

**COUNTY OF SAN DIEGO**  
**NOTES TO SCHEDULES A and B**  
**Fiscal Year 2021-22 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.

*Variance Reporting*

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

**PUBLIC SAFETY GROUP**

**General Fund**

*Child Support*

A positive variance of \$1.6 million is projected for the Department of Child Support Services.

A positive expenditure variance of \$0.4 million is projected. A positive variance of \$0.2 million in Salaries & Benefits is due to vacant and modified positions, \$2.8 million in Services & Supplies primarily due to lower than anticipated expenses in various accounts supporting operations, such as information technology services, \$0.2 million in Capital Assets Equipment due to delayed vehicle purchases, offset by a negative variance of \$2.8 million in Expenditure Transfer & Reimbursements due to lower than anticipated expenditures in the Bureau of Public Assistance Investigations for services reimbursed by Health and Human Services Agency.

A positive revenue variance of \$1.2 million is projected in Intergovernmental Revenues due to higher than anticipated State and federal reimbursement for the child support program which includes the reimbursement of indirect costs/A-87 Costs.

*District Attorney*

A positive variance of \$3.5 million is projected for the District Attorney's Office.

A positive expenditure variance of \$3.5 million is projected in Salaries & Benefits due to normal attrition, vacant and modified positions.

No revenue variance is projected.

*Probation*

A positive variance of \$4.0 million is projected for the Probation Department.

A positive expenditure variance of \$9.4 million is projected. A positive variance of \$3.2 million is projected in Salaries & Benefits primarily due to vacant positions. A positive variance of \$6.2 million is projected in Services & Supplies due to lower than anticipated use of contracted services resulting from programs slowly returning to pre-pandemic levels and lower than anticipated information technology expenditures.

A negative revenue variance of \$5.4 million is projected in Intergovernmental Revenues primarily for federal and State reimbursements due to a decrease in the number of youths under supervision and lower reimbursements from the Community Corrections Subaccount, post-release community supervision program, and Juvenile Justice Crime Prevention Act-funded programs based on lower costs describe above.

*Sheriff*

A positive variance of \$8.1 million is projected for the Sheriff's Department.

A positive expenditure variance of \$9.6 million is projected. A positive variance of \$8.1 million in Salaries & Benefits is projected due to vacancies, attrition, and under-filled positions. A positive variance of \$1.1 million is projected in Services & Supplies primarily for one-time Regional Communication System (RCS) site relocations/development costs due to project timeline changes and lower than anticipated costs in Food and Household Expense offset by higher than anticipated costs for fuel and materials and supplies related to the COVID-19 pandemic. A positive variance of \$0.4 million is projected in Capital Assets Equipment due to a one-time project for the Cal-ID program that will be rebudgeted in the Fiscal Year 2022-23 CAO Recommended Operational Plan.

A negative revenue variance of \$1.5 million is projected. A negative variance of \$6.0 million is projected in Charges For Current Services primarily from the over accrual in Trial Court Security Subaccount from prior year and lower than anticipated jail bed leasing, defendant booking fees and civil service process fees. A negative variance of \$1.2 million is projected in Miscellaneous Revenues primarily due to RCS site relocation/development project timeline changes and lower than anticipated revenue for reimbursement of costs associated with the Unsheltered Feeding Program. A negative

variance of \$0.9 million is projected in Fines, Forfeitures & Penalties due to lower than anticipated costs for the Cal-ID program. A negative variance of \$0.2 million is projected in Other Financing Sources due to a decrease in transfers from the Jail Commissary Enterprise Fund associated with vacant positions. These negative variances are partially offset by a positive variance of \$6.8 million in Intergovernmental Revenues due to unanticipated revenue from the CA Department of Corrections and Rehabilitation for inmate housing costs during a pause in jail intake at state facilities in response to the COVID-19 pandemic, for backfill for criminal admin fees and ARPA reimbursement, offset by lower than anticipated Community Corrections Sub-Account funding and fee revenue for inmate confinement records.

## **Special Revenue Funds**

### *Sheriff's Asset Forfeiture Program*

A positive variance of \$1.4 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 \$1.4 million is projected. A \$1.3 million positive variance in Intergovernmental Revenues due to increased asset forfeiture from US Department of Justice and US Treasury Department seizures and \$0.1 million in Fines, Forfeitures & Penalties based on increased asset forfeiture from State seizures.

### *Sheriff's Inmate Welfare Fund*

A positive variance of \$1.2 million is projected for the Inmate Welfare Fund.

A positive expenditure variance of \$2.6 million is projected in Services & Supplies primarily due to the impact of the COVID-19 pandemic in professional and specialized services associated with contracts for educational services resulting from cancelled classes, and lower than anticipated expenditure needs associated with suspended activities and programs.

A negative revenue variance of \$1.4 million is projected. The negative variance of \$1.6 million in Other Financing Sources is due to a decrease in the operating transfers from the Sheriff's Jail Commissary Enterprise Fund for proceeds generated by Commissary sales partially offset by a positive variance of \$0.2 million in over-realized revenue in Revenue From Use of Money & Property.

