3 million is projected. These projected shortfalls are mitigated by the expenditure variances shown above. The Urban Area Security

Initiative is projected to be \$0.2 million under budget and the State Homeland Security revenues are projected to be \$5.1 million under budget for grant activities that will be carried forward to next fiscal year, as noted above.

Probation

A net negative variance of \$3.0 million is projected for the Probation Department.

A net positive expenditure variance of \$4.0 million is projected. This is comprised of a \$3.6 million positive variance in salaries and benefits due to positions no longer funded following enacted State Budget reductions. A \$1.0 million positive variance projected in services and supplies is also related to enacted State Budget reductions. A negative variance of \$0.6 million in other charges is due to increased Foster Care costs.

A net negative revenue variance of \$7.0 million is projected. The Youthful Offender Block Grant is projected to be \$1.2 million under budget, due to revised allocations and population projections. A shortfall of \$2.5 million is projected for Proposition 172 revenues due to the national, state and local economic recession and reduced consumer spending. The Juvenile Justice Crime Prevention Act and Juvenile Probation and Camps Funding revenues will be under-realized by \$3.0 million due to State Budget reductions reflected in the 18 month State budget that was adopted on February 19, 2009. A net additional \$0.3 million will be under-realized in various revenue sources, such as Other Court Costs.

There is sufficient Public Safety Group fund balance available to mitigate the projected negative variance.

Public Defender

A net positive variance of \$1.1 million is projected for the Public Defender.

A positive expenditure variance of \$2.1 million is projected. A \$1.4 million savings in salaries and benefits is projected due to staff retirements and turnover. A \$0.7 million savings in services and supplies is projected due to the timing of required payments related to the mid year implementation of the Office of Assigned Counsel.

A net negative variance of \$1.0 million in revenue is projected due to reductions of \$0.8 million in Court Appointed Attorney collected fees and a reduction of \$0.2 million in the required transfer of dependency collection revenue to the Administrative Office of the Court as a condition of the contract for services funded by the State.

Public Safety Group Executive Office

A net negative variance of \$4.6 million is projected for the Public Safety Group Executive Office.

A positive expenditure variance of \$2.3 million is projected due to anticipated savings in contracted services, application services and in the major maintenance program due to a large multi-year project being successfully managed to require fewer resources.

A net negative revenue variance of \$6.8 million is projected due to a negative variance of \$16.6 million in operating transfers out which represents a portion of under-realized Proposition 172 revenue throughout the Public Safety Group. The shortfall in these revenues and the planned mitigation is explained in the Proposition 172 section below. This shortfall is offset with a positive variance of \$8.4 million of Public Safety's Group fund balance used to mitigate a portion of Proposition 172 revenue shortfall. A recommendation for this action is included in the 3rd Quarter Operational Plan Status Report. Other revenue variances in the Executive Office include positive variances of \$0.9 million for unanticipated revenues from rents and \$0.5 million in miscellaneous revenues received from cities for their participation in the Regional Communication System.

There is sufficient Public Safety Group Fund Balance available to mitigate the projected negative variance.

Sheriff

The Sheriff's Department projects a net positive variance of \$7.5 million.

An overall positive expenditure variance of \$15.7 million is projected. Salaries and benefits are projected to be \$18.7 million under budget due to salary savings as a result 211 projected vacant positions (98 sworn and 113 professional staff) in response to the economic downturn. This projection includes "Expected New Hires" of 9 sworn staff from a forthcoming law enforcement academy, 24 professional staff, and 60 retirements/departures, for a net decrease of 27 sworn and professional staff by the end of the fiscal year. A positive expenditure variance of \$2.2 million is projected in services and supplies due to various cost reduction measures including fewer computer, software and minor equipment purchases, curtailed travel and reduced utility costs. These cost reduction measures help offset increased expenditures for food and pharmaceuticals in the jails. A negative variance of \$5.9 million is projected in other charges supporting inmate medical care due to the increased number of inmates with serious medical conditions requiring more and longer hospitalizations and increased clinic visits. A year-end balance of \$0.7 million is projected in Management Reserves.

A net negative revenue variance of \$8.2 million is projected. A negative variance of \$9.5 million is projected in Proposition 172 revenue due to the national, state and local economic recession and reduced consumer spending. A negative variance of \$0.2 million is projected in Jail Bed Leasing due to the probable renegotiation of the contract with the City of San Diego for housing City misdemeanants. A positive variance of \$0.6 million is projected in Recovered Expenditures primarily due to FEMA reimbursement

for the Angel Fire expenditures, California Department of Forestry and Fire Protection reimbursement for helicopter services provided on an as-needed basis and miscellaneous reimbursements and refunds. A positive variance of \$0.5 million is projected in Institutional Care State for housing State parolees. A positive variance of \$0.2 million is projected in State Criminal Alien Assistance Program (SCAAP) due to increased efforts to identify and verify undocumented criminal aliens for which incarceration costs could be claimed. A number of miscellaneous revenue sources are projected to provide an additional combined positive variance of \$0.2 million.

Special Revenue Funds

Sheriff's Inmate Welfare Fund

A net positive variance of \$1.2 million is projected for the Inmate Welfare Fund. This includes a positive variance of \$0.8 million in rents & concessions due to the settlement received from the vendor for the inmate telephone contract, a positive variance of \$0.5 million for reimbursement from the Grossmont Union High School District for overpayment of contracted educational services offset by a negative variance of \$0.1 million for lower than anticipated interest earnings.

Proposition 172

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

The Proposition 172 Special Revenue Fund finished Fiscal Year 2007-08 with no available fund balance. Actual realized revenues for Fiscal Year 2007-08 were \$22.4 million less than the Adopted Operational Plan amount.

In Fiscal Year 2008-09, the severe nationwide economic recession, including the continuing decline in the housing market, is resulting in reduced consumer spending and reduced sales tax revenues which are the basis for Proposition 172 receipts. In addition, the San Diego region is generating a proportionately smaller share of sales tax revenues compared to other areas of the state. As a result, current year revenues are projected to be \$34.2 million under budget. Expenditures from the Special Revenue Fund will be capped to match anticipated revenues and are therefore projected to be \$34.2 million under budget for no net variance in the fund. The public safety departments that receive Proposition 172 revenues, including the Sheriff, District Attorney and the Probation Department, have adjusted their current revenue projections to anticipate a portion of this shortfall. The mitigation for the \$34.2 million shortfall includes current projected operational savings, the transfer of funds and the requested appropriation of fund balance. The Third Quarter Operational Plan Status Report includes requests for the transfer of appropriations within the General Fund and the appropriation of Public Safety Group fund balance to sustain current service levels in the public safety departments that rely on Proposition 172 revenues.

HEALTH AND HUMAN SERVICES

General Fund

HHSA is projecting an overall positive fund balance of \$19.2 million. HHSA continues to manage the adverse impact of the economy by keeping positions vacant and reducing costs with no impact to services to the community. Realignment continues to be seriously impacted by the weakened economy and HHSA is projecting a shortfall of \$38.1 million from budget. Realignment revenues consist of Sales Tax and Vehicle License Fees (VLF). Current projections indicate that Sales Tax and VLF collections Statewide could be down by 10% by year-end.

Administrative Support

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

A net positive variance of \$16.0 million is projected for Administrative Support. The variance is the result of \$35.1 million in expenditure savings and \$19.1 million in projected under-realized revenues.

