

County of San Diego

Finance Other

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Description

Finance Other includes miscellaneous funds and programs that are predominantly countywide in nature, have no staffing associated with them or exist for proper budgetary accounting purposes. Responsibility for these funds and programs rests primarily with departments in the Finance and General Government Group.

The funding levels for these programs are explained below and shown in the table that follows.



quarter ending December 2009. The funding level for Fiscal Year 2011-12 is projected to be \$2.6 million.

Cash Borrowing

These appropriations fund the cost of financing the County's short-term cash borrowing program. During the course of the fiscal year, the County could experience temporary shortfalls in available cash due to the timing of expenditures and receipt of revenues. To meet these cash flow needs, the County issues Tax and Revenue Anticipation Notes (TRANs). Typically, they are issued at the beginning of the fiscal year and mature at the end of that fiscal year. The TRANs amount for Fiscal Year 2010-11 will be determined subsequent to the printing of this document. See also the section on Debt Management Policies and Obligations on page 80.

Neighborhood Reinvestment Program

The Neighborhood Reinvestment Program (formerly Community Projects) is governed by Board of Supervisors Policy B-72, *Neighborhood Reinvestment Program*, and provides grant funds to County departments, public agencies, and to nonprofit community organizations for one-time community, social, environmental, educational, cultural or recreational needs. Resources available for the Program are subject to budget priorities as established by the Board of Supervisors. The funding source is General Fund fund balance. The funding level for Fiscal Year 2010-11 is proposed to be \$5.0 million as directed by the Board of Supervisors on March 24, 2010 (18). The Fiscal Year 2011-12 amount is proposed to return to the Fiscal Year 2009-10 level of \$10.0 million. Recommendations for grant awards are made throughout the year by individual Board members subject to approval by the Board of Supervisors as a whole.

Community Enhancement

The Community Enhancement program provides grant funding for cultural activities, museums, visitor and convention bureaus, economic development councils and other similar institutions that promote and generate tourism and/or economic development at the regional and community levels throughout San Diego County. Per Board of Supervisors Policy B-58, *Funding of the Community Enhancement Program*, the amount of funding available for the Community Enhancement program approximately equals the amount of Transient Occupancy Tax (TOT) revenues estimated to be collected each fiscal year. Applications for grants are submitted to the Board of Supervisors by March 1 for the upcoming fiscal year, with approval of projects given through the budget adoption process. The Community Enhancement program funding level for Fiscal Year 2010-11 is \$2.5 million, down \$1.0 million from the Fiscal Year 2009-10 Adopted Budget amount. TOT revenues started to slow in the first quarter of Fiscal Year 2008-09 but receipts declined dramatically in the quarter ending March 2009 and this decline has continued through the

Contributions to the County Library System

Historically, contributions from the General Fund have been provided to augment the resources of the County Library Fund. In Fiscal Year 2008-09, the General Fund contribution was \$5.5 million, consisting of \$4.8 million funded with General Purpose Revenue and one-time funding of \$0.7 million in order to augment the Cardiff Branch improvement project. For Fiscal Year 2009-10, the General Purpose Revenue-based contribution was decreased to \$2.3 million. For Fiscal Year 2010-11, the remaining \$2.3 million of ongoing General Purpose

Revenue support is proposed to be eliminated, but a one-time contribution of \$0.4 million based on General Fund fund balance attributable to the Community Services Group is proposed as a match for donations for library materials expected to be received from the Friends of the Library for the new Ramona and Fallbrook branches. No appropriations are projected for Fiscal Year 2011-12.

Contingency Reserve - General Fund

A Contingency Reserve of \$20.0 million is proposed for both Fiscal Years 2010-11 and 2011-12. These appropriations comply with the target of 2% of General Purpose Revenue for the Contingency Reserve as outlined in Board Policy B-71, *Fund Balance and Reserves*. At \$20.0 million, the Contingency Reserve represents 2.1% of the Fiscal Year 2010-11 proposed General Purpose Revenue and Fiscal Year 2011-12 estimated General Purpose Revenue (\$954.4 million and \$953.3 million, respectively). These appropriations are a source of funding for unanticipated needs, events, or for various uncertainties that may occur during the fiscal year. It also provides a cushion in the event of revenue shortfalls.

