



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

GREG COX
First District

DIANNE JACOB
Second District

PAM SLATER
Third District

RON ROBERTS
Fourth District

BILL HORN
Fifth District

DATE: May 18, 1999

TO: Board of Supervisors

SUBJECT: REPORT ON THE THIRD QUARTER ESTIMATE OF FY 1998-99 YEAR-END FINANCIAL OPERATIONS (District: All)

SUMMARY:

Overview

Our third quarter report mirrors many of the trends observed in the Second Quarter. In general, Agency/Groups year-end estimates have remained steady or increased. Cost containment efforts have contributed strongly. Also, Intergovernmental and General Purpose revenue estimates have increased considerably due to the robust national and local economy. During the Quarter, your Board judiciously approved recommendations to invest Agency/Group Management Reserves in critical Health and Human Services projects and Information Technology.

Recommendations

CHIEF ADMINISTRATIVE OFFICER

1. File the Report on the Third Quarter Estimate of FY 1998-99 Year-End Financial Operations and the attached 1998-99 analyses. (See Appendix)
2. Repeal Board Policy A-49 (Program Budget) and direct the Chief Administrative Officer and the Chief Financial Officer to return to your Board 30 days after Budget Deliberations with a Policy that reflects the Financial Planning tenets of the General Management System and your Board's needs and direction in light of our first full year's use of these management principles.

Fiscal Impact

No Fiscal Impact.

Subject: REPORT ON THIRD QUARTER ESTIMATE OF FY 1998-99 YEAR-END COUNTY AND GROUP FINANCIAL OPERATIONS (District: All)

BACKGROUND:

A. Repeal of Board Policy A-49

On April 21, 1998, (31) your Board unanimously accepted the General Management System (GMS) as a formal guide for the administration, planning, execution, and evaluation of County business. The GMS presents a comprehensive and focused approach to the financial/operational planning and control processes. Specifically, it stresses multi-year strategic planning, setting long-range goals and delineating the resources necessary to achieve them. Board Policy A-49 differs significantly by centering on a single year financial planning approach. While this type of approach is still commonplace in many governments, management concepts of the GMS are more closely aligned with private enterprise. As a result of your Board's leadership and courage in adopting this profound change in management philosophy a complimentary Board Policy recognizing these differences would be appropriate. In light of the forthcoming inaugural Two-Year Operational Plan that is being presented to your Board today, and the experience we have gained in using the GMS over the last year, a recommendation to repeal Board Policy A-49 and replace it with a Policy that embodies the GMS principles is offered for your consideration.

B. Third Quarter Review

Your Board's leadership, business discipline and allegiance to the General Management System have maintained the County's fiscal stability. The cost savings achieved by Agency/Groups are the consequences of these actions. These savings, along with the increased Intergovernmental Revenues and overall economy, have again raised our expectations concerning the results of FY 98-99 operations. In this regard, we estimate that this year's Operating Balances will equal approximately \$55.6 million. From this balance, the Agency/Groups will contribute an estimated \$40 million. General Purpose Revenues will furnish \$15.6 million. These amounts account for increases of \$15.6 million and \$5.5 million, respectively, over 2nd Quarter projections. Together, Group Reserves, Group Operating Balances, and General Purpose Revenue Operating Balance are estimated to be \$98.9 million at June 30, 1999.

These Agency/Group and General resources will either be expended in future years to support County initiatives and Board priorities or maintained as contingency and/or operational reserves. Proposed Agency/Group plans for their respective Management Reserves and FY 1998-99 Operating Balances are addressed in two related Agenda Items presented to your Board today: "Use of One-Time Group Resources" and Fiscal Years 1999-2000 and 2000-2001 Chief Administrative Officer – Proposed Operational Plan. (Agency/Group-level detail appears in Attachment C.)

Subject: REPORT ON THIRD QUARTER ESTIMATE OF FY 1998-99 YEAR-END COUNTY AND GROUP FINANCIAL OPERATIONS (District: All)

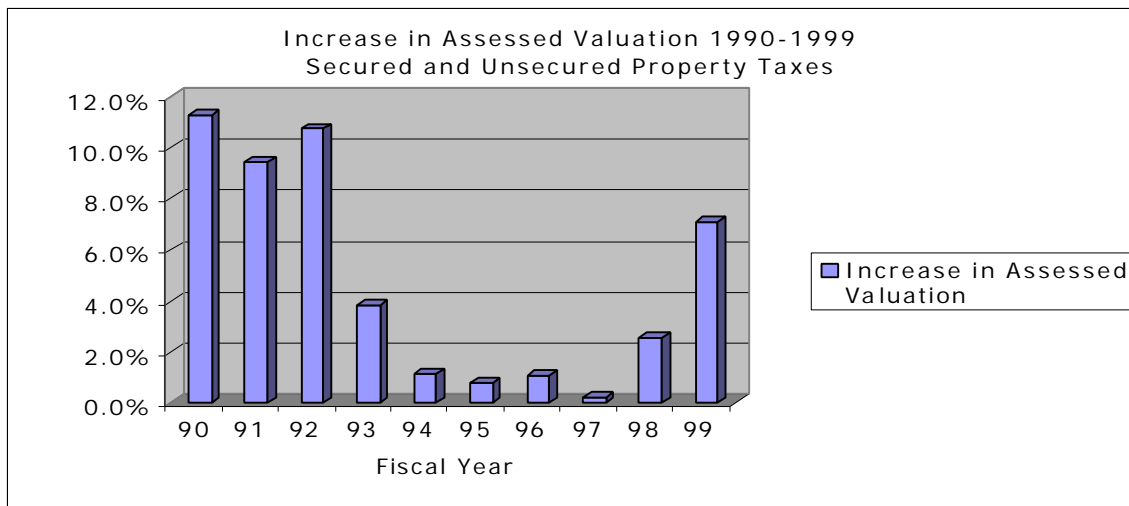
Estimated Results

1. General Purpose Revenues

(Attachments B and B-1 set forth the detail of the expected variance General Purpose Revenues and a detailed discussion of variances.) Most of the overrealized General Purpose Revenues expected for FY 1998-99 are due to the strong real estate market in San Diego County, including:

