COUNTY OF SAN DIEGO

CAO Proposed Operational Plan | Fiscal Years 2008-2009 & 2009-2010

Walter F. Ekard
Chief Administrative Officer

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COUNTY OF SAN DIEGO - STATE OF CALIFORNIA

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

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July 1, 2007

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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, 2007.** 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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Greg Cox
District 1
Chair

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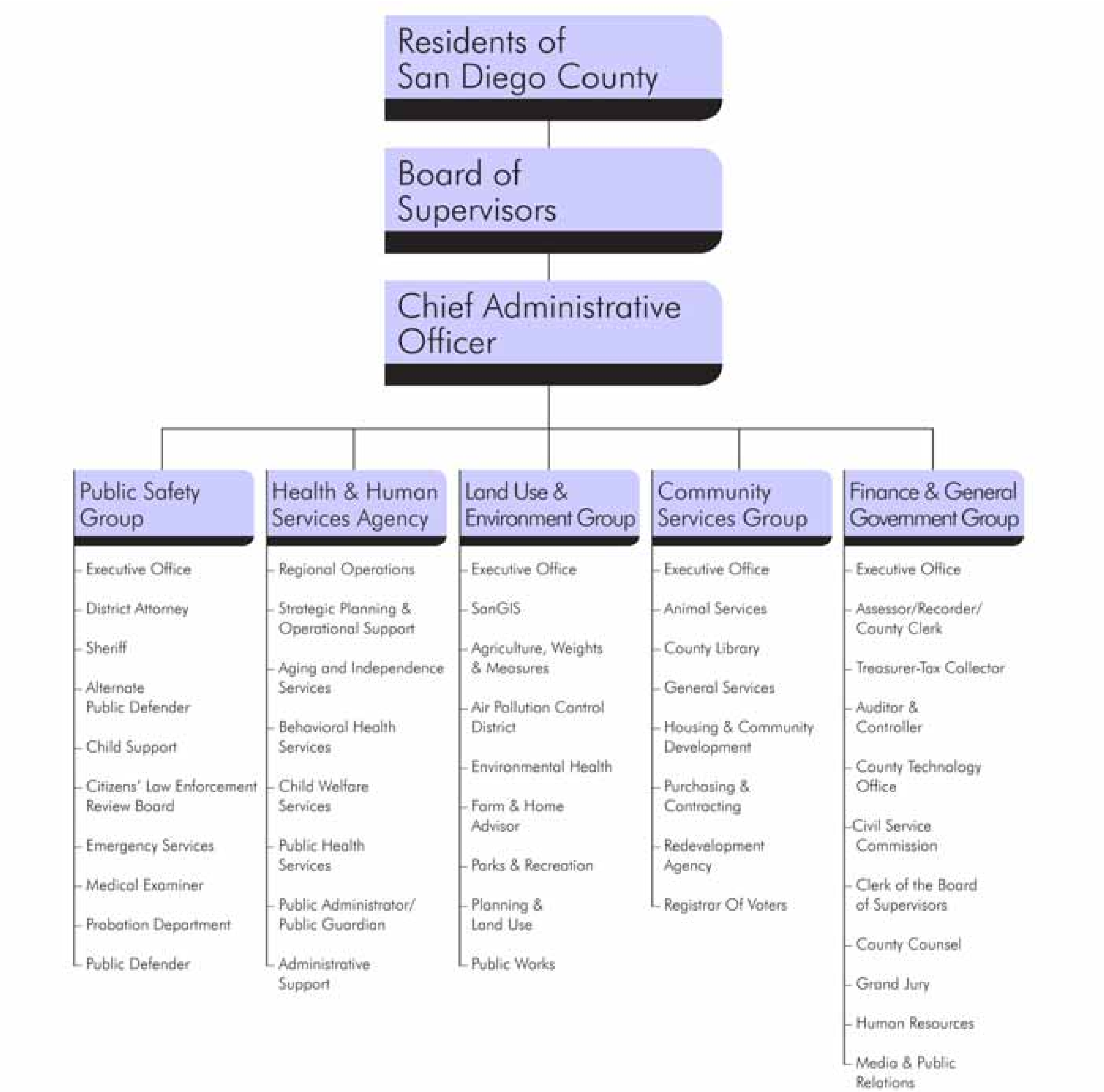
District 2
Vice Chair

Pam Slater-Price District 3

Ron Roberts District 4

Bill Horn District 5

Organizational Chart



Message from the Chief Administrative Officer

The next two years will be challenging for San Diego County government. The Operational Plan proposed in this document reflects that sober reality. With the local and national economy stagnating, Counties - which administer myriad programs on behalf of the State and which must carry out state mandates - are hit with a proverbial "double whammy." Counties face the prospect of losing significant but as yet undefined amounts of funding from the State, which is grappling with the economic downturn in the context of its own lack of financial solvency and discipline. At the same time, revenues the County receives directly, such as property and sales taxes, are flattening or are down - while the cost of fuel, building materials, and other material needed to provide services to the public continues to rise.

The Operational Plan proposed in this document presents a total budget of $5.15 billion and 17,182 staff years for Fiscal Year 2008-09 and describes how these dollars will be spent to meet the highest priority health, safety, and infrastructure needs of the region. These amounts reflect an increase of $418.2 million and 141.50 staff years over the Fiscal Year 2007-08 Adopted Budget. It must be noted, however, that as this document goes to print, two separate and distinctly different State budget proposals are being considered in Sacramento - one put forward by Governor Schwarzenegger and the other by the Legislative Analyst's Office (LAO). Both of these budget proposals would reduce or eliminate funds for services the public has come to depend on. And many of the cuts proposed are to programs that serve some of our most vulnerable populations - children at risk and older adults - or are to programs that keep our communities safe.

A summary of the areas at risk may be found in the review of total funding sources beginning on page 38, with further detail described in the Public Safety Group and Health and Human Services Agency summaries (pages 89 and 165, respectively). Rather than create undue alarm by incorporating all of these proposals into the County's Operational Plan, or speculating on those or alternative plans that might be enacted, I've directed departments to put together their budgets as conservatively as possible, but to be prepared with contingency plans and mitigation strategies should the budget enacted by the State impact the services they deliver.

In tough economic times, it is even more essential that the County maintain a long-term fiscal perspective that balances both operating and capital needs. This proposed Operational Plan continues our commitment to reducing pension related debt by paying down early an additional $44.0 million in pension obligation bond principal, which will save taxpayers millions of dollars in interest costs. It also maintains the Board's discipline with respect to capital maintenance and renewal by including appropriations for Phase 1 of the County Operations Center/Annex redevelopment project, replacing the North Central Public Health Clinic, replacing the Lincoln Acres Library and Community Center, rebuilding the San Pasqual Academy buildings that were destroyed by Firestorm 2007, improving the Sweetwater Summit Campground, funding the acquisition of land related to the Multiple Species Conservation Program, and addressing $17.3 million in major maintenance projects.

Maintaining essential services and meeting immediate needs without shortchanging future generations will be challenging in this time of budgetary and economic uncertainty. However, if any organization is prepared to weather a fiscal storm, it is ours.

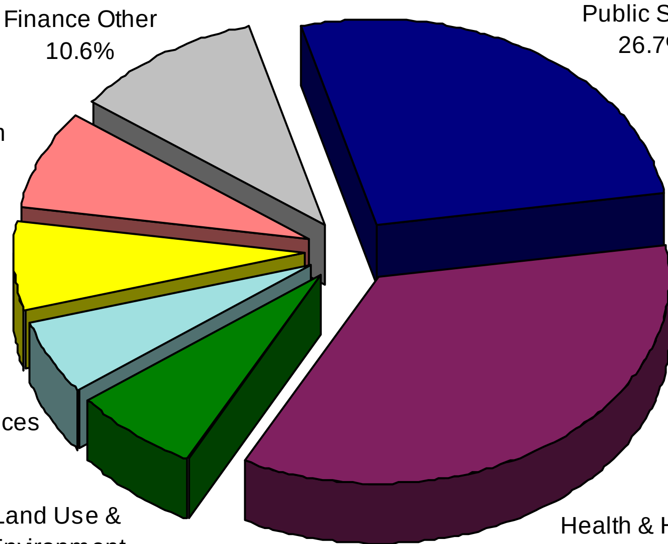
We've worked hard during the past decade to become an organization that values fiscal discipline, holds itself accountable for performance, and stresses continuous improvement and customer service at every level, in every department. Our Board of Supervisors has experience setting priorities, making difficult choices, and balancing budgets. And our employees have experience delivering quality services in new and innovative ways that stretch taxpayer dollars and respond to our community's changing needs. These strengths, combined with the mature and seasoned leadership of the Board of Supervisors, are the tools we will use to respond to the changes expected to occur.

Walter Ekard

Walter F. Ekard, Chief Administrative Officer

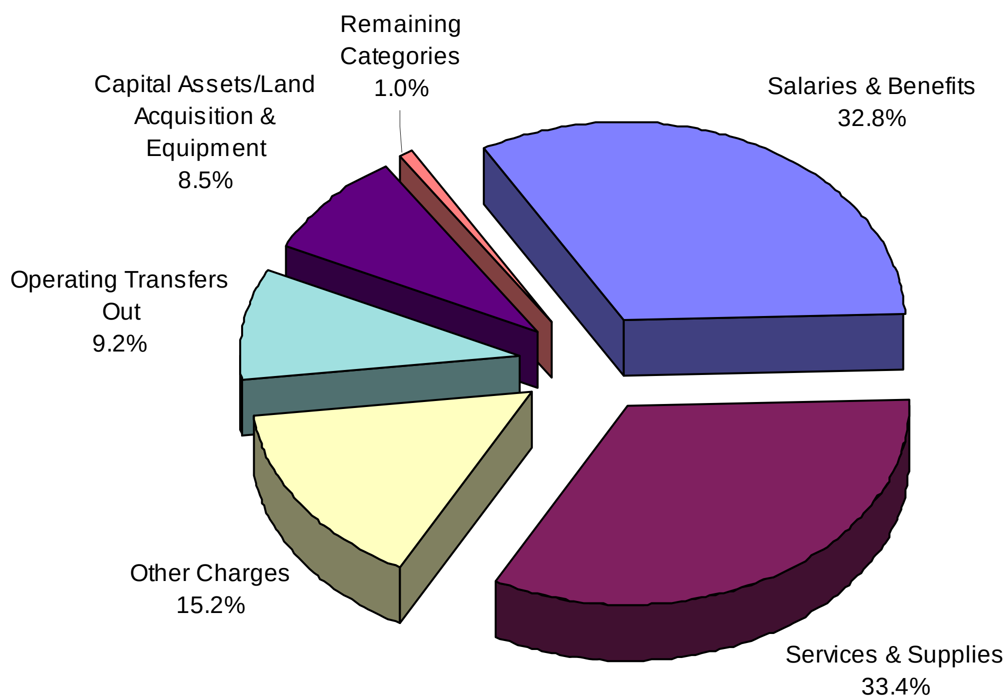
2008-09 CAO Proposed Budget at a Glance

CAO Proposed Budget by Functional Area



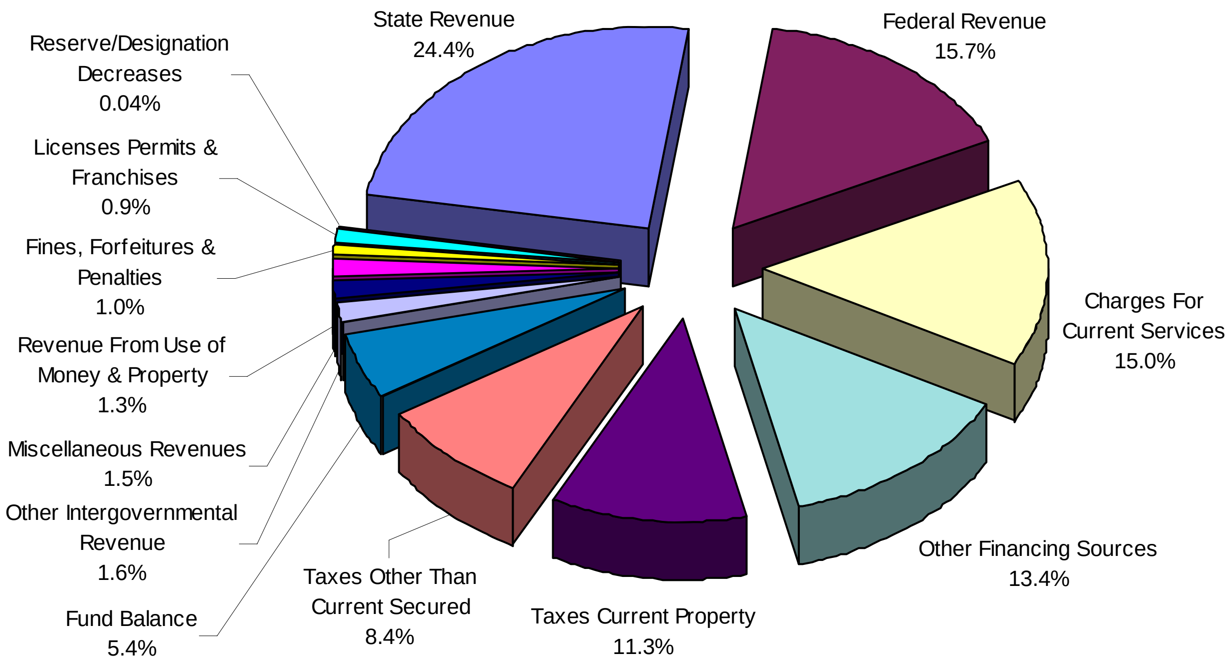
Functional Area		Budget in Millions	Percentage of Total Budget
Public Safety	$	1,377.2	26.7%
Health & Human Services		1,797.7	34.9%
Land Use & Environment		376.6	7.3%
Community Services		297.4	5.8%
Finance & General Government		350.4	6.8%
Capital Program		404.2	7.9%
Finance Other		546.5	10.6%
Total	$	5,150.0	100.0%

CAO Proposed Budget by Category of Expenditure



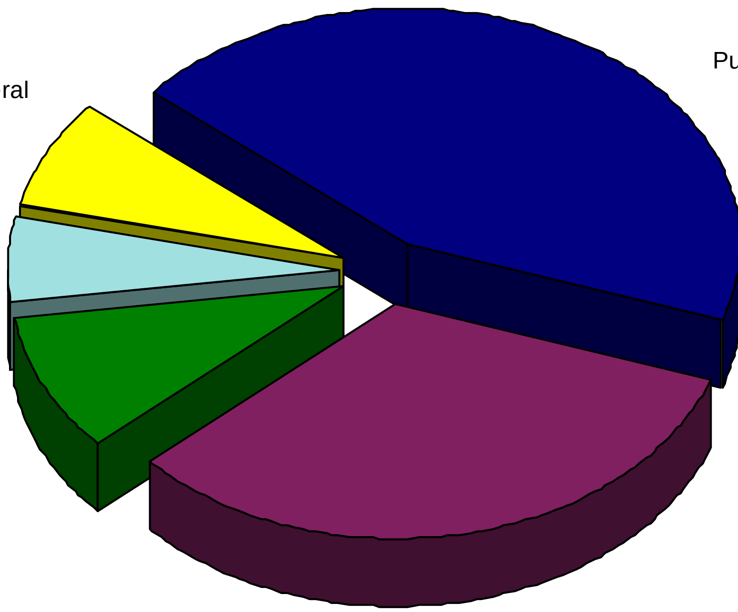
Category of Expenditure		Budget in Millions	Percentage of Total Budget
Salaries & Benefits	$	1,689.0	32.8%
Services & Supplies		1,720.1	33.4%
Other Charges		784.2	15.2%
Operating Transfers Out		471.4	9.2%
Capital Assets / Land Acquisition		415.1	8.1%
Capital Assets / Equipment		20.2	0.4%
Remaining Categories:			
Management Reserves		41.2	0.8%
Contingency Reserves		24.4	0.5%
Reserve/Designation Increases		4.1	0.1%
Exp Transfer & Reimbursements		(19.7)	(0.4%)
Total	$	5,150.0	100.0%

CAO Proposed Budget by Category of Revenue



Category of Revenue	Budget in Millions	Percentage of Total Budget
State Revenue	$ 1,255.9	24.4%
Federal Revenue	807.5	15.7%
Charges For Current Services	774.6	15.0%
Other Financing Sources	691.3	13.4%
Taxes Current Property	580.7	11.3%
Taxes Other Than Current Secured	432.5	8.4%
Fund Balance	278.8	5.4%
Other Intergovernmental Revenue	81.5	1.6%
Miscellaneous Revenues	78.4	1.5%
Revenue From Use of Money & Property	65.8	1.3%
Fines, Forfeitures & Penalties	52.5	1.0%
Licenses Permits & Franchises	48.1	0.9%
Reserve/Designation Decreases	2.3	0.0%
Total	$ 5,150.0	100.0%

CAO Proposed Staffing by Group



Staffing by Group	Staff Years *	Percentage of Total Staffing
Public Safety	7,572.50	44.1%
Health & Human Services	5,675.50	33.0%
Land Use & Environment	1,640.00	9.5%
Community Services	1,013.00	5.9%
Finance & General Government	1,281.00	7.5%
Total	17,182.00	100.0%

* 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.

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.

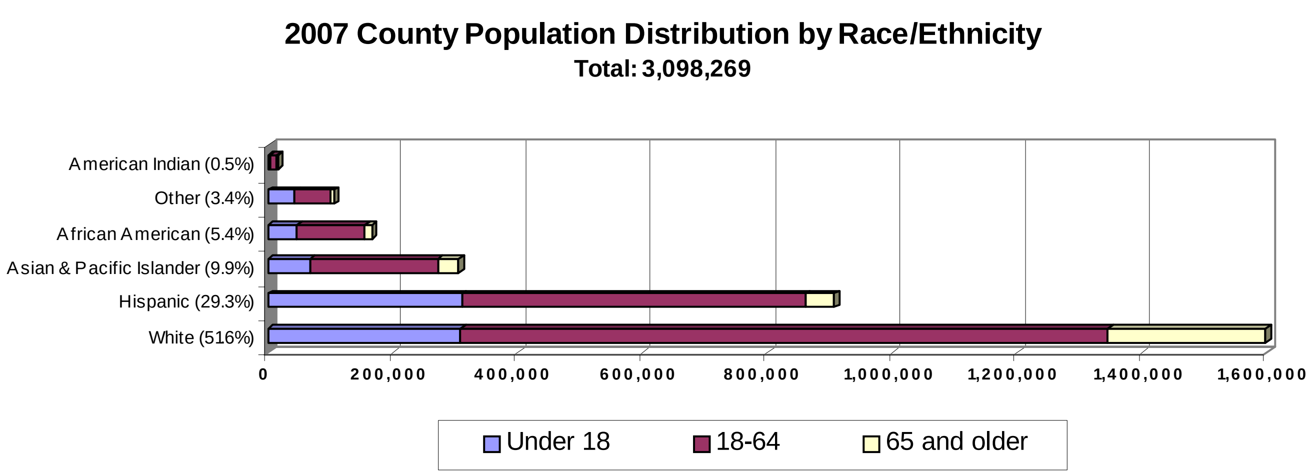
San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the county. The climate is equable in the coastal and valley 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.

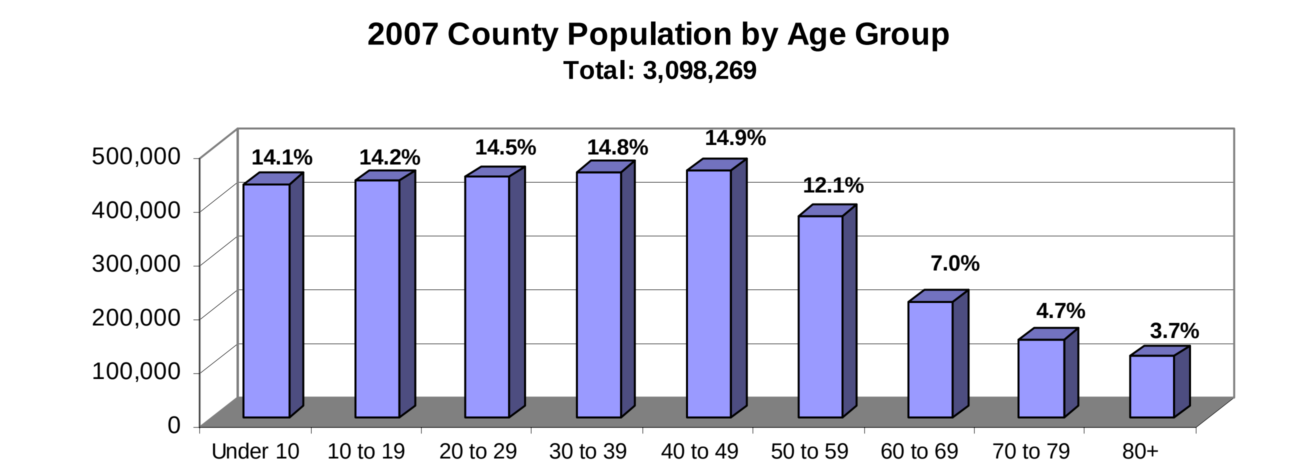
County Population

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 3,098,269 as of January 2007, an increase of approximately 1.0% over the estimated January 2006 total of 3,066,820. The County of San Diego is the second largest county by population in California. The total population of the county has grown 10.1% since 2000. A breakdown by city and unincorporated area is shown in the table below.

City	2000	2007	% Change
Carlsbad	78,247	101,337	29.5
Chula Vista	173,556	227,723	31.2
Coronado	24,100	22,957	(4.7)
Del Mar	4,389	4,548	3.6
El Cajon	94,869	97,255	2.5
Encinitas	58,014	63,259	9.0
Escondido	133,559	141,788	6.2
Imperial Beach	26,992	27,709	2.7
La Mesa	54,749	56,250	2.7
Lemon Grove	24,918	25,451	2.1
National City	54,260	61,115	12.6
Oceanside	161,029	176,644	9.7
Poway	48,044	50,830	5.8
San Diego	1,223,400	1,316,837	7.6
San Marcos	54,977	79,812	45.2
Santee	52,975	55,158	4.1
Solana Beach	12,979	13,418	3.4
Vista	89,857	94,962	5.7
Unincorporated	442,919	481,216	8.6
Total	2,813,833	3,098,269	10.1

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 2007 estimated population distribution and population by age group, according to SANDAG's latest available data, is highlighted in the charts below.





