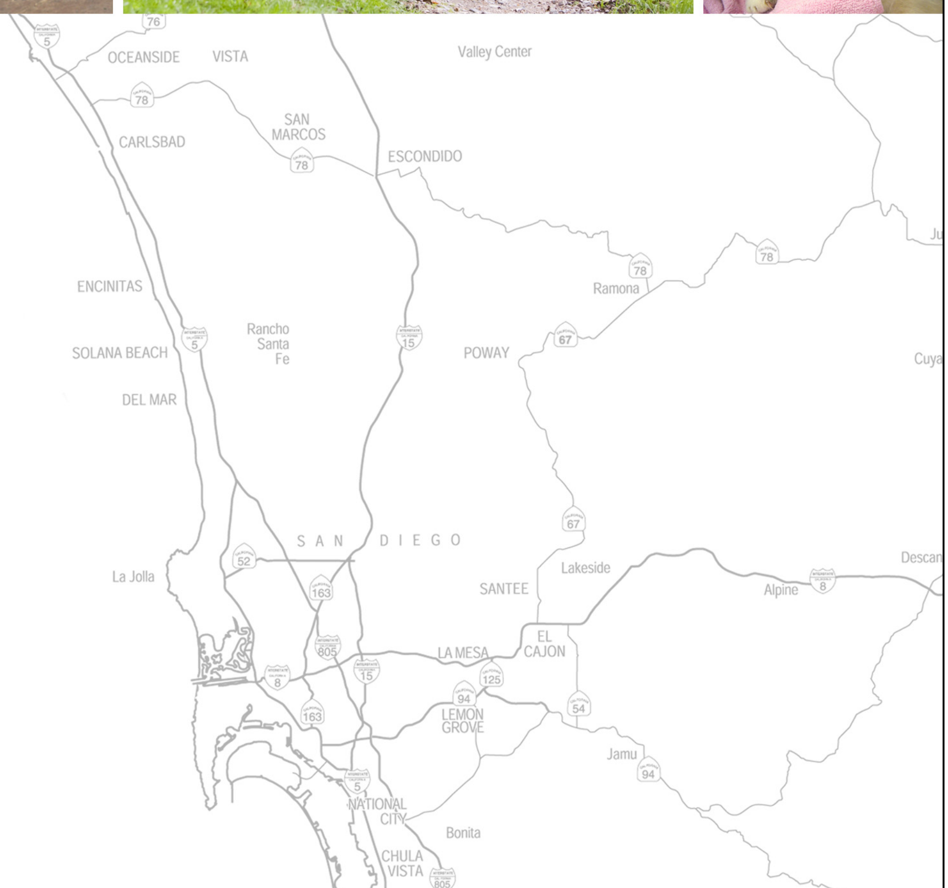
COUNTY OF SAN DIEGO

CAO Proposed Operational Plan | Fiscal Years 2010-2011 & 2011-2012



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, 2009

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, 2009.** 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

County of San Diego

Public Safety Group

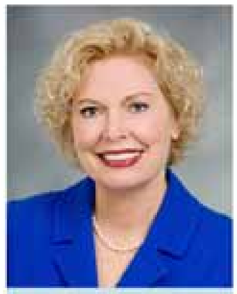
Table of Contents

County of San Diego

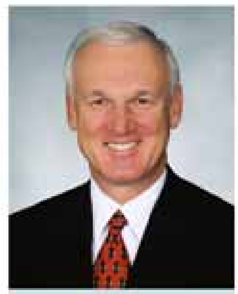
Board of Supervisors

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 ☑
- 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
- 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. 4/10

Message from the Chief Administrative Officer

Staying the Course

Planning for the breadth of services the County provides is a challenging job even in the best of times. No one needs a reminder - these are not the best of times. Fortunately the disciplined approach that we use to plan and manage the County's resources, the General Management System, is serving us well in this difficult economic period.

We have some evidence the economy is improving. The housing market may be on the rebound and retail sales appear to be stabilizing. While that's encouraging, unemployment is still high. Governments typically lag behind in an economic recovery and the County of San Diego is no exception. This coming year will be a lean one for the County. I am compelled to recommend an Operational Plan that is smaller than last year's in both dollar value and workforce. This Operational Plan presents a total proposed budget of $4.9 billion and 15,826 staff years for Fiscal Year 2010-11. That $4.9 billion represents a 2.9 percent decrease from the current fiscal year's budget of $5.01 billion. Staff years are 589 fewer, a 3.6 percent decrease. This staffing decrease continues the downsizing of the workforce that began last year when 774 staff years were eliminated.

