

**COUNTY OF SAN DIEGO
NOTES TO SCHEDULES A and B
Fiscal Year 2025-26 2nd 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 business group and department by fund or fund type.

Management Reserves

Besides the General Fund Reserve, which is comprised of unassigned General Fund fund balance, County business groups may establish Management Reserves. Management Reserves are appropriations that are established 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 management reserve balances and operating balances. No Management Reserves were budgeted in Fiscal Year 2025-26.

Variance Reporting

Departments project variances from the Operational Plan based on revised expectations or on actual revenues/expenditures to date. Significant variances (greater than \$500,000) in total expenditures, total revenue, net variance, or object variance are discussed below and categorized by fund.

2nd Quarter Operational Fund Balance for Fiscal Year 2025-26

Schedule A summarizes the County's Fiscal Year 2025-26 operational results, measured by fund balance from current year operations, excluding anticipated designation of fund balance (restricted, committed, assigned) or final adjustments to take place in the annual comprehensive financial report (ACFR). Projected fund balance for the General Fund is \$10.2 million, and for all budgetary funds combined is projected to be \$34.3 million. In the General Fund, all business groups are projected to produce operating balances except for Public Safety Group, Land Use and Environment Group (\$2.9 million), Health and Human Services Agency (\$1.5 million) Finance and General Government Group (\$1.2 million) and Finance Other (\$32.8 million); offset by negative fund balance in Public Safety Group (\$28.2 million).

The balance for all other funds combined are projected to be \$24.1 million and consist of positive fund balance in Special Revenue Funds (\$12.9 million), Special District Funds

(\$6.2 million), Internal Service Funds (\$2.6 million), Enterprise Funds (\$1.9 million), and Capital Program (\$0.5 million).

PUBLIC SAFETY GROUP

The Public Safety Group is projecting a negative overall variance of \$23.5 million, of which \$28.3 million is tied to negative variance in the General Fund and \$4.8 million is tied to positive variances in all other funds combined. The details of these variances are noted below.

General Fund

Child Support

A positive variance of \$0.9 million is projected for the Department of Child Support Services.

A positive expenditure variance of \$2.7 million is projected. A positive variance of \$3.0 million in Salaries & Benefits is due to vacant and modified positions, \$0.3 million in Services & Supplies due to lower expenses related to information technology and contracted services, offset by a negative variance of \$0.6 million in Expenditure Transfer & Reimbursements due to lower than anticipated expenditures in the Bureau of Public Assistance Investigations for cost of staffing and services reimbursed by Health and Human Services Agency.

A negative revenue variance of \$1.8 million is projected in Intergovernmental Revenues due to lower than anticipated State and federal reimbursement revenue related to the expenditure savings mentioned above.

Office of Emergency Services

A positive variance of \$2.5 million is projected for the Office of Emergency Services.

A positive expenditure variance of \$2.5 million in Services & Supplies is due to a transfer of appropriations from the Public Safety Executive Office to fund the procurement of infrastructure mapping of the unincorporated area's most vulnerable infrastructure.

No overall revenue variance is projected.

Probation

No significant variance is projected for the Probation Department.

A positive expenditure of \$4.5 million is projected. A positive variance of \$4.6 million in Services & Supplies is due to lower than anticipated costs related to interim housing and residential treatment programs, offset by a negative variance of \$0.1 million in

Expenditure Transfer & Reimbursements due to a reduction in the agreement for services provided to Health & Human Services Agency.

A negative revenue variance of \$4.5 million is projected. A negative variance of \$4.4 million in Intergovernmental Revenues is due to lower contracted services mentioned above funded by Community Corrections Subaccount and Community Corrections Performance Incentives Act and \$0.1 million in Charges For Current Services related to the Work Furlough program expenditures.

Public Defender

A negative variance of \$0.2 million is projected for the Public Defender.

A positive expenditure variance of \$0.7 million is projected. A positive variance of \$0.3 million in Salaries & Benefits is primarily due to modified and vacant positions. A positive variance of \$0.4 million in Expenditure Transfer & Reimbursements is due to the extension of the Memorandum of Understanding with Health and Human Services Agency.

A negative revenue variance of \$0.9 million is projected in Intergovernmental Revenues due to lower reimbursements for eligible expenditures from Community Assistance, Recovery, and Empowerment (CARE) Court (\$0.8 million) and in Edward Byrne Memorial Justice Assistance Grant (JAG) (\$0.7 million) partially, offset by unanticipated reimbursements from prior years State mandated program, Sexually Violent Predators claims (\$0.6 million).

Public Safety Group Executive Office/Contribution for Trial Courts

A positive variance of \$0.3 million is projected for the Public Safety Group Executive Office including Contribution for Trial Courts.

Public Safety Executive Office

A negative variance of \$2.3 million is projected for the Public Safety Executive Office.

A positive expenditure variance of \$0.9 million is projected in Services & Supplies primarily due to procurement delays related to the resource and reentry hub. A positive variance of \$3.2 would have been realized but \$2.5 million from the Public Safety Executive Office was transferred to Office of Emergency services to fund the procurement of infrastructure mapping of the unincorporated area's most vulnerable infrastructure.

A negative revenue variance of \$3.1 million is projected in Intergovernmental Revenues primarily due to lower than anticipated expenditures mentioned above funded by the Community Corrections Subaccount.

Contribution for Trial Courts

A positive variance of \$0.2 million is projected for Contribution for Trial Courts.

A positive expenditure variance of \$0.2 million is projected in Other Charges due to lower than anticipated Enhanced Collection costs.

