COUNTY OF SAN DIEGO
GENERAL FUND VARIANCES
Fiscal Year 2024-25 3rd Quarter

GENERAL FUND EXPENDITURE VARIANCES

The projected lower than budgeted expenditures generating an overall positive expenditure variance of $156.8 million in the General Fund are primarily attributable to the following:

Salary & Benefits
$31.9 million in projected overall positive Salary & Benefits appropriation variance. As of April 16, 2025, the vacancy rate (including newly added positions) was 6.9% (1,407 of 20,478 positions).

Public Safety Group

In PSG, the projected overall positive expenditure variance of $3.6 million is due to attrition, vacancies and modified positions. A projected negative variance in Sheriff's Office will be mitigated by an adjustment that will provide $9.1 million in appropriations based on over-realized General Purpose Revenue and a projected negative variance in the Public Defender's Office will be partially mitigated by an adjustment that will provide $1.8 million in appropriations based on over-realized General Purpose Revenue. These shortfalls are attributed to increased operational costs that resulted in the reallocation of Salaries & Benefits appropriations during the development of the Fiscal Year 2024-25 Operational Plan. The vacancy savings did not materialize for these departments due to lower department vacancy rates so additional appropriations are needed to cover the reallocation of Salaries & Benefits. The increased operational costs in the Sheriff's Office and Public Defender's Office are proposed to be addressed with additional appropriations supported by overrealized revenue this fiscal year, and will be resolved with today's recommendations. Ongoing funding strategies for these costs have been identified, and will be included in the upcoming Fiscal Year 2025-26 CAO Recommended Operational Plan.

Health and Human Services Agency

In HHSA, the projected overall positive expenditure variance of $16.5 million is attributed to longer timeframes to hire staff, including hard to recruit classifications and vacancies due to attrition.

Land Use and Environment Group

In LUEG, the projected overall positive expenditure variance of $9.7 million is primarily due to vacancies and under-filled positions.

Finance and General Government Group

In FGG, the projected overall positive expenditure variance of $2.1 million is primarily unanticipated vacancies and staff attrition.

Services & Supplies
$97.1 million in projected positive appropriation variance in Services & Supplies across the County.

Public Safety Group

In PSG, projected overall positive expenditure variance of $6.6 million primarily in the Department of Child Support Services due to lower than anticipated expenses related to facility projects, information technology (IT), and contracted services, and in San Diego County Fire due to lower contracted services resulting from delays in obtaining Environmental Historical Preservation report approval from FEMA for Home Hardening projects.

Health and Human Services Agency

In HHSA, projected overall positive variance of $65.2 million in various departments. This consists of positive variances in:

- Behavioral Health Services (BHS) primarily due to 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;
- Public Health Services (PHS) primarily from procurement delays associated with identification and timing of lab equipment delivery, installation, and validation testing, IT project delays due to ongoing contract negotiations, lesser use of contracts in Immunizations program to align with projected spending with the grant resources and workplan, and in contracted temporary staffing costs associated with the demobilization of COVID-19 associated activities;
- Homeless Solutions and Equitable Communities (HSEC) tied to the Federal Emergency Management Agency Shelter and Services Program as the program was never developed due to changes in available funding; to align projected spending for CDC Community Health Worker Resilient grant, projected lower costs tied to the Community Services Block Grant (CSBG) Communities in Action program, and overall contract savings primarily tied to outreach, conflict resolution and refugee support services that were carried forward from the prior year; and tied to refugee services due to lower than projected eligible population;
- Aging & Independence Services (AIS) tied to lesser use in contracted services in Home Safe and California Department of Aging (CDA) programs and the roll out of Modernizing Older California Act (MOCA) programs over future fiscal years, an adjustment to align the budget to the anticipated In-Home Support Services (IHSS) Maintenance of Effort (MOE) for IHSS Individual Providers, and due to the phased

implementation needed to accommodate the increasing number of participants in the San Diego Veterans Independence Service at Any Age (SD-VISA) program;
- Child and Family Well-Being (CFWB) due to a variance from budget in various services and supplies tied to program operational need.

These are offset by negative variance in Self-Sufficiency Services (SSS) primarily due to increases in contracted services based on revised allocations for CalWORKs Housing Support Program due to California Department of Social Services redistribution of unspent prior year funding and in Housing & Community Development Services (HCDS) due to increased cost in the Inclement Weather Program that provides safe temporary housing to impacted individuals during inclement weather and in temporary staff helping to mitigate online application portal issues that would have impacted the opening of waitlists for three new Project Based Voucher developments.

Land Use and Environment Group

In LUEG, projected overall positive variance of $11.0 million primarily in the Department of Planning & Development Services (PDS) primarily due to schedule changes to one-time only IT projects and reduced consultant contract spending and delayed spending related to grants, in LUEG Executive Office due to grant project related to air purifier that will no longer be managed through the LUEG Executive Office and will be managed by the Air Pollution Control District, in Department of Environmental Health and Quality (DEHQ) due to a reduction in contract costs as a result of contracts not being awarded and a modified scope of work for a major maintenance project and in Department of Public Works due to less than anticipated Fleet ISF costs and road materials for Closed Landfills due to utilizing asphalt grindings at no cost.