The \$35.1 million expenditure savings include \$0.3 million in salaries and benefits due to vacant positions, \$20.0 million in services and supplies, \$15.0 million in anticipated year-end management reserves offset by \$0.2 million over-expenditure in capital assets equipment. The \$20.0 million savings in services and supplies are comprised of \$8.0 million for pandemic or bio-terrorism emergency appropriation savings associated with unsecuritized tobacco, \$5.5 million savings associated with Major Maintenance and Imaging Projects, \$5.0 million of appropriation savings associated with glide slope reserve, and \$1.5 million savings associated with various other services and supplies.

The \$19.1 million under-realized revenue includes \$12.0 million of realignment revenue (as discussed above in the Agency summary) and \$8.0 million of unsecuritized tobacco settlement revenue, offset by \$0.9 million of unanticipated miscellaneous revenues.

Aging and Independence Services

A net positive variance of \$0.5 million is projected for Aging & Independence Services. The variance is the result of \$7.0 million in expenditure savings and \$6.5 million in projected under-realized revenue.

The \$7.0 million expenditure savings include \$0.3 million in salaries and benefits due to vacancies including mid year position reductions in Ombudsman, and Adult Protective Services, \$5.1 million in services and supplies, \$1.4 million in operating transfers for In Home Support Services-Public Authority due to timely abatements received for Health

Benefits and \$0.2 million in capital assets equipment. The \$5.1 million savings in services and supplies include \$3.4 million due to In Home Support Services Individual Provider costs projected less than budgeted and \$1.7 million in contracted services for programs for the Aged associated with State budget cuts. The \$6.5 million of under-realized-revenue is associated with the expenditure savings and decreased State funding.

Behavioral Health Services

Behavioral Health Services consists of the following: Mental Health Services, Alcohol and Drug Services, and In-patient Health Services comprised of the San Diego County Psychiatric Hospital and Edgemoor Skilled Nursing Facility.

A net positive variance of \$0.1 is projected for Behavioral Health Services. The variance is the result of \$50.9 million in expenditure savings and \$50.8 million in projected under-realized revenues.

The \$50.9 million expenditure savings includes \$2.2 million in salaries and benefits throughout Behavioral Health due to vacancies and \$48.7 million in services and supplies. The \$48.7 million includes \$46.3 million in contracted services, and \$2.4 million savings in other miscellaneous services and supplies. The \$46.3 million savings in contracted services include \$33.7 million un-awarded Mental Health Services Act (MHSA) contracts due to delayed implementation pending plan approval by the State; \$4.1 million in Alcohol and Drug Services due primarily to aligning costs to State allocations including cuts by the State to Prop 36 and the Offender Treatment program (OTP); \$4.5 million in Early Periodic Screening, Diagnosis and Treatment/Medi-Cal services due to decrease of EPSDT contractor spending associated with increased accessibility of MHSA funding and the termination of three contracts due to a decrease in client needs, \$2.9 million associated with prior year encumbrances that are not needed, and \$1.1 million in Institutional Services due to a reduction in utilization. The \$50.8 million in projected under-realized revenues is associated with the expenditure savings.

County Child Welfare Services

A net positive variance of \$0.2 million is projected for County Child Welfare Services (CCWS). The variance is the result of \$21.6 million in expenditure savings and \$21.4 million in projected under-realized revenues.

The \$21.6 million expenditure savings includes \$1.9 million in salaries and benefits, \$22.9 million in assistance payments for Severely Emotionally Disturbed (SED), Foster Care, Aid to Adoptive Parents (AAP) and KinGap based on revised estimates of caseload levels, growth trends, and unit cost per case. The savings are offset by a \$3.2 million over-expenditure in services and supplies primarily due to increased costs associated with court ordered travel, mobility project, hiring of temporary staff and

facilities repair for Polinsky and the San Pasqual Academy. The \$21.4 million in under-realized revenues is associated with the expenditure savings primarily for assistance payments. Of the \$21.4 million in under-realized revenues, \$8.7 million is Social Services Realignment. Realignment is used to partially cover the local match requirements for assistance payments. Since there is a \$22.9 million projected savings in assistance payments, the match is not required and is reflected as under-realized Realignment which helps mitigate the overall Realignment shortfall the Agency is experiencing.

Public Health Services

A net positive variance of \$0.1 million is projected for Public Health Services. The variance is a result of \$4.1 million in expenditure savings and \$4.0 million in projected under-realized revenues.

The \$4.1 million projected expenditure savings includes \$0.8 million in salaries and benefits due to vacant positions, \$3.1 million in services and supplies, and \$0.2 million in capital assets equipment. The \$3.1 million savings in services and supplies is the result of \$1.7 million in contracted services in Immunizations, Bioterrorism, and Maternal, Child and Family Health Services due to reduced funding and delay in the contract procurement process, and \$1.4 million in various services and supplies to minimize spending based on the loss of realignment. The \$4.0 million of under-realized revenue is associated with the loss of realignment and reduced funding associated with the expenditure savings.

Regional Operations

Regional Operations consist of the following: Central, East, North Central, North Coastal, North Inland, and South regions, Community Action Partnership, Regional Self-Sufficiency and Regional Child Welfare Services.

A net positive variance of \$1.9 million is projected for Regional Operations. The variance is a result of \$13.6 million in negative expenditure variance and \$15.5 million in projected over-realized revenue.

The negative expenditure variance of \$13.6 million includes \$2.2 million savings in salaries and benefits due to vacant positions, \$2.0 million savings in services & supplies, offset by a \$17.8 million over-expenditure in other charges based on projected caseloads for CalWORKS, Welfare to Work, Child Care and in Support and Care in California Children's Services. The weakened economy and increase in unemployment has led to significant increases in caseloads and associated costs. The \$15.5 million in projected over-realized revenues is associated with the over-expenditure in other charges and social service administrative revenue for external A-87 costs.

Staff will continue to monitor the negative expenditure variance and will mitigate the shortfall by transferring appropriations from Child Welfare Services prior to year-end.

Strategic Planning and Operational Support

A net positive variance of \$0.1 million is projected for the Strategic Planning & Operational Support Division (SPOSD). The variance is the result of \$9.1 million in expenditure savings and \$9.0 million in projected under-realized revenues.

The \$9.1 million expenditure savings includes \$0.4 million in over-expenditures in salaries and benefits due to additional staff needed to address assessment and eligibility activities for County Medical Services (CMS) offset by \$9.5 million in expenditures savings in services and supplies. The \$9.5 million in services and supplies includes \$7.4 million in CMS due to continued start-up of the Coverage Initiative and lower than expected retro-active CMS payments for prior year claims, \$1.3 million associated with the Welfare Case Data Information System and CalWIN and \$0.8 million in CalWORKS employment pay for performance contracts. The \$9.0 million projected under-realized revenue is associated with the expenditure savings. The \$9.0 million in under-realized revenues includes \$7.8 million associated with the Coverage Initiative and \$3.2 million in Realignment associated with SPOS Administration service and supply savings, offset by an increase of \$2.0 million in Third Party Reimbursement revenue.

Special Revenue Funds

Tobacco Securitization Fund

A net positive variance of \$3.3 million is projected in the Securitized Tobacco Settlement Fund. This represents the difference between the projected annual available amount of Tobacco funds and what the Board of Supervisors has approved, based on an annual draw of \$27.5 million.

LAND USE AND ENVIRONMENT GROUP

General Fund

Agriculture, Weights & Measures

A net positive variance of \$0.1 million is projected for the Department of Agriculture, Weights and Measures.