No revenue variance is projected.

Sheriff

A negative variance of \$29.3 million is projected for the Sheriff's Office.

A negative expenditure variance of \$24.2 million is projected. A negative variance of \$13.7 million in Salaries & Benefits is projected primarily tied to salary adjustments exacerbated by increased costs necessary to house an average daily population which has risen by approximately 300-500 incarcerated persons, as a result of Proposition 36, *The Homelessness, Drug Addiction, and Theft Reduction Act*, implementation.

A positive variance of \$4.6 million is projected in Services & Supplies due to lower costs in various accounts including uniform allowance, professional & specialized services, contracted services with a portion associated with the Cal-ID program and Community Corrections Subaccount, fuel and facilities management costs including anticipated credits from the Department of General Services due to overbilling in the current and prior fiscal years. These are offset by higher than anticipated costs in food associated with increased contract costs. A negative variance of \$15.1 million is projected in Other Charges due to higher than anticipated costs for medical and mental health services contracts for the incarcerated population. Of the \$15.1 million overage, \$8.8 million is related to prior year offsite hospital costs billed to the Sheriff's Office by the medical provider, NaphCare.

The Sheriff's Office has already implemented several mitigation actions to address this expected overage, including the reutilization and repurposing of existing positions for the highest of priorities; reducing overtime and temporary help when possible; limiting non-essential travel and training; maximizing other resources including volunteer staff, pursuing grant funding and donations; deferring projects, repairs and purchases that have not yet started, and exploring fees and revenues that can be increased. Discussions and further actions continue to be explored to minimize expenditures and maximize revenues between the Sheriff's Office, Public Safety Executive Office and the Office of Financial Planning. Possible revenue mitigations include Community Corrections Subaccount, Booking Fees, Reimbursement from HHS for Mental Health Services and Opioid Settlement Funds. The Sheriff will submit a Board letter on March 3, 2026 for the Board's consideration and approval to address the Sheriff's negative variance by approximately \$13.9 million due to cost overruns with the current medical contract. This Board letter will request authority to cancel the existing contract with current provider, NaphCare, authority to initiate a new single source contract with AmeriChoice and establish appropriations which will partially mitigate escalating off-site hospital costs while

maintaining quality of care. The funding source will be the Local Revenue Fund 2011, Community Corrections Subaccount. Actual current year overrun costs will not be known until a new contract is negotiated and will be included in future projections and for funding consideration.

A negative revenue variance of \$5.1 million is projected. Projected negative variances of \$4.5 million in Intergovernmental Revenues is due to lower than anticipated costs for Community Corrections Subaccount offset by revenue for State mandates, \$0.6 million in Other Financing Sources due to a decrease in transfers from Proposition 172, *Local Public Safety Protection and Improvement Act of 1993*, resulting from lower than expected receipts and from the Incarcerated Peoples' Welfare Fund associated with vacant positions, \$0.3 million in Charges For Current Services from lower reimbursement for law enforcement services due to vacancies, from the Trial Court Security Subaccount offset by jail bed leasing revenue including prior year amounts owed, \$0.2 million in Miscellaneous Revenues due to lower than anticipated costs for the Regional Communications System program, and \$0.1 million projected in Fines, Forfeitures & Penalties due to lower than anticipated costs for the Cal-ID program. These are offset by a \$0.6 million positive revenue variance in Licenses Permits & Franchises due to higher collections from license fees.

Special Revenue Funds

Sheriff's Asset Forfeiture Program

A positive variance of \$2.3 million is projected in the Sheriff's Asset Forfeiture Program (US Department of Justice, US Treasury Department and State).

No expenditure variance is projected.

A positive revenue variance of \$2.3 million is projected. A positive variance of \$2.0 million in Intergovernmental Revenues is due to increased asset forfeiture from US Department of Justice and US Treasury Department, \$0.2 million in Fines, Forfeitures & Penalties based on increased asset forfeiture from State seizures and \$0.1 million in Revenue From Use of Money & Property from higher interest earnings.

Sheriff's Incarcerated Peoples' Welfare Fund

A positive variance of \$1.6 million is projected for the Incarcerated Peoples' Welfare Fund.

A positive expenditure variance of \$1.6 million is project. A positive variance of \$1.4 million is projected in Services & Supplies due to lower operational costs related to psychosocial services from changes in programming format, a shift of certain services to be provided under a different program outside the fund, and lower expenditures for transportation due to a shift in funding. A positive variance of \$0.2 million is projected in Operating Transfers Out associated with vacant positions in the General Fund.

No significant revenue variance is projected.

Special District Funds

San Diego County Fire Protection District

A positive variance of \$0.8 million is projected for San Diego County Fire Protection District.

No expenditure variance is projected.

A positive revenue variance of \$0.8 million is projected in Charges For Current Services due to wildfire incident response reimbursements received through Assistance-by-Hire agreement.

HEALTH AND HUMAN SERVICES AGENCY (HHSA)

The Health and Human Services Agency is projecting a positive overall variance of \$1.5 million, tied to a positive variance in the General Fund. The details of these variances are noted below.

General Fund

Administrative Support

An overall negative variance of \$0.1 million is projected for Administrative Support.

A positive expenditure variance of \$0.4 million is projected and consists of a positive variance of \$2.9 million in Salaries and Benefits tied to vacant positions and attrition, offset by a negative variance of \$2.5 million in Services and Supplies due to higher than anticipated operating costs associated with Facilities Internal Service Fund (ISF), including utilities, mailing and other facility-related costs.