### *Proposition 172*

Proposition 172 (Prop 172) Special Revenue Fund has a positive variance of \$52.4 million.

No expenditure variance is projected.

A positive revenue variance of \$52.4 million is projected in Intergovernmental Revenues due to higher sales tax receipts in the current fiscal year and under-accrual in the prior fiscal year.

Prop 172 was approved by California voters in 1993 to create a permanent one-half cent sales tax for public safety purposes and was intended to provide funding sources to qualifying public safety programs

## **Enterprise Fund**

### *Sheriff's Jail Commissary Enterprise Fund*

There is no overall variance projected for the Sheriff's Jail Commissary Enterprise Fund.

A positive expenditure variance of \$2.3 million is projected. A positive variance of \$0.5 million in Services & Supplies is primarily due to savings in purchase of commissary items from a pause in commissary operations due to COVID-19 pandemic. A positive variance of \$1.8 million is in Operating Transfers Out to the Inmate Welfare Fund due to a decrease in the transfer of commissary proceeds from lower-than-expected revenues, and lower amounts transferred to the General Fund due to vacant positions.

A negative revenue variance of \$2.3 million is projected in Miscellaneous Revenues due to decreases in projected commissary sales resulting from a decreased population due to the continuation of a revised bail schedule in response to the pandemic and pause in commissary operations due to the COVID-19 pandemic.

## HEALTH AND HUMAN SERVICES AGENCY (HHSA)

### General Fund

#### *Administrative Support*

Administrative Support consists of the following: Agency Executive Office, Agency Contract Support, Financial & Support Services Division, Human Resources, Management Information Support, First Five Commission, and Office of Military & Veterans Affairs.

An overall positive variance of \$0.4 million is projected for Administrative Support.

A positive expenditure variance of \$0.9 million is projected and includes a positive variance of \$0.5 million in Salaries & Benefits primarily due to lower than anticipated cost associated with the Board approved one-time hazard pay and \$0.4 million in Services & Supplies primarily due to a reduction in IT costs.

A negative revenue variance of \$0.5 million is projected and includes \$0.9 million in Intergovernmental Revenues partially offset by \$0.4 million in Charges for Current Services tied to additional funding for indirect costs from First 5 San Diego. The \$0.9 million negative variance in Intergovernmental Revenues includes \$0.5 million in lower federal administrative revenue to align with anticipated spending and \$0.4 million in decreased federal stimulus funds to align with projected hazard pay costs referenced above.

#### *Aging & Independence Services*

An overall positive variance of \$2.0 million is projected for Aging & Independence Services.

A positive expenditure variance of \$1.6 million is projected and includes a positive variance of \$0.5 million in Salaries & Benefits due to attrition and vacant positions, a negative variance of \$0.8 million in Services & Supplies, and a positive variance of \$1.9 million savings in Operating Transfers Out due to reduced funding needs for the In-Home Supportive Services (IHSS) Public Authority related to anticipated operational savings in the program with no impact to services. The \$0.8 million negative variance in Services & Supplies is associated with \$2.2 million primarily tied to the increase for home delivered meals partially offset by \$1.4 million savings in various operating costs including reductions in IT costs, travel, and security guard services.

A positive revenue variance of \$0.4 million is projected in Intergovernmental Revenues consisting of a \$3.6 million increase primarily tied to Older Americans Act (OAA) revenues to align to updated program allocations, partially offset by a \$3.2 million decrease primarily to align with the reduced expenditures in the IHSS Public Authority program.

### *Behavioral Health Services*

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

An overall positive variance of \$29.6 million is projected for Behavioral Health Services (BHS). In the Adopted Budget, \$29.5 million of one-time fund balance was budgeted to bridge mental health and alcohol and drug program services for a year while realignment revenues recovered, which is no longer anticipated to be needed.

A positive expenditure variance of \$33.2 million is projected and include a positive variance of \$11.7 million in Salaries & Benefits due to attrition and vacant positions, a positive variance of \$20.0 million in Services & Supplies, and a positive variance of \$1.5 million in Expense Transfers & Reimbursements mainly associated with costs provided through various Memorandums of Understanding (MOU) to the Probation Department. The positive variance of \$20.0 million in Services & Supplies includes \$25.0 million primarily in contracted services associated with various mental health and alcohol and drug treatment programs to align with updated procurement timeframes and projected service level trends offset by a negative variance of \$5.0 million in temporary staffing costs largely due to increased need at the SDCPH.

A negative revenue variance of \$3.6 million is projected and includes a negative variance of \$4.5 million in Intergovernmental Revenue partially offset by a positive variance of \$0.8 million in Charges for Current Services primarily tied to unanticipated County Care Coordination revenue for mental health programs and \$0.1 million in Miscellaneous Revenue tied to services at Edgemoor. The \$4.5 million negative variance in Intergovernmental Revenue is mainly due to lower State and federal funding for behavioral health programs to align with anticipated expenditures.

### *County Child Welfare Services*

An overall positive variance of \$0.7 million is projected for County Child Welfare Services (CWS).