A negative variance of \$0.4 million is projected for expenditures. A positive variance of \$1.3 million in salaries and benefits is mainly due to effectively managing vacancies. A negative \$1.7 million variance in services and supplies is projected due to higher than anticipated implementation costs for the Business Case Management System (BCMS) and San Marcos office relocation expenses. The excess \$1.3 million in salaries and

benefits appropriations will be transferred to services and supplies to help offset the negative variance. A recommendation requesting additional appropriations that will mitigate the remaining negative variance of \$0.4 million is included in the Third Quarter Operational Plan Status Report.

A positive revenue variance of \$0.5 million is projected due to unanticipated revenue from the State Pest Detection contracts for Asian Citrus Psyllid and Light Brown Apple Moth containment efforts.

Environmental Health

A net positive variance of \$0.5 million is projected for the Department of Environmental Health.

A positive expenditure variance of \$2.9 million is projected. Projected savings of \$1.6 million in salaries and benefits are due to on-going vacancies, delays in hiring, under-filling positions and holding positions vacant. Projected savings of \$1.1 million in services and supplies are due to closely monitoring spending activities to ensure costs do not exceed revenue (\$0.5 million) and a delay in completing the Topaz facility remodel project (\$0.6 million). There is an additional \$0.2 million projected savings for reduced costs for capital assets.

A negative revenue variance of \$2.4 million is projected. This variance includes under-realized revenue of \$1.4 million in Sanitation Other due to lower than anticipated expenses in the Vector Control Program related to on-going vacancies and a delay in completing the Topaz facility remodel project this fiscal year. \$0.3 million in under-realized State Coastal Water funding is due to State budget cuts affecting this program. The remaining variance of \$0.7 million is spread over various other revenue accounts and reflects the downturn in economy overall. These shortfalls are offset by savings in salaries and benefits and services and supplies costs, as noted above.

Land Use and Environment Group – Executive Office

An overall net positive variance of \$2.0 million is projected in the Land Use and Environment Group Executive Office.

A favorable expenditure variance of \$1.4 million is projected. \$0.7 million in savings in salaries and benefits is due to holding vacancies and not hiring graduate student workers, as was planned earlier in the year for a variety of projects in our departments. The remaining amount is due to a projected year-end balance of \$0.7 million for management reserves, which will not be spent in the current fiscal year but will be rebudgeted next fiscal year for the Group's Business Case Management System.

A positive revenue variance of \$0.6 million is projected. The overage is a technical adjustment for monies that were originally credited to the Vector Trust Fund that should have been realized in the group.

Parks and Recreation

A net positive variance of \$0.6 million is projected in the Department of Parks and Recreation.

A positive expenditure variance of \$0.6 million is projected due to savings in salaries and benefits as a result of maintaining vacancies, frozen positions and under filling positions as part of department management's plan to mitigate the impact of the economic downturn.

Planning and Land Use

A net positive variance of \$5.5 million is projected for the Department of Planning and Land Use. This projection includes mid-year staffing reductions and assumes the re-budget of one-time only FY 2008-09 funding totaling \$5.0 million for programs such as the General Plan Update, Fire Authority, MSCP, Business Case Management System (BCMS), etc.

A positive expenditure variance of \$13.4 million is split between salaries and benefits and services and supplies. Savings of \$2.9 million in salaries and benefits are the result of keeping vacancies open due to the economic downturn as well as anticipating the re-budget of one-time only staff funding of \$0.9 million for the Business Case Management System. Savings of \$10.2 million in services and supplies are due to projected savings in contracted services related to the Hazardous Fuels Reduction activities, BCMS and the General Plan Update that won't be spent in Fiscal Year 2008-2009. The remaining \$0.2 million savings reflects the net variance between savings of \$1.4 million in capital assets and over-expenditure of \$1.2 million in charges for services as a result of a change in how Fire Authority costs are expensed.

The net negative revenue variance of \$7.9 million is comprised of several accounts. This includes a \$4.6 million shortfall for grant reimbursements for Hazardous Fuels Reduction activities as well as a \$0.4 million grant reimbursement for the Valley Center Village Design project that will not occur until Fiscal Year 2009-10. In addition, requests for Plan Check and Field Inspections are \$1.4 million lower than anticipated as a result of lower than normal construction projects in the unincorporated area. Also, there is a \$1.1 million negative variance for lower than anticipated revenues for services to property owners, related to Discretionary Permitting. Finally, \$0.4 million in grant reimbursements for the MSCP projects will be delayed to FY 2009-10 due to delays by outside agencies.

Public Works

No net variance is projected for the Public Works General Fund.

A positive expenditure variance of \$9.5 is projected due to reduced spending of \$8.8 million for wildfire recovery and \$0.6 million that will be rebudgeted for one-time projects in Fiscal Year 2009-10.

A negative revenue variance of \$9.5 million is projected due to reduced state and federal aid for wildfire recovery and the rebudget of one-time projects mentioned above. In addition, there was a technical adjustment that is not reflected in the projections. There was a \$4.9 million accrual for wildfire recovery funds made in Fiscal Year 2007-08, based on notification from the State. The County was later informed, subsequent to year-end, that the notification was in error. This required an adjustment of \$4.9 million to State revenue in the current fiscal year. There is sufficient Land Use and Environment Group fund balance available to offset the negative variance caused by the adjustment.

Special Revenue Funds

Parks and Recreation

Parkland Dedication Funds (PLDOs)

A net positive revenue variance of \$0.5 million is projected in the Parkland Dedication Funds due to \$0.3 million in additional revenue from park land dedication fees and \$0.2 million in unanticipated interest.

Public Works

Road Fund

A net positive variance of \$0.9 million is projected for the Road Fund.

A positive expenditure variance of \$21.6 million is projected. Projected savings of \$2.2 million in salaries and benefits are due to positions held vacant in Land Development due to decreased funding as a result of the economic downturn, as well as retirements, under-filling positions, turnover and vacancies pending recruitment in other Road Fund programs. Savings of \$18.6 million is projected in services and supplies as a result of cancellation of projects due to a delay in Prop 1B funding, cancellation of encumbrances for completed projects, less consultant work required and abatement of expenditures for Valley Center North due to reimbursement from utility companies. Projected savings of \$0.7 million in other charges is due to savings in right of way acquisition for several Detailed Work Program projects and savings of \$0.1 million in capital assets/equipment is due to changes in equipment specifications.

A net negative revenue variance of \$20.7 million is projected. Intergovernmental revenue is projected to be under-realized by \$11.8 million. This consists of a shortfall of \$10.0 million in Prop 1B due to a delay in receipt of Prop 1B funding from the State until next fiscal year, a projected shortfall in gas tax of \$3.4 million as a result of a reduction in miles driven caused by the economic downturn and \$2.7 million of FHWA and other state and federal funding that will not be realized for reimbursable projects that are under budget offset by projected increases of \$0.3 million in state construction and state match funding for projects, \$1.2 million in federal reimbursement for 2005 winter storm damage and \$2.9 million of Prop 42. Charges for current services are projected to be under-realized by \$3.6 million due to a decrease in work for others. Miscellaneous revenue is projected to be under-realized by \$4.0 million due to a \$4.3 million abatement of expenditures for a reimbursement from utility companies offset by a \$0.3 million increase due to sale of properties. A projected \$0.6 million in TransNet funding will not be realized due to projects that are complete and under budget. Interest on Deposits and Investments is projected to be under-realized by \$0.6 million due to a decrease in the interest earnings rate.