A negative revenue variance of \$0.5 million in Intergovernmental Revenues is primarily tied to realignment to align with spending.

Aging & Independence Services

An overall negative variance of \$4.4 million is projected for Aging & Independence Services (AIS).

A zero expenditure variance is projected and includes a negative variance of \$1.5 million in Salaries & Benefits due to a lower vacancy rate than budgeted, a positive variance of \$1.3 million in Services & Supplies and a positive variance of \$0.2 million in Operating Transfers Out due to reduced funding needs for the In-Home Support Services (IHSS) Public Authority related to anticipated operational needs in the program with no impact to services. The positive variance of \$1.3 million in Services & Supplies is primarily tied to negative variances of \$2.9 million due to an adjustment to the In-Home Supportive Service (IHSS) Maintenance of Effort (MOE) resulting from an approved wage increase for the IHSS Individual Providers during labor negotiations with the United Domestic Workers, \$1.1 million tied to increase in allocations for participants in the San Diego Veterans Independence Service at Any Age (SD-VISA) program, and \$0.7 million tied to higher operating costs to align with current spending levels, partially offset by savings from the conclusion of SNAP-Ed funding, completion of one-time allocations, reduced contracted services and lower participation in Multi Senior Services Program (MSSP). A negative variance of \$4.7 million would have been projected in Services & Supplies but \$6.0 million is now projected in Housing and Community Development Services (HCDS) to utilize available appropriation capacity and maintain a zero overall expenditure variance for AIS, pending the transfer of appropriation to AIS.

A negative revenue variance of \$4.4 million is projected and includes a negative variance of \$5.8 million in Intergovernmental Revenues and positive variances of \$1.2 million in Miscellaneous Revenues mainly tied to the SD-VISA program and \$0.2 million in Revenue from Use of Money & Property due to unanticipated revenue for Public Administrator and Public Guardian interest earned through the Treasury Office investment pool. The negative variance of \$5.8 million in Intergovernmental Revenues consists of negative variances of \$6.0 million associated with pending appropriation adjustments from HCDS to mitigate appropriation impacts, \$1.3 million tied to lower participation than anticipated in the MSSP program, \$1.1 million due to the SNAP-Ed federal funding ending, \$0.3 million to align budget with the completion of one-time, multi-year funding and carryover encumbrances from prior years that are no longer needed as mentioned above, partially offset by positive variances of \$2.9 million in social services administrative revenues to align with allocations and projected spending.

Behavioral Health Services

Behavioral Health Services (BHS) consists of the following: Mental Health Services, Alcohol and Drug Services, Public Conservator, and Inpatient Health Services comprised of the San Diego County Psychiatric Hospital (SDCPH) and Edgemoor Distinct Part Skilled Nursing Facility.

A zero overall variance is projected for BHS.

A positive expenditure variance of \$34.9 million is projected and includes a positive variance of \$1.0 million in Salaries & Benefits attributed to longer timeframes to hire staff, hard to recruit classifications, and vacancies due to attrition, a positive variance of \$36.7 million in Services & Supplies, offset by \$2.8 million in Expenditure Transfer & Reimbursements due to Public Safety Group agreement has ended and efforts are being redirected to support the Department of Health Care Services mandated services under the Next Move Program which provides outpatient treatment services. The positive variance of \$36.7 million in Services & Supplies is driven by operating costs primarily for contracted services associated with a range of mental health and substance use disorder programs to align with anticipated spending which adjusts for contractor staffing vacancies and projected utilization in residential bed days, offset by negative variances in one-time IT resource needs and temporary staffing costs at the SDCPH.

A negative revenue variance of \$34.9 million is projected and includes negative variances of \$34.0 million in Intergovernmental Revenues, and \$1.6 million in Miscellaneous Revenues due to the recoupment of payments in contracted services from prior year adjustments offset by \$0.7 million in Charges for Current Services tied to an increase in Intergovernmental Transfer (IGT) revenue primarily due to new rate increase in census enrollment days for Medi-Cal. The \$34.0 million negative variances in Intergovernmental Revenues includes \$18.2 million in realignment revenue to align with spending, and \$15.8 million to align federal and State funding to anticipated billable service units and aligning grant funding with overall anticipated expenditures.

Child and Family Well Being

A zero overall variance projected for Child and Family Well-Being (CFWB).

A zero expenditure variance is projected and includes a negative variance of \$5.9 million in Salaries & Benefits tied to a lower vacancy rate than budgeted as well as overtime costs offset by positive variances of \$5.6 million in Services and Supplies driven by the projected amounts in Housing & Community Development Services (HCDS) to mitigate the S&B negative variance and lower than anticipated operating costs associated with travel, transportation and utilities ISFs, and \$0.3 million in Other Charges mainly to align with the revised projected caseloads in assistance programs. A positive variance of \$1.4 million would have shown in Services & Supplies but \$4.2 million is now projected in HCDS to utilize available appropriation capacity and maintain a zero overall expenditure variance for CFWB, pending the transfer of appropriation.

A zero revenue variance is projected and includes a zero variance in Intergovernmental Revenues which consists of negative variances of \$4.2 million associated with pending appropriation adjustments from HCDS to mitigate appropriation impacts offset by positive variances of \$3.1 million primarily in social services administrative revenues to align with anticipated federal and state funding and projected expenditures mentioned above and \$1.1 million in State assistance payment revenues associated with revised caseload projections.

Housing & Community Development Services

Housing & Community Development Services (HCDS) consists of the following: HCDS Operations, Administration, and HCDS Multi-Year Projects.

An overall negative variance of \$0.4 million is projected for HCDS.