Economic Indicators

U.S. Economy

The U.S. economy's Gross Domestic Product (GDP) growth for 2007 was 2.2%. This compares to a 2006 revised growth of 2.9%, versus an adjusted 3.1% growth in 2005 and 3.6% in 2004. First quarter 2007 growth of 0.6% was followed by 3.8%, 4.9%, and 0.6% in the second, third, and fourth quarters, respectively, of 2007. The deceleration in real growth in the fourth quarter primarily reflects a downturn in inventory investment and deceleration in exports, in federal government spending, and in personal consumption expenditures. GDP growth for 2008 is projected to be between 1.2% and 1.5%, with improvement primarily in the third and fourth quarters when the effects of the fiscal and monetary stimulus efforts kick in more strongly.

Some significant risks facing the U.S. economy in 2008 include the slump in the housing sector, credit tightening, weakening labor market, high energy and commodity prices, and a widening federal budget deficit. The downturn in the housing market, which was a significant drag in 2007, remains the biggest damper on growth through 2008. Housing starts are expected to drop to approximately 850,000 units in 2008, down from 2,073,000 in 2005. Credit availability has also continued to tighten as financial distress has spread beyond the sub-prime mortgage market. In 2007, rising public and private nonresidential construction spending helped cushion the blow from plunging residential construction and state and local construction, but this sector now shows declines. Faster spending growth and slower revenue growth combined with the cost of the stimulus package will raise the federal budget deficit in 2008.

California Economy

California's economy, like the U.S. economy, grew for the most part at a healthy rate in 2006. California payroll jobs experienced growth of 1.8%; the job growth also contributed to real personal income growth of 2.9%; and adjusted taxable sales grew 0.9%. The unemployment rate continued to decline, dropping down to 4.9% in 2006, versus 5.4% in 2005, 6.2% in 2004, and 6.8% in 2003. In 2007, however, California's economic outlook weakened with leading indicators showing mixed results: payroll job growth dropping to 0.7%, real personal income growth coming in at 2.9%, and adjusted taxable sales declining by 0.6%. The gross state product (GSP) estimated growth in 2007 was 3.2%, down from 4.2% in 2006, 3.8% 2005 and 4.9% in 2004. California's economy is expected to remain weak in 2008. GSP growth is projected to drop to 1.1%, the number of jobs is expected to decline by 0.1%, taxable sales will start to rebound with marginal growth of 0.4%, and personal income is anticipated to grow by 1.2%.

San Diego Economy

San Diego's economy has enjoyed economic stability in recent years, but has not been immune from the issues facing the nation and the State. 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 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 (1,548,100 in March 2008). The region is also home to perhaps the largest military complex in the world. While the San Diego region has seen employment gains of 2.2% in 2001, 1.9% in 2002, 1.2% in 2003, 2.0% in 2004, 1.4% in 2005, 1.4% in 2006, and 0.8% in 2007, the region is reporting employment declines for January through March 2008 of approximately 5,600 jobs or 0.4%. The average monthly unemployment rate for the 12 month period between April 2007 and March 2008 was 4.8%. As of March 2008, the unemployment rate stood at 5.3%. By comparison, the State of California unemployment rate was 5.6% for the same 12 month period. San Diego's unemployment rate continues to compare favorably to the State rate (6.2% projected for 2008) and it is expected to remain close to the U.S. rate (5.3% projected for 2008). San Diego's median household income was $50,384 in 2002, $49,886 in 2003, $51,012 in 2004, $56,335 in 2005, and $59,591 in 2006 as measured by the U.S. Census Bureau. Data for 2007 is not

As noted above, a significant downturn in the housing market has occurred nationwide, including San Diego County. As a result, the California Association of Realtors index for first-time buyers throughout California shows an improvement for San Diego. The percentage of households that could afford to buy an entry-level home in San Diego increased to 31% in December 2007, up from 23% in June 2007, and up from 21% in June 2006. This index is based on an adjustable rate mortgage with a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price. The improvement in the percentage of households that could afford to buy an entry-level home in San Diego was based on the market driven drop in entry-level priced homes and the corresponding adjustment to the monthly payment needed (including taxes and insurance) and an adjustment to the qualifying income level for the lower priced entry-level homes. Availability of credit and uncertainty about the future direction of home prices, however, have constrained the market.

Another measure of the downturn in housing is the rate of foreclosures, as well as the companion indices of foreclosures compared to notices of loan default and also compared to deeds recorded. In San Diego County, foreclosures have risen by 1,421%, from a low of 553 in 2004 to 8,416 in 2007. For the first three months of 2008, they are 192% above the same period in 2007. Foreclosures compared to notices of loan default averaged approximately 11.6% from 2003 through 2005. However, this percentage jumped to 20.0% in 2006 and 37.9% in 2007 and it is currently at 41.0% as of March 2008. 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 6.3% in 2007 and it is at 13.8% through March 2008.

Although San Diego tourism slowed in 2007 with the number of visitors declining by 2.0% compared to 2006, tourism continued to be a stimulus to the local economy. Total visitor spending of $7.9 billion amounted to a 2.3% increase over 2006 total visitor spending. The "Tourism Outlook" for San Diego County in 2008 is for continued moderate growth, with a 1.8% increase in the number of visitors and a 4.0% increase in visitor spending.

Impact on County Services

The state of the economy plays a significant role in the cost of and demand for County services and the resources available to provide them. A weakened real estate market affects the operations and program revenues of a number of County departments including the Assessor/Recorder/County Clerk in the area of document recordings. It challenges the Department of Planning and Land Use to balance construction activity fluctuations with fiscal and customer service stability. It impacts the Library's ability to maintain service hours and provide a collection that meets the needs of patrons. Other economic impacts can be seen in Parks and Recreation where a slowdown in land development delays the provision of park facilities slated to be funded from parkland dedication ordinance fees. A weakened real estate market also negatively affects general purpose revenue growth which is relied upon to sustain core local discretionary services and to provide new or expanded services in response to County residents' needs. Please see the Summary of General Fund Financing Sources and General Purpose Revenue sections beginning on page 45 for further information on select revenue trends.

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, U.S. Census Bureau, and U.S. Department of Commerce - Bureau of Economic Analysis.

Understanding the 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 four business Groups (Community Services, Finance and General Government, Land Use and Environment, and Public Safety) and the Health and Human Services Agency, each 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. For the last decade the County has moved from near bankruptcy to fiscal stability by using basic business principles embodied in the operating guidelines set forth in the GMS. The County sets goals, prioritizes resources, evaluates performance, ensures cooperation, and rewards accomplishments in a structured and coordinated way. By doing so, the County of San Diego moves 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 years from 1997 to 2007 are referred to as the County's "Decade of Excellence." During those years the County saved $380 million dollars through managed competitions and reengineering. The goal was to cut bureaucracy, improve public service and manage funds to give the best rate of return to taxpayers. All this was accomplished by using the GMS to set sound goals and apply 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?* The 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 the County's long-term goals over the next two fiscal years. This includes adoption of an annual budget and approval in principle of a second year spending plan.

<u>Monitoring and Control</u> asks: *How is our performance?* Monitoring and Control shows whether we are on track to achieve the County's 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 County's 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 is a forward-looking document that lays out where the organization should be going, while the GMS helps to make sure we get there.

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.

The County's 2008-13 Strategic Plan defines broad, organization-wide goals for the future, known as Strategic Initiatives, which help prioritize specific County efforts and programs and form the basis for allocating resources. Most of what 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 the Strategic Initiatives. The Required Disciplines serve as enablers to the Strategic Initiatives and encompass the remainder of County business. These Required Disciplines are:

- Fiscal Stability - maintain fiscal stability to ensure our ability to provide services our customers rely on, in good times and in bad.
- Customer Satisfaction - ensure customers are satisfied with the services we provide, as a key indicator of our operational performance.
- Regional Leadership - as a regional leader, we forge cooperative partnerships and leverage additional resources for the residents of San Diego County.
- Skilled, Competent and Diverse Workforce - develop a committed, capable and diverse workforce that turns plans and resources into achievement and success.
- Essential Infrastructure - provide the essential infrastructure, both physical and cyber, to ensure that the resources are in place to provide superior service delivery to our citizens.
- Accountability/Transparency - assure accountability to ourselves and the public by requiring that County business be conducted as openly as possible, resulting in the efficient and ethical use of public funds.
- Continuous Improvement - achieve operational efficiency through continuous efforts to improve and innovate, thereby maximizing value for our taxpayers.
- Information Technology - optimize the use of information technology systems as a tool to organize and access data to improve operational efficiency, decision making, and service to customers.

To ensure the Strategic Plan incorporates a fiscal perspective, the CAO, Chief Financial Officer, and General Managers annually assess the long-term fiscal health of the County and review a five-year forecast of revenues and expenditures to which all departments contribute. This process leads to the development of preliminary short and medium term operational objectives and resource allocations necessary to achieve them.

To further align the County's goal setting process with resource allocation, the Strategic Plan is reflected in the program objectives in the Operational Plan and in the performance plans for departments and employees.

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.

This Operational Plan provides the County's financial plan for the next two fiscal years (July 1, 2008 through June 30, 2010). 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 Groups, the Agency, and their respective departments develop specific objectives as part of the preparation of the Operational Plan. Objectives are clear discussions of anticipated levels of achievement for the next two years. They communicate the entity's core services and organizational priorities. The objectives include measurable targets for accomplishing specific goals plus a discussion of the proposed resources necessary to meet those goals.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 County services. Each department is now required to measure performance in terms of outcomes - how they affect peoples' lives - not just a count of the activities they perform. Inclusion of performance outcomes continued in 2006-07 and 2007-08, and it remains a priority for Fiscal Years 2008-09 and 2009-10.

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.

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.

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 the comments of citizen committees on the CAO Proposed Operational Plan.

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

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.

The Adopted Operational Plan shows the Board of Supervisors' adopted budget for the immediate budget year and the plan approved in principal for the following year. 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, which displays the two prior years' adopted budgets and the proposed amounts for the two upcoming years, the Adopted Operational Plan provides perspective by displaying actual expenditures and revenue at the Group/Agency and Department level for the two prior fiscal years, as well as the adopted and amended budget for the immediate prior fiscal year. The amended budget for each department is the budget at the end of the fiscal year. It reflects the adopted budget plus any amounts carried forward from the previous year through the encumbrance process and any changes that were authorized during the year. Any budget-to-actual comparisons are best made using the amended budget as a base.

Note on Actual General Purpose Revenues and Use of Fund Balance in departmental tables —Each department's budget table shows the funding sources for its programs for the indicated budget years, including various categories of program revenue, fund balance, reserve/designation decreases, and general purpose revenue. For any given budget year, the amount of the general revenue allocation is fixed, meaning that the amount will be the same for the adopted budget, the amended budget, and the actuals. In the case of the use of fund balance, the amount in the actual column may be either positive or negative. The sum of the actual fund balance, any reserve/designation decreases, and the general revenue allocation equals the total amount of non-program revenue funding sources used to support the actual expenditures of the department.

Budget Modifications - State Law permits modifications to the adopted budget during the year with approval by the Board of Supervisors or, in certain instances, by the Chief Financial Officer. There are two options for requesting a mid-year budget adjustment from the Board:

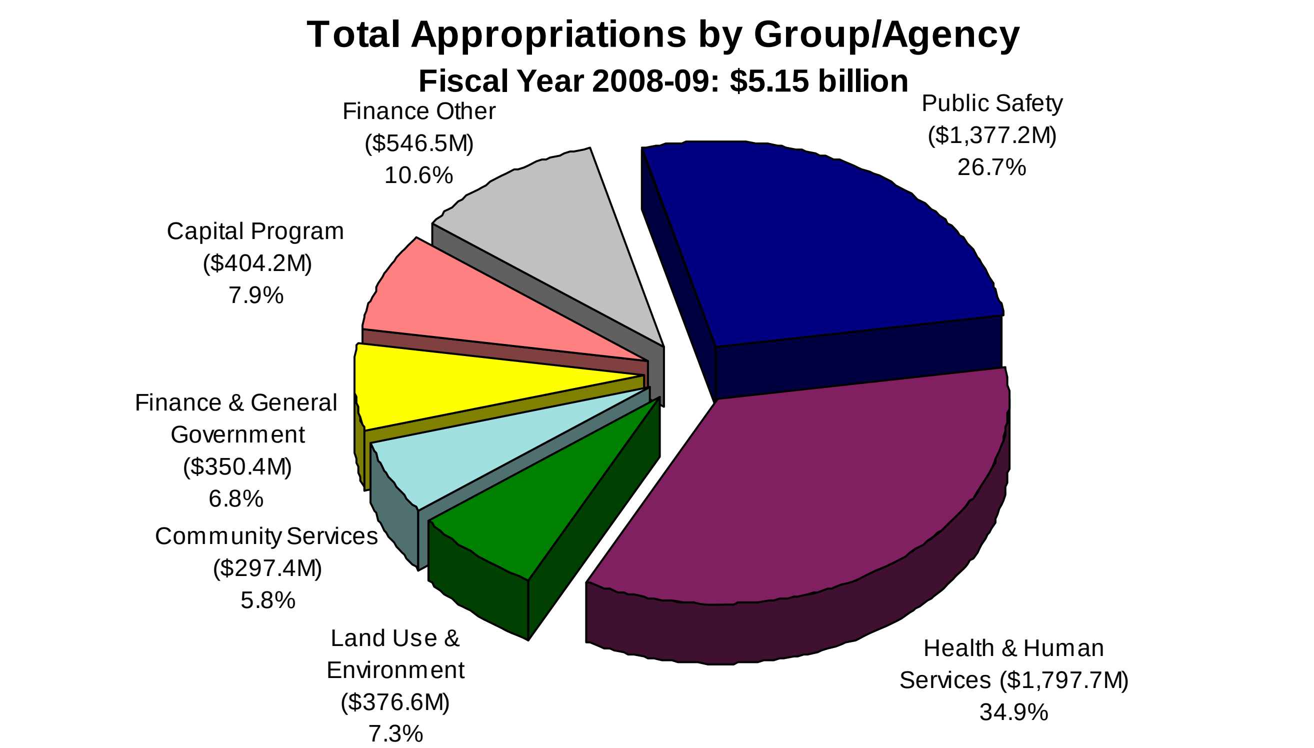
- **Board of Supervisors Regular Agenda Process -** Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote by the Board after the budget is adopted.

  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 to address unanticipated needs.

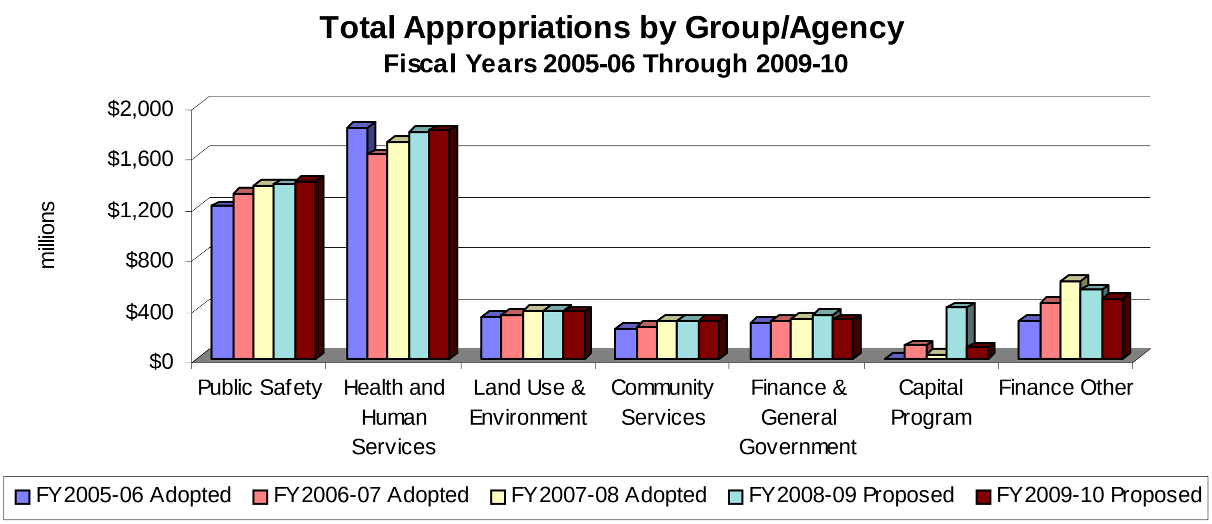
All Funds: Total Appropriations

Total Appropriations by Group/Agency

Appropriations total $5.15 billion in the CAO Proposed Operational Plan for Fiscal Year 2008-09 and $4.74 billion for Fiscal Year 2009-10. This is an increase of $418.2 million or 8.8% for Fiscal Year 2008-09 from the Fiscal Year 2007-08 Adopted Operational Plan. Looking at the Operational Plan by Group/Agency, appropriations increase in Public Safety, Health and Human Services, Finance and General Government, and the Capital Program, with Land Use and Environment, Community Services, and Finance-Other decreasing appropriations.



The pie chart above shows each Group/Agency's share of the Fiscal Year 2008-09 Operational Plan, while the bar chart and table on the following page compare the Fiscal Years 2008-09 and 2009-10 appropriations to the three prior fiscal years. An overview of the County's Operational Plan for Fiscal Year 2008-09 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 89.



Total Appropriations by Group/Agency (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
Public Safety	$ 1,203.9	$ 1,304.5	$ 1,366.0	$ 1,377.2	$ 1,400.0
Health and Human Services	1,821.2	1,613.8	1,712.1	1,797.7	1,801.6
Land Use & Environment	328.3	349.7	384.1	376.6	370.6
Community Services	236.5	255.2	303.3	297.4	295.6
Finance & General Government	289.1	303.6	315.6	350.4	309.2
Capital Program	7.0	102.4	34.1	404.2	87.2
Finance Other	300.8	445.5	616.6	546.5	476.9
Total	$ 4,186.9	$ 4,374.8	$ 4,731.7	$ 5,150.0	$ 4,741.1

Public Safety Group (PSG) — Proposes a net increase of 0.8% or $11.2 million over the Fiscal Year 2007-08 Adopted Operational Plan. Additional resources are budgeted to address the safety of wards and staff in juvenile institutions, to implement SB81, *Juvenile Justice Realignment Act*, supported by State block grant funds, for the prosecution of crime, for law enforcement services, to address the autopsy caseload of the Medical Examiner, to address increases in operating costs, including County self insurance costs, a transfer from the Health and Human Services Agency of a contract for medical services to juvenile detainees, and for negotiated wage and benefit adjustments.

Overall cost increases are partially offset by expenditure reductions due to a decrease in transfers of funds received from Proposition 172 sales tax revenues 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,
- Developing new models in criminal justice, including a model for a behavioral health court, to improve outcomes for offenders and to reduce recidivism,
- Conducting multi-agency operations to enhance community safety,
- Continuing to strengthen the County's ability to respond to an emergency,
- Promoting the well-being of children and the self-sufficiency of families through the success of the child support program,
- Enhancing the safety of and services to juvenile offenders, and
- Focusing on efficiency, performance results, and evidence based practices to identify the most effective public safety strategies to sustain public safety services during this period of economic uncertainty.

Health and Human Services Agency (HHSA) — Proposes a net increase of 5.0% or $85.5 million from the Fiscal Year 2007-08 Adopted Operational Plan. Increases reflect negotiated wage and benefit adjustments, growth in In-Home Supportive Services (IHSS), expansion in mental health services associated with the Mental Health Services Act, one-time dollars for Business Process Reengineering Projects, an increase in Management Reserves, and appropriations to cover transitional costs with the opening of the new Edgemoor facility in early 2009. Offsetting decreases include the transfer to the Public Safety Group of the oversight of a contract with California Forensic Medical Group for medical services to juvenile detainees.

Key areas of focus in the coming year include:

- Assisting at-risk and vulnerable children under 10 years of age, through the current child welfare system, and through strategies like the Nurse Family Partnership program, the Screening, Assessment, Referral, and Treatment initiative, and the School Success program
- Strengthening the health care safety net by providing new mental health prevention and early intervention services, opening a new state-of-the-art health care campus to replace the existing Edgemoor facility, and implementing and monitoring key Healthcare Safety Net strategies,
- Protecting the public's health by partnering with the County Office of Emergency Services on the Mobile Field Hospital Program, and
- Pursuing strategies and technology that assist the workforce to provide timely, responsive, and efficient services to the community, while preparing for local impacts of the State's continuing fiscal problems such as launching eQuest (a new electronic referral system that will improve access to health services to children with physical limitations).

Land Use and Environment Group (LUEG) — A net expenditure decrease of 2.0% or $7.5 million from the Fiscal Year 2007-08 Adopted Operational Plan. The overall decrease is primarily due to higher costs in Fiscal Year 2007-08 for one-time projects that will not be repeated in Fiscal Year 2008-09. Increases include appropriations for negotiated wage and benefit adjustments and for stewardship of open space lands acquired under the Multiple Species Conservation Program.

Key areas of focus in the coming year include:

- Protecting the County's $1.5 billion agricultural industry from damaging pests, noxious non-native weeds, and diseases,
- Reducing the risk of structure loss during wildfires and increasing wildland fire protection for the residents living within the unincorporated county through land use policies and regulations,
- Completing required toxic air contaminant emission health risk assessments to verify compliance of new and expanding businesses with health risk standards,
- Protecting public health and helping prevent disease by updating the West Nile Virus Response Plan,
- Expanding and protecting Park resources, improving infrastructure, and adding additional parkland throughout the County,
- Preserving and enhancing the quality of life for County residents by implementing habitat conservation programs such as the Multiple Species Conservation Program (MSCP) and the Special Area Management Plan (SAMP),
- Award and manage construction contracts for Capital Improvement projects in various County Communities to enhance safety and improve traffic flow,
- Ensuring 100% of County Airports' development and improvement projects are designed to meet future demands, and
- Protecting and preserving the County's water quality and watersheds.

Community Services Group (CSG) — Proposes a net decrease of 1.9% or $5.9 million from the Fiscal Year 2007-08 Adopted Operational Plan. Significant decreases are due to elections-related activities that were budgeted in Fiscal Year 2007-08, but won't be repeated in Fiscal Year 2008-09. Significant offsetting increases in costs are related to additional permanent staff, negotiated wage and benefit adjustments for existing staff, contract service payments, and major maintenance projects. Finally, two reserve designations for the Registrar of Voters are increased, one for the election cycle and one for future voting equipment replacement.

Key areas of focus in the coming year include:

- Conducting the November 2008 Statewide general election,
- Increasing programs for adults and to improve literacy,
- 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
- Implementing programs in the Upper San Diego River Improvement Project Area of the County Redevelopment Agency including the Lakeside Fire District Cooperative Agreement to assist with the financing and development of a new Lakeside fire station.