Inactive Waste

A net positive variance of \$0.2 million is projected for Inactive Waste.

A positive expenditure variance of \$3.4 million is projected in services and supplies due to \$3.1 million in delays and a re-evaluation of needs for Groundwater, Stormwater, and Gas contract projects, including Capital Improvement Projects. An additional \$0.3 million for a recycling grant is to be rebudgeted in Fiscal Year 2009-10.

A negative variance of \$3.2 million in revenues is projected. This includes \$1.3 million in decreased contributions from the Environmental Trust Fund and \$1.7 million less in grant revenue, both due to the reduced and delayed expenditures noted above. Also, a \$0.2 million shortfall is projected in revenue from use of money and property due to vacant properties and a delay in lease agreements as well as reduced microturbine revenue at San Marcos.

Enterprise Funds

Airports

A net positive variance of \$0.3 million is projected for the Airport Enterprise Fund.

A positive expenditure variance of \$8.5 million includes \$0.1 million of projected savings in salaries and benefits due to turnover and vacancies, \$0.9 million savings in services and supplies due to changing the cost center for consultant services so they are now charged to the appropriate capital projects and \$7.5 million savings in Capital Assets due to completed projects, as well as reduced costs for other projects that are progressing at a slower than anticipated rate.

A projected negative revenue variance of \$8.2 million is due to the over-budgeting of \$12.7 million in Federal Aviation Administration and \$0.2 million in State Aviation revenues for projects that were carried forward from the prior year, offset by a projected increase of \$4.7 million from equity lease payments. The change in the equity lease payment is the result of a technical adjustment by the Auditor & Controller's office that now recognizes the total value of the equity lease when the receivable is booked.

Liquid Waste

A net positive variance of \$0.2 million is projected in the Wastewater Management Enterprise Fund.

A net positive expenditure variance of \$0.7 million includes \$0.3 million savings in salaries and benefits due to unfilled vacancies and \$0.4 million savings in services and supplies due to reduced costs for major maintenance on facilities.

A negative variance of \$0.5 million in revenue is projected due to less work in general fund and special district projects.

Special Districts

Air Pollution Control District

A net positive variance of \$1.4 million is projected by year-end for the Air Pollution Control District (APCD). A net positive variance of \$1.1 million is projected in Operations funds and a \$0.3 million positive variance is projected in the eight incentive program funds.

A positive expenditure variance of \$7.1 million includes savings of \$1.4 million in Operations and \$5.7 million in the incentive programs. The savings in Operations consists of \$0.9 million in salaries and benefits due to vacancies, \$0.1 million in services and supplies and \$0.4 million in capital assets due to cost reductions for information technology assets and cost containment efforts in the purchase of transportation and laboratory equipment. The positive variance in the incentive programs is due to savings of \$6.2 million for the suspended State funded programs offset by a \$0.5 million increase in expenditures to redirect match funds for a new local program.

A net negative revenue variance of \$5.7 million includes under-realized revenue of \$6.2 million in the incentive programs for the suspended State funded programs mentioned above and a \$0.3 million decrease in projected Operations revenues offset by a \$0.5 million increase in revenue for the new local program and \$0.3 million in over-realized interest earnings.

Public Works

Sanitation Districts

A net positive variance of \$3.6 million is projected in the Sanitation Districts.

A positive expenditure variance of \$3.6 million is projected that includes \$1.9 million savings in services and supplies due to an adjustment in current year water transportation costs based on an audit of the Metropolitan Sewage transportation System and savings of \$1.7 million in capital assets for the Alpine Flynn Springs Interceptor Study (\$1.5 million) and Spring Valley Trunk D (\$0.2 million) projects that will be rebudgeted in Fiscal Year 2009-10.

COMMUNITY SERVICES GROUP

General Fund

Animal Services

A net positive variance of \$0.5 million is projected for year-end.

A positive expenditure variance of \$0.6 million includes \$0.5 million savings in salaries and benefits due to vacancies and \$0.1 million savings in various services and supplies accounts. A negative revenue variance of \$0.1 million is projected due to a decrease in license revenue.

Community Services Group Executive Office

A net positive variance of \$3.6 million is projected for the Community Services Group Executive Office.

A positive expenditure variance of \$3.6 million includes a projected year-end balance of \$3.3 million in management reserves, which are held in the Group Executive Office for departments' operating contingencies during the year and \$0.3 million savings in various services and supplies accounts.

Housing and Community Development Department

A net positive variance of \$0.5 million is projected by year-end.

A positive expenditure variance of \$1.0 million includes projected savings of \$0.5 million in salaries and benefits and \$0.6 million in services and supplies offset by \$0.1 million negative variance in cost reimbursement from other agencies. The savings in salaries and benefits is due to vacancies from employee turnover and positions held vacant to offset projected under-realized revenue in Community Development projects grant revenue. The projected savings in services and supplies includes \$0.5 million in one-time cost allocated for the Neighborhood Stabilization project for program administration

that was awarded in April 2008, but will be utilized in Fiscal Year 2009-10 and \$0.1 million savings due to the department's effort to manage costs, such as the use of hybrid cars and lower utility costs due to a low-maintenance landscape. The negative variance of \$0.1 million in cost reimbursement from other agencies is due to fewer Mental Health Services Agency program referrals from HHSA.

A negative revenue variance of \$0.5 million is projected. This consists of projected over-realized revenue of \$0.5 million from the Housing Assistance program due to an increase in average housing assistance payments and the number of assisted families, under-realized revenue of \$0.5 million related to the one-time direct cost allocated for Neighborhood Stabilization project for program administration, under-realized revenue of \$0.4 million in grant revenue due to a downturn in Community Development Block Grant projects and under-realized revenue of \$0.1 million in the Emergency Shelter Grant program due to limited program administrative cost reimbursements.

Registrar of Voters

A net positive variance of \$1.1 million is projected for the Registrar of Voters.

A net positive variance of \$2.2 million in expenditures is projected. Net savings of \$1.1 million is projected in salaries and benefits due to vacant positions, savings in temporary election worker wages and savings in overtime. A positive variance of \$0.8 million is projected in services and supplies due to savings in annual software licenses and IT work order costs due to a prior year credit. In addition, a positive variance of \$0.3 million is projected for fixed assets that will not be purchased this fiscal year.

A net negative variance of \$1.1 million in revenue is projected. An anticipated \$1.2 million budgeted for Senate Bill (SB) 90 revenues will not be realized this fiscal year due to a reduction in state funding. An additional \$1.1 million budgeted for SB90 revenues for Absentee Voters for the February 2008 Special Presidential Primary, which was approved for full cost reimbursement in the Fiscal Year 2008-09 State budget and was funded by the General Fund in the meantime, will not be realized. In November 2008, a claim was filed with the State to recover the \$8.5 million total cost of this election. The funds were received in January 2009 and the General Fund was repaid. These shortfalls are offset in part by over-realized revenues of \$0.3 million in charges for current services for the August 26, 2008 Tri-City Healthcare District Special Election, \$0.3 million projected to be over-realized in charges for current services for the May 5, 2009 City of Chula Vista Special Mail Ballot Election, \$0.3 million reimbursement for precinct ballot costs for the June 2008 Statewide Primary Election and \$0.3 million reimbursement for precinct ballot costs for the November 2008 Presidential General Election.

