County of San Diego

CAO Proposed Operational Plan
Fiscal Years 2007-2008 & 2008-2009

Walter F. Ekard
Chief Administrative Officer

Donald F. Steuer
Chief Financial Officer

Board of Supervisors

First District	Greg Cox
Second District	Dianne Jacob
Third District	Pam Slater-Price
Fourth District	Ron Roberts
Fifth District	Bill Horn

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

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San Diego County

California

For the Fiscal Year Beginning

July 1, 2006

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Diego County, California** for its annual budget for the fiscal year beginning **July 1, 2006**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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Board of Supervisors

Ron Roberts
District 4
Chair

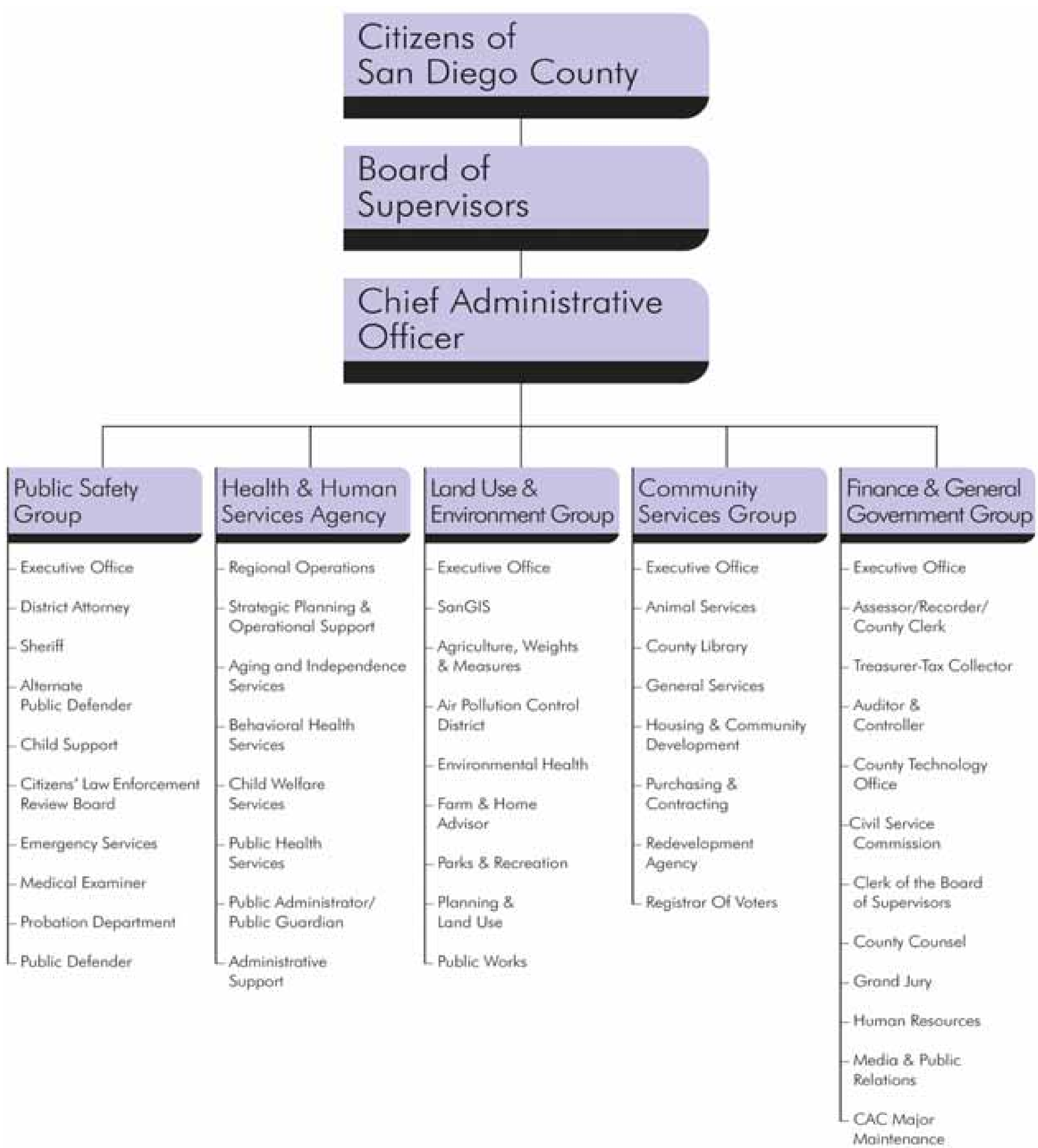
Greg Cox
District 1
Vice Chair

Dianne Jacob District 2

Pam Slater-Price District 3

Bill Horn District 5

Organizational Chart



Message from the Chief Administrative Officer

As Chief Administrative Officer for the County of San Diego, I am pleased to submit this proposed Operational Plan for Fiscal Years 2007-2009 to the Board of Supervisors and residents of San Diego County. This document proposes to spend $4.68 billion in Fiscal Year 2007-2008, which is a 7.1% increase over the previous fiscal year.

What is more significant, however, is how this proposed spending plan compares with the same document adopted by the County a decade ago. In 1997, San Diego County began an ambitious effort to improve the way it served the public. The budget adopted that year addressed the County's need to structurally balance its budget, called for an end to short-term, single-year budgeting and pledged to develop performance measures to hold government accountable to the public for results. That year, San Diego County's leaders pledged to create a smaller, more efficient organization; to better identify and manage risks; and to improve the County's credit rating -- which Moody's had downgraded from "A" to "Baa1."

In the decade that has passed, San Diego County achieved and exceeded each of the goals set in 1997. The Proposed Operational Plan contained in this document is structurally-balanced, with one-time money spent on one-time expenses, and covers spending for a two-year period. It also requires every department to measure and report on performance.

During the past ten years, we improved the County's credit rating and are now one of the highest-rated government agencies in California. This means we can finance public improvements at better rates and stretch tax dollars farther.

We've also met the challenge to become a smaller, more efficient organization. In 1997, the County budget contained 18,046 staff years. This budget contains 17,027 staff years - nearly 1,000 less than in 1997 despite the fact that the region has grown by half a million people.

By using the discipline of our General Management System, our County has gone from an organization that made short-term decisions and lived beyond its means to being recognized as one of the most well-run local governments in the nation.

Which brings us to the present. The budget recommendations contained in this document allow our organization to build on past achievements and current strengths to meet the present and future needs of San Diego County residents. This document is the blueprint we will use to meet the policy goals of the Board of Supervisors, while striving for excellence and adhering to the fiscal and business disciplines that have been the hallmark of San Diego County government since 1997.

This budget will focus County resources on our key priorities, which are to improve opportunities for kids, preserve and protect the environment, and promote safe and livable communities. As an organization, we know what our priorities are; we have a plan to achieve them and we have systems in place to measure our progress and hold us accountable.

This budget anticipates modest growth in County revenues. In keeping with our commitment to manage the public's business responsibly, funds are included in this budget to maintain and expand public facilities to keep pace with population growth, enhance public safety, work to improve health care in the region and to reduce long term Pension Obligation Bond debt.

Finally, we will continue to improve our region's ability to respond to and recover from emergencies of all types, from avian flu or fire to an earthquake or explosion. We have strengthened our own Continuity of Operation Plans to ensure that we can resume vital County services within 48 hours of an emergency and have trained County staff for disaster service duties. In Fiscal Years 2007-2009, we will continue our work with businesses, community groups and other government agencies to make sure our region is as prepared as possible.

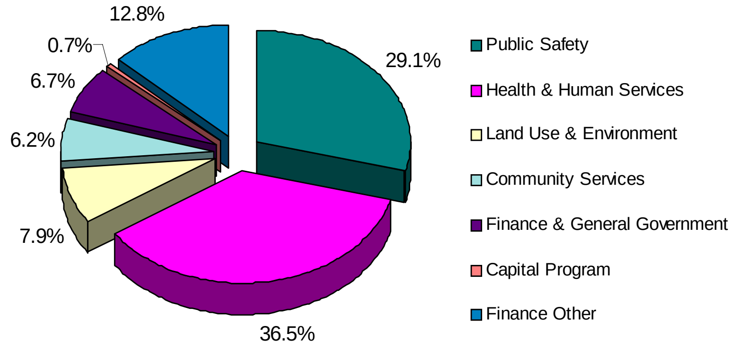
As always, we will continue to diligently represent the interests of San Diego County residents in the many areas where our region is impacted by the decisions of federal and State law makers. Whether the topic is housing, elections, health care, prison reform or protection of our region's valuable agricultural industry, our County is and continues to be affected by State and federal budget cuts and policy decisions. Regardless of these challenges, we will continue to work aggressively to protect San Diego County's interests and meet the needs of San Diego County residents.

While the coming years are not without challenges, I am confident that our organization is strong and that our team will continue to be responsive to the public and committed to excellence as we meet these challenges and serve the citizens of San Diego County.

Walter Ekard

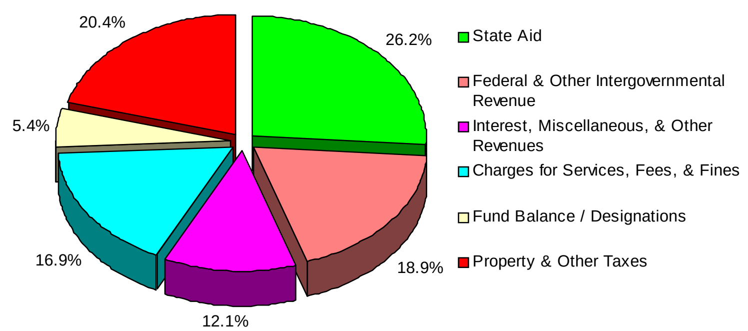
Walter F. Ekard, Chief Administrative Officer

Fiscal Year 2007-08 Budget Summary



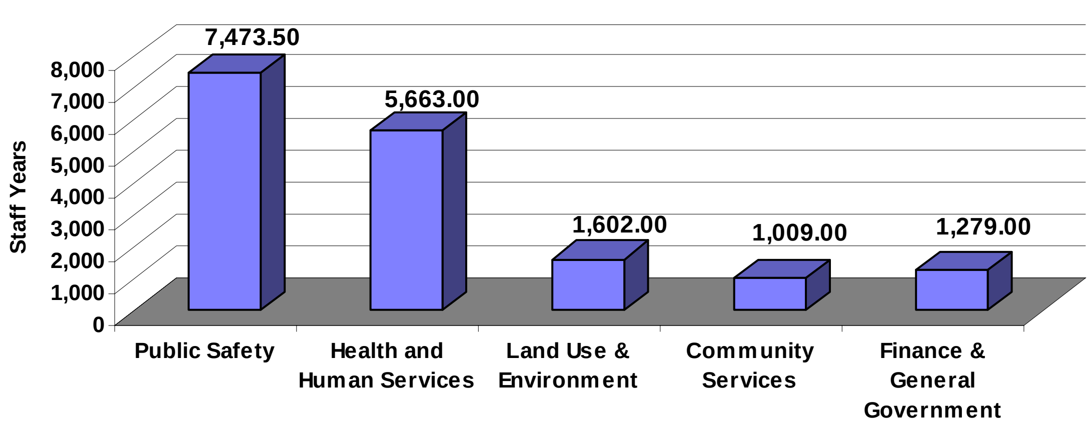
Budget by Functional Area

Total Budget = $4,684,479,761
(7.1% increase)



Budget by Funding Source

Countywide Staffing
17,026.50 Staff Years (1.1% increase)



San Diego County Profile and Economic Indicators

County History & Geography

San Diego County became the first of California's original 27 counties on February 18, 1850, shortly after California became the 31st State in the Union. The County functions under a Charter adopted in 1933, including subsequent amendments. At the time of its creation, San Diego County comprised much of the southern section of California. The original County boundaries included San Diego, along with portions of what are now Imperial, Riverside, San Bernardino, and Inyo counties.

The original territory of nearly 40,000 square miles was gradually reduced until 1907, when the present boundaries were established. Today, San Diego County covers 4,261 square miles, extending 70 miles along the Pacific Coast from Mexico to Orange County and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern border.

Juan Rodriguez Cabrillo discovered the region that eventually became San Diego on September 20, 1542. Although he named the area San Miguel, it was renamed 60 years later by Spaniard Don Sebastion Vizcaino. He chose the name San Diego in honor of his flagship and his favorite saint, San Diego de Alcala.

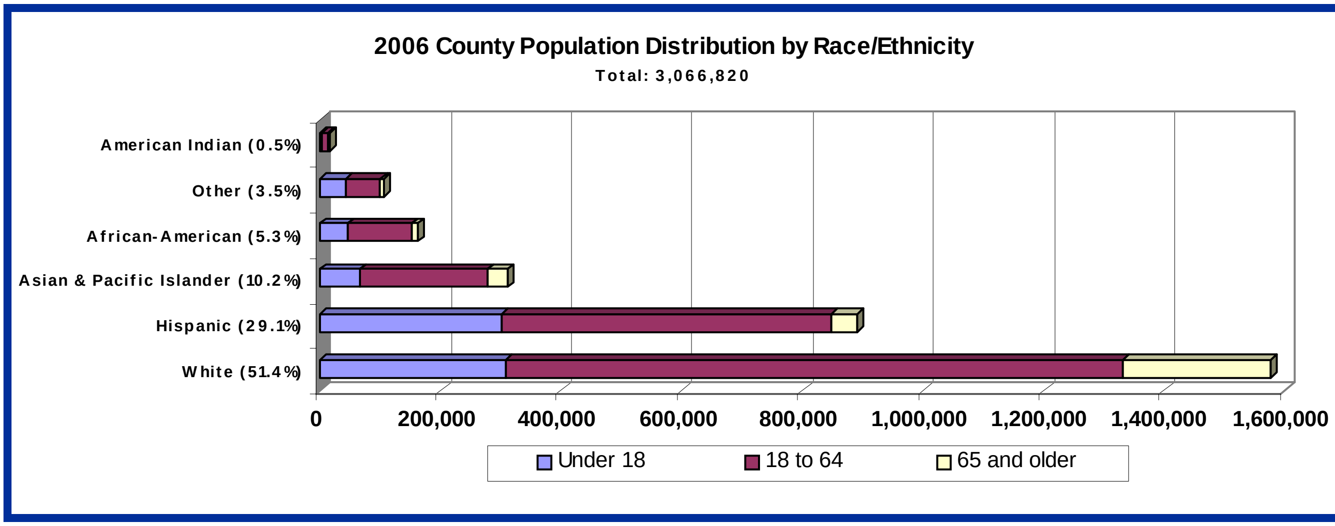
San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most resources and population are located. The average annual rainfall is only 10 inches, so the County is highly reliant on imported water.

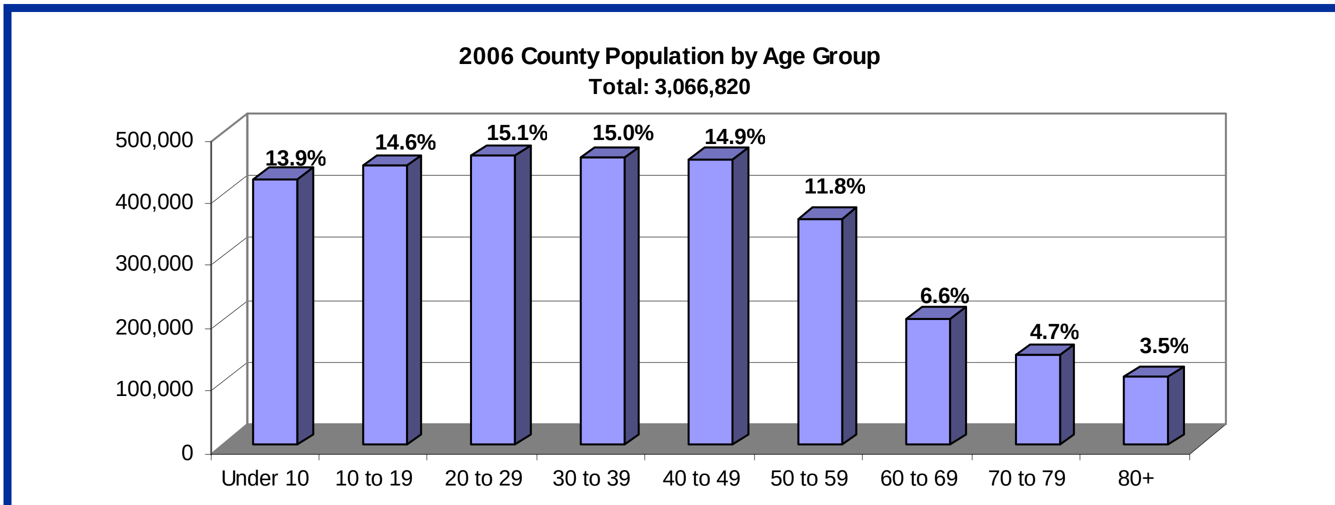
County Population

San Diego County is the southernmost major metropolitan area in the State of California. The State of California Department of Finance estimates the County's population to be 3,066,820 as of January 2006, an increase of approximately 0.9% over the revised January 2005 total of 3,039,277. The County of San Diego is the third largest county by population in California. Total population of the county has grown 9.0% since 2000. A breakdown by city is shown in the table below.

City	2000	2006	% Increase
Carlsbad	78,306	98,607	25.9
Chula Vista	173,543	223,423	28.7
Coronado	24,100	26,248	8.9
Del Mar	4,389	4,524	3.1
El Cajon	94,869	96,867	2.1
Encinitas	57,955	62,815	8.4
Escondido	133,663	140,766	5.3
Imperial Beach	26,992	27,563	2.1
La Mesa	54,749	55,724	1.8
Lemon Grove	24,918	25,363	1.8
National City	54,260	63,537	17.1
Oceanside	161,039	174,925	8.6
Poway	48,044	50,542	5.2
San Diego	1,223,415	1,311,162	7.2
San Marcos	54,977	76,725	39.6
Santee	52,946	54,709	3.3
Solana Beach	12,979	13,327	2.7
Vista	89,857	94,440	5.1
Unincorporated	442,832	465,553	5.1
Total	2,813,833	3,066,820	9.0

The regional population forecast for 2030 is estimated at 3.9 million according to the San Diego Association of Governments (SANDAG). San Diego County's racial and ethnic composition is as diverse as its geography. According to a projection by the State Department of Finance (May 2004) San Diego's population breakdown in 2010 will be 46% White; 34% Hispanic; 11% Asian and Pacific Islander; 6% Black; and 3% all other groups. The County's 2006 estimated population distribution and population by age group, per SANDAG, is highlighted in the charts below.





Economic Indicators

The U.S. economy's Gross Domestic Product (GDP) for 2006 showed an increase of 3.3% versus an adjusted 3.2% growth in 2005 and 3.9% in 2004. This represents a solid year with growth above the 15-year average. However, a GDP growth rate of 2.2% is forecasted for 2007. The downturn in the housing market is expected to be a significant drag for at least the first half of 2007. Softness in business equipment spending is also projected to contribute to a lower GDP. Some significant risks facing the U.S. economy include the slowing housing market (including turmoil in the sub-prime mortgage market), the federal budget deficit, relatively high core inflation, and continued volatility in oil prices.

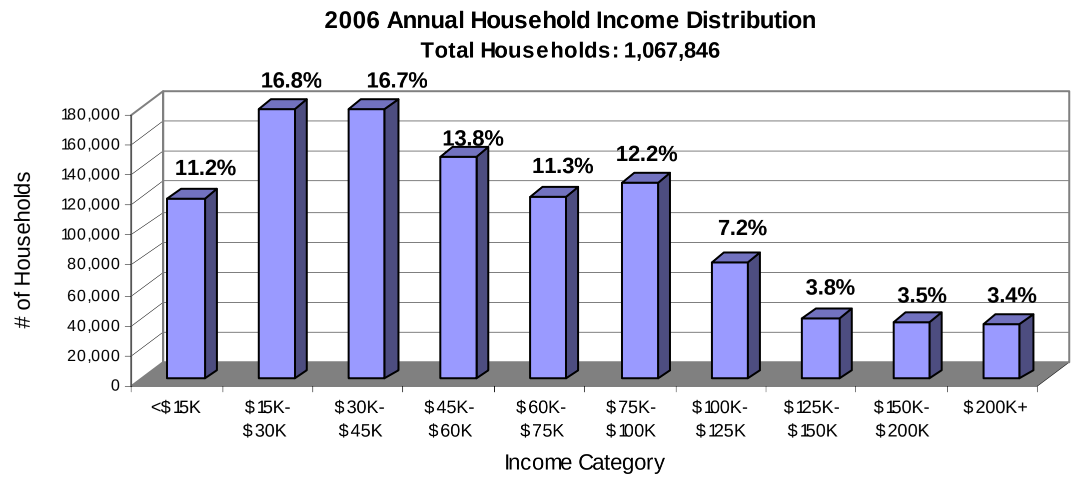
California's economy, like the U.S. economy, grew at a healthy rate in 2006. California payroll jobs experienced growth of 1.9%; the job growth also contributed to real personal income growth of 2.8%; and adjusted taxable sales grew 2.3%. The unemployment rate has continued to decline, dropping down to 4.9% in 2006, versus 5.4% in 2005, 6.2% in 2004, and 6.8% in 2003.

The housing boom, which has been a major driver of both the California and U.S. economies, has faded, and the "housing construction/real estate" slowing will contribute to overall slowing in the growth of the State economy in 2007. The gross state product projected growth in 2007 is 1.6%, down from 3.9% in 2006, 4.3% 2005 and 5.2% in 2004. While construction, retail trade, finance, professional and technical services, and administrative support contributed to overall job growth in 2006, the slowing in the housing market will impact construction and finance jobs significantly in 2007. For 2007, slower growth rates are estimated - job growth is projected at 1.3%, taxable sales will grow at 2.2%, and personal income is anticipated to grow at 2.4%.