Finance and General Government Group (FGG) — Proposes a net increase of 11.0% or $34.8 million from the Fiscal Year 2007-08 Adopted Operational Plan. Material changes include funding for negotiated wage and benefit adjustments, the upgrade of core financial and human resource software applications, the development of a Data Warehouse, a Business Case Management System, and ongoing technology costs. Management Reserves increases will support all unanticipated needs in the Finance and General Government Group, including revenue shortfalls which may manifest due to the weakening economy.

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,
- Maintaining a high credit rating,

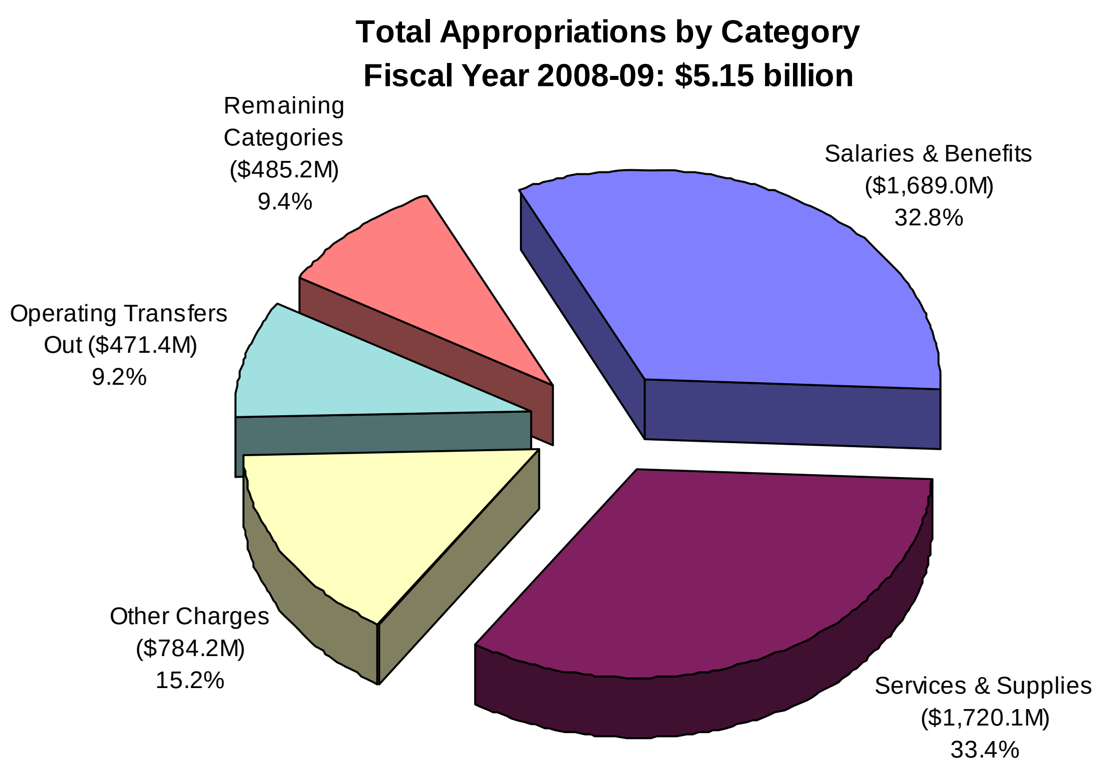
- Aggressively pursing opportunities to restructure the County's debt portfolio to maximize taxpayer savings,
- Maintaining a strong Treasurer's Investment Pool,
- Developing a new Integrated Property Tax System,
- Providing the highest quality legal services to the Board and County departments, and
- Maintaining the investment in modern information technology.

Capital — Proposes a net increase of $370.0 million from Fiscal Year 2007-08 or a 1,084.5% increase. The increase is due to a change in the mix and value of capital projects compared to Fiscal Year 2007-08. The main reason for the increase in Fiscal Year 2008-09 is the addition of $308.3 million for the redevelopment of the County Operations Center (COC) and $56.0 million for the relocation of offices at either the COC or the COC Annex that will not be part of the new COC campus. Appropriations are also included for the Lincoln Acres Library and Community Center, Sweetwater Summit Campground, the Multiple Species Conservation Program, replacement of the North Central Public Health Clinic, and re-construction of the San Pasqual Academy residences and administrative buildings that were destroyed in Firestorm 2007. Appropriations are also included in the Edgemoor Development Fund to pay debt service on the 2005 Edgemoor bonds.

Finance-Other — Proposes a net decrease of $70.1 million or 11.4% from Fiscal Year 2007-08. Many of the ongoing expenses in this group vary little from year to year, but some expenses reported here are one-time and can fluctuate significantly from year to year. Significant areas of expenditure for Fiscal Year 2008-09 include a $167.7 million general fund contribution to the Capital Program to carry out the projects noted above and an additional early Pension Obligation Bond (POB) principal pay down of $44.0 million.

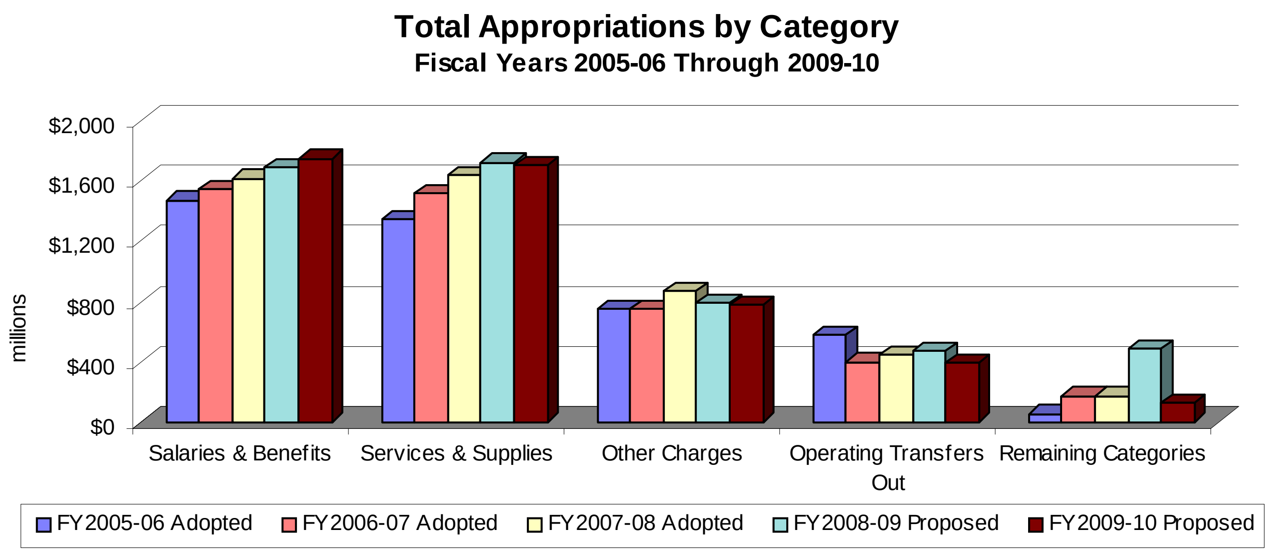
Total Appropriations by Category of Expenditure

The pie chart below shows the Proposed Operational Plan broken down by category of expenditure. As noted previously, the Fiscal Year 2008-09 Operational Plan is increasing overall by $418.2 million from the Fiscal Year 2007-08 Adopted Operational Plan and decreasing by $408.9 million in Fiscal Year 2009-10. The pie chart below shows the share of the Fiscal Year 2008-09 Operational Plan for each category of expenditure, while the bar chart and table on the next page compare the Fiscal Years 2008-09 and 2009-10 appropriations to the three prior years.



Proposed changes include:

- Salaries and Benefits are increasing by a net $75.9 million or 4.7%. The increase reflects negotiated wage and benefit adjustments and the addition of 141.50 staff years. The increase in Fiscal Year 2009-10 of $56.1 million or 3.3% represents anticipated negotiated labor cost increases and an overall decrease of 13.50 staff years. See "Total Staffing" on page 34 for a summary of staffing changes by functional area.



Total Appropriations by Category (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
Salaries & Benefits	$ 1,467.8	$ 1,539.6	$ 1,613.2	$ 1,689.0	$ 1,745.2
Services & Supplies	1,339.7	1,519.8	1,636.0	1,720.1	1,701.4
Other Charges	751.6	746.5	863.4	784.2	777.8
Operating Transfers Out	573.5	396.6	446.2	471.4	391.0
Remaining Categories:					
Capital Assets/Land Acquisition	18.3	106.5	49.4	415.1	85.2
Capital Assets Equipment	16.0	19.7	32.1	20.2	17.6
Exp Transfer & Reimbursements	(17.4)	(17.5)	(19.0)	(19.7)	(20.2)
Reserves	15.7	24.1	24.1	24.4	25.2
Reserve/Designation Increase	4.3	2.6	57.9	4.1	0.3
Management Reserves	17.3	36.8	28.5	41.2	17.6
Total	$ 4,186.9	$ 4,374.8	$ 4,731.7	$ 5,150.0	$ 4,741.1

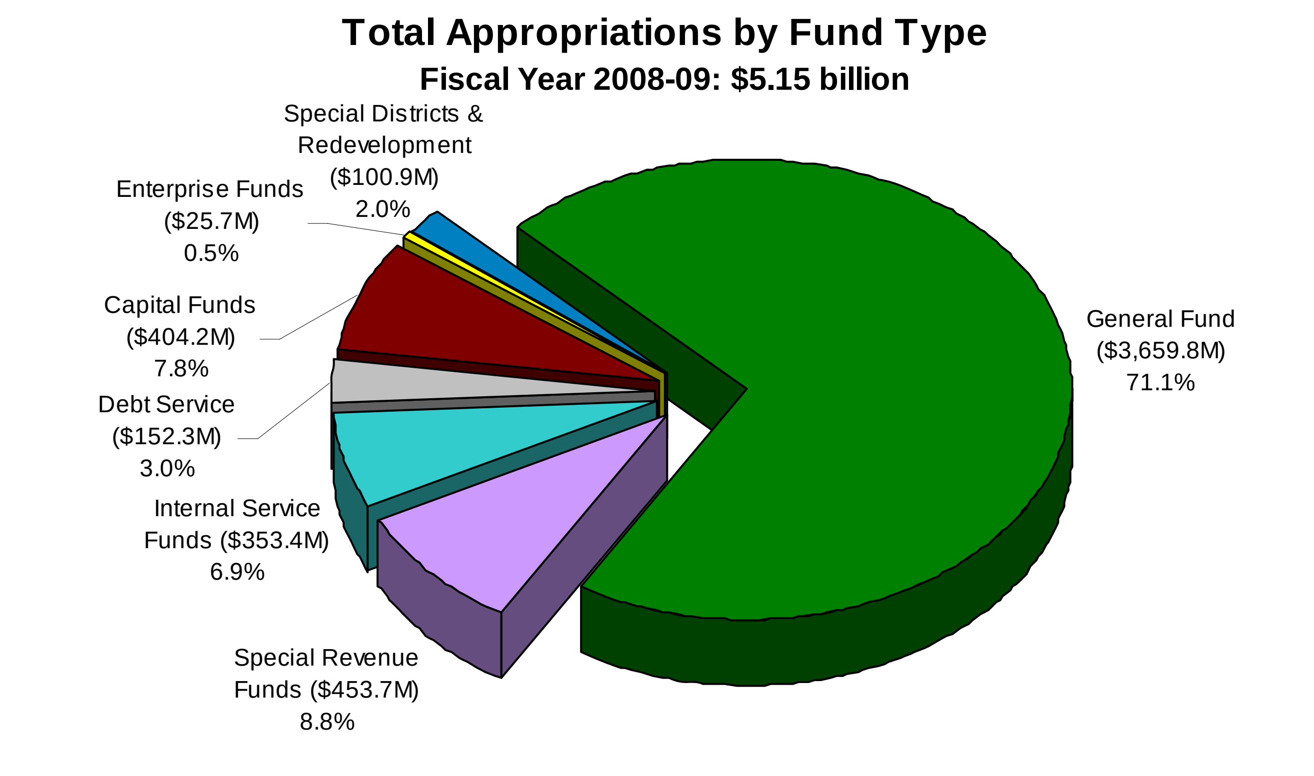
- Services and Supplies are increasing by $84.1 million or 5.1%. Increases are budgeted in many accounts within Services and Supplies, most notably a $22.5 million increase for the In-Home Supportive Services (IHSS) program associated with caseload growth and related individual provider payments and a $12.7 million increase in contracted mental health services, primarily related to the voter approved Proposition 63, *The Mental Health Services Act*. Other increases include funds for contracted and consultant services, information technology costs, public liability costs, and internal service fund costs for major maintenance. A slight decrease of 1.1% is shown for Fiscal Year 2009-10.
- Other Charges are decreasing by $79.2 million or 9.2%. This category includes items such as aid payments, debt service payments, interest expense, right-of-way easement purchases, and various other payments including contributions to trial courts and to Community Enhancement and Community Projects program grantees. The decrease in Fiscal Year 2008-09 is mainly related to extraordinary expenses budgeted in Fiscal Year 2007-08 for the early principal pay down of $118.0 million of the 2002 taxable Pension Obligation Bonds (POBs). Fiscal Year 2008-09 appropriations include $44.0 million to pay down additional principal of the 2002 POB's, Series B-1. A net decrease of 0.8% is planned in Fiscal Year 2009-10.
- Capital Assets/Land Acquisition, which includes capital improvement projects and property acquisitions, is increasing $365.7 million or 740.3% from Fiscal Year 2007-08. Of the $415.1million budgeted for Fiscal Year 2008-09, $401.0 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. The main reason for the increase in Fiscal Year 2008-09 is the addition of $308.3 million for the reconstruction of the County Operations Center (COC) and $56.0 million for office space for departments currently housed at the COC or COC Annex that will not be part of the new COC campus. Of the $85.2 million for Fiscal Year 2009-10, $75.0 million is seed money for a new Women's Detention Facility, $2.5 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 from 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 decreasing by $12.0 million or 37.2% from last year. The decrease is mainly due to one-time expenditures planned for Fiscal Year 2007-08 related to the new Edgemoor facility and to equipment for the Registrar of Voters that will not be repeated in Fiscal Year 2008-09. A decrease of 12.8% is planned for Fiscal 2009-10 due to anticipated lower requirements for that year.
- Expenditure Transfers and Reimbursements are increasing by $0.7 million or 3.8%. 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.

- Contingency Reserves are appropriations that are set aside for unanticipated needs during the year. In Fiscal Year 2008-09, three funds have a contingency reserve. The General Fund contingency reserve is $20.3 million, which is an increase of $0.3 million or 1.2% over Fiscal Year 2007-08, in order to comply with Board Policy B-71, *Fund Balance and Reserves*. Board Policy B-71 requires that the General Fund contingency reserve be equivalent to 2% of budgeted general purpose revenues. The Employee Benefits Internal Service Fund has a $4.0 million contingency reserve and is not changing from Fiscal Year 2007-08. The Fleet Internal Service Fund has a $0.1 million contingency reserve, which is a 3% increase over Fiscal Year 2007-08. In Fiscal Year 2009-10, the General Fund contingency reserve increases by 3.3% to remain in compliance with Board Policy B-71.
- Reserve/Designation Increases can vary from year to year depending upon the need to set aside fund balance for specific uses. In Fiscal Year 2008-09, the most significant proposed fund balance designations total $4.0 million for the Registrar of Voters Department to provide sustaining funding for election years with fewer billable participating jurisdictions and for voting equipment replacement. In Fiscal Year 2007-08, the most significant item budgeted in this category was the conversion of a $55.5 million fund balance designation to a general reserve.
- Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, are increasing by $25.2 million or 5.7%. Various transfers between funds are increasing and decreasing with the largest increase in Fiscal Year 2008-09 being the transfer between the General Fund and the Capital Outlay Fund for various capital projects. The largest decrease is related to the prior year early payoff of the PINES portion of the 2002 taxable Pension Obligation Bonds. Also decreasing is the transfer to the General Fund of revenues from Proposition 172, *Local Public Safety Protection and Improvement Act*, as a result of lower projected revenues in the Proposition 172 fund. A decrease of 17.1% is planned for Fiscal Year 2009-10 and is primarily related to one-time items in Fiscal Year 2008-09 that are not repeated in the subsequent year.
- Management Reserves are increasing by $12.7 million or 44.7%. 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

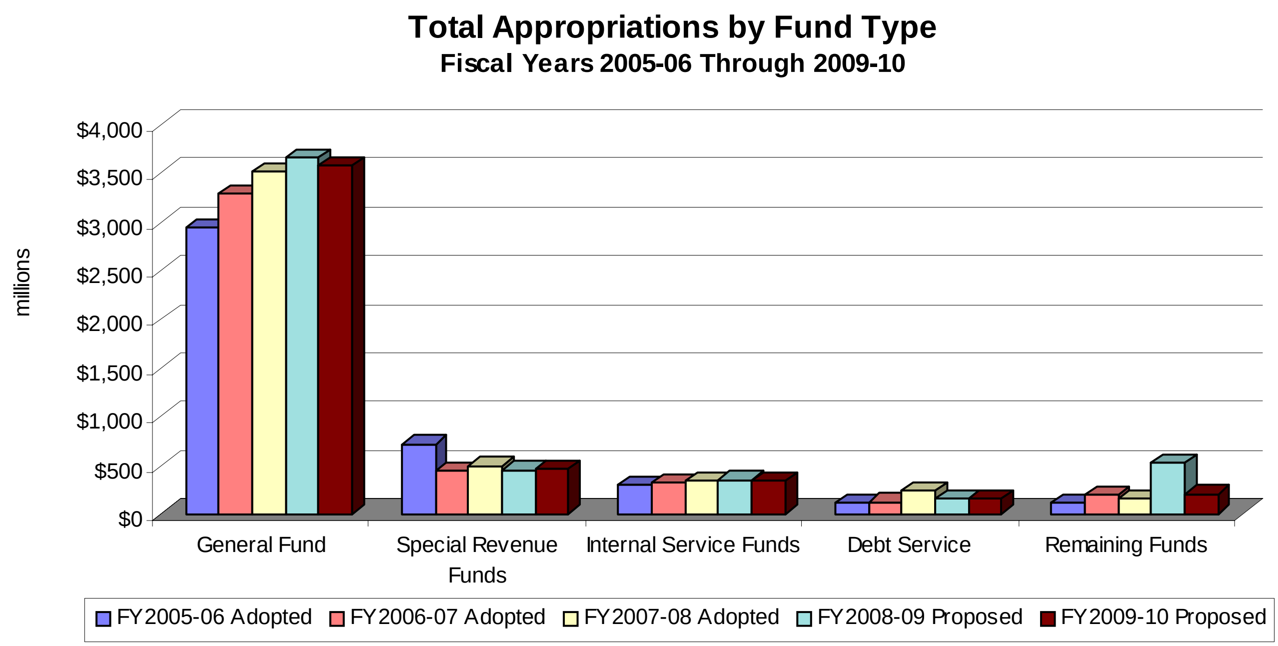
The financial transactions of the County are recorded in individual funds and account groups. The State Controller prescribes uniform accounting practices for California counties. Various revenue sources are controlled and spent for purposes that require those funds to be accounted for separately. Accordingly, the following funds/fund types provide the basic structure for the Operational Plan. Appendix B: Budget Summary of All Funds and Changes in Fund Balance provides expenditure amounts for County Funds by Type of Fund and by Group/Agency. (See also "Measurement Focus and Basis of Accounting" on page 76.)



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.



Total Appropriations by Fund Type (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
General Fund	$ 2,943.9	$ 3,289.5	$ 3,520.9	$ 3,659.8	$ 3,575.5
Special Revenue Funds	720.8	443.4	491.8	453.7	464.0
Internal Service Funds	302.6	319.6	333.5	353.4	343.6
Debt Service	110.5	125.6	234.5	152.3	150.7
Capital	7.0	102.4	34.1	404.2	87.2
Enterprise Funds	20.7	17.8	29.4	25.7	17.8
Special Districts & Redevelopment	81.3	76.6	87.5	100.9	102.2
Total	$ 4,186.9	$ 4,374.8	$ 4,731.7	$ 5,150.0	$ 4,741.1

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 63.

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, *Limitation of Government Appropriations* (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), *Tobacco Tax and Health Protection Act*, Proposition 10 (1998), *California Children and Families First Act*, and Proposition 111 (1990), *Traffic Congestion Relief and Spending Limitations Act*, 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.