Special Revenue Funds

San Diego County Library

A net positive variance of \$7.8 million is projected for the Library.

A positive expenditure variance of \$7.8 million is projected. This includes a positive variance of \$0.3 million in salaries and benefits due to normal employee turnover and a positive variance of \$5.1 million in services and supplies that consists of \$3.9 million due to delays in automation projects, \$1.0 million due to decreased IT costs as a result of design improvements in the Radio Frequency Identification and self-check automation (RFID) project and savings of \$0.2 million due to delayed maintenance projects. In addition, there is a positive variance of \$0.4 million in fixed assets for furniture and fixtures to accommodate new technology in library branches, also due to the delay in RFID project and a projected year-end balance of \$2.0 million in unspent management reserves, which are held as a contingency for library operations.

No net variance is projected for revenues. However, there is variance within revenues due to a decrease in State and City funding of \$0.3 million and a shortfall in Charges for Current Services of \$0.8 million due to decreased fines and fees and payments from the City of Poway. These are offset by projected over-realized revenues in property taxes of \$1.1 million.

Housing and Community Development Special Revenue Fund

There is no overall variance projected.

The net positive expenditure variance of \$26.4 million in the Multi-Year Projects Fund is offset by projected under-realized revenue of \$26.4 million related directly to the cost variance. Community Development projects eligible to receive funding sources are budgeted to facilitate the multi-year project cost expenditure request process. Revenues are projected to equal expenses as project costs budgeted are 100% revenue offset.

Internal Service Funds

Facilities Management

A net negative variance of \$0.3 million is projected for the Facilities Management ISF, due to the negative variance in the Major Maintenance ISF.

A positive expenditure variance of \$12.5 million is offset by a negative revenue variance of \$12.8 million. Facilities Management consists of two funds, the Major Maintenance ISF and the Facilities Management ISF.

The Major Maintenance ISF projects a positive expenditure variance of \$11.8 million offset by a negative revenue variance of \$12.1 million for a net negative variance of \$0.3 million. The positive expenditure variance of \$11.8 million includes savings of \$9.1 million in services and supplies due to delays in projects and savings of \$2.7 million in operating transfers out, used to pay the Facilities Management ISF for project management services (of which \$2.5 million was carried forward from prior year and also included in the Adopted Budget).

The negative revenue variance of \$12.1 million includes \$12.7 million in projected under-realized revenues in charges for services due to delays in projects and shifts in the budgeted funding for projects. This is offset by a favorable variance in two unbudgeted outside sources of revenue for maintenance projects, \$0.4 million in loan proceeds from the California Energy Commission and \$0.2 million in other miscellaneous revenues. It is anticipated that an additional \$0.3 million in unanticipated revenue from the California Energy Commission, for energy projects currently underway, will be received in Fiscal Year 2009-10 and will mitigate the overall net variance that is projected in the fund.

The Facilities Management ISF projects no overall net variance. This includes a positive variance of \$0.8 million offset by a negative revenue variance of \$0.8 million.

The expenditure variance includes savings of \$0.8 million in salaries and benefits associated with new positions/staff vacancies and \$0.1 million savings associated with equipment purchases and depreciation bookings, offset by a projected over-expenditure in services and supplies of \$0.1 million. The over-expenditure in services and supplies consists of \$1.2 million of savings for lower than anticipated utilities costs offset by \$0.9 million in excess costs for contracts due to increased costs associated with renewals, change orders and re-bids and \$0.2 million for costs associated with increased/unbudgeted costs in support of the court transition project.

The negative revenue variance of \$0.8 million consists of a \$1.2 million projected shortfall due to the less than anticipated utilities cost reimbursements and a \$0.2 million shortfall related to the operating transfer from Major Maintenance for project management services offset by a favorable variance of \$0.6 million in over-realized miscellaneous revenues for real estate services deposits, SDG&E Partnership and Prop 40 revenues.

Fleet Management

A net positive variance of \$7.1 million is projected for the Fleet Management ISF. This consists of a positive expenditure variance of \$1.8 million and a positive revenue variance of \$5.3 million.

The positive expenditure variance of \$1.8 million is the result of savings of \$0.2 million in salaries and benefits due to staff vacancies, \$1.9 million in services and supplies due to projected reduced vehicle fuel costs offset by projected over-expenditures of \$0.2 million for excess depreciation costs and \$0.2 million associated with vehicle acquisition costs.

The positive revenue variance of \$5.3 million is due to offsetting projections in several categories. \$6.4 million will be over-realized in Capital Contributions due the recording of \$6.1 million for fire trucks and miscellaneous vehicles that were originally purchased by the Department of Planning and Land Use and subsequent transfer to the Fleet ISF and \$0.3 million for the reimbursement of costs for the relocation of COC Fleet vehicles due to the construction of the Medical Examiner and Forensics Center. Charges for services are projected to be \$0.2 million over budget due to variances from anticipated vehicle fuel and maintenance/repair requirements by clients. These are offset by \$0.3 million in under-realized interest earnings due to a less than anticipated return on investments and \$1.3 million in under-realized other financing sources due to less than anticipated proceeds from the sale of fixed assets/vehicles at auction.

Purchasing and Contracting

A net negative variance of \$0.4 million is projected for the Purchasing and Contracting ISF.

A positive expenditure variance of \$0.3 million is projected due to \$0.4 million salaries and benefits savings from vacancies offset by \$0.1 million over-expenditure in various services and supplies accounts.

A negative revenue variance of \$0.7 million is a result of reduced billable contracting hours due to staff turnover and vacancies.

There is sufficient fund balance within the Purchasing ISF to offset the negative variance that is projected.

Redevelopment Agency

A favorable variance of \$3.8 million is projected for the Upper San Diego River Improvement Project Area, due to \$3.6 million in delayed payments to the Lakeside Fire Protection District for assistance in the design and construction of a new fire station and \$0.2 million in services and supplies. The project will be re-budgeted in Fiscal Year 2009-10.

FINANCE AND GENERAL GOVERNMENT GROUP

General Fund

Assessor/Recorder/ County Clerk

An overall net negative variance of \$0.7 million is projected for the Assessor/Recorder/ County Clerk (ARCC).

A net positive expenditure variance of \$1.6 million is projected. A positive variance of \$2.7 million is projected in salaries and benefits due to vacant positions remaining unfilled to mitigate revenue shortfalls described below. These savings are offset by a projected negative variance of \$1.3 million in services and supplies primarily due to unanticipated costs of \$0.5 million associated with a one-time information technology initiative underway to reduce data storage costs, in addition to unanticipated costs of \$0.5 million to remediate legacy property tax applications due to the delays in implementation a new Integrated Property Tax System and projected cost overruns of \$0.3 million in various other categories of services and supplies. A positive year-end balance of \$0.2 million in management reserves is projected.

A net negative revenue variance of \$2.3 million is projected. Projected revenue shortfalls of \$6.3 million in recording documents and related revenues and \$4.0 million in AB 2890 Recovered Cost revenues are due to the current downturn in economic conditions, specifically the slowdown in housing sales and refinancing activities. The revenue shortfalls are offset by \$6.3 million in available one-time AB 589 grant revenues and an anticipated increase of \$1.9 million in Property Tax System Administration revenues to reflect full cost recovery for billings to cities. Over-realized revenues of \$0.2 million are projected in various other revenue categories.