A positive expenditure variance of \$10.3 million is projected and includes a positive variance of \$4.9 million in Salaries & Benefits due to attrition and vacant positions, a negative variance of \$6.8 million in Services & Supplies, and a positive variance of \$12.2 million in Other Charges. The positive variance in Other Charges includes a transfer of \$6.7 million in contracted costs to Services & Supplies and a reduction of \$5.5 million to align with projected caseloads in foster care assistance and adoption assistance programs. The negative variance of \$6.8 million in Services & Supplies is driven by the transfer of costs from Other Charges noted above and an increase in temporary staff to meet needs at Polinsky Children's Center for high acuity youth with medical needs and to meet Community Care Licensing (CCL) requirements, partially offset by contracted savings primarily tied to transitional housing programs due to the temporary moratorium on youth aging out of foster care during the pandemic.

A negative revenue variance of \$9.6 million is projected and includes a negative variance of \$8.8 million in Intergovernmental Revenues, \$0.5 million in Charges for Current Services to align with anticipated reimbursement from birth certificate fees and adoption fees, \$0.2 million in Use of Money and Property to align revenue collection trends for the use of the San Pasqual Academy property, and \$0.1 million in Miscellaneous Revenue primarily to align with collections of prior year adjustments from contractors. The negative variance of \$8.8 million in Intergovernmental Revenues is primarily tied to aligning federal and State revenue to updated caseload projections and Salaries & Benefits projections noted above.

#### *Housing & Community Development Services*

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

No overall variance is projected for Housing & Community Development Services (HCDS).

A positive expenditure variance of \$1.0 million is projected and includes a positive variance of \$0.5 million in Services & Supplies and \$0.5 million in Other Charges primarily tied to multi-year projects due to a revised funding allocation for the HOME and HOPWA Homeless Tenant Based Rental Assistance (TBRA) programs. The positive variance of \$0.5 million in Services & Supplies consists of \$0.9 million mainly tied to savings in programs addressing homelessness in the unincorporated area due to a longer than anticipated timeline to get clients housing ready and \$0.4 million mainly in multi-year projects due to implementation overlap across fiscal years, partially offset by a negative variance of \$0.8 million primarily due to the increase in loan disbursement tied to the Innovative Housing Trust Fund (IHTF) initiative to increase affordable housing opportunities.

A negative revenue variance of \$1.0 million includes a negative variance of \$1.8 million in Intergovernmental Revenues mainly associated with federal and State revenue to align with anticipated spending noted above offset by a positive variance of \$0.8 million in Miscellaneous Revenues primarily to align with the anticipated loan disbursement for the IHTF.

#### *Public Health Services*

An overall negative variance of \$34.5 million is projected for Public Health Services (PHS).

A positive expenditure variance of \$25.8 million is projected and includes a positive variance of \$0.1 million in Salaries & Benefits due to attrition and vacant positions, and a positive variance of \$25.7 million in Services & Supplies primarily to align with projected spending and lower than anticipated utilization of contracted services associated with COVID-19 response activities.

A negative revenue variance of \$60.3 million is projected and includes a negative variance of \$53.7 million in Intergovernmental Revenue, \$6.9 million in Charges for Current Services tied to Intergovernmental Transfer Agreement (IGT) revenue to align with anticipated spending partially offset by a \$0.3 million positive variance in Miscellaneous Revenues based on anticipated grant allocation to support COVID-19 surveillance. The negative variance of \$53.7 million in Intergovernmental Revenue is primarily to align COVID-19 emergency response funding with projected costs and reflect Federal Emergency Management Agency (FEMA) revenue deferrals anticipated to be received after December 2022.

#### *Self-Sufficiency Services*

An overall positive variance of \$2.3 million is projected for Self-Sufficiency Services (SSS).

A positive expenditure variance of \$17.9 million is projected and includes a positive variance of \$7.8 million in Salaries and Benefits due to attrition and vacant positions, a negative variance of \$2.7 million in Services and Supplies primarily driven by an allocation increase to support housing support program offset with a positive variance of \$12.8 million in Other Charges. The positive variance of \$12.8 million in Other Charges includes \$10.1 million primarily in the California Work Opportunity and Responsibility to Kids (CalWORKs) and \$2.7 million in General Relief program based on revised estimates of caseload levels and growth trends.

A negative revenue variance of \$15.6 million is projected and consists of a negative variance of \$16.6 million in Intergovernmental Revenue partially offset by \$1.0 million in Miscellaneous Revenue due to the recoupment of payments in contracted services from prior year adjustments. The negative variance of \$16.6 million in Intergovernmental Revenue consists of \$8.6 million mainly in CalWORKs revenue associated with revised caseload projections, and \$8.0 million in Social Services Administrative Revenue primarily tied to savings in Salaries and Benefits noted above and to align with revised allocation.

#### *Homeless Solutions and Equitable Communities*

Homeless Solutions and Equitable Communities consists of the following: Office of Homeless Solutions and Equitable Communities Administration (HSEC Admin), Office of Homelessness Solutions (OHS), Office of Equitable Communities (OEQC), Office of Immigrant and Refugee Affairs (OIRA) and Office of Strategy and Innovation (OSI).