A positive expenditure variance of \$8.4 million is projected and includes a positive variance of \$2.2 million in Salaries & Benefits due to attrition and vacant positions, a positive variance of \$8.5 million in Services & Supplies and a negative variance of \$2.3 million in Other Charges primarily driven by \$1.5 million for the projected repayment of Emergency Rental Assistance Program (ERAP) funds to the Federal Treasury, resulting from ineligible awards identified by the County, and \$0.8 million in HOPWA Tenant Based Rental Assistance (TBRA) with higher than anticipated expenditures due to program growth and rent increase in the region. The positive variance of \$8.5 million in Services & Supplies consists of \$15.3 million in No Place Like Home (NPLH) due to the grant being fully utilized, and \$5.0 million associated with the fully grant-funded carry forward prior year encumbrances that are no longer needed after aligning the expenditure with the current funding allocation, with no impact to service or to local funds, offset by \$0.5 million for the Landlord Incentive Program (LIP), fully funded by SB 105, to increase housing access for homeless clients and support the County's effort to end homelessness, \$0.5 million for the Inclement Weather Program, providing safe temporary housing to individuals impacted by severe weather events, and \$0.6 million in operational costs, primarily for temporary contract staff to provide clerical support during the department's transition to a new case management system. The operating variance is partially offset by \$10.2 million for projected expenditures tied to Aging and Independence Services (AIS) and Child and Family Well-Being (CFWB) to mitigate appropriation impacts which will be resolved with a budget transfer.

A negative revenue variance of \$8.8 million in Intergovernmental Revenue is projected, primarily due to the full utilization of NPLH funds and prior-year encumbrances no longer needed which aligns with anticipated funding allocations. This is partially offset by increased revenues associated with HOPWA TBRA and SB 105, as noted above, along with \$10.2 million in funding tied to pending appropriations adjustments for AIS and CFWB.

Public Health Services

A zero overall variance is projected for Public Health Services (PHS).

A positive expenditure variance of \$32.9 million is projected and includes a positive variance of \$10.2 million in Salaries & Benefits due to vacancies, attrition and a reduced hiring activity in response to reductions in federal and State funding across multiple programs, a positive variance of \$15.0 million in Services & Supplies, and a positive variance of \$7.7 million in Capital Assets Equipment primarily due to the termination of the mobile health lab contract and the elimination of planned equipment purchase for the lab due to the anticipated conclusion of the Epidemiology & Laboratory Capacity Enhancing Detection Expansion grant. The positive variance of \$15.0 million in Services & Supplies consists of \$5.7 million due to procurement delays due to delayed funding notifications, \$3.2 million due to loss of CalFresh Healthy Living funding that will not be renewed by the federal grantor this fiscal year, \$3.0 million for the Immunizations program to align projections with the grant resources and workplan as a result of significant reduction in federal funding, \$0.9 million in California Children's Services contracts and IT projects to align with revised funding allocations, and \$2.2 million less projected for the Epidemiology program to align projections with anticipated spending due to the demobilization of COVID-19 associated activities. Epidemiology & Laboratory Capacity Enhancing Detection and Epidemiology & Laboratory Capacity Enhancing Detection Expansion, and Epidemiology & Laboratory Capacity Infection Prevention Control grants were terminated early by the US Health & Human Services Agency. In FY 24/25, a Temporary Restraining Order was subsequently issued by the U.S. District Court for the District of Rhode Island that affected all grant recipients nationwide, reinstating the original funding pending a final court ruling. In FY 25/26, the U.S. Department of Health and Human Services voluntarily withdrew its appeal of the preliminary injunction over the termination of this funding. Second Quarter projections assume continuity of these federal funds. Additionally, approximately \$0.3 million in Services & Supplies is allocated to support the initial exposure characterization component for the overall Tijuana River Valley study.

A negative revenue variance of \$32.9 million is projected and includes negative variances of \$32.9 million in Intergovernmental Revenues and \$0.6 million in Charges for Current Services primarily to align projected reimbursements and fees in Vital Records, offset by a positive variance of \$0.6 million in Miscellaneous Revenues based on unanticipated grant allocation to support the development of Public Health professionals. The negative variance of \$32.9 million in Intergovernmental Revenues is primarily tied to negative variances of \$22.7 million in realignment revenues to align with spending and adjustments in various PHS grant revenues to reflect revised grant awards and align with anticipated Salaries & Benefits and Services & Supplies spending levels, as noted above, \$5.8 million in Immunization Action Plan grant to align with workplan, \$2.4 million due to ending of the CalFresh Healthy Living grant, \$1.1 million in COVID-19 Expanding Laboratory Capacity, and \$0.9 million in California Children's Services (CCS) tied to projection based on actual State allocation.

Self-Sufficiency Services

An overall positive variance of \$6.4 million is projected for Self-Sufficiency Services (SSS).

A positive expenditure variance of \$19.3 million is projected and includes negative variances of \$9.8 million in Salaries & Benefits primarily attributed to estimated salaries & benefit costs that exceeds the projected appropriation capacity available to absorb the impacts of the new labor agreement and due to higher than budgeted overtime, and \$8.2 million in Services & Supplies and a positive variance of \$37.3 million in Other Charges. The negative variance of \$8.2 million in Services & Supplies is primarily tied to increases in contracted services based on revised allocations for CalWORKs Housing Support Program associated with California Department of Social Services redistribution of unspent prior year funding. The positive variance of \$37.3 million in Other Charges consists of positive variances of \$36.4 million in CalWORKs programs and \$0.9 million in the General Relief program primarily due to lower than budgeted caseload levels.