San Diego's economy has continued to enjoy economic stability in recent years. Much of San Diego's economic strength is derived from employment gains, commercial and industrial development and population growth. San Diego County has also seen an increasing diversification of economic activity and has matured as a hub for research and development (R&D) and product manufacturing in telecommunications, biotechnology, military products, electronics, and information technology. International trade and implementation of the North American Free Trade Agreement (NAFTA) continue to be an economic strength for the County.

Approximately one-half of San Diego County's population is part of the civilian labor force (1,525,000 in January 2007). The region is also home to perhaps the largest military complex in the world. The County's positive job growth has prompted migration to San Diego by prospective employees in search of work through 2004. More recent data is presently not available from the Department of Finance. The annual unemployment rate was estimated at 4.0% for the 12-month period of January 2006 through December 2006, with December 2006's unemployment rate at 3.7%. These figures remain lower than the State rate for 2006 of 4.9%, the 2007 projected rate of 5.2%, the national rate for 2006 of 4.6%, and the 2007 projected rate of 4.8%.

San Diego's median household income was $50,384 in 2002, $49,886 in 2003, $51,012, in 2004, and $56,335 in 2005 as measured by the U.S. Census Bureau. According to SANDAG, the estimated median household income for 2006 was $64,737. The chart below illustrates the 2006 income distribution for more than one million households in the County.



An ongoing troubling aspect of the local economy is San Diego's housing affordability. The California Association of Realtors has established a new index for first-time buyers throughout California. The percentage of households who could afford to buy an entry-level home in San Diego stood at 23% in December 2006, up from 21% in June 2006, while previously at 23% in June 2005. This index is based on an adjustable rate mortgage assuming a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price. Another trend the County is watching closely is the trustee's deeds foreclosures compared to notices of loan default and also compared to deeds recorded. Trustee's Deeds foreclosures compared to notices of loan default averaged approximately 11.6% in 2003, 2004 and 2005. However, this percentage jumped to 20.0% in 2006 and is at 31.0% through February 2007. Trustee's Deeds foreclosures compared to total deeds recorded averaged 0.3% over the three-year period 2003, 2004 and 2005. This percentage increased to 1.3% in 2006 and it is at 3.8% through February 2007.

Tourism continued to be a boon to the local economy in 2006 despite record-high gasoline prices and soaring air-fares. In 2006, total visitors grew a moderate 3.0%, and visitor spending increased 4.6%. The "Tourism Outlook" for San Diego County tourism in 2007 is for continued moderate growth, with a 1.8% increase in the number of visitors and a 6.0% increase in visitor spending.

Sources: San Diego Association of Governments (SANDAG) - San Diego's Regional Planning Agency, State of California Department of Finance, San Diego Regional Chamber of Commerce, the UCLA Anderson Forecast, the State of California Employment Development Department, the California Association of Realtors, the San Diego Convention and Visitors Bureau, Global Insight, and U.S. Department of Commerce - Bureau of Economic Analysis.

Understanding the Proposed Operational Plan

Governmental Structure

A five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections governs the County. There are 18 incorporated cities in the County and a large number of unincorporated communities. The County provides a full range of public services, including public assistance, law enforcement, detention and correction, health and sanitation, recreation, and others. These services are provided by five Groups/Agencies, that are headed by General Managers [Deputy Chief Administrative Officers (DCAOs)], who report to the Chief Administrative Officer (CAO). Within the Groups, there are four departments that are headed by elected officials - District Attorney and Sheriff (Public Safety Group) and the Assessor/Recorder/County Clerk and Treasurer-Tax Collector (Finance and General Government Group).

The General Management System

The County's General Management System (GMS) is the framework that establishes and guides County operations and service delivery to residents, businesses and visitors. Using the GMS, the County sets goals, prioritizes resources, evaluates performance, ensures cooperation and rewards accomplishments in a structured and coordinated way. By doing so, we move San Diego County away from the negative image of "red tape" and "government bureaucracy" into an organization that values and implements efficiency, innovation and fiscal discipline and one that provides focused, meaningful services to improve lives and benefit the community.

The idea behind the GMS is straightforward: the County is able to provide superior services if it sets sound goals and applies sound management principles to achieve those goals.

At the heart of the GMS are five overlapping components that help make sure that the County asks and answers crucial questions:

<u>Strategic Planning</u> asks: *Where do we want to go?* Our Strategic Plan looks ahead five years to anticipate significant needs, challenges, and risks that are likely to develop. Long-range strategic planning requires assessing both where we are, and where we want to be.

<u>Operational Planning</u> asks: *How do we get there from here?* Operational Planning allocates resources to specific programs and services that support our long-term goals over the next two fiscal years. This includes adoption of an annual budget and approval in principal of a second year spending plan.

<u>Monitoring and Control</u> asks: *How is our performance?* Monitoring and Control shows us whether we are on track to achieve our goals. We evaluate progress at regular intervals and make necessary adjustments. Progress is evaluated monthly, quarterly, and annually.

<u>Functional Threading</u> asks: *Are we working together?* Although the County is divided into distinct groups, departments and divisions for operational purposes, the County has many critical functions and goals that cross these organizational lines. Functional threading ensures coordination throughout the organization to pursue shared goals, solve problems, and exchange information.

<u>Motivation, Rewards, and Recognition</u> asks: *Are we encouraging excellence?* County employees must embrace the GMS disciplines. This requires setting clear expectations, providing incentives, evaluating performance, and rewarding those who meet or exceed expectations. Motivation, Rewards and Recognition encourages individual and group excellence. The Operational Incentive Plans, Quality First Program, the Do-It-Better-By-Suggestion (DIBBS) program, and department recognition programs are the primary ways the County recognizes and rewards employees for excellent performance.

The five GMS components form an annual cycle that is renewed each fiscal year with review of the Strategic Plan and development of a new Operational Plan.

Strategic Plan

The General Management System provides the County with a set of operating rules and guidelines. The Strategic Plan identifies key goals and disciplines, outlining the County's priorities for accomplishing our mission over a five-year period. The County's Strategic Plan tells us where we should be going and our General Management System helps make sure we get there.

The County's 2007-12 Strategic Plan defines broad, organization-wide goals, known as Strategic Initiatives, which help prioritize specific County efforts and programs and form the basis for allocating resources. Everything the County does supports at least one of these three Strategic Initiatives:

- Kids (Improve opportunities for children),
- Environment (Manage resources to ensure environmental preservation, quality of life, and economic development), and
- Safe and Livable Communities (Promote safe and livable communities).

The Strategic Plan also sets forth key organizational disciplines necessary to maintain a high level of operational excellence and accomplish our Strategic Initiatives. The Required Disciplines serve as enablers to the Strategic Initiatives. These Required Disciplines are: Fiscal Stability; Customer Satisfaction; Regional Leadership; Skilled, Competent and Diverse Workforce; Essential Infrastructure; Accountability/Transparency; Continuous Improvement; and Information Technology.

To connect our Strategic Plan goals with the resources necessary to achieve them, a Five-Year Financial Forecast evaluates our available resources. To further align our goal setting process with resource allocation, the Strategic Plan is reflected in the program objectives in the Operational Plan, in the performance plans for managers, and in each department's Quality First Program goals.

Context for Strategic and Operational Planning

To be effective, the goals we set and resources we allocate should be consistent with our purpose as an organization. The context for all strategic and operational planning is provided by the County's Mission, Guiding Principles, and Vision. First and foremost, the Strategic Plan sets the course for accomplishing the County's mission:

To provide the residents of San Diego County with superior County services in terms of quality, timeliness, and value in order to improve the region's Quality of Life.

This mission reflects our commitment to anticipating, understanding, and responding to the critical issues that affect residents. The Strategic Plan also upholds the County's Guiding Principles, the core values that articulate our organization's ethical obligations to County residents and basic standards to which County employees must adhere. These four Guiding Principles are:

- Provide for the safety and well-being of those San Diego communities, families, individuals, and other organizations we serve.
- Preserve and enhance the environment in San Diego County.
- Ensure the County's fiscal stability through periods of economic fluctuations and changing priorities and service demands.
- Promote a culture that values our customers, employees, and partners and institutionalizes continuous improvement and innovation.

Achieving our Strategic Initiatives and maintaining operational excellence allows the County to realize its Vision:

A County Government that has earned the respect and support of its residents.

Operational Plan Process

This Operational Plan provides the County's financial plan for the next two fiscal years (July 1, 2007 through June 30, 2009). Pursuant to Government Code §29000 et al., however, State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as the County's Budget. The Board approves the second year of the plan in principle for planning purposes.

The Operational Plan details each department's major accomplishments during the past fiscal year as related to achievement of the goals laid out in the County's five-year Strategic Plan. The Operational Plan also discusses high-level objectives of each department's operations for the next two years, projects the resources required to achieve them, and identifies and tracks outcome-based performance measures.

During Fiscal Year 2005-06, the County launched an extensive effort to demonstrate performance to citizens through meaningful and uncomplicated performance measures. The focus was shifted from reporting on what was happening to the organization, to what is happening in the lives of citizens, customers, and stakeholders because of the County. Each department is now required to measure performance in terms of outcomes - how we affect people's lives - not just the activities we perform. Inclusion of performance outcomes continued in 2006-07, and it remains a priority for Fiscal Years 2007-08 and 2008-09.

Operational Plan Documents

Several documents are produced to aid in budget development and deliberations:

The CAO Proposed Operational Plan is a comprehensive overview of the Chief Administrative Officer's (CAO) proposed plan for the County's operations for the next two fiscal years, including:

- Summary tables showing financing sources and expenditures for all County funds;
- A summary of the County's short- and long-term debt;
- A detailed section by Group/Agency and Department/ Program describing their missions, prior year accomplishments, operating objectives, staffing by program, expenditures by category, revenue amounts and sources, and performance measures;
- A listing of planned capital projects and discussion of capital projects included in the proposed budget and the operating impact of the capital projects scheduled for completion during the next two fiscal years; and
- Other supporting material including a glossary.

Change Letters are proposed changes to the CAO Proposed Operational Plan submitted by the CAO and members of the Board of Supervisors. The CAO Change Letter updates the CAO Proposed Operational Plan with information that becomes available after the document is presented to the Board of Supervisors. Such modifications may be due to Board actions that occurred subsequent to the submission of the CAO Proposed Operational Plan or recent changes in State or federal funding. The CAO Change Letter typically contains a schedule of revisions by department along with explanatory text.

Referrals To Budget are status updates on items on which the Board of Supervisors has deferred action during the current fiscal year so that they may be considered in the context of the overall budget. The Clerk of the Board tracks referrals to budget. As Budget Deliberations approach, the status of each referral is updated and included in a compilation of all the referrals made throughout the year. This document is submitted to the Board for its review and for discussion with affected departments during Budget Deliberations.

Citizen Advisory Board Statements are comments of citizen committees on the CAO Proposed Operational Plan.

Referrals From Budget are requests made by the Board of Supervisors during Budget Deliberations for additional information to assist them in making decisions during the fiscal year. The applicable Group/Agency is responsible for providing requested information to the Board. The status of each referral from budget is tracked by the Clerk of the Board to ensure that the information is provided.

Post Adoption Documents

The Adopted Operational Plan is a comprehensive overview of the Board of Supervisors' adopted and approved plan for the County's operations for the next two fiscal years. The Adopted Operational Plan is an update of the CAO Proposed Operational Plan reflecting revisions made by the Board during Budget Deliberations. Unlike the CAO Proposed Operational Plan, however, the Adopted Operational Plan displays adjusted actual expenditures and revenue at the Group/Agency and Department level for the immediate prior fiscal year.

Note on Adjusted Actuals—Expenditures may not legally exceed budgeted appropriations at the expenditure object level within each department. In some instances in the Adopted Operational Plan, the adjusted actuals will exceed the adopted budget for that year. This results from the inclusion of expenditures related to mid-year budget amendments or to the carryforward of encumbrances of prior year appropriations in the adjusted actual figures. The adopted budget does not include appropriations for these expenditures, but the appropriations are part of the "amended budget" and are thus considered "budgeted."

Budget Modifications- State Law permits modifications to the first year of the Operational Plan during the year with approval by the Board of Supervisors. There are two options for accomplishing a mid-year budget adjustment:

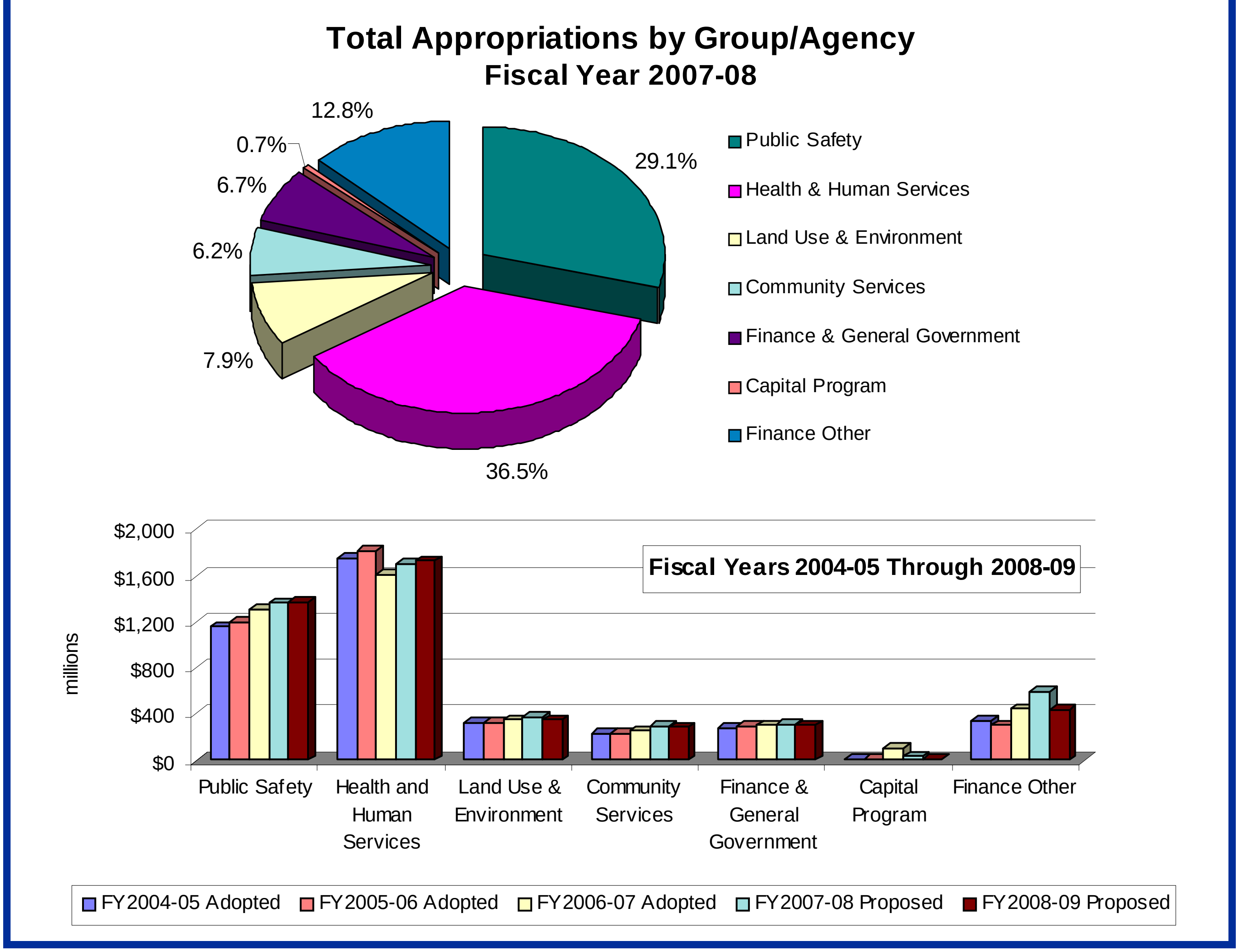
- Board Of Supervisors Regular Agenda Process-Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote by the Board after the first year of the Operational Plan is adopted.

  Such changes could include requests for additional appropriations as a result of additional revenues for specific programs or a contract modification. Items placed on the agenda that have a fiscal or budgetary impact are reviewed and approved by the Chief Financial Officer and County Counsel. Contract modifications also require the approval of the Purchasing Agent.
- Quarterly Status Reports- The Chief Administrative Officer provides a quarterly budget status report to the Board of Supervisors that may also recommend appropriation adjustments and management reserve and/or Contingency Reserve usage to address unanticipated needs.

All Funds: Total Appropriations

Total Appropriations by Group/Agency

Appropriations total $4.68 billion in the Proposed Operational Plan for Fiscal Year 2007-08 and $4.48 billion for Fiscal Year 2008-09. This is an increase of $309.6 million or 7.1% for Fiscal Year 2007-08 from the Fiscal Year 2006-07 Adopted Operational Plan. Looking at the Operational Plan by Group/Agency, appropriations increase in Public Safety, Health and Human Services, Land Use and Environment, Community Services, Finance and General Government, and Finance-Other with the Capital Program decreasing appropriations.



Total Appropriations by Group/ Agency (in millions)	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Public Safety	$ 1,158.6	$ 1,203.9	$ 1,304.5	$ 1,364.1	$ 1,369.2
Health and Human Services	1,751.0	1,821.2	1,613.8	1,711.3	1,729.6
Land Use & Environment	324.8	328.3	349.7	372.1	351.4
Community Services	231.2	236.5	255.2	290.9	287.0
Finance & General Government	276.5	289.1	303.6	315.4	302.5
Capital Program	8.2	7.0	102.4	32.1	5.8
Finance Other	338.0	300.8	445.5	598.7	439.9
Total	$ 4,088.2	$ 4,186.9	$ 4,374.8	$ 4,684.5	$ 4,485.5

The pie chart above shows each Group/Agency's share of the Fiscal Year 2007-08 Operational Plan, while the bar chart and table compare the Fiscal Years 2007-08 and 2008-09 proposed appropriations to the three prior fiscal years. An overview of the County's Operational Plan is presented below by Group/Agency that highlights changes and key areas of emphasis. Appendix A: Budget by Group/ Agency provides a summary of expenditures and financing sources by account group for each Group and the Agency. More detail by department begins on page 75.

Public Safety Group — A proposed net increase of 4.57% or $59.6 million over the Fiscal Year 2006-07 Adopted Operational Plan. Additional resources are proposed to address the prosecution of crime and for community prosecution outreach programs, for enhanced capabilities in the Sheriff's Crime Lab to focus on DNA analysis to solve street crimes and to increase the County's readiness to respond in the case of a disaster. Increased resources are also proposed for community based services to juvenile offenders on probation and for mental health case management and community services to adult and juvenile offenders supported with State grant funds, to address the toxicology testing caseload in the Medical Examiner's office, to address an increase in operating costs, including energy costs, in detention and court facilities and for negotiated Salaries and Benefits adjustments. Overall cost increases are partially offset by expenditure decreases due to the completion of certain grant funded Homeland Security activities and decreases to align expenditures with available revenues in the Department of Child Support Services.

Key areas of focus in the coming year include:

- Keeping communities safe through regional leadership and partnerships in public safety and criminal justice administration,
- Addressing critical shortages in sworn staffing through focused outreach and streamlined recruitment processes,
- Strengthening the County's ability to respond to an emergency,
- Reaching out to communities to engage residents in public safety strategies,
- Implementing offender re-entry programs to successfully transition both State prisoners and local detainees back to the community,

- Promoting the well-being of children and the self-sufficiency of families through the success of the child support program,
- Services to juvenile offenders, and
- Focusing on efficiency, performance results and evidence based practices to identify the most effective public safety strategies.

Health and Human Services Agency (HHSA) — A proposed net increase of 6.0% or $97.5 million from the Fiscal Year 2006-07 Adopted Operational Plan. Proposed increases reflect negotiated labor agreements for Salaries and Benefits, enhancements in Child Welfare Services, costs related to caseload growth within the In-Home Supportive Services program, continued expansion in mental health associated with the Mental Health Services Act (Proposition 63), increased funding for Safety Net Access Program and the Health Care Safety Net, expansion of the San Diego County Psychiatric Hospital, and one-time funding for Edgemoor furniture and equipment needs.

Key areas of focus in the coming year include:

- Promoting preparedness in the community to respond to public health threats and other emergencies,
- Providing services to protect foster children from abuse and neglect and promoting permanency and stability in their living conditions to improve outcomes,
- Working with public and private partners to address issues related to the Healthcare Safety Net, and
- Keeping vulnerable adults safe, healthy and self-sufficient.

Land Use and Environment Group — A proposed net expenditure increase of 6.4% or $22.3 million from the Fiscal Year 2006-07 Adopted Operational Plan. The increases are to allow for negotiated Salaries and Benefits adjustments, and the addition of staff years for laboratory support, testing and inspection, standards enforcement, public health protection, parks development, renovation and maintenance, recreational program coordination and additional support for the Multiple Species Conservation Program's implementation of the Area Specific Management Directives.

Key areas of focus in the coming year include:

- Managing exotic pests through pest exclusion detection and eradication,
- Expanding food safety monitoring.
- Replacing or retrofitting additional school busses to reduce emissions,
- Managing the Multiple Species Conservation Program (MSCP) in both North and East County,
- Improving Parks infrastructure and adding 15 miles of trails to the County Trails System,
- Managing the more stringent and costly new National Pollutant Discharge Elimination System permit requirements,
- Managing Road infrastructure - Prop 42, *Transportation Congestion Improvement Act*, and 1B, *Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.*
- Managing improvements/renovations of Gillespie, Fallbrook, Ramona, Borrego and Palomar Airports, and
- Continuing the Business Process Reengineering (BPR) program.