An overall positive variance of \$0.6 million is projected for Homeless Solutions and Equitable Communities (HSEC).

A positive expenditure variance of \$1.7 million is projected and includes a positive variance of \$2.5 million in Salaries & Benefits due to attrition and vacant positions partially offset by the negative variance of \$0.8 million in Services & Supplies. The negative variance of \$0.8 million in Services & Supplies includes \$1.7 million primarily due to the expansion of various Community Action Partnership program contracts



associated with increased funding partially offset by \$0.9 million in the Whole Person Wellness (WPW) pilot program due to lower than expected program participants.

A negative revenue variance of \$1.1 million is projected and includes \$0.5 million in Charges for Current Services primarily tied to Intergovernmental Transfer Agreement (IGT) revenue for savings in the WPW program noted above, \$0.4 million in Intergovernmental Revenue and \$0.2 million in Licenses Permits & Franchises revenues to align with projected marriage license fees. The negative Intergovernmental Revenue of \$0.4 million consists of \$2.6 million in Realignment Revenue associated with savings in Salaries & Benefits and the WPW program noted above offset by \$2.2 million positive variance in state and federal funding to align with projected expenditure.

## **LAND USE AND ENVIRONMENT GROUP**

### **General Fund**

#### *Environmental Health and Quality*

A positive variance of \$0.7 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 \$2.4 million in Salaries & Benefits is due to vacancies and under-filled positions. A positive variance of \$0.6 million in Services & Supplies is related to reduced travel and supply purchases impacted by the COVID-19 pandemic, delayed Vector Habitat Remediation Projects and cancelled major maintenance projects.

A negative revenue variance of \$2.3 million is projected. A negative variance of \$1.7 million in Charges for Current Services includes \$1.2 million less trust fund reimbursement for Vector and Hazardous Materials Division due to expenditure savings mentioned above, \$0.4 million less revenue in various Internal Agreements and \$0.1 million fewer service requests by property owners. A negative variance of \$1.3 million in Intergovernmental Revenues is mostly due to less fee waivers and fee revenue funded by the American Rescue Plan Act (ARPA), and a \$0.2 million in Fines and Forfeitures & Penalties is due to late fee deferrals. This is partially offset by a positive variance of \$0.9 million in Licenses, Permits, and Franchises mostly due to Food and Housing Division prior year permit fees paid.

#### *Planning & Development Services*

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

A positive expenditure variance of \$2.0 million is projected. A positive variance of \$1.9 million in Salaries & Benefits is projected due to staff vacancies and under-filled positions and less than anticipated spending related to COVID-19 response. A positive variance of \$0.1 million in Services & Supplies is projected primarily due to savings in one time only information technology projects.

A negative revenue variance of \$2.0 million is projected. A negative variance of \$0.4 million in Intergovernmental Revenue is due to reduced reimbursements related to COVID-19 response and \$6.5 million in Charges for Current Services is projected due to a decline in billable activities for land development projects because of staff vacancies, which is partially offset by a positive variance of \$4.9 million in Licenses, Permits and Franchises due to higher than anticipated building permit applications.

#### *Public Works – General Fund*

No significant variance is projected for the Department of Public Works General Fund.

A positive expenditure variance of \$1.1 million is projected. A positive variance of \$0.8 million in Salaries & Benefits is due to staff vacancies and underfilled positions. A positive variance of \$0.3 million is projected in Services & Supplies due to lower than anticipated need for contract support for stormwater inspections.

A negative revenue variance of \$1.1 million is projected. A negative variance of \$0.3 million in Intergovernmental Revenue is due to less than anticipated reimbursement from Regional Watershed Co-permittees. A negative variance of \$0.8 million is projected in Charges for Current Services mostly due to vacancies mentioned above.

## **Special Revenue Funds**

### *Public Works - Road Fund*

A positive variance of \$13.5 million is projected for the Department of Public Works Road Fund.

A positive expenditure variance of \$6.5 million is projected. Savings of \$6.1 million in Salaries & Benefits is due to staff vacancies and under-filled positions. A positive variance of \$0.4 million in Services & Supplies is due to savings in safety clothing, radios, and cell phones due to vacant positions (\$0.2 million), lower than anticipated expenditures in training and transportation (\$0.1 million) and completion of prior year carryforward projects (\$0.1 million).

A positive revenue variance of \$7.0 million is projected. A positive revenue variance of \$7.7 million is projected in Intergovernmental Revenues mostly due to the State's revision of Highway User Tax Account (HUTA) and Road Maintenance Rehabilitation Account (RMRA) allocations. This is partially offset by a negative revenue variance of \$0.3 million in Taxes Other than Current Secured due to TransNet project schedule revisions, and a negative revenue variance of \$0.4 million in Charges for Current Services due to schedule revisions for Sanitation District projects (\$0.1 million) and Watershed Protection Program projects (\$0.1 million), reduced funding for Airports projects (\$0.1 million), and reduced interdepartmental revenue due to staff vacancies (\$0.1 million).

### *Public Works – Inactive Waste Site Management Fund*

No variance is projected for Inactive Waste Site Management Fund.

