COUNTY OF SAN DIEGO

CAO Proposed Operational Plan | Fiscal Years 2009-2010 & 2010-2011

Walter F. Ekard
Chief Administrative Officer

Donald F. Steuer
Chief Financial Officer

Board of Supervisors

Greg Cox, District 1
Dianne Jacob, District 2
Pam Slater-Price, District 3
Ron Roberts, District 4
Bill Horn, District 5

COUNTY OF SAN DIEGO - STATE OF CALIFORNIA

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

San Diego County

California

For the Fiscal Year Beginning

July 1, 2008

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Diego County, California** for its annual budget for the fiscal year beginning **July 1, 2008.** 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.

TABLE OF CONTENTS

Appendices

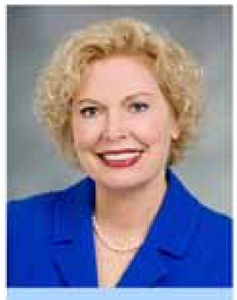
County of San Diego

County of San Diego

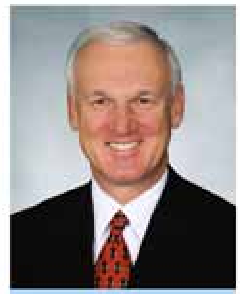
Board of Supervisors

Greg Cox
Supervisor
District One

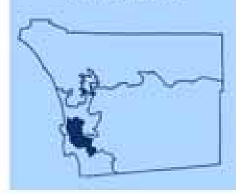
Dianne Jacob
Supervisor
District Two



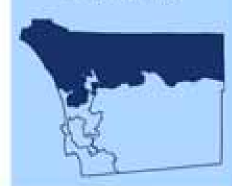
Pam Slater-Price
Supervisor
District Three



Ron Roberts
Supervisor
District Four



Bill Horn
Supervisor
District Five



Organizational Chart

- Citizens of San Diego County
  - Board of Supervisors ☑
    - Chief Administrative Officer

Public Safety Group
- Executive Office
- District Attorney ☑
- Sheriff ☑
- Alternate Public Defender
- Child Support
- Citizens' Law Enforcement Review Board
- Emergency Services
- Medical Examiner
- Probation Department
- Public Defender

Health & Human Services Agency
- Regional Operations
- Strategic Planning & Operational Support
- Aging & Independence Services
- Behavioral Health Services
- Child Welfare Services
- Public Health Services
- Public Administrator/ Public Guardian
- Administrative Support

Land Use & Environment Group
- Executive Office
- SanGIS
- Agriculture, Weights & Measures
- Air Pollution Control District
- Environmental Health
- Farm & Home Advisor
- Parks & Recreation
- Planning & Land Use
- Public Works

Community Services Group
- Executive Office
- Animal Services
- County Library
- General Services
- Housing & Community Development
- Purchasing & Contracting
- Redevelopment Agency
- Registrar Of Voters

Finance & General Government Group
- Executive Office
- Assessor/Recorder/ County Clerk ☑
- Treasurer - Tax Collector ☑
- Auditor & Controller
- County Technology Office
- Civil Service Commission
- Clerk of the Board of Supervisors
- County Counsel
- Grand Jury
- Human Resources
- Media & Public Relations

☑ Elected Official

Rev. 1/09

Message from the Chief Administrative Officer

Rising to the Challenge; Preparing for the Future

This Proposed Operational Plan for Fiscal Years 2009-2011 is significantly different than the plans I've presented in previous years. The recent economic downturn, which impacted all sectors of our community, coupled with the State of California's continued fiscal instability, is forcing all local governments - including us - to revisit the services we provide to the public and make difficult decisions regarding them. This is all the more challenging because this decline in revenue has been accompanied by an increase in the public's need for County services. From individuals needing food stamps or housing assistance to communities reeling from unemployment and foreclosures, County government and its workers are being tested like never before.

As an organization dedicated to real, long-term solutions rather than symbolic, short-term fixes, we have spent considerable effort analyzing the current and future financial landscape. And, while we are cautiously optimistic and have faith that San Diego County's employees, volunteers, business partners and residents will rise to meet the challenges facing us, we do not expect a quick economic rebound. The changes and challenges playing out in our financial, housing and retail sectors took years to develop and they will take time to resolve.

Because of that, it is only prudent that we consider this reality when we plan how to spend the public's dollars. Short-term thinking and band-aid solutions will only postpone - and probably make worse - the hard decisions that today's economic realities require.

This Operational Plan proposes a budget of $4.9 billion and 16,431 staff years for Fiscal Year 2009-10 and describes how these resources will be used to meet the highest priority health, safety and infrastructure needs of the region. It is structurally-balanced and one-time money is only used for one-time expenses. The $4.9 billion total is 4.7% lower than last fiscal year's budget. And it does not include "backfilling" lost state revenues. If State officials cut funding for specific programs, the County will not take funds from other programs to backfill those losses. We will have 758 fewer employees and nonessential programs will be reduced or discontinued. Greater detail on the impact of these recommendations is provided in the individual group and department sections that begin on page 85.

However, in spite of the sobering economic outlook, we have much to celebrate. During the past year, the County of San Diego built and opened a new, state-of-the-art skilled nursing facility at Edgemoor in the City of Santee to care for our region's most vulnerable residents. We expanded or replaced four community libraries, completed designs for three more and acquired 4,100 acres of new parkland, giving County residents more access to information and natural resources. We successfully conducted four elections, including a presidential election that generated record voter turnout. We improved the region's health care safety net, strengthened our region's firefighting and emergency response capabilities, negotiated fiscally-responsible labor agreements and anticipate receiving over $69.6 million in federal economic stimulus dollars for local services and projects, with aggressive efforts to obtain additional grants underway and continuing.

During the next two years, we will continue to offer a wide variety of services and programs that demonstrate our commitment to improve opportunities for kids, protect the environment and promote safe and livable communities. We will continue to assist at-risk and vulnerable children, seniors and disabled individuals. We will work to prevent chronic diseases and collaborate with community partners to expand health care resources. We will continue to protect public safety with effective crime prevention and vigilant emergency preparedness efforts. And we will continue to demonstrate our ongoing commitment to innovation, excellence and continuous improvement by continuing our successful business process reengineering efforts throughout the organization, while maintaining our fiscal discipline, our maintenance of the public's infrastructure and our efforts to prepare for the future.

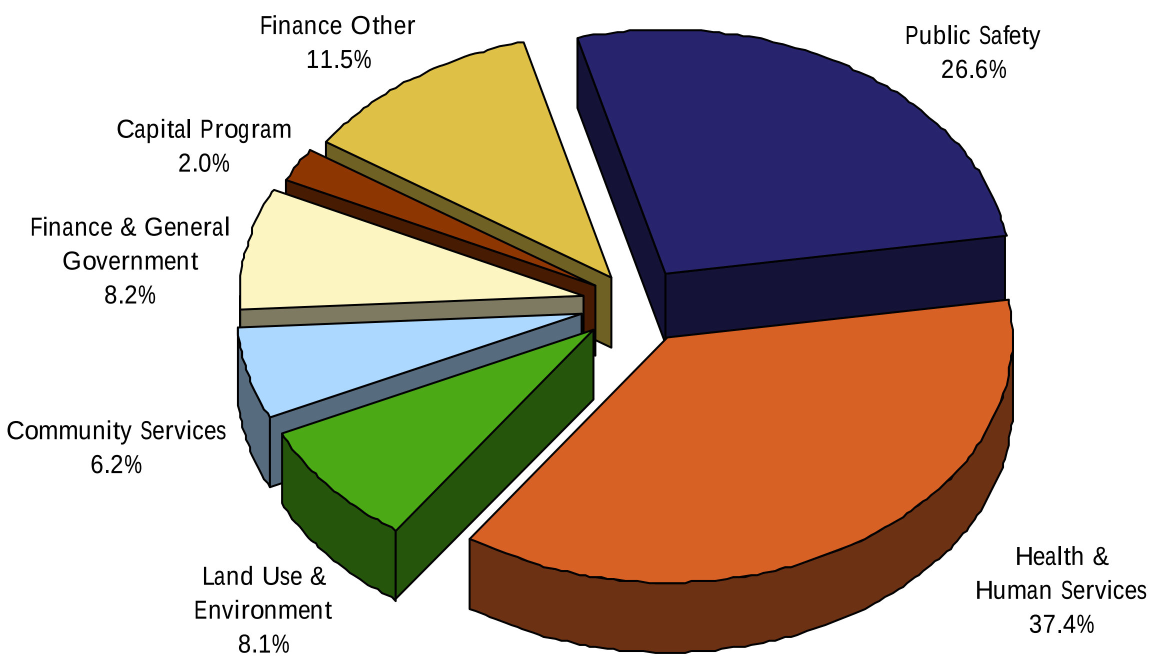
We've worked hard during the past decade to become an organization that values fiscal discipline, holds itself accountable for performance and stresses continuous improvement and customer service at every level, in every department. Our Board of Supervisors has experience setting priorities, making difficult 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, guided by the mature and seasoned leadership of the Board of Supervisors, are the tools we will use to respond to the changes ahead.

Walter Ekard

Walter F. Ekard, Chief Administrative Officer

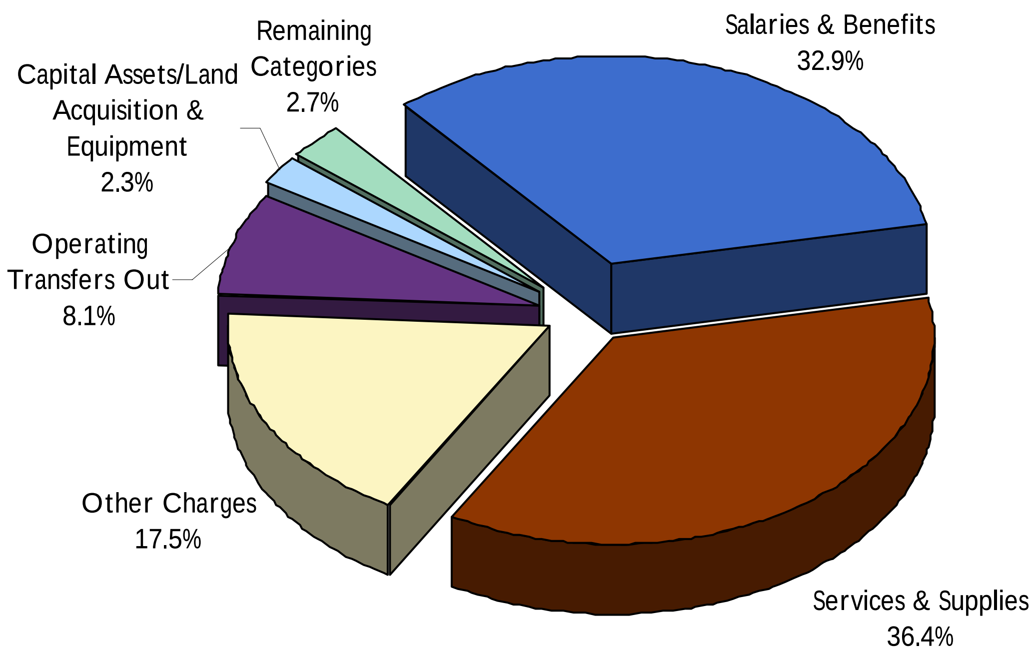
2009-10 CAO Proposed Budget at a Glance

CAO Proposed Budget by Functional Area



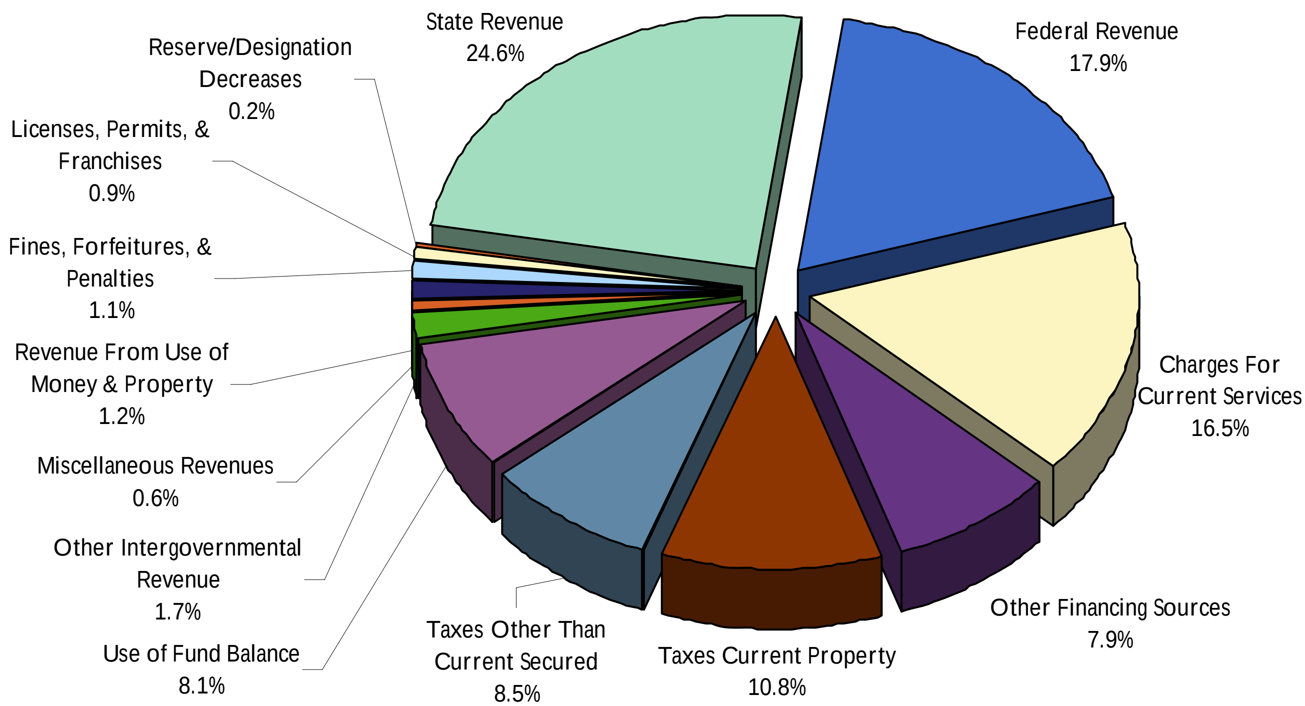
Functional Area	Budget in Millions		Percentage of Total Budget	
Public Safety	$	1,316.1	$	26.6%
Health & Human Services		1,847.8		37.4%
Land Use & Environment		401.3		8.1%
Community Services		305.1		6.2%
Finance & General Government		407.0		8.2%
Capital Program		97.9		2.0%
Finance Other		568.2		11.5%
Total	$	4,943.5	$	100.0%

CAO Proposed Budget by Category of Expenditure



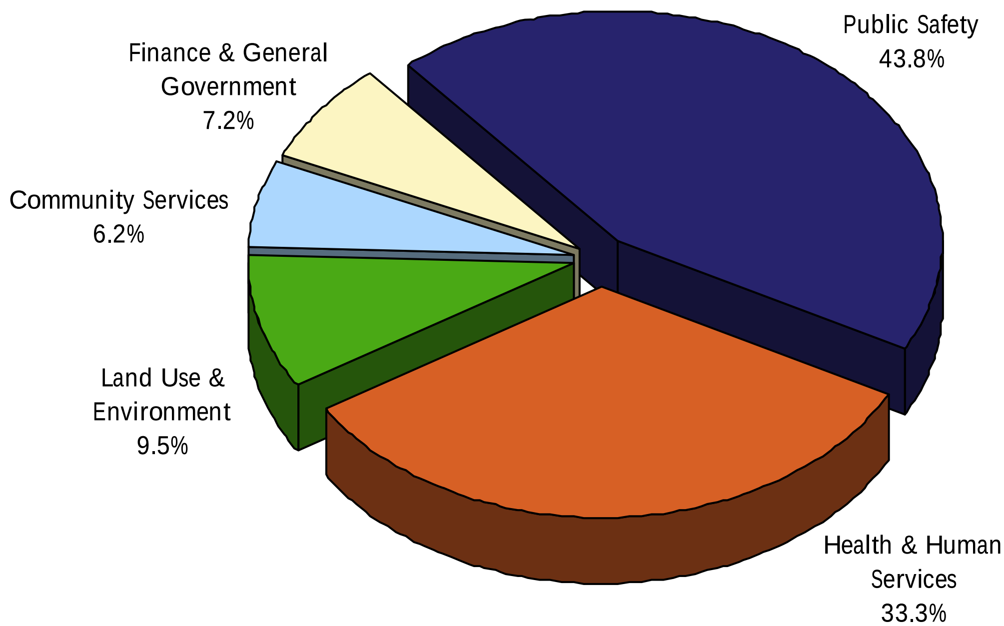
Category of Expenditure	Budget in Millions	Percentage of Total Budget
Salaries & Benefits	$ 1,628.0	$ 32.9%
Services & Supplies	1,798.2	36.4%
Other Charges	867.2	17.5%
Operating Transfers Out	402.4	8.1%
Capital Assets / Land Acquisition	94.4	1.9%
Capital Assets Equipment	21.2	0.4%
Remaining Categories:		
Reserve/Designation Increases	100.3	2.0%
Management Reserves	29.6	0.6%
Contingency Reserves	22.7	0.5%
Exp Transfer & Reimbursements	(20.4)	(0.4%)
Total	$ 4,943.5	$ 100.0%

CAO Proposed Budget by Category of Revenue



Category of Revenue	Budget in Millions	Percentage of Total Budget
State Revenue	$ 1,214.0	$ 24.6%
Federal Revenue	887.0	17.9%
Charges For Current Services	815.5	16.5%
Other Financing Sources	390.2	7.9%
Taxes Current Property	535.1	10.8%
Taxes Other Than Current Secured	419.7	8.5%
Use of Fund Balance	401.9	8.1%
Other Intergovernmental Revenue	81.7	1.7%
Revenue From Use of Money & Property	58.0	1.2%
Fines, Forfeitures, & Penalties	54.0	1.1%
Licenses, Permits, & Franchises	46.8	0.9%
Miscellaneous Revenues	31.9	0.6%
Reserve/Designation Decreases	7.8	0.2%
Total	$ 4,943.5	$ 100.0%

CAO Proposed Staffing by Group



Staffing by Group	Staff Years *	Percentage of Total Staffing
Public Safety	7,191.00	43.8%
Health & Human Services	5,477.00	33.3%
Land Use & Environment	1,562.00	9.5%
Community Services	1,019.00	6.2%
Finance & General Government	1,182.00	7.2%
Total	16,431.00	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 75 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.

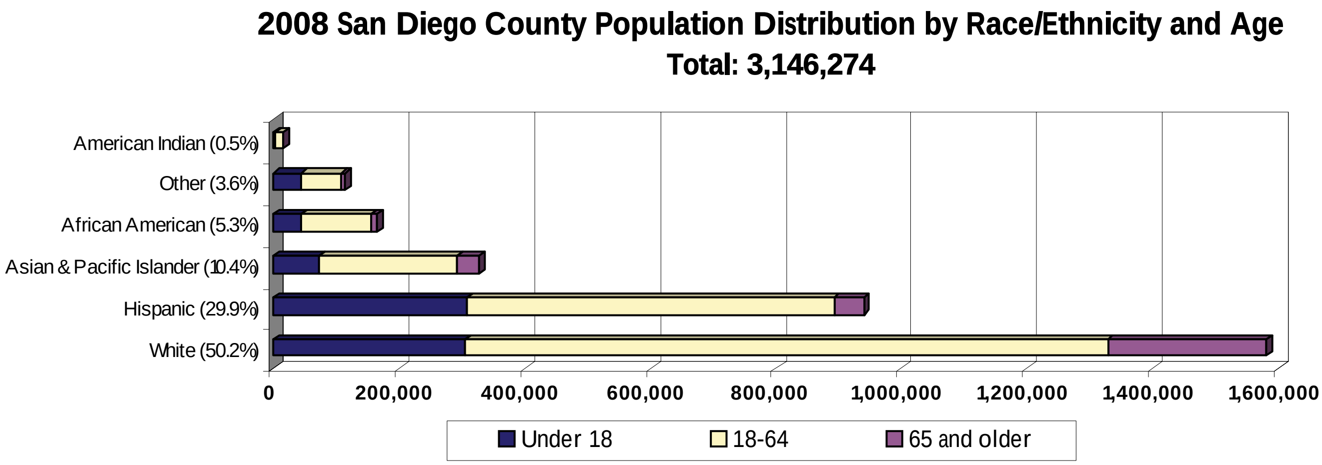
Juan Rodriguez Cabrillo discovered the region that eventually became San Diego on September 20, 1542. Although he named the area San Miguel, it was renamed 60 years later by Spaniard Don Sebastion Vizcaino. He chose the name San Diego in honor of his flagship and his favorite saint, San Diego de Alcala.

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.

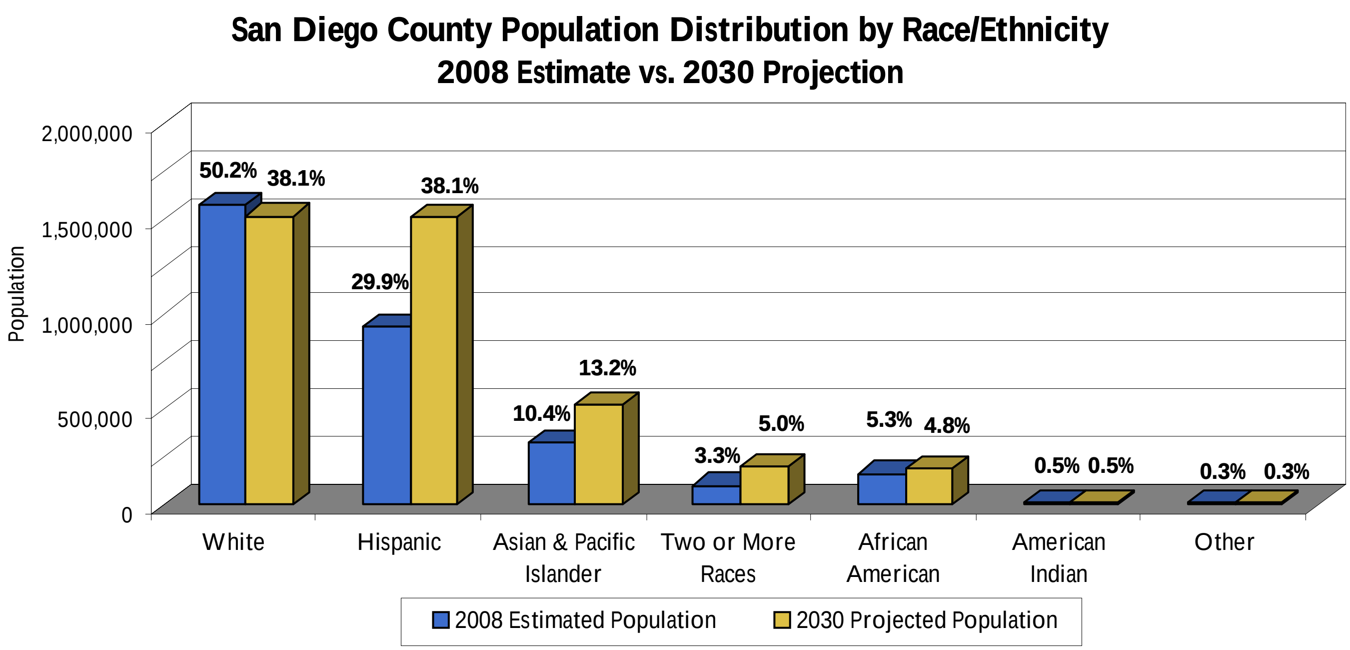
County Population

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 3,146,274 as of January 2008 (the latest date for which estimates are available), an increase of approximately 1.5% over the estimated January 2007 total of 3,098,269. The total population of the county has grown 11.8% since 2000. The County of San Diego is the second largest county by population in California and the sixth largest county by population in the country, as measured by the U.S. Census Bureau.

Population by City	**2000**	**2008**	**% Change**
Carlsbad	78,247	103,811	*32.7*
Chula Vista	173,556	231,305	*33.3*
Coronado	24,100	23,101	*(4.1)*
Del Mar	4,389	4,580	*4.4*
El Cajon	94,869	97,934	*3.2*
Encinitas	58,014	63,864	*10.1*
Escondido	133,559	143,389	*7.4*
Imperial Beach	26,992	28,200	*4.5*
La Mesa	54,749	56,666	*3.5*
Lemon Grove	24,918	25,611	*2.8*
National City	54,260	61,194	*12.8*
Oceanside	161,029	178,806	*11.0*
Poway	48,044	51,103	*6.4*
San Diego	1,223,400	1,336,865	*9.3*
San Marcos	54,977	82,743	*50.5*
Santee	52,975	56,068	*5.8*
Solana Beach	12,979	13,500	*4.0*
Vista	89,857	95,770	*6.6*
Unincorporated	442,919	491,764	*11.0*
Total	**2,813,833**	**3,146,274**	***11.8***
Source: California Department of Finance			

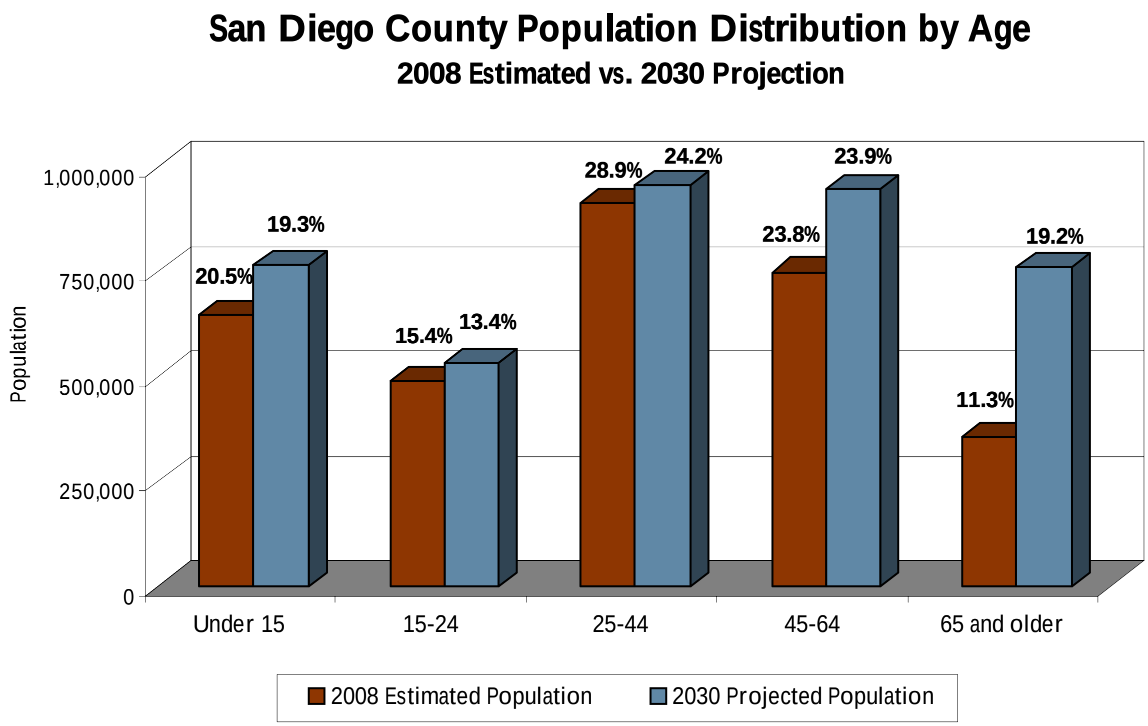


Source: San Diego Association of Governments (SANDAG).