Community Services Group — A proposed net increase of 14.0% or $35.6 million from the Fiscal Year 2006-07 Adopted Operational Plan. The growth is due to costs for additional permanent staff, temporary elections workers, negotiated Salaries and Benefits adjustments for existing staff, equipment purchases, library operations due to branch expansion, contract service payments, major maintenance projects, and for one-time projects. Offsetting decreases are related to changes in the accounting for parts and fuel in the Fleet Internal Service Fund.

Key areas of focus in the coming year include:

- Conducting the February 2008 Presidential Primary and June 2008 Statewide Primary Elections,
- Two new libraries, one in 4S Ranch that opened in April 2007 and one replacement branch in Encinitas,
- Maintenance and repair of County facilities,
- Improving medical treatment of animals to make them adoptable sooner,
- Helping to provide safe and sanitary affordable housing, and
- Maintaining safe and secure County records in an efficient work environment, emphasizing electronic storage.

Finance and General Government Group — A proposed net increase of 3.9% or $11.8 million from the Fiscal Year 2006-07 Adopted Budget. Salaries and Benefits increases are due to negotiated cost of living adjustments, the addition of staff years to expand employee development opportunities, to address caseload growth associated with investigation of public liability claims, and to provide additional support resources to ensure accountability and transparency in financial management activities. Other changes include increases in management reserves to fund anticipated technology costs associated with the upgrade of core financial and human resource software applications and other related costs.

Key areas of focus in the coming year include:

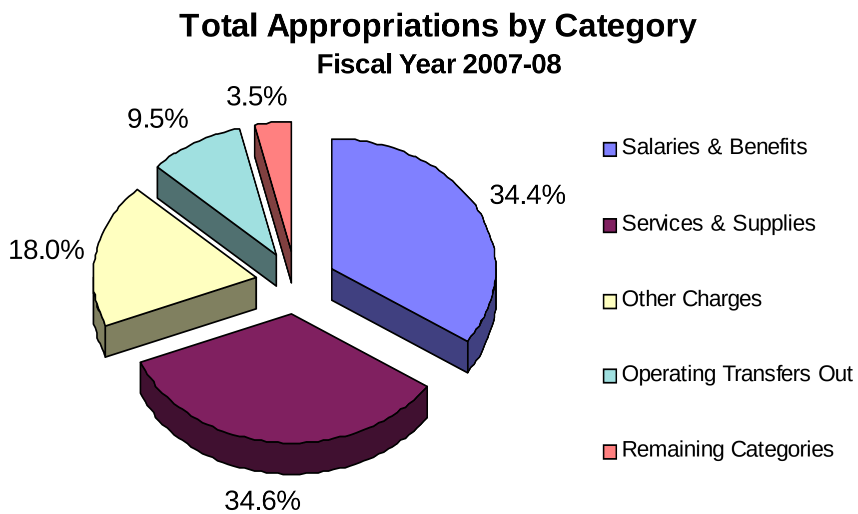
- Maintaining the County's fiscal stability through sound accounting, auditing, budgetary practices, and management discipline,
- Maintaining a robust, diverse, and capable workforce,
- Improving the provision of vital records,
- Maintaining a high credit rating,
- Maintaining a strong Treasurer's Investment Pool,
- Developing a new Integrated Property Tax System,
- Providing the highest quality legal services to the Board and County departments,
- Maintaining the investment in modern information technology,
- Alignment of the County's long-term financial obligations and capital needs, and
- Continued development and implementation of the County's strategy to manage the reporting requirements and costs associated with Other Post Employment Benefits (OPEBs).

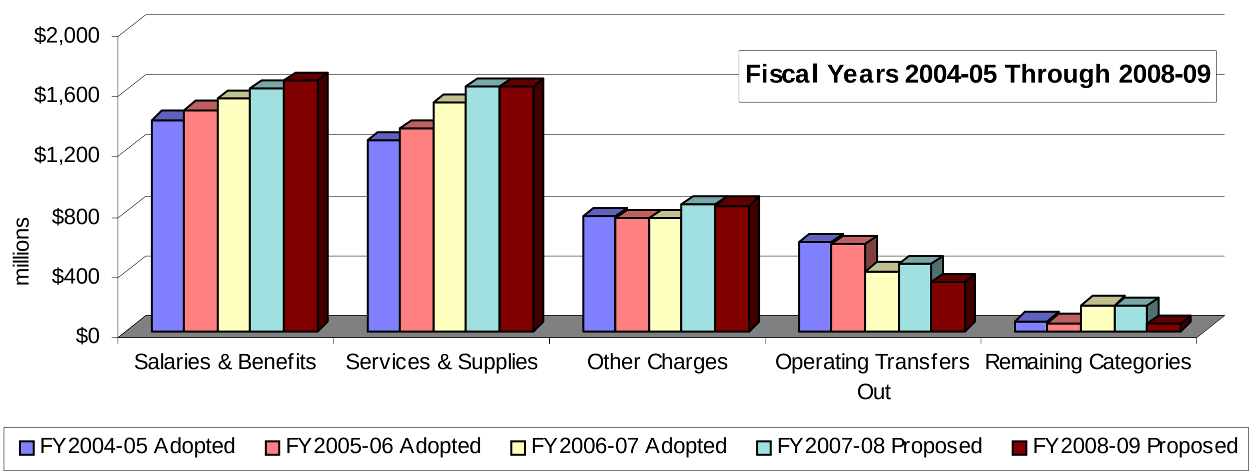
Capital — A proposed net decrease of $70.4 million from Fiscal Year 2006-07 or 68.7%. The decrease is due to a change in the mix and value of capital projects undertaken from year to year. In Fiscal Year 2006-07 the Capital Program included $80.0 million to fund the construction of a new building to be shared by the Medical Examiner and County Veterinarian as well as other land acquisition and improvement projects. The Fiscal Year 2007-08 capital budget proposes appropriations totaling $8.0 million for land acquisition projects, including funds for the Multiple Species Conservation Program, trails, Lakeside soccer fields, open space and a new Sheriff's station in Ramona. Also proposed are appropriations of $23.2 million for several development projects including the Rancho San Diego Sheriff's station, the CAC Waterfront Park, Lakeside Sports Park and various park projects located throughout the county which consist of the construction of trails and a pavilion, the renovation of restrooms, ranger housing, and Americans with Disabilities Act improvements.

Finance-Other — A proposed increase of $153.2 million or 34.4% from Fiscal Year 2006-07. Significant increases include appropriations in the Pension Obligation Bond fund to pay off the $100 million in Public Income Notes (PINES) issued as part of the 2002 POBs, a technical adjustment to convert a $55.5 million fund balance designation to a General Reserve, and a greater General Fund contribution to the County Library to support the operation of new libraries in 4S Ranch and Encinitas. These increases are partially offset by scheduled lower lease payments on outstanding Certificates of Participation, and reduced requirements in the Employee Benefits Internal Service Fund (ISF) for Workers' Compensation and Unemployment Insurance claims and in the Public Liability ISF for projected settlements.

Total Appropriations by Category of Expenditures

The table and graph below show the Operational Plan broken down by category of expenditures. As noted above, the Fiscal Year 2007-08 Operational Plan is increasing overall by $309.6 million from the Fiscal Year 2006-07 Adopted Budget and decreasing by $199.0 million in Fiscal Year 2008-09. The pie chart below shows the share of the Fiscal Year 2007-08 Operational Plan for each category of expenditures, while the bar chart and table compare the Fiscal Years 2007-08 and 2008-09 appropriations to the three prior years.





All Funds: Total Appropriations

Total Appropriations by Category (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Salaries & Employee Benefits	$ 1,404.1	$ 1,467.8	$ 1,539.6	$ 1,609.2	$ 1,656.8
Services & Supplies	1,264.9	1,339.7	1,519.8	1,620.6	1,620.4
Other Charges	763.1	751.6	746.5	845.3	833.0
Capital Assets/Land Acquisition	11.4	18.3	106.5	42.6	9.7
Capital Assets Equipment	41.4	16.0	19.7	30.7	16.6
Exp Transfer & Reimbursements	(16.1)	(17.4)	(17.5)	(19.0)	(20.0)
Reserves	15.7	15.7	24.1	24.1	24.1
Reserve/Designation Increase	4.6	4.3	2.6	57.9	0.7
Operating Transfers Out	587.5	573.5	396.6	445.9	325.9
Management Reserves	11.7	17.3	36.8	27.3	18.3
Total	$ 4,088.2	$ 4,186.9	$ 4,374.8	$ 4,684.5	$ 4,485.5

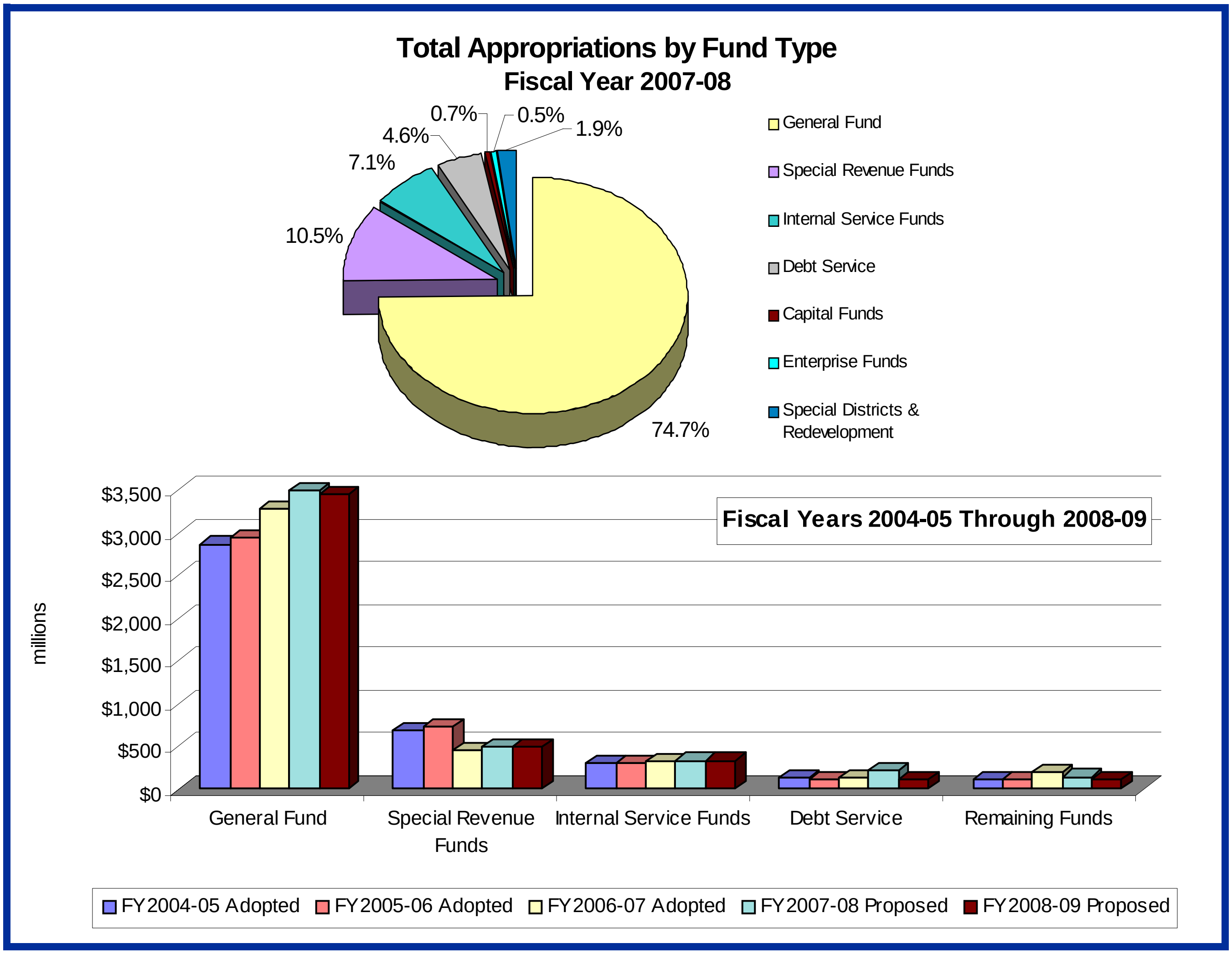
Changes include:

- Salaries and Benefits are increasing by a net $69.6 million or 4.5%. The increase reflects an allowance for negotiated cost of living adjustments and the addition of 182.58 staff years. The smaller increase in Fiscal Year 2008-09 of $47.6 million or 3.0% is due primarily to estimated negotiated labor cost increases. See "Total Staffing" on page 27 for a summary of staffing changes by functional area.
- Services and Supplies are increasing by $100.8 million or 6.6%. Increases are budgeted in many accounts within Services and Supplies, most notably a $23.4 million increase in costs related to the voter approved Mental Health Services Act (Proposition 63), a $24.6 million increase for the In-Home Supportive Services (IHSS) program associated with case growth and Individual Provider payments and $18.0 million for the Health Care Safety Net. Other increases include funds for contracted and consultant services, special departmental expenses, information technology costs, and internal service fund costs for major maintenance. A slight decrease of $0.2 million is proposed in Fiscal Year 2008-09.
- Other Charges are increasing by $98.7 million or 13.2%. This category includes items such as aid payments, debt service payments, interest expense, right of way easement purchases, and various contributions to other agencies including trial courts and community enhancement and community projects program grantees. The increase in Fiscal Year 2007-08 is mainly due to a one-time expense for the early pay-off of the PINES portion of the 2002 taxable Pension Obligation Bonds. A net decrease of 1.5% is proposed for Fiscal Year 2008-09.

- Capital Assets/Land Acquisition, which includes capital improvement projects and land acquisitions, is decreasing $63.9 million or 60.0% from Fiscal Year 2006-07. Of the $42.6 million proposed for Fiscal Year 2007-08, $31.2 million is for projects in the Capital Outlay Fund, with the remainder in the Airport Enterprise Fund, and the Alpine, Lakeside, and Spring Valley sanitation districts. Of the $9.7 million proposed for Fiscal Year 2008-09, $5.0 million is for the continued purchase of land in support of the Multiple Species Conservation Program with the remainder for projects in the Alpine, Lakeside, and Spring Valley sanitation districts. The amount of money available for new projects or project expansion varies year-to-year, but capital appropriations at the project level are generally considered to be one-time.
- Capital Assets Equipment, which primarily includes routine internal service fund purchases of vehicles and heavy equipment, is increasing $11.0 million or 55.8% from last year. The increase is mainly due to one-time expenditures for miscellaneous equipment, and furniture, fixtures and equipment for the new Edgemoor facility. A decrease of 45.8% is planned for Fiscal 2008-09 due to anticipated lower requirements for that year.
- Expenditure Transfers and Reimbursements are increasing by $1.6 million or 8.9%. Activity in this account reflects the transfer of expenses to another department for services provided. A transfer can occur because a funding source requires the expenses be recorded in that department for revenue claiming. The Expenditure Transfers and Reimbursement accounts are negative amounts to avoid the duplication of expenditures. One significant example is the agreement between the Health and Human Services Agency (HHSA) and the District Attorney's Public Assistance Fraud Unit. This unit investigates and prosecutes suspected fraudulent public assistance cases for HHSA. The District Attorney offsets the budgeted expenses with a negative amount in Expenditure Transfers and Reimbursements account. HHSA budgets the expense for that activity in a Services and Supplies account offset by the appropriate State/federal revenue account.
- Reserves represent appropriated contingency reserves that are set aside for unanticipated needs during the year. Reserves remain at the Fiscal Year 2006-07 level for both Fiscal Years 2007-08 and 2008-09.
- Reserve/Designation Increases can vary from year to year depending upon the need to set aside fund balance for specific uses. Fiscal Year 2007-08 includes a $55.5 million technical adjustment to reclassify the general reserve from 'Designated - Contingency General' to 'General Reserve - All Funds' and an increase of $1.0 million for replacement and expansion reserves in various water, sewer and sanitation districts.
- Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, are increasing by $49.3 million or 12.4%. Various transfers between funds are increasing and decreasing with the largest increases due to a one-time transfer from the General Fund for the early payoff of the PINES portion of the 2002 taxable Pension Obligation Bonds and to reflect the transfer to the General Fund of projected increases in Public Safety Sales Tax (Proposition 172) revenues. A decrease of 26.9% is planned for Fiscal Year 2008-09 and is primarily related to one-time items in Fiscal Year 2007-08 that are not repeated in the subsequent year.
- Management Reserves are decreasing by $9.6 million or 26.0%. The level of Management Reserves can vary from year to year. They are used to fund one-time projects or to serve as a prudent cushion for revenue and economic uncertainties at the Group/Agency level.

Total Appropriations by Fund Type

The financial transactions of the County are recorded in individual funds and account groups. The State Controller prescribes uniform accounting practices for California counties. Various revenue sources are controlled and spent for purposes that require those funds to be accounted for separately. Accordingly, the following funds/fund types provide the basic structure for the Operational Plan. (See also "Basis of Accounting" on page 64) Appendix B: Budget Summary of All Funds provides detail regarding County Funds by Type of Fund and by Group/Agency.



Total Appropriations by Fund Type (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
General Fund	$ 2,869.6	$ 2,943.9	$ 3,289.5	$ 3,499.8	$ 3,447.7
Special Revenue Funds	687.5	720.8	443.4	491.2	488.6
Capital	8.2	7.0	102.4	32.1	5.8
Enterprise Funds	17.1	20.7	17.8	24.7	15.4
Internal Service Funds	295.4	302.6	319.6	333.3	333.9
Debt Service	126.6	110.5	125.6	216.5	111.0
Special Districts & Redevelopment	84.0	81.3	76.6	87.0	83.2
Total	$ 4,088.2	$ 4,186.9	$ 4,374.8	$ 4,684.5	$ 4,485.5

Governmental Fund Types

General Fund - accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the County's primary operating fund.

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects). Examples include Road, Library, Asset Forfeiture and Proposition 172 Special Revenue funds.

Capital Project Funds - account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Debt Service Funds - account for the accumulation of resources for, and the payment of, principal and interest on general long-term debt. The Debt Service Funds include bond principal and interest payments and administrative expenses for Pension Obligation Bonds. A discussion of long- and short-term financial obligations can be found on page 51.

Proprietary Fund Types

Enterprise Funds - account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are also used for any activity whose principal external revenue sources meet any of the following criteria:

- Issued debt is backed solely by fees and charges,
- Cost of providing services must legally be recovered through fees and charges, and
- Government's policy is to establish fees or charges to recover cost of provided services

Examples include the Airport and Sanitation District Funds.

Internal Service Funds - account for the financing of goods or services provided by one department to other departments of the County, or to other governmental units, on a cost-reimbursement basis. Examples include the Facilities Management, Fleet, Purchasing and Contracting, Employee Benefits, Public Liability, and Information Technology Internal Service Funds.

Appropriations Limits

Spending limits for the County are governed by the 1979 passage of California Proposition 4 (Article XIII B of the California Constitution) commonly known as the Gann initiative or Gann Limit. Proposition 4 places an appropriations limit on most spending from tax proceeds.

The limit for each year is equal to the prior year's spending with upward adjustments allowed for changes in population and the cost of living. Most appropriations are subject to the limit. However, Proposition 4 and subsequently Proposition 99 (1988), Proposition 10 (1998), and Proposition 111 (1990) exempt certain appropriations from the limit. These exemptions include capital outlay, debt service, local government subventions, new tobacco taxes, appropriations supported by increased gas taxes, and appropriations resulting from national disasters.

When the limit is exceeded, Proposition 4 requires the surplus to be returned to the taxpayers within two years. Appropriations in the two-year period can be averaged before becoming subject to the excess revenue provisions of the Gann Limit. As shown in the following table, the County continues to be far below the Gann Limit.

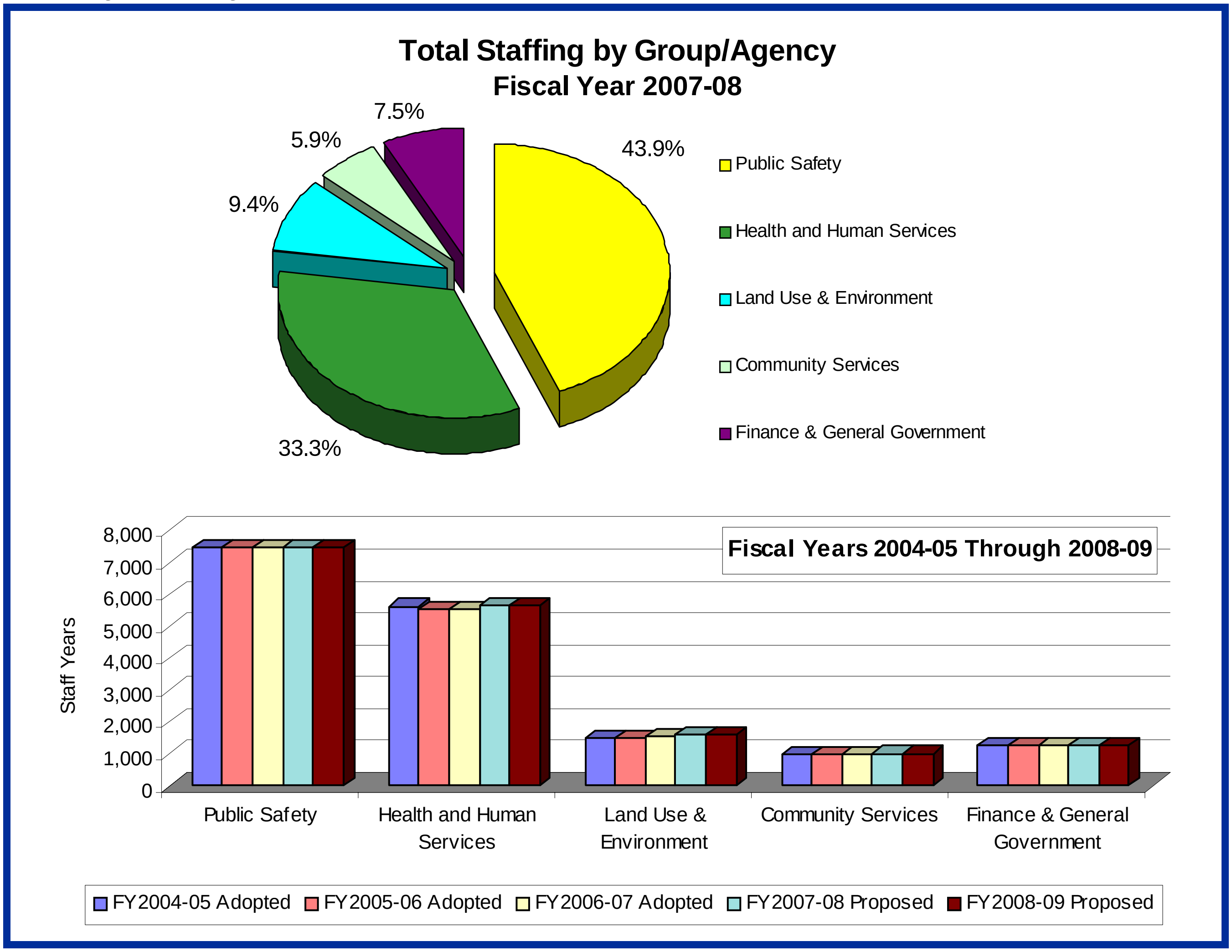
San Diego County Appropriation Limit (in millions)

	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
Gann Limit	$2,818	$2,832	$2,949	$3,081	$3,300	$3,433
Appropriations subject to the limit	$633	$597	$714	$717	$877	$1,002

All Funds: Total Staffing

Total Staffing

Staff years[1] for Fiscal Year 2007-08 are 182.58 more than the Adopted Budget for Fiscal Year 2006-07, an increase of 1.1% to 17,026.50 staff years. A decrease of 9.00 staff years is expected in the second year of the Plan due to the anticipated expiration of certain grant funding.