A positive expenditure variance of \$0.8 million is projected. A positive variance of \$0.1 million is projected in Salaries & Benefits due to staff vacancies. A positive variance of \$0.7 million in Services & Supplies is due to the delay of San Pasqual burnsite clean closure projects.

A negative revenue variance \$0.8 million is projected. A negative variance of \$1.1 million is projected in Charges for Current Services mostly due to the delay of the San Pasqual burnsite clean closure projects, partially offset by a positive variance of \$0.3 million in Intergovernmental Revenue is due to prior year claims being paid this fiscal year.

*Public Works - Waste Planning & Recycling*

A positive variance of \$0.8 million is projected in Waste Planning and Recycling Fund.

A positive expenditure variance of \$0.8 million is projected. A positive variance of \$0.6 million in Salaries & Benefits is due to staff vacancies. A positive variance of \$0.2 million is projected in Services & Supplies due to lower than anticipated recycling events.

No significant revenue variance is projected.

*Park Land Dedication Ordinance*

A positive variance of \$1.7 million is projected for the Park Land Dedication Ordinance.

No significant expenditure variance is projected.

A positive revenue variance of \$1.7 million is projected in Licenses, Permits, & Franchises due to unanticipated increased levels of land development activity resulting in additional revenue from Park Land Dedication fees.

*San Diego County Library*

A positive variance of \$0.9 million is projected for the San Diego County Library.

A positive expenditure variance of \$1.0 million is projected. This variance is a result of projected savings of \$0.6 million in Salaries & Benefits due to staff vacancies. A positive variance \$0.4 million in Services & Supplies is due to savings in IT related costs.

A negative revenue variance of \$0.1 million is projected in Charges for Current Services due to less than expected demand for public printing and other Library services.

**Special District Funds**

*Public Works – Permanent Roads Divisions*

A positive variance of \$4.9 million is projected for the Department of Public Works Permanent Road Divisions.

A positive expenditure variance of \$4.7 million is projected in Services & Supplies mostly due to lower than anticipated contracted services for emergency work.

A positive revenue variance of \$0.2 million is projected in Service to Property Owners mostly due to an increased rate on tax bills.

*Public Works - San Diego County Sanitation District*

A positive variance of \$1.4 million is projected.

A positive expenditure variance of \$1.4 million in Services & Supplies is mostly due to vacancies in Wastewater Management Enterprise Management Fund that provides support and staffing to Sanitation District.

No significant revenue variance is projected

*Public Works - Street Lighting District*

A positive variance of \$0.7 million is projected for the Department of Public Works Street Lighting District.

A positive expenditure variance of \$0.7 million is projected in Services & Supplies mostly due to lower than anticipated costs for as needed contracts (\$0.6 million) and lower utility cost (\$0.1 million) due to the use of LED lights.

No significant revenue variance is projected.

**Internal Service Funds**

*Public Works – Equipment Internal Service Funds*

A positive variance of \$3.8 million is projected in the Department of Public Works Internal Service Funds (ISF).

A positive expenditure variance of \$3.7 million is projected. A positive variance of \$3.7 million in Capital Assets Equipment is due to the capitalization of assets.

A positive revenue variance of \$0.1 million is projected. A positive variance of \$0.1 million in Other Financing Sources is mostly due to unanticipated gain on the sale of fixed assets.

**Enterprise Funds**

*Public Works - Airport Enterprise Fund*

A positive variance of \$2.4 million is projected in the Airport Enterprise Fund.

A positive expenditure variance of \$4.0 million is projected. Savings of \$0.6 million is projected in Salaries & Benefits due to staff vacancies and savings of \$3.4 million in Capital Assets/Land Acquisition is due to the cancellation of Cajon Air Center (CAC) Taxiway project (\$3.1 million) and the prior year completion of CAC Drainage project at Gillespie Airport (\$0.3 million).

A negative revenue variance of \$1.6 million is projected in Intergovernmental Revenue due to the cancellation of CAC Taxiway project and revenue from State Aid for Aviation already realized during prior year for completed CAC Drainage project.

*Public Works – Wastewater Management Enterprise Fund*

No variance is projected for Wastewater Management Enterprise Fund.

A positive expenditure variance of \$1.8 million is projected in Salaries & Benefits due to staff vacancies and under filled positions.

A negative revenue variance of \$1.8 million is projected in Charges for Current Services due to reduced work for maintenance in the San Diego County Sanitation District related to staff vacancies identified above.

## **FINANCE AND GENERAL GOVERNMENT GROUP**

### **General Fund**

#### *Assessor / Recorder / County Clerk*

An overall positive variance of \$0.2 million is projected for the Assessor/Recorder/County Clerk (ARCC).

A positive expenditure variance of \$0.5 million is projected due to positive variances of \$0.3 million in Salaries & Benefits due to vacancies and \$0.2 million in Services & Supplies associated with contracted services.

A negative revenue variance of \$0.3 million is projected due to negative variance of \$0.3 million in Intergovernmental Revenues related to less than anticipated ARPA revenue for COVID-19 response costs; negative variance of \$0.1 million in Charges for Current Services due to Recording Fee Modernization offset by positive variance in Filing Documents, Notary Public Fees, Recording Fees, Marriage Ceremonies, and Micrographics Fee; and offset by a positive variance of \$0.1 million in Licenses, Permits & Franchises due to higher than anticipated number of marriage licenses issued.