We are faced with this situation because of the economy's adverse impact on revenues that we once relied on to meet the needs of a growing population. Some, such as various State revenues and those from property tax, are continuing to decline. Others, such as Proposition 172 and Realignment that depend upon consumer spending, are hovering at reduced levels last seen eight years ago. Meanwhile, many more of our region's residents - who have also hit been hard by this recession - need our services.

Despite these challenges, we have built a solid budget that maintains our commitment to long-term planning and fiscal stability. With the County's Strategic Plan as a guide, this Operational Plan preserves essential public safety and non-public safety services, continues the multi-year investment in the County's capital infrastructure, and positions the County for managing future anticipated increases in contributions to the retirement fund.

We'll focus on emergency preparedness, fire protection and public safety, promoting healthier living habits, conducting the November 2010 gubernatorial and general election, opening new libraries in Fallbrook and Ramona, and completing Phase 1 of the County Operations Center and Annex redevelopment project. The County will also expand and protect park and open space resources and continue to promote sustainability and conservation.

We are committed to providing the essential services our residents depend on. Part of that commitment means constantly reevaluating how we do business and instituting additional efficiencies, new technologies and new work methods - enabling County workers to quickly identify and adapt to changing public needs. For example, we're developing a more efficient model for staffing juvenile camps, and a more streamlined approach for land development permit processing.

We are also committed to fiscal stability and in this environment that unfortunately means that we must continue to identify and reduce or eliminate non-core, discretionary services. Some changes for Fiscal Year 2010-11 include reduced days of operation at certain County parks, increased caseloads and response times in Child Welfare Services, elimination of juvenile diversion services, fewer new books and materials in County libraries and fewer grant dollars for community organizations.

Despite these economic times, the County achieved many significant objectives during the past year. We opened the new, 84,000 square foot, state-of-the-art Medical Examiner & Forensic Center in Kearny Mesa, the first building completed in the planned County Operations Center Complex. The Board of Supervisors budgeted $85 million for the project; the project came in on time and under budget - and the County paid cash.

Through more than 35 awards of federal stimulus funds totaling $98 million, the County has worked to improve health, public safety and infrastructure like roads and airport runways.

Looking forward, we will stay the course. We'll continue to deliver top-notch services to our customers and we'll do it with a leaner workforce that has become adept at finding innovative solutions.

The expertise and commitment of our employees, coupled with the pragmatic and seasoned leadership of the Board of Supervisors, will carry us into better days. When the economic cycle turns upward again, we will be better positioned than ever to do what we do best: serve the public.

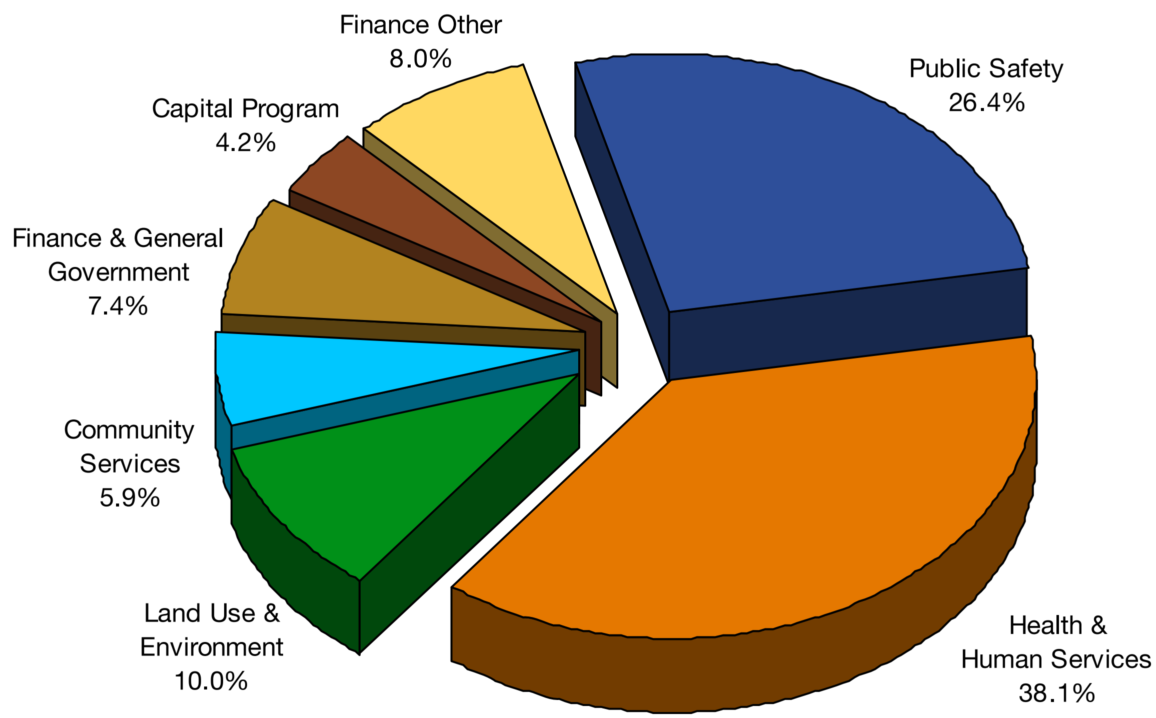
I invite you to read more about the County's accomplishments, objectives and proposed programmatic changes in the individual group and department sections that begin on page 109.