Notes: Percentages represent the share of each group compared to the total population.
Source: San Diego Association of Governments (SANDAG)

The regional population for 2030 is forecasted to be 4.0 million according to the San Diego Association of Governments (SANDAG), a 42% increase from calendar year 2000. San Diego County's racial and ethnic composition is as diverse as its geography. In its 2030 Regional Growth Forecast Update, SANDAG projects the county will continue to see significant growth in the Hispanic population, with the share of Hispanic population approximately equaling the share of White population by 2030. While the county's racial and ethnic diversity is expected to change dramatically, SANDAG also projects a dramatic shift in the age structure of the



Notes: Percentages represent the share of each group compared to the total population.
Source: San Diego Association of Governments (SANDAG).

county. As depicted above, SANDAG is projecting that the population of residents 65 years and older will more than double by 2030.

Economic Indicators

U.S. Economy

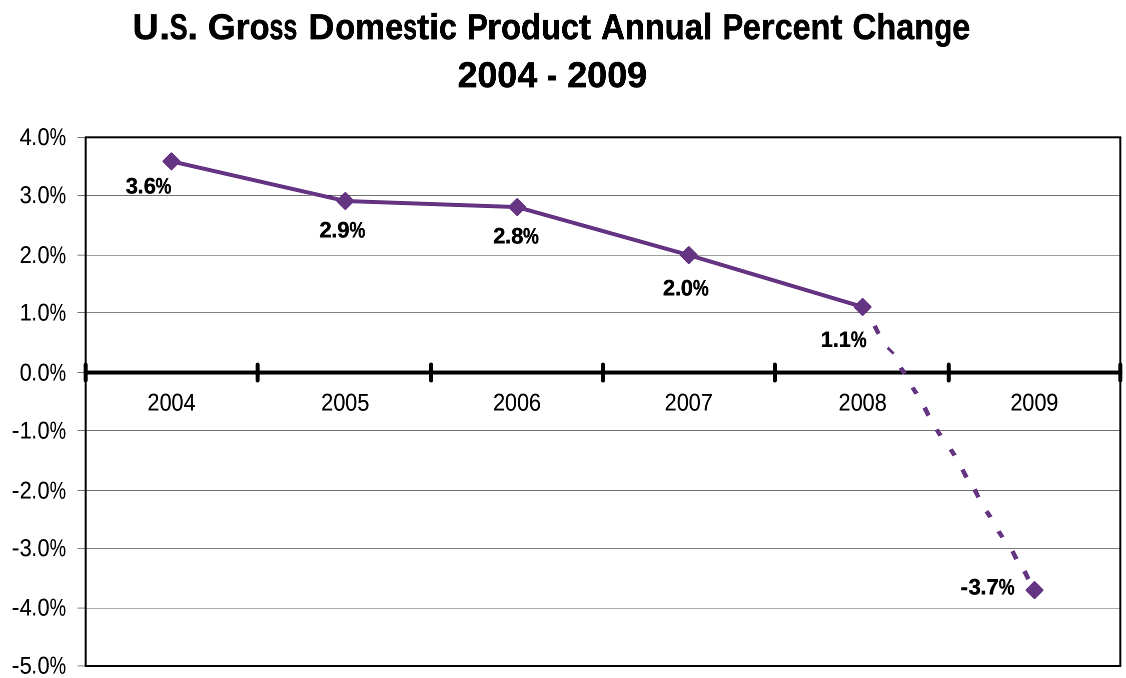
The national and global outlook continues to be extremely rough. The U.S. economy decreased at an annual rate of 6.3% in the fourth quarter of 2008, according to final estimates released by the Bureau of Economic Analysis. The decrease in real Gross Domestic Product (GDP) in the fourth quarter primarily reflected negative contributions from exports, personal consumption expenditures, equipment and software, and residential fixed investment that were partially offset by a positive contribution from federal government spending.

By the fourth quarter, the credit crisis, coupled with tumbling home and stock prices, had produced a paralyzing fear that engulfed the country.

(Warren Buffett, Berkshire Hathaway Annual Shareholder Letter, February 2009)

Real GDP is forecasted to decline further in 2009 with projected decreases of 6.8%, 4.5% and 1.7% in the first, second and third quarters, respectively. (See chart on the next page). The annualized forecast for 2009 depicts a Real GDP contraction of 3.7% from the previous year which, if reached, would make the current downturn the worst of the postwar recessions.

A series of federal fiscal and monetary policy actions have been initiated to address the credit crisis and economic volatility. The Federal Reserve has engaged in an extraordinary policy of monetary easing by expanding its balance sheet, purchasing private assets and bringing the Federal Funds rate down to near zero. In addition, the



Notes: Gross Domestic Product (GDP) percent change measured by calendar year, based on chained 2000 dollars. The annual GDP percent change is projected for calendar year 2009.
Source: Bureau of Economic Analysis, U.S. Department of Commerce; UCLA Anderson Forecast.

Treasury has $700 billion in budget authority under the Troubled Assets Relief Program (TARP) for capital infusions to banks, term securities lending facilities, auto loans, and a housing plan. Moreover, on February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 designed to stimulate the nation's sputtering economy.

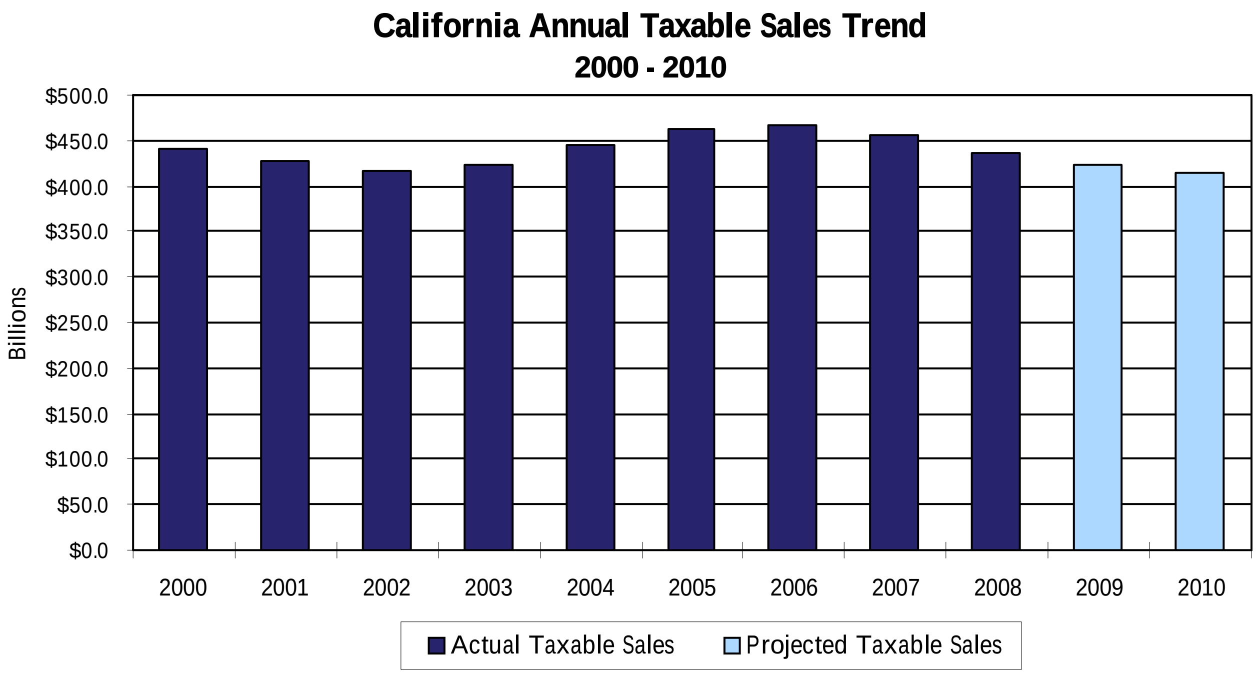
The global decline in economic activity necessitates a coordinated international response for a recovery in economic output and revival in world trade. Actions in April 2009 by the G-20 are laying the foundation for major reforms and cooperation.

Some significant risks facing the U.S. economy in 2009 include the anticipated loss of jobs and the increase in unemployment, continued decline in housing starts, consumer spending decline and deterioration of export demand (Source: U.S. Economic Outlook - March 2009). Unemployment is expected to reach 9.2% in 2009 and then peak at 10.5% in 2010. The stimulus package, financial bailout costs, and recession are expected to take the federal budget deficit to $1.9 trillion in 2009.

California Economy

Like the national outlook, California's economy is projected to experience further weakening. Consumer spending continues a downward trend. (See chart on the next page). Car sales in the fourth quarter of 2008 were almost 40 percent below levels reached a year earlier. Unemployment rates have risen rapidly, reaching 10.9% statewide in February 2009. Housing prices have continued to decline, but sales have increased, although predominantly of foreclosure homes. California's economy is expected to struggle in 2009: real personal income is expected to drop by 0.6%, employment is expected to drop 3.9% and taxable sales will continue to decline at a 3.3% rate.

The Legislative Analyst's current economic forecast projects a recovery beginning in the first quarter of 2010. Over the next five years, however, their forecast projects relatively slow growth compared to past recoveries.



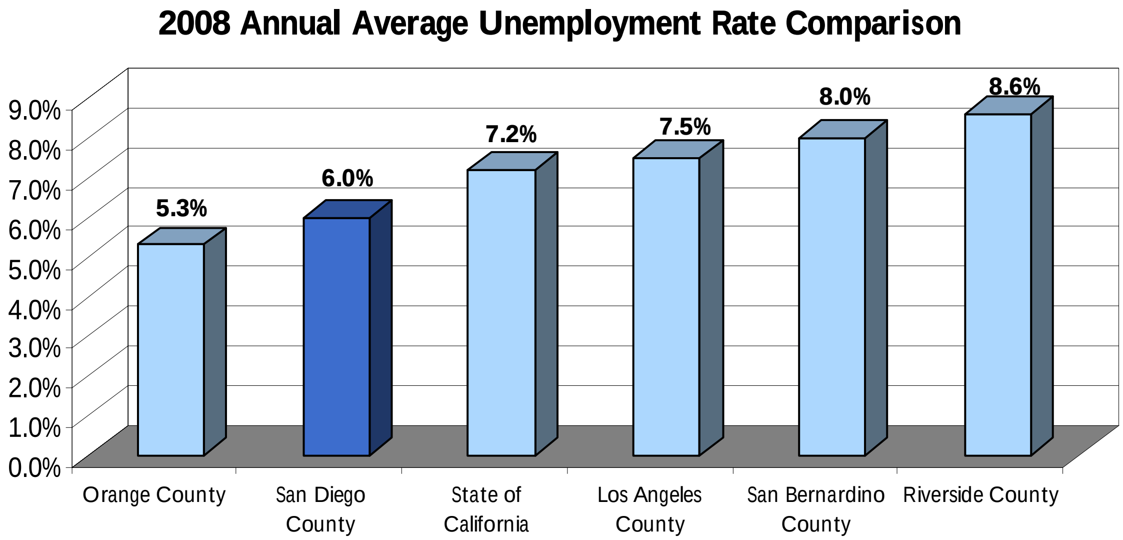
Notes: Taxable sales are stated in calendar year 2000 dollars.
Source: UCLA Anderson Forecast, March 2009

San Diego Economy

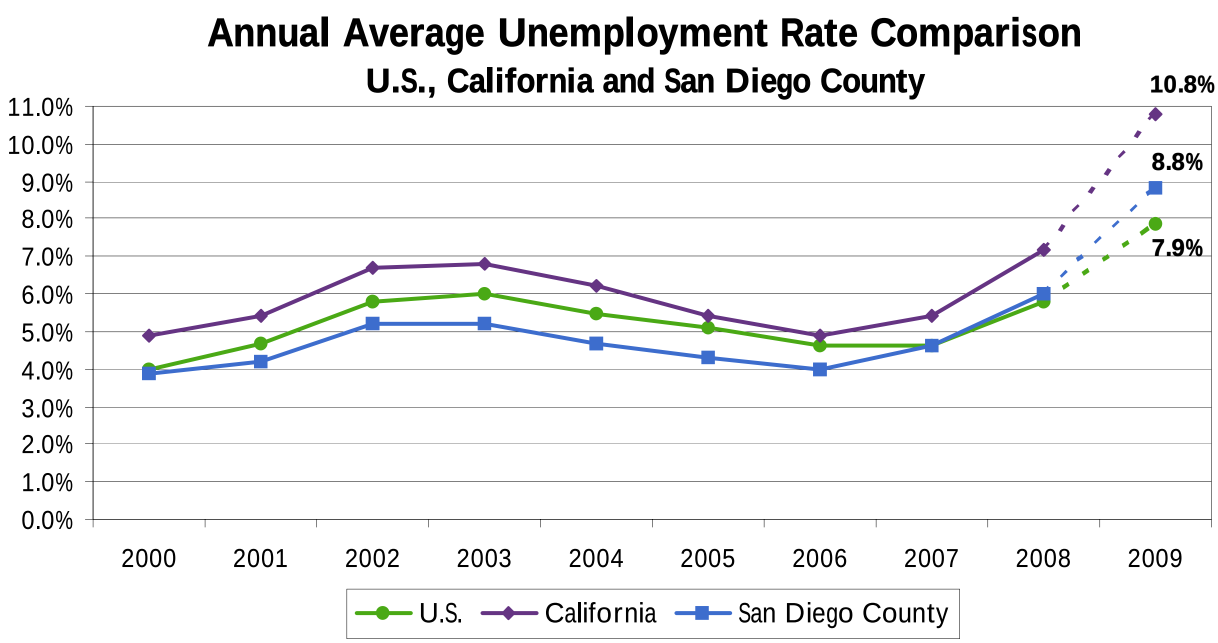
San Diego's recent relative economic stability has been based on its increasing diversification of economic activity and maturation as a hub for research and development and product manufacturing in telecommunications, biotechnology, military products, electronics, and information technology. International trade and implementation of the North American Free Trade Agreement (NAFTA) also serve to strengthen the county's economic base.

San Diego was one of the first areas in California and the nation to experience the housing price meltdown, feel the financial impacts from the credit crisis, and experience a jump in loss of jobs. Looking forward, 2009 is expected to be one of the most unsettled for our region's economy. Building permits, initial claims for unemployment insurance, consumer confidence and help wanted advertising were sharply negative in March 2009, as reported by the University of San Diego's Index of Leading Economic Indicators for San Diego, which fell 2.2% in March 2009 and marked its 35th decrease in 36 months. Unemployment in the region is likely to reach levels not seen since the early 1980s. Private funding for research and development is expected to be extremely scarce as the depressed equity markets force venture capitalists to search for a new model where by they can recoup their investments. (Source: National University System Institute for Policy Research). Residential construction is expected to remain deeply depressed in 2009, although planned construction of military housing may provide some boost.

Approximately one-half of San Diego County's population is part of the civilian labor force (1,581,000 in February 2009). The region is also home to one of the largest military complexes in the world. San Diego's employment continues to compare favorably to other Southern California counties, with only Orange County experiencing slightly lower unemployment. San Diego's unemployment rate continues to compare favorably to the State rate, and it is expected to be somewhat higher than the U.S. rate. (See charts on the following page).

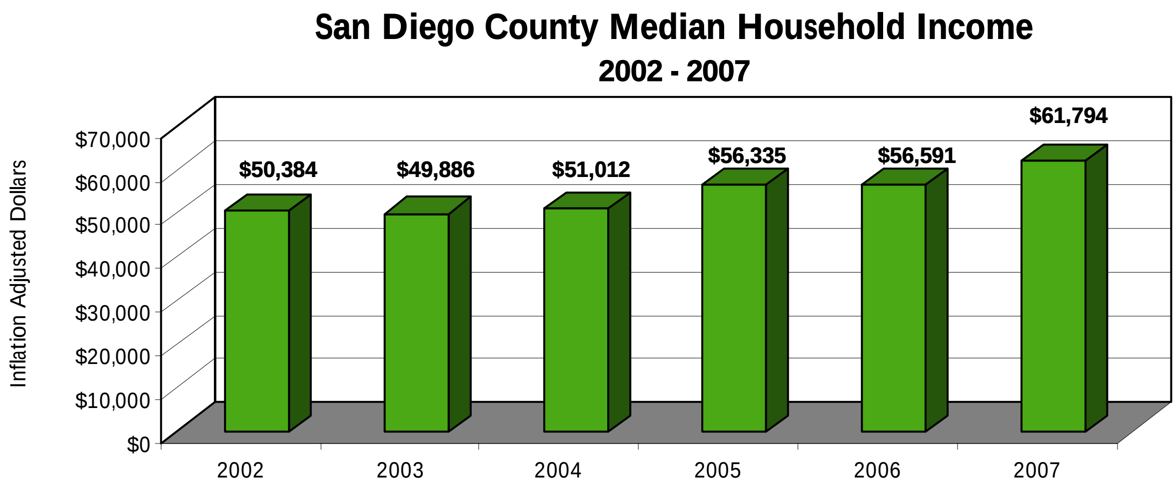


Source: California Employment Development Department.



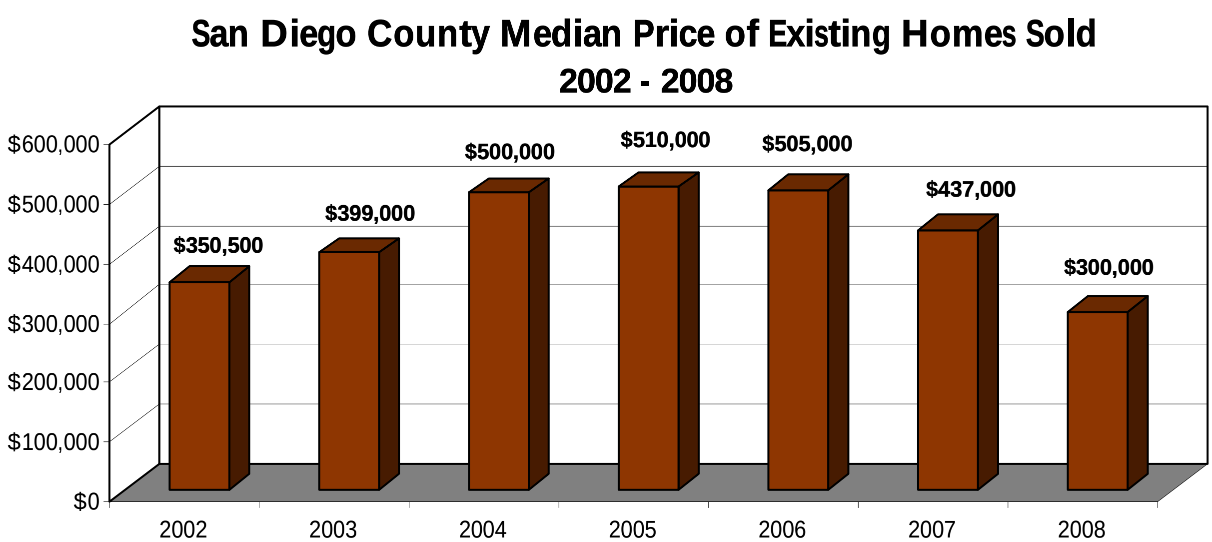
Notes: Unemployment rates are measured by calendar year. 2009 rates are an average of January and February monthly unemployment rates. The UCLA Anderson Forecast projects a national unemployment rate of 9.2% in 2009 and 10.4% in 2010 and a State unemployment rate of 10.9% in 2009 and 11.4% in 2010.
Source: California Employment Development Department; Bureau of Labor Statistics, U.S. Department of Labor.

San Diego's median household income has experienced strong annual growth in recent years, but this growth is projected to slow, as indicated by rising unemployment and decreased consumer spending.



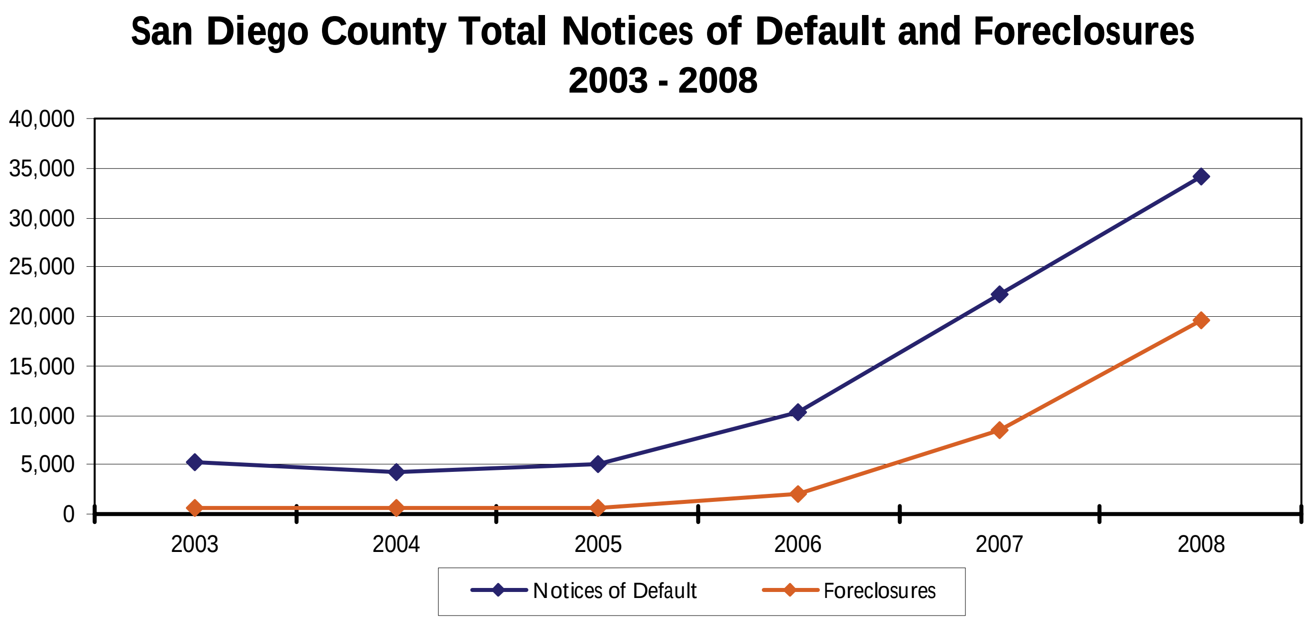
Notes: Median Household Income is measured by calendar year.
Source: U.S. Census Bureau.

An unintended consequence of the housing meltdown is the improvement in housing affordability. The California Association of Realtors index* for first-time buyers throughout California shows a continued improvement for San Diego. The percentage of households that could afford to buy an entry-level home in San Diego increased to 56% in December 2008, up from 31% in December 2007, and up from 23% in December 2006. After a significant and steady rise in home prices throughout the county in the past decade, the median home price dropped significantly by the end of 2008 to $300,000.



Notes: Median home price of all existing homes sold in December of each year.
Source: California Association of Realtors.

Note: The California Association of Realtors 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.



Notes: A Notice of Default is an official notice of payment delinquency to a borrower with property as security under a mortgage or deed of trust; it prescribes the terms that must be met in order to prevent foreclosure proceedings. Foreclosures are measured by the number of Trustee's Deeds recorded.
Source: San Diego County Assessor/Recorder/County Clerk.

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. The number of total deeds recorded has fallen significantly since 2003, indicating a contraction in the housing market overall. At the same time, more property owners than usual have had increasing difficulties in meeting their mortgage payments and retaining home ownership. In San Diego County, notices from lenders to property owners that they were in default on their mortgage loans have risen from 5,167 in 2003 to 34,069 in 2008, and foreclosures have risen from 566 in 2003 to 19,577 in 2008. Foreclosures compared to notices of loan default averaged approximately 11.6% from 2003 through 2005. However, this percentage more than doubled from 2006 to 2008, reaching 57.5% in 2008. In addition, deeds recorded have dropped from 209,892 in 2004 to 115,540 in 2008. Foreclosures compared to total deeds recorded averaged 0.3% over the three-year period of 2003, 2004 and 2005, then rose significantly beginning in 2006 and soaring to 16.9% in 2008.

Although San Diego tourism slowed in 2008 with the number of visitors declining by 1.5% compared to 2007, tourism continued to be a stimulus to the local economy. Total visitor spending of just over $7.9 billion amounted to a slight 0.2% increase from 2007 total visitor spending. The "Tourism Outlook" for San Diego County in 2009 reflects the impact of the larger national and international contraction, with an expected decline of 4.1% in total visits in 2009 and a 8.8% decline in visitor spending. The number of visitors and visitor spending are expected to slowly rebound beginning in 2010.

Impact on County Services

The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. For example, we are seeing an increased demand for public assistance, while at the same time the State and local resources available to fund those services are shrinking. Fewer customers are seeking land development or building permit services, making it difficult to maintain core services for these fee-based programs. The real estate market slump affects the County's general purpose revenues, which are expected to decline in Fiscal Year 2009-10 from Fiscal Year 2008-09. General Purpose Revenues are relied upon to fund local discretionary services, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government. The State of California's budget has been severely impacted by the recession and consequently has had to cut funding to local governments in many program areas, including grants for certain public safety services. More information on the challenges that the County is facing and the proposals for addressing them are described in more detail on the pages that follow.

Governmental Structure and Budget Documents

Governmental Structure

The County of San Diego is one of 58 counties in the State of California. The basic provisions for the government of the County are contained in the California Constitution and the California Government Code. A county, which is a legal subdivision, is also the largest political division of the State having corporate powers. The California Constitution acknowledges two types of counties - general law counties and charter counties. General Law counties adhere to State law as to the number and duties of county elected officials. San Diego County is one of 14 charter counties in California, whereby the county adopts a charter for its own government. A charter, however, does not give county officials any additional authority over local regulations, revenue-raising abilities, budgetary decisions or intergovernmental relations. (Source: California State Association of Counties.)

The Charter of San Diego County provides for:

- The election, compensation, terms, removal and salary of a governing board of five members, elected by district.
- An elected sheriff, an elected district attorney, an elected assessor/recorder/county clerk, an elected treasurer-tax collector, the appointment of other officers, their compensation, terms and removal from office.
- The performance of functions required by statute.
- The powers and duties of governing bodies and all other county officers and the consolidation and segregation of county offices.