There is sufficient Finance and General Government Group fund balance available to offset the overall net negative variance of \$0.7 million that is projected for the ARCC.

Auditor and Controller

An overall net positive variance of \$2.8 million is projected for the Auditor and Controller.

A net positive expenditure variance of \$2.8 million is projected. The variance is due to \$0.7 million in anticipated savings in salaries and benefits due to unfilled vacancies and \$0.6 million savings in services and supplies due to savings associated with the use of contra-accounts to record pass thru tax intercept expenditures in Revenue and Recovery. A positive year-end balance of \$1.5 million is projected in Management Reserves for planned information technology projects which will not be completed this year.

No variance is projected for revenue. An anticipated favorable variance of \$0.6 million in A-87 Cost Reimbursement – Superior Court is offset by a projected revenue shortfall of \$0.6 million due to a reduction of \$0.3 million in Charges in Road Fund as a result of changes to the A-87 Cost plan and a shortfall of \$0.3 million for miscellaneous revenue associated with the use of contra-accounts to record pass thru tax intercept expenditures in Revenue and Recovery, noted above.

Clerk of the Board

An overall net positive variance of \$0.5 million is projected for the Clerk of the Board's Office.

A net positive expenditure variance of \$0.5 million is primarily due to projected savings of \$0.3 million in services and supplies due to lower than anticipated contract and utility costs and a projected year-end balance of \$0.2 million in management reserves.

County Counsel

A net positive variance of \$2.1 million is projected for the Office of County Counsel.

A net positive expenditure variance of \$1.2 million is projected. Projected savings of \$0.5 million in salaries and benefits are due to the unanticipated departures of senior staff and savings associated with holding positions vacant to prepare for future staffing reductions. Projected savings of \$0.3 million in services and supplies are due to the increased use of on-line legal research materials resulting in cost savings and savings in IT related expenses. A projected year-end balance of \$0.3 million in management reserves is due to the delay in IT related projects in anticipation of countywide upgrades and policy decisions on various IT applications.

A net positive revenue variance of \$0.9 million is projected primarily due to increased workloads in road liability and flood control matters, developer deposits and in recovered attorney fees from settlements achieved in code enforcement cases.

County Technology Office

An overall net positive variance of \$0.3 million is projected for the County Technology Office.

A net positive expenditure variance of \$0.5 million includes \$0.1 million in greater than anticipated salary and benefit costs, \$0.3 million savings in services and supplies associated with one-time costs with the Integrated Property Tax System and \$0.1 million savings in various other expenditure categories. Also, a year-end balance of \$0.2 million is projected in management reserves.

A negative revenue variance of \$0.2 million is projected due to a decrease in charges to the Courts related to the new IT MOU that was signed between the County and the Courts.

Finance & General Government Group Executive Office

An overall positive variance of \$57.3 million is projected in the Finance and General Government Group Executive Office due to schedule changes associated with the planning and implementation of major one-time enterprise information technology initiatives. Funding to continue planning and implementation of these information technology projects is included in the Fiscal Year 2009-2011 Proposed Operational Plan.

A positive expenditure variance of \$36.3 million is projected due to anticipated savings associated with delays in one-time information technology initiatives including the Integrated Property Tax System and the upgrade of Oracle Financials as well as a reduction in scope of the Board Letter business process engineering initiative, and management reserves that will be unspent at year-end.

A positive revenue variance of \$21.0 million is projected due to the receipt of funds associated with the contract dispute settlement resulting from the Integrated Property Tax System.

Human Resources

A net positive variance of \$1.4 million is projected for the Department of Human Resources.

A net positive expenditure variance of \$1.5 million is projected. Projected savings in salaries and benefits of \$0.3 million are due to normal staff attrition and lower than anticipated Quality First payments. Projected savings in services and supplies of \$1.1 million are due to positive claims experience associated with the County property and helicopter insurance policies resulting in reduced premiums for FY 08-09, credits to benefit insurance broker fees from commissions paid directly by the various health insurance vendors and information technology savings. Also a year-end balance of \$0.1 million is projected in management reserves.

A net negative revenue variance of \$0.1 million is projected due to a projected shortfall in reimbursement of Workers Compensation costs attributable to the expenditure savings described above.

Treasurer-Tax Collector

A net positive variance of \$0.4 million is projected for the Treasurer-Tax Collector.

A positive expenditure variance of \$0.2 million is projected due to savings in salaries and benefits as a result of normal staff attrition.

A net positive revenue variance of \$0.2 million is projected. This variance is attributable to \$0.5 million in over-realized property tax system administrative revenues due to an increase in costs recovered from cities, \$0.4 million in projected over-realized Banking Services revenue to offset information technology costs and \$0.3 million in projected over-realized penalties and cost delinquency revenues and other tax collection fees. This is offset by a projected shortfall of \$1.0 million in AB2890 Recovered Costs as a result of declining home sales.

Special Revenue Fund

Media and Public Relations

An overall net favorable variance of \$2.2 million is projected for the Department of Media and Public Relations.

A net positive expenditure variance of \$0.4 million is projected due to anticipated savings of \$0.2 million in professional and specialized services, minor equipment, and other various accounts and a projected year-end balance of \$0.2 million in management reserves.

A net positive revenue variance of \$1.8 million is projected due to an anticipated increase in revenue for Cable Television (CATV) license fees. This increase is due to State legislative changes that amended the amount of the state franchise fees that video service providers are required to pay.

GENERAL PURPOSE REVENUES & COUNTYWIDE EXPENSES

General Purpose Revenues & General County Expenses

A net positive variance of \$83.7 million is projected for these two categories combined, comprised of an estimated shortfall of \$22.5 million in General Purpose Revenues and a \$106.2 million net positive variance in General County activities.

General Purpose Revenues

The San Diego economy continues to experience the impact of broad statewide, national and global negative trends in the financial markets, housing and construction, consumer and business to business sales, consumer confidence, and interest rates changes. The County's general purpose revenues, particularly those related to property transactions, are impacted by these conditions. Economic growth has slowed considerably as evidenced by the indicators below:

- San Diego's monthly average unemployment rate for the 12 month period between April 2008 and March 2009 was 7.0%, with a March 2009 rate of 9.0%. This compares to a State of California average unemployment rate of 8.4% for the same 12 month period, with a March 2009 rate of 11.5%. The last six months of 2008 saw the unemployment rate increase by approximately 2.9% in San Diego and 3.6% for the State of California.
- Unadjusted local sales tax transactions improved by 1.7% for October through December 2008 in the unincorporated area compared to the same time period in 2007. Retail sales at the statewide, southern California and San Diego regional level have all experienced declines in the third and fourth quarter of 2008 attributed to the ongoing economic volatility and housing market declines. The consensus of economists is that retail sales will remain sluggish during 2009 with some recovery in 2010.
- The demand for housing in the County has slowed. This is evidenced by the following circumstances:
 1. Slowing in deeds recorded (down 10.2% for January through March 2009 compared to the same time period for 2008);
 2. Declining median housing prices (down 27.8% in the San Diego region for March 2009 compared to March 2008);
 3. Improvement in number of homes sold for January through March 2009 compared to January through March 2008 (San Diego region up 35.0%);
 4. Continued increase in the notices of default (up 12.5% for January through March 2009 compared to the same time period for 2003);
 5. A marginal improvement in foreclosure activity (the foreclosure rate has improved by 7.9% for January through March 2009 compared to the same time period for 2008). This improvement is in part attributed to the signing of SB1137 designed to reform the foreclosure process in the State of California.