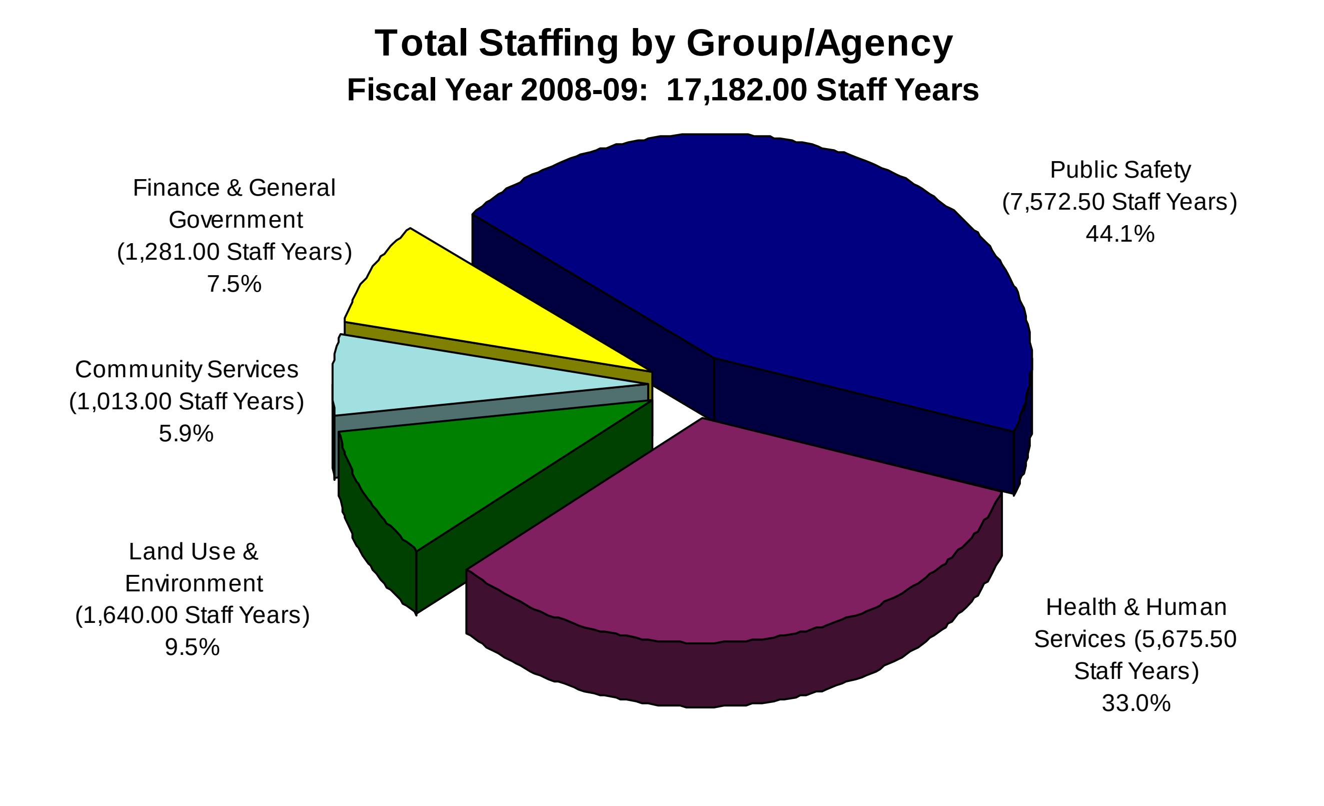
San Diego County Appropriation Limit (in millions)

	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Gann Limit	$2,832	$2,949	$3,081	$3,300	$3,433	$3,619
Appropriations subject to the limit	$597	$714	$717	$877	$1,002	$1,287

All Funds: Total Staffing

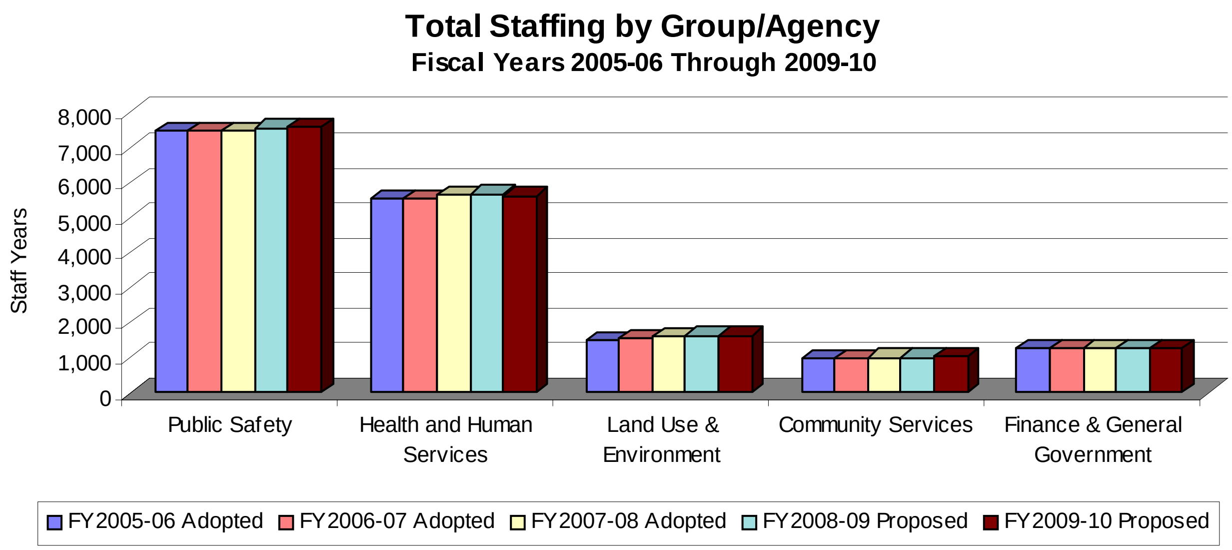
Total Staffing

Proposed staff years[1] for Fiscal Year 2008-09 are 141.50 more than the Adopted Operational Plan for Fiscal Year 2007-08, an increase of 0.8% to 17,182.00 staff years. A net decrease of 13.50 staff years is expected in the second year of the Plan. The staffing changes are summarized below by Group.



[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.

The Public Safety Group (PSG) proposes a net increase of 97.00 staff years or 1.3%. Child Support Services decreases by 30.00 staff years to align staffing with available revenues. Four other PSG departments have staff year increases. The District Attorney increases by 14.00 staff years to enhance and strengthen the dedicated effort of investigating and prosecuting workers' compensation insurance fraud crimes and to better enable the department to effectively and efficiently provide prosecutorial services in response to a 13% increase in total felony cases issued, a 17% increase in the number of trials, and a 14% increase in serious or violent felonies in the South Bay over the past five years.



Total Staffing by Group/ Agency (staff years)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
Public Safety	7,478.50	7,487.00	7,475.50	7,572.50	7,591.50
Health and Human Services	5,549.92	5,552.92	5,663.00	5,675.50	5,630.00
Land Use & Environment	1,497.00	1,559.00	1,612.00	1,640.00	1,640.00
Community Services	979.00	974.00	1,009.00	1,013.00	1,026.00
Finance & General Government	1,267.50	1,271.00	1,281.00	1,281.00	1,281.00
Total	16,771.92	16,843.92	17,040.50	17,182.00	17,168.50

The Sheriff increases by 15.00 staff years to implement tuberculosis screening at the San Diego Central Jail, to staff the recently opened 4-S Ranch Substation, to modify the law enforcement contract with the City of Vista, and to address workload in the Court Services Unit. The Probation Department increases by 47.00 staff years, as approved by the Board on December 4, 2007 (4), to meet the requirements of SB 81, *Juvenile Justice Realignment Program*, to provide services to wards being retained, recalled, or returned from state custody to local custody. In addition, the Probation Department increases by 52.00 staff years, as approved by the Board on December 4, 2007 (4), to maintain a safe environment for wards and staff in the juvenile detention facilities. These increases in Probation are offset by a decrease of 2.00 staff years due to a decrease in Proposition 69, *DNA, Fingerprint, Unsolved Crime and Innocence Protection Act*, data collection activities. The Medical Examiner adds 1.00 staff year to address a 14% increase in the annual number of cases. In Fiscal Year 2009-

10, Probation proposes to increase staffing levels by 19.00 staff years in the juvenile detention facilities to maintain a safe environment for wards and staff.

The Health and Human Services Agency (HHSA) proposes an increase of 12.50 staff years or 0.2%. This includes 10.00 staff years in Medi-Cal eligibility, as approved by the Board of Supervisors on February 26, 2008 (6), to support new mandated Medi-Cal citizenship requirements; and 2.50 staff years due to County Medical Services program modifications, as approved by the Board of Supervisors on July 24, 2007 (10) and October 23, 2007 (2).

The new Edgemoor Skilled Nursing Facility is scheduled to open in early 2009. Efficiencies in its operations are expected to yield significant staff savings. HHSA reflects a reduction of 45.50 staff years in Fiscal Year 2009-10 associated with these efficiencies. This change includes the reduction of 32.50 staff years and the transfer of 13.00 facilities maintenance positions from HHSA to the Community Services Group, Department of General Services.

The Land Use and Environment Group (LUEG) proposes an increase of 28.00 staff years or 1.7%. Agriculture, Weights and Measures proposes an increase of 6.00 staff years - 5.00 staff years for the Pierce's Disease Control Program State contract to protect the grape industry from the Glassy-winged Sharpshooter, the insect that transmits Pierce's Disease, and 1.00 staff year in the Standards Enforcement division to assist with point-of-sale scanner inspections. Environmental Health proposes to add 1.00 staff year to provide radiological health services, including the inspections of x-ray machine registrants and radioactive materials licensees, and the investigation of incidents and accidents involving ionizing radiation. The Department of Public Works increases by a net of 21.00 staff years, 20.00 of which are in the Road Fund to meet operational needs for additional requirements of the Detailed Work Program, to provide quality control for consultant design plans, to prepare project scopes of work and to monitor consultant and construction contracts, to increase field work and drainage cleaning associated with new mandates in the 2007 Regional Water Quality Control Board Municipal Permit, to provide preliminary engineering and design survey support to the Construction Inspection Program, and to support new water and sewer billing and collection services. An increase of 2.00 staff years in the Airport Enterprise Fund will provide needed support for managing lease agreements and inspection and maintenance resulting from additional aviation and non-aviation development. An increase of 1.00 staff year in the Waste Water Enterprise Fund will provide support for the increased workload associated with two new sewer maintenance districts. As a result of restructuring the workload within the Inactive Waste Management fund, 2.00 staff years are being reduced.

The Community Services Group (CSG) proposes to increase by a net of 4.00 staff years, an increase of 0.4%. The Department of General Services adds a net of 1.00 staff year, which includes a decrease of 3.00 staff years in Facilities Management due to the transfer of responsibility for courts maintenance to the State (-7.00 staff years) offset by an additional 4.00 staff years for maintenance services at the Sheriff's detention facilities and an increase of 2.00 staff years in both Real Estate Services and Project Management to support increased workload. Animal Services proposes to add 2.00 staff years to enhance medical services to accelerate the diagnosis and treatment of shelter animals, to get animals healthy faster and to reduce wait times for adoptions. Due to decreased federal administrative funding, the Department of Housing and Community Development will decrease staff by 1.00 staff year. Finally, the Department of Purchasing and Contracting adds 2.00 staff years to support County procurement services. In Fiscal Year 2009-10, CSG proposes to increase facilities maintenance staff by 13.00 staff years to provide maintenance to the new Edgemoor Skilled Nursing Facility. These positions will be transferred from the Health & Human Service Agency.

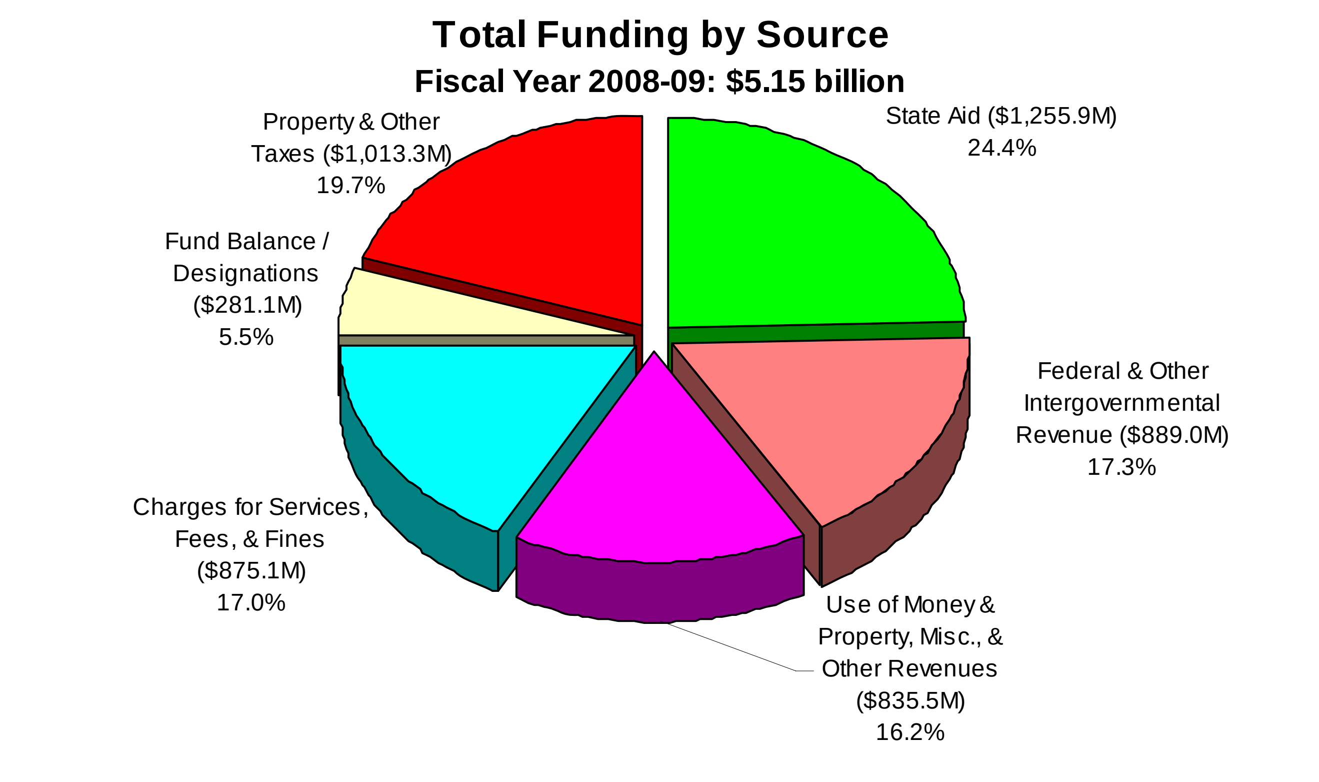
The Finance and General Government Group (FGG) has no proposed staff year changes.

More detail on staff year changes can be found in each department/program section of the Operational Plan that begins on page 89.

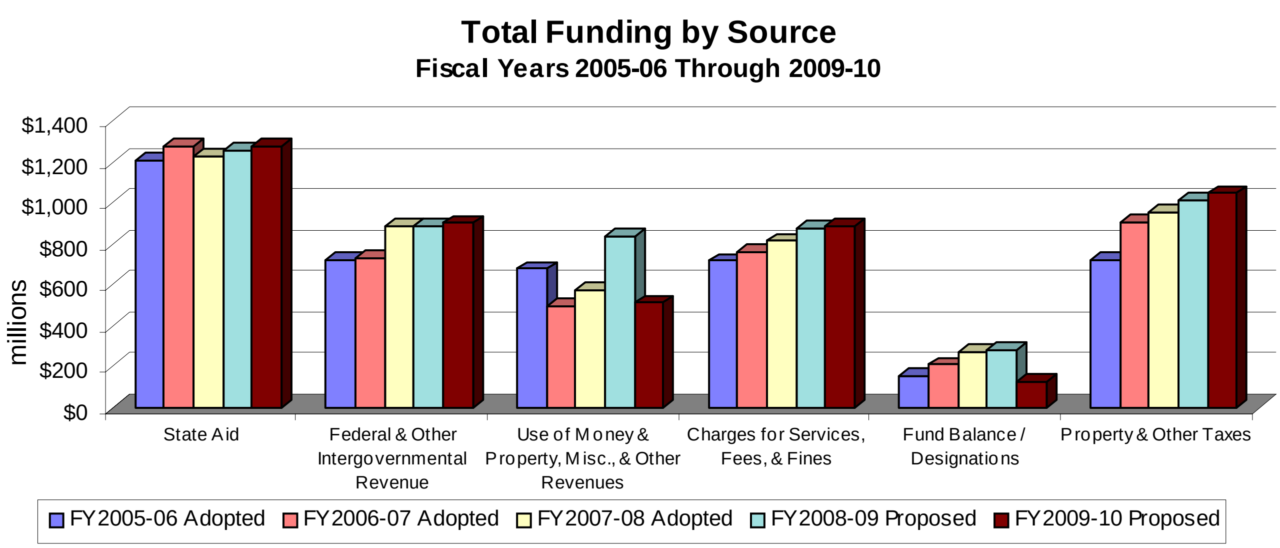
All Funds: Total Funding Sources

Total Funding by Source

Total resources available to support County services for Fiscal Year 2008-09 are expected to be $5.1 billion, an increase of $418.2 million or 8.8% from the Fiscal Year 2007-08 Adopted Operational Plan. Total resources are anticipated to decrease by $408.9 million or 7.9% in Fiscal Year 2009-10. For Fiscal Year 2008-09, State aid ($1.3 billion), federal aid ($807.5 million), and other intergovernmental revenue ($81.5 million) combined supply 41.6% of the financing sources for the County's budget. Another 38.7% ($2.0 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.



Finally, locally generated, general purpose 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 19.7% ($1.0 billion) of the financing sources for the County's budget. An explanation of the various General Fund Financing Sources by Category and General Purpose Revenues by Source can be found on pages 47 and 52 respectively.



Total Funding by Source (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
State Aid	$ 1,205.6	$ 1,275.4	$ 1,230.5	$ 1,255.9	$ 1,276.5
Federal Revenues	629.5	619.9	797.5	807.5	816.4
Other Intergovernmental Revenue	87.8	112.9	91.8	81.5	82.6
Use of Money & Property, Misc., & Other Revenues	675.5	498.9	572.0	835.5	509.1
Charges for Services, Fees, & Fines	714.6	757.8	811.7	875.1	883.5
Property & Other Taxes	717.6	903.0	957.5	1,013.3	1,046.1
Reserve/Designation Decreases	5.3	4.2	57.6	2.3	15.7
Fund Balance	151.1	202.8	213.1	278.8	111.1
Total	$ 4,186.9	$ 4,374.8	$ 4,731.7	$ 5,150.0	$ 4,741.1

Overall Change

The $418.2 million proposed increase in the Fiscal Year 2008-09 Operational Plan is the net of increases in some funding sources and decreases in others. In the table above, State Revenue; Federal Revenue; Charges for Services, Fees, & Fines; Use of Money & Property, Miscellaneous, & Other Revenues; Property & Other Taxes; and Use of Fund

Balance increase a combined $483.8 million. Reductions totaling $65.6 million are in the categories of Reserve/ Designation Decreases and Other Intergovernmental Revenue.

Change by Source

State Revenue is estimated to increase by $25.5 million overall in Fiscal Year 2008-09. This is largely due to increases in the Health and Human Services Agency (HHSA) of $46.7 million offset by decreases in the Public Safety Group (PSG) of $9.2 million, Land Use and Environment Group (LUEG) of $9.9 million, and Community Services Group (CSG) of $2.1 million. The increase in the Health and Human Services Agency includes additional funding in Behavioral Health Services associated with Mental Health Services Act programs (MHSA), other mental health services, and an adjustment to Alcohol and Drug Services' Proposition 36, *Substance Abuse and Crime Prevention Act*, funding to its State allocation level. Funding is increasing for In-Home Supportive Services (IHSS) individual provider costs in Aging and Independence Services, and for Medi-Cal Administrative activities in Regional Operations. While an overall net increase in State Aid is budgeted, some component categories are budgeted to decrease, namely in PSG as a result of significant slowing in Proposition 172, *Local Public Safety Protection and Improvement Act*, sales tax revenues; in LUEG, specifically in the Department of Public Works primarily related to the decrease in Proposition 1B, *Highway Safety, Traffic Reduction, Air Quality, and Port Security*, revenues for Asphalt Resurfacing contracts awarded in Fiscal Year 2007-08, but partially offset by Proposition 42, *Transportation Congestion Improvement Act*, transportation revenue increases; and a decrease in CSG in the Registrar of Voters due to net changes in grant and SB 90, *Tax Relief Act*, State mandated reimbursements.

Federal Revenue will increase 1.3% ($10.0 million) primarily in the Health and Human Services Agency (HHSA) in Aging and Independence Services due to increases in IHSS individual provider costs. A reduction in federal revenue occurs in LUEG in the Department of Public Works in Federal Aid Airports for completed projects. The transfer of grant revenue to federal revenue in the Department of Environmental Health partially offsets the total decrease in LUEG. A reduction in CSG occurs in the Department of Housing and Community Development due to decreases in federal grant funding for multi-year projects.

Other Intergovernmental Revenue is projected to decrease by $10.3 million. This is due in part to a decrease in PSG in the Sheriff's Department for High Intensity Drug Trafficking Area (HIDTA) funding, which will be handled via a trust in Fiscal Year 2008-09, and to a decrease in Finance Other in the Pension Obligation Bond Fund due to a shift in the classification of non-County aid from other government agencies to charges for services.

Use of Money & Property, Miscellaneous, Other Revenues

Revenue from Use of Money & Property is anticipated to increase $3.3 million in Fiscal Year 2008-09. The projected increase in this category is largely in Public Works from interest on deposits and investments, equipment rental fees, and increases in equipment rental cost replacement. An increase in the Capital Program in the Edgemoor Development Fund in rents and concessions is also anticipated. Further, a decrease in total interest on deposits and investments is anticipated for the County's discretionary General Purpose Revenues based on interest rate declines and anticipated adjustments to the pool. This decrease is mostly offset by an increase in interest earnings in the Employee Benefits Internal Service Fund.

Miscellaneous Revenues are anticipated to increase $3.3 million. The anticipated increase in this category is primarily in Finance Other for the proposed San Pasqual residences and administrative buildings replacement funded by third party recoveries, but partially offset by anticipated decreases in the Pension Obligation Bond (POB) fund related to the floating to fixed rate swap agreement that governs a portion of the 2002 POBs. A proposed decrease in the Land Use and Environment Group Department of Public Works is anticipated due to a decrease in the contribution from the Environmental Trust Fund for Inactive Waste Site Management Operations and in the Department of Parks and Recreation related to the non-recurrence of one-time funding from insurance proceeds for Firestorm 2003 recovery projects.

Other Financing Sources are anticipated to increase by a net of $256.9 million. There will be an increase in Operating Transfers from the General Fund for various Capital Projects and from proceeds from long-term debt related to the proposed County Operations Center (COC) and Annex Redevelopment project. See the Capital Program section and the Finance Other section for more information. This increase is offset by a reduction from Fiscal Year 2007-08 in one-time funding for the early pay off of the Public Income Notes (PINES) principal portion of the 2002 POBs. In addition, Proposition 172 revenues have experienced significant slowing; operating transfers from Proposition 172 are expected to be reduced by $20.5 million in Fiscal Year 2008-09.

Charges for Services, Fees, and Fines

Charges for Current Services are estimated to increase by $65.0 million. Some of the increases across the County are in General Services for increased cost reimbursement associated with contracted services, fuel, parts, and major maintenance projects; in the Registrar of Voters due to the greater number of billable jurisdictions that participate in the General Election as compared to the Primary election; in the Sheriff's Department for increased levels and costs of contracted law enforcement services; in the Information Technology Internal Service Fund due to increased charges to departments for anticipated one-time information technology initiatives including the ERP Application Upgrade, the Enterprise Data warehouse, and the Business Case Management System; and in Finance Other in the Pension Obligation Bond Fund due to additional charges to departments related to the early pay down of POB principal and in the Public Liability Fund because of an increased share of the Public Liability costs being charged out to departments in Fiscal Year 2008-09.

Licenses, Permits, & Franchises are estimated to increase by $0.6 million. A portion of the increase is in the Sheriff's Department due to an amendment to the San Diego Code of Regulatory Ordinances that increased licenses and fees effective January 2008, and the remainder is anticipated growth in franchise fees in the General Purpose Revenues.