#### *Auditor & Controller*

An overall positive variance of \$0.6 million is projected for the Auditor & Controller.

A positive expenditure variance of \$1.2 million is projected primarily in Salaries & Benefits due to vacant and modified positions.

A negative revenue variance of \$0.6 million is projected primarily as a result of lower than anticipated Intergovernmental Revenue related to American Rescue Plan Act (ARPA) activities.

#### *Chief Administrative Office*

A positive variance of \$1.3 million is projected for the Chief Administrative Office.

A positive expenditure variance of \$1.3 million is projected, which includes \$1.0 million in Salaries & Benefits due to staffing vacancies associated with newly created departments and services to establish the County's resource needs for supporting these departments, and \$0.3 million in Services & Supplies due to anticipated savings related to the establishment of new departments.

No significant revenue variance is projected.

#### *County Counsel*

An overall positive variance of \$2.2 million is projected for the Office of County Counsel.

A positive expenditure variance of \$2.7 million is projected, including \$3.0 million in Salaries & Benefits due to staff attrition and departmental vacancies, offset by a negative

variance of \$0.3 million in Expenditure Transfer & Reimbursements due to less than anticipated staff costs for legal services provided to Health & Human Services Agency.

A negative revenue variance of \$0.5 million is projected in Charges for Current Services primarily due to a decrease in legal services on land development-related matters.

*Department of Human Resources*

A positive variance of \$2.6 million is projected for the Department of Human Resources.

A positive expenditure variance of \$0.1 million is projected in Salaries & Benefits due to normal attrition of staff and departmental vacancies.

A positive revenue variance of \$2.5 million is projected, which includes \$2.3 million in Intergovernmental Revenues due to unanticipated ARPA revenue for reimbursement of operational expenses related to the COVID-19 pandemic response, and \$0.2 million in Miscellaneous Revenue related to insurance premium refunds.

*Finance & General Government Group Executive Office*

A positive variance of \$0.8 million is projected for the Finance & General Government Group Executive Office.

A positive expenditure variance of \$0.5 million is projected, including \$0.2 million in Salaries & Benefits due to departmental vacancies, and \$0.3 million in Services & Supplies for lower than anticipated spending on information technology projects.

A positive revenue variance of \$0.3 million is projected in Revenue from Use of Money & Property due to over-realized revenue related to parking garage receipts.

*Office of Evaluation, Performance and Analytics*

No significant variance is projected for the Office of Evaluation, Performance and Analytics. In the event that departmental appropriations remain unspent at year-end, ARPA funds allocated for this department will be available for the subsequent fiscal year's operations.

***Internal Service Funds (ISF)***

*Purchasing and Contracting ISF*

A positive variance of \$2.0 million is projected for the Purchasing and Contracting ISF.

A positive expenditure variance of \$0.5 million is projected, which includes \$0.3 million in Salaries & Benefits attributed to managed vacancies and \$0.2 million in Services & Supplies due to delays in the online procurement system information technology project.

A positive revenue variance of \$1.5 million is projected in Charges for Current Services as a result of over-realized ISF revenue generated by client department contractual expenditures.



### *Facilities Management ISF*

An overall positive variance of \$1.1 million is projected for the Facilities Management ISF.

A positive expenditure variance of \$14.5 million is projected. A positive variance of \$1.0 million in Salaries & Benefits is due to normal attrition of staff and departmental vacancies, \$13.3 million in Services & Supplies primarily due to lower than anticipated pass-through expenses related to utilities, contracted services, and maintenance, and \$0.2 million in Other Charges due to lower than anticipated depreciation charges.

A negative revenue variance of \$13.4 million is projected. Anticipated negative variances include \$14.0 million in Charges for Current Services due to lower than anticipated reimbursement related to the expenditure savings mentioned above, \$0.1 million in Intergovernmental Revenues due to lower than anticipated reimbursement for utilities provided to external entities, and \$0.1 million in Miscellaneous Revenue due to less than anticipated revenue from the Energy Trust Fund, partially offset by a positive variance of \$0.8 million in Other Financing Sources due to an increase in Operating Transfers In from the Major Maintenance ISF related to higher than anticipated maintenance services.

### *Fleet Management ISF*

An overall positive variance of \$0.5 million is projected for the Fleet Management ISF.

A positive expenditure variance of \$6.5 million is projected. Anticipated positive variances include \$1.4 million in Salaries & Benefits due to normal attrition of staff and departmental vacancies, \$3.6 million in Services & Supplies due to anticipated savings in garage operations and support, and \$1.5 million in Other Charges due to lower than anticipated depreciation charges based on actual timing and value of vehicle and equipment replacement.

A negative revenue variance of \$6.0 million is projected primarily in Charges for Current Services due to lower than anticipated reimbursement associated with vacant positions, decreased revenue related to lower utilization of fleet services provided to client departments, and decreased expenditures for depreciation.