Finance and General Government Group

In FGG, projected overall positive variance of $14.2 million primarily in Assessor/Recorder/County Clerk (ARCC) due to delay or cancellation of trust fund funded projects, in Registrar of Voters (ROV) due to delays associated with an IT project for a new voter registration system and lower than anticipated ballot printing costs, in Department of Human Resources (DHR) due to lower than anticipated costs for workers compensation services and cancellation of IT projects, in Office of County Counsel due to the cancellation of facilities-related and technology-related projects and in Board of Supervisors due to lower than anticipated one-time expenses.

Other Charges

A projected positive appropriation variance of $13.7 million in Other Charges primarily (HHSA) in SSS tied to Participant Benefits programs mainly in Child Care Stage 1 due to revised projected caseloads and in EBT Skimming mainly tied to estimated EBT Fraud payments, in CFWB largely due to slower-than-expected ramp-up of Complex Care projects and to align with the revised projected caseloads in assistance programs, and in Housing & Community Development Services (HCDS) primarily in HOME Tenant Based

Rental Assistance (TBRA) due to lower-than-anticipated referral and a gradual transition in enrolling newly eligible participants under the Transitional Aged Youth (TAY) program.

Capital Asset/Land Acquisition

$8.4 million budgeted for appropriations for contingency pursuant to Government Code §29084 is projected to be unspent at year-end in Capital Asset/ Land Acquisition.

Capital Assets Equipment

A projected positive appropriation variance of $6.0 million in Capital Assets Equipment in HHSA primarily in PHS associated with longer than anticipated delivery of equipment, and in FGG primarily in ARCC due to the replacement of the fire suppression system in the East County Office (ECO) Archives.

Expenditure Transfer & Reimbursements

A projected negative appropriation variance of $3.6 million in Expenditure Transfer & Reimbursements in FGG primarily in ROV due to delayed IT project, in DHR due to the cancellation of IT projects and in County Counsel due to less than anticipated reimbursements for staff costs in the health services area.

Operating Transfers Out

A projected positive appropriation variance of $3.2 million in Operating Transfers Out in Finance Other due to lower than anticipated expenses related to capital projects that are closed or being cancelled by the end of Fiscal Year 2024-25 and in HHSA primarily in AIS due to In-Home Support Services (IHSS) Public Authority increased fraud investigation and background checks tied to increased cases.

GENERAL FUND REVENUE VARIANCES

The projected under-realized revenue of $52.6 million includes positive variances totaling $36.6 million and negative variances of $140.8 million. In many instances, the negative revenue variances are directly associated with the positive expenditure variances described above, that is, the County does not receive the supporting revenue when a cost is not incurred.

*The projected **positive revenue variance** of $36.6 million is primarily attributable to the following categories:*

Taxes Other Than Current Secured

Taxes Other Than Current Secured are anticipated to be $34.9 million above budget, and of this amount, $10.9 million total will be appropriated in Sheriff's Office ($9.1 million) and in Public Defender's Office ($1.8 million), resulting in an adjusted projection of $24.0 million.

The amounts appropriated in the Sheriff's Office and the Public Defender's Office are due to increased costs that resulted in the reallocation of Salaries & Benefits appropriations during the development of the Fiscal Year 2024-25 Operational Plan. The vacancy savings did not materialize for these departments due to lower department vacancy rates. The increased operational costs in the Sheriff's Office and Public Defender's Office will be resolved with today's recommendations, supported by overrealized revenue. Ongoing funding strategies for these costs have been identified, and will be included in the upcoming Fiscal Year 2025-26 CAO Recommended Operational Plan.

The revenue variances in Taxes Other Than Current Secured are mainly in Sales and Use Taxes mostly boosted by a state audit correction made to recover previously misallocated revenues as well as significant increase in business-industry related revenue, in Property Tax in Lieu of Vehicle License Fees (VLF) due to higher than budgeted growth in assessed valuation, in Teeter Taxes based on a higher collection of receivables from prior fiscal year and projected returned excess Teeter Tax Reserve requirement, in Property Tax Prior Secured Supplemental due to the increase in supplemental billings compared to prior year, in Other Tax Aircraft, Property Tax Prior Secured and Property Tax Prior Year Unsecured Supplemental due to higher than budget based on year-to-date current year actuals going higher than expected, in Document Transfer Taxes due to projected home prices remaining high despite having projected lower sales volume and in Transient Occupancy Tax due to the continued growth in the hotel industry and tourism as a whole.

Taxes Current Property

Taxes Current Property ($6.7 million) primarily in Current Secured Property Taxes due to greater than anticipated assessed value growth and in Current Unsecured Property Taxes due to projected higher revenue based on prior year receipts.

Other Financing Sources

Other Financing Sources ($4.2 million) primarily due to the use of available Proposition 172 fund balance to offset lower projected receipts and to fund increased costs related to health care contracts.

Fines, Forfeitures & Penalties

Fines, Forfeitures & Penalties ($1.6 million) primarily due to higher than budget reflected from 10% penalty that is assessed on late current secured and unsecured property tax payments.