Fines, Forfeitures, & Penalties are estimated to decrease by $2.1 million. The primary source of the decrease is in the Sheriff's Department with the Cal-ID program pending approval of the Fiscal Year 2008-09 proposed budget by the San Diego County Cal-ID/RAN Board.

Property and Other Taxes increase by $55.7 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 increases by $65.7 million due to normal fluctuations in one-time projects, and the use of Reserves/Designations decrease by $55.3 million compared to Fiscal Year 2007-08. The decrease in Reserves/ Designations in the General Fund is directly related to the non-recurring, one-time technical adjustment in Fiscal Year 2007-08 to convert a $55.5 million fund balance designation to a general reserve as defined in 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.

Risks to Funding Projections: State of California's Budget

On January 10, 2008, the Governor released his Proposed 2008-09 State Budget. The 2008-09 Proposed Budget projects an estimated $14.5 billion budget shortfall by the end of the Fiscal Year 2008-09.

The Governor declared a fiscal emergency under the State Constitution and called the State Legislature into special session to, among other things, consider the Governor's proposals for balancing the State budget, which includes issuing approximately $3.3 billion in deficit-financing bonds, accruing in Fiscal Year 2008-09 $2 billion in tax revenues that are currently reflected as Fiscal Year 2009-10 revenues, reducing K-14 education spending, suspending the Proposition 98, *School Funding*, minimum guarantee, achieving additional savings by releasing certain nonviolent prisoners and no longer actively supervising nonviolent offenders on parole, and making 10 percent across-the-board reductions in most other State programs.

The Governor also proposed a constitutional amendment be put before the State's voters, which would provide for a creation of a third State reserve fund to receive revenues from the General Fund of any amount over the average long-term trend of revenue growth rate (which amounts would be transferred back to the General Fund in any year in which revenue growth was below the average) and provide the Governor with the power to make program reductions when he predicts the State to be in a budget deficit.

Certain of the features of the 2008-09 Proposed Budget affecting counties include the following:

1. The 2008-09 Proposed Budget proposes to fully fund the Proposition 1A, *Transportation Funding Protection*, loan repayment for Fiscal Year 2008-09 and the approximately $1.5 billion Proposition 42, *Transportation Congestion Improvement Act*, transfer, which is proposed to be allocated as follows: $82.7 million to the Traffic Congestion Relief Fund, $594.2 million to the State Transportation Improvement Program, $297.1 million to the Public Transportation Account and $594.2 million to cities and counties for local streets and roads maintenance.

2. The 2008-09 Proposed Budget includes the elimination of $75 million in estimated reimbursement claims but does not subject un-reimbursed pre-2004 mandate reimbursements to the proposed 10 percent reductions.

3. The 2008-09 Proposed Budget includes changes to California Work Opportunity and Responsibility to Kids (CalWORKs) that are expected to result in net savings of $74 million in 2007-08 and $389 million in 2008-09, including the increase of economic sanctions against families with adults who do not comply with program requirements and the elimination of the children's safety net grant unless their parent(s) meet federal work participation requirements.

4. The 2008-09 Proposed Budget provides for the July 2008 CalWORKs cost of living adjustment (COLA) in the amount of $131 million but proposes the deletion of the June 2008 State COLA for Supplemental Security Income/ State Supplementary Program (SSI/SSP) recipients, which is expected to result in savings of $23 million in Fiscal Year 2007-08 and $271 million in Fiscal Year 2008-09.

5. The 2008-09 Proposed Budget would reduce provider rates for Medi-Cal to generate Fiscal Year 2007-08 State General Fund savings of $33 million and Fiscal Year 2008-09 savings of $602 million, which savings would be achieved through a 10% provider payment reduction to most fee-for-service providers (generally physicians). The 2008-09 Proposed Budget also proposes to change from a weekly reimbursement schedule to an annual reimbursement schedule for a one-time State General Fund savings of $165 million.

The State of California's Legislative Analyst provided an overview of the Governor's Plan on January 14, 2008. The State's budget is severely constrained by a number of factors including nondiscretionary programs, voter approved spending priorities and tax limitations. Further, the revenues upon which it is dependent are highly sensitive to economic cycles as are all levels of government in this state. A declining economic outlook, sagging revenues, and rising costs have created bleak prospects for the State's current and future budget years.

On February 20, 2008, the LAO released a report entitled "Analysis of 2008-09 Budget Bill" (the "LAO Budget Analysis"), which provides further analysis by the LAO of the 2008-09 Proposed Budget. The LAO also released a report entitled "The 2008-09 Budget: Perspectives and Issues" (LAO Budget Perspectives), which discusses significant fiscal and policy issues which fall under the scope of several programs, agencies and subcommittees of the State Legislature. This analysis was followed by an update in April 2008. In the LAO Budget Analysis, the LAO states that General Fund revenues for the current and budget year combined will be $1.5 billion below the Governor's estimate and indicates that this revised forecast will cause the State to face a shortfall of approximately $16 billion over the current year and through Fiscal Year 2008-09. The LAO Budget Perspectives report presented an alternative budget approach (the "LAO Alternate Budget") that recommended, among other things, transferring State responsibilities for certain current persons on parole to counties, with a shift of existing revenues to counties from current water and wastewater enterprise special district property taxes, city Proposition 172 sales taxes, and vehicle license fees. Based on the LAO's analysis, the legislature has adopted about $7.5 billion in budget solutions, but the remaining shortfall is still over $8.0 billion.

The Governor's 2008-09 May Revise is scheduled to be released the second week of May, and is expected to provide more information on the various proposals and priorities.

Impact on the County's Proposed Operational Plan

Staff from across the five groups have been analyzing the potential impacts of the Governor's budget on the County. It is clear that the reductions would have negative impacts on County operations, contract service providers, and clients. The State funds many County health and social services programs, but also provides grants to help sustain library, environmental health, transportation, and public safety programs as well.

The following are some of the potential State funding reductions:

In HHSA, a number of areas have been identified as being at risk of State reductions:

- Medi-Cal rates for patients at Edgemoor;
- Foster Care payments;
- Child Welfare Services Administrative allocation;
- County administrative allocations including California Children's Services (CCS), In-home Supportive Services (IHSS), Medi-Cal eligibility services, and Adult Protective Services (APS); and Medi-Cal Rates for Community Providers.

PSG services, staff, and contracts are at risk in the following areas:

- Citizen Option for Public Safety Programs (COPS);
- Prosecution Grants;
- Computer and Technology Crime High Technology Theft and Apprehension (CATCH) Teams;
- Mentally Ill Offenders;
- Programs serving juvenile offenders and juveniles at risk are proposed for reduction; and
- Services provided by the County through an agreement with the Administrative Office of the Courts.

One area that merits particular examination involves the Governor's proposal for the early release of 22,000 State prisoners, placing them on summary parole without supervision. The LAO has also proposed to shift parole functions for 71,000 offenders from the State to the counties and proposes certain sources of funding, which, as proposed, fall short of meeting all of the costs to the County justice system.

It is unclear whether any of these proposals will be implemented and if so, to what degree. Additional details on potential State funding reductions can be found in the respective group executive summaries.

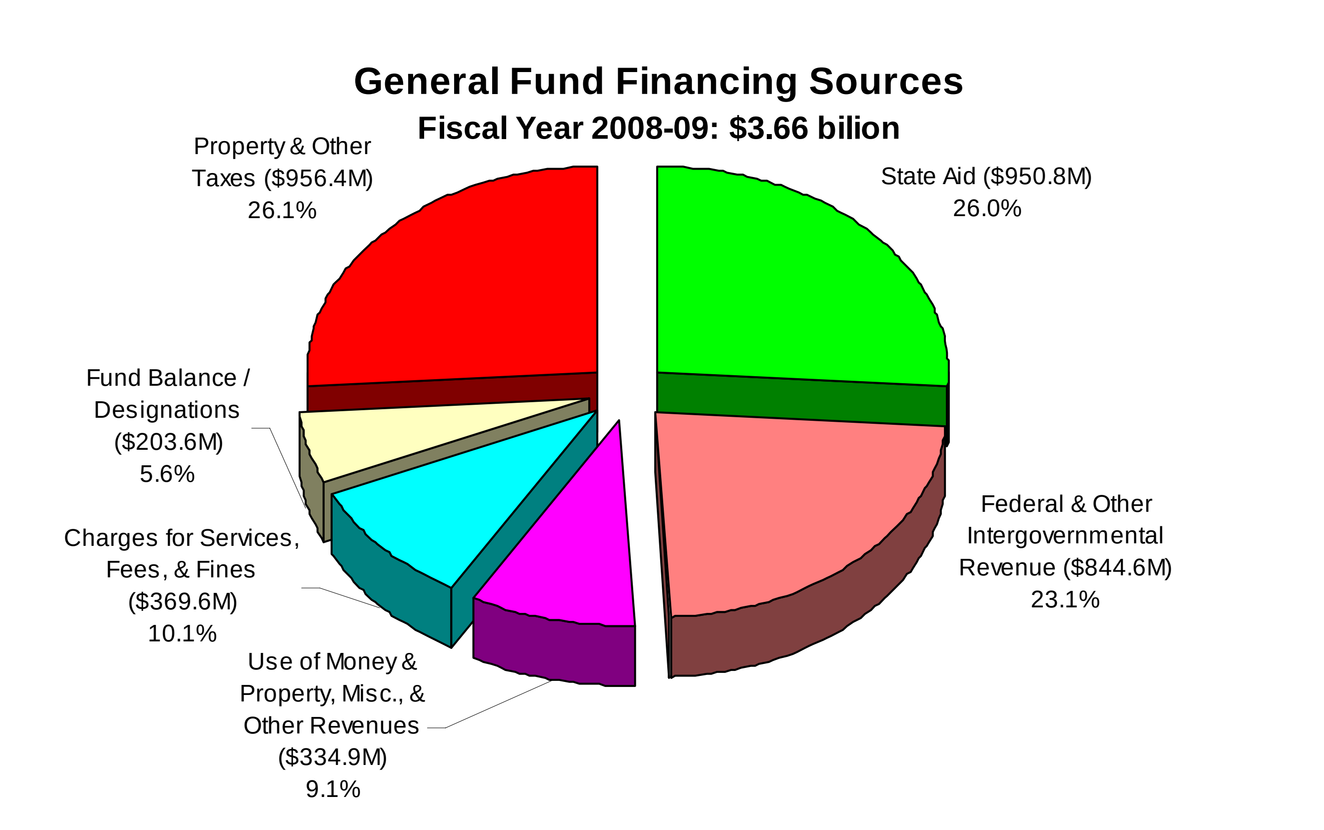
The following sections focus on General Fund financing sources.

Sources: Governor's Proposed Budget for 2008-09, State of California Legislative Analyst's Office Alternative Budget, and State of California Department of Finance

Summary of General Fund Financing Sources

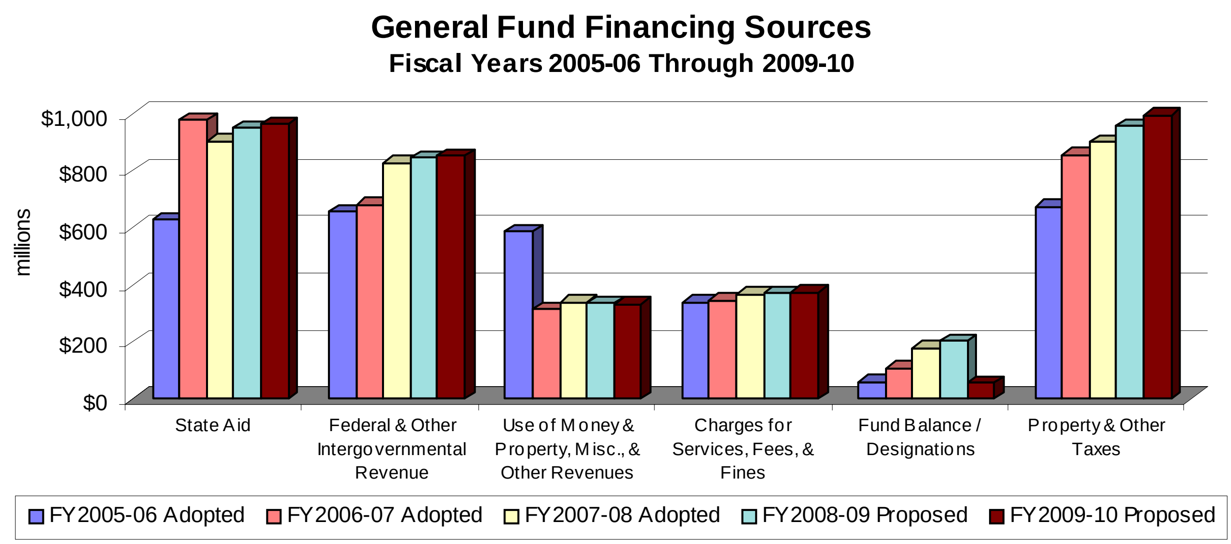
Summary of General Fund Financing Sources

The General Fund is the County's largest single and primary operating fund: it is used to account for all financial resources of the County except those required to be accounted for in other funds. In this Proposed Operational Plan, General Fund Financing Sources total $3.7 billion for Fiscal Year 2008-09, a $138.9 million or 3.9% increase from Fiscal Year 2007-08. They are expected to decrease by $84.3 million or 2.3% in Fiscal Year 2009-10. In comparison, the Fiscal Year 2007-08 budget was 7% above the prior year, while the previous five fiscal years saw an average annual growth rate of 5.5%. The 3.9% increase for Fiscal Year 2008-09 reflects the general constriction in the economy and estimates of available program revenues.



Further slowing is expected in Fiscal Year 2009-10. Program and general purpose revenues are expected to grow by 1.8%, but a reduction in the planned use of fund balance in Fiscal Year 2009-10 results in an overall contraction of resources.

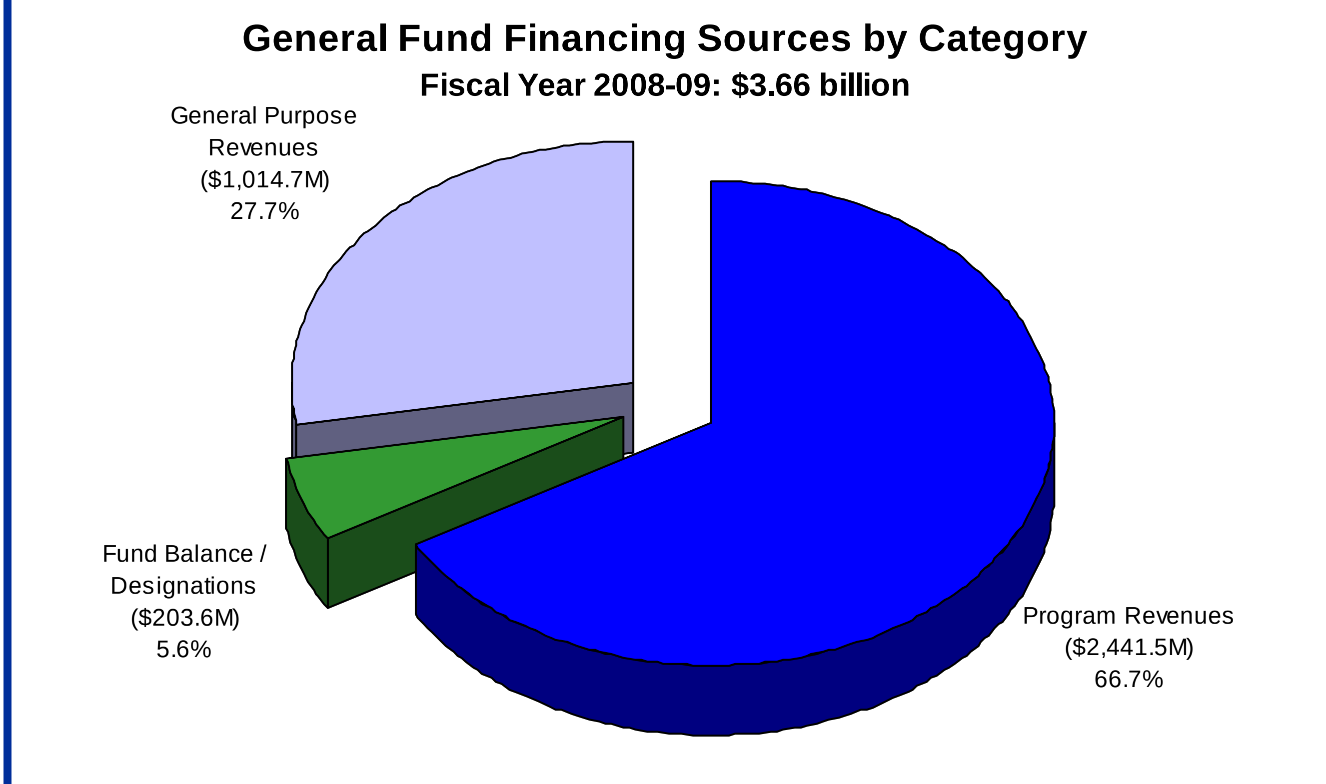
The pie chart above and the graph and table below show the same breakdown of financing sources by account group as shown in the preceding All Funds: Total Funding Sources section. Because the significant year-to-year changes in the General Fund were part of the discussion in the All Funds: Total Funding section, they will not be repeated here.



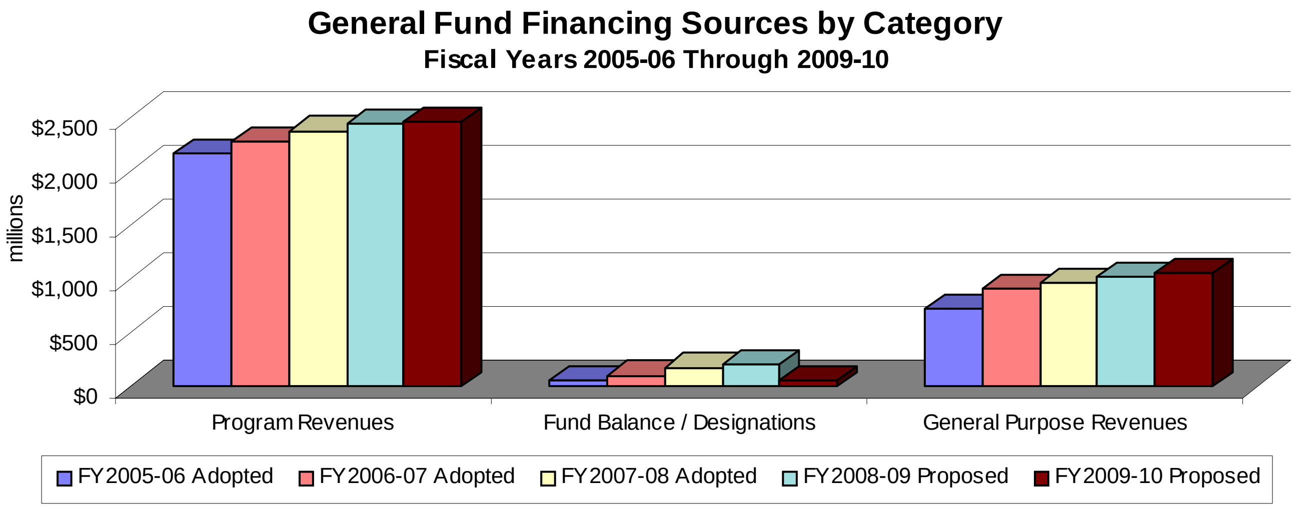
General Fund Financing Sources (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
State Aid	$ 628.6	$ 979.6	$ 903.8	$ 950.8	$ 963.4
Federal & Other Governmental Aid	656.7	683.2	827.9	844.6	853.4
Use of Money & Property, Misc., & Other Revenues	586.5	315.8	340.5	334.9	333.0
Charges for Services, Fees, & Fines	338.4	345.6	366.2	369.6	373.9
Fund Balance/Reserves	60.2	108.5	180.4	203.6	56.8
Property & Other Taxes	673.5	856.8	902.2	956.4	995.0
Total	$ 2,943.9	$ 3,289.5	$ 3,520.9	$ 3,659.8	$ 3,575.5

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 Use of Fund Balance (including Reserve/Designation decreases).



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 66.7% of General Fund Financing Sources in Fiscal Year 2008-09, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues are expected to increase by 2.7% over the Fiscal Year 2007-08 Adopted Operational Plan compared to an average annual growth for the last five years of 3.7%. HHSA manages 67% of the program



General Fund Financing Sources by Category (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
Program Revenues	$ 2,162.7	$ 2,274.7	$ 2,376.9	$ 2,441.5	$ 2,463.3
Fund Balance / Designations	60.2	108.5	180.4	203.6	56.8
General Purpose Revenues	721.0	906.3	963.6	1,014.7	1,055.4
Total	$ 2,943.9	$ 3,289.5	$ 3,520.9	$ 3,659.8	$ 3,575.5

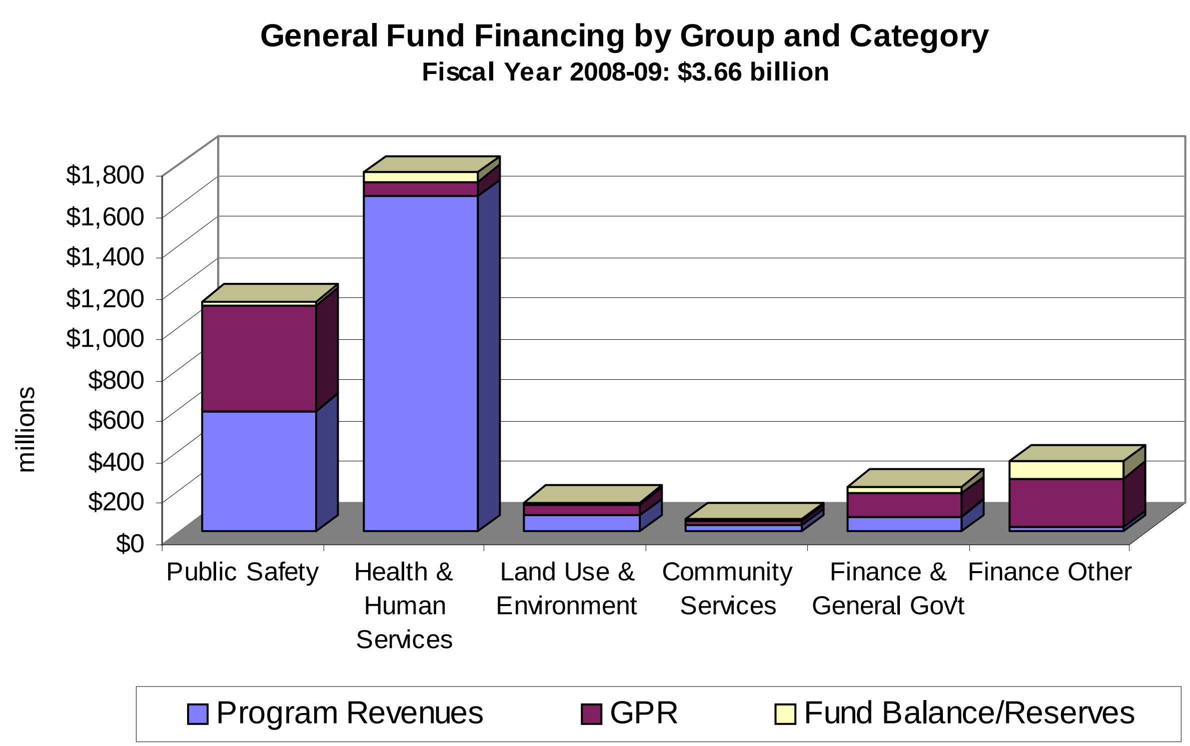
revenues; Public Safety Group manages 24%; and the balance is managed across the other areas of the county. The following are some of the largest and most closely watched Program Revenues. Please see the individual departmental sections for more specific information on the various other program revenues.