[1] A staff year in the Operational Plan context equates to one permanent employee working full-time for one year. County Salaries and Benefits costs are based on the number of staff years required to provide a service.

Staffing—Staff Years

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Public Safety	7,470.50	7,478.50	7,487.00	7,473.50	7,465.50
Health and Human Services	5,620.62	5,549.92	5,552.92	5,663.00	5,663.00
Land Use & Environment	1,492.00	1,497.00	1,559.00	1,602.00	1,601.00
Community Services	986.25	979.00	974.00	1,009.00	1,009.00
Finance & General Government	1,267.50	1,267.50	1,271.00	1,279.00	1,279.00
Total	16,836.87	16,771.92	16,843.92	17,026.50	17,017.50

The Fiscal Year 2007-08 increase of 182.58 staff years is a net amount with reductions in some areas and increases in others in order to deploy resources to the programs where they can do the most to achieve our strategic goals.

The Public Safety Group (PSG) proposes a net decrease of 13.50 staff years or -0.2%. Child Support Services is proposed to decrease by 50.00 staff years to align staffing with available revenues. Four other PSG departments propose staff year increases. The Sheriff proposes to increase staff years by 24.00 associated with the conversion of 44 current half-time positions to full time and an increase of staff for DNA analysis activities associated with Proposition 69, the DNA Fingerprint, Unsolved Crime and Innocence Protection Act. The Sheriff will be directing resources to DNA analysis in the Crime Lab in order to reduce the time to process and deliver DNA sample analysis associated with street crimes, emergency communications dispatch and law enforcement contracts with other jurisdictions. The Probation Department proposes to increase by 9.50 staff years to manage services addressing the mental health needs of adult and juvenile offenders pursuant to Proposition 63, the Mental Health Services Act, for juvenile crime prevention activities, to pilot juvenile offender supervision services using global positioning system technology, to fully fund two part time positions supported by SB 618, Inmates: Individualized Assessments and Treatment Plans and for truancy prevention, offset by a decrease of staff due to the completion of DNA sample collection activities in Phase I of the implementation of Proposition 69, the DNA Fingerprint, Unsolved Crime and Innocence Protection Act. The Public Safety Group Executive Office proposes to increase by 2.00 staff years to monitor and process contract and court ordered payments for indigent defense and to support all PSG departments in human resources activities and systems, and the Medical Examiner proposes to add 1.00 staff year to address increasing toxicology testing caseloads while continuing to meet performance standards for timely test completion.

The Health and Human Services Agency (HHSA) proposes an increase of 110.08 staff years or 2.0%. Child Welfare Services increases by 83.00 staff years as approved by the Board of Supervisors on September 26, 2006 (6) to improve child welfare services programs. Behavioral Health Services proposes an increase of 30.50 staff years, of which 25.50 are associated with a proposed increase of 15 beds in the San Diego County Psychiatric Hospital, and 5.00 staff years are for the Mental Health Services Act expansion of services. Aging and Independence Services proposes an increase of 4.00 staff years due to case growth for the In-Home Supportive Services program. Public Health Services proposes an increase of 0.58 staff years as a technical adjustment, with no impact to the total number of positions. These increases are offset by a decrease of 8.00 staff years within HHSA due to reengineering mail courier services. Several staff years were transferred among the HHSA programs, and those changes are discussed in each program's staffing changes.

The Land Use and Environment Group (LUEG) has a net increase of 43.00 staff years or 2.8%. Agriculture Weights and Measures increases by 17.00 staff years to support additional high risk pest exclusion activities, standards enforcement, Animal Disease Diagnostic Laboratory, surveillance through use of GIS, and the Stormwater program. Environmental Health adds 8.00 staff years for its Food and Housing Program to perform permitted facility inspections and for the Solid Waste Local Enforcement Agency to perform inspections for solid waste facilities and investigate complaints. Farm and Home Advisor adds 1.00 staff year for administrative support. Parks and Recreation increases by 15.00 staff years to expand the hours and public accessibility at San Elijo Lagoon Ecological Reserve, Santa Ysabel Open Space Preserve and Sycamore Canyon/Goodan Ranch Open Space preserve, to add support for development and renovations at park facilities and to implement the Area Specific Management Directives (ASMDs) of the Multiple Species Conservation Program (MSCP), and for more park rangers, maintenance and recreation program coordination. Planning and Land Use has a net reduction of 17.00 staff years. A decrease of 18.00 staff years is related to the projected downturn in building permit and plan check activities. The addition of 1.00 staff year will ensure compliance with the new Regional Water Quality Control Board Municipal Stormwater Permit. Public Works increases by 22.00 staff years for increased volume of capital projects in the Road Fund, for increased Watershed Protection program testing and implementation of the new Municipal Stormwater Permit, conversion to an in-house maintenance crew in the Inactive Waste Site Management fund, and for facilities planning and operations in the Airport Enterprise and Wastewater Enterprise Funds. The LUEG Executive Office decreases by 3.00 staff years as a result of a transfer to the Finance and General Government Group of customer service and website support.

The Community Services Group (CSG) proposes an increase of 35.00 staff years or 3.6%. By the end of Fiscal Year 2007-08 the County Library will have added a new branch in 4S Ranch and re-opened and enlarged Encinitas branch, proposing 25.00 staff years to support these branches. Responding to growth in County facilities under management and customer demand for services, the Department of General Services proposes to add 5.00 staff years in its facilities management and real estate and mail services. Animal Services proposes to add 1.00 staff year in its South County Shelter for enhanced medical staff to accelerate the diagnosis and treatment of shelter animals, to get animals healthy faster and reduce wait times for adoptions. The Registrar of Voters proposes an increase of 3.00 staff years to support poll worker training, provide administrative support in the financial management of elections, and serve customers at its facilities. Finally, the Department of Purchasing and Contracting proposes to add 1.00 staff year to support its property disposal operation in a warehouse that is no longer adjacent to its office staff.

The Finance and General Government Group (FGG) proposes an increase of 8.00 staff years or 0.6%. The FGG Executive Office proposes a transfer of 2.00 staff years to the Auditor and Controller to reflect a change in the organizational reporting structure. In addition to the transfer, the Auditor and Controller proposes 1.00 additional staff year to enhance support for the Community Projects and Community Enhancement Programs. The Office of County Counsel proposes an addition of 2.00 staff years to address caseload growth in claims investigation and increased financial administrative support. Also reflected in the increase is the mid-year reorganization of the customer service program, whereby 3.00 staff years were transferred from Land Use and Environment Group Executive Office to the Chief Technology Office (1.00 staff year) and to the

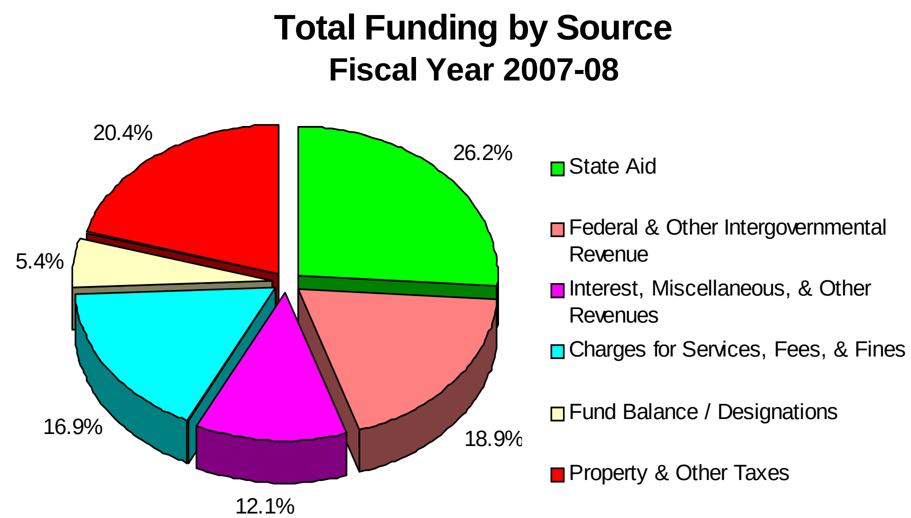
Department of Human Resources (2.00 staff years). The Department of Human Resources is also proposing an additional 2.00 staff years to increase training and development activities for County employees, and to provide support for enterprise-wide initiatives.

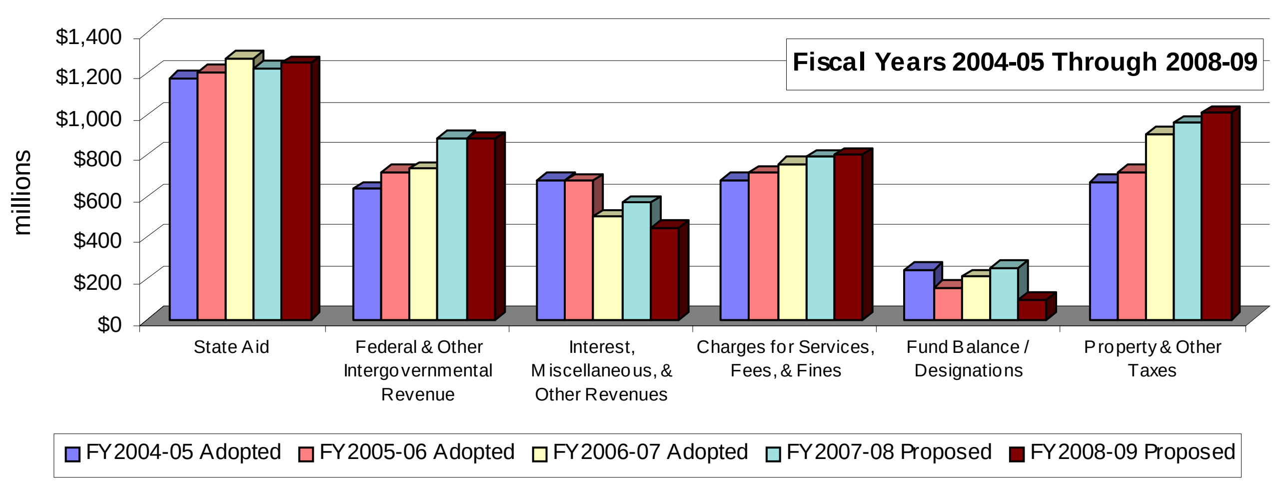
More detail on staff year changes can be found in each department/program section of the Operational Plan that begins on page 75.

All Funds: Total Funding Sources

Total Funding by Source

Total resources available to support County services for Fiscal Year 2007-08 are expected to be $4.7 billion, an increase of $309.6 million or 7.1% from the Fiscal Year 2006-07 Adopted Operational Plan. Total resources are anticipated to decrease $199.0 million or 4.2% in Fiscal Year 2008-09. For Fiscal Year 2007-08, State aid ($1.2 billion), federal aid ($792.4 million), and other intergovernmental revenue ($91.5 million) combined supply 45.1% of the financing sources for the County's budget. Another 34.5% ($1.6 billion) comes from the combination of charges for current services, interfund operating transfers, fund balance, licenses, permits and franchises, reserve/designation decreases, and other miscellaneous sources.





Total Funding by Source
(in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
State Aid	$ 1,178.5	$ 1,205.6	$ 1,275.4	$ 1,227.7	$ 1,249.8
Federal Revenues	549.3	629.5	619.9	792.4	787.7
Other Intergovernmental Revenue	87.4	87.8	112.9	91.5	93.6
Interest, Misc., & Other Revenues	678.9	675.5	498.9	568.7	447.3
Charges for Services, Fees, & Fines	682.3	714.6	757.8	792.4	801.8
Property & Other Taxes	671.5	717.6	903.0	957.5	1,006.1
Reserve/Designation Decreases	5.7	5.3	4.2	57.6	1.8
Fund Balance	234.7	151.1	202.8	196.6	97.5
Total	$ 4,088.2	$ 4,186.9	$ 4,374.8	$ 4,684.5	$ 4,485.5

Finally, locally generated funding sources, including property tax, property tax in lieu of Vehicle License Fees (VLF), sales tax, real property transfer tax, transient occupancy tax, and miscellaneous other revenues, account for 20.4% ($957.5 million) of the financing sources for the County's budget.*

The $309.6 million increase in the Fiscal Year 2007-08 Operational Plan is the net of increases in some funding sources and decreases in others. In the table above, Federal Revenue, Charges for Services, Fees & Fines, Interest, Miscellaneous & Other Revenues, Property and Other Taxes, and Reserve/Designation Decreases are expected to increase a combined $384.9 million or an increase of 13.8%. Reductions totaling $75.3 million (4.7%) are projected in the combined categories of State Aid, Other Intergovernmental Revenue, and Fund Balance.

Looking at specific funding sources, State Aid decreases by $47.7 million overall in Fiscal Year 2007-08. This is largely due to changing funding sources in the Health and Human Services Agency with a net decrease in State Aid of $92.3 million offset by increases in Federal Revenues of $172.8 million. An example of this funding change is seen in Regional Operations with a decrease in State Aid of $126.6 million offset by Federal Revenue increases of $129.7 million due to a change in the claiming instructions from the State of California for CalWORKS 2-parent families which are to be funded from federal TANF revenue, and a refinement of the budget to more accurately reflect federal funding for Medi-Cal eligibility and child care services that is passed through the State to the County. While an overall net decrease in State Aid is projected, some component categories are projected to increase, namely Proposition 172 ($11.4 million), Realignment ($7.6 million), In-Home Supportive Services (IHSS) ($12.2 million), and Behavioral Health Services ($32.7 million). See the Summary of

General Fund Financing Sources for additional detail on the budgeting of the Realignment and Proposition 172 revenues in Fiscal Years 2007-2009.

Federal Revenue will increase 27.8% ($172.5 million) primarily in the Health and Human Services Agency for the reasons described above in Regional Operations. A reduction in federal revenue occurs in Public Safety for Emergency Services due to the completion of grant funded activities.

Other Intergovernmental Revenue is projected to decrease by $21.4 million in Fiscal Year 2007-08. This is due in part to a shift in Behavioral Health Services of $3.3 million to the State Aid category and to a decrease in Planning and Land Use of $18.6 million with the conclusion of the tree removal program in Fiscal Year 2006-07.

Interest, Miscellaneous & Other Revenues are anticipated to increase by a net of $69.9 million: $13.1 million in Interest, $7.6 million in Miscellaneous Revenue and $49.2 million in Other Financing Sources. The increase in interest is largely in the County's general purpose revenues projected for interest on deposits and in Public Works from Airport rents and concessions. The Miscellaneous Revenue increases are projected in the Land Use and Environment Group in Parks and Recreation related to recovered expenditures from insurance proceeds for Firestorm 2003 recovery projects, in Public Works for reimbursements for proposed projects and in the Pension Obligation Bond (POB) Fund related to the revenues generated through the Interest Rate Swap on the variable rate portion of the debt. In addition, the increase in Other Financing Sources is due in part to an increase in Operating Transfers from Proposition 172 based on overall Proposition 172 revenue growth and the one-time use of Proposition 172 fund balance in Fiscal Year 2007-08. The other change in other financing sources is the decrease in operating transfers to fund capital projects offset by the increase in operating transfers to fund the early pay off of the Public Income Notes (PINES) portion of the 2002 POBs.

Charges for Services, Fees, and Fines increase by $34.6 million. Some of the increases across the County are in General Services for increased cost reimbursement associated with contracted services, utilities, fuel, parts and major maintenance projects, in the Sheriff's Department for increased levels of contracted law enforcement services, for various Inpatient, Alcohol and Drug, and Mental Health services, and in the Assessor/Recorder/County Clerk due to additional Property Tax Administration cost recoveries.

Property and Other Taxes increase by $54.6 million, primarily in the General Fund, as a result of moderate growth in assessed value. (See the section below on General Purpose Revenues by Source for more information on the changes in these funding sources.)

Finally, the use of Fund Balance decreases by $6.2 million due to normal fluctuations in one-time projects, but the use of Reserves/Designations will increase by $53.4 million in Fiscal Year 2007-08. The use of $55.5 million in reserves/designations in the General Fund represents a technical adjustment to convert a $55.5 million fund balance designation to a General Reserve in accordance with Government Code §29085-29086, which allows the creation of a general reserve and restricts increasing or decreasing the amount to the time of budget adoption. See the individual Group/Agency sections of this Operational Plan for the breakdown of financing sources by department.

* An explanation of the various General Fund Financing Sources by Category and General Purpose Revenues by Source can be found on pages 35 and 41 respectively.

Risks to Funding Projections: State of California's Budget

On January 10, 2007, Governor Schwarzenegger submitted the Proposed Fiscal Year 2007-08 budget to the California legislature. The Governor's Proposed Budget includes only a few program expansions, and instead proposes a number of budget-balancing actions, including a major redirection of transportation funds and significant reductions in social services.

The State's budget outlook continues to be strained by an ongoing structural imbalance between revenues and expenditures. According to a review of the Governor's budget by the State of California's Legislative Analyst (February 21, 2007), the projected imbalances for fiscal years 2008-09 and 2009-10 are estimated at $3.4 billion and $2.5 billion, respectively.

Impact on the County's Proposed Operational Plan

Corrections Reform — The Governor's Budget includes a comprehensive corrections reform package. Elements of the proposal contain significant policy implications for counties. The County is engaged in these discussions and will continue to monitor the situation closely.

Health Care Reform — Although the Governor's Budget did not include the Governor's Health Care Reform proposal, Health Care Reform contains a number of fiscal risks, uncertainties, and opportunities for local counties. The County is also actively engaged in these discussions and is monitoring the potential impact closely.

State Mandates — Several changes would be made to State mandates reimbursements under the Governor's Budget, including a proposal to delay the funding of budget year mandates until Fiscal Year 2008-09, when actual costs for Fiscal Year 2007-08 are available.

Transfer of Fees — The 2005-06 Budget Act required counties to transfer revenues from certain court imposed fees, fines, and forfeitures to the local trial court that would otherwise have gone to the counties, extending the 2003-04 and 2004-05 transfer for four more years. The County's share was $2.1 million for 2003-04 and 2004-05, $0.8 million in 2005-06 and $0.6 million in 2006-07. For Fiscal Years 2007-08 and 2008-09, the County's share each year is $0.4 million and $0.2 million, respectively. One-time resources will be used to fund this requirement.

Property Tax Administration Grant — The Governor's Budget does not include funding for counties' property tax administration programs. For 2007-08, General Purpose Revenues continue to replace the loss of these grant funds.