A negative revenue variance of \$12.9 million is projected and consists of a negative variance of \$13.4 million in Intergovernmental Revenues and positive variances of \$0.3 million in Revenue from Use of Money and Property tied to unanticipated GASB 87 lease revenue, \$0.1 million in Fines, Forfeitures, and Penalties based on reimbursement of eligible costs for the Physician Emergency Services program, and \$0.1 million in Miscellaneous Revenues tied to contractor overpayments from Fiscal Year 2024-25. The negative variance of \$13.4 million in Intergovernmental Revenues consists of a negative variance of \$35.1 million in assistance payment revenue, partially offset by a positive variance of 15.8 million in social services administrative revenues to align with allocations and projected expenditures and \$5.9 million in Medi-Cal funding tied to a one-time payment from the State's prior-year closeout process.

LAND USE AND ENVIRONMENT GROUP

The Land Use and Environment Group is projecting a positive overall variance of \$19.2 million, of which \$2.9 million is tied to a positive variance in the General Fund and \$16.3 million is tied to positive variances in all other funds combined. The details of these variances are noted below.

General Fund

Agriculture, Weights & Measures (AWM)

No significant variance is projected for the Department of Agriculture, Weights & Measures.

No significant variance is projected for expenditures. A positive variance of \$1.4 million in Salaries & Benefits is due to vacancies, retirements and under-filled positions. A negative variance of \$0.5 million in Services & Supplies is due to major maintenance improvement projects. A negative variance of \$0.1 million in Capital Assets Software due to a reclassification of a capital item. A negative variance of \$0.1 million in Capital Assets Equipment is due to the purchase of specialty equipment. A negative variance of \$0.7 million in Operating Transfers Out is due to unanticipated major maintenance capital outlay projects.

No significant variance is projected for revenues.

Environmental Health and Quality

A positive variance of \$2.2 million is projected for the Department of Environmental Health and Quality.

A positive expenditure variance of \$3.0 million is projected. A positive variance of \$2.7 million in Salaries & Benefits is due to vacancies and under-filled positions. A positive variance of \$0.3 million in Services & Supplies is primarily due to a \$0.2 million reduction in larvicide purchases for Vector Control Program and \$0.1 million for reduced consultant services.

A negative revenue variance of \$0.8 million is projected. A negative variance of \$0.7 million in Charges for Current Services is due to less than anticipated services requested by customers and a negative variance of \$0.1 million in Licenses Permits & Franchises is due to less plan check submittals from customers.

Planning and Development Services (PDS)

No significant variance is projected for the Department of Planning and Development Services.

A positive expenditure variance of \$7.9 million is projected. A positive variance of \$4.7 million in Salaries & Benefits is due to vacancies and under-filled positions. A positive variance of \$3.5 million in Services & Supplies is primarily due to schedule changes to one-time only projects and reduced consultant contract spending. A negative variance of \$0.3 million in Expenditure Transfer & Reimbursements is due to a decrease in services rendered to other General Fund departments.

A negative revenue variance of \$7.9 million is projected. A negative variance of \$6.7 million in Charges for Current Services is due to a decline in billable activities for land development, project planning, and building projects related to staff vacancies. A negative variance of \$1.2 million in Intergovernmental Revenue is due to delays in grant related projects.

Department of Public Works (DPW)

A positive variance of \$0.7 million is projected for the Department of Public Works – General Fund.

A positive expenditure variance of \$1.9 million is projected. A positive variance of \$0.8 million in Salaries & Benefits is due to vacancies. A positive variance of \$1.1 million in Services & Supplies is due to reduced fleet cost (\$0.2 million), less support from other County departments (\$0.2 million), and less than budgeted cost from completed stormwater projects (\$0.7 million).

A negative revenue variance of \$1.2 million is projected. A negative variance of \$1.2 million is in Charges For Current Services due to reduced labor charges for land development projects and other County funded projects.

Special Revenue Funds

Department of Public Works – Road Fund

A positive variance of \$4.7 million is projected for the Department of Public Works Road Fund.

A positive expenditure variance of \$28.3 million is projected. A positive variance of \$4.7 million in Salaries & Benefits is due to staff vacancies and under-filled positions. A positive variance of \$22.0 million in Services & Supplies is due to scheduled project changes in Capital Improvement Program (CIP) Detailed Work Plan and savings in consultant contracts due to County staff performing services in lieu of consultants and contractors. A positive variance of \$1.6 million in Other Charges is due to right-of-way easement scheduled project changes.

A negative revenue variance of \$23.6 million is projected. A negative variance of \$13.1 million in Taxes Other than Current Secured is due to TransNet funded capital project schedule changes. A negative variance of \$5.5 million in Charges for Current Services is

due to project schedule changes for other County funded capital projects (\$2.1 million), Regional Transportation Congestion Improvement Program (RTCIP) funded capital projects (\$2.5 million), and Transportation Impact Fee (TIF) funded capital projects (\$0.9 million). A negative variance of \$5.0 million in Intergovernmental Revenues is due to project schedule changes for State and Federal grant funded capital projects.

San Diego County Library

A positive variance of \$2.6 million is projected for the San Diego County Library.

A positive expenditure variance of \$0.8 million is projected. A positive variance of \$0.8 million in Services & Supplies is due to lower than budgeted costs in IT network services, fixed asset projects, and office printing expenses.

A positive revenue variance of \$1.8 million is projected. A positive variance of \$1.6 million in Taxes Current Property is due to an increase in ad-valorem taxes. A positive variance of \$0.2 million in Revenue from Use of Money and Property is due to higher than anticipated interest earned.