- Health and Social Services Realignment Revenues ($315.0 million in Fiscal Year 2008-09 and $327.2 million in Fiscal Year 2009-10) are 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 services. Between Fiscal Years 2002-03 and 2006-07, annual revenue growth averaged 5.3%. An increase of 2.4% was budgeted for Fiscal Year 2007-08; however, revenues are projected to be lower than budget in Fiscal Year 2007-08 by approximately $11.7 million because of the economic downturn. For Fiscal Year 2008-09, revenues are expected to be below the 2007-08 budgeted amount by 2.6% ($8.4 million). A proposed increase of 3.9% is anticipated in Fiscal Year 2009-10.
- Proposition 172-Public Safety Sales Tax Revenues ($235.9 million in Fiscal Year 2008-09 and $240.9 million in Fiscal Year 2009-10) support regionwide

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 of 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 averaged 7.1%. For Fiscal Year 2007-08, an increase of 4.8% was budgeted; however, revenues are projected to be significantly lower than budget in Fiscal Year 2007-08 due to the slowing in several sectors of the economy including retail sales. For Fiscal Year 2008-09, revenues are expected to decrease by 5.6% from the 2007-08 budget, followed by an increase of 2.1% in Fiscal Year 2009-10. As a result of this decrease, general purpose revenues are recommended to be substituted to maintain core services in these three departments. See also the discussion of general purpose revenue allocations on page 52.

- Tobacco Settlement Revenues ($32.2 million in Fiscal Year 2008-09 and $24.2 million in Fiscal Year 2009-10) 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. The net proceeds were placed in an endowment fund and are spent pursuant to the Board Policy. 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 $32.2 million proposed to be utilized in Fiscal Year 2008-09 reflects $8.0 million in one-time, non-securitized Tobacco Settlement funds and $24.2 million in Securitized Tobacco funds. Another $3.3 million will be appropriated and retained in the Tobacco Securitization Special Revenue fund as an unallocated reserve in Fiscal Year 2008-09. A request will be submitted to the Board if the additional resources are needed.



General Purpose Revenues (GPR) make up 27.7% of General Fund Financing Sources. Please see the separate discussion of General Purpose Revenues beginning on page 52.

Use of Fund Balance/Designations ($203.6 million in Fiscal Year 2008-09 and $56.8 million in Fiscal Year 2009-10), including reserve/designation decreases, represents 5.6% of General Fund Financing Sources in Fiscal Year 2008-09. Fund Balance is the result of careful management of resources Countywide in past years. It is both a resource that can be used for one-time expenses, and one that serves as a cushion for unexpected events or requirements. By its nature, fund balance is not suitable for the support of ongoing operations. Board Policy B-71, *Fund Balance and Reserves*, provides for the Chief Administrative Officer to make recommendations regarding the use of fund balance and requires that an amount of fund balance equivalent to at least 10% of budgeted General Purpose Revenues be maintained as unreserved, undesignated and unappropriated. For Fiscal Year 2008-09, that amount is $101.5 million. The amount of fund balance used in this Proposed Operational Plan is consistent with that policy.

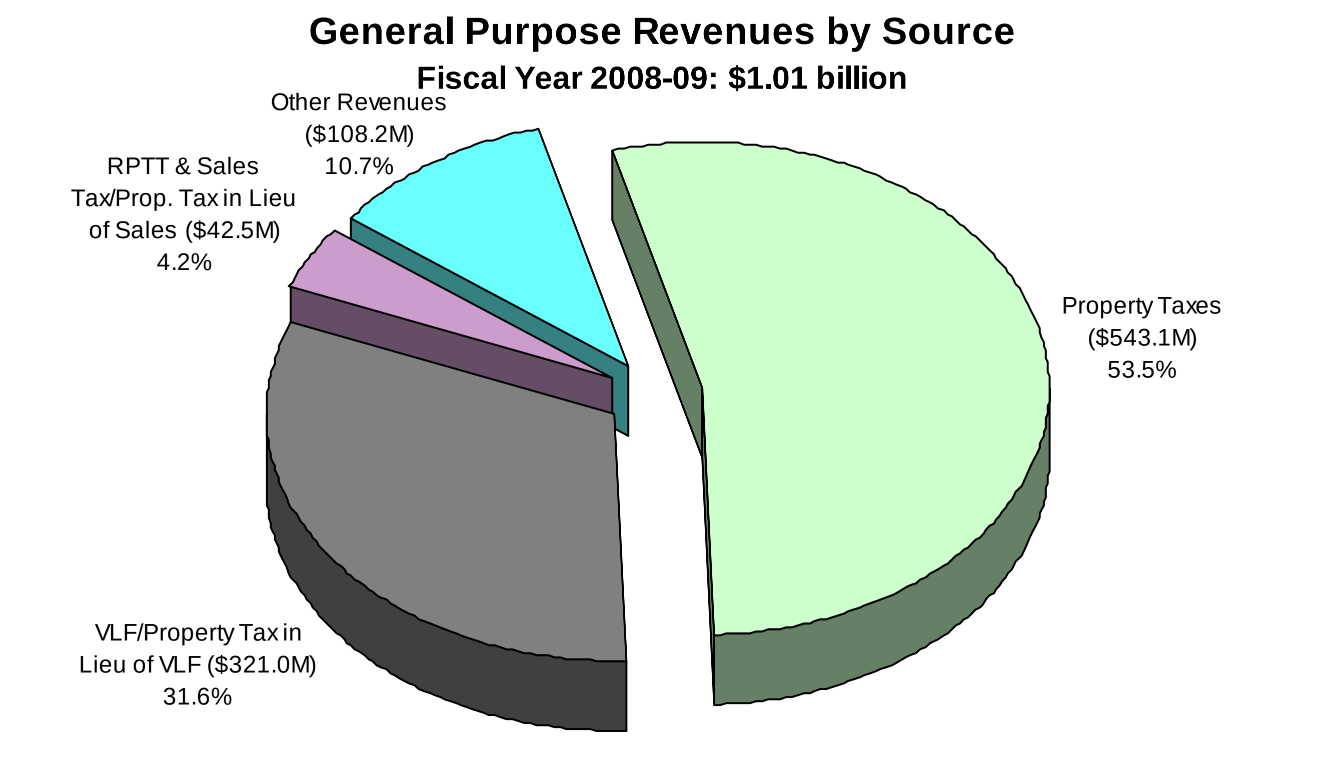
The following list details the various proposed uses of fund balance in Fiscal Year 2008-09:

- Potential costs related to death penalty indigent defense cases,
- Potential retroactive costs associated with County Medical Services,
- One-time capital needs for the volunteer fire protection districts via the Fire Protection and Emergency Medical Services Grant Program,
- Business Process Reengineering projects,
- Furniture, fixtures and equipment and transition costs associated with the new Edgemoor Skilled Nursing Facility,
- Major maintenance projects,
- Emergency communication plan exercises,
- Purchase of two HIV mobile clinic vehicles,
- General Plan Update/Zoning Ordinance project costs,
- Fund balance designations for the Registrar of Voters for low revenue election years and for replacement equipment,
- Purchase of minor equipment, such as telephone equipment, and 120 mobile computers for Facilities Management,
- Board Letter business process reengineering costs,
- Asbestos abatement in the County Administration Center (CAC) Recorder's Office,
- Various information technology projects, such as:
  - Document imaging project,
  - Online data system for Health Care Policy Administration (HCPA),
  - Upgrade to the public health lab computer system and the Visual Confidential Morbidity Reporting system,
  - Software upgrade for Project Care,
  - Software purchase to measure the effectiveness of contracted services,
  - Oracle database upgrades,
  - Chief Technology Office (CTO) cross-functional help desk, and
  - Business Case Management System rollout and conversion to a new developer deposit solution
- Master plans for Valle de Oro and Sweetwater Drainage projects,
- County matching funds for Woodside Avenue drainage project,
- Various capital projects, including:
  - Multiple Species Conservation Program (MSCP),
  - North Central Public Health Clinic replacement,
  - Lincoln Acres Library and Community Center building replacement,
  - Office relocation necessitated by the County Operations Center (COC) and COC Annex redevelopment project, and
  - Sweetwater Regional Park Campground improvement
- Grants provided to community organizations, and
- Management reserves.

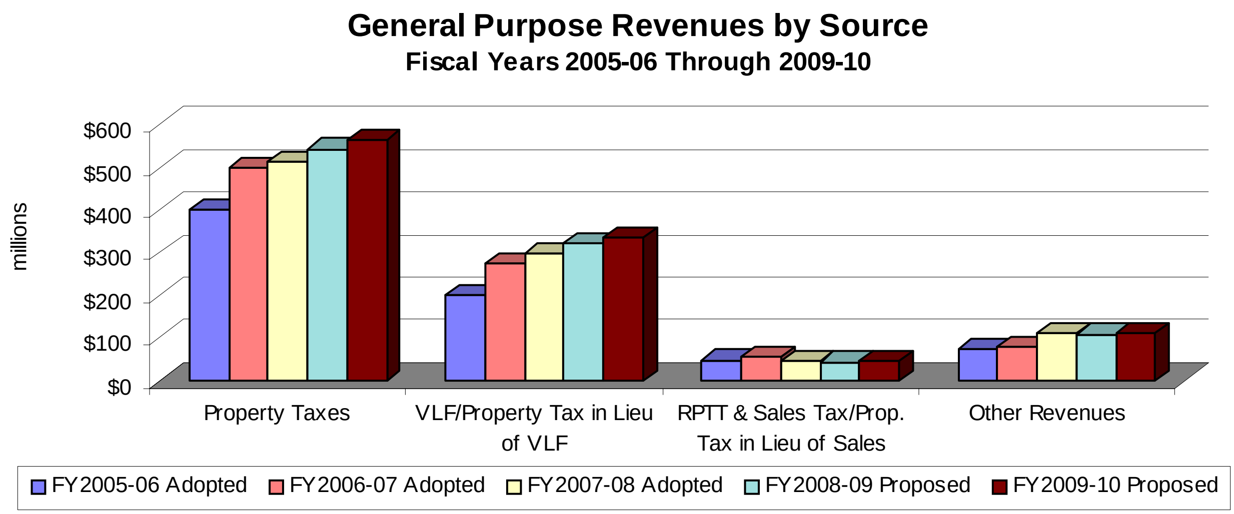
General Purpose Revenues

General Purpose Revenues by Source

General Purpose Revenues for Fiscal Years 2008-09 and 2009-10 are budgeted at $1.01 billion and $1.06 billion, respectively. As noted on page 47, they represent approximately 27.7% 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.



The growth in these revenues is principally affected by the local and State economies. In fact, over 85% of general purpose revenues is tied to activity in the real estate market. 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



General Purpose Revenues by Source (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
Property Taxes	$ 400.5	$ 499.3	$ 511.4	$ 543.1	$ 563.9
VLF/Property Tax in Lieu of VLF	200.5	274.5	297.1	321.0	336.7
RPTT & Sales Tax/Prop. Tax In Lieu of Sales Tax	47.6	54.2	46.2	42.5	44.3
Other Revenues	72.5	78.4	108.9	108.2	110.5
Total	$ 721.0	$ 906.3	$ 963.6	$ 1,014.7	$ 1,055.4

supplemental taxes to the County as a result of the property tax in lieu of VLF legislation. Growth in Fiscal Year 2007-08 was budgeted at 6.3%, closer to the historic average. For Fiscal Year 2008-09, GPR growth is estimated to be 5.3% ($51.1 million). The projected growth rate for Fiscal Year 2009-10 is expected to decelerate further to 4.0% ($40.7 million). Details of these increases are discussed below.

Property Tax Revenue, ($543.1 million in Fiscal Year 2008-09 and $563.9 million in Fiscal Year 2009-10), including current secured, current supplemental, and current unsecured, at 53.5% of the total, is the most significant source of General Purpose Revenues. For Fiscal Year 2008-09, property tax revenue is projected to be $31.7 million or 6.2% higher than budgeted for Fiscal Year 2007-08. Property tax revenue growth of 3.8% or $20.9 million is projected for Fiscal Year 2009-10.

The modest increase in property tax revenue is based on the slowed demand for housing in the county as evidenced by the reduction in residential building permits, year over year decline in the median price of homes in the county, a significant increase in notices of default and foreclosure, and slowing in total deeds recorded. These factors are partially mitigated by relatively low interest rates and the area's population growth. The table below presents a summary of historical and projected property tax revenues to show the changes by category.

Current Secured property taxes ($511.8 million in Fiscal Year 2008-09 and $532.4 million in Fiscal Year 2009-10) are budgeted to increase by $37.2 million in Fiscal Year 2008-09 over the adopted level for Fiscal Year 2007-08. The Fiscal Year 2008-09 amount assumes a 6.0% increase in the local secured assessed value over the actual current secured assessed value growth for 2007-08, and factors in an allowance for tax increment allocations to redevelopment agencies, and an allowance for delinquent property tax payments. Because the actual current secured assessed value growth for Fiscal Year 2007-08 exceeded the budgetary assumption (9.96% actual compared to the projected growth of 7.5%), the growth in secured property taxes on a budget to budget basis is 7.8%. On a budget to actual basis, the increase is 5.8%. Current real estate market conditions and the weakness in supplemental property taxes, as described below, indicate that further slowing of growth in these revenues to 4% is likely for Fiscal Year 2009-10.

Current Supplemental property taxes ($15.0 million in Fiscal Year 2008-09 and $15.4 million in Fiscal Year 2009-10) are derived from net increases to the tax roll during the budget year and are therefore more difficult to predict. Supplemental property tax revenues reached a high of $29.5 million in Fiscal Year 2005-06. They dropped to $23.4 million in Fiscal Year 2006-07, and as of the second quarter of Fiscal Year 2007-08, current supplemental property tax revenues are projected to total $16.6 million through year-end compared to the $20.8 million budgeted for the year. The proposed operational plan assumes that this weakness will continue through the next two fiscal years with the Fiscal Year 2008-09 amount being approximately $1.5 million less than the projected amount for Fiscal Year 2007-08 followed by a marginal increase of $0.4 million in Fiscal Year 2009-10.

Current Unsecured property taxes ($16.2 million in Fiscal Year 2008-09 and $16.0 million in Fiscal Year 2009-10) do not build on a prior year base. The roll is forecasted based on trends and available information at the time the budget is developed. Growth of 1.1% is budgeted for Fiscal Year 2008-09 over the Fiscal Year 2007-08 adopted budget, with a marginally more cautious projection for Fiscal Year 2009-10.

Property Tax Summary (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2007-08 Estimated Actual	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
Current Secured	$ 474.6	$ 483.4	$ 511.8	$ 532.4
Current Supplemental	20.8	16.6	15.1	15.4
Current Unsecured	16.0	15.2	16.2	16.1
Total	$ 511.4	$ 515.2	$ 543.1	$ 563.9

Property Tax in Lieu of Vehicle License Fees (VLF) comprises 31.6% ($320.9 million) of the budgeted General Purpose Revenues in Fiscal Year 2008-09 and 31.9% ($336.7 million) in Fiscal Year 2009-10. 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 unsecured and local secured assessed value, which is projected to be 5.8% for Fiscal Year 2008-09. The Fiscal Year 2009-10 revenue growth is estimated using a 4.9% assessed value growth calculation.

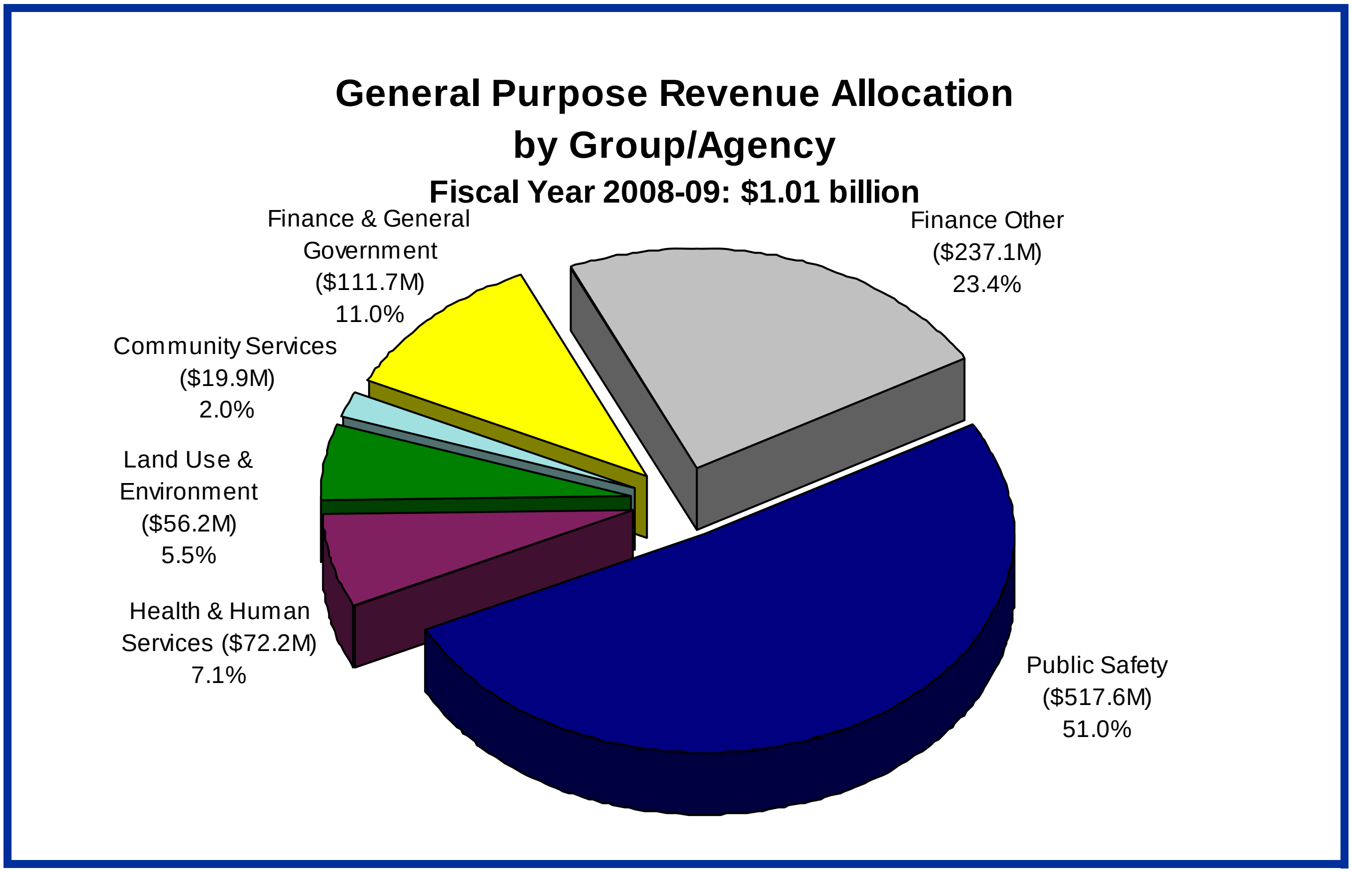
Sales & Use Tax Revenue, ($24.8 million in Fiscal Year 2008-09 and $25.3 million in Fiscal Year 2009-10) represents about 2.4% of General Purpose Revenues and is derived from taxable sales by businesses located in unincorporated county areas. These amounts reflect both the Sales Tax revenues and the 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 (2004), *Economic Recovery Bond Act,* 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. Sales & Use Tax revenue has been growing moderately over the past few years in concert with population growth and new retail business formation in the unincorporated area. Currently, however, retail sales in the unincorporated area are following statewide flattening to marginally declining trends. Consequently, the amount projected for Fiscal Year 2008-09 is approximately $0.03 million (0.1%) above the Fiscal Year 2007-08 adopted budget. Sales Tax growth in Fiscal Year 2009-10 is anticipated to be $0.5 million (2.0%) over Fiscal Year 2008-09.

Real Property Transfer Tax (RPTT) Revenue for Fiscal Year 2008-09 is budgeted at $17.7 million, a 17.3% ($3.7 million) decrease from the Fiscal Year 2007-08 Adopted Operational Plan, reflecting the slowing in the volume and value of real estate transactions. Revenues are projected to rebound by $1.3 million or 7.4% in Fiscal Year 2009-10 with an assumption that property re-sales will marginally improve compared to Fiscal Year 2008-09. 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 realizes 100% of the revenues from transactions in the unincorporated area and 50% of the revenues from transactions in the incorporated areas.

Other Revenues for Fiscal Year 2008-09 total $108.2 million and increase to $110.5 million in Fiscal Year 2009-10. The Fiscal Year 2008-09 amount represents a 0.7% or $0.7 million decrease over the Fiscal Year 2007-08 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, payment from the City of San Diego in lieu of booking fees, and other miscellaneous revenues. The decrease in revenues is primarily due to anticipated lower interest earnings on deposits as a result of a decline in interest rates that is partially offset by growth in redevelopment agency tax increment.