Contributions to Capital Program

These appropriations represent the General Fund cost for new or augmented capital development or land acquisition projects. For Fiscal Year 2010-11, \$138.7 million is proposed. Of this total, \$66.0 million is for the County Operations Center (COC) and Annex Redevelopment - Phase 1B project, \$55.0 million is proposed to be added to the \$75.0 million that was appropriated in Fiscal Year 2009-10 for the replacement of the existing Las Colinas Women's Detention Facility, \$10.0 million is for land acquisition under the Multiple Species Conservation Program (MSCP), \$2.0 million is for the Juvenile Probation Complex Parking Expansion project, \$2.5 million is for Sweetwater Lane Park to replace the grass fields with synthetic turf, \$1.5 million is for Sweetwater Regional Park energy upgrades, \$1.0 million is for the Agua Caliente Park water, sewer, and electrical line replacement project, \$0.5 million is for the Animal Services South Shelter Cat Housing Facility replacement project, and \$0.2 million is for the multi-purpose barn at the Animal Services South Shelter. The funding source for the proposed COC and Annex Redevelopment - Phase 1B project is \$20.0 million of General Purpose Revenue and \$46.0 million of General Fund fund balance. The funding source for the proposed

Women's Detention Facility project is General Purpose Revenue. The MSCP land acquisition project is proposed to be funded by \$2.5 million of General Purpose Revenue and \$7.5 million of General Fund fund balance. The remaining projects are proposed to be funded by General Fund fund balance. For Fiscal Year 2011-12, \$72.5 million is proposed, consisting of an additional \$70.0 million for the new Women's Detention Facility (for a total of \$200.0 million over three years) and \$2.5 million for continued MSCP land acquisition, both funded with General Purpose Revenue. See the Capital Program section on page 423 for more information on these projects.

Lease Payments - Capital Projects

The appropriations for this program are for the annual lease payments due to the San Diego County Capital Asset Leasing Corporation (SANCAL) and the San Diego Regional Building Authority (SDRBA) on the County's outstanding Certificates of Participation (COPs) and Lease Revenue Bonds, the proceeds of which were used to finance various capital projects. There is a net decrease of \$0.8 million in Fiscal Year 2010-11 as a result of the final maturity of and the reduction in certain scheduled lease payments offset by increasing lease payments for the Edgemoor Hospital Distinct Part Skilled Nursing Facility and the 2001 MTS Tower Refunding financing. Funding from the Edgemoor Development Fund will be transferred to the General Fund to offset the increased Edgemoor Hospital Distinct Part Skilled Nursing Facility payment. The Fiscal Year 2011-12 payments are expected to increase by a net of \$0.2 million. See the Capital Program section for the detail on the lease purchase payments.

Lease Payments - Certificates of Participation - Enterprise Resource Planning System

The appropriations for this program were used to make the annual \$6.7 million lease payment to SANCAL for the COPs issued in May 2000 to finance the County's Enterprise Resource Planning (ERP) System. The final payment was made in Fiscal Year 2009-10. No further appropriations are required for this purpose.

Debt Reduction

Appropriations in this program reflect amounts allocated for the early retirement of debt. No appropriations are proposed for this program in Fiscal Year 2010-11 or projected for Fiscal Year 2011-12. A General Fund

contribution of \$24.1 million to the Pension Obligation Bond fund was budgeted in Fiscal Year 2009-10 and used towards the payoff of the Series B1-2 (variable rate) portion of the County's 2008 taxable Pension Obligation Bonds refunding.

Contribution to the General Reserve

A General Reserve of \$55.5 million was established by the Board of Supervisors in Fiscal Year 2007-08. Once established, only changes to the Reserve are shown in subsequent budgets. Government Code §§29085-29086 allow the creation of a general reserve and restrict decreasing the amount to the time of budget adoption. Subsequent to budget adoption, the General Reserve may be increased, but amounts in the Reserve may only be used for legally declared emergencies as defined in Government Code §29127. The amount of the County's General Reserve is governed by Board Policy B-71, *Fund Balance and Reserves*, which sets a target amount that is equivalent to 5% of budgeted General Purpose Revenue. At \$55.5 million, it equates to 5.8% of the Fiscal Years 2010-11 and 2011-12 proposed General Purpose Revenue amounts of \$954.4 million and \$953.3 million, respectively, and therefore exceeds the 5% target level. Consequently, no changes are proposed to the General Reserve for Fiscal Years 2010-11 or 2011-12.