Department of Public Works – County Waste Management and Recycling

A positive variance of \$1.6 million is projected for the County Waste Management and Recycling.

A positive expenditure variance of \$1.5 million is projected. A positive variance of \$0.2 million in Salaries & Benefits is due to vacancies. A positive variance of \$1.3 million in Services & Supplies is due to delayed contract procurements for services related to surplus food donations, household chemicals/hazardous product collection, and recycling contamination reduction.

A positive revenue variance of \$0.1 million is projected. A positive variance of \$0.1 million in Intergovernmental Revenues is due to Household Hazardous Waste grant and Recycling Market Development Zone (RMDZ) grant revenue.

Special District Funds

Department of Public Works – Sanitation Districts

A positive variance of \$3.9 million is projected for the Sanitation Districts.

A positive expenditure variance of \$3.6 million is projected. A positive variance of \$2.3 million in Services & Supplies is due to less than budgeted costs in maintenance of equipment and routine maintenance of structures as a result of fewer repairs. A positive variance of \$1.3 million in Operating Transfers Out is due to one-time vehicle purchases originally planned but no longer required for the current fiscal year.

A positive revenue variance of \$0.3 million is projected. A positive variance of \$0.3 million in Other Financing Sources is due to a fund transfer from General Fund for the Sewer Replacement San Diego River Basin capital project.

Enterprise Funds

Department of Public Works – Wastewater Management Enterprise Fund

No variance is projected for the Wastewater Management Enterprise Fund.

A positive expenditure variance of \$1.2 million is projected. A positive variance of \$0.6 million in Salaries & Benefits is due to staff vacancies. A positive variance of \$0.5 million in Services & Supplies is due to sewer maintenance contract transferred to Sanitation District and less than anticipated vehicle usage cost. A positive variance of \$0.1 million in Operating Transfers Out is due to one-time vehicle purchases originally planned but no longer required for the current fiscal year.

A negative revenue variance of \$1.2 million is projected. A negative variance of \$1.2 million in Charges for Current Services is due to reduced billable activities from San Diego Sanitation District support resulting from staff vacancies.

Department of Public Works – Airport Enterprise Fund

A positive variance of \$1.9 million is projected for the Airport Enterprise Fund.

A positive expenditure variance of \$1.8 million is projected. A positive variance of \$0.1 million in Services & Supplies is due to cost savings from the transfer of security services to Department of General Services. A positive variance of \$1.7 million in Capital Assets/Land Acquisition is due to the completion of Gillespie Field Runway 27-R Rehabilitation project.

A positive revenue variance of \$0.1 million is projected. A positive variance of \$0.3 million in Licenses Permits & Franchises is due to unanticipated revenue from American Airlines.

A positive variance of \$0.6 million in Revenue from Use of Money & Property is due to increase in parking and landing fees. A negative revenue variance of \$0.8 million in Intergovernmental Revenues is due to the completion of the Gillespie Field Runway 27-R Rehabilitation project.

FINANCE AND GENERAL GOVERNMENT GROUP

The Finance and General Group is projecting a positive overall variance of \$3.6 million, of which \$1.2 million is tied to a positive variance in the General Fund and \$2.4 million is tied to positive variances in all other funds combined. The details of these variances are noted below.

General Fund

Assessor/Recorder/County Clerk

There is no overall variance projected for the Assessor/Recorder/County Clerk.

A positive expenditure variance of \$4.5 million is due to variances of \$0.6 million in Salaries & Benefits due to vacancies and staff attrition and a net \$3.9 million in Services & Supplies related to the delay of the Archives Collection Management System, partially offset by increased software costs associated with Mainframe roadmap projects and maintenance of the Assessor's legacy IT systems.

A negative revenue variance of \$4.5 million is due to negative variances of \$4.3 million in Charges for Current Services and \$0.2 million in Licenses Permits & Franchises due to less than anticipated marriage licenses issued. The negative variance in Charges for Current Service includes variances of \$3.5 million in Recorder Fee Modernization due to the impact of the legislative change and shift of SSN Truncation projects to Modernization, \$0.9 million in Micrographics Fee due to delay of the Archives Collection Management System and a legislative change limiting the use of these funds for the County Recorder Archives and trusted systems, \$0.3 million in E-Recording fees due to less than anticipated contracted services, \$0.3 million in SSN Truncation due to shift of funding to Modernization fees, and \$0.1 million in Marriage Ceremony due to less than anticipated marriage ceremonies performed. These negative variances are partially offset by positive variances of \$0.4 million in Recording Document due to an estimated slight increase in the number of documents recorded and \$0.4 million Recording Fees due to an estimated slight increase in vital records.

Human Resources

An overall negative variance of \$0.5 million is projected for the Department of Human Resources.

A positive expenditure variance of \$0.9 million in Services & Supplies is due to lower than anticipated costs related to pre-employment medical screenings and information technology that are charged to the Employee Benefits ISF, and contracted services related to miscellaneous insurance costs.

A negative revenue variance of \$1.4 million is due to \$1.8 million in Miscellaneous Revenues which includes \$1.5 million from lower than anticipated costs related to pre-

employment medical screenings and information technology that are charged to the Employee Benefits ISF, and \$0.3 million due to unrealized revenue related to miscellaneous insurance costs, partially offset by a positive variance of \$0.4 million in Charges for Current Services due to increased services to employees and customers.

Registrar of Voters

A positive variance of \$0.7 million is projected in the Registrar of Voters.