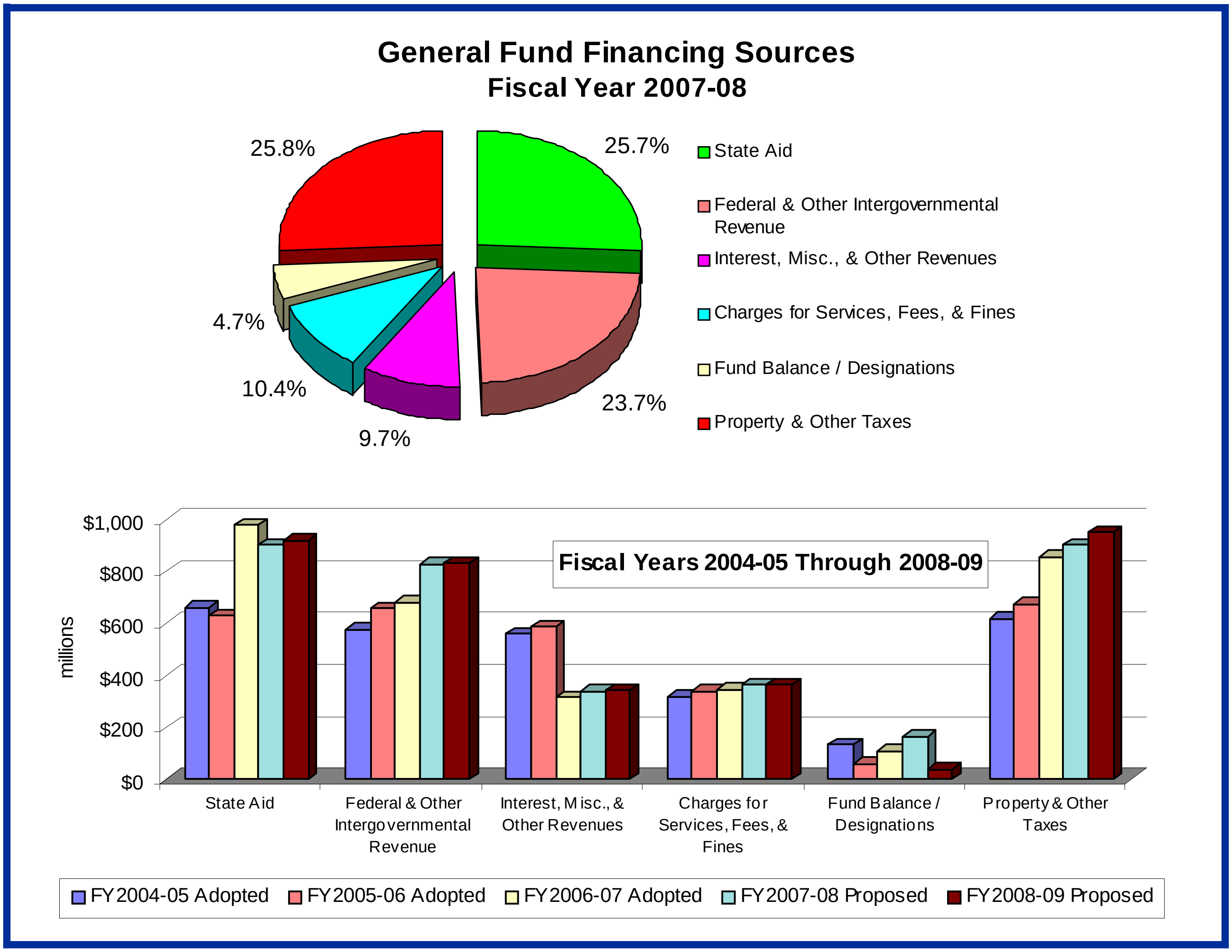
The following sections focus on General Fund financing sources.

Sources: Governor's Budget for 2007-08, State of California Legislative Analyst's Office, and State of California Department of Finance

Summary of General Fund Financing Sources

Summary of General Fund Financing Sources

The largest single fund and the fund that is responsible for most County services is the General Fund. General Fund Financing Sources total $3.5 billion for Fiscal Year 2007-08, a $210.4 million or 6.4% increase from Fiscal Year 2006-07. Total General Fund resources are expected to decrease by $52.2 million or 1.5% in Fiscal Year 2008-09. In comparison, the previous four fiscal years saw growth rates of 4.4% or $116.6 million in Fiscal Year 2003-04, 3.0% or $84.5 million in Fiscal Year 2004-05, 2.6% or $74.3 million in Fiscal Year 2005-06, and 11.7% or $345.6 million in Fiscal Year 2006-07. A 6.4% increase for Fiscal Year 2007-08 marks a return to a more moderate pace. The contraction in Fiscal Year 2008-09 is largely



General Fund Financing Sources
(in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
State Aid	$ 660.6	$ 628.6	$ 979.6	$ 901.1	$ 918.4
Federal Revenues	513.8	592.2	586.2	753.2	754.2
Other Intergovernmental Aid	64.1	64.5	97.1	75.9	77.5
Interest, Misc., & Other Revenues	560.5	586.5	315.8	339.3	344.0
Charges for Services, Fees, & Fines	319.7	338.4	345.6	363.6	365.1
Reserve/Designation Decreases	4.0	3.7	2.6	57.0	0.2
Fund Balance	129.2	56.5	105.8	107.5	38.3
Property & Other Taxes	617.8	673.5	856.8	902.2	950.0
Total	$ 2,869.6	$ 2,943.9	$ 3,289.5	$ 3,499.8	$ 3,447.7

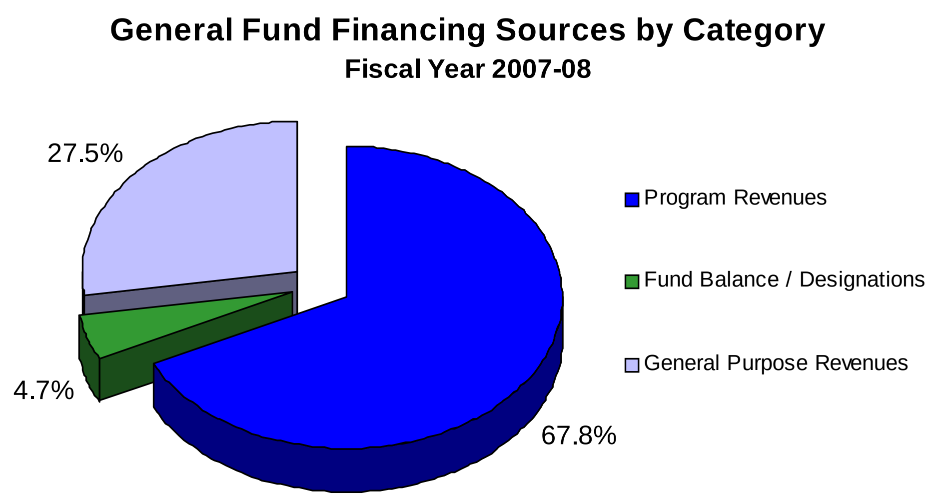
due to a projected reduction in the use of Fund Balance and Reserve/Designation decreases (both one-time resources) offset in part by growth in the Property and Other Taxes category.

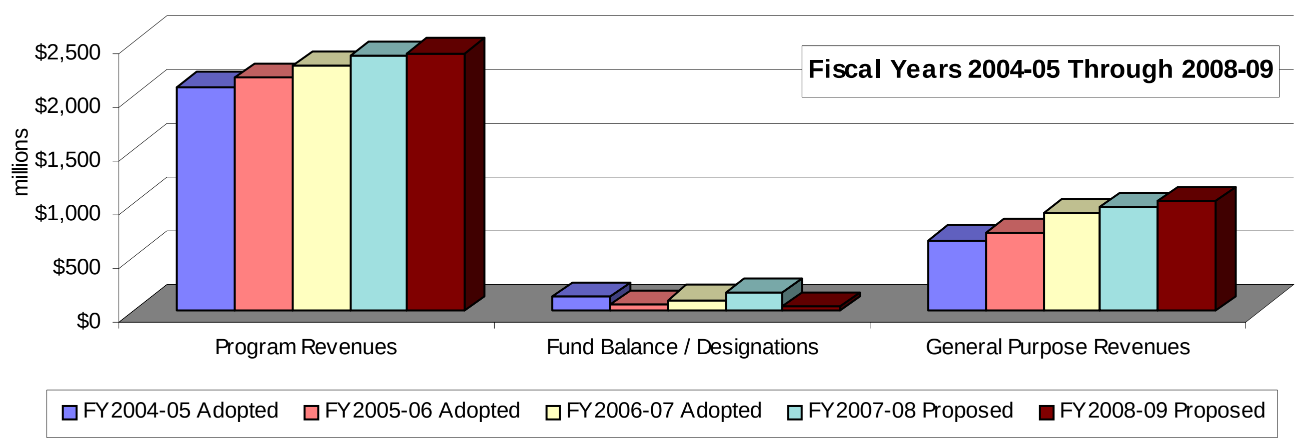
The charts and table above show the same breakdown of financing sources by account group as shown in the preceding All Funds: Total Funding Sources section. Because most of the significant year-to-year changes discussed in that section apply to the General Fund, they will not be repeated here.

The following section reviews General Fund financing sources from a categorical perspective.

General Fund Financing Sources by Category

The preceding section displayed General Fund financing sources by account type. This section looks at General Fund financing sources according to how they are generated. From that perspective, they can be categorized as one of three funding types: Program Revenues, General Purpose Revenues, or Fund Balance (including reserve/designation decreases).





General Fund Financing Sources by Category (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Program Revenues	$ 2,078.9	$ 2,162.7	$ 2,274.7	$ 2,371.8	$ 2,394.4
Fund Balance / Designations	133.2	60.2	108.5	164.5	38.5
General Purpose Revenues	657.4	721.0	906.3	963.6	1,014.7
Total	$ 2,869.6	$ 2,943.9	$ 3,289.5	$ 3,499.8	$ 3,447.7

Program Revenues, as the name implies, are dedicated to and can be used only for the specific programs with which they are associated. These revenues make up 67.8% of General Fund Financing Sources in Fiscal Year 2007-08, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues are anticipated to increase by 4.3% over the Fiscal Year 2006-07 Adopted Budget. The average annual growth for the last three years was 4.6%. State, federal, and other intergovernmental funds of $1.7 billion in Fiscal Year 2007-08 comprise 72.9% of Program Revenues. The largest single sources of Program Revenues include:

- Realignment Revenues ($323.4 million in Fiscal Year 2007-08 and $336.2 million in Fiscal Year 2008-09) are anticipated to be received from the State to support health, mental health, and social services programs. The term Realignment refers to the transfer in 1991 of responsibility from the State to counties for certain health, mental health, and social services programs, along with the provision of dedicated sales tax and vehicle license fee (VLF) revenues to pay for these changes. Between Fiscal Years 2002-03 and 2006-07, annual revenue growth has averaged 5.3%. An increase of 2.4% is budgeted for Fiscal Year 2007-08, and an increase of 4.0% is projected in Fiscal Year 2008-09.
- Proposition 172-Public Safety Sales Tax Revenues ($249.9 million in Fiscal Year 2007-08 and $257.9 million in Fiscal Year 2008-09) are proposed to support region wide public safety services provided by three Public Safety Group departments - the Sheriff, District Attorney and Probation. The revenue source is a dedicated one-half cent increase in the Statewide sales tax that was approved by the voters in 1993 and is distributed to counties and cities based on the relative levels of taxable sales in each county to the total taxable sales in all qualified counties. Between Fiscal Years 2002-03 and 2006-07, annual budgeted revenue growth has averaged 7.1%. For Fiscal Year 2007-08, an increase of 4.8% is proposed and for Fiscal Year 2008-09, an increase of 3.2% is expected. These amounts are based on projections of Statewide sales tax receipts and projections of San Diego County's proportionate share of Statewide sales tax receipts. Also proposed for Fiscal Year 2007-08 is the use of $7.5 million in carryover funds received but not appropriated in the previous fiscal year for specific one-time uses for the designated departments.
- Tobacco Settlement Revenues ($29.7 million in Fiscal Year 2007-08 and $24.2 million in Fiscal Year 2008-09) by Board policy are dedicated to health-based programs. These revenues are the result of the historic Master Settlement Agreement between the Attorneys General of California and several other states and the four major

tobacco companies in 1998. The agreement provided more than $206 billion in Tobacco Settlement Payments over 25 years in exchange for the release of all past, present, and future claims related to the use of tobacco products. California agreed to distribute its share of the settlement to its counties based on population.

To reduce the risk of non-receipt of the Tobacco Settlement Payments, some counties and states opted to securitize these payments. Securitization is a process whereby the owner of the receivable sells the right to that income stream to a third party in exchange for an up-front payment. The County of San Diego helped to pioneer this process and received $466 million in January 2002 in exchange for its Tobacco Settlement Payments. In May 2006 the County securitized additional anticipated receipts and added $123.5 million to the endowment fund. These proceeds will enable the County to fund approximately $27.5 million of health care programs annually through approximately 2034. The $29.7 million budgeted to be utilized in Fiscal Year 2007-08 reflects $5.5 million in one-time, non-securitized Tobacco Settlement funds and $24.2 million in Securitized Tobacco funds. Another $3.3 million is proposed to be appropriated and retained in the Tobacco Securitization Special Revenue fund in Fiscal Year 2007-08. A request will be submitted to the Board if the additional resources are needed.

General Purpose Revenues make up 27.5% of General Fund Financing Sources. Please see the separate discussion of General Purpose Revenues beginning on page 41.

Fund Balance/Designations ($164.5 million in Fiscal Year 2007-08 and $38.5 million in Fiscal Year 2008-09), including reserve/designation decreases, represents 4.7% of General Fund Financing Sources in Fiscal Year 2007-08. This resource is used for one-time expenses, not for the support of ongoing operations. Fund Balance is the result of careful management of resources Countywide in past years. The County typically does not utilize all of the anticipated fund balance in preparing its Operational Plan. Instead, needs for one-time resources are assessed on a continuing basis and proposals are brought to the Board during the fiscal year on an individual basis or as part of quarterly budget status reports. The County of San Diego's audited unreserved, undesignated Fund Balance was $225.9 million at the end of Fiscal Year 2000-01, $234.6 million after Fiscal Year 2001-02, $269.0 million after Fiscal Year 2002-03, $215.4 million after Fiscal Year 2003-04, $264.2 million after Fiscal Year 2004-05, and $435.4 million after Fiscal Year 2005-06.

In the Proposed Operational Plan, General Fund fund balance is used as the funding source for various one-time or project-specific purposes:

- Death Penalty Indigent Defense,
- Mobile Tablet computers for Child Advocacy Investigators,
- Vehicles in the Public Defender and Alternate Public Defender departments,
- Facility maintenance needs,
- Business Process Reengineering efforts throughout the County,
- Furniture, Fixtures and Equipment for Edgemoor,
- CalWIN projects,
- General Plan (GP) 2020/Zoning Ordinance support,
- Various capital projects, including appropriations for land acquisition for Lakeside soccer fields, Stowe Trail, Ramona Sheriff's station, and for open space, and for the following development projects: Spring Valley Community Center improvements, Agua Caliente Pavilion replacement, Sweetwater campground improvements, Sweetwater Loop Trail construction, Tijuana River Valley Trail and Habitat Restoration, Rancho San Diego Sheriff's station construction, Felicita Park wedding area and other improvements, Whaley Compound Americans with Disabilities Act (ADA) improvements, Los Penasquitos Adobe ADA access,

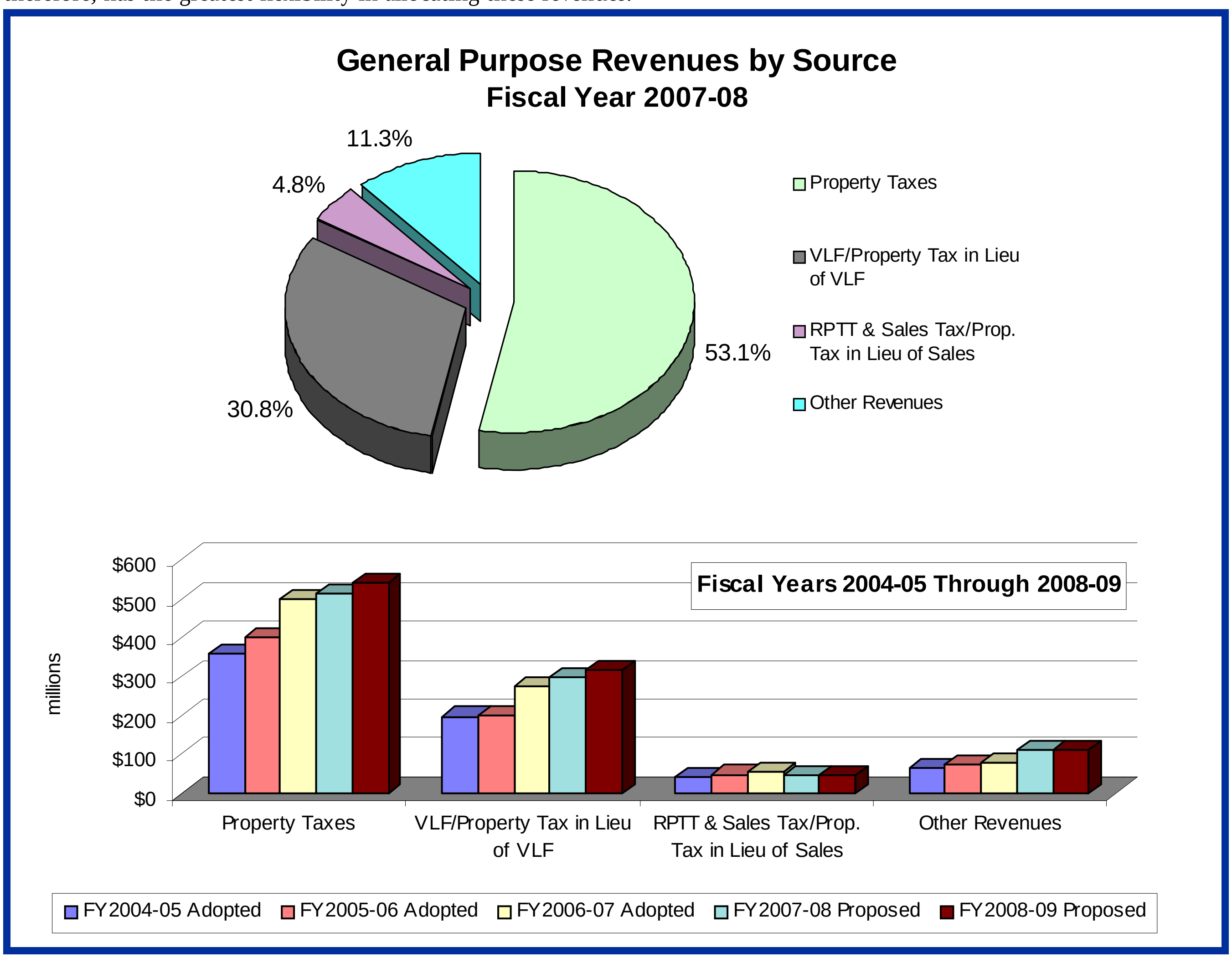
Otay Valley Regional Park (OVRP) Trails development, North County Animal Shelter enhancements, San Elijo Visitor Center enhancements, County Administration Center (CAC) Waterfront Park development, Fallbrook Library development, Lakeside Sports Park construction and various Ranger Housing improvements.

- Support for the enterprise-wide Documentum document management system,
- Registrar of Voter's one-time election costs and delay in SB 90 funding,
- Funding for future year Contribution to Trial Court undesignated fee payments,
- Management Reserves,
- ERP one-time costs,
- One-time technology projects,
- Community Projects grants, and
- Conversion of a fund balance designation to a General Reserve.

General Purpose Revenues

General Purpose Revenues by Source

General Purpose Revenues for Fiscal Years 2007-08 and 2008-09 are budgeted at $963.6 million and $1,014.7 million respectively. As noted on page 35, they represent approximately 27.5% of General Fund Financing Sources. The revenues come from property taxes, property tax in lieu of vehicle license fees (VLF), sales tax, real property transfer tax (RPTT), and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board, therefore, has the greatest flexibility in allocating these revenues.



General Purpose Revenues by Source (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Property Taxes	$ 359.6	$ 400.5	$ 499.3	$ 511.4	$ 539.7
VLF/Property Tax in Lieu of VLF	196.9	200.5	274.5	297.1	316.4
RPTT & Sales Tax/Prop. Tax In Lieu of Sales Tax	38.6	47.6	54.2	46.2	46.7
Other Revenues	62.4	72.5	78.4	108.9	112.0
Total	$ 657.4	$ 721.0	$ 906.3	$ 963.6	$ 1,014.7

The growth in these revenues is principally affected by the local and State economies. While the growth in General Purpose Revenues (GPR) averaged 6.2% annually from Fiscal Year 1999-00 through Fiscal Year 2005-06, the budgeted growth for Fiscal Year 2006-07 was 25.7% ($185.3 million) over the Fiscal Year 2005-06 adopted budget. This growth was due to unique circumstances related to the restoration of property tax that was shifted to schools under a two-year agreement with the State, a sizeable adjustment to the Property Tax In Lieu of Vehicle License Fees by the State of California, and strong growth in supplemental property taxes combined with a change in the distribution formula that shifted more supplemental taxes to the County as a result of the property-tax-in-lieu-of-VLF legislation. For Fiscal Year 2007-08, GPR growth is projected to be 6.3% ($57.3 million) above the Fiscal Year 2006-07 Adopted Operational Plan, which is closer to the historic average. The projected growth rate for Fiscal Year 2008-09 is expected to decelerate to 5.3%. Details of these increases are discussed below.

Property Tax Revenues, ($511.4 million in Fiscal Year 2007-08 and $539.7 million in Fiscal Year 2008-09), including current secured, current supplemental, and current unsecured, at 53.1% of the total, is the most significant source of General Purpose Revenues. For Fiscal Year 2007-08, property tax revenue for these three categories combined is forecast to be $12.1 million or 2.4% higher than budgeted for Fiscal Year 2006-07, which is a significant drop in the rate of growth seen in prior years. For the last seven years local property tax growth has been high (9.7% average annual growth excluding the State's 2004-05 and 2005-06 property tax shift to schools) due to the strong overall economy and healthy real estate market. Property tax revenue growth of 5.5% or $28.3 million is projected for Fiscal Year 2008-09.

These projected modest increases in property tax revenue are based on the slowed demand for housing in the County as evidenced by the reduction in residential building permits, year over year marginal decline in the median priced home in the County, and length of time of property listings. These factors are mitigated by relatively low interest rates, the area's population growth and continued strength in the commercial sector. The following table presents a summary of historical and projected property tax revenues to show the changes by category.