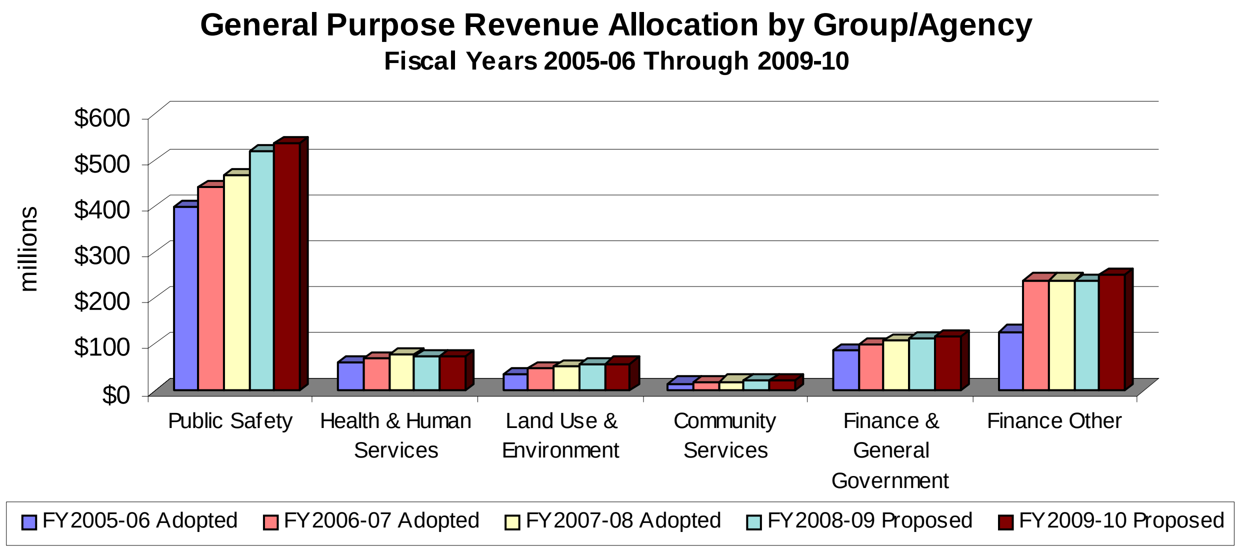
Allocation of General Purpose Revenues by Group

General Purpose Revenues (GPR) are allocated annually based on an analysis of available program revenues, federal/State service delivery obligations, and the priorities and strategic direction set by the Board of Supervisors. While the recommended Fiscal Year 2008-09 budget for the Public Safety Group represents 26.7% of total County expenditures, the allocation of General Purpose Revenues for services in that Group equals 51% of the total GPR. By contrast, the Health & Human Services Agency's budget represents 34.9% of total County expenditures, but because of significant amounts of funding from program revenues, requires only 7.1% of the total GPR.



As noted below, the General Purpose Revenues in Fiscal Year 2008-09 are expected to increase by $51.1 million over the Fiscal Year 2007-08 budgeted level and by an additional $40.7 million in Fiscal Year 2009-10.

Normally, increases in General Purpose Revenues are used to support structural cost increases (including negotiated wage and benefits for County staff) for existing local discretionary services and to provide new or expanded services. Because of the economic downturn, it has become



General Purpose Revenue Allocation by Group/Agency (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
Public Safety	$ 398.5	$ 439.5	$ 467.2	$ 517.6	$ 536.9
Health & Human Services	60.1	68.0	77.4	72.2	72.2
Land Use & Environment	34.4	45.8	51.9	56.2	57.7
Community Services	14.4	15.8	19.5	19.9	20.3
Finance & General Government	86.8	98.5	107.6	111.7	116.5
Finance Other	126.7	238.9	240.1	237.1	251.8
Total	$ 721.0	$ 906.3	$ 963.6	$ 1,014.7	$ 1,055.4

necessary to use a portion of the limited growth in GPR in Fiscal Year 2008-09 to fund core services in Public Safety that would otherwise have been funded with Proposition 172, *Local Public Safety Protection and Improvement Act,* revenues. The only new or expanded services being proposed for funding include staffing in juvenile detention facilities, District Attorney prosecution services, tuberculosis screening in the jails, Multiple Species Conservation Program (MSCP) stewardship in Parks and Recreation, and the operations support in Animal Services for the unincorporated area.

For Fiscal Year 2009-10, a total of $29.0 million out of the $40.7 million increase is allocated to the five operating groups for structural cost increases. The allocations shown also assume that there will be an improvement in Proposition 172 revenues, which would leave a balance of

$14.7 million 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 2009-10 and 2010-11. Further detail is provided in the Group/Agency and Department sections that begin on page 89. The above charts and table show the amount of General Purpose Revenues allocated to support each Group/ Agency for Fiscal Years 2008-09 and 2009-10 compared to the three prior fiscal years.

Capital Projects

Capital Projects

Each year, the County assesses the need for capital improvements in accordance with Board of Supervisors Policies G-16, *Capital Facilities and Space Planning*, and B-37, *Use of the Capital Program Funds.* These policies provide guidelines for the County's multi-year approach to capital projects. The projects identified in this process include the improvement to or acquisition of land and facilities. Infrastructure projects, such as roads, bridges, and sewer lines, are reviewed separately and budgeted in the applicable operating fund (e.g., Road Fund or sanitation district funds). The Fiscal Year 2008-09 proposed capital projects budget for San Diego County is $401.0 million. The following chart shows the amount of the new projects by Capital Program fund as well as a summary by Group/Agency of the remaining balance of projects previously budgeted and still underway. Once appropriations are established for a capital project, they are carried forward until the project is completed.

Capital Appropriations

	Dollar Amount	Number of Projects
Appropriation Increases for New & Existing Capital Projects (Fiscal Year 2008–09)		
Capital Outlay Fund	390,800,000	5
County Health Complex Fund	7,000,000	1
Library Projects Fund	3,200,000	1
Total - Appropriation Increases for New & Existing Capital Projects (Fiscal Year 2008-09)	$ 401,000,000	7
Projects Underway		
Public Safety Group	$ 95,323,080	11
Health & Human Services Agency	29,353,660	5
Land Use & Environment Group	91,160,215	108
Community Services Group	8,034,702	19
Finance & General Government Group	5,923,100	2
Total—Projects Underway	$ 229,794,757	145
Grand Total	$ 630,794,757	152

The Capital Program section of this Operational Plan on page 449 highlights major projects and includes a schedule of lease-purchase payments related to previously debt financed projects.

Projected Reserves and Resources

Projected 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, 2007 and proposed for July 1, 2008.

Projected County Reserves and Resources (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget
General Reserve	$ 55.5	$ 55.5
General Fund Contingency Reserve-Operations	20.0	20.3
Group/Agency Management Reserves	28.5	41.2
Debt Service Reserves	21.8	22.0
Environmental Trust Fund	65.4	60.8
Tobacco Securitization Endowment Fund	432.0	415.5
Workers' Compensation Fund	70.0	75.4
Public Liability Fund	26.3	23.8
Board Policy B-71 Fund Balance Reserve	96.3	101.5
Total County Reserves and Resources	$ 815.8	$ 816.0

Fund Balance Designations (General Fund only, in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget
Designated - Sheriff Capital Project	$ 6.0	$ 4.0
Designated - Dept. of Voter Registration	0.0	3.6
Designated - Planning and Land Use	1.5	0.9
Designated - Environmental Health	6.5	6.5
Designated - HA Kearny Mesa Lease	0.6	0.4
Designated - Realignment	74.6	74.6
Designated - ROV Equipment Replacement	0.0	0.4
Total Fund Balance Designations	$ 89.2	$ 90.4

General Reserve — A reserve established to address 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. Board Policy B-71, *Fund Balance and Reserves*, sets a target amount for this reserve that equates to 5% of budgeted general purpose revenues. The County's General Reserve of $55.5 million equates to 5.4% of Fiscal Year 2008-09 general purpose revenues and therefore exceeds the 5% target.

General Fund Contingency Reserve — The amount appropriated for unforeseen operational uncertainties during the fiscal year. Board Policy B-71, Fund Balance and Reserves, sets a target amount for this reserve that equates to 2% of budgeted general purpose revenues. The amount proposed for Fiscal Year 2008-09 complies with that policy.

Group/Agency Management Reserves — Appropriations established at the Group/Agency or department level to fund unanticipated items during the fiscal year or for a planned future year use.

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

Environmental Trust Fund — 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 into 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 Fund — 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 $86.8 million as of July 1, 2008, which includes $19.9 million in expected costs for Fiscal Year 2008-09. The cash balance in the fund is projected to be $75.4 million as of July 1, 2008.

Public Liability Fund — 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 $19.4 million, which includes $9.6 million in expected costs for Fiscal Year 2008-09. The cash balance in the fund is projected to be $23.8 million as of July 1, 2008.

Board Policy B-71 Fund Balance Reserve — Board of Supervisors Policy B-71, *Fund Balance and Reserves*, sets a target amount that equates to 10% of general purposes revenues. The amount proposed for Fiscal Year 2008-09 complies with that policy.

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.
- 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.
- Designated-ROV Equipment Replacement — This designation will be established in Fiscal Year 2008-09 to set aside funding for replacement of election equipment based on revenue received for that purpose from participating jurisdictions in November 2006. These monies will not be used until a new long-term voting system has been selected.

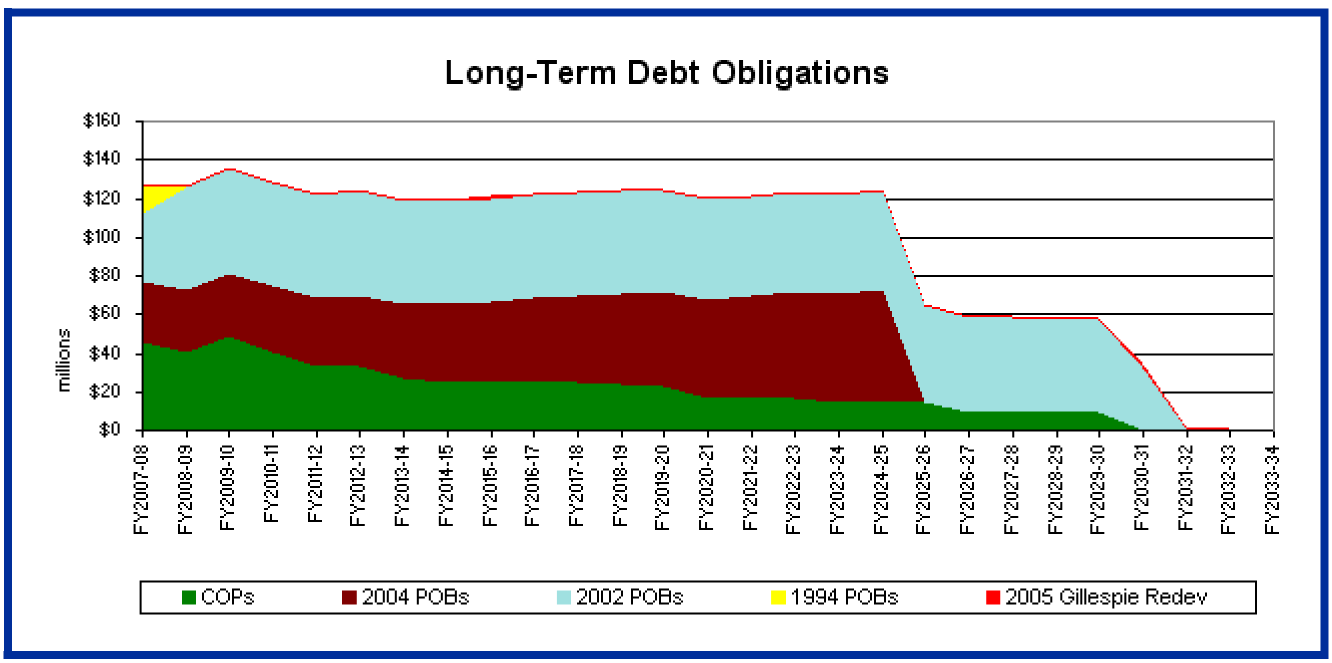
Long- and Short-Term Financial Obligations

Long-Term Obligations

The County has no outstanding general obligation bonds. The County's outstanding long-term principal bonded debt as of April 1, 2008 is:

Outstanding Principal Bonded Debt (in millions)

		Dollar Amount
Certificates of Participation	$	366.6
Pension Obligation Bonds		1,066.9
Redevelopment Agency Bonds		15.3
Total	$	1,448.8



The chart above shows the County's scheduled long-term obligation payments through Fiscal Year 2033-34, which include Certificates of Participation (COPs), taxable Pension Obligation Bonds (POBs), and Tax Allocation Bonds (TABs).

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 then leases the asset(s) 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 making 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 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.

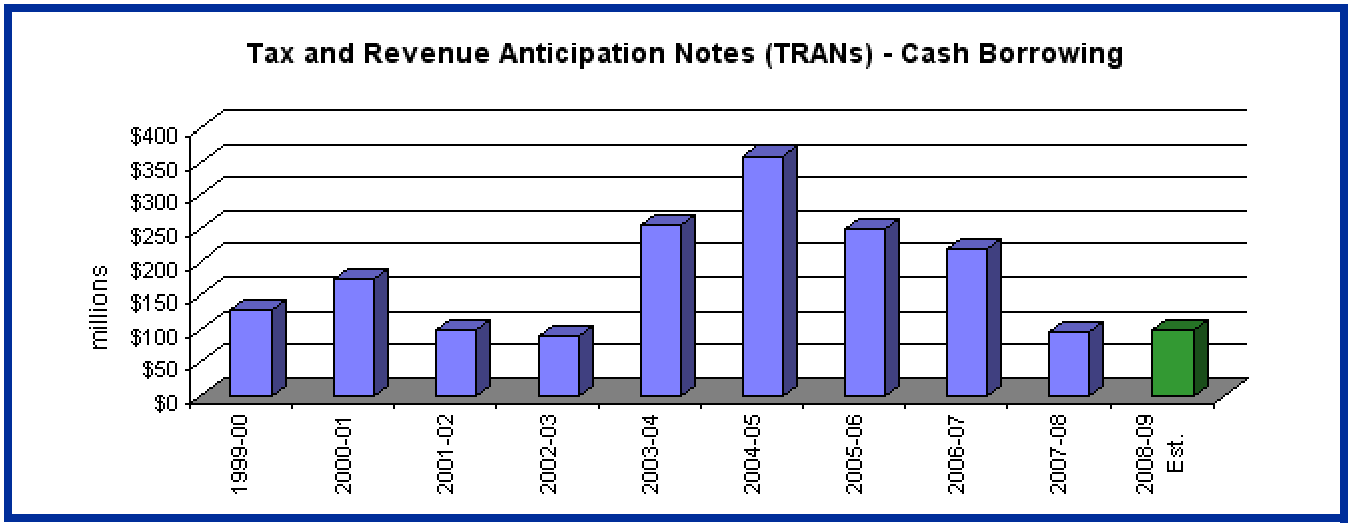
In June of 2004, the County of San Diego issued a third series of taxable POBs in the amount of $454.1 million, of which $450.0 million went to SDCERA, thus reducing the UAAL. The remaining proceeds were used to pay for related costs of issuance.

On September 27, 2004, the County of San Diego deposited approximately $63.5 million with BNY Western Trust Company (acting as trustee) to effect an economic defeasance of the remaining 1994 POBs. Such funds were invested in an Investment Agreement. On August 15, 2007, the final maturity date of the 1994 POBs, the POBs were paid in full and are no longer outstanding.

In August 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 in the event of fixed rates increasing in the future.

On August 15, 2007, the County prepaid $100 million and on February 15, 2008 an additional $20 million of the 2002 POBs. In aggregate these two principal prepayments saved the County approximately $7.5 million in debt service payments on an annual basis. The Long-Term Obligations table and chart on page 63 reflects the elimination of this portion of the debt.

Redevelopment Agency Tax Allocation Bonds (TABs) 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 TABs 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 borrowed $95.2 million through the TRANs program for Fiscal Year 2007-08. Cash flow borrowing needs are assumed to be $100.0 million for Fiscal Year 2008-09, but this amount may change based on further analysis.

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 Investor Service	Standard & Poor's	Fitch Ratings
Certificates of Participation	A1	AA	AA
Pension Obligation Bonds	Aa3	AA	AA
Issuer Credit Rating	Aa2	AA+	AA+
Investment Pool		AAAf/S1	

Credit Rating

The latest long-term review by the three rating agencies was during the issuance of the County's $95.2 million Tax and Revenue Anticipation Note Program, Series 2007. At that time two of the three rating agencies, Standard & Poor's and Fitch, upgraded the County's ratings on its outstanding Certificates of Participation and Pension Obligation Bonds from AA- to AA, as shown above. Fitch also assigned the County an issuer rating of AA+ and Standard & Poor's upgraded the County's existing issuer rating from AA to AA+. According to the Fitch Ratings credit research report issued in May 2007, "The rating upgrade is based on the County's positive financial trend, marked by consistent operating surpluses and resulting high fund balances, disciplined pension system funding, and positive actions to limit other post-employment benefit costs, sound underlying economy, and conservative debt management."

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 as of April 1, 2008:

Outstanding Conduit Issuances

	Final Maturity Dates	Original Principal Amount	Principal Amount Outstanding
Conduits			
1998 Sharp	2028	$ 112,020	$ 93,230
1998 San Diego Natural History Museum	2028	15,000	12,800
2000 San Diego Museum of Art	2030	6,000	5,800
2000 Salk Institute	2031	15,000	13,510
2001 University of San Diego	2041	36,870	30,495
2002 San Diego Imperial Counties	2027	10,750	9,500
2003 Chabad	2023	11,700	9,655
2003 San Diego Jewish Academy	2023	13,325	11,185
2004 Bishop School	2044	25,000	24,875
2004 Museum of Contemporary Art	2034	13,000	11,150
2005 Sidney Kimmel Cancer Center	2031	$24,500	$21,915
2005 Burnham Institute for Medical Research	2034	$59,405	$57,450
2006 San Diego Foundation	2036	$13,500	$13,500
Total Conduits		$ 356,070	$ 315,065
Housing			
1999 Laurel Village Apartments	2014	$ 1,670	$ 805
2001 Village West	2031	4,438	3,413
2002 Spring Valley	2020	3,250	2,994
Total Housing		$ 9,358	$ 7,212
Reassessment Bonds			
1997 4-S Ranch Reassessment District Bonds	2012	$ 21,755	$ 9,430
Total Reassessment Bonds		$ 21,755	$ 9,430

Financing Authority and Bond Ratios

The following table lists the statutes authorizing the County of San Diego to enter into long- and short-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 long- or short-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: Government Code Section 54773-54783 and Revenue & Taxation 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 Sections 6400 and 8500
Conduit Bonds	Government Code Section 26227

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 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09
Net Bonded Debt (in millions) [1]	$ 1,655.8	$ 1,597.0	$ 1,578.7	$ 1,411.6
Net Bonded Debt per Capita	$540	$515	$504 [2]	$445 [2]
Ratio of Net Bonded Debt to Assessed Value	0.52%	0.45%	0.41%	0.34%

[1] Net Bonded Debt is reported as of April 1, 2008. It excludes Redevelopment Agency Bonds and reflects the net effect of debt service reserves (approximately $21.97 million for Fiscal Year 2007-08 as of March 2008).

[2] Based on the estimated January 1, 2007, State of California Department of Finance population figures for the County of San Diego, and a projection of the January 1, 2008, population figures for the County of San Diego.

Note: If the County were to issue general obligation bonds, the debt limit pursuant to Government Code Section 29909 would be 1.25% of the taxable property of the County. The estimated taxable assessed value in the County as of June 30, 2008 is $389.3 billion. The debt limit would, therefore, be $4.86 billion, far greater than the current debt of $1.4 billion.

General Fund Debt Service Ratio

Components of General Fund Debt Service Ratio (in millions)	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Proposed Budget	Fiscal Year 2009-10 Proposed Budget
General Fund Revenue [1]	$ 2,883.7	$ 3,181.0	$ 3,340.5	$ 3,456.2	$ 3,518.7
Total Debt Service [2]	$ 122.0	$ 123.7	$ 115.2	$ 128.3	$ 135.0
Ratio of Total Debt Service to General Fund Revenue	4.23%	3.89%	3.45%	3.71%	3.84%
General Fund Share of Debt Service Cost [3]	$ 105.4	$ 106.5	$ 99.1	$ 108.5	$ 108.5
Ratio of General Fund Share of Debt Service to General Fund Revenue[4]	3.66%	3.35%	2.97%	3.14%	3.08%

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

[2] Total Debt Service amounts were restated to include estimated broker-dealer and auction agent fees associated with the 2002 auction rate bonds. The Series 2002B Pension Obligation Bonds (POBs) currently bear interest at a variable rate. $405,125,000 of the principal amount of the Series 2002B2-4 POBs have been synthetically fixed pursuant to a swap agreement between the County and the Swap Providers, and the balance of the Series 2002B POBs is not subject to such agreement. The County has assumed that the Series 2002B2-4 POBs will bear interest at 5.30% plus 0.31% to account for ongoing broker-dealer fees and will incur 150 basis points in basis risk during the indicated fiscal years. The Series 2002B-1 POBs are assumed to bear interest at a variable rate of 7.26%, which consists of the historical average rate from March 2007 through March 2008 of 4.95%, plus an additional 2.00% contingency amount and an additional 0.31% to account for ongoing broker-dealer fees.

[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 - 2008-09 Target Dates

Jan 22	Narrative Instructions for Operational Plan issued by Office of Financial Planning (OFP)
Feb 11	Budget Instructions for Operational Plan issued by OFP and budget database opens for modifications
Mar 3	Due date for departments to submit draft Accomplishments, Objectives, and Performance Measures sections of narratives to OFP; send copy to Group Finance Director (GFD)
Mar 21	Budget database closed to departments to enable Groups to review
Mar 28	Deadline for departments to submit to their changes from current year adopted budget plus their final Anticipated Accomplishments, Objectives, and Performance Measures sections of narratives
Apr 4	Budget database closed to Groups
Apr 11	Deadline for Groups to have all department narratives reviewed and submitted to OFP
Apr 28	Draft copy of balanced CAO Proposed Operational Plan sent to Chief Administrative Officer (CAO), Assistant CAO, Chief Financial Officer (CFO), and General Managers
May 5	CAO Proposed Operational Plan docketed and released to the Board of Supervisors and public
	Change Letter Instructions issued by OFP and budget database opens for modifications
May 13	Board of Supervisors accepts CAO Proposed Operational Plan
May 14	Budget Change Letter database closed to departments to enable final review by Groups
May 16	Department Change Letter narratives due to Group for review
May 21	Budget Change Letter database closed to Groups
May 23	Deadline for Groups to have all departments' Change Letter narratives reviewed and submitted to OFP
	Departments to submit copy of budget positions report with Classification Activity Reports to Department of Human Resources
Jun 9-18	Public Hearings on Proposed Operational Plan (10 calendar days)
Jun 13	Deadline for Groups to submit responses to Referrals to Budget to OFP
Jun 18	Last day for Citizen Advisory Committees to submit statements to the Clerk of the Board
	The CFO files the CAO Change Letter with the Clerk of the Board; all other proposals from Board members or the public to increase the CAO Proposed Operational Plan are due to the Clerk of the Board
Jun 24-25	Board Deliberations and approval of the 2008-10 Operational Plan
Jul-Aug	Board of Supervisors adopts Fiscal Year 2008-09 Budget

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.