A positive expenditure variance of \$6.2 million is projected and includes \$2.1 million in Salaries & Benefits due to fewer Vote Centers than anticipated for the November 4, 2025 Special Statewide Election. A positive variance of \$4.1 million in Services & Supplies is due to delays associated with the replacement of the election management system and reduction in Vote Centers.

A negative revenue variance of \$5.5 million is projected and includes \$4.9 million in Intergovernmental Revenues due to reimbursable costs tied to both the replacement of the election management system and number of Vote Centers. A negative variance of \$0.6 million in Charges For Current Services is due to lower than anticipated reimbursements from local jurisdictions for their share of election costs.

Internal Service Funds (ISF)

Facilities Management ISF

An overall positive variance of \$0.6 million is projected for the Facilities Management ISF.

A positive expenditure variance of \$3.0 million in Salaries & Benefits is due to vacant positions as a result of restructuring efforts, attrition of staff, and lower overtime costs than projected.

A negative revenue variance of \$2.4 million in Charges for Current Services is due to lower than anticipated reimbursement related to the expenditure variances mentioned above.

Employee Benefits ISF

A positive variance of \$1.3 million is projected for the Employee Benefits ISF.

A positive expenditure variance of \$1.2 million is due to \$1.8 million in Services & Supplies which consists of \$0.3 million in workers compensation excess insurance premium and \$1.5 million from lower than anticipated workers compensation costs related to pre-employment medical screening and information technology, partially offset by a negative variance of \$0.6 million in Other Charges due to updated actuarial estimates of long-term liability.

A positive revenue variance of \$0.1 million is due to a positive variance of \$1.6 million in Miscellaneous Revenues due to unanticipated reimbursement from Public Risk Innovation, Solution, and Management (PRISM) related to COVID claims, partially offset by a negative variance of \$1.5 million in Charges for Current Services due to lower than anticipated workers compensation costs.

GENERAL PURPOSE REVENUE & GENERAL COUNTY EXPENSES

A positive variance of \$34.6 million is projected in General Purpose Revenue (GPR) primarily in:

- \$10.8 million – Redevelopment Successor Agency
- \$9.0 million - Current Secured Property Taxes
- \$7.4 million – Sales & Use Tax
- \$3.2 million – State Motor Vehicle In-lieu Tax
- \$2.7 million – Teeter Tax Reserve Excess
- \$2.0 million – Real Property Transfer Tax
- \$1.7 million – A-87 Cost Allocation
- \$1.7 million – Transit Occupancy Tax
- \$1.4 million – Aircraft Unsecured Tax
- \$0.9 million – Other Miscellaneous
- \$0.5 million – Current Unsecured Property Taxes
- \$0.4 million – Flex-Plan Forfeitures
- (\$0.5 million) – State Aid – Homeowners Property Tax Relief (HOPTR)
- (\$6.6 million) – Interest on Deposit & Investment

GPR projections have increased from \$5.6 million in First Quarter to \$34.6 million in Second Quarter primarily due to higher than budget in pass-through distributions and residual balance estimates in Aid from Redevelopment Successor Agencies resulting from higher incremental assessed valuation growth. Current Secured Property Taxes is also projected to be higher than budget as a result of higher assessed value growth in State Unitary Tax collected from large multi-state utility companies. State Unitary Tax was held flat in the First Quarter because the underlying data was not yet available to provide a reliable estimate. As data became available, it indicated stronger growth than previously assumed. Another driver is due to continued growth in Sales & Use Taxes from allocation in business-industry fulfillment centers which also drives a steady growth in the countywide use tax pool for the County. The Second Quarter projection also includes unanticipated higher State Motor Vehicle In-lieu Tax which comes from “Allocation of Vehicle License Fee Collection in Excess” refers to extra Vehicle License Fee (VLF) revenue that was collected above a baseline amount set by the State.

However, \$2.5 million will be transferred to the Office of Emergency Services to fund the procurement of infrastructure mapping of the unincorporated area’s most vulnerable infrastructure, resulting in an adjusted GPR projection of \$32.1 million. This is primarily in State Motor Vehicle In-Lieu Tax, reducing it to \$0.7 million.

A positive variance of \$0.8 million is projected in General County Expenses primarily in:

- \$0.8 million – Countywide General Expenses

General Purpose Revenue

The County's General Purpose Revenue is directly influenced by the economy. For Fiscal Year 2025-26, the economic indicators and trends used for projection are summarized below followed by a discussion on significant revenue account variances from budget:

- San Diego's monthly unemployment preliminary rate of 4.6% in November 2025 is up from 4.5% the year-ago. In comparison, this is below the unemployment rate of 5.4% for California and a little above 4.3% for the nation during the same period.
- During the 2nd Quarter of 2025-26, unadjusted local point of sales tax revenue decreased by -21.38% in the unincorporated area due to removal of one-time adjustments and corrections but increased by 3.80% in the San Diego regional level, 4.70% in the Southern California Region and 4.46% in the statewide level, compared to the same time period last year.
- There are positive and negative indicators in the housing market in the County.
 - Median housing prices for Single Family Homes (up 1.5%) and for Existing Attached Homes (down 0.4%) for October-December 2025 average compared to the same time period last year.
 - Notices of Default higher by 16% in January-December 2025 compared to the same period in 2024.
 - Foreclosure activity lower by 9% in January-December 2025 compared to the same period in 2024.

Current Property Taxes All Categories

The four categories of Current Property Taxes (i.e., Property Taxes Current Secured, Property Taxes Current Supplemental, Property Taxes Unsecured, and Property Taxes Current Unsecured Supplemental) combined are estimated to show a net positive variance to budget of \$9.5 million.