*The projected **negative revenue variance** of $140.8 million is primarily attributed to:*

Intergovernmental Revenues

$109.5 million in projected negative revenue variance in Intergovernmental Revenues across the County.

Public Safety Group

In PSG ($22.7 million), primarily due to lower than anticipated costs for Medi-Cal Transformation PATH, Community Corrections Subaccount, CA Fentanyl Abatement Funding and Community Project Funding, due to lower costs associated with implementation of the California Advancing and Innovating Medi-Cal program and Community Corrections Subaccount-funded programs, due to lower grant reimbursements related to the expenditures from delays in obtaining Environmental Historical Preservation report approval from FEMA for Home Hardening projects, due to lower than anticipated State and federal reimbursement revenue related to expenditure savings related to facility projects, IT, and contracted services, and due to lower than expected eligible case activities funded by CARE Act and staff attritions during mid-year funded by Justice Assistance Grant and state mandated reimbursements.

Health and Human Services Agency

In HHSA ($82.9 million), primarily tied to aligning projected spending and includes reductions in Behavioral Health Realignment and Mental Health Services Act funding offset by increases in federal funding tied to anticipated billable service units under payment reform, in COVID-19 Expanding Laboratory Capacity and in COVID Health Disparities grant to align with projected spending, in Immunization Action Plan (IAP) grant to align with workplan, in Medi-Cal Administrative Activities revenues based on estimated receipt, in Future of Public Health due to revised allocation estimate, and in California Children's Services (CCS) tied to prior year revenue adjustments, tied to the Federal Emergency Management Agency revenue for the Shelter and Services Program, in social services administrative revenues to align with revised allocations, in Refugee grant to align with projected cost associated with refugee services, tied to the ending of one-time grants associated with Community Health Workers Resilient grant and Health Disparities grant, and in Realignment revenue to align with spending, in Realignment based on estimated receipts and in social services administrative revenues to align with anticipated federal and State funding and projected expenditures, tied to the ending of one-time Community Health Workers Resilient grant and Health Disparities grant, due to Future of Public Health (FOPH) revenue aligning with the State's revised allocation and lower-than-anticipated COVID-19 Expanding Laboratory Capacity grant funding, and in federal revenue primarily to align with projected costs associated with the HOME Tenant Based Rental Assistance (TBRA).

Land Use and Environment Group

In LUEG ($4.8 million), primarily due to delays in grant related projects, in grant project and associated revenue to be managed by the Air Pollution Control District, and due to less than anticipated reimbursements related to state contracts.

Finance and General Government Group

In FGG ($1.7 million), primarily due to lower than anticipated use of State funding for reimbursable costs.

Finance Other

These are offset by a positive variance in Finance Other ($2.6 million), primarily due to pass-through distributions and residual balance estimates in Aid from Redevelopment Successor Agencies.

Charges for Current Services

Charges for Current Services ($19.1 million) primarily in Recorder Trust Funds revenues due to the postponement of the procurement of a new software for Archive Collection Management System, non-necessity of the replacement of the fire suppression system in the ECO Archives, and delay of the digitization microfilm and quality control projects, due to a decline in billable activities for land development, project planning, and building projects due to staff vacancies, and tied to a decrease in Intergovernmental Transfer (IGT) revenue primarily due to decrease in census enrollment days for Medi-Cal.

Revenue from Use of Money & Property

Revenue from Use of Money & Property ($5.5 million) primarily due to a lower projected average daily cash balance than what was budgeted which was used to calculate the interest revenue.

Miscellaneous Revenues

Miscellaneous Revenues ($3.5 million) primarily due to less than anticipated reimbursement from the Environment Trust Fund due to savings in landfills road materials, due to lower expenditures in Regional Communication System (RCS) projects, due to less than anticipated workers compensation services administrative costs charged to the Employee Benefit Internal Service Fund and due to the recoupment of payments in contracted services from prior year adjustments.

Licenses, Permits & Franchises

Licenses, Permits & Franchises ($3.2 million) primarily due to under-realized permit payment revenue resulting from less staff to perform services.

GENERAL FUND PROJECTION NOTES

The General Fund year-end fund balance projection includes COVID-19 response costs primarily funded through American Rescue Plan Act (ARPA) funds and anticipates receipt of additional Federal Emergency Management Agency (FEMA) revenue to cover costs incurred. Total FEMA costs are currently estimated at $438.7 million. This includes $436.3 million of costs incurred from the beginning of the pandemic through May 11, 2023, when FEMA eligibility ended, and $2.4 million for Fiscal Year 2024-25 for allowable administrative costs to manage the grant beyond the FEMA eligibility date. To date, a total of $293.5 million in FEMA reimbursement payments have been received and projections anticipate receiving an additional $6.4 million by December 31, 2025, for prior year efforts. The remaining balance of $138.8 million, which includes the 10% withhold amount as part of the FEMA close out process, is anticipated to be received in future fiscal years. County staff continue to actively monitor federal actions and legislation, which may impact FEMA reimbursements or other federal revenues, and evaluating the potential impacts of these actions.