- New construction of single-family and multi-family residential real estate
- Resale activity for residential and commercial real estate

Current Secured Property Tax Revenues represent the largest component of General Purpose Revenues, 43%, and are expected to total \$223.8 million this fiscal year, an expected increase of \$5.4 million over estimations in the Adopted Budget. This revenue source is based on the valuation assessed. A lag of approximately 18 months exists between the date of the assessed valuation and the receipt of the revenues. The rebound in the real estate market from the recession of the mid-90's has resulted in increased assessed property values throughout San Diego County.



The volume and value of real estate activity also impact other General Purpose Revenues. Two types of revenue that are expected to be significantly overrealized due to this economic phenomena are:

- Real Property Transfer Tax, based on the additional value of property whose ownership is transferred. The expected variance is \$2.6 million or 24% over budget.
- Supplemental Secured Property Tax, based on revaluations of real property when a sale occurs. The expected variance is \$1.7 million or 54% over budget.

Subject: REPORT ON THIRD QUARTER ESTIMATE OF FY 1998-99 YEAR-END COUNTY AND GROUP FINANCIAL OPERATIONS (District: All)

Interest on Deposits is also expected to be higher than budgeted by \$3.3 million or 28%. Still significantly under budget is Civil Assessments, due to changes in the entire structure of Trial Court funding and County support thereof. This funding shift, which has a negative effect on budgeted General Purpose Revenues and a positive effect on budgeted Public Safety Group (Trial Courts) expenditures was noted and explained in the 2nd Quarter Review.

2. Estimated Results for Agency/Group Operations

	At 6/30/99	Change from 2 nd Quarter Projections
Operating Balance	\$40.1 million	\$15.6 million
Management Reserves	\$42.9 million	\$ 2.1 million
Total Agency/Group Resources	\$83.0 million	\$ 17.7 million

The change in Agency/Group resources from second to third quarter is due to ongoing controls in expenditures for Salaries and Benefits and to a substantial increase in Federal-State Aid for Criminal Alien Assistance Program (SCAAP), an intergovernmental program revenue of the Sheriff.

Public Safety Group

	At 6/30/99	Change from 2 nd Quarter Projections
Operating Balance	\$25.9 million	\$13.4 million
Management Reserves	\$26.8 million	(\$0.4)million
Total Agency/Group Resources	\$52.7 million	\$13 million

SCAAP - \$1.1 million was budgeted in 1998-99 and \$8.3 million was received in the 3rd quarter. The source of revenue is determined by the Federal and State governments and is designed to offset the costs associated with criminal illegal aliens.

Salaries and Benefits - Savings in this category of expenditure are projected in several departments. The District Attorney is expecting a positive fund balance of \$2.3 million due to salary savings in Child Support and Public Assistance Fraud Programs. The Sheriff has also projected savings due to vacant positions.

Other Items - Due to use of local facilities instead of out-of-home placements, Probation expects to have a positive Operating Balance of \$8.8 million. As with the 2nd Quarter, Trial Courts will have reduced expenditures due to changes in County support; the expected Operating Balance for the Trial Courts is \$3.8 million.

Subject: REPORT ON THIRD QUARTER ESTIMATE OF FY 1998-99 YEAR-END COUNTY AND GROUP FINANCIAL OPERATIONS (District: All)

Health and Human Services

	At 6/30/99	Change from 2 nd Quarter Projections
Operating Balance	\$1.7 million	\$1.0 million
Management Reserves	\$4.4 million	\$1.1 million
Total Agency/Group Resources	\$6.1 million	\$2.1 million

I am pleased to be able to report another quarter of positive financial performance.

Respectfully submitted,

LAWRENCE B. PRIOR III
Chief Administrative Officer

**BOARD OF SUPERVISORS
AGENDA ITEM INFORMATION SHEET**

SUBJECT: REPORT ON THIRD QUARTER ESTIMATE OF FY 1998-99 YEAR-END COUNTY AND GROUP FINANCIAL OPERATIONS (District: All)

CONCURRENCE(S)

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

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

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

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

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

Other Concurrence(s):

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

PREVIOUS RELEVANT BOARD ACTIONS:

March 16, 1999 (26) Report on the Second Quarter Estimate of FY 98-99 Year-End Financial Operations; November 10, 1998 (2) First Quarter Report on Estimated Results of Operations for Fiscal Year Ending June 30, 1999; July 21, 1998 (25) Adoption of 1998-99 Budget.