The County of San Diego is governed by a five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections. Each board member must reside in the district from which he or she is elected. The Board of Supervisors sets priorities for the County and oversees most County departments and programs and approves their budgets. Per California Government Code 23005, the County may exercise its powers only through the Board of Supervisors or through agents and officers acting under authority of the Board or authority conferred by law. The Board of Supervisors appoints the following officers: the Chief Administrative Officer (CAO), the County Counsel, the Probation Officer and the Clerk of the Board of Supervisors. All other appointive officers are appointed by the CAO. The CAO assists the Board of Supervisors in coordinating the function and operations of the County; is responsible for carrying out all of the Board's policy decisions that pertain to the functions assigned to that officer; and supervises the expenditures of all departments.

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. There are 18 incorporated cities in the County of San Diego and a vast number of unincorporated communities. The County provides a full range of public services to its residents, including law enforcement, detention and correction, emergency response services, health and sanitation, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, such as foster care, public health care and elections. These services are provided by five business Groups (Public Safety, Land Use and Environment, Community Services, Finance and General Government, and the Health and Human Services Agency), each headed by a General Manager [Deputy Chief Administrative Officer (DCAO)] who reports to the 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). An organizational chart for the County may be found on page 4.

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. The County sets goals, prioritizes the use of 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.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions:

Strategic Planning 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 the County is and where it wants to be.

Operational Planning 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.

Monitoring and Control asks: *How is our performance?* Monitoring and Control shows whether the County is on track to achieve its goals. The County evaluates its progress at regular intervals and makes necessary adjustments. Progress is evaluated monthly, quarterly and annually.

Functional Threading 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.

Motivation, Rewards, and Recognition 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.

GMS 2.0

During Fiscal Year 2008-09, the County launched GMS 2.0, an enterprise-wide effort that challenges County employees to identify and address the significant changes taking place in the community, economy and world using the GMS framework. GMS 2.0 emphasizes that everyone in the County workforce shares responsibility for helping the organization adapt to change and move forward in this fast-paced world.

Employees throughout the workforce have been identifying ways their customers and operations were changing or needed to change, acting to improve their use of technology tools and expand their knowledge base, and working to make the County organization a greener, more environmentally-sustainable workplace.

In keeping with the GMS disciplines, the County will continue to look ahead and work aggressively to embrace, adapt to and use the increasingly-fast pace of change to benefit County residents.

Strategic Plan

As noted on the previous page, the GMS outlines how County government will operate to ensure that services are provided in an efficient, effective manner. And the first thing the County does to ensure that it operates efficiently and effectively is to develop a long-term (five-year) Strategic Plan that sets forth the County's priorities and what it will accomplish with its resources. The Strategic Plan articulates the organization's external and internal priorities and the goals it will achieve in that period.

The Strategic Plan is developed by the Chief Administrative Officer and the County Executive Team, based on the policies and priorities set by the Board of Supervisors and an enterprise-wide review of the issues, risks and opportunities facing the region and the County organization. The County's 2009-14 Strategic Plan is built on three 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 and families),
- **Environment** (Manage the region's natural resources to protect quality of life and support economic development), and
- **Safe and Livable Communities** (Promote safe and livable communities).

The Strategic Plan also commits the organization to adhere to eight key internal organizational disciplines (Required Disciplines) that are necessary to maintain a high level of operational excellence and accomplish the Strategic Initiatives. These **Required Disciplines** are:

- **Fiscal Stability** - Maintain fiscal stability to ensure the County's ability to provide services its customers rely on, in good times and in bad.
- **Customer Satisfaction** - Ensure customers are satisfied with the services the County provides, as a key indicator of its operational performance.
- **Regional Leadership** - As a regional leader, forge cooperative partnerships and leverage additional resources for the residents of San Diego County.
- **Skilled, Adaptable and Diverse Workforce** - Develop a committed, skilled, adaptable and diverse workforce that turns plans and resources into achievement and success.
- **Essential Infrastructure** - Provide the essential infrastructure to ensure superior service delivery to County residents.
- **Accountability/Transparency** - Assure accountability to itself 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 taxpayers.
- **Information Technology** - Optimize the use of information technology systems as a tool to improve operational efficiency, decision making and service to customers.

To ensure that 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 the resource allocations necessary to achieve them.

Context for Strategic and Operational Planning

To be effective, the goals that the County sets and the resources that are allocated are consistent with the purpose of the organization. The context for all strategic and operational planning is provided by the County's Mission and Vision. First and foremost, the Strategic Plan sets the course for accomplishing the County's mission:

To efficiently provide public services that build strong and sustainable communities

This mission reflects the County's commitment to identify, understand and respond to the critical issues that affect County residents as well as to provide services that help make San Diego County an enjoyable area in which to live.

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

A county that is safe, healthy and thriving

Operational Plan

The Operational Plan provides the County's financial plan for the next two fiscal years (e.g., July 1, 2009 through June 30, 2011). 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. To demonstrate that resources are allocated to support the County's Strategic Plan goals, program objectives in the Operational Plan and department performance measures are aligned with Strategic Plan goals or the Required Disciplines.

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. This effort remains a priority and 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. The most significant measures are reflected in this document as part of the respective narrative section of each department's budget presentation.

Budget Documents

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

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

- Summary tables showing financing sources and expenditures for all County funds;
- A summary of the County's short- and long-term debt;
- A detailed section by Group/Agency and Department/ Program describing their missions, prior year accomplishments, operating objectives, staffing by program, expenditures by category, revenue amounts and sources, and performance measures;
- An explanation of the capital program planning process, a description of the capital projects included in the proposed Operational Plan 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 by community organizations that have applied for grant funds.

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 latter 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 of Supervisors 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.

Budget Deliberations - After the conclusion of public hearings, the Board of Supervisors 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 of Supervisors 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 of Supervisors. 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 of Supervisors 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 intended to be fixed, meaning that the amount is anticipated to be the same for the adopted budget, the amended budget, and the actuals. Exceptions are made due to unique one-time events. 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 of Supervisors:

- **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 of Supervisors 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. Contract modifications also require the approval of the Purchasing Agent. County Counsel reviews and approves all Board letters.
- **Quarterly Status Reports** - The Chief Administrative Officer provides a quarterly budget status report to the Board of Supervisors that may also recommend appropriation changes to address unanticipated needs or make technical adjustments to the budget.

Financial Planning Calendar - 2009-10 Target Dates

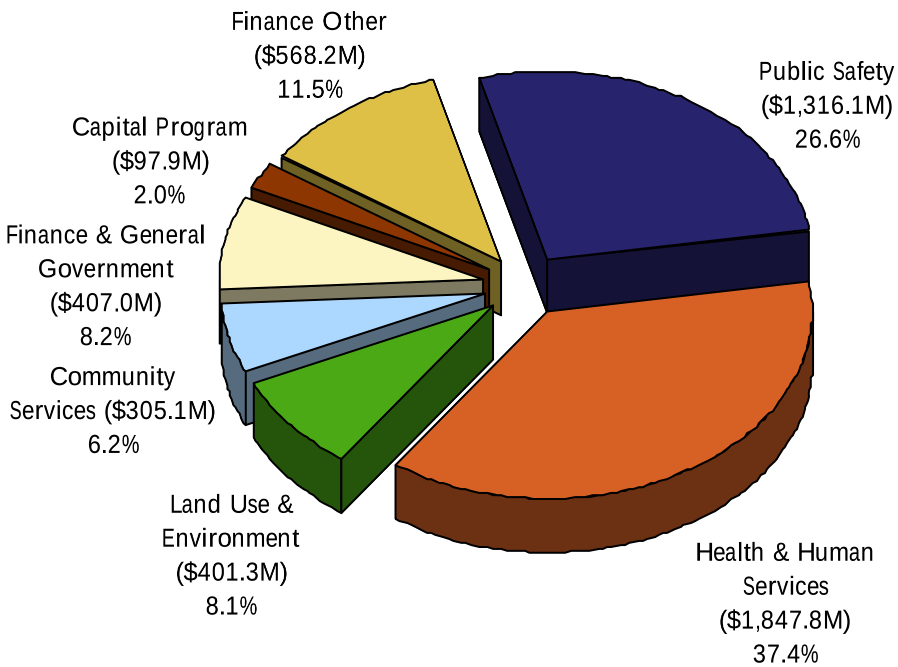
Jan 23	Narrative Instructions for Operational Plan issued by Office of Financial Planning (OFP)
Feb 5	Budget Instructions for Operational Plan issued by OFP
Feb 9	Budget database opens for Operational Plan development
Mar 6	Due date for departments to submit draft Anticipated Accomplishments, Objectives and Performance Measures sections of narratives to OFP; send copy to Group Finance Director (GFD)
Mar 20	Budget database closed to departments to enable Groups to review
Mar 30	Deadline for departments to submit their changes from current year adopted budget plus their final Anticipated Accomplishments, Objectives and Performance Measures sections of narratives
Apr 3	Budget database closed to Groups
	Departments to submit copy of budget positions report with Classification Activity Request forms to Department of Human Resources
Apr 13	Deadline for Groups to have all department narratives reviewed and submitted to OFP
Apr 27	Draft copy of balanced CAO Proposed Operational Plan sent to Chief Administrative Officer (CAO), Assistant CAO, Chief Financial Officer (CFO) and General Managers
May 4	CAO Proposed Operational Plan docketed and released to the Board of Supervisors and public
May 8	Change Letter Instructions issued by OFP and budget database opens for modifications
May 12	Board of Supervisors accepts CAO Proposed Operational Plan
May 18	Budget Change Letter database closed to departments to enable final review by Groups
May 22	Department Change Letter narratives due to Group for review
	Referrals to Budget sent to Groups by OFP
May 27	Budget Change Letter database closed to Groups
Jun 1	Deadline for Groups to have all departments' Change Letter narratives reviewed and submitted to OFP
Jun 8-17	Public Hearings on Proposed Operational Plan (10 calendar days)
Jun 12	Deadline for Groups to submit responses to Referrals to Budget to OFP
Jun 17	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 23-24	Board Budget Deliberations; approval of the 2009-11 Operational Plan and adoption of the Fiscal Year 2009-10 Budget

All Funds: Total Appropriations

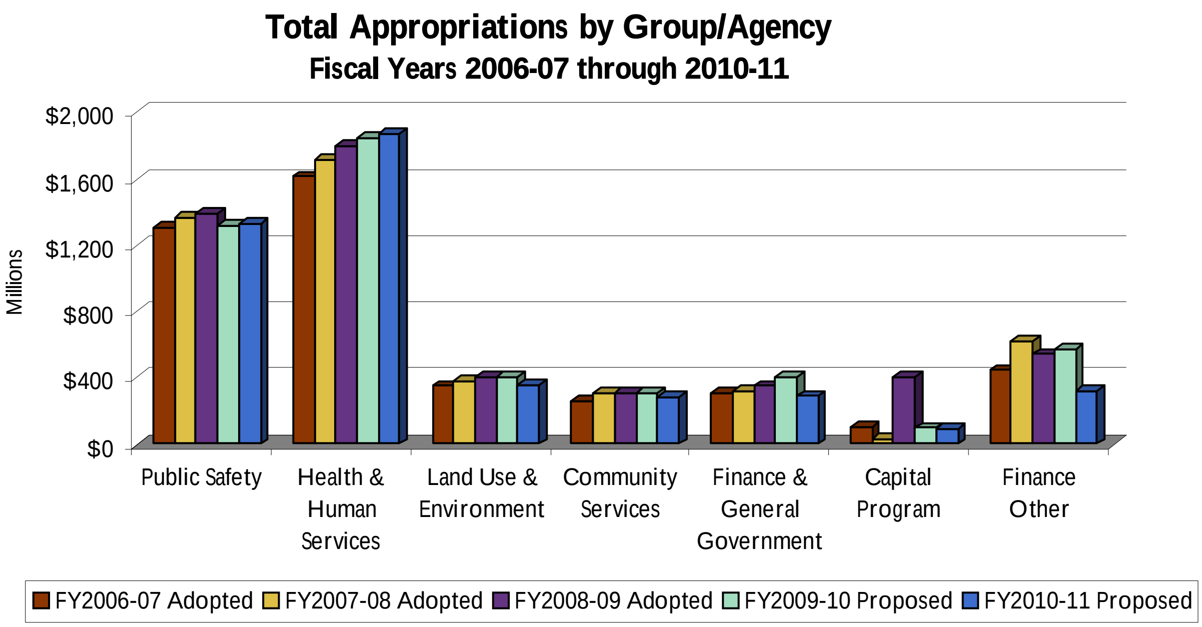
Total Appropriations by Group/Agency

Appropriations total $4.94 billion in the Proposed Operational Plan for Fiscal Year 2009-10 and $4.54 billion for Fiscal Year 2010-11. This is a decrease of $244.7 million or 4.7% for Fiscal Year 2009-10 from the Fiscal Year 2008-09 Adopted Budget. Looking at the Operational Plan by Group/Agency, appropriations decrease in Public Safety and the Capital Program, while they are increasing in Health and Human Services, Land Use and Environment, Community Services, Finance and General Government, and Finance Other.

Total Appropriations by Group/Agency
Fiscal Year 2009-10: $4.94 billion



The pie chart above shows each Group/Agency's share of the Fiscal Year 2009-10 Proposed Budget, while the bar chart and table on the following page compare the Fiscal Years 2009-10 and 2010-11 appropriations to the three prior fiscal years. An overview of the County's Operational Plan for Fiscal Year 2009-10 is presented below by Group/Agency that highlights changes and key areas of emphasis. Appendix A: All Funds - Budget Summary provides a summary of expenditures and financing sources by account group for the entire County and for each Group and the Agency. More detail by department begins on page 85.



Total Appropriations by Group/ Agency (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
Public Safety	$ 1,304.5	$ 1,366.0	$ 1,388.9	$ 1,316.1	$ 1,327.4
Health & Human Services	1,613.8	1,712.1	1,797.7	1,847.8	1,869.5
Land Use & Environment	349.7	384.1	399.8	401.3	354.3
Community Services	255.2	303.3	303.7	305.1	288.0
Finance & General Government	303.6	315.6	350.6	407.0	289.1
Capital Program	102.4	34.1	406.2	97.9	87.3
Finance Other	445.5	616.6	541.2	568.2	320.9
Total	$ 4,374.8	$ 4,731.7	$ 5,188.1	$ 4,943.5	$ 4,536.6

Public Safety Group (PSG) — A proposed net decrease of 5.2% or $72.8 million from the Fiscal Year 2008-09 Adopted Budget. Resource reductions in local revenues and in State funding require changes to the method of service delivery to increase efficiency, reductions in administrative and support functions and a decrease in discretionary services available. All mandated services are maintained.

Major proposed changes include:

- The planned transfer of inmates from the Descanso Detention Facility and the closure of this non booking facility. Efficiencies in operations and cost can be achieved through the closure of this facility and inmates can be housed in the Sheriff's other facilities,
- Reduction of overtime in the Sheriff's Detention Services program by reassigning staff from the Descanso Detention Facility,
- The prosecution of felony and misdemeanor cases will remain a priority; however, the reduction in staff will impact the length of investigations, time for case

preparation and time to bring cases to completion. In addition, services to the victims of crime will be delayed and fewer contacts with them will be possible,

- A revised service model and reduced staffing for juvenile dependency defense representation services due to the requirements of the contracting agency, the State Administrative Office of the Courts,
- Reductions in services to youth at-risk of involvement in the juvenile justice system, and
- Reduced supervision of adult probation offenders assessed at a mid-level risk of re-offending.

Even with these reductions, the departments within the Public Safety Group will continue to provide core services supporting safe and livable communities for the residents of San Diego County as well as an efficient and responsive criminal justice system.

Key areas of focus in the coming year include:

- Keeping communities safe through regional leadership and partnerships in public safety and criminal justice administration,
- Continuing to strengthen the County's ability to respond to an emergency,
- Maintaining adequate Sheriff patrol staffing to achieve performance goals for response time for priority calls,
- Promoting the well-being of children and the self-sufficiency of families through the success of the child support program,
- Continuing to implement Senate Bill 81, *Juvenile Justice Realignment Act,* which requires counties to locally house and provide services to juvenile offenders, and
- Focusing on efficiency, performance results and evidence-based practices to identify the most effective public safety strategies to sustain critical public safety services with reduced resources.

Health and Human Services Agency (HHSA) — A proposed net increase of 2.8% or $50.2 million over the Fiscal Year 2008-09 Adopted Budget associated with increases in appropriations for In-Home Supportive Services provider payments, CalWORKs Assistance payments, Child Care payments and the continued expansion associated with the Mental Health Services Act (MHSA). These increases are offset by a decrease in appropriations for salaries and benefits related to a reduction in staffing levels.

In developing the Operational Plan the Agency faced over $70 million in funding challenges due to State Budget cuts, no support from the State for increases in the cost of doing business, loss of revenues with the downturn in the economy, and the community's increased need for services during these difficult times.

In order to maintain fiscal stability and live within its resources, HHSA proposes reduced staffing levels and contracted services. HHSA has worked with advisory boards and other key stakeholders in the development of the Operational Plan to ensure the continuation of core, mandated programs and services. However, these reductions will impact the level of service clients currently receive. Unfortunately, as a result there will be fewer programs and longer wait times for client services.

Key areas of focus in the coming year include:

- Assisting at-risk and vulnerable children, seniors and disabled individuals by identifying cost management options for In-Home Supportive Services and fully implementing the School Success program for foster children,
- Addressing health improvements by developing an integrated health strategy that will result in improved prevention, access, treatment and care. Examples include the implementation of chronic disease prevention strategies, the Mental Health Services Act's Prevention and Early Intervention program, and a Nutritional Security Plan, and
- Pursuing strategies that re-engineer business processes that make the Agency more efficient, maintain program integrity, and prepare for future trends.

Land Use and Environment Group (LUEG) — A proposed net expenditure increase of 0.4% or $1.5 million over the Fiscal Year 2008-09 Adopted Budget. Increases include one-time appropriations for enhancements to the County's Fire Services Program, energy efficiency and water conservation at various County parks, and to build reserves for the maintenance of closed and inactive County landfills. Significant decreases include a reduction in salaries and benefits due to a reduction in staffing levels, and a reduction in capital accounts due to completion of projects in the Sanitation Districts and the Airport Enterprise Fund that will not be repeated in Fiscal Year 2009-10.

Key areas of focus in the coming year include:

- Continuing Business Process Reengineering efforts,

- 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 residents living within the unincorporated areas of the county through land use policies, regulations, and improved fire protection and emergency response,
- 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 to prevent disease by updating the West Nile Virus Response Plan,
- Expanding and protecting park resources, improving infrastructure, and acquiring 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 and the Special Area Management Plan,
- Awarding and managing construction contracts for road improvement projects in various County communities to enhance safety and improve traffic flow,
- Protecting and preserving the county's water quality and watersheds, and
- Improving land development customer service and streamlining permit processing.

Community Services Group (CSG) — A proposed net increase of 0.5% or $1.4 million over the Fiscal Year 2008-09 Adopted Budget. Significant increases in costs are related to one-time funding for the Documentum End Users License Agreement and for Housing and Community Development programs which are funded by the federal economic stimulus package. Significant decreases are due to elections-related activities and designations of fund balance for the Registrar of Voters that were budgeted in Fiscal Year 2008-09, but will not be repeated in Fiscal Year 2009-10, and cutbacks in Library books and materials and other services and supplies due to funding reductions from the overall economic downturn.

Key areas of focus in the coming year include:

- Conducting the June 2010 Gubernatorial Primary and the November 2010 Gubernatorial General Elections,
- Opening new libraries in Fallbrook, Ramona, and Lincoln Acres,
- Library information technology projects that will provide self-check stations for staff and patrons and automation of back-office work to improve customer service,
- Savings in the purchase and contracting of goods and services for all County departments through innovative procurement methods,
- Maintenance and repair of existing County facilities and construction of new facilities at the County Operations Center and the San Pasqual Academy,
- Improving animal shelters and the medical treatment of animals to make them adoptable sooner,
- Utilizing the increased funding opportunities of the American Recovery and Reinvestment Act of 2009 to help provide safe and sanitary affordable housing and for energy efficiency improvements to County facilities, and
- Implementing programs in the County Redevelopment Agency to assist with the financing of a new Lakeside fire station to support the development of the San Diego River Trail, and enhance runway safety at Gillespie Field.

Finance and General Government Group (FGG) — A proposed net increase of 16.1% or $56.4 million from the Fiscal Year 2008-09 Adopted Budget. Material changes include a reduction in salaries and benefits due to a decrease in overall staffing levels attributable to current economic conditions, and an increase in services and supplies to fund the development and implementation of an integrated property tax system and the upgrade of core financial and human resource software applications.

Key areas of focus in the coming year include:

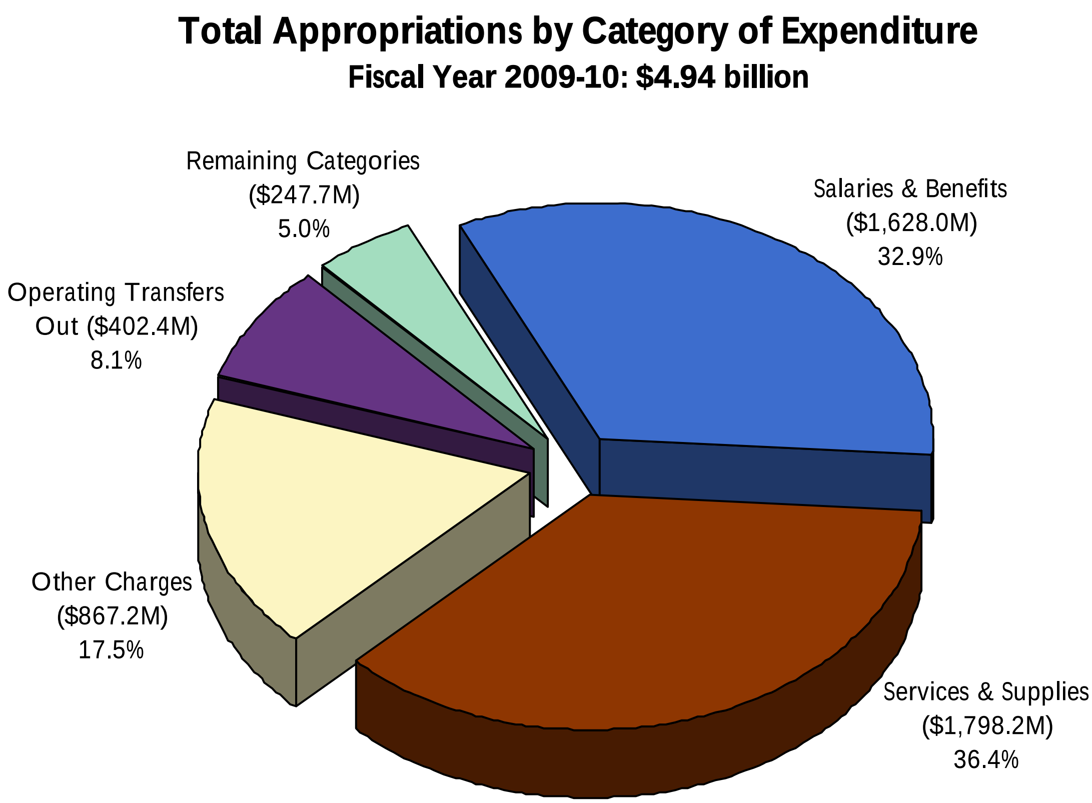
- Maintaining the County's fiscal stability through sound accounting, auditing, budgetary practices and management discipline,
- Maintaining a robust, diverse, and adaptable workforce,
- Maintaining a high credit rating,
- Aggressively pursuing opportunities to restructure the County's debt portfolio 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 of Supervisors and County departments, and
- Maintaining the investment in modern information technology.

Capital Program — A proposed net decrease of $308.3 million (75.9%) from Fiscal Year 2008-09. The amount budgeted in the Capital Program can vary significantly from year to year. The decrease is mainly related to the budgeting in Fiscal Year 2008-09 for the redevelopment of the County Operations Center (COC) that will not be repeated in Fiscal Year 2009-10. The Fiscal Year 2009-10 Capital Program includes $75.0 million in seed money for a new Women's Detention Facility, as well as funds for land acquisition for the Multiple Species Conservation Program (MSCP) and the San Luis Rey River Park, and for the Jess Martin Exercise Path and Park Improvements project. Appropriations are also included in the Edgemoor Development Fund to pay debt service on the 2005 Edgemoor bonds.

Finance Other — A proposed net increase of $27.0 million or 5.0% from Fiscal Year 2008-09. Many of the appropriations in this group vary little from year to year, but some appropriations reported here are one-time and can fluctuate significantly from year to year. Significant areas of expenditure for Fiscal Year 2009-10 include an $85.0 million general fund contribution to the Capital Program for two projects, the new Women's Detention Facility ($75.0 million) and the Multiple Species Conservation Program ($10.0 million), and $100.0 million to pay-off the Series B (variable rate) portion of the County's 2008 Pension Obligation Bond refunding. Also included in this group is the creation of a $100.0 million fund balance Designation for Economic Uncertainty.

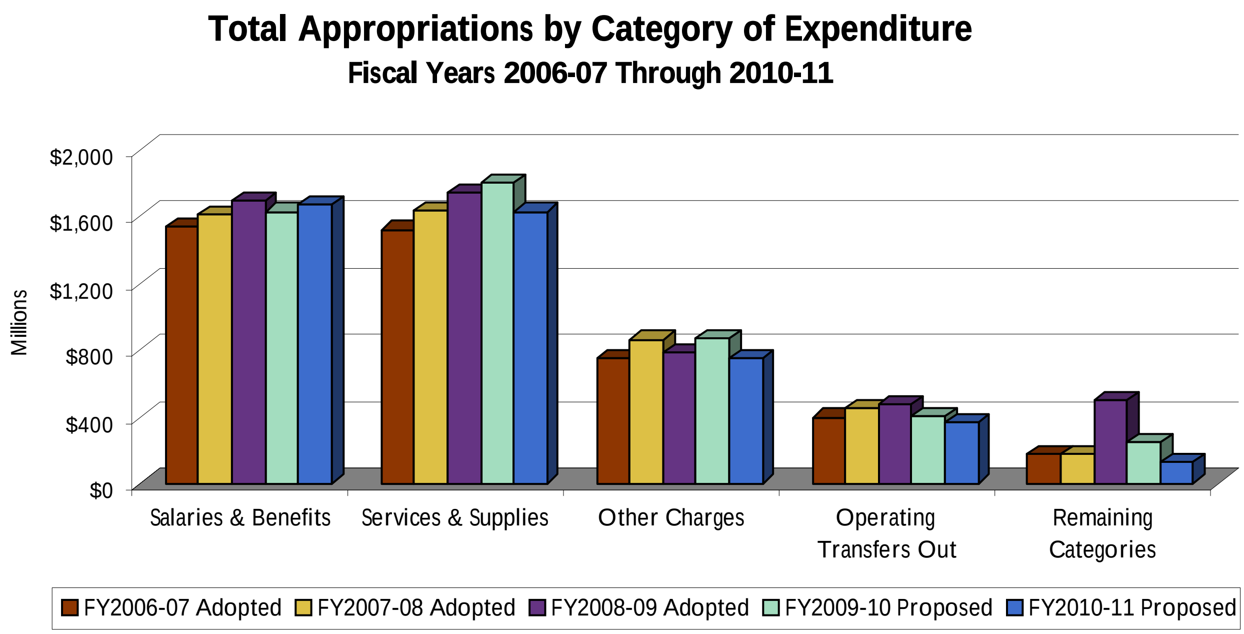
Total Appropriation by Category of Expenditure

The pie chart below shows the Proposed Operational Plan broken down by category of expenditure. As noted previously, the Fiscal Year 2009-10 Operational Plan is decreasing overall by $244.7 million from the Fiscal Year 2008-09 Adopted Operational Plan and decreasing further by $406.9 million in Fiscal Year 2010-11. The pie chart below shows the share of the Fiscal Year 2009-10 Operational Plan for each category of expenditure, while the bar chart and table on the next page compare the Fiscal Years 2009-10 and 2010-11 appropriations to the three prior years.