Property Tax Summary (in millions)

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2006-07 Estimated Actual	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Current Secured	$ 452.2	$ 452.2	$ 474.6	$ 501.6
Current Supplemental	31.7	22.0	20.8	22.1
Current Unsecured	15.3	16.4	16.0	15.9
Total	$ 499.3	$ 490.6	$ 511.4	$ 539.7

Current Secured property taxes are projected to increase by 5.0% in Fiscal Year 2007-08; this rate of increase is lower than the forecasted 7.5% increase in the local secured assessed value because an allowance is made for tax increment allocations to redevelopment agencies and delinquent property tax payments that are not expected to be realized in the fiscal year. The actual growth in the assessed value of the secured tax roll for Fiscal Year 2007-08 property tax purposes will be known at the end of June, 2007. Current market conditions indicate that a continued slower rate of growth should be assumed for Fiscal Year 2008-09 as well.

Supplemental property taxes are derived from additions to the tax roll during the budget year and are therefore more difficult to predict. The actual amount of these revenues in Fiscal Year 2006-07 is expected to be 30.6% less than budgeted ($22.0 million projected versus $31.7 million budgeted) as a result of weakness in assessed value growth from the slowing in the real estate market. The proposed budget assumes that this weakness will continue through the next two fiscal years with the Fiscal Year 2007-08 amount being less than the estimated actual for Fiscal Year 2006-07 followed by a small recovery in Fiscal Year 2008-09.

Current Unsecured property taxes do not build on a prior year base. The projected roll is forecasted based on trends and information received in the current year related to adjustments for personal property and improvements. Growth of 4.3% is projected for Fiscal Year 2007-08 over the Fiscal Year 2006-07adopted budget, with a more conservative projection for Fiscal Year 2008-09.

Property Tax in Lieu of Vehicle License Fees (VLF) comprises 30.8% (an estimated $297.1 million) of proposed General Purpose Revenues in Fiscal Year 2007-08 and 31.2% ($316.4 million) in Fiscal Year 2008-09. This revenue source replaced the previous distribution of vehicle license fees to local governments. In Fiscal Year 2004-05, the State established initial allocations from the VLF Property Tax Compensation Fund to cities and counties. Per the implementing legislation, revenue levels are now based on the growth in gross taxable assessed value, which is assumed to be 7.0% for Fiscal Year 2007-08 based on a combined projected unsecured and local secured assessed value growth. The actual amount of Property Tax in Lieu of VLF revenues received in Fiscal Year 2006-07 exceeded the budgeted amount, so on a budget to budget basis, the projected amount for Fiscal Year 2007-08 represents an 8.2% growth over Fiscal Year 2006-07. The Fiscal Year 2008-09 growth is estimated at 6.5%.

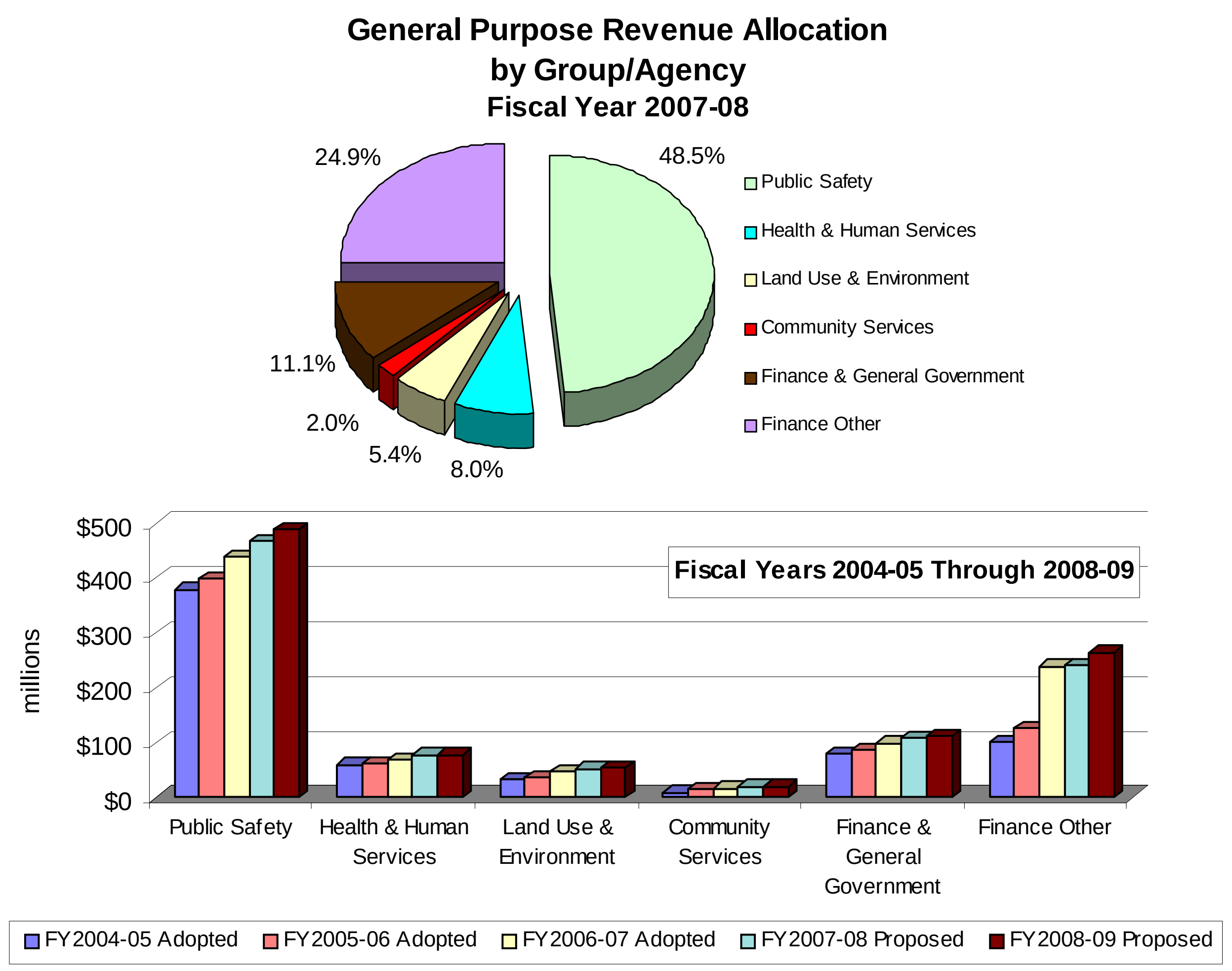
Sales & Use Tax Revenue & In Lieu Local Sales & Use Tax, ($24.7 million in Fiscal Year 2007-08 and $25.6 million in Fiscal Year 2008-09) represents about 2.6% of General Purpose Revenues and is derived from taxable sales by businesses located in unincorporated County areas. Its growth is generally impacted by population and income, but is primarily due to economic development and new business formation in the County. These amounts reflect both the Sales Tax revenues and the In Lieu Local Sales & Use Tax replacement funding that will be transferred from the Educational Revenue Augmentation Fund (ERAF). The In Lieu Local Sales & Use Tax is referred to as the "triple flip" and was effective July 1, 2004. Assembly Bill (AB)7 X1, one of the 2003-04 State budget bills, enabled the State to redirect one-quarter cent of the local sales and use tax to the State to repay up to $15 billion in bonds authorized by Proposition 57 (March 2004) to help the State refinance its past debt. In turn, the lost local sales tax revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. The Fiscal Year 2006-07 In Lieu Local Sales & Use Tax figures were increased slightly based on a settle-up of the 2005-06 initial allocations. This adjusted the allocation on a one-time basis. Retail sales are growing at a moderate level in the unincorporated area with a pre-"triple flip" adjustment sales tax growth of $1.2 million (5.2%) projected over the Fiscal Year 2006-07 Adopted Operational Plan. Sales Tax growth, including the triple flip adjustment amount, in Fiscal Year 2008-09 is anticipated to be $0.85 million (3.4%) over Fiscal Year 2007-08.

Real Property Transfer Tax (RPTT) Revenue for Fiscal Year 2007-08 is budgeted at $21.5 million, a 30.1% ($9.2 million) decrease from the Fiscal Year 2006-07 Adopted Operational Plan, reflecting the slowing in residential sales activity partially offset by growth in the industrial and retail sectors. A further decrease of $0.4 million or 1.7% is expected in Fiscal Year 2008-09. The anticipated drop in Fiscal Year 2008-09 revenues is based on anticipated further slowing in housing turnover and new construction. The Real Property Transfer Tax is paid when any lands, tenements, or other realty exceeding $100 in value are sold and granted, assigned, transferred or conveyed to the purchaser. The tax rate, set by the State, is $1.10 per $1,000 of assessed valuation. The County collects 100% of all the transactions in the unincorporated area and 50% of the transactions in the incorporated areas.

Other Revenues for Fiscal Year 2007-08 total $108.9 million and increase to $112.0 million in Fiscal Year 2008-09. The Fiscal Year 2007-08 amount represents a 39.0% or $30.6 million increase over the Fiscal Year 2006-07 Adopted Budget total. Various revenue sources make up this category including interest on deposits, fines, fees and forfeitures, redevelopment agency tax increment, prior year adjustments on property taxes, franchise revenue, aid from the City of San Diego in lieu of booking fees, and other miscellaneous revenues. The increased revenues are primarily due to growth in redevelopment agency tax increment, prior year secured supplementals, penalties and costs related to delinquent taxes, interest on deposits, and to a shift in the budgeting and accounting for delinquent property tax revenues associated with the Teeter Plan.

Allocation of General Purpose Revenues by Group

General Purpose Revenues (GPR) are allocated annually based on an analysis of available program revenues, federal/State service delivery mandates, and the priorities and strategic direction set by the Board of Supervisors. The Public Safety Group, at 29.1% of the County's total budget, is proposed to receive 48.5% of the County's General Purpose Revenues in Fiscal Year 2007-08. By contrast, the Health & Human Services Agency's budget represents 36.5% of the County total, but is proposed to receive 8.0% of the General Purpose Revenues.



General Purpose Allocations by Group/ Agency (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
Public Safety	$ 379.5	$ 398.5	$ 439.5	$ 467.2	$ 488.4
Health & Human Services	58.9	60.1	68.0	77.4	77.4
Land Use & Environment	33.3	34.4	45.8	52.0	53.0
Community Services	8.6	14.4	15.8	19.5	19.8
Finance & General Government	77.8	86.9	98.5	107.4	111.4
Finance Other	99.3	126.7	238.9	240.1	264.8
Total	$ 657.4	$ 721.0	$ 906.3	$ 963.6	$ 1,014.7

As noted above, General Purpose Revenues in Fiscal Year 2007-08 are expected to increase by $57.3 million over the Fiscal Year 2006-07 budgeted level and by an additional $51.1 million in Fiscal Year 2008-09.

The additional GPR in Fiscal Year 2007-08 is proposed to fund such items as negotiated salaries and benefits increases, serious and violent crime prosecution and investigation, the Health Safety Net, GIS mapping to support agricultural risk surveillance activities, additional West Nile Virus and Avian Influenza testing, park maintenance and accessibility, maintenance of open space lands acquired under the Multiple Species Conservation Program, increased support for the medical examination and treatment of sheltered animals and in-house spay/neuter surgeries, Countywide records management and document services, election expenses, and the operation of the 4S Ranch and Encinitas libraries. For Fiscal Year 2008-09, a total of $26.4 million out of the $51.1 million increase is proposed to be allocated to the five operating groups for negotiated salaries and benefits increases, with the remainder allocated to Finance Other pending an updated needs analysis that will be done in the course of the development of the Proposed Operational Plan for Fiscal Years 2008-09 and 2009-10. Further detail is provided in the Group/Agency and Department sections that begin on page 75. The above charts and table show the amount of General Purpose Revenues proposed to be used to support each Group/ Agency for Fiscal Years 2007-08 and 2008-09 compared to the three prior fiscal years.

Capital Projects

Capital Projects

The Capital Program reflects the County's proposed financial plan of capital project expenditures for the fiscal years 2007-08 and 2008-09. Capital expenditures include expenditures incurred for the improvement to or acquisition of land, facilities, and infrastructure. The Fiscal Year 2007-08 CAO Proposed capital budget for San Diego County is $31.2 million. The program includes appropriations for new capital projects as well as previously approved, but not yet completed, capital projects. The following chart depicts the distribution of those appropriations.

Capital Appropriations

	Dollar Amount	Number of Projects
Appropriation Increases for New & Existing Capital Projects (2007–2008)		
Capital Appropriations	$ 31,245,000	22
Total—New Projects	$ 31,245,000	22
Projects Underway		
Public Safety Group	$ 100,156,426	14
Health & Human Services Agency	69,969,472	5
Land Use & Environment Group	73,267,800	107
Community Services Group	1,907,535	20
Finance & General Government Group	3,415,740	3
Total—Projects Underway	$ 248,716,973	149
Grand Total	$ 279,961,973	171

The Capital Program section of this Operational Plan on page 411 highlights major projects and includes a schedule of lease-purchase payments related to previously debt financed projects.

Projected Reserves and Resources

Reserves and Resources

The County maintains a prudent level of reserves for various purposes. The tables below display the reserves and other available resources and fund balance designations as of July 1, 2006 and proposed for July 1, 2007.

Projected County Reserves and Resources (in millions)

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget
General Reserve	$ 55.5	$ 55.5
General Fund Contingency Reserve-Operations	20.0	20.0
Group/Agency Management Reserves	36.8	27.3
Debt Service Reserves	21.8	21.8
Environmental Trust Fund Reserves	71.0	64.6
Endowment Fund Tobacco Securitization SR	468.9	430.9
Workers' Compensation Reserve	56.7	61.6
Public Liability Reserve	30.1	24.7
Total County Reserves and Resources	$ 760.8	$ 706.4

Fund Balance Designations (General Fund only, in millions)

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget
Designated - Sheriff Capital Project	$ 6.0	$ 6.0
Designated - Dept. of Voter Registration	1.2	0.0
Designated - Planning and Land Use	1.5	1.5
Designated - Environmental Health	5.4	6.5
Designated - HA Kearney Mesa Lease	0.9	0.6
Designated - Realignment	74.6	74.6
Total Fund Balance Designations	$ 89.6	$ 89.2

General Reserve — The $55.5 million reserve is set aside for any unforeseen catastrophic situations. By law, except in cases of a legally declared emergency, the General Reserve may only be established, cancelled, increased or decreased at the time of adopting the budget.

General Fund Contingency Reserve — The Contingency Reserve holds appropriations for unforeseen operational uncertainties during the fiscal year.

Group/Agency Management Reserves — Appropriations are established at the Group/Agency or department level to fund unanticipated items during the fiscal year.

Debt Service Reserves — These amounts represent the portion of bond proceeds for various County certificates of participation that are set aside in a reserve. These amounts provide assurance to the certificate holder that amounts are available in a reserve should the County not be able to make a lease payment from currently budgeted resources.

Environmental Trust Fund Reserves —Proceeds from the sale of the County's Solid Waste System on August 12, 1997 were set aside in trust to fund inactive/closed site management for approximately 30 years.

Tobacco Securitization Endowment Fund — The County established the Tobacco Securitization Endowment Fund in January 2002. In lieu of receiving the Tobacco Settlement revenue on an annual basis, the County securitized the payment stream and deposited the net proceeds of $412.0 million into the Tobacco Securitization Endowment Fund on a total securitization of $466.0 million. Based on certain assumptions of portfolio yield, these proceeds would have enabled the County to fund approximately $24.2 million of health care programs annually through approximately 2020. In May 2006, the original issuance was refunded through a second securitization and an additional $123.5 million was deposited to the fund. It is estimated that this will extend the life of the endowment fund from the year 2020 to 2034 and allow for $27.5 million in anticipated proceeds annually.

Workers' Compensation Reserve — Established for Workers' Compensation Claims liability. An annual actuarial assessment is done to estimate the liability and to ensure that the County is maintaining sufficient reserves for current and future claims. The liability is estimated to be $91.3 million as of July 1, 2007, which includes $20.0 million in expected costs for Fiscal Year 2007-08. The cash balance in the fund is estimated to be $61.6 million as of July 1, 2007.

Public Liability Reserve — Established to reflect contingent liabilities. An annual actuarial assessment is done to estimate the liability and to ensure that the County is maintaining sufficient reserves for current and future claims. The liability is estimated to be $16.5 million as of July 1, 2007, which includes $8.6 million in expected costs for Fiscal Year 2007-08. The cash balance in the fund is estimated to be $24.7 million as of July 1, 2007.

Fund Balance Designations (General Fund only) — The Board has determined from time to time that certain amounts of fund balance be designated for particular purposes. Balances can increase or decrease depending upon whether the funds are being accumulated for later use or are being used because of fluctuating workloads or to make scheduled payments over a limited time. The current designations include the following:

- **Designated-Sheriff Capital Project** — Established in Fiscal Year 1999-2000, this designation is for future departmental capital expenditures.
- **Designated-Dept. of Voter Registration** -—This designation was established in Fiscal Year 2003-04 to provide sustained funding for those election years with few billable participating jurisdictions. The remaining balance of $1.2 million is scheduled to be used in Fiscal Year 2007-08.
- **Designated-Planning and Land Use** — The Building/Code Enforcement designation is set aside to balance revenue to costs for work in progress in coming fiscal years. The designation ensures that excess revenue over cost paid by Department of Planning and Land Use (DPLU) customers is used only to fund expenses related to building permit activities.
- **Designated-Environmental Health** — In Fiscal Year 2003-04, the Department of Environmental Health (DEH) established this fund balance designation to set aside any excess revenue over cost each fiscal year, for use in a subsequent fiscal year when costs exceed revenue.

The designation ensures that excess revenue over cost paid by DEH customers is used only to fund expenses in DEH.

- Designated-HA Kearny Mesa Lease — This designation was established in Fiscal Year 2005-06 to pay the remaining annual lease payments for the Housing Authority office building located in the Kearny Mesa area of San Diego. These payments will be made from the General Fund from Fiscal Year 2006-07 through Fiscal Year 2012-13.
- Designated-Realignment — This designation was established in Fiscal Year 2005-06 to provide a funding source for future years when ongoing realignment revenues may be inadequate to fund the realigned Health, Mental Health and Social Services programs.

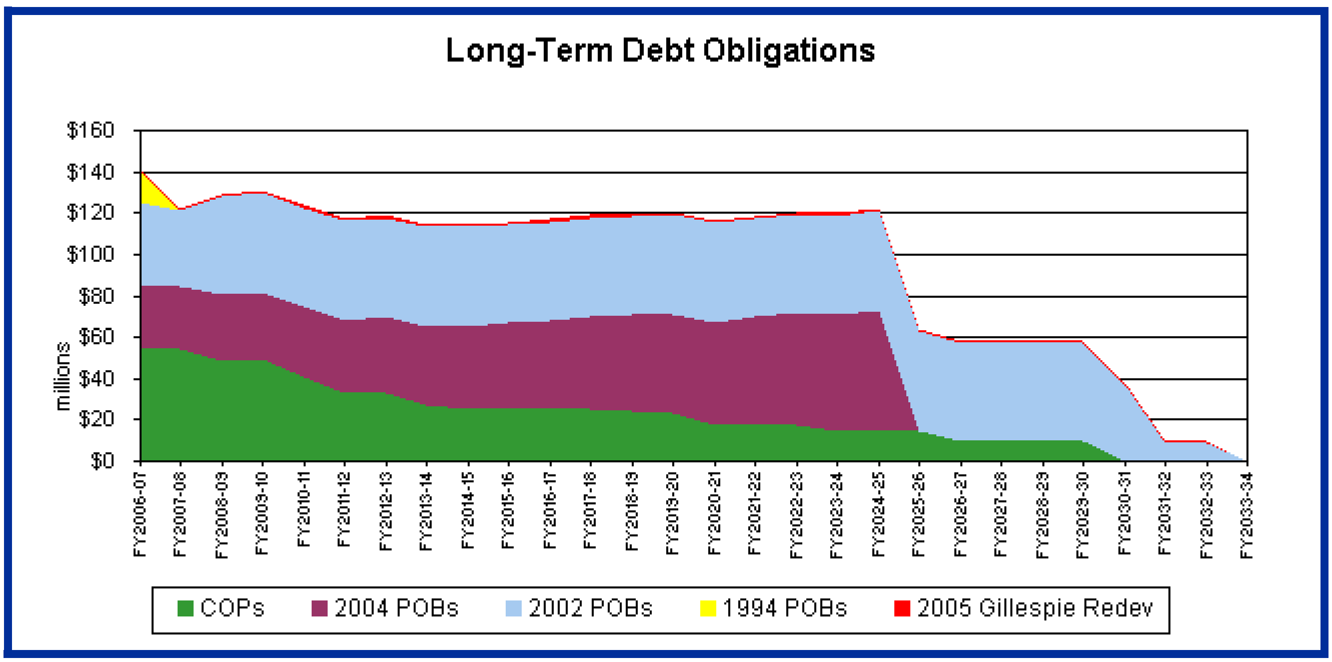
Long- and Short-Term Financial Obligations

Long-Term Obligations

The County has no outstanding general obligation bonds. The County's outstanding long-term principal bonded debt as of March 31, 2007 is:

Outstanding Principal Bonded Debt (in millions)

	Dollar Amount	
Certificates of Participation	$	402.2
Pension Obligation Bonds		1,205.9
Redevelopment Agency Bonds		15.6
Total	$	1,623.7



The chart above shows the County's scheduled long-term obligation payments through Fiscal Year 2033-34, which include certificates of participation (COPs) and taxable pension obligation bonds (POBs). The following discussion explains the nature and purpose of each of these and other long-term financing instruments used by the County.

Certificates of Participation (COPs) were first used in 1955 with the financing of the El Cajon Administrative Building. Since then, the County has made use of various lease arrangements with certain financing entities such as joint powers authorities, the San Diego County Capital Asset Leasing Corporation, or similar nonprofit corporations. Under these arrangements a capital asset is acquired or constructed with the proceeds from the issuance of Certificates of Participation by the financing entity; the financing entity will then lease the asset or assets to the County. At the end of the lease period, the title to the asset is conveyed to the County.