BOARD POLICIES APPLICABLE:

ORIGINATING DEPARTMENT:

Chief Financial Officer

CONTACT PERSON:

<u>Chris Gilmore</u>	<u>(s30) 531-5175</u>	<u>(s30) 531-6261</u>	<u>A-5</u>	<u>Cgilmoac</u>
Name	Phone	Fax	Mail Station	E-Mail

<u>William J. Kelly, Chief Financial Officer</u>	<u>May 18, 1999</u>
DEPARTMENT AUTHORIZED REPRESENTATIVE	Meeting Date

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

ATTACHMENT A

(dollars in thousands)

Category	Projected Reserves At 6/30/99	3rd Qtr. Estimated Operating Balance	3rd Qtr Projected Reserves plus Operating Balance at 6/30/99
Public Safety	\$ 26,800	\$ 25,923	\$ 52,723
Health and Human Services	\$ 4,394	\$ 1,730	\$ 6,124
Land Use and Environment	\$ 2,696	\$ 3,003	\$ 5,699
Community Services	\$ 2,542	\$ 2,376	\$ 4,918
Finance & General Government	\$ 6,205	\$ 6,794	\$ 12,999
Competition and Reengineering	\$ 310	\$ 252	\$ 562
Group Totals	\$ 42,947	\$ 40,078	\$ 83,025
General Purpose Revenues	\$ 324	\$ 15,593	\$ 15,917
General Purpose Revenues and Group Totals	\$ 43,271	\$ 55,671	\$ 98,942
Reserves Countywide			\$ 50,000
Reserves Operational			\$ 7,876
Debt Service Reserve			\$ 31,000
Environment Trust Fund Reserve			\$ 104,000
Worker's Compensation			\$ 16,000
Public Liability			\$ 7,500
Totals			\$ 315,318

FY1998-99
COUNTY OF SAN DIEGO - CHIEF FINANCIAL OFFICER/AUDITOR AND CONTROLLER
RE-ESTIMATION OF GENERAL REVENUES AND OTHER ADJUSTMENTS
AS OF THIRD QUARTER

(ROUNDED TO NEAREST \$1,000)

GENERAL REVENUES & OTHER ADJUSTMENTS	ADOPTED BUDGET	YEAR-END 2ND QTR ESTIMATE	YEAR-END 3RD QTR ESTIMATE	VARIANCE
<u>Current Property Taxes</u>				
Secured - Regular-9010	\$218,400,000	\$223,958,495	\$223,797,060	\$5,397,060
Secured - Supplemental-9011	3,250,000	5,000,000	5,000,000	\$1,750,000
Unsecured - Regular-9020	10,500,000	11,160,000	11,100,000	\$600,000
Unsecured - Supplemental-9021	0	25,000	25,000	\$25,000
Redevelopment Agreement-9088	2,450,000	2,526,700	3,100,000	\$650,000
Total Current Property Taxes	234,600,000	242,670,195	243,022,060	8,422,060
<u>Other Local Taxes</u>				
Prior Unsecured - Regular & Supplemental 9040-9041-9031	1,400,000	2,700,000	2,900,000	\$1,500,000
Penalties & Costs of Delinquencies 9050	6,128,789	6,800,000	6,800,000	\$671,211
Penalties & Costs of Delinquencies - Current & Prior 9086	11,000,000	11,000,000	13,000,000	\$2,000,000
Other Tax - Aircraft 9081	800,000	835,000	880,000	\$80,000
Sales and Use Tax 9060	14,040,000	14,040,000	14,200,000	\$160,000
Transient Occupancy Tax 9083	2,550,000	2,550,000	2,550,000	\$0
Real Property Transfer Tax 9084	10,920,073	13,000,000	13,500,000	\$2,579,927
Franchises 9070	2,300,000	2,500,000	2,450,000	\$150,000
Total Other Local Taxes	49,138,862	53,425,000	56,280,000	7,141,138
<u>Revenue From Other Agencies</u>				
Homeowners' Property Tax Redemptions 9490	4,300,000	4,300,000	4,300,000	\$0
State Mandated Reimbursement (SB90) 9518	2,500,000	2,500,000	2,500,000	\$0
Vehicle License Fee (VLF) In Lieu Tax 9260	126,156,442	128,200,000	128,500,000	\$2,343,558
Booking Fees/City of San Diego 9857	5,200,000	5,200,000	5,200,000	\$0
Proposition A Residuals/sales txs 9063	4,700,000	4,700,000	4,700,000	\$0
Other Revenue	0	0	0	\$0
Total Revenue from Other Agencies	142,856,442	144,900,000	145,200,000	2,343,558
<u>Miscellaneous</u>				
Court Fines & Forfeitures	1,700,000	1,700,000	1,700,000	\$0
Civil Assessments 9169	6,026,997	1,503,534	1,503,534	(\$4,523,463)
Interest on Deposits 9190	11,600,000	12,600,000	14,900,000	\$3,300,000
Interfund Transfers	1,841,116	1,841,116	1,500,850	(\$340,266)
Business Certificates 9119	750,000	0	0	(\$750,000)
Other/Open Space/Federal In Lieu ### 9645	400,000	400,000	400,000	\$0
Total Miscellaneous	22,318,113	18,044,650	20,004,384	(2,313,729)
Sub-Total General Revenue	448,913,417	459,039,845	464,506,444	15,593,027
<u>Other Adjustments</u>				
Debt Service	(11,830,000)	(11,830,000)	(11,830,000)	0
Debt Service - Teeter	0	0	0	0
Contributions to Other Agencies	(2,000,000)	(2,000,000)	(2,000,000)	0
Prior Year Encumbrances - Estimated Savings	0	0	0	0
Fund Balance - Appropriated From Prior Year	89,870,409	89,870,409	89,870,409	0
Solid Waste Proceeds/Contingency Reserve	0	0	0	0
Sub-Total Other Adjustments	76,040,409	76,040,409	76,040,409	0
TOTAL	\$524,953,826	\$535,080,254	\$540,546,853	\$15,593,027

FY 1998-99
COUNTY OF SAN DIEGO – CHIEF FINANCIAL OFFICER/AUDITOR AND CONTROLLER
RE-ESTIMATION OF GENERAL REVENUES AND OTHER ADJUSTMENTS
AS OF THIRD QUARTER

DISCUSSION

General Revenues are expected to exceed those estimated in the Adopted Budget by \$15.6 million (see Attachment B). This favorable variance has increased \$5.47 million over the second quarter estimate. Approximately 78% of the \$5.47 million increase was due to increases in penalties and interest earned on deposits. The following discussion provides details of the significant variances.