Changes include:

- Salaries and Benefits are decreasing by a net of $63.6 million or 3.8%. The decrease reflects the deletion of 758.00 staff years. Significant staff reductions were necessary due to revenue shortfalls or declines in the demand for services (see various department sections for a discussion of these changes). The increase in Fiscal Year 2010-11 of $45.8 million or 2.8% reflects negotiated or anticipated increases of 2% in base pay and a 5% increase in the flexible spending account credit offset by a further decrease of 13.00 staff years. See Total Staffing on page 38 for a summary of staffing changes by functional area.
- Services and Supplies are increasing by a net of $56.4 million or 3.2%. Increases are budgeted in many accounts within Services and Supplies, most notably an increase for Enterprise Resource Planning (ERP) system upgrades to supported versions of the software. Other increases include funds for contracted services, information technology costs and public liability costs. Significant decreases include consultant services, internal service fund costs for major maintenance and other miscellaneous expenses. A decrease of 9.6% is shown for Fiscal Year 2010-11.



Total Appropriations by Category (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
Salaries & Employee Benefits	$ 1,539.6	$ 1,613.2	$ 1,691.6	$ 1,628.0	$ 1,673.8
Services & Supplies	1,519.8	1,636.0	1,741.7	1,798.2	1,626.1
Other Charges	746.5	863.4	785.7	867.2	745.3
Operating Transfers Out	396.6	446.2	472.7	402.4	364.1
Remaining Categories:					
Capital Assets/Land Acquisition	106.5	49.4	421.7	94.4	82.7
Capital Assets Equipment	19.7	32.1	24.9	21.2	16.9
Exp Transfer & Reimbursements	(17.5)	(19.0)	(19.7)	(20.4)	(20.6)
Reserves	24.1	24.1	24.4	22.7	23.5
Reserve/Designation Increase	2.6	57.9	4.1	100.3	0.0
Management Reserves	36.8	28.5	41.2	29.6	24.8
Total	$ 4,374.8	$ 4,731.7	$ 5,188.1	$ 4,943.5	$ 4,536.6

- Other Charges are increasing by $81.5 million or 10.4%. 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. Increases in Fiscal Year 2009-10 will allow the County to continue the prepayment of outstanding variable rate pension obligation bonds. Funds were also added for CalWORKs assistance payments and Childcare provider payments based on caseload growth. A net decrease of 14.0% is planned in Fiscal Year 2010-11.
- Capital Assets/Land Acquisition, which includes capital improvement projects and property acquisitions, is decreasing $327.3 million or 77.6% from Fiscal Year 2008-

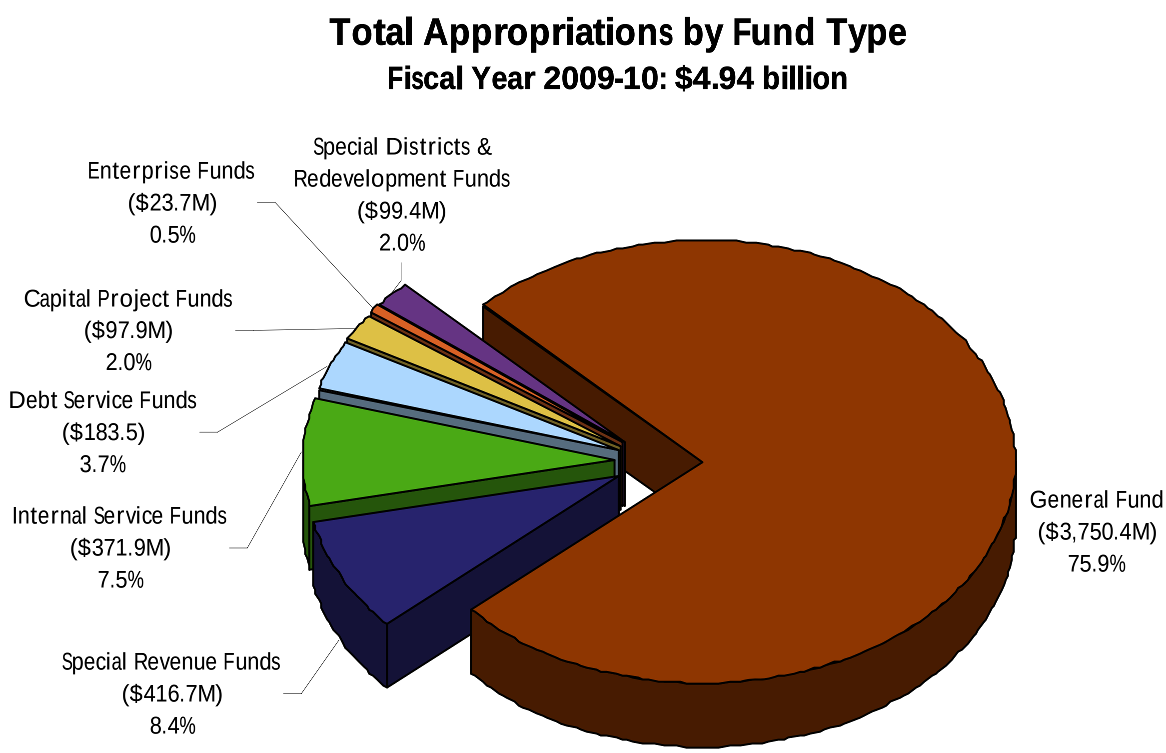
09. Appropriations vary from year to year depending upon the cost of the projects being funded. Of the $94.4 million budgeted for Fiscal Year 2009-10, $87.9 million is for projects in the Capital Program, with the remainder in the Airport Enterprise Fund, and the Alpine, Lakeside, and Spring Valley sanitation districts. The Fiscal Year 2009-10 Capital Program includes $75.0 million in seed money for a new Women's Detention Facility, as well as funds for land acquisition for the Multiple Species Conservation Program (MSCP) and the San Luis Rey River Park, and for the Jess Martin Exercise Path and Park Improvements project. Of the $82.7 million for Fiscal Year 2010-11, $75.0 million is additional seed money for the new Women's Detention Facility, and $2.5 million is for MSCP land acquisition, with the remainder for projects in the Airport Enterprise Fund, Alpine, Lakeside and Spring Valley sanitation districts.

- Capital Assets Equipment, which primarily includes routine internal service fund purchases of vehicles and heavy equipment, is decreasing by $3.7 million or 14.9% from last year. The decrease is mainly due to one-time expenditures in Fiscal Year 2008-09 related to the new Edgemoor facility and to equipment for the Registrar of Voters that will not be repeated in Fiscal Year 2009-10. A further decrease of $4.3 million is planned for Fiscal Year 2010-11 due to anticipated lower requirements for that year.
- Expenditure Transfers and Reimbursements are increasing by $0.6 million or 3.1%. Activity in this account reflects the transfer of expenses to another department within the same fund for services provided. A transfer can occur because a department's funding source requires the expenses to be recorded in that department for revenue claiming, although the actual services are being provided by another department. 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 for Public Assistance Fraud investigation services. The District Attorney investigates and prosecutes suspected fraudulent public assistance cases for HHSA. The District Attorney offsets the budgeted expenses with a negative amount in the 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. An increase of $0.3 million in Fiscal Year 2010-11 is for the District Attorney's Public Assistance Fraud investigation services.
- Contingency Reserves are appropriations that are set aside for unanticipated needs during the year. In Fiscal Year 2009-10, seven funds have a contingency reserve. The General Fund contingency reserve is $20.0 million, which is a decrease of $0.3 million or 1.4% from Fiscal Year 2008-09. See the discussion of the Contingency Reserve in the Finance Other section beginning on page 428. Contingency reserves in the amount of $1.2 million were added to four Parkland Dedication funds for potential unplanned needs. The Employee Benefits Internal Service Fund has a $1.4 million contingency reserve, which is a 66.3% decrease from Fiscal Year 2008-09. The Fleet Internal Service Fund has a $0.1 million contingency reserve, and is not changing from Fiscal Year 2008-09. In Fiscal Year 2010-11, Contingency Reserves increase by $0.8 million or 3.6%.
- Reserve/Designation Increases can vary from year to year depending upon the need to set aside fund balance for specific uses. In Fiscal Year 2009-10, a $100.0 million designation is proposed to be created for Economic Uncertainty and a designation of $0.3 million is added to the Edgemoor Development Fund as a technical adjustment that corrects a prior year entry. The decrease of $100.3 million in Fiscal Year 2010-11 is primarily related to the one-time Reserve/Designations that were added in the Fiscal Year 2009-10.
- Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, are decreasing by $70.3 million or 14.9%. Various transfers between funds are increasing and decreasing with the largest decrease in Fiscal Year 2009-10 being the transfer between the General Fund and the Capital Outlay Fund because of the relatively lower dollar cost of projects being funded in the new year. Also decreasing is the transfer to the General Fund of revenues from the Proposition 172, *Local Public Safety Protection and Improvement Act of 1993*, special revenue fund as a result of lower projected sales tax revenues in Fiscal Year 2009-10. An increase of $24.1 million is for the prepayment of outstanding 2008B Pension Obligation Bonds. A decrease of $38.3 million or 9.5% is planned for Fiscal Year 2010-11 and is primarily related to one-time items in Fiscal Year 2009-10 that are not repeated in the subsequent year.

- Management Reserves are decreasing by $11.7 million or 28.3%. 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 provides expenditure amounts for County Funds by Type of Fund and by Group/Agency. (See also "Measurement Focus and Basis of Accounting" on page 74.)



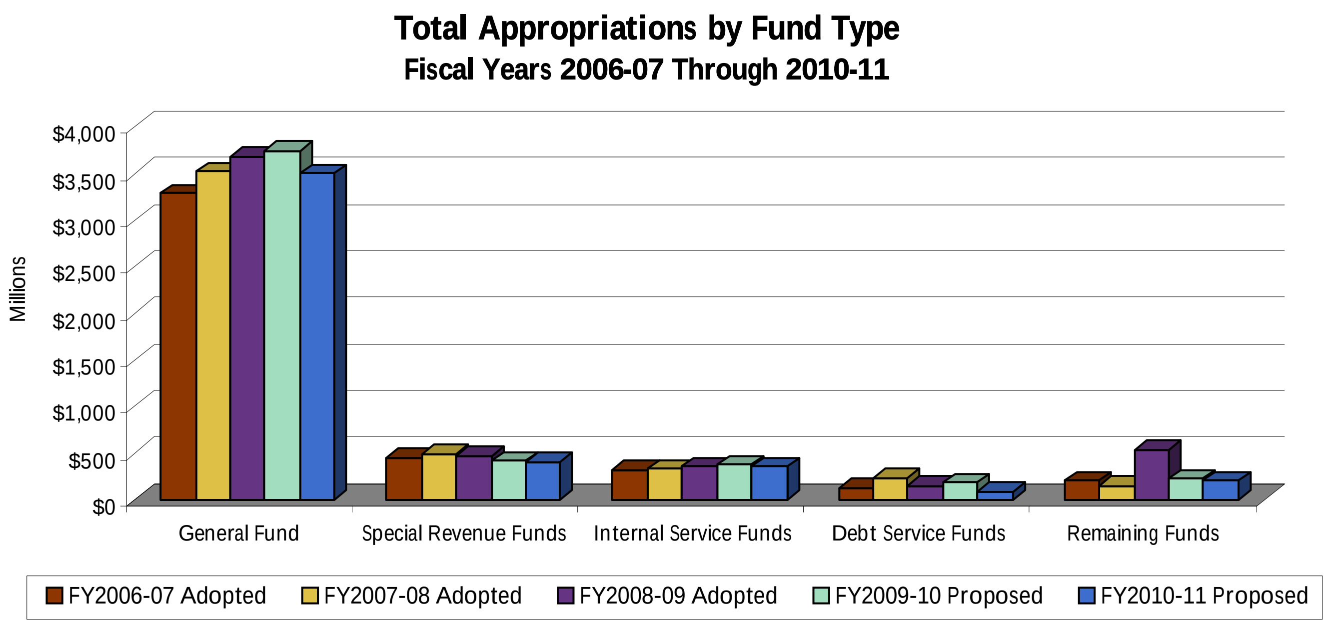
Governmental Fund Types

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

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

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

Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on general long-term debt. The Debt Service Funds include bond principal and interest payments and administrative expenses for Pension Obligation Bonds. A discussion of long- and short-term financial obligations can be found on page 68.



Total Appropriations by Fund Type (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budge	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
General Fund	$ 3,289.5	$ 3,520.9	$ 3,679.5	$ 3,750.4	$ 3,500.8
Special Revenue Funds	443.4	491.8	464.9	416.7	400.8
Internal Service Funds	319.6	333.5	353.9	371.9	348.9
Debt Service Funds	125.6	234.5	152.3	183.5	81.5
Capital Project Funds	102.4	34.1	406.2	97.9	87.3
Enterprise Funds	17.8	29.4	30.3	23.7	23.4
Special Districts & Redevelopment Funds	76.6	87.5	101.1	99.4	94.0
Total	$ 4,374.8	$ 4,731.7	$ 5,188.1	$ 4,943.5	$ 4,536.6

Proprietary Fund Types

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.

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 the cost of provided services.

Examples include the Airport and Sanitation District Funds.

Special Districts & Redevelopment Funds

Special Districts are separate legal entities governed by the Board of Supervisors that provide for specialized public improvements and services deemed to benefit properties and residents financed by specific taxes and assessments. The special districts provide authorized services such as air pollution control, sanitation, flood control, road, park, lighting maintenance, fire protection or ambulance service to specific areas in the county.

Redevelopment Funds provide a method of eliminating slums and blighted areas, improving housing, expanding employment opportunities, and providing an environment for the social, economic and psychological growth, and well-being of all citizens of the county. They are used to account for the proceeds of redevelopment area incremental taxes, interest revenues and temporary loans. Redevelopment project expenditures, in accordance with California community redevelopment law, include redevelopment planning, design, improvement costs, professional services, and administrative costs.

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	Fiscal Year 2008-09
Gann Limit	$ 2,832	$ 2,949	$ 3,081	$ 3,300	$ 3,433	$ $3,619	$ $3,825
Appropriations subject to the limit	$ 597	$ 714	$ 717	$ 877	$ $1,002	$ $1,287	$ $1,340

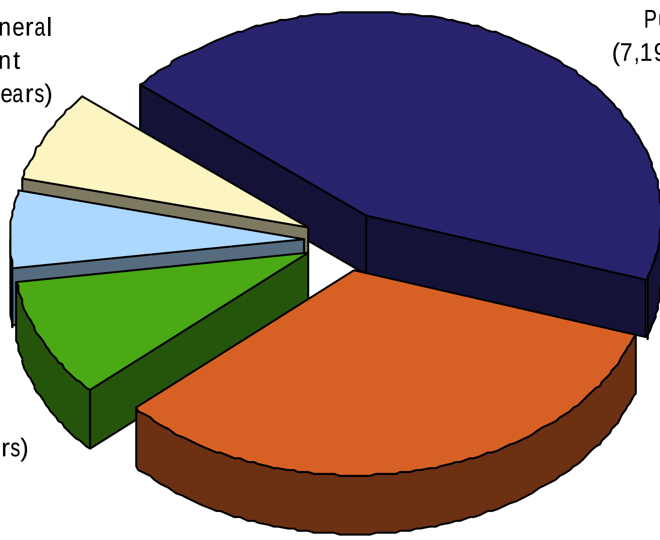
All Funds: Total Staffing

All Funds: Total Staffing

Proposed staff years[1] for Fiscal Year 2009-10 are 758.00 less than the Adopted Budget for Fiscal Year 2008-09, a decrease of 4.4% to 16,431.00 staff years. This decrease is directly attributable to the decline in the economy and the reduction in some instances of workload, but primarily of available State and local revenues. A net decrease of 13.00 staff years is expected in Fiscal Year 2010-11. The staffing changes are summarized below by Group.

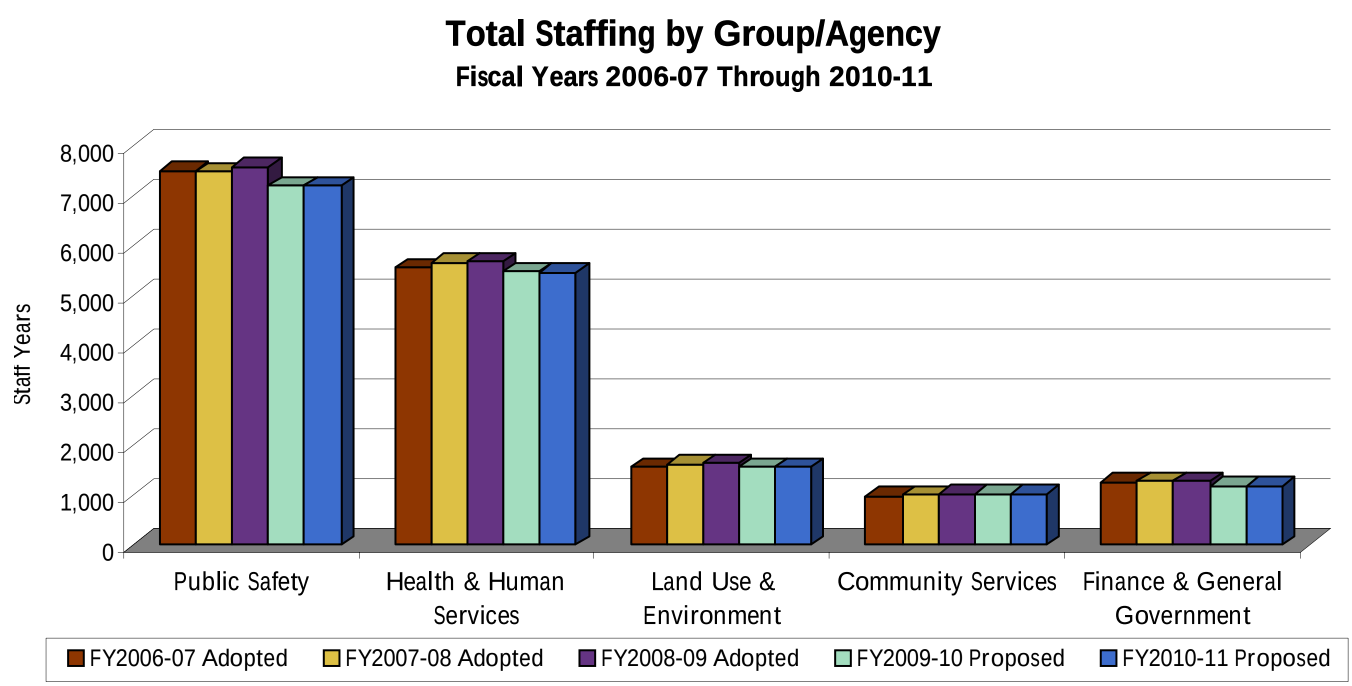
Total Staffing by Group/Agency

Fiscal Year 2009-10: 16,431 Staff Years



[1] One staff year equates to one permanent employee working full-time for one year.

The **Public Safety Group (PSG)** proposes a net decrease of 383.50 staff years or 5.1% to align staffing with available revenues. The Sheriff's department decreases by 200.50 staff years resulting from the transfer of inmates and the closure of the Descanso Detention Facility, decentralization of law enforcement operations, delayed implementation of the DNA Rapid Response Team and delayed equipment replacement. Decreases in the Public Defender of 9.00 staff years and in the Alternate Public Defender of 5.00 staff years are due to a reduction in State funding for juvenile dependency representation. Service delivery will be redesigned and aligned with available resources. These changes may result in delays in



Total Staffing by Group/Agency (staff years)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
Public Safety	7,487.00	7,475.50	7,574.50	7,191.00	7,191.00
Health & Human Services	5,552.92	5,663.00	5,677.50	5,477.00	5,466.00
Land Use & Environment	1,559.00	1,612.00	1,643.00	1,562.00	1,562.00
Community Services	974.00	1,009.00	1,013.00	1,019.00	1,019.00
Finance & General Government	1,271.00	1,281.00	1,281.00	1,182.00	1,180.00
Total	16,843.92	17,040.50	17,189.00	16,431.00	16,418.00

court proceedings, case preparation, and investigation. Child Support Services decreases by 11.00 staff years due to flat State funding and continues to utilize business process reengineering to streamline their organization. The Medical Examiner decreases by 5.00 staff years and changes in operations may include delays in the issuance of reports and notifications. The Office of Emergency Services decreases by 3.00 staff years and changes to operations will include delays in geospatial data systems planning, hazard mitigation planning, and public education and outreach. The Probation Department decreases by 149.00 staff years due to reductions in State funding and the decline in local resources. Changes in Adult Field Services will result in decreased supervision of probation offenders assessed to be at a mid-level risk of re-offending, reductions to the Youthful Offender Re-entry program and reductions in services to mentally ill offenders and to offenders needing substance abuse services. A reduction of staff in Institutional Services will reduce support function resources in the juvenile institutions and reduce opportunities for offenders to participate in Work Projects. Staff reductions in Juvenile Field Services will result in reduced services to mentally ill juvenile offenders, reduced participation in task forces and the removal of Probation officers from certain schools because the schools have ended their contracts for those officers. Referrals and early intervention services provided through the Community Assessment Teams and Truancy Supervision Services will be reduced. The Public Safety Group Executive Office decreases by 1.00 staff year and will share resources for information technology with the Chief Technology Office. Although the District Attorney is not decreasing staff years, funding is removed for 50 currently vacant positions with the number of vacant positions projected to increase to 100 during the Fiscal Year 2009-10. The prosecution of felony and misdemeanor cases will remain a priority; however, changes in the District Attorney operations will impact the length of investigations, time for case preparation and time to bring cases to completion. In addition, services to the victims of crime will be delayed and fewer contacts with them will be possible.

The **Health and Human Services Agency (HHSA)** proposes a decrease of 200.50 staff years or 3.5% which is mainly due to the decline in the economy, especially with the loss of Realignment revenue (a combination of Sales Tax and Vehicle License Fees). The Agency will focus on providing mandated core services. Some of the staffing reductions will be felt by clients in the form of increased wait times or discontinued services, but in the majority of cases the reductions are mitigated through streamlining processes and reengineering work flow. Regional Operations decreases by 218.25 staff years primarily due to the transfer out of 180.75 staff years to other program areas. A decrease of 4.00 staff years is due to the elimination of the Well Child Visit program. The remaining decrease of 33.50 staff years is across multiple functions and is being accomplished through streamlining processes and reengineering workflow. Aging and Independence Services decreases by 28.00 staff years and will result in increased wait times in Adult Protective Services (APS) and in In-Home Supportive Services (IHSS), and in reducing nursing home visits to the minimum levels required by the State. Behavioral Health Services (BHS) decreases by 44.50 staff years. Decreases in Inpatient Health Services include a decrease of 23.50 staff years due to operational efficiencies achieved with the opening of the new Edgemoor facility and the transfer out of 11.00 staff years to the Department of General Services for assuming maintenance responsibilities at the new facility. Other decreases in Inpatient Health Services and in Mental Health Services are being absorbed by remaining staff through prioritization of the work and streamlining processes. Child Welfare Services increases by a net of 1.50 staff years. 19.00 staff years were transferred in from other programs, primarily from Regional Operations Child Welfare Services, to support operational needs and redeploy CWS positions to meet core CWS priorities. 2.50 staff years are being transferred to Administrative Support as part of the re-engineering of HHSA's human resources function and 15.00 staff years, associated with non-case carrying CWS positions, are being decreased due to the loss of revenue and mitigated via the streamlining of processes. Public Health Services increases by a net of 114.25 staff years primarily due to the transfer in of 146.75 staff from shifting California Children Services to Public Health and the reduction of 32.50 staff years associated with the loss of revenue. These reductions will require priorities to be shifted to primarily focus on essential and mandated public health services. It will reduce Public Health's ability to collect and maintain core public health data and will increase time to respond to community requests. Public Administrator/Public Guardian (PA/PG) decreases by 2.00 staff years, which will be absorbed through the prioritization of work and streamlining processes. Administrative Support decreases by 13.50 staff years, which is the net change after reorganizing the Agency's human resources function, implementing information technology improvements and reducing staff due to the loss of revenue. These reductions will have no impact to clients or service delivery. Staff in Administrative Support will absorb these reductions through prioritizing their work, streamlining processes, and focusing on core support services. Strategic Planning and Operational Support decreases by 10.00 staff years, which will result in no impacts to clients, but will also require administrative staff to prioritize their work and streamline processes.

In Fiscal Year 2010-11, HHSA decreases by 11.00 staff years due to additional operational efficiencies expected at the new Edgemoor facility.