- *Property Taxes Current Secured*

Current Secured Property Taxes are projected to be \$9.0 million higher than budget primarily due to factoring in anticipated assessed value (AV) growth once the roll was closed.

The current secured property taxes had an actual assessed value (AV) growth of 4.89% (gross less regular exemptions). (Note: The 4.89% increase represents the change in the assessed value for only the secured roll. This is lower than the countywide overall increase published by the Assessor/Recorder/County Clerk of 4.95%, which includes all assessed value components, secured and unsecured.)

- *Property Taxes - Current Unsecured*

Current Unsecured Property Taxes are projected to be \$1.3 million higher than budget due to projected higher revenue based on prior year receipts. However, \$0.8 million was appropriated in Q1 to provide funding for one-time needs, which will result in an adjusted projection of \$0.5 million. 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.

- *Property Taxes Current Supplemental*

No projected variance in Property Taxes Current Supplemental.

Taxes Other Than Current Secured

Taxes Other Than Current Secured are anticipated to be \$15.2 million above budget.

- *Property Tax Prior Unsecured*

Property Tax Prior Unsecured are projected to be \$0.2 million higher than budget based on year-to-date current year actuals going higher than expected.

- *Property Tax Prior Year Unsecured Supplemental*

Property Tax Prior Year Unsecured Supplemental are projected to be \$0.1 million higher than budget based on year-to-date current year actuals going higher than expected.

- *Sales & Use Taxes*

Sales & Use Taxes are projected to be \$7.4 million higher than budget. This projection assumes steady allocation from business-industry fulfillment centers and modest growth from countywide use tax pools largely due to continued strength in online sales.

- *Aircraft Unsecured Tax*

Other Tax Aircraft is projected to be \$1.4 million higher than budget based on year-to-date current year actuals going higher than expected.

- *Transient Occupancy Tax*

Transient Occupancy Tax is projected to be \$1.7 million higher than budget. This is based on prior year receipts and continued growth in the hotel industry and tourism as a whole.

- *Documentary Transfer Taxes*

Documentary Transfer Taxes are projected to be \$2.0 million higher than budget due to projected home prices remaining high with projection of a slight increase in sales volume.

- *Property Tax in Lieu of Vehicle License Fees*

Property Tax in Lieu of Vehicle License Fees (VLF) are projected to be \$0.4 million lower than budget due to lower than budgeted growth in assessed valuation.

- *Cannabis Tax*

Cannabis Tax are projected to be \$0.3 million higher than budget based on year-to-date current year actuals going higher than expected.

- *Teeter Tax Reserve Excess*

Teeter Tax Reserve Excess is projected to be \$2.7 million higher than budget. This is based on returned excess Teeter Tax Reserve requirement, current penalty and interest collections and available data on the outstanding receivables and projections through the end of the fiscal year.

- *Teeter Property Tax Prior Year and Cumulative Prior Years*

Teeter Property Tax Prior Year and Cumulative Prior Years are projected to be \$0.2 million lower than budget. The decrease is based on a lower collection of receivables from prior fiscal year.

Licenses, Permits, and Franchises

Licenses, Permits and Franchises are projected to be \$0.1 million lower than budget due to lower-than-expected payments from Franchise Fees.

Revenue from Use of Money & Property

Revenue from Use of Money & Property are projected to be \$6.6 million lower than budget. The decrease is due to a lower projected average daily cash balance than what was budgeted which was used to calculate the interest revenue.

Intergovernmental Revenues

Intergovernmental Revenues are projected to be \$13.5 million higher than budget primarily due to pass-through distributions and residual balance estimates in Aid from Redevelopment Successor Agencies (\$10.8 million) and in State Motor Vehicle In-lieu (\$3.2 million), offset by lower than budget in State Aid for Homeowners Property Tax Relief (HOPTR) (\$0.5 million). The pass-through distributions continue to increase due to

continued growth in the project areas. In addition, residual balance estimates tied to Redevelopment Successor Agencies continue to increase. However, \$2.5 million will be transferred to the Office of Emergency Services to fund the procurement of infrastructure mapping of the unincorporated area's most vulnerable infrastructure, resulting in an adjusted higher Intergovernmental Revenue of \$11 million as described above.

Charges for Current Services

Charges for Current Services are projected to be \$1.7 million higher than budget due to higher-than-expected revenues received in A-87 Cost Allocation Plan.

Miscellaneous Revenues

Miscellaneous Revenues are projected to be \$1.3 million higher than budget due to closure of Flex Forfeitures Trust Funds (\$0.4 million) and one-time unanticipated Port Payment for the Chula Vista Bayfront Project (\$0.9 million).

General County Expenses

Countywide General Expense

A positive variance of \$0.8 million is projected in Countywide General Expense.

No significant expenditure variance is projected.

A positive revenue variance of \$0.8 million is projected in Miscellaneous Revenues due to reimbursement from the Small Business Loan Program and various miscellaneous revenues.

Capital Program Funds

Edgemoor Development Fund

A positive variance of \$0.5 million is projected in the Edgemoor Development Fund.

No significant expenditure variance is projected.

A positive revenue variance of \$0.5 million is projected. This includes a positive variance of \$0.6 million in Other Financing Sources based on the latest revenue projection related to sale of fixed assets, offset by lower than anticipated revenue of \$0.1 million in Intergovernmental Revenue tied to Senate Bill 1128 Medi-Cal based on the latest FY22-23 audit report data.