1. Current Property Taxes: +\$8.4 million variance (favorable). As noted in the previous two Quarters, a boom in the real estate market and the local economy has contributed to this dramatic change.
2. Other Local Taxes: +\$7.2 million variance (favorable). Penalties and Costs of Delinquencies contributed \$2.0 million to this favorable variance in the third quarter. A plausible reason for this increase is the improving real estate markets. Usually during such a period, delinquent taxpayers are more inclined to bring taxes current. Also, the base of assessed valuations has risen.
3. Revenue From Other Assets: +\$2.3 million variance (favorable). Vehicle License Fees are responsible for this variance. This variance is indicative of increases in new car registrations. This factor in turn results from a significantly improved economy.
4. Miscellaneous: -\$2.3 million variance (unfavorable).

Civil Assessments - As reported previously, Civil Assessments have a (\$4.5) unfavorable variance. This was due to an agreement with the Superior Court, the Court will offset the costs of the Civil Assessment Program (Commission Costs and Staff) and Local Judicial Benefit costs of \$3.7 million. This General Revenue reduction is offset with a corresponding expenditure reduction in the Public Safety group budget of "Contribution to Trial Courts." The remaining \$0.8 million will be realized in the Pre-Trial Services budget of the Public Safety Group.

Interest on Deposits - This quarter a \$2.3 million favorable variance in Interest on Deposits, has cut the overall unfavorable variance almost in half. This is due to higher actual yields on deposits and a larger cash flow base brought about by increased balances and reserves.

**County of San Diego-Chief Financial Officer/Auditor & Controller
1998-99 Projected Operating Balance and Reserves - By Group/Agency**

THIRD QUARTER (Rounded to Nearest \$1000)

Department Name	Expenditures	Revenue	Department		Adjusted
	Under (Over) Budget	Over (Under) Budget	Operating Balance Unadjusted	Adjustments	Department Operating Balance
PUBLIC SAFETY GROUP					
ALTERNATE PUBLIC DEFENDER	\$ 190	\$ 12	\$ 202		\$ 202
CLERK	12	-	12	-	12
DEFENSE ATTY CONTRACT CLAIMS	0	0	0		0
DISTRICT ATTORNEY	3,409	(852)	2,557		2,557
GRAND JURY	0	0	0		0
MARSHAL	332	588	920		920
MEDICAL EXAMINER	50	0	50		50
OFFICE OF DISASTER PREPAREDNESS	0	8	8		8
PRETRIAL SERVICES	0	0	0		0
PROBATION	10,143	(1,309)	8,834		8,834
PUBLIC DEFENDER	309	(305)	4		4
PUBLIC SAFETY GROUP	0	(2)	(2)		(2)
SHERIFF	1,802	7,706	9,508		9,508
TRIAL COURTS	4,364	(534)	3,830		3,830
TOTAL EXPENSE (OVER)/UNDER BUDGET	\$20,611				
TOTAL REVENUE OVER/(UNDER) BUDGET		\$5,312			
TOTAL OPERATING BALANCE (UNADJUSTED)			\$25,923		
TOTAL ADJUSTMENTS				\$ -	
ADJUSTED GROUP OPERATING BALANCE BEFORE RESERVES					\$ 25,923
ESTIMATED MANAGEMENT RESERVES	\$ 26,800				\$ 26,800
TOTAL ESTIMATED RESERVES PLUS OPERATING BALANCE					\$ 52,723

HEALTH AND HUMAN SERVICES AGENCY:					
AREA AGENCY ON AGING	\$ (4,267)	\$ 3,339	\$ (928)	\$ -	\$ (928)
HEALTH AND HUMAN SERVICES	5,826	(2,637)	3,189		3,189
HEALTH SERVICES	10,091	(12,804)	(2,713)		(2,713)
PUBLIC ADMINISTRATOR	98	151	249		249
SOCIAL SERVICES	31,450	(29,588)	1,862		1,862
VETERAN SERVICES/CCY&FAMILIES	324	(253)	71		71
TOTAL EXPENSE (OVER)/UNDER BUDGET	\$ 43,522				
TOTAL REVENUE OVER/(UNDER) BUDGET		\$ (41,792)			
TOTAL OPERATING BALANCE (UNADJUSTED)			\$ 1,730		\$ 1,730
TOTAL ADJUSTMENTS				\$ -	\$ -
ADJUSTED GROUP OPERATING BALANCE BEFORE RESERVES					\$ 1,730
ESTIMATED MANAGEMENT RESERVES	\$ 4,394				\$ 4,394
TOTAL ESTIMATED RESERVES PLUS OPERATING BALANCE					\$ 6,124