The **Land Use and Environment Group (LUEG)** proposes a decrease of 81.00 staff years or 4.9%. Agriculture, Weights and Measures decreases by 16.00 staff years. Decreases are in the Veterinary Diagnostics Laboratory resulting in a reduction of necropsies and other laboratory tests, in the Pesticide Regulation Program as a result of improved efficiencies in regulatory activities, in the Plant Health and Pest Prevention Program as a result of the slow economy and the loss of revenue due to fewer issuances of phytosanitary certificates (certificates that certify that plants or plant products have been inspected and free of insects or diseases), and in the Environmental Issues Program due to operational changes and consolidation of duties. Environmental Health decreases by 8.00 staff years due to reductions in project submittals for septic, water well permits and land use projects in the Land and Water Quality Division. Farm and Home Advisor decreases by 2.00 staff years due to the consolidation of administrative functions with the Department of Agriculture, Weights and Measures. Parks and Recreation decreases by 8.00 staff years as a result of a reduction in available funding. A reduction of 5.00 staff years in the Operations Division will affect the hours of operations of community centers and park preserves. There was also a reduction of 3.00 staff years in support services. Planning and Land Use decreases by a net of 28.00 staff years and includes a decrease of staff in the Advance Planning Division due to a reduction in workload and available funding, a decrease of staff in the Multiple Species Conservation Program (MSCP) Division that will result in delays in the development of the East and North County plans, the transfer of staff to the Department of Public Works to consolidate Watershed Protection activities, a decrease of staff in the Building Division directly related to a downturn in building permit and plan check activity, and a decrease of a staff year in the Fire Authority program as a result of a reorganization of administrative duties within the department. A net increase of 4.00 staff years in Project Planning is due to the transfer in of 11.00 staff years from Public Works for Permit Counter activities and is offset by a decrease of staff years due to a reduction in discretionary permit processing cases. The Department of Public Works decreases a net of 16.00 staff years. A decrease of 22.00 staff years in the Road Fund is due to a decreased workload and revenues for discretionary permits, decreased gas tax revenue and to the transfer out of 11.00 staff years (Permit Counter) to the Department of Planning and Land Use. Increases in the Road Fund are due to the transfer in of 1.00 staff year from the Land use and Environment Group Executive Office and the transfer in of 5.00 staff years from the Department of Planning and Land Use to consolidate Watershed Protection activities. The LUEG Executive Office decreases by 4.00 staff years due to the deletion of 1.00 staff year as a result of a reduction in available funding, and the transfer out of three staff (1.00 staff year to the Department of Planning and Land Use, 1.00 staff year to the Department of Public Works and 1.00 staff year to SanGIS) as part of a reorganization of duties and responsibilities. San Diego Information Source (SanGIS) increases by 1.00 staff year which was transferred from the LUEG Executive Office to oversee SanGIS.

The **Community Services Group (CSG)** proposes an increase of 6.00 staff years or 0.6%. The Department of General Services has a net increase of 7.00 staff years, which includes the transfer in of 11.00 staff years resulting from the shift of responsibility for the maintenance of the Edgemoor Hospital Distinct Part Skilled Nursing Facility from the Health and Human Services Agency, offset by a decrease of 4.00 staff years as a result of using contracted landscaping services. Animal Services proposes a decrease of 1.00 staff year as a cost reduction strategy in response to lower revenues due to the downturn in the overall economy.

The **Finance and General Government Group (FGG)** proposes a decrease of 99.00 staff years or 7.7% due to a reduction of available funding. The Assessor/Recorder/County Clerk decreases by 64.50 staff years resulting from the elimination of public services in two branch offices, elimination of Saturday services, a reduction of customer service hours, and elimination of Weddings on the Web. The Auditor and Controller decreases by 18.00 staff years, which will result in staff reassignments, cross-training and altered work functions. The Treasurer-Tax Collector decreases by 2.00 staff years and this will impact service levels for enforcement of collections. The department has taken action to minimize the impact of the loss of staff through business process reengineering. County Counsel decreases by 4.00 staff years primarily in advisory services. Human Resources decreases by 4.00 staff years and this will result in delays in hiring and classification reviews. The FGG Executive Office decreases by 3.00 staff years resulting in the elimination of resources available to provide administrative financial support to Finance and General Government Group departments. The Board of Supervisors decreases by 3.00 staff years and the Chief Administrative Office decreases by 0.50 staff year.

In Fiscal Year 2010-11, County Counsel decreases by an additional 2.00 staff years due to a reduction in available funding which reflects the impact of the downturn in the overall economy.

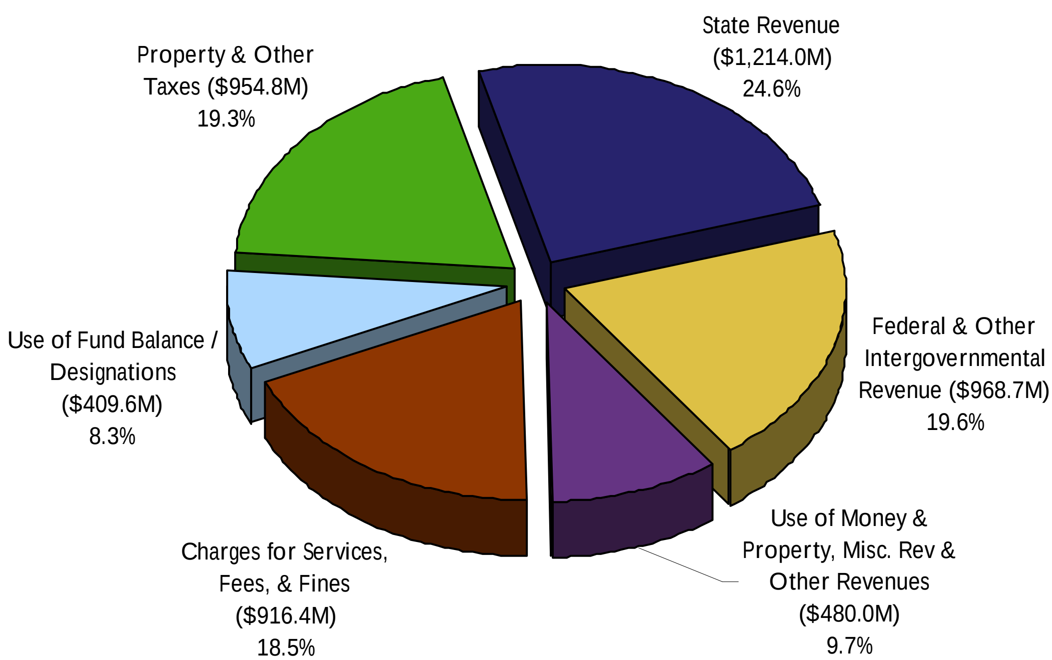
More detail on staff year changes can be found in each Group/Agency section of the Operational Plan that begins on page 85.

All Funds: Total Funding Sources

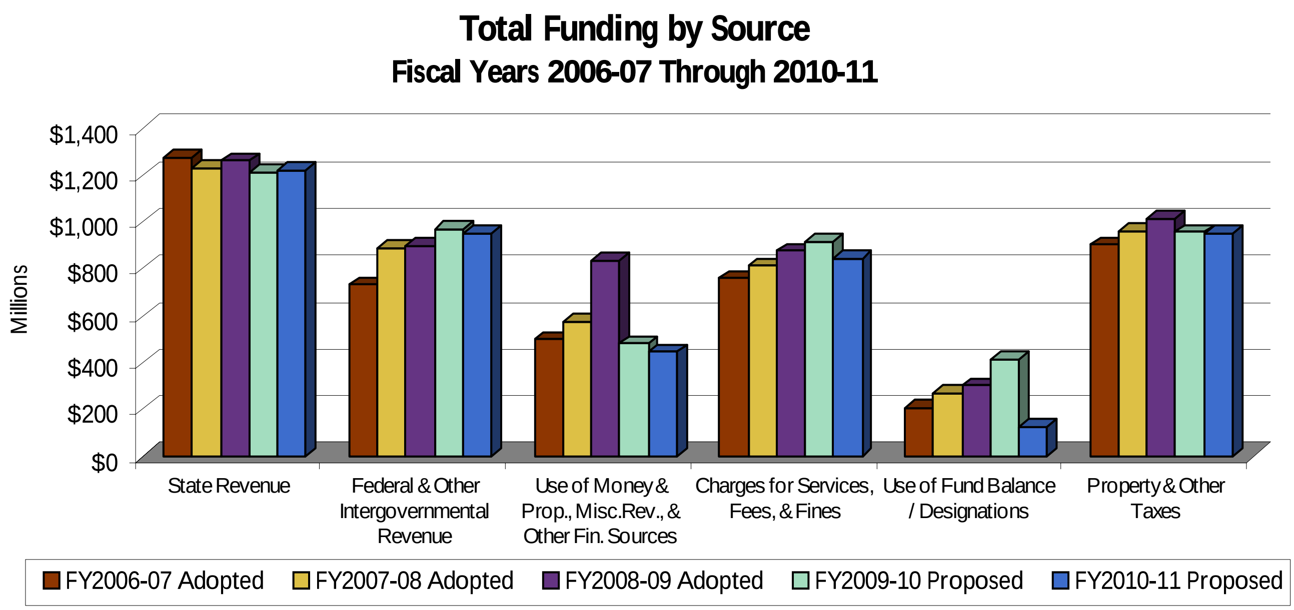
Total Funding by Source

Total resources available to support County services for Fiscal Year 2009-10 are expected to be $4.94 billion, a decrease of $244.7 million or 4.7% from the Fiscal Year 2008-09 Adopted Budget. Total resources are anticipated to decrease further by $406.9 million or 8.2% to $4.54 billion in Fiscal Year 2010-11. For Fiscal Year 2009-10, the combination of State Revenue ($1.2 billion), federal revenue ($887.0 million), and other intergovernmental revenue ($81.7 million) supplies 44.2% of the financing sources for the County's budget. Another 36.5% ($1.8 billion) comes from the combination of charges for current services, fees, and fines, use of money and property, miscellaneous revenues, interfund operating transfers, fund balance, and reserve/designation decreases.

Total Funding by Source
Fiscal Year 2009-10: $4.94 billion



Finally, locally generated, general purpose funding sources, including property tax, property tax in lieu of vehicle license fees, sales tax, real property transfer tax, transient occupancy tax, and miscellaneous other revenues, account for 19.3% ($954.8 million) of the financing sources for the County's budget.



Total Funding by Source (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
State Revenue	$ 1,275.4	$ 1,230.5	$ 1,262.2	$ 1,214.0	$ 1,220.6
Federal Revenue	619.9	797.5	816.2	887.0	874.7
Other Intergovernmental Revenue	112.9	91.8	81.8	81.7	79.6
Use of Money & Property, Miscellaneous Revenue, and Other Financing Sources	498.9	572.0	837.8	480.0	443.7
Charges for Services, Fees, and Fines	757.8	811.7	875.4	916.4	840.9
Property & Other Taxes	903.0	957.5	1,013.5	954.8	952.5
Reserve/Designation Decreases	4.2	57.6	2.3	7.8	20.6
Use of Fund Balance	202.8	213.1	298.8	401.9	104.0
Total	$ 4,374.8	$ 4,731.7	$ 5,188.1	$ 4,943.5	$ 4,536.6

Overall Change — The $244.7 million decrease in the Proposed Fiscal Year 2009-10 Budget is the net of increases in some funding sources and decreases in others. In the table above, Federal Revenue; Charges for Services, Fees, & Fines; Reserve/Designation Decreases and Use of Fund Balance increase a combined $220.3 million. Reductions totaling $465.0 million are in the categories of State Revenues, Property & Other Taxes, Use of Money and Property, Miscellaneous & Other Revenues, and Other Intergovernmental Revenue.

Change by Source

State Revenue is projected to decrease by $48.3 million overall in Fiscal Year 2009-10. Of this total, there are decreases in the Public Safety Group (PSG) of approximately $29.2 million, in the Health and Human Services Agency (HHSA) of $15.5 million, in the Land Use and Environment Group (LUEG) of $1.2 million, in the Community Services Group (CSG) of $3.7 million and in Finance Other of $0.2 million, partially offset by an increase in the Capital Program of $1.6 million. The decrease in PSG includes an estimated $25.0

million reduction in Proposition 172, *Local Public Safety Protection and Improvement Act,* sales tax revenues. Please see the General Fund Financing Sources by Category section for more information on Proposition 172 funding. An additional $4.2 million in reductions is related to funding reductions for grants and victims support in the District Attorney's Office and a net reduction in state funding in Probation including a decrease in Juvenile Justice Crime Prevent Act funding. HHSA's net decrease of $15.5 million is based on expected reductions in Realignment revenues of $43.8 million offset by increases of $28.3 million primarily in Behavioral Health Services with the continued expansion associated with Mental Health Services Act (MHSA) and in Aging and Independence Services related to growth in the In-Home Supportive Services program. Please see the General Fund Financing Sources by Category section for more information on Realignment funding. The $3.7 million decrease in CSG is partially due to a decrease in funding in the Registrar of Voters for Senate Bill 90, *Tax Relief Act,* reimbursements and a decrease in funding associated with multi-year projects in Housing and Community Development. Finally, the partial offset in the Capital Program is related to funding for the San Luis Rey Park acquisition project from Proposition 40, *California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002,* State bond funds.

Federal Revenue is projected to increase by 8.7% ($70.7 million). The anticipated net increase is primarily in HHSA and it is expected to total $74.2 million, but it also includes increases in PSG of $1.5 million, an increase in the Capital Program of $4.3 million, and an increase in Finance Other of $0.4 million, as well as decreases in LUEG of $6.7 million and in CSG of $3.0 million. In HHSA, increases are in Behavioral Health Services associated with leveraging federal mental health services funds and in managed care with increased federal financial participation percentages offsetting the loss of Mental Health Realignment funding, in Aging and Independence Services related to In-Home Supportive Services provider payments and corresponding federal financial participation increases, and in Regional Operations associated with CalWORKs Assistance Payments based on caseload growth. The projected increase in PSG is in the District Attorney's Office and it is associated with grants for the Office of Violence Against Women North County Program and for the Project Safe Neighborhood Program. The increase in the Capital Program is related to federal funding towards the Edgemoor Skilled Nursing Facility debt service payment. A reduction in federal revenue occurs in LUEG in the Department of Public Works in Federal Aid Airports for completed projects and in CSG in the Department of Housing and Community Development associated with a decrease in funding for multi-year projects.

Other Intergovernmental Revenue is projected to decrease by $0.1 million overall.

Use of Money & Property, Miscellaneous Revenue, and Other Financing Sources

Revenue from Use of Money & Property is anticipated to decrease a net $7.8 million in Fiscal Year 2009-10. The decrease is primarily in Finance Other. A decrease in total interest on deposits and investments is projected for the County's discretionary General Purpose Revenue as well as for the Public Liability ISF and the Employee Benefits ISF based on anticipated interest rate declines. In HHSA, a budgeting change is being made for the Tobacco Settlement Funds in order to reflect projected interest earned from investments of $10.5 million instead of budgeting use of fund balance.

Miscellaneous Revenues are anticipated to decrease by $47.6 million. The decreases in Finance Other include a reduction from Fiscal Year 2008-09 in one-time funding of $14.5 million for the replacement of the San Pasqual residences and administrative buildings that were destroyed in Firestorm 2007 and a reduction of $22.0 million in the Pension Obligation Bond Fund with the termination of the swap agreements on July 30, 2008. Further, the Department of Public Works in LUEG had a net decrease in miscellaneous revenues as a result of a shift in the reporting of revenues in Inactive Waste Site Management Operations and in the Flood Control District by a combined $10.6 million that is being partially replaced with charges for current services.

Other Financing Sources are anticipated to decrease by a net of $302.4 million. There is an overall decrease from Fiscal Year 2008-09 in one-time funding in Operating Transfers from the General Fund for various Capital Projects and from proceeds from long-term debt related to the County Operations Center (COC) and Annex Redevelopment project. In addition, Proposition 172 revenues have experienced sustained slowing; operating transfers from Proposition 172 are expected to decrease by $25.0 million in Fiscal Year 2009-10. These anticipated decreases will be partially offset by anticipated increases in Finance Other due to a contribution from the General Fund to support the pay down of the outstanding variable rate Pension Obligation Bond debt and due to increased Edgemoor lease payments and associated funding from the Edgemoor Development fund.

Charges for Services, Fees and Fines

Charges for Current Services are estimated to increase by a net of $42.5 million. Some of the increases across the County are in Child Welfare Services from First Five Commission revenue to support the Polinsky Children's Center and respite services; in Behavioral Health Services associated with Institutional Care reimbursement due to additional bed capacity at the new Edgemoor facility and a technical adjustment transfer from miscellaneous revenues; in Public Works associated with the shifting of budgeted revenues from miscellaneous revenues to charges for current services for Inactive Waste Site Management Operations and in the Flood Control District, as well as to increases in Road Fund and Sanitation Districts related activities; in General Services for increased cost reimbursement associated with contracted services, vehicle fuel, parts, and commercial repairs; in the Information Technology Internal Service Fund due to increased charges to departments for anticipated one-time information technology initiatives including the purchase of enterprise wide licenses 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 variable rate 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 2009-10. Some of the decreases across the County are in the Sheriff's Department associated with adjustments to contracted law enforcement services; in Contribution to Trial Court due to the decrease in document recording revenue; in the Assessor/ Recorder/County Clerk due to decreases in document recording revenue and Assembly Bill 2890, *Supplemental Tax Administrative Reimbursement and Recorded Document Fees*, recovered costs as a result of significant slowing in the real estate market; and in the Registrar of Voters as a result of fewer billable jurisdictions that participate in the Gubernatorial Primary Election as compared to the Presidential General Election.

Licenses, Permits & Franchises are estimated to decrease by $1.7 million. A portion of the decrease is in the Department of Planning and Land Use due to the loss of building construction permit revenue. The decrease in Department of Media and Public Relations (DMPR) is the result of the reclassification of the department to a General Fund organization. As part of this planned reclassification of DMPR, the cable and video license revenue previously recorded in the department will now be included in the General Purpose Revenues.

Fines, Forfeitures & Penalties are estimated to increase $0.2 million. The primary source of the increase is in Finance Other in the General Purpose Revenues associated with anticipated increases in various penalties and cost delinquency taxes and other fees and fines.

Property and Other Taxes are anticipated to decrease $58.7 million. The overall decrease is primarily in the General Fund, and it is the result of an assumed 2.5% decrease in the local assessed value for Fiscal Year 2009-10 property taxes and an anticipated decrease in current supplemental property taxes as a result of the significant decline in real estate prices. (See the section on General Purpose Revenue by Source beginning on page 53 for more information on the changes in these funding sources.)

The use of **Reserves/Designations** is proposed to increase by $5.5 million compared to Fiscal Year 2008-09. The increases in the use of Reserves/ Designations are primarily in Environmental Health and the Registrar of Voters.

Finally, the **Use of Fund Balance** is proposed to increase by $103.0 million due to normal fluctuations in one-time projects as well as the proposed use of fund balance to establish a designation for economic uncertainty of $100.0 million.

See the individual Group/Agency sections of this Operational Plan beginning on page 85 for the breakdown of financing sources by department.

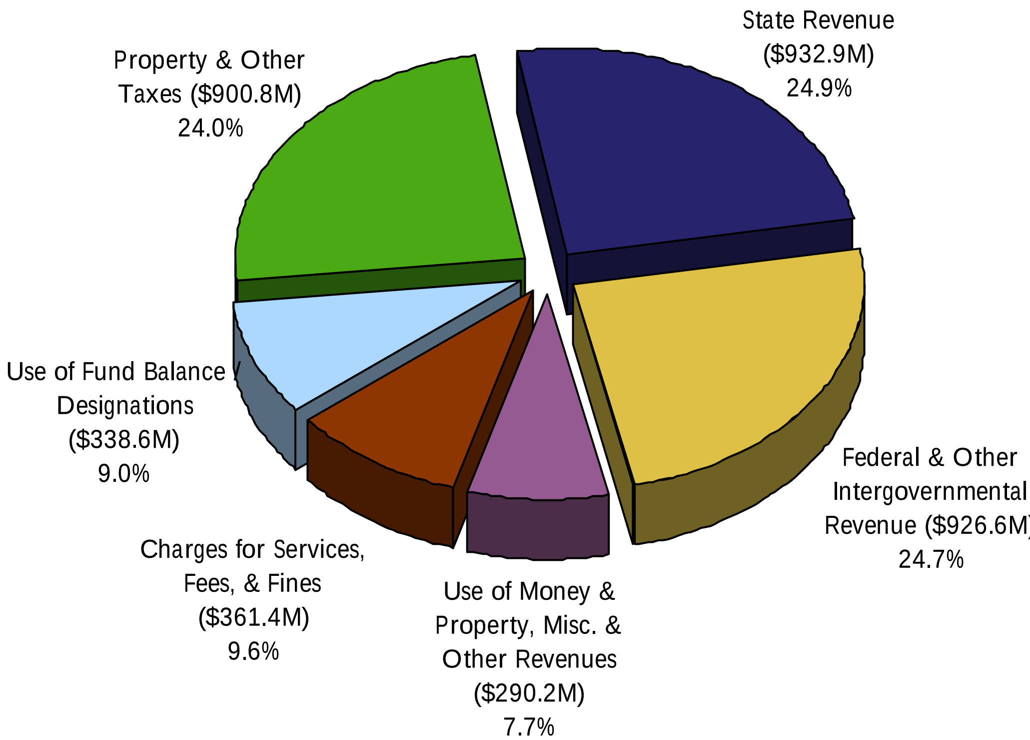
The following section looks at the General Fund portion of these funding sources.

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 $3.8 billion for Fiscal Year 2009-10, a $71.0 million or 1.9% increase from Fiscal Year 2008-09. In comparison, the previous seven fiscal years saw an average annual growth rate of 5.6%. The 1.9% increase for Fiscal Year 2009-10 includes the one-time use of fund balance to establish a designation for economic uncertainty of $100.0 million. Excluding this entry, General Fund Financing Sources would actually decrease by $29.0 million or 0.7% from Fiscal Year 2008-09. This proposed budget reflects the continued constriction in the economy and estimates of available program revenues.

General Fund Financing Sources
Fiscal Year 2009-10: $3.75 billion



Further slowing is expected in Fiscal Year 2010-11. General Fund Financing Sources are expected to decrease by $249.6 million or 6.6% in Fiscal Year 2010-11. Program and general purpose revenues are expected to grow by a combined 0.5%, but a reduction in the planned use of fund balance in Fiscal Year 2010-11 results in an overall decrease in financing resources from Fiscal Year 2009-10. Proposed uses of fund balance in Fiscal Year 2010-11 are tentative and subject to revision during the next Operational Plan development cycle.

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 revenue changes in the General Fund were incorporated in the discussion in the All Funds: Total Funding section, they will not be repeated here.

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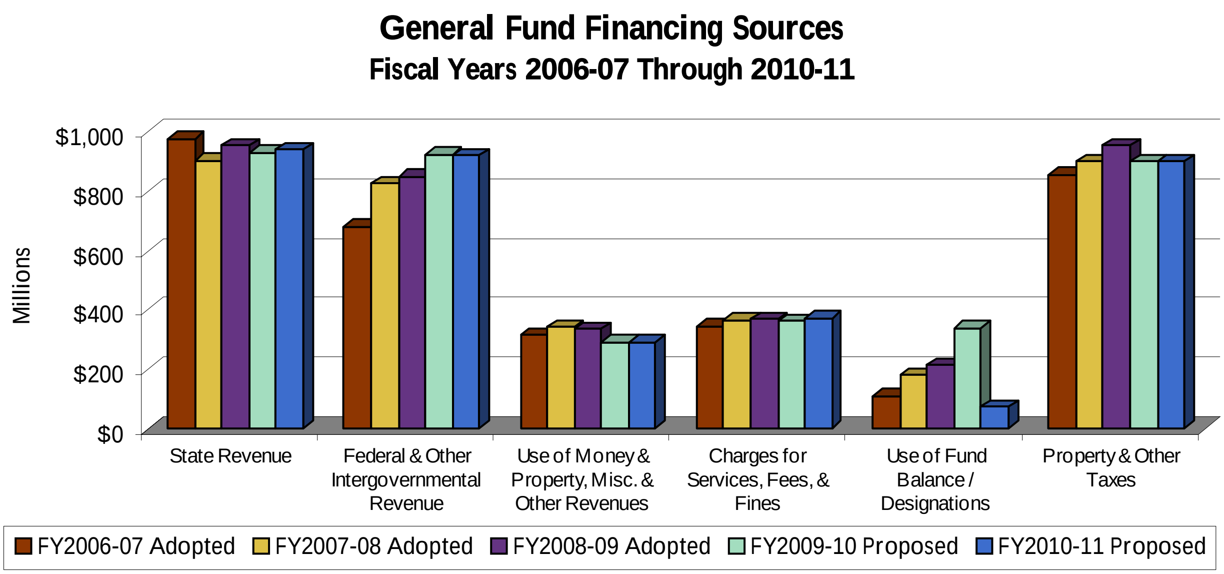
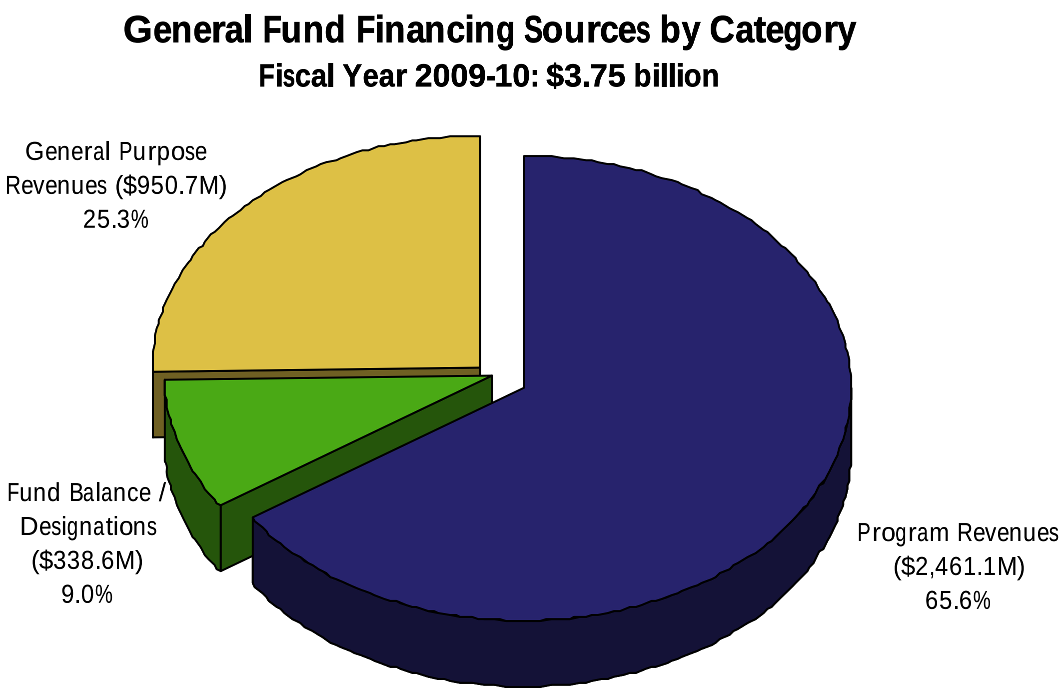


General Fund Financing Sources (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
State Revenue	$ 979.6	$ 903.8	$ 954.4	$ 932.9	$ 942.2
Federal & Other Intergovernmental Revenue	683.2	827.9	849.4	926.6	922.0
Use of Money & Property, Miscellaneous Revenue and Other Financing Sources	315.8	340.5	334.9	290.2	291.6
Charges for Services, Fees, & Fines	345.6	366.2	369.4	361.4	371.5
Use of Fund Balance/Reserves	108.5	180.4	214.9	338.6	71.4
Property & Other Taxes	856.8	902.2	956.5	900.8	902.1
Total	$ 3,289.5	$ 3,520.9	$ 3,679.5	$ 3,750.4	$ 3,500.8

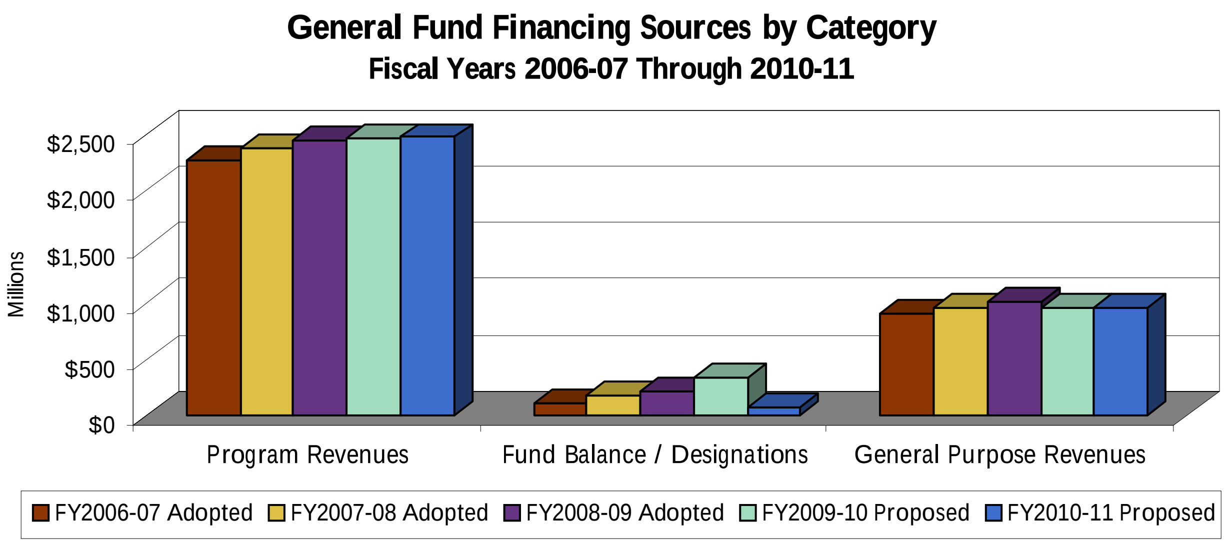
General Fund Financing Sources by Category

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 65.6% of General Fund Financing Sources in Fiscal Year 2009-10, 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 0.5% over the Fiscal Year 2008-09 Adopted Budget compared to an average annual growth for the last six years of 3.6%. The Health and Human Services Agency manages 69.5% of the program revenues; the Public Safety Group manages 22.9%; and the balance is managed across the County's other service delivery groups. Following are some of the largest and most closely watched Program Revenues. Please see the individual Group/Agency sections beginning on page 85 for more specific information on the various other program revenues.