Taxable Pension Obligation Bonds (POBs) have been issued on three occasions by the County to reduce the unfunded actuarial accrued liability (UAAL) of the San Diego County Employees Retirement Association (SDCERA) on a lump sum basis rather than make actuarially determined amortized payments over a specified period of years. The size of the UAAL is determined annually by an actuary and can increase or decrease depending on changes in actuarial assumptions, earnings on the assets of the fund, and retiree benefits. POBs totaling $430.4 million were first issued by the County in February 1994.

The County then issued $737.0 million of POBs on October 3, 2002, of which $550.0 million went to the San Diego County Employees Retirement System (SDCERA) to reduce the UAAL. The remaining proceeds were used to escrow a portion of the County's 1994 Pension Obligation Bonds in order to take advantage of the lower interest rates, and to pay for related costs of issuance.

In June of 2004, the County of San Diego issued a third series of taxable POBs in the amount of $454.1 million, of which $450.0 million went to SDCERA, thus reducing the UAAL. The remaining proceeds were used to pay for related costs of issuance.

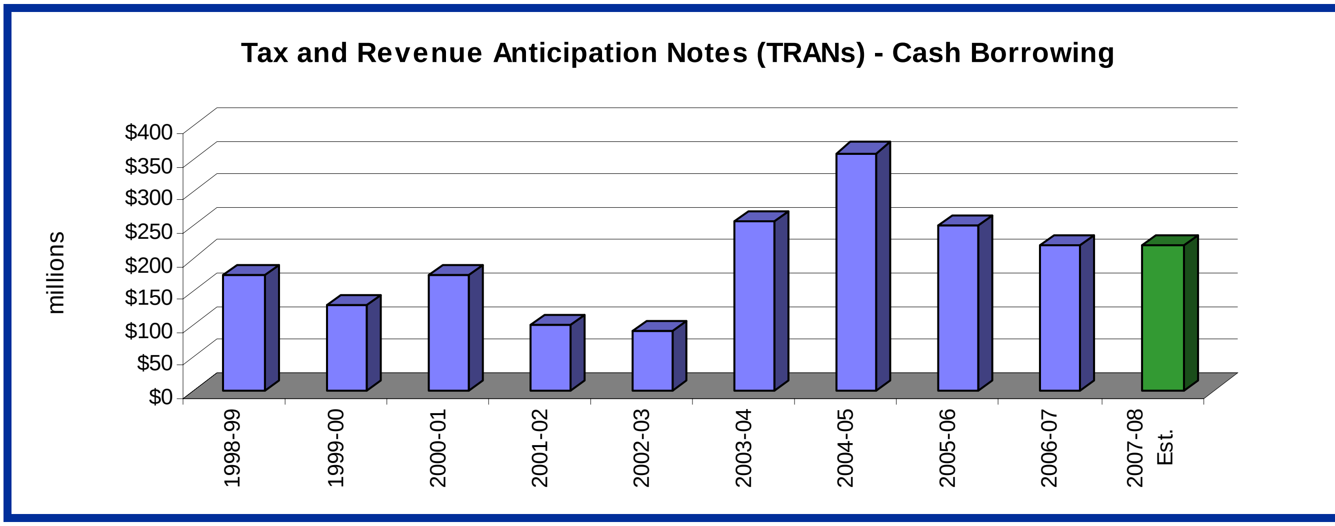
On September 27, 2004, the County of San Diego deposited approximately $63.5 million with BNY Western Trust Company (acting as trustee), of which $45.9 million was General Fund money. Such funds were invested in an Investment Agreement entered into by BNY Western Trust Company and an obligor. The obligations of the obligor under the Investment Agreement are guaranteed by American International Group, Inc. (AIG), which has been assigned long-term credit ratings from Moody's Investors Service and Standard & Poor's Rating Services of "Aaa" and "AAA," respectively. Under the Investment Agreement, the obligor is required to make a final payment to BNY Western Trust Company in July 2007 in an amount sufficient to meet the County's remaining annual payment obligation to a counterparty under a Debt Service Forward Sale Agreement currently in effect for the County's Taxable Pension Obligation Bonds, Series A (the "1994 POBs") until the final maturity of the 1994 POBs on August 15, 2007. In exchange for the County's annual payments, the Forward Sale Agreement requires the counterparty thereto to deposit securities (which must be non-callable obligations issued or guaranteed by the United States of America or certain instrumentalities or agencies of the United States of America) into the Bond Fund relating to the 1994 POBs, the cash flows of which are sufficient to pay each scheduled payment of principal and interest on the 1994 POBs during the applicable fiscal year.

The 1994 POBs will remain outstanding until their regularly scheduled maturities; if the obligor under the Investment Agreement, and AIG under its related guaranty, or the counterparty to the Forward Sale Agreement defaults in its respective obligations for any reason, the County remains obligated to make any affected payment of principal and interest on the 1994 POBs.

In August of 2006, the County converted the Series 2004B Bonds in the amount of $147,825,000 from Auction Rate Securities to fixed rate interest bonds. By converting these bonds to a fixed interest rate the County protected itself from rising short-term interest rates, secured an attractive long-term fixed interest rate, and created future variable rate capacity which may provide additional economic benefit as fixed rates increase in the future.

This Operational Plan proposes the early pay off of $100 million of the 2002 POBs. The Long-Term Obligation payment chart on page XX reflects the elimination of this portion of the debt. See discussion on page XX for further information.

Redevelopment Agency Tax Increment Bonds were issued on September 12, 1995, as limited obligations of the County of San Diego Redevelopment Agency (Agency) in the amount of $5.1 million. The Agency was formed on October 14, 1974, pursuant to Redevelopment Law. The 1995 bonds were issued for the Gillespie Field Redevelopment Project, which is one of the Agency's two redevelopment project areas. The proceeds were used by the Agency to finance the construction of public improvements at the Gillespie Field Airport. On December 22, 2005, the Agency issued $16 million in Tax Increment Bonds to refund all of the Agency's outstanding 1995 bonds and to repay loans owed to the County's Airport Enterprise Fund. These loans were used by the Agency to finance redevelopment activities in the Gillespie Field Redevelopment Project Area. In connection with the 2005 bonds, the County pledged to make limited payments to the Agency from the Airport Enterprise Fund. This pledge is a limited obligation of the County and is not secured by the County's General Fund.



Short-Term Obligations

During the course of the fiscal year, the County experiences temporary shortfalls in cash flow due to the timing of expenditures and receipt of revenues. To meet these cash flow needs, the County issues Tax and Revenue Anticipation Notes (TRANs). The chart above shows TRANs borrowing for the past 10 years. The County intends to borrow approximately $220 million through the TRANs program for Fiscal Year 2007-08.

Credit Rating and Long-Term Obligation Policy

Credit Rating and Long-Term Obligation Policy

The County of San Diego's credit ratings are:

Credit Ratings

	Moody's	Standard & Poor's	Fitch IBCA, Duff & Phelps
Certificates of Participation	A1	AA-	AA-
Pension Obligation Bonds	Aa3	AA-	AA-
Issuer Credit Rating	Aa2	AA	
Investment Pool		AAAf/S1	

Credit Rating

The last long-term review by the three rating agencies was during the issuance of the County's $42.4 million of Certificates of Participation for the 2006 Edgemoor Completion Project financing. All three rating agencies affirmed the County's ratings as listed above. According to Fitch Ratings credit research report issued in November 2006, "The AA- rating reflects the County's broad and well-performing economy, sound financial operations and year-end balances, prudent fiscal management, low debt burden, and sound lease features."

The last short-term analysis by the rating agencies was during the June 2006 short-term borrowing program whereby the County received the ratings of MIG-1, SP-1+ and F-1+ from Moody's, Standard & Poor's, and Fitch Ratings, respectively. These are the highest short-term ratings possible. According to Moody's credit research report issued in June 2006, "The MIG-1 rating assigned to the Series 2006A reflects the County's low borrowing amount, strong liquidity, and reasonable cash flow assumptions."

The San Diego County Investment Pool continues to hold an AAAf/S1 rating from Standard & Poor's. The rating reflects the extremely strong protection the pool's portfolio investments provide against losses from credit defaults. The pool invests primarily in 'AAA' or 'A-1/P-1/ F-1' rated securities. The 'S1' volatility rating signifies that the pool possesses low sensitivity to changing market conditions given its low-risk profile and conservative investment policies.

Long-Term Obligation Policy

The foundation of any well-managed debt program is a comprehensive debt management policy. A debt management policy sets forth the parameters for issuing debt and managing the outstanding debt portfolio and provides guidance to decision makers. Adherence to a debt management policy helps to ensure that the County maintains a sound debt position and that credit quality is protected. The County Board of Supervisors adopted Board Policy B-65, Long-Term Obligations Management on August 11, 1998. This policy, along with the rating agencies' analyses, has been the foundation for the County's debt program. Key points included in the policy are:

- All long-term obligations must be approved by the Board of Supervisors after approval by the Debt Advisory Committee. Accompanying each long-term financial obligation will be a cost benefit analysis, the identification of the funding source, an assessment of the ability to repay the obligation, the impact on the current budget, commitments to future budgets, maintenance and operational impact of the facility or asset and the impact on the County's credit rating;

- Long-term financial obligations will not be used to meet current operations;
- Variable rate exposure will not exceed 15% of the County's outstanding long-term obligations;
- The County shall comply with all ongoing disclosure requirements;
- The County shall monitor earnings on bond proceeds and rebate excess earnings as required to the U.S. Treasury to avoid the loss of tax exempt status; and
- The County shall continually review outstanding obligations and aggressively initiate refinancings when economically feasible and advantageous.

The County is also a conduit issuer on various financings, whereby the County issues tax-exempt long-term bonds on behalf of a qualifying entity. That entity is responsible for all costs in connection with the issuance and repayment of the financing. Debt issued under the conduit program is not considered to be a debt of the County.

The chart on the following page reflects the County's outstanding conduit issuances:

Outstanding Conduit Issuances

	Final Maturity Dates	Original Principal Amount	Principal Amount Outstanding
Conduits			
1998 Sharp	2028	$ 112,020	$ 96,255
1998 San Diego Natural History Museum	2028	15,000	13,200
2000 San Diego Museum of Art	2030	6,000	5,800
2000 Salk Institute	2031	15,000	13,785
2001 University of San Diego	2041	36,870	31,895
2002 San Diego Imperial Counties	2027	10,750	9,750
2003 Chabad	2023	11,700	10,820
2003 San Diego Jewish Academy	2023	13,325	11,720
2004 Bishop School	2044	25,000	25,000
2004 Museum of Contemporary Art	2034	13,000	12,750
2005 Sidney Kimmel Cancer Center	2031	24,500	24,500
2005 Burnham Institute for Medical Research	2034	59,405	58,450
2006 San Diego Foundation	2036	13,500	13,500
Total Conduits		$ 356,070	$ 327,425
Housing			
1999 Laurel Village Apartments	2014	$ 1,670	$ 915
2001 Village West	2031	4,438	4,071
2002 Spring Valley	2020	3,250	3,047
Total Housing		$ 9,358	$ 8,033
Reassessment Bonds			
1997 4-S Ranch Reassessment District Bonds	2012	$ 21,755	$ 10,390
Total Reassessment Bonds		$ 21,755	$ 10,390

Authority to Finance and Bond Ratios

The following table lists the statutes authorizing the County of San Diego to enter into short- and long-term obligations and, if applicable, the legal authority on maximum bonded indebtedness. All short- and long-term obligations must conform to State and local laws and regulations. The basic constitutional authority for State and local entities to enter into short- and long-term obligations is in the Tenth Amendment to the U.S. Constitution. To incur short- or long-term obligations within the State of California, a political subdivision must have either express or implied statutory authority.

Issuance Authority

ISSUER	LEGAL AUTHORITY
County of San Diego	General: Government Code Section 29900
	Maximum Indebtedness: Government Code Section 29909
	Short Term: TRANS Government Code Section 53850, Commercial Paper, Teeter Revenue & Tax Code Section 4701
	Pension Obligation Bonds: Government Code Section 53580
Joint Powers Authority	Government Code Section 6500
Redevelopment Agency	Health and Safety Code Section 33000
Housing Authority	Health and Safety Code Section 34200
	Multifamily Bonds Health and Safety Code Section 52075
Mello-Roos Community Facilities District	Government Code Section 53311
Nonprofit Corporation	Corporations Code Section 5110
Assessment Bonds	Street & Highway Code Section 5005

State constitutional limitations prohibit cities and counties from entering into indebtedness or liability exceeding in any year the income and revenue provided for such year unless the local agency first obtains two-thirds voter approval for the obligation.

However, there are three major exceptions to the debt limit which have been recognized by the California courts. The three exceptions are the *Offner-Dean lease exception*, the *special fund doctrine*, and the *obligation imposed by law.*

The *Offner-Dean lease exception* provides that a long-term lease obligation entered into by an agency will not be considered an indebtedness or liability under the debt limit if the lease meets certain criteria.

The *special fund doctrine* is an exception to the debt limit which permits long-term indebtedness or liabilities to be incurred without an election if the indebtedness or liability is payable from a special fund and not from the entity's general revenue. An example of a special fund would be one consisting of enterprise revenue which is used to finance an activity related to the source of the revenues, such as the activity of the enterprise.

The courts have applied the *obligation imposed by law exception* to indebtedness used to finance an obligation imposed on the local agency by law. The theory of this exception is that the obligation is involuntary, thereby making the act of putting the question to the voters meaningless.

Bond and Debt Service Ratios

Bond ratios useful to County management, the general public, and investors are as follows:

Bond Ratios

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
Net Bonded Debt (in millions)[1]	$ 1,228.2	$ 1,623.8	$ 1,655.8	$ 1,586.3
Net Bonded Debt per Capita	$ 408	$ 534	$ 540	$ 513 [2]
Ratio of Net Bonded Debt to Assessed Value	0.48%	0.58%	0.52%	0.45%

[1] Net Bonded Debt excludes Redevelopment Agency Bonds, reflects the net effect of debt service reserves (approximately $21.8 million for Fiscal Year 2006-07 as of February 2007).

[2] Based on an estimated January 1, 2007 County of San Diego population, which assumes 0.9% growth from the January 1, 2006 population figure.

Note: If the County were to issue general obligation bonds, the debt limit pursuant to Government Code Section 29909 would be 5% of the taxable property of the County. As of June 30, 2006, the taxable assessed value in the County was $356.0 billion. The debt limit would, therefore, be $17.8 billion, far greater than the current debt of $1.6 billion.

General Fund Debt Service Ratio

Components of General Fund Debt Service Ratio (in $millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Proposed Budget	Fiscal Year 2008-09 Proposed Budget
General Fund Revenue [1]	$ 2,736.4	$ 2,883.7	$ 3,181.0	$ 3,335.4	$ 3,409.1
Total Debt Service [2]	$ 115.6	$ 120.7	$ 121.7	$ 113.8	$ 121.4
Ratio of Total Debt Service to General Fund Revenue [3]	4.22%	4.18%	3.83%	3.41%	3.56%
General Fund Share of Debt Service Cost [4]	$ 100.4	$ 104.3	$ 104.9	$ 97.9	$ 104.6
Ratio of General Fund Share of Debt Service to General Fund Revenue	3.67%	3.62%	3.30%	2.94%	3.07%

[1] General Fund Revenue excludes fund balance and reserve/designation decreases.

[2] Total Debt Service: a) Amounts were restated to include Third Party Debt Service; b) Fiscal Years 2005-06 through 2007-08 exclude payments on the economically defeased 1994 Pension Obligation Bonds (see page XX); and c) Fiscal Year 2007-08 total debt service amount reflects the one-time payoff of $100.0 million for the PINES portion of the 2002 taxable Pension Obligation Bonds (POBs). (For more information, see page XX in the Finance-Other section).

[3] General Fund Share of Debt Service Cost excludes debt service chargeable to special revenue funds, enterprise funds, internal service funds, special districts and other governmental agencies.

[4] The purpose of this ratio is to show only the share of County debt service that is charged to the General Fund.

Financial Planning Calendar

Ongoing

Organizational Goals—The Board of Supervisors provides ongoing policy direction to the Chief Administrative Officer (CAO). The CAO, in conjunction with his Executive Team, reviews the County's mission, strengths, and risks to develop and refine the Strategic Plan, which defines the County's long-term goals.

September–February

Five-Year Goals—The CAO, General Managers, and Chief Financial Officer (CFO) develop the Five-Year Financial Forecast of revenues and expenditures, and a preliminary analysis of key factors impacting this analysis. In coordination with the CFO, the Groups/Agency and their respective departments develop preliminary short- and medium-term operational objectives that contribute to meeting the Strategic Plan goals, and allocate the necessary resources to accomplish the operational objectives.

March–April

Preparation of Proposed Operational Plan—Groups/ Agency and Departments develop specific objectives as part of the preparation of the Operational Plan. Objectives are clear and include measurable targets for accomplishing specific goals. The Operational Plan includes a discussion of the proposed resources necessary to meet those goals, as well as a report of the accomplishments of the prior year.

May

Submission of the Proposed Operational Plan—The CAO submits a two-fiscal-year Proposed Operational Plan to the Board. The Board accepts the CAO's Proposed Operational Plan for review, publishes required notices, and schedules public hearings.

June

Public Review And Hearings—The Board conducts public hearings on the Operational Plan for a maximum of 10 days. This process commences with Community Enhancement Program presentations.

All requests for increases to the Proposed Operational Plan must be submitted to the Clerk of the Board in writing by the close of public hearings. Normally, the CAO submits a Proposed Change Letter recommending modifications to the Proposed Operational Plan. Additionally, members of the Board of Supervisors, the general public, and County advisory boards may submit Proposed Change Letters.

Deliberations—After the conclusion of public hearings, the Board discusses with the CAO and other County officials as necessary the Proposed Operational Plan, requested amendments, and public testimony. Based on these discussions, the Board gives direction to the CAO regarding the expenditure and revenue levels to be included in the final Operational Plan. The Board's deliberations are scheduled for one week and are generally completed by the end of June.

August

Adoption of Budget—Subsequent to completing deliberations, the CAO returns to the Board at a regular meeting with a resolution that, in compliance with California Government Code Section 29089, formally adopts the budget for the new fiscal year.

Summary of Related Laws, Policies, and Procedures

Summary

The following is an overview of the various laws, policies, and procedures the County adheres to in its financial management practices and uses to guide the County's decision making process.

The Board of Supervisors on April 21, 1998, accepted the General Management System (GMS) as the formal comprehensive guide for planning, implementing, and monitoring all functions and processes that affect delivery of services to the residents of San Diego County. The County developed the GMS process following the severe fiscal crisis that threatened County programs and solvency in the mid-1990s. However, the GMS is much more than a crisis management tool for putting the County's fiscal house in order.

The GMS helps ensure that sound planning, preparedness, and improvement become permanent organizational ethics. With the GMS as a guide, the County continues to use strong fiscal management practices, while remaining focused on providing superior services to County residents. The principles and procedures outlined by the GMS are meant to apply to every County function on an ongoing basis.

For more detail on the GMS, see Understanding the Proposed Operational Plan section on page XX.

California Government Code

Government Code §29000 through §30200, known as the County Budget Act, provide the statutory requirements that guide the development and content of the County's budget. Government Code §29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing."

The County Board of Supervisors has jurisdiction over the acquisition, use, and disposal of County-owned real property and County-leased property under the authority of Government Code §23004.

County Charter

Section 703.4 - Establishes the Chief Administrative Officer (CAO) as responsible for all Group/Agencies and their departments (except departments with elected officials as department heads) and responsible for supervising the expenditures of all departments and reporting to the Board of Supervisors on whether specific expenditures are necessary.

County Administrative Code

Article VII Budget Procedure and Appropriation, Revenue and Staffing Limitations - Establishes the components and timeline for the budget process and establishes the CAO as responsible for budget estimates and submitting recommendations to the Board of Supervisors.

Article XII-D Department of Human Resources (DHR) - Designates DHR responsible for handling all matters arising under the Labor Relations Ordinance, and for representing the Board of Supervisors in the meet and confer process with recognized employee organizations as required by law (California Government Code 3500 et. seq.). The Labor Relations Ordinance (No. 6273) provides the governance for Labor Relations activities at the County.

County Board Of Supervisors Policies

A-81 Procurement of Contract Services - Outlines the conditions and methods by which all contracts for services may be entered into and defines contract administration responsibilities. Contracts for services, when properly issued and administered, are an approved method to accomplish County program objectives and this policy ensures the establishment of proper safeguards.

A-91 Mid-Year Budget Changes - Establishes that all mid-year General Fund savings and over-realized revenue identified by County departments will be used to offset net County costs of the appropriate program. In addition, all letters to the Board of Supervisors will include a standardized statement of costs necessary to implement the recommendations submitted for actions, and a justification of the need for the proposal to be addressed outside the annual budget process, where competing needs could be evaluated.

A-126 Proposition 172 and New Program Revenues in the Sheriff's Department, Office of the District Attorney and the Probation Department - Ensures a collaboration between the Board of Supervisors and the District Attorney, Sheriff, and Probation in developing an annual plan for the use of Proposition 172 funds and increased program revenues.

B-29 Fees, Grants, Revenue Contracts - Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-37 Use of the Capital Program Funds - Establishes funding methods, administration and control, and allowable uses of the Capital Program Funds.

B-49 Identification and Use of County Discretionary Appropriations - Determines the parameters for the allocation and use of County monies which are provided solely at the discretion of the Board of Supervisors and provides for the mechanism by which the Board is apprised by County departments of the proposed use of such monies.

B-51 Grants, Awards & Revenue Contracts - Requires County departments to certify in writing that a proposed activity or project funded primarily by the State or federal government would be worthy of expending County funds if that outside funding were not available.