LAND USE AND ENVIRONMENT GROUP:					
AGRICULTURE, WEIGHTS & MEASURES	\$ 135	\$ 335	\$ 470	\$ -	\$ 470
ENVIRONMENTAL HEALTH	1,703	114	1,817		1,817
FARM ADVISOR	0	0	0		0
LAFCO	0	0	0		0
LAND USE AND ENVIRONMENT OFFICE	0	0	0		0
PARKS & RECREATION	243	166	409		409
PLANNING & LAND USE	854	827	1,681	(1,447)	234
PUBLIC WORKS - GENERAL FUND	16,310	(16,237)	73		73
TOTAL EXPENSE (OVER)/UNDER BUDGET	\$ 19,245				
TOTAL REVENUE OVER/(UNDER) BUDGET		\$ (14,795)			
TOTAL OPERATING BALANCE (UNADJUSTED)			\$ 4,450		
TOTAL ADJUSTMENTS				\$ (1,447)	
ADJUSTED GROUP OPERATING BALANCE BEFORE RESERVES					\$ 3,003
ESTIMATED MANAGEMENT RESERVES	\$ 2,696				\$ 2,696
TOTAL ESTIMATED RESERVES PLUS OPERATING BALANCE					\$ 5,699

Department Name	Expenditures	Revenue	Department		Adjusted
	Under (Over) Budget	Over (Under) Budget	Operating Balance Unadjusted	Adjustments	Department Operating Balance
COMMUNITY SERVICES GROUP					
ANIMAL CONTROL	\$ 339	\$ (84)	\$ 255	\$ -	\$ 255
COMMUNITY SERVICES OFFICE	6	0	6		6
COUNTYWIDE EQUIPMENT ACQUISITION	300	0	300		300
GENERAL SERVICES	2,256	(85)	2,171		2,171
HOUSING / COMMUNITY DEVELOPMENT	682	(682)	-		-
MAJOR MAINTENANCE	20	(51)	(31)		(31)
PUBLIC SERVICES UTILITIES	(38)	(10)	(48)		(48)
REGISTRAR OF VOTERS	42	729	771		771
TOTAL EXPENSE (OVER)/UNDER BUDGET	\$ 3,607				
TOTAL REVENUE OVER/(UNDER) BUDGET		\$ (183)			
TOTAL OPERATING BALANCE (UNADJUSTED)			\$ 3,424		
TOTAL ADJUSTMENTS to above for Department-level reserves				\$ (1,048)	
ADJUSTED GROUP OPERATING BALANCE BEFORE RESERVES					\$ 2,376
ESTIMATED MANAGEMENT RESERVES	\$ 2,542				\$ 2,542
TOTAL ESTIMATED RESERVES PLUS OPERATING BALANCE					\$ 4,918

FINANCE AND GENERAL GOVERNMENT GROUP					
ASSESSOR/RECORDER	\$ 734	\$ 2,166	\$ 2,900	\$ -	\$ 2,900
BOARD OF SUPERVISORS-ALL	73	0	73		73
BOARD OF SUPERVISORS-GENERAL	12	0	12		12
CAC-MAJOR MAINTENANCE	182	0	182		182
CFO/AUDITOR & CONTROLLER	1,059	(132)	926		926
CHIEF ADMINISTRATIVE OFFICER	108	13	122		122
CIVIL SERVICE COMMISSION	43	(1)	42		42
CLERK-BOARD OF SUPERVISORS	287	7	295		295
COMMUNITY ENHANCEMENT	0	0	-		0
CONTRIBUTIONS TO CAPITAL	0	0	-		0
COUNTY COUNSEL	249	250	500		500
ELECTRONIC SYSTEMS & EQUIPMENT	(722)	(67)	(789)	789	0
EQUAL OPPORTUNITY MANAGEMENT OFFICE	0	0	-		-
HUMAN RESOURCES	1,446	(526)	921		921
INFORMATION SERVICES	286	257	543		543
TREASURER/TAX COLLECTOR	462	(184)	278		278
TOTAL EXPENSE (OVER)/UNDER BUDGET	\$ 4,221				
TOTAL REVENUE OVER/(UNDER) BUDGET		\$ 1,785			
TOTAL OPERATING BALANCE (UNADJUSTED)			\$ 6,005		
TOTAL ADJUSTMENTS				\$ 789	
ADJUSTED GROUP OPERATING BALANCE BEFORE RESERVES					\$ 6,794
ESTIMATED MANAGEMENT RESERVES	\$ 6,205				\$ 6,205
TOTAL ESTIMATED RESERVES PLUS OPERATING BALANCE					\$ 12,999

COMPETITION & REENGINEERING GROUP					
COMPETITION & REENGINEERINC	\$ 427	\$ (175)	\$ 252	\$ -	\$ 252
TOTAL EXPENSE (OVER)/UNDER BUDGET	\$ 427				\$ 427
TOTAL REVENUE OVER/(UNDER) BUDGET		\$ (175)			\$ (175)
TOTAL OPERATING BALANCE (UNADJUSTED)			\$ 252		
TOTAL ADJUSTMENTS				\$ -	
ADJUSTED GROUP OPERATING BALANCE BEFORE RESERVES					\$ 252
ESTIMATED MANAGEMENT RESERVES	\$ 310				\$ 310
TOTAL ESTIMATED RESERVES PLUS OPERATING BALANCE					\$ 562

ATTACHMENT C-1

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

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

PUBLIC SAFETY GROUP

District Attorney

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 111,365,000	\$ 82,344,000	\$ 29,021,000
Current Estimate	\$ 107,956,000	\$ 81,492,000	\$ 26,464,000
Variance	\$ 3,409,000	\$ (852,000)	\$ 2,557,000

Expenses are under budget because of salary savings in the Child Support and Public Assistance Fraud programs. Revenues are under budget mainly due to a delay in hiring temporary staff for the Title IV-D Child Support Program.