## **GENERAL PURPOSE REVENUE & COUNTYWIDE EXPENSES**

A positive variance of \$63.1 million is projected in General Purpose Revenue (GPR) primarily due to higher than anticipated assessed value (AV) growth (\$22.0 million), higher pass-through distributions and residual balance estimates from Redevelopment Successor Agencies (\$10.4 million) and other various GPR revenues (\$30.7 million). A positive variance of \$0.2 million is projected in General County Expenses.

### **General Purpose Revenue**

The County's General Purpose Revenue is directly influenced by the state of the economy. Employment showed gains in Trade, Transportation & Utilities, Information, Professional & Business Services, Educational & Health Services, Leisure & Hospitality, Other Services and Government; while Mining and Logging, and Manufacturing were flat; Construction and Financial Activities showed employment losses; overall employment showed a positive gain from December 2020 to December 2021. The region has continued to fare better than other California metros in terms of unemployment rate. Median home prices in San Diego for Single Family Homes were higher by 14.5% and for Existing Attached Homes by 20.7% in the second quarter of Fiscal Year 2021-22 compared to the same quarter last Fiscal Year. Per the Kiplinger Economic Forecasts (January 14, 2022), Gross Domestic Product (GDP) is expected to grow by 4.0% next year after rising 5.6% in 2021. The unemployment rate dropped to 3.9% in December suggesting that businesses will continue to have difficulties hiring this coming year. The drop in the unemployment rate should set the stage for the Federal Reserve to raise short-term interest rates this year. Fed Chair Jerome Powell has hinted that the Fed is worried about inflation and intends to do more to combat it. At its December 15 meeting, the Federal Reserve said that it will cut its monthly purchases of Treasuries and mortgage securities even faster which should end completely by March. The Fed is expected to raise short-term rates four times in 2022, with the first increase in March, then in June, September and December. Expect the 10-year yield to rise to 2.1% or more by the end of 2022. The rise in the 10-year rate will also increase the mortgage rates from the current average of 3.2% for 30-year fixed-rate loans to 3.7% by the end of 2022. Continuing strong price increases caused the inflation rate to hit 7% annually in December, the highest rate since 1981. New and used car and truck prices are still climbing due to high demand and shortage of computer chips. Food prices, clothing, personal services, and rent are all rising. COVID-19 infections are expected to slowdown in 2022 which is when supply chain issues should work themselves out. Drivers can expect a little bit of relief in gas prices due to oil and gasoline futures trading lower in tandem with stock markets. The S&P CoreLogic Case-Shiller National Home Price Index rose 19.1% in October from a year ago, down from 19.7% in the previous month. With inventories of existing homes still very low, house prices rose steadily in 2021. Housing demand is expected to slow down over the next few months. Mortgage rates have increased in recent weeks and will continue on that path in 2022, which should slow home-price growth further by raising monthly payments for home buyers. Retail sales are 8% above their prepandemic levels and is projected to continue its trend as shipping delays and supply constraints ease and COVID-19 infections expected to slow down.

The County's GPR related to property tax revenues improved, supported by the increase in assessed values. For Fiscal Year 2021-22, the economic indicators discussed previously and the trends summarized below, are followed by a discussion on significant revenue account variances from budget:

- San Diego's monthly unemployment rate fell to 4.2% in December 2021, down from 8.0% in December 2020. In comparison, this is below the state's rate of 5.0% in December 2021 and 9.1% in December 2020.
- Consumer spending, as measured by taxable sales, will increase mainly due to increase in consumer online spending. During the 2<sup>nd</sup> Quarter of 2021-22, unadjusted local point of sale tax revenue increased by 17.19% in the unincorporated area, in the Southern California Region by 19.39%, in the statewide level by 17.56% and in the San Diego regional level by 22.06% compared to the same time period last year.
- The positive indicators in the housing market continue in the County.
  - Increase in median housing prices for Single Family Homes (up 14.5%) and for Existing Attached Homes (up 20.7%) for the second quarter of Fiscal Year 2021-22 compared to the same time period last year.
  - Notices of Default for January-December 2021 were down 17% compared to the same period in 2020.
  - Foreclosure activity decreased 36% in January-December 2021 compared to the same period in 2020.

#### *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 \$15.5 million.

- *Property Taxes Current Secured*  
Current Secured Property Taxes are projected to be \$14.1 million higher than budget due primarily to higher than anticipated assessed value (AV) growth (\$7.0 million) and increase to prior year base revenue due to better than expected collection/lower delinquency rate (\$7.1 million).

The budgeted current secured property taxes assumed a local secured assessed value increase of 3.00%, but the actual assessed value (AV) increased by 4.02% (gross less regular exemptions). (Note: The 4.02% increase represents the change in the assessed value for only the secured roll. This is higher than the countywide overall increase published by the Assessor/Recorder/County Clerk on July 06, 2021 of 3.72%, which includes all assessed value components, secured and unsecured).

- *Property Taxes - Current Unsecured*  
Current Unsecured Property Taxes are projected to be \$1.4 million above budget due to higher than budgeted growth in assessed valuation, primarily driven by the

increase in the Consumer Price Index at 2.0%. 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 \$32.7 million above budget.