B-58 Funding of the Community Enhancement Program - Sets down guidelines and criteria for allocating the appropriations for the Community Enhancement Program.

B-65 Long-Term Financial Obligation Management Policy - Establishes guidelines for entering into long-term financial obligations to meet the demands of growth and that these financial obligations must be entered into and managed using sound financial practices. Please see page XX for more detail on this policy.

B-71 Fund Balance and Reserves - Establishes guidelines regarding the use of fund balance and the maintenance of reserves in order to protect the fiscal health and stability of the County.   Expenditures for services are subject to fluctuations in demand and revenues are influenced by changes in the economy and by State and federal regulations. This policy ensures the County is prepared for unforeseen events by establishing and maintaining prudent levels of fund balance and reserves.

E-14 Expenditure of Tobacco Settlement Revenue in San Diego County - Establishes guidelines for the allocation of anticipated Tobacco Settlement revenue which is to be used for healthcare-based programs.

G-16 Capital Facilities and Space Planning - Establishes a centralized, comprehensive program and responsible agency to manage the capital facilities program and space needs of the County, and establishes general objectives and standards for the location, design, and occupancy of County-owned or leased facilities, as well as serving as the steward of a Countywide master plan and individual campus plans.

H-1 Fleet Service Internal Service Fund - Establishes guidelines for the development, administration, and control of the Fleet Services Internal Service Fund (ISF).

M-13 Legislative Policy: State-Mandated Local Program Costs - Calls on the State and federal Legislature to encourage equitable reimbursement of mandated local program costs.

M-26 Legislative Policy: Governance and Financing of Local Agencies - Calls on the Legislature to redress inequitable State funding formulas.

County Administrative Manual

0030-01 Full Cost Recovery of Services - Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as guidance in the process of recovering full costs for services provided to agencies or individuals outside the County of San Diego organization under grants or contracts or for which fees may be charged.

0030-03 Application and Acceptance of Grants - Establishes a procedure within the framework of Board of Supervisors Policy B-51, to serve as guidance when requesting the Board of Supervisors approval of the application and acceptance of grants, awards, or revenue contracts.

0030-06 State Mandated Cost Recovery - Establishes guidelines to attempt full recovery of all State mandated costs resulting from chaptered legislation and executive orders.

0030-09 Debt Advisory Committee - Establishes guidelines for the Debt Advisory Committee which reviews and evaluates all long-term financing obligations which bear the County of San Diego's name or name of any subordinate agency of the County or any conduit financing, prior to approval by the County Board of Supervisors. Following general parameters, the Committee reviews all proposed financings and based on their satisfactory determination, provides an evaluation for the Board of Supervisors and concurs on any Board letter.

0030-12 Mid-Year Appropriations - Establishes guidelines for funding new or modified programs, projects, or proposals outside of the annual budget process.

0030-13 Budget Program/Project Follow-Up - Establishes sunset dates to be placed on programs intended to have limited duration so related staff and other resources will not be shifted to other activities without the Board of Supervisors' approval.

0030-14 Use of One-Time Revenues - Defines the conditions by which one-time revenues are to be allocated to ensure that one-time revenue is appropriated only for one-time expenditures such as capital projects or equipment, not to ongoing programs.

0030-17 General Fund Reserves -- Provides a plan for the maintenance and ongoing enhancement of a General Fund reserve as needed. This reserve would provide a source of funds for long-term extraordinary events and enhance the County's position with rating agencies.

0030-18 Transfer of Excess Cash Balances to General Fund - Provides for the transfer of excess cash balances to the General Fund from various funds within the County's area of financial and cash management which contain earnings or moneys in excess of those funds' requirements. Transferring these excess cash balances to the County, where the financing terms require this action, allows the County to offset a portion of the staff time associated with the management of these funds.

0030-19 Revenue Match Limitation - Establishes guidelines limiting General Fund contributions for revenue matches. Revenue matches should be limited to the mandated percentage level unless clear justification is provided which results in a waiver of the policy by the Board of Supervisors.

0030-22 Revenue Management: Auditor and Controller & CAO Responsibilities - Establishes the Chief Financial Officer (CFO)/Auditor and Controller and the CAO as responsible for revenue management by reviewing and evaluating County revenues from all sources in order to maximize these revenues within legal provisions, and to institute internal controls and systems to be used by departments to estimate, claim, and collect revenues.

0030-23 Use of the Capital Outlay Fund (COF), Capital Project Development, and Budget Procedures - Establishes procedures for developing the scope of capital projects, for monitoring the expenditure of funds for capital projects, for reporting annually on the life-to-date project costs, and for the timely closure of capital projects.

0050-01-06 Capital, Space, and Maintenance Requests - Provides guidelines for capital, space, equipment and maintenance requests, establishes appropriate criteria and a structured and centralized process for evaluating and prioritizing requests integrated with the General Management System (GMS), and ensures that requests are complete and evaluated for any potential impact on County long-range strategic plans and programs and are included in the budget process.

0090-01-01 Policy and Procedure for Conducting Economy and Efficiency Determinations for Service Contracts - Establishes procedures for conducting economy and efficiency determinations pursuant to County Charter sections 703.10 and 916. This item describes the required facts County departments must present to the CAO to support a determination that a proposed use of an independent contractor is both more economical and efficient than the use of County employees to provide a particular service.

All policies, codes, ordinances, and resolutions approved by the Board of Supervisors that relate to County Programs are reviewed periodically. A cyclical process to routinely and systematically evaluate and reconsider these items is outlined in Board of Supervisors Policy A-76 - Sunset Review Process.

Basis of Accounting and Measurement Focus

Government-wide, proprietary, pension and investment trust fund financial statements are reported using the economic measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized when the underlying transactions take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental Funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales tax, interest, State and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. Additionally, capital asset acquisitions and principal payments are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Financial Statement Presentation

For governmental funds only, current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) and the net change in fund balance.

For proprietary funds, the pension trust fund and the investment trust fund, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net assets) for the proprietary funds (i.e., total net assets) is segregated into net assets invested in capital assets, net of related debt, and unrestricted net assets on the County's Comprehensive Annual Financial Report (CAFR). The net assets for the pension trust fund and the investment trust fund are described as "held in trust for pension benefits and other purposes" in the CAFR. Proprietary fund-type operating statements present increases (e.g., revenues), decreases (e.g., expenses) and the change in net assets. The County has elected not to apply the Financial Accounting Standards Board (FASB) standards issued subsequent to November 30, 1989 in reporting proprietary fund operations.

Differences Between Budgetary and Financial Reports

Governmental Funds- An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors.

The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared in conformity with generally accepted accounting principles (GAAP). The Schedule of Revenues - Expenditures, And Changes in Fund Balance - Budget and Actual presented as Required Supplementary Information is prepared using the GAAP basis. This statement includes the following columns:

- The Original Budget column consists of the current fiscal year adopted budget plus the encumbrances carried forward from the prior fiscal year. Also, the original budget is adjusted to reflect reserves, transfers, allocations, and supplemental appropriations that occur prior to the start of the fiscal year. The County adopts its budget subsequent to the start of the new fiscal year. Therefore, under the circumstances, the complete budget that is adopted by the County Board of Supervisors constitutes the adopted budget, plus the approved carry forward for purposes of the budgetary comparison presentation.
- The Final Budget column consists of the Original Budget column plus budget changes occurring during the fiscal year plus technical amendments that occur after the close of the fiscal year less the amount of the budget carried forward to the subsequent fiscal year.
- The Actual column represents the actual amounts of revenue and expenditures reported on a GAAP basis which is the same basis that is used to present the aforementioned Original and Final Budget. The County's Operational Plan differs from the CAFR in that it displays adopted budget and actual amounts. Therefore, prior year encumbrances and budget amendments are not reflected.

Authority to carry forward appropriations and applicable estimated revenue for prior year encumbrances is requested from the Board of Supervisors in the annual budget resolution. Any budget amendments are approved by the Group and department managers or the Board of Supervisors.

Proprietary Funds- The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriations, their budgetary controls are the same as those of the governmental funds. Because these funds collect fees and revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.

Some exceptions are:

- Certain funds are budgeted as governmental funds but are reported as proprietary funds; the most significant difference is that depreciation is not budgeted. Depreciation is not included in the budgets for the Sanitation and Sewer Maintenance Special Districts.
- Adjustments to inventory valuations are not budgeted.

All Funds- Changes in reservation and designation of fund balance in the CAFR are shown as appropriations (expenditures) or revenues in the Operational Plan.

Excellence in Governing

Recognitions of Excellence

Throughout Fiscal Year 2006-2007, numerous County of San Diego programs were recognized by local, State, and national organizations, as well as by a variety of industry and professional organizations, for excellence and innovation. The County of San Diego has worked hard to become a best practices organization striving to offer programs that improve the lives of San Diego County residents in ways that are relevant and measurable. We are proud that our leadership in these areas has been recognized for the following:

- For the second year in a row, the County of San Diego dominated the annual Achievement Awards contest held by the National Association of Counties (NACo) for programs that save taxpayer dollars and provide valuable services to the public. The County won 41 awards in the 2006 Achievement Awards Program held by NACo. The total is larger than that of the closest competitors: Montgomery County, MD (37 awards) and Los Angeles County, CA (28 awards).

  Many of the winning programs were designed to better serve the public, including one to redesign property tax bills to make them easier to understand and another to allow outdoors enthusiasts to reserve specific campsites online.

  Preserving the environment is a key goal of the County and that was represented by two award winners - a demonstration project to retrofit Mexico-based trucks that cross into San Diego so as to reduce diesel exhaust emissions and a program to use rubberized asphalt to resurface county roads, which reduces noise and increases tire recycling.

  The award winning County programs also sought to help those in need. One program created career centers in County library branches, where local residents can receive job counseling and training. Another program began a countywide collaborative to distribute more than 7,000 car safety seats and deliver enhanced services to prevent childhood injuries to more than 1,000 low-income families.

- San Diego County again won three Merit Awards from the California State Association of Counties (CSAC) for 2006. The three County programs selected include:
  - The Dorothy Street Learning Center where the County and a non-profit community organization provided residents of the county's four public housing sites an on-site learning center with access to computers and the Internet to help in the resident's career advancement.
  - The Health Care Savings Program - a program that many of the 350,000 people in the county, receiving or eligible for Medi-Cal, are not aware of. The Medi-Cal Administrative Activities/Targeted Case Management (MAA/TCM) Program provides outreach services and specifically targets agencies and programs that provide health and support services to high-risk clients. During last fiscal year the program generated about $30 million, which was passed along to these agencies, enhancing services to the county's most vulnerable residents while costing only one percent of total revenue to administer the outreach program.
  - The San Diego County Mental Health Special Help for At-Risk Individuals (SHARI) Project - a number of mental health clients were receiving unnecessary hospitalizations that interfered with the clients' ability to successfully live in a community setting and receive consistent outpatient care. The County worked with mental health providers, private psychiatrists, and local hospitals to create the SHARI Project, steering clients back to community care while reducing unneeded hospital visits.

- The Center for Digital Government recognized the County Health and Human Services Agency with the *2006 Innovative Use of Technology Award* for the

Mobile Remote Workforce (MRW) Project - a project which streamlined and improved the way County public health nurses receive, process, and manage their cases. The MRW Project was also recognized by the E-Gov Institute for "Successfully Using Innovative Knowledge Management Practices in a Knowledge Management Solution".

The Mobile Remote Workforce Project uses cutting-edge technology to improve the accuracy of client referrals for Public Health nurses in the field, speeds their ability to visit at-risk clients, and helps them manage their case files more efficiently. To design and implement this new system, County staff collaborated with local hospital staff, county nurses, and Information Technology specialists. The new system will improve health care service for thousands of at-risk clients throughout San Diego County.

- The San Diego County Taxpayers Association recognized the County of San Diego with a *Regional Golden Watchdog Award* for its Department of Public Works' efforts to create a blanket regional permit for flood control. In awarding the County, the Association said: "During the seven years of its existence, the streamlined process has saved taxpayers over $5 million. More importantly, the blanket permit allows crews to work efficiently to protect lives and private property without the bureaucratic delays of the past."

Detail of recognitions of excellence received by San Diego County that highlight the County's progress in meeting its strategic goals include:

Strategic Initiatives - Improving Opportunities for Kids, Protecting the Environment, and Promoting Safe & Livable Communities

- The County Library won the 2006 California Library Association's (CLA) *Public Relations (PR) and Information Committee Association PR Excellence Award* for the second consecutive year. The award is in recognition of the library's "Youth Service Exchange" staff development newsletter. Library staff is the primary audience for "Youth Services Exchange," which is a monthly, internal digest of news covering such topics as youth services in libraries, practical hints and fun projects to utilize with young clientele, and upcoming training opportunities.
- The Western Interstate Child Support Enforcement Council (WICSEC) honored the Department of Child Support Services (DCSS) with the *Award for Excellence in Program Awareness*. The award recognized San Diego's "You're Not Alone" radio advertising campaign and its success in increasing awareness of the child support program among custodial parents in the county.
- The Health and Human Services Agency (HHSA), working in collaboration with HealthLink North County and the Coalition on Children and Weight San Diego, hosted the School Fitness Summit in March 2006. The Summit, which exemplified how public/private partnerships can address the communitywide issue of childhood obesity, was recognized by the San Diego Healthcare Communicators with the *2007 Silver Finest Award*.
- National Association of Counties (NACo) - *Achievement Awards - 2006:*
  - Safety First Program - a collaborative project to promote a community-based childhood injury prevention program, including comprehensive safety assessments and distribution of more than 7,000 car safety seats, personal safety equipment, and home safety devices.
  - Juvenile Hall Open House Event - a forum for community education in delinquency prevention, intervention, and treatment, and a resource for visiting families.
  - New Kids-Oriented Web Page - Air Pollution Control District.

- º Disaster Preparedness Patch Program - a collaborative effort between the Office of Emergency Services (OES) and the Girl Scouts of America, San Diego-Imperial Council to distribute emergency preparedness materials to the San Diego community. Due to this program, over 14,500 households throughout the County received potentially life-saving information.
- º Outdoor Adventure Program - Parks and Recreation.
- º Community Services For Families - an innovative program that blends support service contracts, with multiple funding sources, to streamline the delivery of services for families at risk of child abuse or neglect.

- The Fire Safe Council of San Diego County honored the Department of Planning and Land Use (DPLU) with the *Distinguished Service Partner Award* in recognition of DPLU's assistance towards the preparation of Community Wildfire Protection Plans (CWPPs) for 14 communities within the county. San Diego County now leads the State, with more approved Plans than any other county.
- National Association of Counties (NACo) - *Achievement Awards - 2006*:
  - º Binational Clean Diesel Demonstration Project - Air Pollution Control District.
  - º Implementing New Toxic Air Contaminant Emission Controls for Diesel Engines.
  - º Achieving Federal Particulate Air Quality Standards - Air Pollution Control District.
  - º Equilon Enforcement Case: A Novel Approach to Enforcement at Multiple Facilities - a comprehensive enforcement program and collaboration of the Department of Environmental Health, the District Attorney's Office, and the City of San Diego Attorney, resulting in the compliance of over 60 underground storage tank retail facilities and the largest environmental settlement ever recorded in the County.
  - º Intergovernmental Agreements to Address Tribal Casino Impacts.
- The National Association of City and County Health Officials (NACCHO) awarded San Diego County with the *2006 Model Practices Designation* for food safety programs. This award cites the Department of Environmental Health's Food Safety Program as a model for other cities and counties to emulate when developing or reengineering their own food safety programs.
- Agriculture, Weights, and Measures won an *Achievement in Consumer Education (ACE) Award* from the National Association of Consumer Agency Administrators (NACAA). The award recognized San Diego County's efforts to post consumer rights information at every commercial/retail scanner, to post failed scanner inspection notices at businesses, and the optional posting of successful scanner inspection notices.
- The American Society on Aging awarded *Pfizer 2007 Healthcare and Aging Awards* to two Aging and Independence Services (AIS) programs: the popular Cool Zone Program which offers locations throughout the county where seniors can "beat the heat" during the summer-time months; and the Matter of Balance program which focuses on developing yoga/exercise routines to decrease falls among the senior population.
- National Association of Counties (NACo) - *Achievement Awards - 2006:*
  - º Mental Health Services: Special Help for At-Risk Individuals (SHARI) Project.
  - º Community Protection and Evacuation Plan Program.
  - º Concept of Operations - a "playbook" for the Office of Emergency Services including guidelines for anticipated emergencies and hazards, to assist in

determining whether the Emergency Operation Center (EOC) needs to be activated, and if so, at what level.

- Preparedness Starts With You! Program.
- Terrorism Early Warning Group.
- Elder Death Review Team - reviews deaths associated with suspected elder abuse and/or neglect, identifies risk factors, maintains statistical data, and facilitates communication among agencies, addressing issues of elder abuse and the prevention of elder deaths.
- Medical Examiner's Report Team - a method of exchanging information between the Medical Examiner's office (ME) and Adult Protection Services (APS) to identify suspicious deaths among elders that may be the result of elder abuse or neglect. Early detection of such cases allows the County to alert authorities to the need for a thorough investigation.
- Fire Safety and Fuels Reduction Program - Planning and Land Use.
- Multi-agency Medical and Legal Insurance Fraud Unit.
- SDLaw Sheriff's Extranet - a private web-based system for 63 State, federal and local law and justice agencies enabling all levels of law enforcement operating in the county to identify persons in or from their jurisdictions who have active warrants.
- Valley Center Road Improvements - Public Works.
- Cultural and Historical Information Management Program - Parks and Recreation.
- Fallbrook, Lakeside, & Spring Valley Community Needs Assessment.
- Computers for Self-Sufficiency - a collaborative project to provide refurbished County computers to low-income housing residents that do not own a computer, bringing technology to families working to improve their job skills and break the cycle of poverty.
- Career Centers in County Library Branches.
- Rubberized Asphalt Concrete Program - Public Works.

- The National Association of Area Agencies on Aging honored two Aging and Independence Services (AIS) programs for outstanding innovation and achievement. The AIS Aging Summit and AIS Call Center both received *2006 Aging Innovations and Achievement Awards*. The Aging Summit provides a yearly public forum for strengthening services and enhancing the lives of seniors and the disabled. The Call Center handles some 65,000 calls from the community each year, provides information on senior programs, and receives elder abuse, case management, and in-home care referrals.

Operational Excellence Awards

- The Purchasing and Contracting Department received the *Achievement of Excellence in Procurement* award from the National Purchasing Institute, for the sixth year in a row. The award recognizes organizational excellence in procurement rating criteria such as innovation, professionalism, e-procurement, productivity, and leadership attributes of the procurement function. The County of San Diego is the only government agency to receive this prestigious award six times.
- For the second consecutive year and the third time in the past four years, the Department of Child Support Services has been honored by the California Department of Child Support Services for the *"Most Improved Performance by a Very Large Local Child Support Agency in the Federal Measure of Current Support Collections in Federal Fiscal Year 2006."* San Diego County improved its rate of collection for current support to 49.8% in 2006, a 7.3% increase over the previous year and the largest improvement among the "very large" designated counties including Los Angeles, San Bernardino, Orange, Riverside and Sacramento. San

Diego was the only county among that group whose total amount of child support payments distributed increased from 2005 to 2006. Collections totaling $164.4 million were distributed by San Diego County during Federal Fiscal Year 2006.

- The Auditor and Controller's Office of Audits and Advisory Services (OAAS) has been awarded the highest rating by the County of Los Angeles' auditors. The Quality Assessment Review (QAR) report stated that the OAAS "fully complies" with the Institute of Internal Audits' *International Standards for the Professional Practice of Internal Auditing*. The auditors also found that OAAS operates, and is perceived to operate, as "independent, objective, proficient and able to render impartial and unbiased judgments." The Office was found to be well managed, to have effective relationships with other departments in the organization and to be well respected and supported by County management.
- The Government Finance Officers Association of the United States and Canada (GFOA) - recognized the County with the *Distinguished Budget Presentation Award* for the *Operational Plan: Fiscal Years 2006-07 & 2007-08.*
- The GFOA also recognized the County with the *Certificate of Achievement for Excellence in Financial Reporting* for the fiscal year ended June 30, 2005.
- National Association of Counties (NACo) - *Achievement Awards - 2006*
    - Implementing Wireless Technologies for Field Inspectors - Air Pollution Control District.
    - Combination Radio, Ear Muff, and Hardhat for Roadwork - a risk management effort that developed a combination hardhat, face shield, and electronic communication earmuff to protect Department of Public Works stormwater field crews. The design was very successful in protecting workers' heads, hearing, and vision.
    - Trust/Agency Fund Database Update - Auditor and Controller.
    - Ethical and Legal Standards Program - Chief Administrative Office/Internal Affairs.
    - Mobile Remote Workforce - use of remote technology by Public Health Nurses allows them more time to visit at-risk families with newborns, infants, and children and decreases the time they spend completing paperwork.
    - Manager's Development Institute - Health and Human Services; *Best of Category - Personnel Development.*
    - Tax Bill Redesign - Treasurer-Tax Collector.
    - Activity Hazard Analysis Program - a detailed hazard analysis program in the Department of Public Works for identifying safety risks and developing action plans to resolve them.
    - Investment & Retirement Symposium Program - Treasurer-Tax Collector.
    - Treasurer-Tax Collector Escrow Website.
    - Development Project Resolution Conferences - Planning and Land Use.
    - Paperless Trading - a paperless environment whereby the Treasurer-Tax Collector utilizes one point of entry for all investment trade activity instead of four points of entry previously required.
    - HHSA Facilities Management Database - Health and Human Services.
    - Internet Computerized Reservation System - Parks and Recreation.

THE NOBLEST MOTIVE IS THE PUBLIC GOOD

COUNTY OF SAN DIEGO

MDCCCLI