Designation - Economic Uncertainty

Board Policy B-71, *Fund Balance and Reserves*, requires that the County maintain prudent levels of fund balance and reserves to help ensure fiscal stability and establishes target levels for the Contingency Reserve, the General Reserve and a Fund Balance Designation for Economic Uncertainty. The first two of these three components are discussed above. For the third component, the target requires that an amount of fund balance equivalent to 10% of the budgeted General Purpose Revenue be designated for Economic Uncertainty. In Fiscal Year 2009-10, the Board of Supervisors established this Designation at \$100.0 million, slightly above the 10% level. Once established, only changes to the designation amount are shown in subsequent budgets. For Fiscal Year 2010-11, the 10%

target level would be \$95.4 million, but it is recommended that no changes be made to the original \$100.0 million designation amount.

Countywide General Expenses

The primary objective of these appropriations is to fund countywide projects and other countywide needs. The major components of the Countywide General Expenses program in Fiscal Year 2010-11 are:

- Contribution to the Information Technology (IT) Internal Service Fund to support the countywide component of the IT outsourcing contract.
- Contribution to the Employee Benefits Internal Service Fund to support workers' compensation costs based on the transfer settlement between the County and the State for pre-calendar year 2000 workers' compensation cases for Court employees.
- A Pension Stabilization Fund in anticipation of significantly higher County payments to the retirement fund in future years as a result of the negative impact of the current recession on the assets of the fund.
- Miscellaneous appropriations for unanticipated programs needs.

The decrease between Fiscal Years 2010-11 and 2011-12 reflects a redistribution of resources to departments to meet anticipated increases in retirement contribution expenses in Fiscal Year 2011-12.

Countywide Shared Major Maintenance

In Fiscal Year 2010-11, appropriations totaling \$2.0 million are proposed for major maintenance projects at County facilities that are shared by departments from multiple groups. The funding level for Fiscal Year 2011-12 is also projected to be \$2.0 million. Appropriations for major maintenance projects are otherwise budgeted by the department/group that directly benefits from the improvements.

Employee Benefits Internal Service Fund

In Fiscal Year 1994-95, the County established an Employee Benefits Internal Service Fund (ISF) to report all of its employee-risk management activities. The appropriations for this fund support claim payments and



administrative costs of the County's self-insured Workers' Compensation program and Unemployment Expenses.

Workers' Compensation rates (premiums) are charged to individual departments based 80% on a department's ten-year claim history and 20% on risk factors determined by the Workers' Compensation Insurance Rating Bureau (WCIRB) of California. WCIRB has developed a classification system based on potential risk of injury. An annual actuarial assessment is prepared by an actuary to estimate the liability and capture the costs associated with all reported and unreported claims. As of June 30, 2009, the estimated liability was \$88.6 million and the cash balance as of June 30, 2009 was \$92.1 million. The estimated liability as of June 30, 2010 is \$95.0 million and the cash balance as of June 30, 2010 is projected to be \$92.5 million. The proposed budget for Fiscal Year 2010-11 and 2011-12 includes a \$1.0 million contingency reserve. As a result of the County's Work Safe/Stay Healthy program, claims have been reduced in past years enabling the County to redirect resources to building a prudent reserve as required of a self-insured program and determined by an actuarial analysis. Appropriations for Fiscal Year 2010-11 reflect a \$2.2 million (6.9%) decrease in the Workers' Compensation budget from the Fiscal Year 2009-10 adopted budget.

The County is self-insured for unemployment benefit costs and therefore must reimburse the State for any unemployment benefit payments that are attributed to a claimant's previous employment with the County. County departments provide the funding source for these payments. Beginning in Fiscal Year 2010-11, unemployment insurance rates (premiums) will be charged to departments based 70% on each department's five-year claims experience and 30% on budgeted staffing levels. Appropriations for Fiscal Year 2010-11 reflect a \$2.3 million increase over the Fiscal Year 2009-10 adopted budget (increasing from \$1.6 million to \$3.9 million) as a result of the sharp increase in actual charges to the County for the last quarter of Fiscal Year 2008-09 and the first two quarters of Fiscal Year 2009-10. These higher costs are expected to continue at least through Fiscal Year 2010-11 because of continued high unemployment rates and the significantly extended period of time during which an individual can receive benefits. For Fiscal Years 2010-11 and 2011-12, the proposed budgets also include a \$1.0 million contingency reserve.