Marshal

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 22,530,000	\$ 16,583,000	\$ 5,947,000
Current Estimate	\$ 22,198,000	\$ 17,171,000	\$ 5,027,000
Variance	\$ 332,000	\$ 588,000	\$ 920,000

Expenses are under budget because of savings in salaries and services / supplies. Revenues are over budget mainly due to additional funding from the Trial Courts.

Probation

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 101,880,000	\$ 59,939,000	\$ 41,941,000
Current Estimate	\$ 91,737,000	\$ 58,630,000	\$ 33,107,000
Variance	\$ 10,143,000	\$ (1,309,000)	\$ 8,834,000

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

Sheriff

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 246,017,000	\$ 158,825,000	\$ 87,192,000
Current Estimate	\$ 244,215,000	\$ 166,531,000	\$ 77,684,000
Variance	\$ 1,802,000	\$ 7,706,000	\$ 9,508,000

Expenses are under budget primarily because of vacant positions. Revenues are over budget mainly due to higher than anticipated funding from the Federal-State Criminal Alien Assistance Program (SCAAP).

Trial Courts

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 73,283,000	\$ 37,439,000	\$ 35,844,000
Current Estimate	\$ 68,919,000	\$ 36,905,000	\$ 32,014,000
Variance	\$ 4,364,000	\$ (534,000)	\$ 3,830,000

Expenses are under budget because of a recent legislative change in AB 1590, Chapter 406, which in effect, reduced the County's FY 1998-1999 "maintenance of effort" to the State. On the revenue side, this legislation caused a revenue reduction.

HEALTH & HUMAN SERVICES AGENCY

The Health and Human Services Agency is in the first year of a multi year effort to reorganize. Because much of the new organizational detail was unavailable when the County's FY 1998-99 Line Item Budget was assembled, there have been problems with ensuring that all charges are recorded where anticipated. We continue to take action to correct these problems when they are identified.

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

Veterans'/Commission on Youth & Families

Budgeted	\$	3,678,149	\$	(3,234,673)	\$	443,476
Current Estimate	\$	3,354,084	\$	(2,982,058)	\$	372,026
Variance	\$	324,065	\$	252,615	\$	71,450

The variance is due to salary and benefit and services and supplies savings.

Public Administrator/Public Guardian

		Expenditures		Revenues		Operating Balances
Budgeted	\$	2,560,736	\$	(1,077,881)	\$	1,482,855
Current Estimate	\$	2,462,723	\$	(1,229,200)	\$	1,233,523
Variance	\$	98,013	\$	151,319	\$	249,332

The variance is due to salary and benefit savings from vacant positions and over-realized revenue from interest on estate assets.

Area Agency on Aging

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 89,094,225	\$ (87,695,129)	\$ 1,399,096
Current Estimate	\$ 93,361,649	\$ (91,033,719)	\$ 2,327,930
Variance	\$ (4,267,424)	\$ (3,338,590)	\$ (928,834)

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

Social Services

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 576,009,500	\$ (580,436,928)	\$ (4,427,428)
Current Estimate	\$ 544,559,715	\$ (550,848,639)	\$ (6,288,924)
Variance	\$ 31,449,785	\$ (29,588,289)	\$ 1,861,496

The third quarter welfare administrative claim is not yet complete and administrative costs and revenue are based on second quarter data. The variance is primarily due to the continued decline in welfare caseloads. Positions are being held vacant as a result of the caseload decrease and assistance payment expenditures are expected to be less than budgeted.

Health Services

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 311,637,521	\$ (307,335,529)	\$ 4,301,992
Current Estimate	\$ 301,546,774	\$ (294,531,807)	\$ 7,014,967
Variance	\$ 10,090,747	\$ (12,803,722)	\$ (2,712,975)

The variance is due in part to our attempts to resolve financial problems identified in the Edgemoor audit and to higher than budgeted costs for Sheriff's pharmaceuticals (\$0.9 million). Mitigation efforts at Edgemoor have reduced the estimated over run from \$2.3 million in the second quarter report to \$1.8 million in the third quarter. The projected figures also reflect an \$0.8 million shortfall in California Healthcare for Indigents Program (CHIP) revenue.

HHSA Agency

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 56,184,709	\$ (8,674,838)	\$ 47,509,871
Current Estimate	<u>\$ 50,358,502</u>	<u>\$ (6,038,190)</u>	<u>\$ 44,320,312</u>
Variance	<u>\$ 5,826,207</u>	<u>\$ (2,636,648)</u>	<u>\$ 3,189,559</u>

The variance results from efforts to further reduce overhead costs by holding positions vacant and an assumption that savings will be achieved in centrally budgeted and purchased services and supplies. The savings include the \$3.0 million in automation funds, which have been re-budgeted in Fiscal Year 1999-00. The current estimate for expenditures includes \$3.9 million of anticipated management reserves.

LAND USE & ENVIRONMENT GROUP

Land Use and Environment Group – Group Reserves

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 2,696,000	\$ -	\$ 2,696,000
Current Estimate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Variance	<u>\$ 2,696,000</u>	<u>\$ -</u>	<u>\$ 2,696,000</u>

The projected savings in management reserves of the Land Use and Environment Group will be used to help fund Countywide priorities.