- *Property Tax Prior Secured Supplemental*  
No significant variance projected in Property Tax Prior Secured Supplemental.
- *Real Property Transfer Taxes*  
Real Property Transfer Taxes are projected to be \$12.6 million higher than budget. This is due to increase in home prices and/or number of sales that the transfer fee also increased.
- *Teeter Tax Reserve Excess*  
Teeter Tax Reserve Excess is projected to be \$2.9 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.
- *Sales & Use Taxes*  
Sales & Use Taxes are projected to be \$5.2 million higher than budget. This is mostly due to the faster than expected rebound of the economy. Since the lock down from COVID-19 has been lifted, Sales & Use Tax growth is staying strong and will continue throughout the year.
- *Transient Occupancy Tax*  
Transient Occupancy Tax is projected to be \$0.7 million higher than budget. This is based on current year actual receipts for first quarter and prior year average actual receipts for second, third and fourth quarter. The hotel industry has rebounded since the lock down from COVID-19 has been lifted.
- *Other Tax Aircraft*  
Other Tax Aircraft is projected to be \$0.6 million higher than budget based on prior year actual revenues received.
- *Property Tax in Lieu of Vehicle License Fees*  
Property Tax in Lieu of Vehicle License Fees (VLF) is projected to be \$7.4 million higher than budget due to higher than budgeted growth in assessed valuation (\$4.5 million) and increase to prior year base revenue due to better than expected collection/lower delinquency rate (\$2.9 million).

- *Teeter Property Tax Prior Year and Cumulative Prior Years*  
Teeter Property Tax Prior Year and Cumulative Prior Years are projected to be \$3.3 million higher than budget. The increase is based on a higher collection of receivables from prior fiscal year.

#### *Licenses, Permits, and Franchises*

Licenses, Permits and Franchises are projected to be \$0.4 million lower than budget due to lower-than-expected payments from Franchise Fees.

#### *Revenue from Use of Money & Property*

No projected variance in Revenue from Use of Money & Property.

#### *Fines, Forfeitures and Penalties*

Fines, Forfeitures and Penalties are projected to be \$4.2 million higher than budget due to higher than budgeted growth in assessed valuation. Revenues in this account reflect the 10% penalty that is assessed on late current secured and unsecured property tax payments.

#### *Intergovernmental Revenues*

Intergovernmental Revenues are projected to be \$10.6 million higher than budget due to pass-through distributions (\$1.0 million), residual balance estimates (\$9.4 million) in Aid from Redevelopment Successor Agencies, and higher than expected revenue from the Federal In-Lieu Tax (\$0.2 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.

#### *Charges for Current Services*

Charges for Current Services are projected to be \$0.6 million higher than budget due to higher-than-expected revenues received in A-87 Cost Allocation Plan.

#### *Miscellaneous Revenue*

No projected variance in Miscellaneous Revenue.

### **General County Expenses**

#### *Lease Payments – Bonds*

A positive variance of \$0.2 million is projected for the Lease Payments – Bonds Fund.

A positive expenditure variance of \$0.4 million is projected in Other Charges due to lower than anticipated principal and interest payments. The annual lease payments from the County are budgeted and paid for from this fund in an amount sufficient to satisfy the principal and interest payments due to the bondholders of the County's outstanding Certificates of Participation and Lease Revenue Bonds. Amounts invested in these interest-bearing trust accounts generate additional funds which can be used to offset payments to bondholders. The interest recognized is related to the outstanding debt for

the County Operations Center, Series 2016A and the Edgemoor Refunding, Series 2014A.

A negative revenue variance of \$0.2 million is projected in Other Financing Sources. The annual principal and interest payments for all outstanding County debt obligations are paid for from the General Fund on July 5th of every fiscal year. The revenue recognized in this account is received from the Edgemoor Capital Fund to reimburse the General Fund for its portion of the principal and interest payments due for the outstanding Edgemoor Refunding, Series 2014A. Since interest was generated in the interest-bearing trust funds and used to offset a portion of this fiscal year's principal and interest payments, the transfer to reimburse the General Fund must also be reduced.

### **Capital Program Funds**

#### *Edgemoor Development Fund*

There is zero variance projected for the Edgemoor Development Fund.

A positive expenditure variance of \$0.3 million is projected and includes a positive variance of \$0.2 million in Services & Supplies due to lower than anticipated Internal Service Fund and major maintenance expenditures and a positive variance of \$0.1 million in Operating Transfers Out due to lower than anticipated principal and interest payments. A portion of the cost of replacing Edgemoor Skilled Nursing Facility was funded by Certificates of Participation (COPs) in January 2005. These COPs are outstanding, and the monies used to fund the outstanding principal, interest and reserve requirement are deposited in interest-bearing trust accounts. The interest that is collected in these various accounts are used to offset payments to bondholders.

A negative revenue variance of \$0.3 million is projected. A negative variance of \$0.1 million is related to lower than anticipated interest earnings which are based on the average daily cash balances and a negative variance of \$0.2 million for Federal Other revenue related to medical assistance program.