- **Health and Social Services Realignment Revenues** ($271.2 million in Fiscal Year 2009-10 and $275.2 million in Fiscal Year 2010-11) 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 revenues to pay for these services. Between Fiscal Years 2001-02 and 2006-07, annual revenue growth averaged 4.9%. Revenues declined by 0.7% in Fiscal Year 2007-08 which represented the earlier stages of the economic downturn. For Fiscal Year 2008-09, a modest increase over the Fiscal Year 2007-08 actual revenues was anticipated, but instead the economy sharply contracted with actuals now projected to be



General Fund Financing Sources by Category (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
Program Revenues	$ 2,274.7	$ 2,376.9	$ 2,449.9	$ 2,461.1	$ 2,476.4
Fund Balance / Designations	108.5	180.4	214.9	338.6	71.4
General Purpose Revenues	906.3	963.6	1,014.7	950.7	952.9
Total	$ 3,289.5	$ 3,520.9	$ 3,679.5	$ 3,750.4	$ 3,500.8

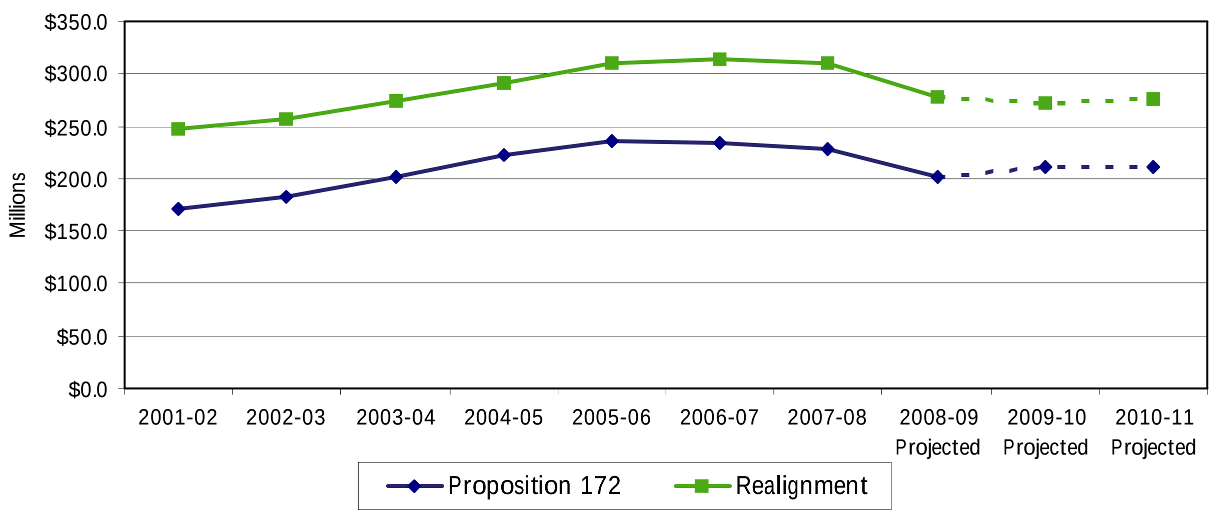
below the prior year by 10.9%. For Fiscal Year 2009-10, these revenues are expected to be below the Fiscal Year 2008-09 projected actual amount by 2.1% ($5.7 million). It is anticipated that the economy will keep these revenues relatively flat in Fiscal Year 2010-11. The chart on the following page shows the realized revenues for Health and Social Services Realignment from Fiscal Year 2001-02 through 2007-08 and projected levels for Fiscal Years 2008-09 through 2010-11.

- **Proposition 172 - Public Safety Sales Tax Revenues** ($210.9 million in Fiscal Year 2009-10 and $210.9 million in Fiscal Year 2010-11) 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 2001-02 and 2005-06, annual revenue growth averaged 8.3%. Fiscal Year 2006-07 saw a small decline of 0.7%, followed by a further drop of 3.1% in Fiscal Year 2007-08 due to the slowing in several sectors of the economy that influence retail sales. For Fiscal Year 2008-09, a modest increase over the Fiscal Year 2007-08 actual revenues was anticipated, but instead actuals are now projected to fall from prior year levels by 11.4% due to the decline in the economy. For Fiscal Year 2009-10, these revenues are expected to be below the Fiscal Year 2008-09 budgeted amount by 10.6% ($25.0 million), but there is some risk to this estimate. For Fiscal Year 2010-11, revenues are projected to remain unchanged. The chart on the following page shows the realized revenues for Proposition 172 from Fiscal Years 2001-02 through 2007-08 and projected levels for Fiscal Years 2008-09 through 2010-11. As a result of this decrease, general purpose revenues are being substituted to maintain core services in these three departments. See also, the discussion of General Purpose Revenue allocations on page 53.

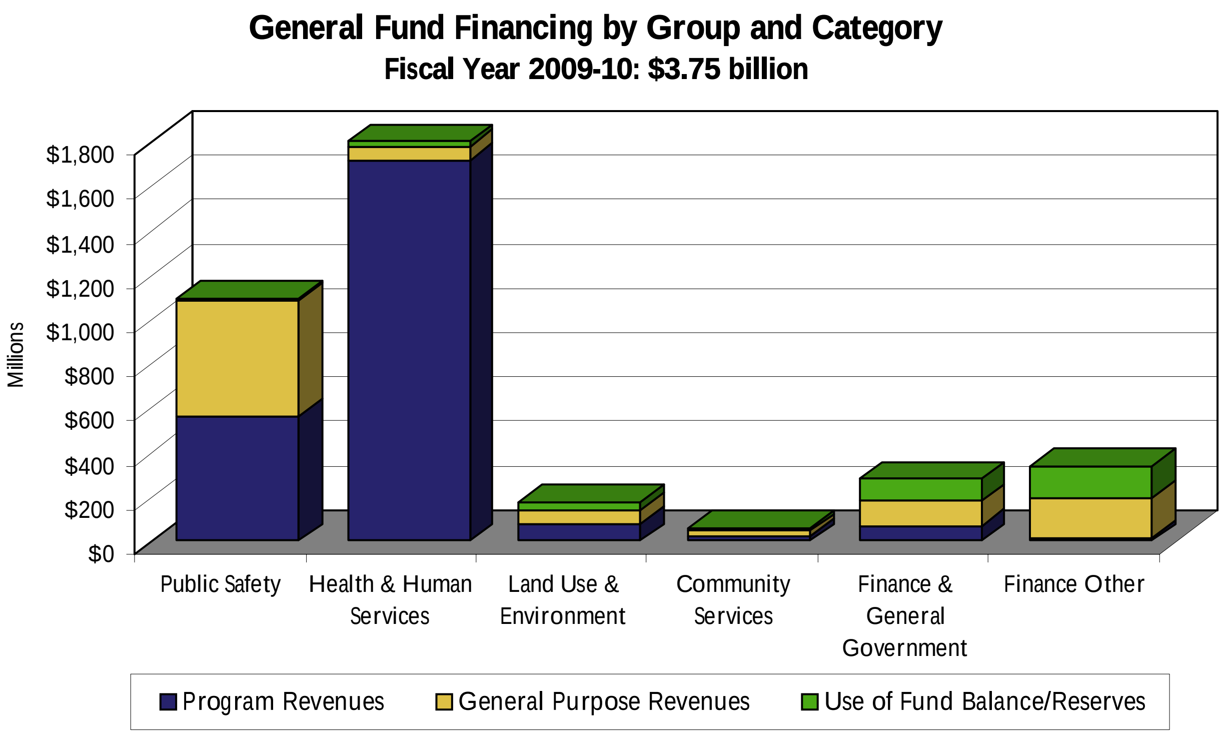
- **Tobacco Settlement Revenues** ($32.5 million in Fiscal Year 2009-10 and $24.2 million in Fiscal Year 2010-11) by Board of Supervisors policy are dedicated to healthcare-based programs. These revenues are the result of the historic Master Settlement Agreement in 1998 between the California Attorney General and several other states and the four major tobacco companies. 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 $32.5 million proposed to be utilized in Fiscal Year 2009-10 reflects $8.3 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 2009-10. A request will be submitted to the Board if the additional resources are needed.

Proposition 172 and Realignment Sales Tax Revenue
Fiscal Year 2001-02 to Fiscal Year 2010-11



Notes: 2001-02 to 2007-08 figures represent actual revenue. 2008-09 figure represents projected revenue as of March 2009. 2009-10 and 2010-11 figures represent projected revenue as of March 2009 and included in the Fiscal Year 2009-11 CAO Proposed Operational Plan.



General Purpose Revenues (GPR) make up 25.3% of General Fund Financing Sources. Please see the separate discussion of General Purpose Revenues beginning on page 53.

Use of Fund Balance/Designations ($338.6 million in Fiscal Year 2009-10 and $71.4 million in Fiscal Year 2010-11), including reserve/designation decreases, represents 9.0% of General Fund Financing Sources in Fiscal Year 2009-10. 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 2009-10, that amount would be $95.1 million. It is proposed instead to create a fund balance designation to represent this target. The target would be set at $100.0 million, slightly above the 10% level.

The following list details the various proposed uses of fund balance in Fiscal Year 2009-10:

- Designation for Economic Uncertainty,
- One-time capital needs for the volunteer fire protection districts via the Fire Protection and Emergency Medical Services Grant Program,
- Moving and one-time occupancy costs for the Medical Examiner Facility,
- Moving and one-time occupancy costs for the relocation of Probation Work Projects from the County Operations Center,
- Regional Communication System enhancement project - Point Loma site,
- Equipment replacement in the Medical Examiner's Office,
- Business Process Reengineering, Imaging and IT initiatives in the Health and Human Services Agency,
- Disaster claims consultant,
- Beach water quality testing,
- Vegetation and debris cleanup of parklands,
- Major maintenance projects,

- Service First "land use" reengineering activities,
- Winery Environmental Impact Report rebudget,
- General Plan Update/Zoning Ordinance project costs,
- One-time public nuisance abatement costs,
- Move Up and Cover/Volunteer program,
- Fire Fuels Reduction Program matching funding,
- Future disaster damage assessment preparedness - camera, Global Positioning System (GPS) equipment and miscellaneous other gear,
- Firestorm 2007 permit fee waiver offset,
- Planning and Land Use code enforcement temporary staffing and abatement support,
- Fire prevention equipment for volunteers,
- Planning and Land Use Building Division temporary core services support,
- Inland Rail Trail project management,
- Valley Center Interpretive Trail signs,
- Sweetwater utility conversion,
- Assorted stormwater, residential pest management, and flood control costs,
- One-time funding for the Environmental Trust Fund to sustain operations in future years at County owned inactive or closed landfills,
- Media and Public Relations one-time projects,
- Workforce Academy for Youth (WAY) program,
- Leave balance payoffs for employees leaving County service,
- Various information technology projects, such as:
  - Document imaging,
  - Infrastructure and upgrade needs in the District Attorney's Office,
  - Land Use and Environment Group Business Case Management System,
  - Geographic Information System enhancements,
  - Graphic computer upgrades,
  - Animal Services ultra sound equipment,
  - Registrar of Voters IT enhancements and equipment,
  - Integrated Recording/Vitals System development,
  - Planning and Land Use back file conversion,
  - Reconfiguration of the Documentum enterprise content management application and environment,
  - One-time County Technology Office initiatives, and
  - Oracle Financials and PeopleSoft system upgrades, and implementation of the Integrated Property Tax System,
- Augmentation of the Edgemoor Development Fund,
- Early principal pay-down on the Series 2008B Pension Obligation Bonds,
- Multiple Species Conservation Program (MSCP) land acquisition,
- Grants provided to community organizations, and
- Management reserves.

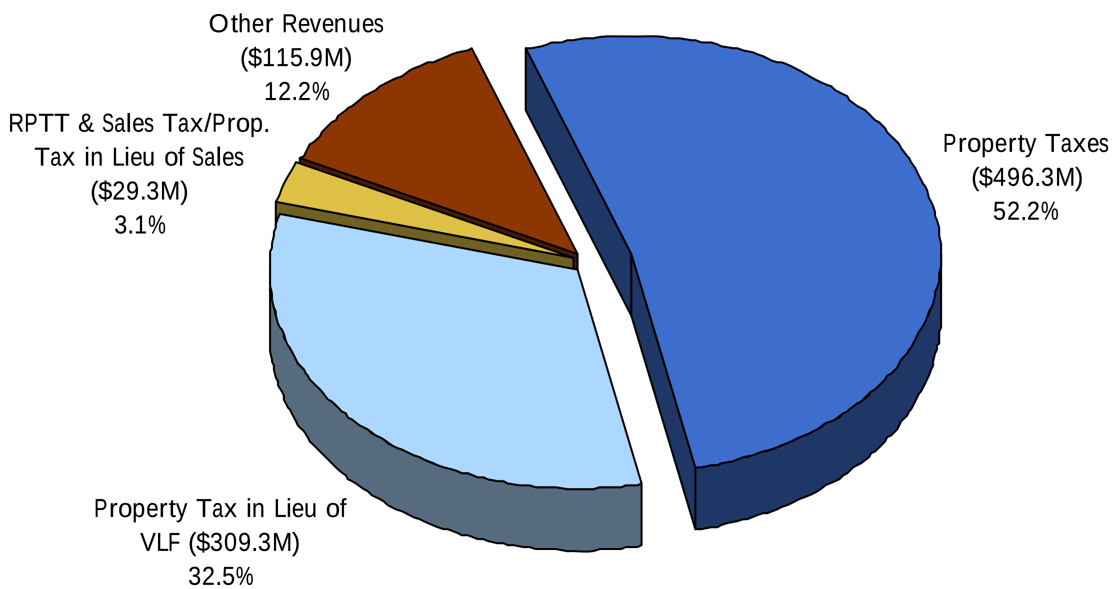
General Purpose Revenues

General Purpose Revenues by Source

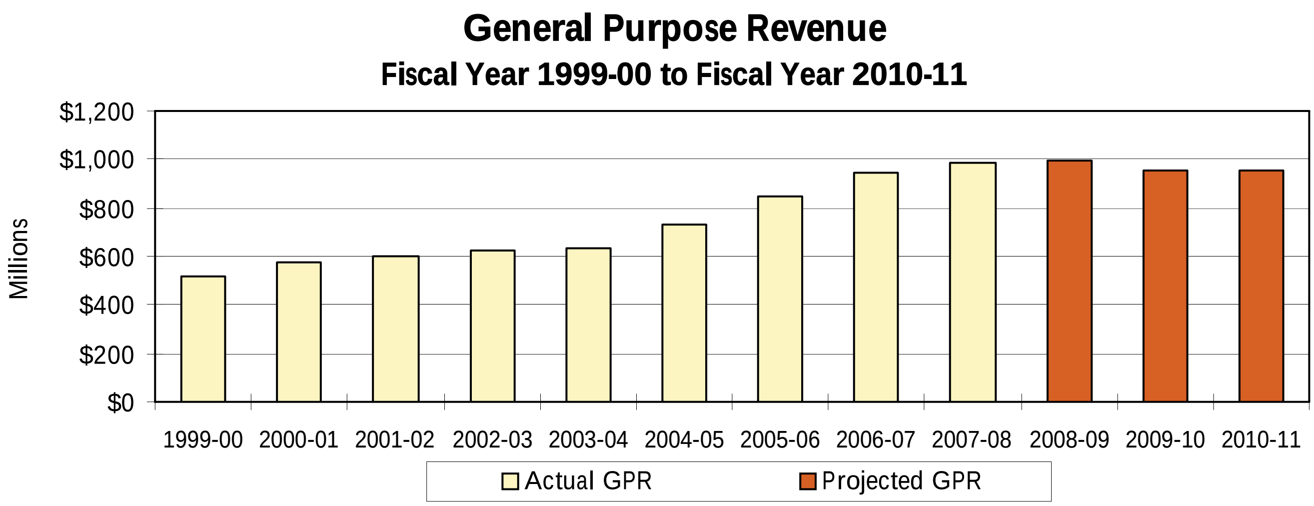
General Purpose Revenues (GPR) represents approximately 25.3% of the General Fund's Financing Sources. The revenues come from property taxes, property tax in lieu of vehicle license fees (VLF), sales tax, real property transfer tax (RPTT) and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board of Supervisors, therefore, has the greatest flexibility in allocating these revenues. Details of the major components of General Purpose Revenues are discussed below.

General Purpose Revenues by Source

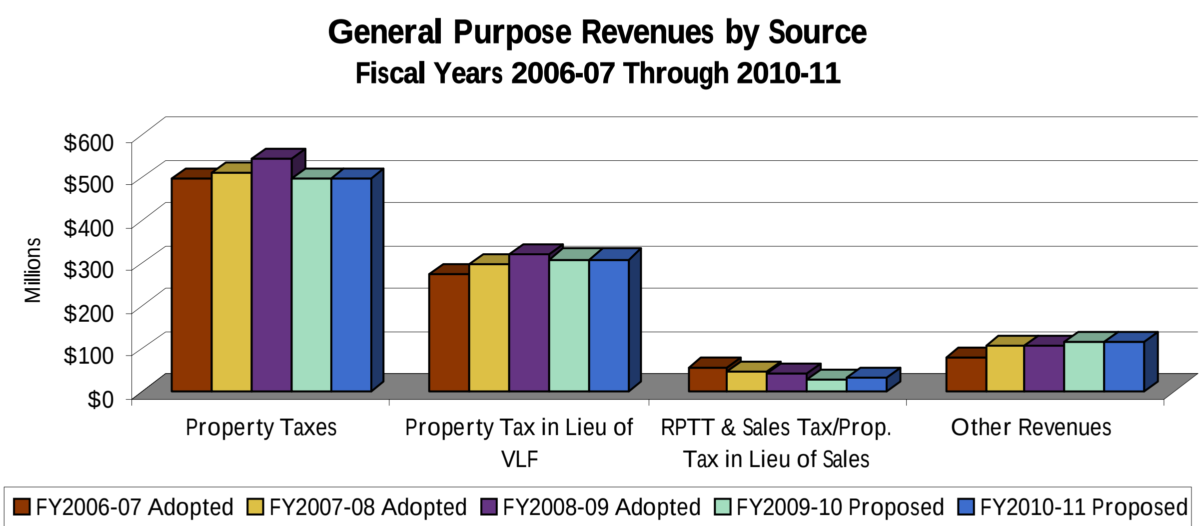
Fiscal Year 2009-10: $950.7 million



The recessionary economy is having a significant impact on GPR. From Fiscal Year 1999 - 2000 through Fiscal Year 2007-08, GPR grew by an annual average of $58.8 million. That trend has slowed considerably. During Fiscal Year 2008-09 the estimate of GPR has been revised downward to $992.2 million, which is 2.2% less than the $1,014.7 million budgeted. For Fiscal Year 2009-10, GPR is expected to decline further by $41.5 million to $950.7 million and then edge up to $952.9 million in Fiscal Year 2010-11. See the chart on the following page for an historical view of GPR.



Notes: General Purpose Revenue (GPR) is projected for 2008-09 based on the 3rd Quarter estimate produced in April 2009. GPR projections for 2009-10 and 2010-11 are included in the 2009-11 CAO Proposed Operational Plan.

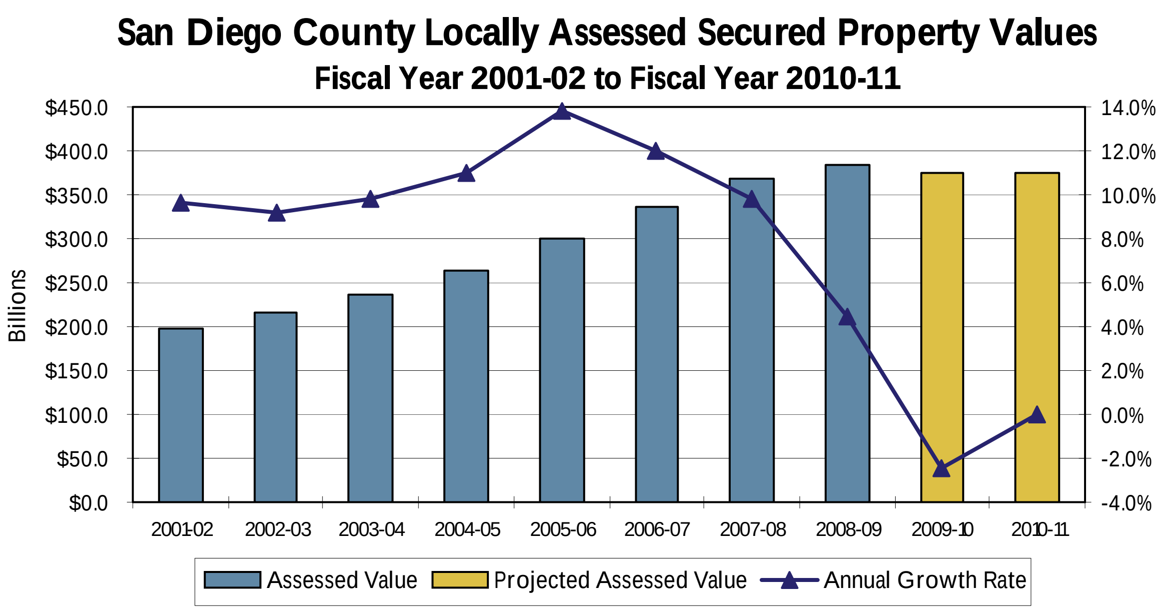


General Purpose Revenues by Source (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
Property Taxes	$ 499.3	$ 511.4	$ 543.1	$ 496.3	$ 496.9
Property Tax in Lieu of VLF	274.5	297.1	321.0	309.3	309.3
RPTT & Sales Tax/Prop. Tax In Lieu of Sales Tax	54.2	46.2	42.5	29.3	31.1
Other Revenues	78.4	108.9	108.2	115.9	115.6
Total	$ 906.3	$ 963.6	$ 1,014.7	$ 950.7	$ 952.9

Property Tax Revenue, ($496.3 million in Fiscal Year 2009-10 and $496.9 million in Fiscal Year 2010-11), including current secured, current supplemental, and current unsecured, at 52.2% of the total, is the most significant source of General Purpose Revenues. For Fiscal Year 2009-10, budgeted property tax revenue is $46.8 million or 8.6% lower than budgeted for Fiscal Year 2008-09. Property tax revenue growth of 0.1% or $0.6 million is projected for Fiscal Year 2010-11.

The decline in property tax revenue is based on the current soft commercial and residential real estate conditions as evidenced by the reduction in building permits, year over year decline in the median price of homes, sustained high level of notices of default and foreclosure, and continued slowing in total deeds recorded. Factors that are expected to help stabilize the real estate market include relatively low interest rates, the area's population growth and federal Economic Stimulus actions. The table below presents a summary of historical and projected property tax revenues to show the changes by category.

Current Secured property taxes ($479.2 million in Fiscal Year 2009-10 and $480.2 million in Fiscal Year 2010-11) are budgeted to decrease by $32.7 million in Fiscal Year 2009-10 over the adopted level for Fiscal Year 2008-09. The Fiscal Year 2009-10 amount assumes a 2.5% decrease in the local secured assessed value over the actual current secured assessed value growth for 2008-09, and factors in an allowance for tax increment allocations to redevelopment agencies and an allowance for delinquent property tax payments. Given current real estate conditions, the budget for current secured property taxes also reflects a larger adjustment for tax roll corrections and for refunds on prior year assessments. Because the actual current secured assessed value growth for Fiscal Year 2008-09 fell short of the budgetary assumption (4.46% actual compared to the projected growth of 6.0%), and factoring in the adjustments mentioned above, the negative growth in secured property taxes on a budget to budget basis is -6.4%. Current real estate market conditions and the sustained weakness in supplemental property taxes, as described below, indicate continued slow growth in these revenues. For Fiscal Year 2010-11, local secured assessed value growth is assumed to be flat.