Environmental Health

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 19,803,000	\$ 19,828,000	\$ (25,000)
Current Estimate	<u>\$ 18,100,000</u>	<u>\$ 19,942,000</u>	<u>\$ (1,842,000)</u>
Variance	<u>\$ 1,703,000</u>	<u>\$ (114,000)</u>	<u>\$ 1,817,000</u>

The favorable expenditure variance is primarily related to salary savings of \$1.3 million due to holding positions vacant prior to the reengineering effort approved by the Board on 10/27/98. The remaining favorable variance is related to savings in Services and Supplies. The favorable revenue variance is primarily related to an increase in fee revenue due to increased building activity in the County.

Planning and Land Use

Budgeted	\$ 13,754,000	\$ 7,433,000	\$ 6,321,000
Current Estimate	<u>\$ 12,900,000</u>	<u>\$ 8,260,000</u>	<u>\$ 4,640,000</u>
Variance	<u>\$ 854,000</u>	<u>\$ 827,000</u>	<u>\$ 1,681,000</u>
Designation Adjustment	<u>\$ -</u>	<u>\$ (1,447,000)</u>	<u>\$ (1,447,000)</u>
Adjusted Variance	<u>\$ 854,000</u>	<u>\$ (620,000)</u>	<u>\$ 234,000</u>

The favorable expenditure variance is related to unfilled positions during the first half of the year. The department continues to fill these positions in response to increased workload. Increased revenues of \$827,000 are related to increased building activity. The designation adjustment of \$1,447,000 reflects the amount of revenue collected in the Building Division that is restricted to building permit activities. The Board approved

revisions to the building permit fees on 4/20/99 that will result in lower fees and reduced funds going into the reserve designation.

Parks and Recreation

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 9,503,000	\$ 3,514,000	\$ 5,989,000
Current Estimate	<u>\$ 9,260,000</u>	<u>\$ 3,680,000</u>	<u>\$ 5,580,000</u>
Variance	<u>\$ 243,000</u>	<u>\$ 166,000</u>	<u>\$ 409,000</u>

The favorable expenditure variance is made up of salary savings of \$28,000, services and supplies savings of \$43,000, other charges savings of \$38,000 and retirement savings of \$134,000. The revenue increase of \$166,000 is related to increased services to special districts and increased park and camping revenue.

Agriculture, Weights and Measures

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 6,915,000	\$ 5,179,000	\$ 1,736,000
Current Estimate	<u>\$ 6,780,000</u>	<u>\$ 5,514,000</u>	<u>\$ 1,266,000</u>
Variance	<u>\$ 135,000</u>	<u>\$ 335,000</u>	<u>\$ 470,000</u>

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

COMMUNITY SERVICES GROUP

Animal Control

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 7,136,744	\$ 6,058,042	\$ 1,078,702
Current Estimate	<u>\$ 6,798,223</u>	<u>\$ 5,974,163</u>	<u>\$ 824,060</u>
Variance	<u>\$ 338,521</u>	<u>\$ (83,879)</u>	<u>\$ 254,642</u>

The favorable expenditure variance is primarily related to salary savings from vacant positions during the first half of the year and the delay of the Animal Control Officer Training Academy. The unfavorable variance in revenue is principally due to a shortfall of animal license revenues, which is partially offset by increased revenue from contract cities.

Community Services Executive Office

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 2,226,505	\$ -	\$ 2,226,505
Current Estimate	<u>\$ 727,169</u>	<u>\$ 60</u>	<u>\$ 727,109</u>
Variance	<u>\$ 1,499,336</u>	<u>\$ 60</u>	<u>\$ 1,499,396</u>

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

Countywide Equipment Acquisition

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 10,721,125	\$ -	\$ 10,721,125
Current Estimate	<u>\$ 10,421,125</u>	<u>\$ -</u>	<u>\$ 10,421,125</u>
Variance	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>

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

General Services – Operations

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 35,245,942	\$ 12,690,431	\$ 22,555,511
Current Estimate	<u>\$ 32,989,621</u>	<u>\$ 12,605,517</u>	<u>\$ 20,384,104</u>
Variance	<u>\$ 2,256,321</u>	<u>\$ (84,914)</u>	<u>\$ 2,171,407</u>

The favorable expenditure variance is related to savings expected in salaries and benefits due to staff reductions resulting from reengineering. Savings are expected in services and supplies due to quality first target savings and cost control measures, CERS retirement savings, and lower fixed asset purchases.

Housing and Community Development

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 6,246,456	\$ 6,361,996	\$ (115,540)
Current Estimate	<u>\$ 5,564,326</u>	<u>\$ 5,679,866</u>	<u>\$ (115,540)</u>
Variance	<u>\$ 682,130</u>	<u>\$ (682,130)</u>	<u>\$ -</u>

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

Major Maintenance

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 8,568,430	\$ 591,586	\$ 7,976,844
Current Estimate	<u>\$ 8,548,430</u>	<u>\$ 540,368</u>	<u>\$ 8,008,062</u>
Variance	<u>\$ 20,000</u>	<u>\$ (51,218)</u>	<u>\$ (31,218)</u>

Revenues will be under realized by \$51,218 due to a budgeting error of \$41,000 for the JIM's project and \$20,000 in rent from employee housing. Services and supplies expenses have been reduced by \$20,000 to offset the reduction in employee housing revenue. The net impact has been reduced by \$11,738 due to unanticipated revenue.