On April 21, 1998, the Board of Supervisors 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.

Board of Supervisors Policy A-136, *Use of County of San Diego General Management System for Administration of County Operations*, enforces the County's goal of providing the best possible services to residents as efficiently and effectively as possible. 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 Operational Plan section on page 16.

Budget and Finance

California Government Code *§§29000-29144 and 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."

County Charter *Article VII, Section 703* - Establishes the Chief Administrative Officer (CAO) as responsible for all Groups, the Agency, and their respective departments (except departments with elected officials as department heads), and as 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.

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.

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.

B-58 Funding of the Community Enhancement Program - Establishes the funding level for this grant program and delineates eligibility criteria and application guidelines for prospective grant recipients.

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.

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

M-13 Legislative Policy: S*tate-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

0030-13 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.

Revenue

Board of Supervisors Policies

A-126 Proposition 172 and New Program Revenues in the Sheriff's Department, Office of the District Attorney and the Probation Department - Ensures 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-Department Responsibility for Cost Recovery - Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible and requires County departments to certify that a proposed activity or project funded primarily by grant funds would be worthy of expending County funds if that outside funding were not available.

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-29, 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.

0030-14 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.

0030-18 Establishing Funds and Transfer of Excess Cash Balances to General Fund - Defines the procedure for approval and establishment of funds. The policy 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 existing legal provisions, and to institute internal controls and identify the systems to be utilized by all departments to estimate, claim, and collect revenues.

Debt Management

Board of Supervisors *Policy 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 66 for more detail on this policy.

County Administrative Manual *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.

Capital Improvement

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 California Government Code *§23004*.

Board of Supervisors Policies

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

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.

County Administrative Manual

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.

Other

County Administrative Code *Article XII-D Department of Human Resources (DHR)* - Designates DHR as 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.

Board of Supervisors Policies

A-71 San Diego County Economic Development - Defines the County's role in facilitating and maintaining activities and programs that improve the economic health of the region and the quality of life of its residents.

A-73 Openness in County Government - Establishes various guidelines which assure the openness of County decision making processes.

County Administrative Manual *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*.

Measurement Focus and Basis of Accounting

Government-wide, proprietary and fiduciary fund financial statements are reported using the economic measurement focus and 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. Property taxes are recognized as revenue in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

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, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. General capital asset acquisitions and general principal payments are reported as expenditures in governmental funds. Proceeds of general 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 on 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 and fiduciary funds, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets for the proprietary funds are segregated into net assets invested in capital assets, net of related debt, and unrestricted net assets in the County's Comprehensive Annual Financial Report

(CAFR). The net assets for the fiduciary funds and the investment trust fund are described as "held in trust for other purposes" in the CAFR. Proprietary fund-type operating statements present increases (i.e., revenues), decreases (i.e., expenses), and the change in net assets. The County has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as any applicable pronouncement of the Financial Accounting Standards Board (FASB), the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The County has elected not to apply the FASB standards issued subsequent to November 30, 1989, in reporting proprietary fund operations. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes General Accepted Accounting Principles (GAAP) for government users.

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 budget resolution adopts the budget at the object level of expenditure within departments and authorizes the carry forward of appropriations and related funding for prior year encumbrances. 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. Any budget amendments are approved by the Group and department managers or the Board of Supervisors.

The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared in conformity with 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.

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.

All Funds - Changes in the reservation or designation of fund balance in the CAFR are shown as appropriations (expenditures) or revenues in the Operational Plan depending upon whether they are to be increased or used as a funding source.

Excellence in Governing

Recognitions of Excellence

During Fiscal Year 2007-08, the County of San Diego again received numerous awards and recognition from local, state, and national organizations, as well as by a variety of industry, civic, 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:

- In 2007, the County of San Diego set a personal record of 41 awards at the annual *Achievement Awards* competition sponsored by the National Association of Counties (NACo). This was the third straight year that San Diego had earned the highest number of awards.

  The winning programs, which span all five groups within the organization, were recognized for being innovative and successful, and for promoting quality, efficiency, and a responsive county government.
- The Center for Digital Government recognized the County Health and Human Services Agency in September 2007, with the *2007 Digital Government Achievement Award* for utilizing web technology to manage outside service referrals. The Digital Government Achievement Award is a national program that recognizes outstanding agency and department Web sites and applications that enhance information interactions, transactions, and services.

  The e-Referral system allows all outside agencies that refer clients to HHSA programs (police, hospitals, etc.) to use a standardized, web-enabled referral process, eliminating duplicative entries while ensuring secure, fast, and efficient referrals in compliance with the Federal Health Insurance Portability & Accountability Act requirements.
- The County Library's L.E.A.R.N./Laubach ESL Program is one of 18 programs selected by NACo as a recipient of a *2008 Acts of Caring Awards.* Acts of Caring Awards recognize the top county volunteer programs in the country. The program is a partnership between the Library's adult literacy program, L.E.A.R.N. (Libraries Empower All to Read Now), and the Laubach Literacy Council of San Diego County. Through this partnership, volunteer tutors are trained to teach English as a Second Language (ESL) to adult immigrants and non-English speakers in the County Library branches. By the end of its first year, 25 volunteer tutors were teaching 76 students at 6 library branches.
- The California State Association of Counties (CSAC) recognized two San Diego County Health and Human Services programs with *Merit Awards.* The CSAC awards program recognizes programs that demonstrate leadership, innovation, collaboration, and successful results and that can be used as models by other California counties. The County programs selected include:
  - The Intergenerational Games - created to address health and social issues in the county, namely the alarming rate of overweight youth and the high rate of seniors diagnosed with diabetes and heart disease. The games pair seniors with local schoolchildren for physical and mental challenges. The games promote volunteerism and intergenerational relationships. More than 2,000 have participated in nine Intergenerational Games throughout the county.
  - The Tutor Connection - provides free high quality tutoring services to current and former foster youth between the ages of 5 and 21. The tutors are future teachers who go through additional training on child welfare issues. The Tutor Connection has grown from one class of 30 future teachers to as many as 150 in any given semester. To date, the Tutor Connection

has educated more than 1,100 future teachers and offered services to approximately 1,500 students in foster care.

- The County received one of five national *Model Community Awards* from the Terrorism Injuries: Information, Dissemination and Exchange (TIIDE) program of the Federal Centers for Disease Control and Prevention. The award was in recognition of the County's integration of Public Health and Emergency Medical Services, and reflects the steps taken to strengthen partnerships to better protect the community in a mass casualty event.

  The recognition was particularly meaningful because selections were made by the TIIDE member agencies, which include prestigious medical organizations such as the American Medical Association, American College of Surgeons, American Trauma Society and the National Association of Emergency Medical Services Physicians.

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 Department of Child Support Services was awarded the Child Support Directors Association of California *Positive Collaboration Award*. The department won the award for its collaborative effort in working with the State, cell phone companies, and the National Cell Phone Workgroup in implementation of the pilot Cell Phone Project. The Cell Phone Project, launched in July 2007, uses administrative subpoenas to obtain the contact information of non-custodial parents from cellular phone providers.
- The MetLife Foundation and the National Association of Area Agencies on Aging have selected Legacy Corps San Diego as a recipient of the *2007 Older Volunteers Enrich America's Award of Excellence in Older Volunteer Program Management*. Legacy Corp matches seniors and the at-risk youth they mentor, to clients and their caregivers, allowing a much needed respite break for the caregiver.
- The San Pasqual Academy Neighbors (SPAN) intergenerational mentoring program, where older adults live near the campus in reduced-rent homes in exchange for mentoring the foster teens attending the academy, was selected to receive the first *Intergenerational Shared Site Best Practices Award* from Generations United and the MetLife Foundation.
- National Association of Counties (NACo) - Achievement Awards - 2007
  - Project Keep (Keeping Foster/Kinship Parents Trained and Supported) Implementation - a program focused on enhancing foster/kinship caregivers' ability to manage child behavior problems by providing caregivers with the skills and support tools needed to effectively keep foster children in their homes.
  - Child Health and Youth Clinic, Drug Endangered Children II - more timely access to medical evaluation, toxicology screening and safe placement for children who are found during police raids in homes where controlled substances are manufactured and sold.
  - Read for A Reason - a County Library partnership with the Department of Animal Services to provide pet adoption fee waivers as one of the rewards during their annual Summer Reading Program.
  - Volvo "Keys to Success" - a program, in partnership with Volvo Cars of North America and the Child Abuse Prevention Foundation, to assist foster and

former foster youth with obtaining driver's education and driver's training in preparation for obtaining a driver's license.

- San Pasqual Academy Youth Ethics Program - the County's Office of Internal Affairs program to provide ethics education for the San Pasqual Academy students, a residential education campus that serves only foster youth.
- "You're Not Alone" Radio Campaign - an outreach campaign by the Department of Child Support Services to increase awareness of the department's free services in establishing and enforcing child support orders.
- Youthful Offender Program - a program developed by the Probation Department, with a foundation of evidence-based practices, to address the challenge with high-risk youth adults.
- Department of Child Support Services Drug Court Program - developed to reach out to individuals who have not been paying their child support or meeting their parental responsibilities as a result of their past drug problems.

- The Department of Parks and Recreation received a *Project of the Year Award* from the American Public Works Association for the Miracle Field at San Dieguito Park. The field opened in May 2007 and was the first Southern California baseball field designed to provide recreational opportunities for children with special needs. The award was granted based on the exemplary collaborative effort that took place between the County and the community in order to make the Miracle Field a reality. This project also received an *Award of Excellence for Facility Design* at the 2008 California Parks and Recreation Society Annual Conference.
- The Department of Public Work's Watershed Protection Program and the University of California's (UC) Cooperative Extension's "Healthy Garden-Healthy Home" program were awarded the *2007 Integrated Pest Management Innovator Award* from the California Department of Pesticide Regulation. The Watershed Protection staff has been working with the UC Cooperative Extension to increase awareness about the harmful effects of pesticide pollution in receiving waters, encourage proper use and disposal of pesticides among residential users and provide regionally consistent Integrated Pest Management education that can lead to the adoption of positive behaviors.
- The Water Quality Basin at Woodside Avenue in Lakeside received the American Public Works Association *Award for Environmental Project of the Year* in 2007. This water quality basin provides treatment to urban runoff from the surrounding community. The basin will help prevent pollutants within the urban runoff from entering these downstream waterways.
- The Department of Parks and Recreation's Ramona Grasslands Preserve Area Specific Management Directives (ASMDs) received the *Outstanding Environmental Resources Document Award* from the Association of Environmental Professionals San Diego Chapter. The award honors environmental documents which can serve as a resource for a wide range of environmental professionals.

  The goal of the Ramona Grasslands Preserve ASMDs is to balance preservation of the natural biological and cultural resources in the Preserve, while aligning with the management strategies of the North County Multiple Species Conservation Program.
- The Department of Public Works Cartographic Unit assisted the Farm and Home Advisor program with the creation of a bilingual poster, "Stop Aquatic Invaders on Our Coast!/Detenga el Transporte de Especies Invasoras Acuaticas en Nuestras Costas!" This poster recently received awards from two organizations;

- º *Award of Excellence* in the 2007 APEX Awards for Publication Excellence *(One-of-a-Kind Print Publications category)*. The nineteenth annual APEX Competition was open to communicators in corporate, nonprofit and independent settings.
- º *Award of Distinction* in the 13th Annual Communicator Awards *(Print Media Outdoor/ Environmental category)*. The Annual Communicator competition is an international program, recognizing excellence in the communication field.

- The Camp Lockett Historic Park Concept Plan, which was created by the Department of Parks and Recreation, was selected for a *Merit Award* by the San Diego Chapter of the American Society of Landscape Architects. This plan is an outstanding manuscript showing the potential for the significant historic park.
- A regionally funded public service announcement titled "Ants in Your Plants?" received three *Emmys* awarded by the National Academy of Television Arts and Sciences-Pacific Southwest Chapter. The goal of "Ants in Your Plants?" is to raise awareness about not overusing pesticides to kill ants because doing so can harm the environment, especially the water supply.
- National Association of Counties (NACo) - *Achievement Awards - 2007*
  - º Mixed Construction and Demolition Technical Assistance Grants - to create incentives for a large and mixed Construction and Demolition recycling facility, the County offered funds on a 1:2 or greater match to the solid waste management sector. The facility will significantly help extend the county's landfill space, which is becoming more limited every day.
  - º Private Oversight Program (POP) - developed to allow the continued oversight of properties contaminated by leaking underground storage tanks since funding from State and federal funds has remained static but the number of contaminated properties has continued to increase, threatening water quality and the public's health.
  - º Regional Permit Enhances Flood Control Capabilities - Regional General Permit 53 is a five year blanket permit the Department of Public Works negotiated with the State and federal stakeholders that allows for flood control maintenance activities at 1,090 facilities countywide.
  - º San Diego Pest Detection Outreach - pest detection seminars and surveys to educate and alert personnel of local parks, governmental agencies, universities, botanical gardens, and master gardeners about damaging pests and plant diseases.
- The Office of Emergency Services' "Preparedness Starts with You Campaign" won the International Association of Emergency Managers', *Partners in Preparedness Award.* The award honors programs that demonstrate innovative and multi-participant involvement between local government and the community to enhance emergency management.
- The County's Rabies Detection Program received accolades at the World Rabies Day Conference sponsored by the Federal Centers for Disease Control and Prevention (CDC). The unique partnership between the San Diego County Animal Disease Diagnostic Lab and the County Public Health Lab has resulted in the most comprehensive rabies monitoring and prevention program in the state and serves as a model for other jurisdictions.

  Rabies testing in the county is not limited to suspect animals that have bitten or exposed a person but also encompasses potentially rabid pets and wildlife. More than 80% of positive rabies cases had no reported human exposure. This proactive approach increases our knowledge of the prevalence of rabies in the county and the risk to people and other animals.

- With over 1,200 entries competing for this honor, San Diego County Health and Human Services Agency was picked as one of only 15 agencies to receive an *eHealthcare Leadership Award* for their Mobile Remote Workforce Project at the 11th Annual Healthcare Internet Conference in November 2007.

  The award recognizes leading health care organizations that use the Internet and technology to help achieve business objectives and mission. The Mobile Remote Workforce, which empowered public health nurses in the field to cut red tape, reduce inefficiency, and serve more clients, has received a number of health and technology awards since its launch in 2006.
- The Department of Media and Public Relations' County Television Network (CTN) received 14 awards at the National Association of Telecommunications Officers & Advisors conference in October 2007. The County was the recipient of an Honorable Mention in the category of *Large Staff Overall Excellence* - ranking CTN as fourth or fifth nationwide for overall excellence. In addition, awards received included four First Place awards, four Second, and Third Place awards and Honorable Mentions for four additional programs.

  Programs awarded First Place honors include: "Count Me In: The Voting Process in San Diego County" - *Profile of a City/County Dept. (over $400k)*; "Sam the Cooking Guy" - *Innovative Program;* "Don't Fall for It" Seniors; "Don't Mess with Asbestos" - *Public Health.*
- The County Library and Aging and Independence Services have been jointly recognized for their innovative "Food for Thought" program held at the Vista Branch Library. The National Association of Area Agencies on Aging, *2007 Aging Achievement Award*, recognized this County program which features an hour of physical activity coupled with a nutritious lunch. The program targets seniors who might otherwise become socially isolated.
- National Association of Counties (NACo) - *Achievement Awards - 2007*
  - Family Disaster Plan/Public Awareness Campaign - a Family Disaster Plan booklet developed by the Office of Emergency Services and mailed out to 1.4 million homes, reaching every household in the County informing residents of the need to be self-sufficient for at least 72 hours following a disaster. In addition to providing the plan, an aggressive public education and outreach campaign was conducted to encourage residents to complete the Plan.
  - Consumer Protection Day - an annual free event for older adults and others to advise them on how to avoid being victims of scams, fraud, identity theft, and financial elder abuse.
  - Driving Under the Influence (DUI) Enforcement Unit - implemented to address the need to intensively supervise the increasing number of high-risk and repeat probationers in the community who have been convicted of offenses involving driving under the influence of alcohol or drugs.
  - Undercover Test Sale Program - an undercover program, conducted by the Department of Agriculture, Weights and Measures, to ensure that consumers are receiving the correct payment for their recyclable beverage containers.
  - Global Positioning System (GPS) Sex Offender Monitoring Program - targets and tracks the whereabouts of certain sex offenders on probation.
  - Citizens Academy - sponsored by the San Diego County District Attorney's Office and the San Diego County Sheriff's Department to provide community members with a transparent view of local criminal justice practices.
  - Fire Services Program - the County of San Diego's strategy to substantially improve fire safety in this fire-prone region which is effective and saves money

due to its emphasis on coordination, streamlining of administrative processes and practical sharing of resources.

- Adult Protection Services Financial Abuse Training - a campaign to educate financial institutions and their customers about a new State law requiring all banks and credit unions in California to report elder and dependent adult financial abuse to Adult Protective Services or law enforcement.
- Agroterrorism Response Training - in a pilot program, the Department of Environmental Health in partnership with the Western Institute for Food, Safety and Security and the U.S. Department of Homeland Security developed a plan for local jurisdictions to strengthen their ability to prevent, detect, diagnose, respond to and recover from agroterrorism or other disasters in the food systems.
- Inside Anne Frank's House - a County Library walk-through exhibit that replicates two of the rooms in which the teenaged Anne Frank, her family and four friends hid from 1942-1944 during the Nazi occupation of the Netherlands. The exhibit is used for diversity training in county schools.
- Team Excellence Performance Measurement System - a food safety program involving the Department of Environmental Health and a broad range of stakeholders that has resulted in a 50% reduction of food borne illness risk factor violations in retail food facilities in the County.
- A Wedding Day to Remember - to help couples fondly recall their wedding day, the County offers numerous keepsakes for civil ceremonies. A portion of the keepsake revenue goes to the Polinsky's Children Center, a home for abused and neglected children.
- Asbestos Awareness Campaign - a multi-media public outreach program created to educate the public about dangers associated with exposure to asbestos during the demolition or renovation of buildings and structures.
- Bonita-Sunnyside Branch Library and Bonita Museum Complex - includes a County branch library, community meeting room, historical museum, public safety center, and parking for a municipal golf course.
- "Get off Meth" Brochure - a collaborative effort by County departments to develop a brochure with information on treatment centers aimed specifically at female methamphetamine users, especially those being released from incarceration.

Operational Excellence Awards

- The California Counties Facilities Services Association has chosen the Department of General Services to receive their *2007 Award of Excellence.* The award is given annually to counties and cities that demonstrate dedication to facility excellence through best practices, process innovation, staff development, and department automation.
- For the sixth consecutive year, the Government Finance Officers Association of the United States and Canada recognized the County with the *Distinguished Budget Presentation Award* for the Adopted Operational Plan: Fiscal Years 2007-2008 & 2008-2009.
- For the third time in three years, the Fleet Management division of General Services placed in the top five in the *100 Best Fleets in North America competition* sponsored by Government Fleet Magazine. Placing fourth in this year's competition, General Services' Fleet Management has demonstrated the ability to sustain excellence.

  The program is in its third year, and recognizes public fleet organizations that excel in a variety of areas including: accountability, use of technology, collaboration, creativity, celebration, competitive pricing, staff development, and resource stewardship. In addition, they evaluate organizations on having a high-trust culture, performance recognition, doing the job right the first time, and providing a quick and efficient turnaround.

- In September 2007, the Office of Emergency Services received accreditation from the Emergency Management Accreditation Program Commission. The County is the first state or local agency in California to receive this accreditation and one of only 14 nationwide. The accreditation recognizes the region's ability to prepare for and respond to disasters.
- National Association of Counties (NACo) - *Achievement Awards - 2007*
  - Local Banking Initiative - focuses on placing public funds in the local and regional banks. This program not only provides a way to diversify the County Investment Pool Portfolio and earn a reasonable rate of return, but it also generates a direct positive impact to the local community.
  - Business Process Reengineering of the Land Use Permit Application Process - an effort by the Department of Planning and Land Use to improve process efficiency and substantially reduce the processing time for discretionary permit applications.
  - Remote Confined Space and Video Pipeline Inspection Program - the Department of Public Works identified an alternative approach (remote inspection system) to achieve desired inspections of the County's extensive inventory of water conveyance facilities; reducing the risk to employees and subsequent costs to the public while continuing to stay compliant with State requirements.
  - Public Purchasing Changing Times, Changing Ways - recognizing that the Purchasing and Contracting Department has adopted a number of best-purchasing practices employed by the private sector, saving San Diego County taxpayers tens of millions of dollars.
  - Facilities Planning Board - a forum to establish a rationale and strategy for capital programs, facility management, maintenance, and operations while ensuring fiscal accountability.
  - The Health and Human Services Agency Audit Response Program - a comprehensive program to significantly reduce audit exposure and potentially save millions in County revenues as a result of successful periodic audits of the State and federally-funded County programs that include over 250 funding sources totaling over $1.2 billion annually.
  - "See the Light, Be the Light": The Process of Ethical Decision Making - training designed specifically for the executive management in the County. Emphasis was placed on recognizing that one of the most important responsibilities placed on executives is to assume leadership in the area of ethics.
  - Southern California Vector Education Cooperative - an education cooperative of 13 city and county vector control agencies in Southern California that has allowed for low cost training and networking.
  - In-House Training Program - in collaboration with participating State and local corrections agencies, the Probation Department has developed and is administering programs designed to ensure the competency of State and local corrections professionals.
  - Tele-Psychiatry Program - the installation of video teleconferencing (VTC) units at two remote Probation camp locations has enabled psychiatrists to meet with clients without the need for travel saving over 830 hours in transportation time.

- Court Calendar Tool - an application that facilitates the scheduling of child support cases between the San Diego Superior Court and the Department of Child Support Services.
- Exception Processing - the development by the Treasurer-Tax Collector of an efficient electronic workflow solution for dealing with time consuming manually handled exception tax payments.
- Identity Theft Project - review of County departments that collect and retain information about employees and the public and the establishment of procedures and policies to ensure that the County is utilizing the highest level of protection possible against identity theft.
- 2006 Retirement Dreaming Fair - an event put on by the Treasurer-Tax Collector's Office, to spotlight the importance of employees' saving for retirement and simultaneously show them that there are some great "dreams" to look forward to in retirement.