Notes: The projected locally assessed secured values assume a -2.5% growth in Fiscal Year 2009-10 and a 0% growth in Fiscal Year 2010-11
Source: San Diego County Auditor and Controller.

Current Supplemental property taxes ($0.3 million in Fiscal Year 2009-10 and $0.5 million in Fiscal Year 2010-11) are derived from net increases to the tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are, therefore, more difficult to predict. The slowdown in new construction and the decline in real estate prices are being acutely felt in supplemental property tax revenues. In many change of ownership transactions, instead of a property owner being billed for an additional amount of property tax because the value of the property after the transaction is higher than the value as of the lien date, the property owner receives a refund because the value is lower than it was on the lien date. In Fiscal Year 2005-06, refunds countywide totaled $4.0 million. They increased to $6.2 million in Fiscal Year 2006-07, and increased again to $15.0 million in 2007-08. Supplemental refunds are projected to exceed $30.0 million in Fiscal Year 2008-09, and are anticipated to remain high in Fiscal Year 2009-10.

Current supplemental property tax revenues were $29.5 million in Fiscal Year 2005-06. They dropped to $23.4 million in Fiscal Year 2006-07, and to $14.0 million in Fiscal Year 2007-08. As of the third quarter of Fiscal Year 2008-09, current supplemental property tax revenues are projected to total $1.0 million through year-end compared to the $15.0 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 2009-10 amount being even lower than the projected amount for Fiscal Year 2008-09, followed by a marginal increase of $0.2 million in Fiscal Year 2010-11.

Current Unsecured property taxes ($16.8 million in Fiscal Year 2009-10 and $16.2 million in Fiscal Year 2010-11) 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. Revenue in Fiscal Year 2009-10 is expected to equal the estimated actual revenue in Fiscal Year 2008-09. A marginally more conservative projection was used for Fiscal Year 2010-11.

Property Tax Summary (in millions)	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2007-08 Actuals	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2008-09 Estimated Actuals	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
Current Secured	$ 474.6	$ 480.1	$ 511.8	$ 496.5	$ 479.2	$ 480.2
Current Supplemental	20.8	14.0	15.1	1.0	0.3	0.5
Current Unsecured	16.0	16.6	16.2	16.8	16.8	16.2
Total	$ 511.4	$ 510.7	$ 543.1	$ 514.3	$ 496.3	$ 496.9

Property Tax in Lieu of Vehicle License Fees (VLF) comprises 32.5% ($309.3 million) of the budgeted General Purpose Revenues in Fiscal Year 2009-10 and 32.5% ($309.3 million) in Fiscal Year 2010-11. 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 or reduction in gross taxable unsecured and local secured assessed value, which is estimated to be a negative 2.4% for Fiscal Year 2009-10. The Fiscal Year 2010-11 revenue growth is estimated using a 0.0% assessed value growth calculation.

Sales & Use Tax Revenue ($23.4 million in Fiscal Year 2009-10 and $23.7 million in Fiscal Year 2010-11) represents about 2.5% of General Purpose Revenues and is derived from taxable sales by businesses located in unincorporated areas of the county. These amounts reflect both the Sales Tax revenues and the In Lieu Local Sales & Use Tax replacement funding that will be transferred from the Educational Revenue Augmentation Fund (ERAF). The In Lieu Local Sales & Use Tax is referred to as the "triple flip" and was effective July 1, 2004. Assembly Bill (AB) 7 XI, California Fiscal Recovery Financing Act, 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 $15.0 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 areas of the county. Currently, however, retail sales at the statewide, southern California and San Diego regional level have all experienced declines in the third and fourth quarters of 2008 attributed to the ongoing economic volatility and housing market declines. These trends are expected to continue through 2009. Sales and use tax revenues in the unincorporated area have faired slightly better than state-wide trends. The amount budgeted for Fiscal Year 2009-10 is approximately $1.3 million, or 5.4%, below the Fiscal Year 2008-09 Adopted Budget. Sales Tax growth in Fiscal Year 2010-11 is anticipated to be $0.2 million, or 1.0%, over Fiscal Year 2009-10.

Real Property Transfer Tax (RPTT) Revenue for Fiscal Year 2009-10 is budgeted at $5.9 million, a 67.0% ($11.9 million) decrease from the Fiscal Year 2008-09 Adopted Budget, reflecting significant slowing in the volume and value of real estate transactions. Revenues are projected to rebound by $1.6 million or 26.6% in Fiscal Year 2010-11 with an assumption that property re-sales will marginally improve compared to Fiscal Year 2009-10. 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.

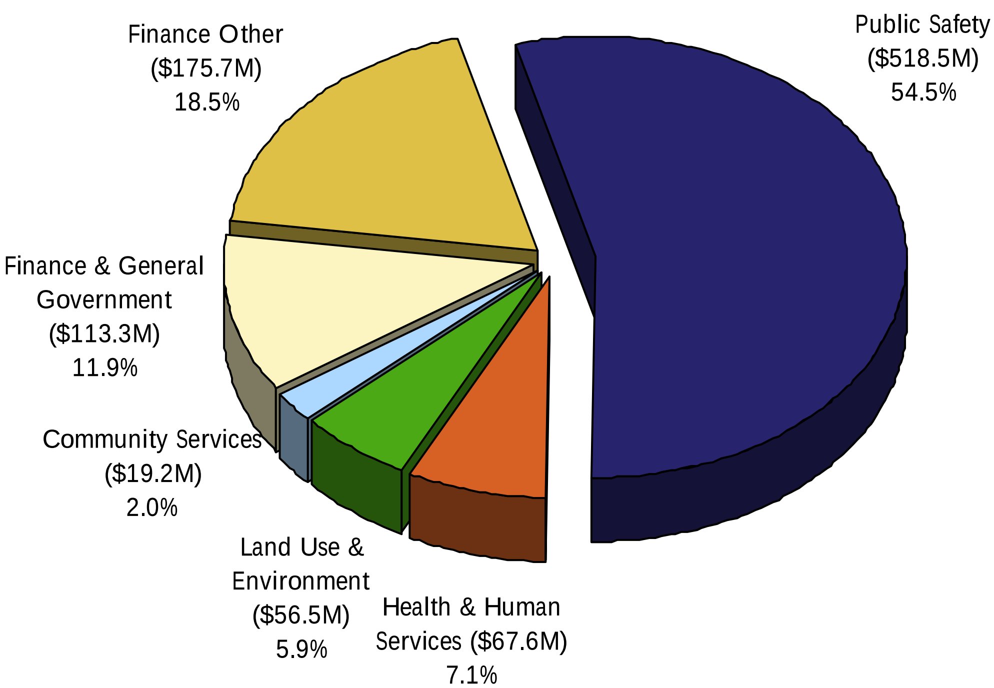
Other Revenues for Fiscal Year 2009-10 total $115.9 million and decrease to $115.6 million in Fiscal Year 2010-11. The Fiscal Year 2009-10 amount represents a 7.1% or $7.7 million increase over the Fiscal Year 2008-09 Adopted Budget total. Various revenue sources make up this category including interest on deposits, fines, fees and forfeitures, redevelopment agency tax increment, prior year adjustments on property taxes including collections on Teetered taxes, franchise revenue, payment from the City of San Diego in lieu of booking fees, cable and video licenses and other miscellaneous revenues. The net increase in revenues is primarily due to the addition of cable and video licenses, additional unrestricted redevelopment tax increment revenues, anticipated higher collections on Teetered taxes, offset by anticipated lower interest earnings on deposits as a result of further declines in interest rates.

Allocation of General Purpose Revenues by Group

General Purpose Revenues (GPR) are allocated annually to fund County services 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 2009-10 budget for the Public Safety Group represents 26.6% of total County expenditures, the allocation of General Purpose Revenues for services in that Group equals 54.5% of the total GPR. By contrast, the Health and Human Services Agency's budget represents 37.4% of total County expenditures but, because of significant amounts of funding from program revenues, requires only 7.1% of the total GPR.

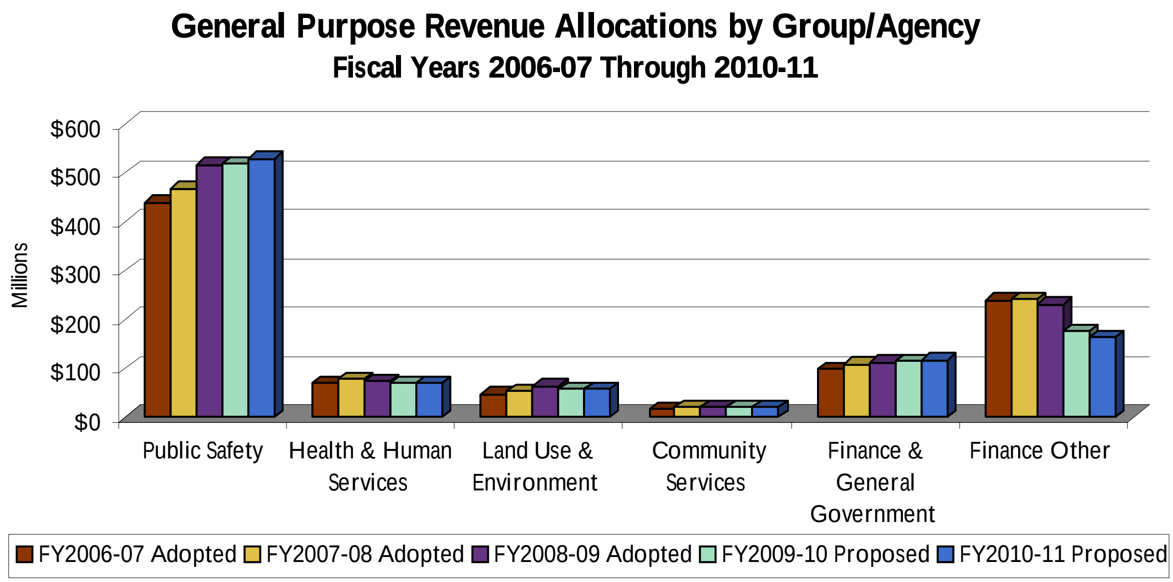
General Purpose Revenue Allocations by Group/Agency

Fiscal Year 2009-10: $950.7 million



As noted above, the General Purpose Revenues in Fiscal Year 2009-10 are expected to decrease by $64.0 million from the Fiscal Year 2008-09 budgeted level and then to increase by $2.2 million in Fiscal Year 2010-11.

Because of the expected contraction in GPR, it is necessary to reduce the allocation of this funding source to programs across the County organization. Further compounding the drop in GPR is the steep decline in Proposition 172 revenues that fund public safety services. To avoid serious service delivery issues in the Public Safety Group (PSG) from the



General Purpose Revenue Allocations by Group/Agency (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
Public Safety	$ 439.5	$ 467.2	$ 517.6	$ 518.5	$ 529.8
Health & Human Services	68.0	77.4	72.2	67.6	68.4
Land Use & Environment	45.8	51.9	62.2	56.5	57.5
Community Services	15.8	19.5	19.9	19.2	19.5
Finance & General Government	98.5	107.6	111.7	113.3	115.3
Finance Other	238.9	240.1	231.1	175.7	162.4
Total	$ 906.3	$ 963.6	$ 1,014.7	$ 950.7	$ 952.9

impact of a combined reduction in its GPR allocation and the drop in Proposition 172 revenues, it is necessary to make greater cuts in non-public safety areas in order to reallocate resources to PSG to offset the loss of Proposition 172 revenues. The result is a GPR allocation for PSG in Fiscal Year 2009-10 that is $0.9 million greater than in Fiscal Year 2008-09. All other groups show a decrease in their GPR allocations except for the Finance and General Government Group. Its allocation shows an increase as a technical change from the conversion of the Department of Media and Public Relations from a special revenue fund to a general fund department.

For Fiscal Year 2010-11, the changes in the GPR allocations to the Groups reflect the non-program share of cost increases associated with labor agreements.

Further detail about the impact of the reductions in GPR allocations is provided in the Group/Agency and Department sections that begin on page 85. The above charts and table show the amount of General Purpose Revenues allocated to support each Group/ Agency for Fiscal Years 2009-10 and 2010-11 compared to the three prior fiscal years.

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 planning for 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 2009-10 capital projects budget for the County is $87.9 million. The following chart shows the dollar amount and number of projects with new appropriations by Capital Program fund, as well as a summary by Group/Agency of the remaining dollar amount for projects previously budgeted and the number of projects 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 2009-10)		
Capital Outlay Fund	$ 12,920,000	3
Justice Facility Construction Fund	75,000,000	1
Total - Appropriation Increases for New & Existing Capital Projects (Fiscal Year 2009-10)	$ 87,920,000	4
Projects Underway		
Public Safety Group	$ 63,655,704	12
Health & Human Services Agency	979,149	3
Land Use & Environment Group	142,414,384	106
Community Services Group	211,728,706	20
Finance & General Government Group	6,883,930	1
Total—Projects Underway	$ 425,661,873	142
Grand Total	$ 513,581,873	146

The Capital Program section of this Operational Plan on page 395 highlights major projects and includes a schedule of lease-purchase payments related to previously debt financed projects.

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, 2008 and proposed for July 1, 2009.

Projected County Reserves and Resources (in millions)	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget
General Reserve	$ 55.5	$ 55.5
General Fund Contingency Reserve-Operations	20.3	20.0
Group/Agency Management Reserves	41.2	29.6
Debt Service Reserves	21.8	31.6
Environmental Trust Fund	60.9	65.7
Tobacco Securitization Endowment Fund	428.3	408.5
Workers' Compensation Fund	82.9	84.8
Public Liability Fund	26.6	26.4
Board Policy B-71 Fund Balance Reserve	101.5	0.0
Total	$ 839.0	$ 722.1

Fund Balance Designations (General Fund only, in millions)	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget
Designated - Sheriff Capital Project	$ 4.0	$ 4.0
Designated - Dept. of Voter Registration	3.6	0.0
Designated - Planning and Land Use	0.9	0.7
Designated - Environmental Health	6.2	3.3
Designated - HA Kearny Mesa Lease	0.4	0.2
Designated - Realignment	74.6	74.6
Designated - ROV Equipment Replacement	0.4	0.4
Designated - Economic Uncertainty	0.0	100.0
Total	$ 90.1	$ 183.2

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 of Supervisors Policy B-71, *Fund Balance and Reserves*, sets a target amount for this reserve that equates to 5% of budgeted general purpose revenues. No change is recommended for the General Reserve. The County's General Reserve of $55.5 million equates to 5.8% of Fiscal Year 2009-10 general purpose revenues and is in compliance with the policy.

General Fund Contingency Reserve — The amount appropriated for unforeseen operational uncertainties during the fiscal year. Board of Supervisors 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 budgeted for Fiscal Year 2009-10 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 landfill management for approximately 30 years. It is proposed that an additional $9.0 million, based on General Fund fund balance, be transferred to the fund in Fiscal Year 2009-10 to bolster the reserve for future years' operations.

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 $88.6 million as of July 1, 2009, which includes $21.2 million in expected costs for Fiscal Year 2009-10. The cash balance in the fund is projected to be $84.8 million as of July 1, 2009.

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 $20.0 million, which includes $9.4 million in expected costs for Fiscal Year 2009-10. The cash balance in the fund is projected to be $26.4 million as of July 1, 2009.

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 purpose revenues. It is proposed to instead create a fund balance designation to represent this target (see below).

Fund Balance Designations (General Fund only) — The Board of Supervisors 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, 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 1999-00, 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 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 based on a payment from the Housing Authority to pay the remaining annual lease payments for the Housing Authority office building located in the Kearny Mesa area of San Diego. The lease payments, which will end in Fiscal Year 2012-13, have been made from the designation since Fiscal Year 2006-07. The payments will be offset by

General Purpose Revenue when the designation is depleted in recognition of interest that would otherwise have been earned on the Housing Authority funds.

- **Designated - Realignment** — This designation was established in Fiscal Year 2005-06 to provide a funding source for future years when fluctuations in ongoing realignment revenues may result in inadequate resources to fund the realigned Health, Mental Health and Social Services programs.
- **Designated - ROV Equipment Replacement** — This designation was 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.
- **Designated - Economic Uncertainty** — To be established in Fiscal Year 2009-10, this designation complies with Board of Supervisors Policy B-71, *Fund Balance and Reserves*, which sets a target amount that equates to 10% of general purpose revenues. Originally established as a reserve of unappropriated fund balance, it is proposed to instead create a fund balance designation to represent this target. The designation would be set at $100.0 million, slightly above the 10% level.

Debt Management Policies and Obligations

Debt Management

The County of San Diego uses debt financing to fund certain capital assets that support the provision of services by the County, to achieve savings in meeting its obligations to the pension fund and to provide for short term cash flow requirements. The decision to use debt financing is governed by several factors including the public need, the availability of other financing, and the current economic climate. The County enters into both long- and short-term financings, which undergo the scrutiny of the credit rating agencies. The County's long-term financings adhere to a Board of Supervisors approved policy. This policy, the County's current credit ratings and the various forms of debt financing utilized by the County are described in more detail below.

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 long-term financial strategy and policy is important 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 Financial Obligation Management Policy*, on August 11, 1998. This policy, along with the rating agencies' analyses, has been the foundation for the County's debt program. For purposes of this policy, long-term financial obligations are those that exceed one fiscal year. Key points included in the policy are:

- All long-term financings shall comply with federal, State and County Charter requirements;
- All long-term obligations must be approved by the Board of Supervisors after approval by the Debt Advisory Committee, which is comprised of the Chief Financial Officer, the Auditor and Controller and the Treasurer-Tax Collector. 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;
- The term of the long-term obligation for the acquisition, replacement or expansion of physical assets, will not exceed the useful life or the average life of the project or projects being financed;
- Long-term financial obligations will not be used to meet current operations or for recurring purposes;
- Variable rate obligations shall not exceed 15% of the County's outstanding long-term obligations and must be approved by the Chief Financial Officer (CFO);
- Long-term obligations issued through the County must qualify for an investment grade rating by one of the nationally recognized rating agencies or provide alternative credit enhancement to qualify. An exception to this requirement would be when bank qualified private placement bonds are issued through the County on a conduit basis to financially assist nonprofit organizations in the acquisition or development of low-income housing. In such cases, the long-term obligations that are privately placed as bank qualified investments would not be required to qualify for an investment grade rating;
- A policy of full and open disclosure on every financial report and long-term obligation will be enforced and a credit rating agency presentation/update shall be conducted at least annually;
- The County shall comply with all ongoing disclosure conditions;
- 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.

Credit Ratings

The most recent long-term review by the three rating agencies was performed in January 2009 in relation to the County's anticipated financing for the County Operations Center (COC) and COC Annex Redevelopment Project. All three major rating agencies, Moody's Investor Service, Standard & Poor's and Fitch Ratings, affirmed the County's long-term issuer rating, lease financing ratings, and pension obligation bond ratings. All three rating agencies cited the county's broad, diverse economy, strong financial management, and low to moderate debt burden in their rationale for the ratings assigned. According to Standard and Poor's credit research report issued in January 2009, the County maintains a stable outlook based on its "deep and diverse economic base, strong reserve levels, formalized policies, manageable debt burden, and a long track record of conservative budgeting where actual results typically exceed initial projections. Standard & Poor's expects the county to maintain good financial performance and contingency reserves despite the recent economic downturn and uncertainty over state program funding."

The San Diego County Employees Retirement Association (SDCERA) had its 'AAA' rating affirmed by Standard & Poor's in January 2009. The rating reflects the organization's overall capacity to pay its financial obligations, and is based on SDCERA's strong fund management, good funded status despite a challenging fiscal year and continued strong credit quality of the pension system's sponsor (County of San Diego).

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.

The County of San Diego's credit ratings are as follows:

Credit Ratings	Moody's Investor Service	Standard & Poor's	Fitch Ratings
County of San Diego (Issuer Rating)	Aa2	AAA	AA+
Certificates of Participation and Lease Revenue Bonds	A1	AA+	AA
Pension Obligation Bonds	Aa3	AA+	AA
San Diego County Retirement Association		AAA	
County Investment Pool		AAAf/S1	

Authority to Finance 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 long- and short-term obligations must conform to State and local laws and regulations. The basic constitutional authority for State and local entities to enter into long- and short-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.

Issuer	Issuance Legal Authority
County of San Diego	General: Government Code §29900 et. seq.
	Maximum Indebtedness: Government Code §29909
	Short-Term TRANs: Government Code §53850 et. seq; Commercial Paper & Teeter Revenue: Government Code §§ 54773-54783 and Revenue and Taxation Code §4701et. seq.
	Pension Obligation Bonds: Government Code §53506 et. seq.
Joint Powers Authority	Government Code §6500 et. seq.
Redevelopment Agency	Health and Safety Code §33000 et. seq.
Housing Authority	Health and Safety Code §34200 et. seq.
	Multi-family Bonds: Health and Safety Code §52075 et. seq.
Mello-Roos Community Facilities District	Government Code §53311et. seq.
Nonprofit Corporation	Corporations Code §§5110, 5140(d)
Assessment Bonds	Street and Highway Code §§6400 et. seq. and 8500 et. seq.
Conduit Bonds	Government Code §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; therefore, it would not be relevant to obtain voter approval.

Bond and Debt Service Ratio

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

Bond Ratios	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
Net Bonded Debt (in millions)	$ 1,597.0	$ 1,578.7	$ 1,404.1	$ 1,436.8[1]
Net Bonded Debt per Capita	$515	$502	$441[2]	$446[2]
Ratio of Net Bonded Debt to Assessed Value	0.45%	0.41%	0.35%	0.36%

[1] Net Bonded Debt is reported as of June 30, 2009, and it excludes Redevelopment Agency Bonds (approximately $15.0 million as of June 2009) and reflects the net effect of debt service reserves

[2] Based on the estimated January 1, 2008 State of California Department of Finance population figures for the County of San Diego, and a projection of the January 1, 2009, 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, 2010 is $396.7 billion.

General Fund Debt Service Ratio

Components of General Fund Debt Service Ratio (in millions)	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	Fiscal Year 2010-11 Proposed Budget
General Fund Revenue[1]	$ 3,181.0	$ 3,340.5	$ 3,464.6	$ 3.411.8	$ 3.429.3
Total Debt Service[2]	$ 123.7	$ 115.2	$ 128.3	$ 129.4	$ 122.1
Ratio of Total Debt Service to General Fund Revenue	3.89%	3.45%	3.70%	3.79%	3.56%
General Fund Share of Debt Service Cost [3]	$ 106.5	$ 99.1	$ 108.5	$ 103.5	$ 95.9
Ratio of General Fund Share of Debt Service to General Fund Revenue	3.35%	2.97%	3.13%	3.03%	2.80%

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

[2] Debt service for the variable rate Pension Obligation Bonds (POBs) includes estimated fees specific to the variable rate transaction (e.g., broker-dealer, auction agent, or remarketing agent fees). Interest on the variable rate POBs is budgeted based upon the weighted average interest rate for the 12-month period ending March 31 of the preceding fiscal year plus 200 basis points pursuant to section 4.01 in the Amended and Restated Trust Agreement. Fiscal Year 2009-10 and Fiscal Year 2010-11 POB debt service reflect the anticipated prepayment of $100.0 million of the outstanding 2008B POBs.

[3] Net General Fund Share of Debt Service Cost excludes debt service chargeable to special revenue funds, enterprise funds, special districts and external funding sources.

Long-Term Obligations

The County's outstanding long-term principal bonded debt as of June 30, 2009 and projected as of June 30, 2010 is:

Outstanding Principal Bonded Debt (in millions)	As of June 30, 2009	Projected as of June 30, 2010
Certificates of Participation	$ 325.5	$ 291.7
Lease Revenue Bonds	136.9	136.9
Pension Obligation Bonds	1,006.0	874.3*
Redevelopment Agency Bonds	15.0	14.6
Total	$ 1,483.4	$ 1,317.5
***Note**: Assumes early paydown of $100 million of 2008B POBs		

The following discussion explains the nature and purpose of each of the long-term financing instruments available to or used by the County.

Certificates of Participation (COPs) are sold to investors to raise cash for the financing of capital assets. The debt is repaid over a multi-year period under a lease-purchase agreement. The County first used COPs in 1955 with the financing of the El Cajon Administrative Building. Since then, the County has made use of various COP lease arrangements with certain financing entities such as joint powers authorities, the San Diego County Capital Asset Leasing Corporation, the San Diego Regional Building Authority or similar nonprofit corporations. Under these arrangements, a capital asset is acquired or constructed with the proceeds from the issuance of COPs 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.

Lease Revenue Bonds (LRBs) are bonds that are a form of long-term borrowing where the debt obligation is secured by revenue stream created by lease payments, often associated with the capital infrastructure that the bonds are funding. This form of bond financing is typically set up as a financing lease structured similarly to the lease structure associated with COPs. The County currently has LRBs outstanding that are secured with a lease arrangement with the San Diego Regional Building Authority; these LRBs were issued in February 2009 to help fund Phase 1A of the County Operations Center construction project.

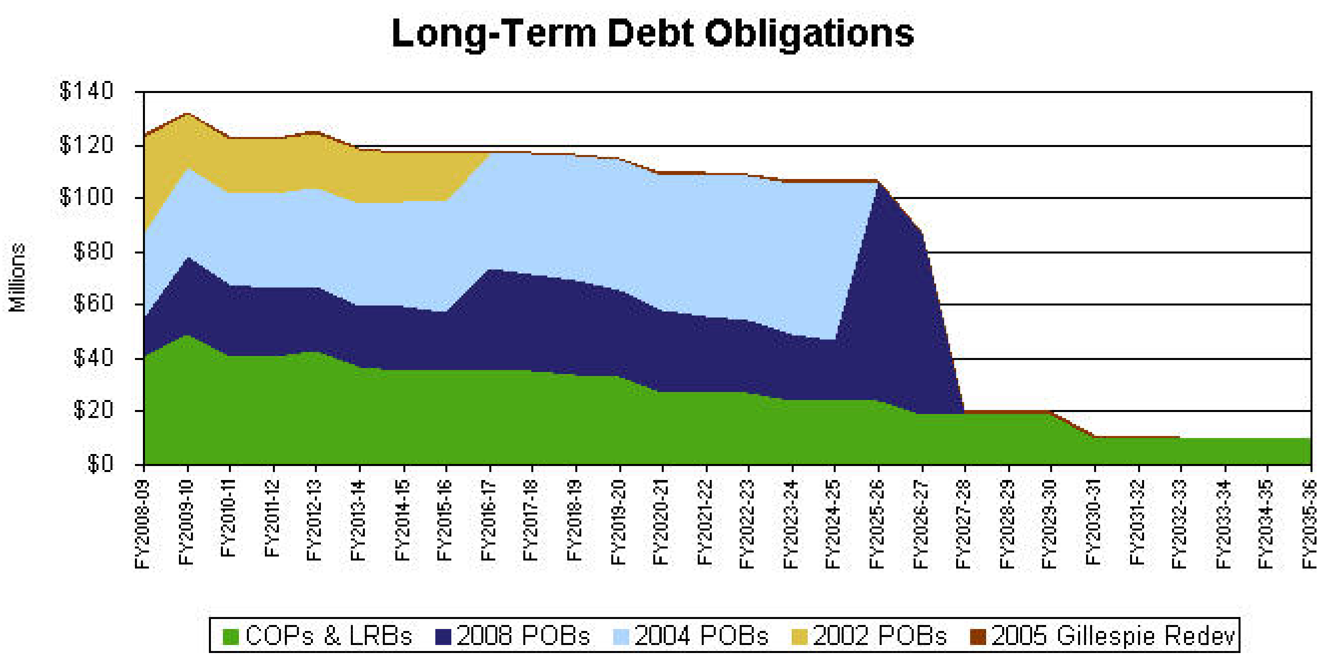
Taxable Pension Obligation Bonds (POBs) are financing instruments typically used to pay some or all of the pension plan's unfunded pension liability. The bond proceeds are transferred to the issuer's pension system as a prepayment of all or part of the unfunded pension liabilities of the issuer, and the proceeds are invested as directed by the pension system. POBs have been issued on several 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. Since this initial issue, the County has issued additional series of POBs: in September 2002, the County issued $737,340,000 of POBs, a portion of which refunded the POBs issued in 1994; in June 2004, the County issued an additional $454,112,916 of POBs; and in August 2008, $443,515,000 of POBs were issued to refund the variable rate portion of the POBs issued in 2002. As of August 15, 2008, the County had $1.0 billion of taxable POBs outstanding.