Consequently, property tax growth has slowed dramatically, but the Federal Reserve's recent interest rate reductions, the county's diverse economic base, and the area's population growth are seen as positive influences that will help stabilize this important revenue source.

All Current Property Taxes

All Current Property taxes are estimated to show a net negative variance to budget of \$28.8 million.

- *Property Taxes - Current Secured*

Current Secured Property Taxes are projected to be \$15.3 million lower than budget. This shortfall is based primarily on actual assessed value (A.V) growth of 4.46% compared to the projected A.V growth of 6.0% that was used to calculate the budgeted current secured property taxes. (Note: The 4.46% growth figure above represents only the net current secured property tax growth, which is different than the countywide overall growth published by the Assessor/Recorder/County Clerk on June 30, 2008 of 4.59%, which includes all assessed value components (secured, unsecured, airplanes, and boats)). Other factors that influence the total amount of these revenues include delinquency rates and the final determination of the unincorporated area's share of property taxes.

- *Property Taxes - Current Supplemental*

Current Supplemental Property Taxes are projected to be \$14.1 million lower than budget. This projection is based on revised A.V. growth, current collections through apportionment 9, and cautious estimates related to new construction and anticipated low turnover rates through Fiscal Year 2008-09.

- *Property Taxes - Current Unsecured*

Current Unsecured Property Taxes are projected to be \$0.6 million above budget. At the time the budget was prepared, current unsecured property tax revenues were based on the assumption that there would be no growth in the current unsecured roll. Unlike the secured roll, the unsecured roll does not build on a prior year base. The final roll was actually 4.06% higher than the roll for Fiscal Year 2007-08. This projection also incorporates anticipated refunds and tax roll corrections.

Taxes Other Than Current Secured

Taxes Other Than Current Secured are anticipated to be \$10.1 million above budget.

- *Property Taxes Prior Secured Supplemental*

Property Taxes Prior Secured Supplemental is estimated to be \$0.3 million above budget. This projection is based on the projected rate of collections of supplemental property taxes related to prior year activity that is due and payable in Fiscal Year 2008-09 along with corrections in Fiscal Year 2008-09 involving prior year activity.

- *Property Taxes – Prior Unsecured*

Prior Unsecured Property Taxes are projected to be \$0.4 million above budget. This account tracks the receipt of payments related to unsecured tax bills that were due, but not paid in the previous fiscal year.

- *Sales and Use Tax*
A negative revenue variance of \$0.4 million is projected for Sales and Use Tax revenue based on advances through April 2009 and anticipated lower than budgeted actuals for the remainder of Fiscal Year 2008-09.
- *Transient Occupancy Tax*
A positive revenue variance of \$0.1 million is estimated for Transient Occupancy Tax revenue based on year-to-date collections and trends over the past two years.
- *Real Property Transfer Taxes*
A negative revenue variance of \$5.8 million is estimated for Real Property Transfer Taxes based on realized revenues for the first 9 months of Fiscal Year 2008-09. This projection also factors in the projected assessed value growth including the anticipated level of new construction and turnover, and the cumulative impact this has on estimated revenue. This slowing is due to the overall slowing in real estate and slowing in the credit markets and the impact this is having on real property transfers.
- *Redevelopment Agency Tax Increment*
A positive revenue variance of \$4.0 million is estimated for Redevelopment Agency Tax Increment based on an examination of the various redevelopment agreements, year-to-date collections and higher pass through revenues than anticipated.
- *Teeter Tax Reserve Excess*
The Teeter Tax Reserve Excess is estimated to be approximately \$9.2 million above budget, based on current available data on penalty and interest collections on the outstanding receivable and projections through the end of the fiscal year. This estimate is based on a review of total reserves available to meet the Revenue and Taxation Code requirement of maintaining a reserve of not less than 25% of the total teetered delinquent secured taxes and assessments (R&C section 4703.2). For Fiscal Year 2008-09, the reserve requirement is \$32.0 million, an \$8.3 million increase from the Fiscal Year 2007-08 requirement of \$23.7 million.
- *Other Tax Aircraft Unsecured*
A positive revenue variance of \$1.1 million is estimated for Other Tax Aircraft Unsecured based on current activity through apportionment 9 for Fiscal Year

2008-09 and projected adjustments and corrections through the end of the year.

- *In Lieu Local Sales and Use Taxes*

A negative revenue variance of \$0.6 million is estimated for In Lieu Local Sales and Use Taxes based on a lower growth rate calculated by the California Department of Finance (DOF) as identified by their August 29, 2008 letter to the County of San Diego (supported by the slowing in sales and use tax revenues), combined with a negative true-up for Fiscal Year 2007-08.

- *Property Tax in Lieu of VLF*

Property Tax in Lieu of Vehicle License Fees (VLF) is projected to be \$4.0 million under the budgeted amount of \$320.95 million. The actual assessed value growth factor of 4.47% (which includes unsecured, local secured, current State non-unitary, and aircraft property tax components) for Fiscal Year 2008-09 is 1.33% lower than the growth rate used to calculate the budgeted revenue.

- *Teeter Property Tax Prior Year*

A positive revenue variance of \$5.8 million is projected based on higher-than-anticipated taxes receivable from prior fiscal years. Taxes paid after the fiscal year in which they are due are subject to both penalty and interest charges.

Licenses, Permits, and Franchises

Franchise payments are approximately at budget. The 2009 payment from San Diego Gas and Electric was received the end of March 2009 for \$5.4 million, coming in slightly better than budget.

Fines, Forfeitures and Penalties

A net positive variance of \$0.2 million is projected. Penalties and Cost Delinquency Taxes are projected to be approximately \$0.2 million above budget. Staff will be monitoring the installment data closely and will be tracking collections through the end of the fiscal year. Revenues in this account reflect the 10% penalty that is assessed on late current year property tax payments.

Revenue from Use of Money and Property

A net negative variance of \$6.3 million is projected for interest on deposits. This negative variance is due primarily to lower overall interest rates than projected in the budget. With the recent actions by the Federal Reserve to lower the federal funds rate to between 0.0% and 0.25%, interest earnings from the use of money and property have slowed in the third quarter and they are expected to slow further in the fourth quarter of this fiscal year.

Intergovernmental Revenues

A net positive variance of \$0.6 million is projected for intergovernmental revenues.

This positive variance is due to \$0.8 million in additional funding for the Payments in Lieu of Taxes (PILT) program both for a supplemental payment for federal fiscal year 2008 and based on the projection that full appropriations in 2009 will be received in Fiscal Year 2008-09. This funding is from the U.S. Department of the Interior and is to help offset the losses in property taxes due to non taxable Federal lands within the County's boundary.

A negative variance of \$0.2 million from the Homeowners Property Tax Exemptions reimbursement is based on anticipated revenues coming in somewhat lower than budget.

Miscellaneous Revenues

A net positive revenue variance of \$1.7 million is projected. The County transfers the fund balance from the annual flex plan forfeitures fund to the County General Fund at the end of the following fiscal year. This positive variance is due to a larger than anticipated balance in the Flex Transition period of October through December 2007, as well as unbudgeted revenue from the 2008 flex plan that will be available to be allocated to the General Fund in Fiscal Year 2008-09.