Local Agency Formation Commission Administration

These appropriations reflect the County's contribution to the San Diego Local Agency Formation Commission (LAFCo) in accordance with provisions in State Law (Government Code §56381). LAFCo is a State chartered regulatory agency with countywide authority. LAFCo performs studies and renders jurisdictional decisions affecting the boundaries and government structure of cities and special districts. Through Fiscal Year 2000-01, LAFCo was funded exclusively by the County and user fees. Beginning with Fiscal Year 2001-02, funding for LAFCo is shared by the County, the 18 cities and 63 independent special districts in San Diego County.

Public Liability Internal Service Fund

In Fiscal Year 1994-1995, the County established the Public Liability Internal Service Fund (ISF) to report all of its public-risk management activities. The County is self-insured through the ISF for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, automobile and general liability. The cost to General Fund departments, other funds and special districts is distributed based on a weighted risk factor: 90% allocated based on the last five years' loss experience and 10% based on staff hours of exposure. The County contracts with an actuary to annually assess the long-term liability of the fund to determine an adequate level of reserves. The estimated liability for June 30, 2009 was \$20.0 million. As of June 30, 2009, the fund had a cash balance of \$27.1 million. The estimated liability for June 30, 2010 increased to \$23.1 million and the cash balance as of June 30, 2010 is projected to be \$31.4 million. The budgeted appropriations of \$14.5 million in Fiscal Year 2010-11 are offset by \$14.3 million in charges to departments and by \$0.2 million in interest earnings of the fund.

Pension Obligation Bonds

The proposed appropriations for this debt service fund for Fiscal Years 2010-11 and 2011-12 will allow the County to make the scheduled principal and interest payments and pay related administrative expenses for the 2002, 2004 and the 2008 taxable Pension Obligation Bonds (POBs). The significant decrease from the Fiscal Year 2009-10 Adopted Budget results from one-time appropriations of \$100.0 million being included in that year's budget (in addition to those for the required payments) to pay off the principal balance of the

variable rate component of the 2008 taxable POBs (Series B). See the Debt Management Policies and Obligations section on page 80 for more information on the POBs, including the history, outstanding principal and scheduled payments.

Debt Service Local Boards

This cost represents the debt service cost for Majestic

Pines, which was issued in January 1973 for the construction of a water distribution system in the Julian area. The debt will be paid off in January 2012. The cost is offset by a special assessment on properties located within the service area. The amount budgeted for Fiscal Year 2010-11 reflects the scheduled debt service payment.

Expenditures					
	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	% Change	Fiscal Year 2011-12 Proposed Budget
Cash Borrowing Program	\$ 12,700,000	\$ 7,700,000	\$ 7,700,000	0.0%	\$ 7,700,000
Community Enhancement	3,350,000	3,500,000	2,500,000	(28.6%)	2,600,000
Neighborhood Reinvestment Program	10,000,000	10,000,000	5,000,000	(50.0%)	10,000,000
Contributions to County Library	5,500,000	2,250,000	350,000	(84.4%)	—
Contingency Reserve - General Fund	20,294,000	20,000,000	20,000,000	0.0%	20,000,000
Contributions to Capital Program	167,700,000	86,800,000	138,660,000	59.7%	72,500,000
Lease Payments - Capital Projects	35,263,304	39,824,151	39,051,094	(1.9%)	39,217,050
Lease Payments - Certificates of Participation - ERPs	6,700,000	6,700,000	—	(100.0%)	—
Debt Reduction	—	24,096,328	—	(100.0%)	—
Designation - Economic Uncertainty	—	100,000,000	—	(100.0%)	—
Countywide General Expenses	76,183,084	33,759,222	46,282,008	37.1%	33,896,614
Countywide Shared Major Maintenance	2,000,000	2,000,000	2,000,000	0.0%	2,000,000
Employee Benefits ISF					
<i>Workers' Compensation Emp Ben ISF</i>	34,325,948	31,963,107	29,736,033	(7.0%)	29,736,033
<i>Unemployment Insurance Emp Ben ISF</i>	1,582,175	1,586,608	3,901,526	145.9%	3,901,526
Local Agency Formation Commission Administration	343,581	342,880	342,061	(0.2%)	352,323
Public Liability ISF	13,000,000	15,400,000	14,475,000	(6.0%)	14,475,000
Pension Obligation Bonds	152,259,915	183,480,131	81,430,375	(55.6%)	81,354,997
Debt Service Local Boards	47,500	23,250	26,250	12.9%	26,250
Total	\$ 541,249,507	\$ 569,425,677	\$ 391,454,347	(31.3%)	\$ 317,759,793