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. On August 15, 2008, the County prepaid an additional $44.0 million of the 2002 POBs as anticipated in the Fiscal Year 2008-10 Operational Plan. The prepayment occurred in conjunction with a refunding of the remaining 2002B POBs (auction rate securities) outstanding. The August 2008 POB transaction re-structured the County's POB debt portfolio so that there is an annual level debt service requirement of approximately $86.0 million and shortened the final maturity by two years to 2028. There is another prepayment of $100 million planned for Fiscal Year 2009-10, which will result in a decrease in the debt service payment from $86.0 million to approximately $82.0 million and a final maturity in Fiscal Year 2026-27.

Redevelopment Agency Tax Increment 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.

General Obligation Bonds (GO Bonds) are debt instruments issued by local governments to raise funds for the acquisition or improvement of real property. GO Bonds are backed by the full faith and credit of the issuing entity; in California, they require a supermajority voter approval and as a result are utilized infrequently. GO bonds are unique in that the bonds are secured either by a pledge of the full faith and credit of the issuer and/or by a promise to levy taxes in an unlimited amount as necessary to pay debt service. The County has no outstanding general obligation bonds.

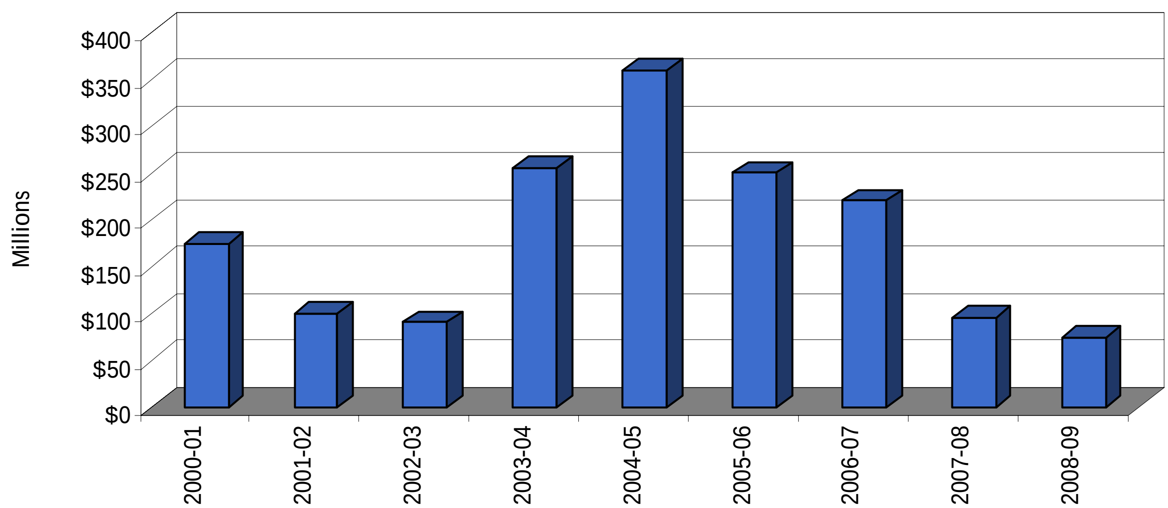
The chart below shows the County's scheduled long-term obligation payments through Fiscal Year 2035-36, which include Certificates of Participation (COPs), Lease Revenue Bonds (LRBs), taxable Pension Obligation Bonds (POBs), and Tax Allocation Bonds (TABs).



Short-Term Obligations

During the course of the fiscal year, the County could experience temporary shortfalls in cash because of the unequal timing of expenditures and receipt of revenues. To mitigate these cash flow imbalances, the County borrows cash through the issuance of Tax and Revenue Anticipation Notes (TRANs). These notes mature within twelve to thirteen months after the date of issuance and are therefore considered short-term obligations. The chart below shows TRANs borrowing since 2000-01. The amount to be borrowed for Fiscal Year 2009-10 will be determined subsequent to the printing of this document.

Tax and Revenue Anticipation Notes (TRANs) - Cash Borrowing



Conduit Issuances

The County Board of Supervisors adopted Policy B-65, *Long-Term Financial Obligation Management Policy*, which provides for the County to assist qualified non-profit and for profit entities to access low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life to the residents of the San Diego region. In these financings, the County is a conduit issuer whereby it issues tax-exempt long-term bonds on behalf of the qualifying entity. That entity, the conduit borrower, is responsible for all costs in connection with the issuance and repayment of the financing. Debt issued under the conduit program is secured by the borrower, and is not considered to be a debt of the County.

The Board of Supervisors, as outlined in Board Policy B-65, may consider conduit financing on behalf of non-profit organizations upon recommendation of the Debt Advisory Committee. If the Committee decides that the conduit financing is feasible, financially and economically prudent, coincides with the County's objectives and does not impair the County's creditworthiness, it will then be forwarded to the Board of Supervisors for consideration. To qualify as a conduit borrower, the applicant must have a positive credit history, the project to be financed must demonstrate a public benefit within the region, and the bonds must be rated 'A' or higher. All expenses related to the conduit financing will be borne by the conduit borrower.

Assessment Act Proceedings may also be considered by the Board of Supervisors to provide for public improvements, whether initiated by petition of the owners, the County or a non-County agency. If the Debt Advisory Committee recommends the conduit financing, it will then be forwarded to the Board of Supervisors for consideration. All expenses related to the conduit financing will be borne by the applicants.

The following chart reflects the County's outstanding conduit issuances as of June 30, 2009:

Outstanding Conduit Issuances	Final Maturity Dates	Original Principal Amount	Principal Amount Outstanding
Conduits			
1998 Sharp	2028	$ 112,020	$ 90,045
1998 San Diego Natural History Museum	2028	15,000	12,400
2000 San Diego Museum of Art	2030	6,000	5,700
2000 Salk Institute	2031	15,000	13,220
2001 University of San Diego	2041	36,870	29,025
2002 San Diego Imperial Counties	2027	10,750	9,250
2003 Chabad	2023	11,700	9,655
2003 San Diego Jewish Academy	2023	13,325	10,650
2004 Bishop School	2044	25,000	24,745
2004 Museum of Contemporary Art	2034	13,000	10,525
2005 Sidney Kimmel Cancer Center	2031	24,500	21,360
2005 Burnham Institute for Medical Research	2034	59,405	56,455
2006 San Diego Foundation	2036	13,500	13,290
2008 The Arc of San Diego	2038	13,250	13,250
Total Conduits		$ 369,320	$ 319,570
Housing			
1999 Laurel Village Apartments	2014	$ 1,670	$ 710
2001 Village West	2031	4,438	3,316
2002 Spring Valley	2020	3,250	2,888
Total Housing		$ 9,358	$ 6,914
Reassessment Bonds			
1997 4S Ranch Reassessment District Bonds	2012	$ 21,755	$ 7,325
Total Reassessment Bonds		$ 21,755	$ 7,325

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 Governmental Structure and Budget Documents section on page 20.

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-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.

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

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

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: State-Mandated Local Program Costs - Calls on the State and Federal Legislature to encourage equitable reimbursement of mandated local program costs.

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

County Administrative Manual *0030-13 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 the 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/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 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 Program Funds - 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

California Government Code *§25080* states, "Except as otherwise provided by state law, all meetings of the board of supervisors shall be public."

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 resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, investment income, 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.

The County applies 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 Generally Accepted Accounting Principles (GAAP) for government users.

Financial Statement Presentation

For governmental funds only, current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances - governmental 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 balances.

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 "invested in capital assets, net of related debt" and "unrestricted" in the County's Comprehensive Annual Financial Report (CAFR). The net assets for the fiduciary funds are described as "held in trust for other purposes" in the CAFR. Proprietary funds statement of revenues, expenses and changes in net assets present increases (i.e., revenues and other income), decreases (i.e., expenses and other expense/loss), and the change in net assets.

Differences Between Budgetary and Financial Reports

Governmental Funds — An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of 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 schedule of revenues, expenditures and changes in fund balance - budget and actual is presented as Required Supplementary Information and prepared in accordance with GAAP. This statement includes the following columns:

The County's financial statement, the 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 amended budget changes occurring during the 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.

All Funds — Changes in a reserve or designation of fund balance 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

While the economic downturn that occurred in Fiscal Year 2008-09 presented myriad challenges for the County of San Diego, County staff continued to press for excellence and innovation, rising to the challenge, preparing for the future and receiving numerous awards and recognitions from local, state, and national organizations, as well as industry, civic, and professional organizations. 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:

- The **California State Association of Counties** awarded the County a ***2008 Challenge Award*** for its Rapid Response to Local Emergencies through the implementation of four Local Assistance Centers (LACs) opened to help fire victims within 72 hours of Firestorm 2007. The response was praised for the efficiency and speed with which County staff was able to respond and the large number of people served at the LACs.

  During the wildfires, residents lost homes and cars, making it difficult to travel to locations from which they could receive aide. The LACs provided "one-stop-shops" for fire victims to apply for aide and to interface with local, state, federal and other agencies that provide services. Additionally, the LACs provided the County and other agencies with timely information about the needs of fire-affected communities.

- In 2008, the County received the ***Golden Watchdog Award*** from the **San Diego Taxpayers Association** for its AlertSanDiego mass notification system. The Watchdog Award program honors agencies that exemplify efficient use of tax dollars.

  Capable of reaching 1.1 million households in San Diego within three hours, the Internet-based AlertSanDiego program uses email, text, and phone messages to circulate emergency information countywide. During Firestorm 2007, San Diego County used its newly implemented AlertSanDiego program to circulate emergency information to 500,000 county residents.

- San Diego County received 39 awards at the 2008 annual ***Achievement Awards*** competition sponsored by the **National Association of Counties (NACo)**. This was the fourth year in a row that the County has received more awards than any other U.S. county.

  The winning programs, which span all five County business groups, were recognized for being innovative and successful, and for promoting quality, efficiency, and a responsive county government.

- The County of San Diego took top honors in the ***2008 Digital Counties Survey*** conducted by the **Center for Digital Government**. The Center for Digital Government recognizes counties using information technology in increasingly innovative ways and improving service to their citizens. The survey is an annual study by the Center and the NACo.

- The **California State Association of Counties** recognized three County programs with ***2008 Merit Awards*** for innovation and excellence. The County programs selected include:
  - Food for Thought Partnership - a partnership between Aging and Independence Services and the County Library system to help older adults overcome isolation and poor nutrition through physical activity and a balanced meal in the supportive Library environment. Activities such as gentle yoga classes, a nutritious lunch, an opportunity to create friendships and access to the Library's free services has helped the County Library place itself at the forefront for innovation in meeting the needs of the growing aging population.
  - Serial Inebriate Program - offers treatment, shelter and other supportive services to chronic alcoholics to reduce their use of public safety and emergency medical care resources. The County's Alcohol and Drug Services united with the Police Department to develop a program for long-term homeless alcoholics that would slow their cycle of moving in and out of detoxification centers, jails and hospitals.
  - Workforce Academy for Youth - a comprehensive training program, which includes a six-month paid County internship, job coach, and life skills coach, to

better prepare emancipating foster youth for jobs, encourage school education, and promote a successful transition to self-sufficiency.

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

Strategic Initiative - Improve opportunities for children and families

- Children's Mental Health Services (CMHS) was the first organization to receive the **National Federation of Families** ***Award for Children's Mental Health***. The award honored CMHS use of the wraparound approach to providing youth and family services. Wraparound services address the larger context in which the child lives and considers all elements in treatment including treatment for the parents, partnerships with educators and law enforcement and the child's physical health.
- The **California Department of Child Support Services (DCSS)** honored the County's Department of Child Support Services with the coveted ***Large Caseload County for the Fiscal Year 2008 Award***. The State DCSS recognizes the top performing local child support agencies for their performance based on an average of their ranking in five federal performance measures; this was the first year the County has won the award.
- The Farm and Home Advisor's Office received two national awards for the "Money Talks for Teens," a program designed to teach teens about money management from the **National Extension Consumer and Family Science Association** and from the **Association for Financial Counseling, Planning and Education**.
- The Health and Human Services Agency's Children's Services program received a ***2008 Adoption Excellence Award*** in the category "Support for Adoptive Families" from the **U.S. Department of Health and Human Services** for the extraordinary contributions the County has made in providing adoption and other permanency outcomes for children in foster care.
- The **Metlife Foundation** recognized the County's Workforce Academy for Youth (WAY) program with a ***2008 Award of Excellence in Older Volunteer Program Management***. The WAY Program utilizes older volunteers as life skill coaches to mentor foster youth who are about to be emancipated from the foster care system.
- **National Association of Counties (NACo) -** ***Achievement Awards - 2008***
  - Child Support Employer Outreach - an outreach strategy, implemented by the Department of Child Support Services, designed to educate employers about their important role relating to child support withholding orders.
  - Workforce Academy for Youth - a six-month paid internship program with the County that provides employment, training, and mentorship to emancipating foster youth to better prepare them for self-sufficiency.
  - Miracle Field - a public/nonprofit partnership with the Miracle League of San Diego and the Department of Parks and Recreation to build the first Americans with Disabilities Act (ADA) accessible ball field of its kind in Southern California.
  - Preschool Development Health Screening in Libraries - a partnership between County branch libraries and Family Health Centers of San Diego to offer no-cost, quality health and developmental services to low-income and medically underserved families with children ranging in age from four months to five years.
  - Camp Barrett Work Readiness Program - a collaboration between the Probation Department and the Office of Education's Juvenile Court and Community Schools to provide employment readiness training to the wards of Camp Barrett, a detention facility for young adults.
  - Child Support Cell Phone Interface Project - pilot project using administrative subpoenas to obtain cell phone numbers and addresses of non-custodial, non-paying parents from cell phone providers, resulting in increased child support collections.
  - Vista GREAT Program - a partnership between the Sheriff's Department Vista Station, the City of Vista, and the Vista Unified School District to provide Gang Resistance Education and Training (GREAT), a model program shown to reduce risk factors associated with delinquency and gang membership.

Strategic Initiative - Manage the region's natural resources to protect quality of life and support economic development

- The U.S. Environmental Protection Agency's **National Environmental Justice Advisory Council** awarded the Department of Environmental Health a ***2008 Environmental Justice Award*** for its efforts and leadership in San Diego's Negocio Verde Environmental Justice Task Force. The Task Force, a collaborative program between the County, local businesses and community representatives, provides free bilingual compliance assistance and pollution prevention training, primarily in county communities that face the greatest environmental justice concerns.
- The **San Diego Chapter of the Association of Environmental Professionals** presented the Department of Public Works with the ***Outstanding Environmental Solution*** for the Valley Center Road Widening Project. The project included implementation of wildlife crossings and award of a grant for the Valley Center Roadside Recreational Heritage Trail.
- The **California Center for Sustainable Energy** awarded the County a S***an Diego Excellence in Energy (SANDEE) Award*** for Outstanding Organizational Achievement. The SANDEE awards recognize projects and activities in San Diego County that result in significant energy savings through the implementation of energy efficiency, energy conservation, renewable energy or transportation measures.

  Among the County "green" innovations is the new Edgemoor Skilled Nursing Facility, which features climate control and energy efficient technology such as occupancy sensors, solar panels and extra insulation. The energy efficient facility is estimated to save the County over $4 million in annual utility and operational costs.
- The Department of Planning and Land Use won the only two ***2008 Best Practice Awards*** from the **American Planning Association's San Diego Chapter** for creating guidelines to evaluate environmental impacts and to reduce water pollution. The County was honored for its creation of the California Environmental Quality Act Guidelines for Determining Significance and the Low Impact Development Handbook.
- **National Association of Counties (NACo) -** ***Achievement Awards - 2008***
  - Porous Pavement - Improving Stormwater Treatment - an innovative project by the Department of General Services (DGS) to demonstrate the benefits of porous pavement and treatment facilities in preventing contaminants from entering sensitive waterways.
  - Low Impact Development Handbook - a comprehensive manual of low impact development planning and stormwater management techniques; this handbook is already serving as a model for other programs in the Southwest United States.
  - Ramona Grasslands and Santa Maria Creek Restoration - a project that developed and implemented parks and recreation strategies to preserve the rural character of the town of Ramona through the protection of open space, utilization of creative tools to enhance and restore wildlife habitat, and expansion of the community trails network.
  - Healthy Garden-Healthy Home - an outreach program to support Integrated Pest Management education and training to residents to reduce the amount of home-use pesticides entering local waterways.

Strategic Initiative - Promote safe & livable communities

- The Department of Media and Public Relations' County Television Network (CTN) received nine awards at the **National Association of Telecommunications Officers & Advisors** conference in September 2008 for excellence in broadcast, cable, multimedia, and electronic programming.

  Programs awarded First Place honors include: "Down to Earth" - ***Magazine Format Series (Operating Budget over $400k)***; "How to Manage Manure" - ***Public Education (over $500k)***; and "Sam the Cooking Guy - New Zealand South Island" - ***Ethnic Experience***. Awards were also received in the following categories: ***Library, Community Awareness, Profile of a City/County Department, Special Audience, Instruction/Training, and Performing Arts.***
- The **California Emergency Services Association Southern Chapter** presented the Office of Emergency Services' Emergency Medical Services (EMS) with a ***Silver Award*** for outstanding service in the field of emergency management; the EMS departmental operations center was a key element in coordination of medical services for the entire county during Firestorm 2007.

- The **Metlife Foundation** awarded the Aging and Independence Services' Silver Age Yoga program a ***2009 Older Volunteers Enrich America Award***. Silver Age Yoga increases participants strength, balance, energy and overall health through physical activity and education.
- The Department of Parks and Recreation was recognized by the **California Parks and Recreation Society** with a ***2008 Achievement Award*** in Recreation Programs for outstanding achievement in development and implementation of the Movies in the Park series. The program was selected for its contribution to the mission of parks and recreation by strengthening community image, sense of place, safety and security.
- The Health and Human Services Agency's Aging and Independence Services received a ***2008 Aging Achievement Award*** from the **National Association of Area Agencies on Aging** for the Feeling Fit program. Feeling Fit was recognized as a creative and effective way to increase healthy activity among seniors.
- **National Association of Counties (NACo) -** ***Achievement Awards - 2008***
  - Legacy Corps San Diego - a groundbreaking initiative to fill gaps in existing services by training intergenerational service teams of at-risk youth and older adult mentors to provide free respite care to family members caring for homebound seniors.
  - Problem Gambling Counselor Training - a partnership between the County's Alcohol and Drug Services unit and local Indian casinos to provide comprehensive training in the identification, assessment and treatment of problem gamblers.
  - Firestorm 2007 Rebuilding Workshops - a proactive, inter-agency program providing workshops to educate fire survivors on how to rebuild their homes and structures damaged by the 2007 wildfires.
  - Enhancing the School Pedestrian Crossing Safety Program - further enhances school pedestrian safety by installing new, in-pavement warning light systems that utilize solar power and wireless technology at high-risk locations.
  - Web Referral for AIS - a program which provides community professionals a user-friendly, electronic referral system for In-Home Supportive Services (IHSS); diverting calls from the County's Aging and Independence Services (AIS), which currently takes IHSS referrals, and allows AIS staff to handle increased numbers of abuse-related calls.
  - Assessor Provides Relief to Wildfire Victims - a streamlined process to identify fire damaged properties and provide an outreach program to inform fire victims of available property tax relief. Staff resources were immediately dispatched to temporary Local Assistance Centers to help the public complete their Disaster Relief applications to adjust property tax bills.
  - Transitional Age Young Adult Clubhouse - an innovative mental health program for seriously mentally ill young adults, ages 18-25, which reaches out through a clubhouse setting to provide employment education and vocational training.
  - Firestorm 2007 - Erosion Control Initiative - shortly after the 2007 wildfires began, the Department of Public Works took immediate and comprehensive action to utilize erosion control "best management practices" to reduce the risk of flooding and debris flows that threatened public health and safety.
  - Wildfire Zone - an outreach program by the County's Farm and Home Advisor (FHA) Office to help the public understand wildfire hazards and to educate them on appropriate actions to be taken to reduce the risk of loss to life and property.
  - Self-Sufficiency Through Education - a computer-learning center designed to encourage residents of low-income public housing to become self-sufficient; program staff and students from UCSD work with residents and students and provide workshops on topics such as the education system and financial aid.
  - Substance Abuse Recovery Management System (SARMS) - an integral component of the County's Dependency Court Recovery Project, this housing program provides rental assistance to eligible participants in order to assist in reuniting families in recovery.
  - Firestorm 2007 Rapid Community Recovery - a systematic approach to allow residents to get immediate help in their communities, by establishing Local Assistance Centers to provide "one-stop shops" for fire victims to apply for aid and utilize other essential services.
  - Prison Re-entry Program - a collaborative effort between State and County entities to improve public safety by enhancing rehabilitative services for inmates both in the prisons and upon their re-entry into the community.

Operational Excellence Awards

The awards listed below pertain to programs or accomplishments that support the County's Required Disciplines as outlined in the General Management System:

- The **California Counties Facilities Services Association** named the Department of General Services as a recipient of the ***2008 Award of Excellence*** for its exceptional dedication and continued efforts to advance the development of programs and processes that extend the life of public facilities.
- The **San Diego Society for Human Resource Management** awarded the County's In Home Supportive Services Public Authority with the ***2008 Crystal Award*** for their exemplary efforts at hiring the best employees, implementing an effective employee recognition program and emphasizing the employees' work-life balance.
- The Department of Human Resources received the ***Best Managed Implementation - 2008*** award from **NEOGOV** for their conversion to the new online job application system. The award was based on several factors, including the speed of the implementation and thoroughness of the business process re-engineering, and was highlighted during a presentation at NEOGOV's annual conference.
- The San Diego County District Attorney's Office received a ***Workplace Excellence Award*** from the **San Diego Society for Human Resource Management** for recognition as an outstanding workplace through implementation of professional and innovative human relations programs, such as the DA University program, which provides in-house continuing education for employees, and the "You Are a Star" recognition and reward program.
- The **California Association of Public Information Officials** rated the Department of Child Support Services' online employee newsletter, The SKOOP, as the best internal or employee newsletter published in the state among entries and awarded them a 2***008 Excellence in Communication Award.***
- The Department of Purchasing and Contracting received its eighth consecutive ***Achievement of Excellence in Procurement Award*** from the **National Purchasing Institute** for demonstrating excellence in innovation, professionalism, productivity, e-procurement and leadership.
- The **Center for Digital Government** recognized the County with second place in the ***Best of the Web Awards*** for its revamped Web site. The national Best of the Web awards recognize the most innovative, user-friendly state and local government Web sites; San Diego was the only California county to receive an award.
- **National Association of Counties (NACo) -** ***Achievement Awards - 2008***
  - Continuity of Operations (COOP) - an internal plan for all County departments which ensures that the capability exists to continue essential County functions that serve the public in the event of an emergency and provides guidance for a timely recovery process and resumption of full service to customers.
  - Records Management: Revamped and Revised - a major overhaul of two existing, dated records management systems into the Enterprise Content Management Program; this program creates a clear path for managing electronic files and paper and minimizes the risks associated with records management.
  - Public Assistance Fraud Diversion Program - a collaborative program between the Public Defender and District Attorney to allow the County to obtain full restitution for taxpayers while providing first-time violators charged with public assistance fraud an opportunity to avoid criminal conviction, which often impedes their efforts for employment.
  - Performance Based Contracting - a collaborative strategy between the Probation Department and community-based organizations to enter into performance based contracts with County juvenile service providers and improve the quality of service oversight.
  - Deferred Compensation Quick Enroll Program - a campaign designed to simplify and streamline the County's Deferred Compensation enrollment process and encourage employees to take part in saving for their own retirement.
  - Mobile Audit Access Program - the implementation of enhanced, system-ready laptops to reduce the average audit completion time, provide better customer service to audited businesses and improve general workflow between departmental units.

- Road Pavement Management System - a significant upgrade of the County's Pavement Management System for the 1,800 miles of paved roads in the unincorporated areas; the system utilizes GPS and digital photo technology to maximize the use of limited tax funds.
- Regulatory Planning's Kiva Workload Management System - a new, online application that allows the public to query information from the County's unified Land Information System database and provides a GIS tool for more complex parcel research.
- T-TC Depositing Method - a business process improvement which has, for the first time, automated the County's deposits from cash in the bank and the general ledger, resulting in increased internal control and visibility of deposits.
- Youth Services Exchange - the County Library's internal e-mail newsletter that provides an interactive resource for staff with training tips and information for improved youth programs and services provided by branch libraries.
- Countywide Specialty and Small Business Job Order - the Job Order Contracting program is an indefinite-quantity contract where contractors annually bid a multiplier to prices contained in a book of construction details; the program involves contractors to help determine solutions to construction problems that results in faster responses and reduced costs.
- Food for Thought - an innovative, joint program between Aging and Independence Services and the County Library system to reach out to older adults to improve their health and quality of life.
- Diversity Pipeline - a proactive endeavor, launched by the District Attorney's Office, to enhance diversity in the legal profession by reaching out to encourage youth, especially those in underrepresented groups, to pursue careers in prosecution and law enforcement.
- Property Profile Maps and Analysis Tool - an interactive online tool implemented by the Department of Planning and Land Use which offers the public speedier access and enhanced information and maps for property, environmental, and land development.
- Service Contract Compliance and Audit Program - a program developed by DGS to comprehensively measure performance quality and enforce service contract compliance provided by contract vendors.