General County Expenses

Cash Borrowing Program

A positive expenditure variance of \$9.7 million is projected. The savings is due to reduced TRANS borrowing costs in Fiscal Year 2008-09. At the time the budget was prepared, the size of the TRANS borrowing had not been finalized. The reduced borrowing amount has led to projected expenditure savings for Fiscal Year 2008-09.

Contingency Reserve

The entire \$20.3 million budgeted in the Contingency Reserve in Fiscal Year 2008-09 is expected to be unspent at year-end.

Lease Purchase Payments - ERP

A savings of \$0.2 million in the Enterprise Resource Planning (ERP) lease purchase payment is projected. \$6.7 million was budgeted for the ERP system lease-purchase payment, but only \$6.5 million was required this year, net of various credits.

Countywide Exp. – General Misc. Exp. – Economic Uncertainty

Appropriations of \$65.2 million set aside for economic uncertainty are expected to be unspent at year-end. In addition, a positive revenue variance of \$8.7 million is the result of the non-budgeted reimbursement of \$8.5 million from the State of California for the

February 2008 Special Presidential Primary Election costs in the Registrar of Voters Office. General County fund balance was used to front the cost of the election in anticipation of the eventual reimbursement from the State. An additional \$0.2 million in revenue was related to the escheatment of money in County Trust Funds and from unanticipated court settlements.

Countywide Shared Major Maintenance

A savings of \$2.0 million is projected due to unexpended shared major maintenance appropriations in Fiscal Year 2008-09.

Internal Service Funds

Employee Benefits ISF - Workers Compensation & Unemployment Insurance

A net positive variance of \$4.0 million is projected for Workers Compensation and Unemployment insurance.

A positive appropriation variance of \$4.9 million is a combination of the following factors. The net appropriation variance consists of \$4.0 million in contingency reserve appropriations that are not anticipated to be spent in Fiscal Year 2008-09 and this is anticipated to improve the fund's year-end cash balance, which will help ensure that the ISF is sufficiently reserved to meet the actuarially determined liability levels. As of June 30, 2008, the estimated liability was \$86.8 million and the cash balance was \$82.9 million. An additional \$1.6 million in appropriation savings is due to Workers' Compensation claims costs coming in lower than budgeted. A net negative variance of \$0.7 million in Unemployment Insurance claim costs is projected due to presidential elections staffing and economic downturn factors including an increased length of benefit periods. The negative appropriation variance will be mitigated by a transfer of appropriations from Workers Compensation to Unemployment Insurance.

A negative revenue variance of \$0.9 million is anticipated due to lower overall interest rates than projected in the budget.

Public Liability ISF

An overall net positive variance of \$0.5 million is projected for the Public Liability ISF.

A net positive expenditure variance of \$0.8 million is attributable to \$1.2 million of anticipated savings in other charges due to less than anticipated costs associated with judgments and settlements and a negative variance of \$0.4 million in services and supplies as a result of unanticipated expenses for the use of outside counsel to assist the County in defending various disputes involving a countywide IT contract, a construction defect case and an extensive flood control matter.

A negative revenue variance of \$0.3 million is anticipated due to lower overall interest rates than projected in the budget.

Debt Service Funds

Pension Obligation Bonds (POBs)

A net positive variance of \$5.5 million is projected. The positive expenditure variance of \$21.0 million is from interest expense savings resulting from the refunding of the outstanding 2002 Taxable Pension Obligation bonds, Series B Auction Rate Securities and termination of the related swap agreements. A portion of the outstanding Series B bonds (\$485.1 million) were prepaid with a \$44.0 million cash contribution made by the County and the remaining Series B bonds were replaced with \$343.5 million of fixed rate bonds and \$100 million of variable rate demand bonds. The result of the refunding was to reduce the County's exposure to volatile interest rates, mitigate the impact on the County of the collapse of the Auction Rate Securities market, provide future opportunities for early principal payments, as well as to lock in fixed interest payments for a significant portion of the 2008 Taxable Pension Obligation bonds. The refunding of the 2002 Taxable Pension Obligation Bonds Series B2-4 also resulted in the decreased amount of swap related payments due to the swap providers as a result of the early termination of the swap agreements on July 30, 2008. The negative revenue variance includes \$17.0 million due to the cessation of the swap agreements offset by \$1.3 million in over realized revenue from County and non-County departments.

Capital Program

No net variance is anticipated for the Capital Program.

A positive expenditure variance of \$1.2 million is projected. This includes \$0.6 million savings in capital assets / land acquisition in the Capital Outlay Fund and the Justice Facility Construction Fund due to lower than anticipated costs for seven projects that will be completed this fiscal year and \$0.6 million savings in services and supplies in the Edgemoor Development Fund due to savings in professional and specialized contract services.

A negative revenue variance of \$1.2 million is projected based on the cancellation of \$0.6 million for remaining revenues associated with the seven completed projects mentioned above and \$0.6 million in projected rents and concessions due to less than anticipated revenues received from sand mining.

Fiscal Year 2008-09 3rd Quarter Completed Capital Projects							
	Oracle Number	ARMS Project #	Project Name	Account	Budget	Amount Capitalized	Amount Canceled
** Capital Outlay Fund (Fund 26000 Org 73050) **							
1	1000021	KA1562	North County Open Acquisition	54014	\$ 2,888.34	\$ 2,888.00	\$ 0.34
2	1000185	KA1971	San Elijo Acquisition *	54045	\$ 2,450,000.00	\$ 1,946,318.08	\$ 503,681.92
3	1011977		San Dieguito Sports *	54065	\$ 22,500.00	\$ 22,228.19	\$ 271.81
4	1000205	KN1886	Julian Memorial Park Impr	54546	\$ 100,000.00	\$ 87,228.15	\$ 12,771.85
5	1000284	KK4463	HHSa Office Park	54639	\$ 1,307,500.00	\$ 1,284,876.36	\$ 22,623.64
6	1011722		Live Oak Park Pavilion II	54821	\$ 74,000.00	\$ 65,169.15	\$ 8,830.85
TOTAL					\$ 3,956,888.34	\$ 3,408,707.93	\$ 548,180.41
** County Health Complex (Fund 26025 Org 73600) **							
7	1006184	KK4459	Public Health Lab	54638	\$ 4,298,818.19	\$ 4,296,105.97	\$ 2,712.22
TOTAL					\$ 4,298,818.19	\$ 4,296,105.97	\$ 2,712.22
** Justice Facility Construction Fund (Fund 26050 Org 74150) **							
8	1000140	KK9017	Descanso Detention Facility	54565	\$ 1,171,151.04	\$ 1,097,085.65	\$ 74,065.39
TOTAL					\$ 1,171,151.04	\$ 1,097,085.65	\$ 74,065.39
** Library Projects Capital Outlay Fund (Fund 26075 Org 74700) **							
9	1000155	KL7020	Spring Valley Library	54542	\$ 3,445,217.15	\$ 3,443,750.97	\$ 1,466.18
10	1000162	KL9542	Cardiff Library	54448	\$ 2,091,077.00	\$ 2,085,816.93	\$ 5,260.07
TOTAL					\$ 5,536,294.15	\$ 5,529,567.90	\$ 6,726.25
TOTAL FOR CAPITAL PROJECTS					\$ 13,792,000.68	\$ 13,234,381.80	\$ 631,684.27

This attachment represents a listing of 10 capital projects that are anticipated to be completed and capitalized at the end of Fiscal Year 2008-09. See recommendations 67-70 of the Fiscal Year 2008-09 3rd Quarter Status Report.