Public Services Utilities

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 13,865,359	\$ 150,895	\$ 13,714,464
Current Estimate	<u>\$ 13,903,785</u>	<u>\$ 140,729</u>	<u>\$ 13,763,056</u>
Variance	<u>\$ (38,426)</u>	<u>\$ (10,166)</u>	<u>\$ (48,592)</u>

The expenditure variance is primarily related to increased costs due to new facilities coming on-line and decreases in energy retrofit project savings and cost-applied revenues. Revenue is anticipated to be underrealized by \$10,166.

Registrar of Voters

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 7,874,287	\$ 2,885,950	\$ 4,988,337
Current Estimate	<u>\$ 7,832,171</u>	<u>\$ 3,615,412</u>	<u>\$ 4,216,759</u>
Variance	<u>\$ 42,116</u>	<u>\$ 729,462</u>	<u>\$ 771,578</u>

Expenditures are greater than budgeted due to the unscheduled special election on June 8, 1999. Additional appropriations of \$165,000 and additional revenue of \$240,000 will be requested as a 3rd quarter budget adjustment. Revenues for state-mandated costs have increased from the 2nd quarter due to additional reimbursements received from Secretary of State. Quality first savings and other savings in services and supplies offset some of this increase. Revenue is higher than budget due to revenues from the March special election and additional cost recoveries from jurisdictions that participated in the November general election.

COMPETITION & REENGINEERING GROUP

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 2,022,476	\$ 280,500	\$ 1,741,976
Current Estimate	\$ 1,285,408	\$ 106,000	\$ 1,179,408
Variance	\$ 737,068	\$ (174,500)	\$ 562,568

Projected expenditures for Salary and Benefits are less than expected in the 2nd Quarter because extra help will not be needed. Additional expense will be incurred due to added contract consultants. Reimbursement from the Venture Capital Trust Fund has been reduced because of less use of Fund to support projects of various departments.

FINANCE & GENERAL GOVERNMENT GROUP

Assessor/Recorder/County Clerk

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 28,609	\$ 22,600	\$ 6,009
Current Estimate	\$ 27,876	\$ 24,767	\$ 3,109
Variance	\$ 734	\$ 2,166	\$ 2,900

An operating balance of nearly \$2.9 million is projected for the Assessor/Recorder/County Clerk due to anticipated savings from staff turnover, savings in various Services and Supplies accounts and higher revenues than budgeted due largely to a significant increase in document recordings.

Auditor and Controller

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 17,521	\$ 4,328	\$ 13,193
Current Estimate	\$ 16,462	\$ 4,196	\$ 12,266
Variance	\$ 1,059	\$ (132)	\$ 926

The projected operating balance of \$926,000 for the Auditor and Controller is due to savings in Salaries and Benefits as a result of staff vacancies (largely in Revenue and Recovery) and from reengineering the budget office. Services and Supplies expenditures are expected to be slightly less than budgeted. Revenues are expected to be below budgeted levels mainly in the area of administrative collection fees.

County Counsel

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 11,407	\$ 2,281	\$ 9,126
Current Estimate	\$ 11,157	\$ 2,531	\$ 8,626
Variance	\$ 249	\$ 250	\$ 500

There is a projected operating balance of \$500,000 for County Counsel. The estimated expenditure savings is primarily in services and supplies as a result of efforts to lower costs in various accounts. In addition, unanticipated billings will result in additional revenues.

Electronic Systems and Equipment

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 16,203	\$ 207	\$ 15,996
Current Estimate	\$ 16,925	\$ 140	\$ 16,785
Variance	\$ (722)	\$ (67)	\$ (789)

The \$789,000 projected shortfall is related to higher than budgeted costs for network management, SanConTel maintenance and Pacific Bell telephone services. Budget adjustments to address this shortfall are proposed in a separate Board letter on today's agenda.

Human Resources

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 12,976	\$ 5,850	\$ 7,126
Current Estimate	\$ 11,530	\$ 5,324	\$ 6,206
Variance	\$ 1,446	\$ (526)	\$ 921

The projected operating balance of \$921,000 in the Department of Human Resources is related to savings from staff vacancies held pending managed competition of Workers' Compensation and reengineering of the Employee Assistance Program and lower than budgeted costs for the employee drug and alcohol testing program and for insurance premiums. The reduction in revenues is related to vacancies in the Workers' Compensation and Employee Assistance programs. Costs in these two programs are offset by revenues from the Employee Benefits Internal Service Fund (ISF). Revenues are not earned if costs are not incurred.

Information Services

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 25,990	\$ 1,321	\$ 24,669
Current Estimate	\$ 25,703	\$ 1,578	\$ 24,125
Variance	\$ 286	\$ 257	\$ 543

The projected operating balance of \$543,000 in the Department of Information Services is related to a combination of savings in Salaries and Benefits due to staff vacancies and to higher than budgeted revenues primarily in charges for services.

Treasurer – Tax Collector

	Expenditures	Revenues	Operating Balances
Budgeted	\$ 7,562	\$ 4,918	\$ 2,644
Current Estimate	\$ 7,100	\$ 4,734	\$ 2,366
Variance	\$ 462	\$ (184)	\$ 278

The projected net operating balance of \$278,000 in the Treasurer-Tax Collector department is the result of a combination of anticipated savings in Salaries and Benefits due to vacant positions, savings in Services and Supplies due to reduced banking costs, and lower revenues due in large part to these lower costs.