Walter Ekard

Walter F. Ekard, Chief Administrative Officer

2010-11 CAO Proposed Budget at a Glance

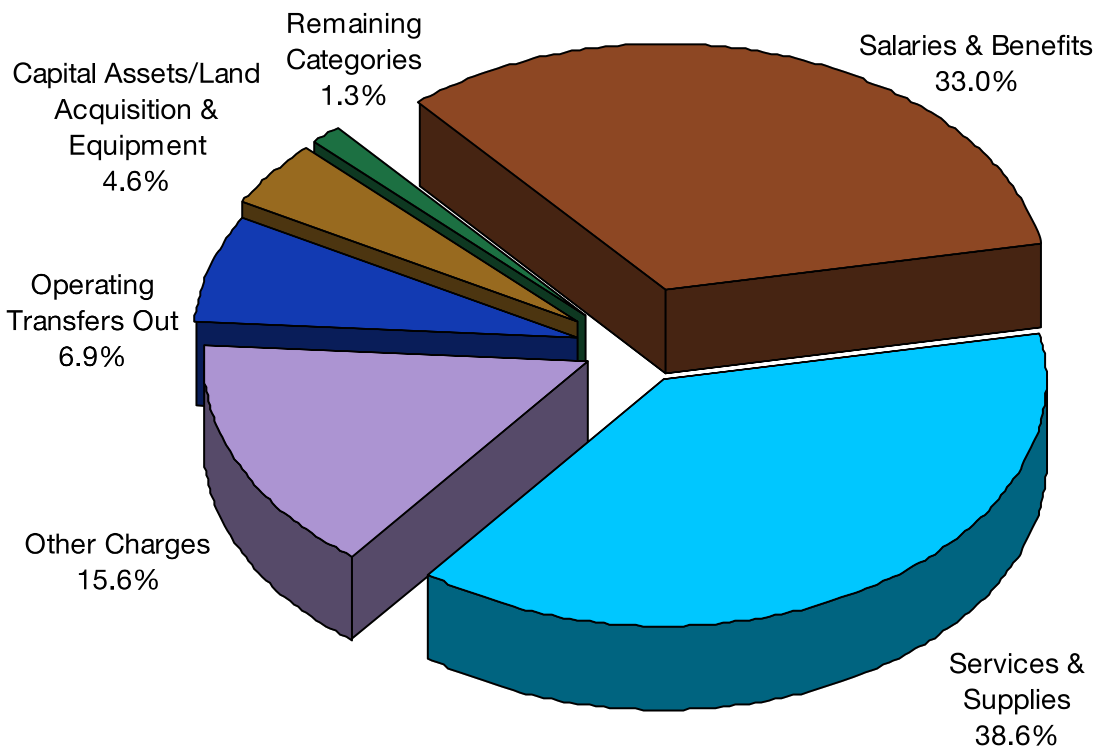
CAO Proposed Budget by Functional Area — All Funds



Budget by Functional Area - All Funds		
	Budget in Millions	Percentage of Total Budget
Public Safety	$ 1,282.8	26.4%
Health & Human Services	1,854.7	38.1%
Land Use & Environment	486.7	10.0%
Community Services	284.9	5.9%
Finance & General Government	360.3	7.4%
Capital Program	202.2	4.2%
Finance Other	391.5	8.0%
Total	$ 4,863.2	100.0%

Note: In the charts, the sum of individual percentages may not total 100.0% due to rounding. Also, in the tables, the sum of individual figures within a column may not equal the total for that column due to rounding.

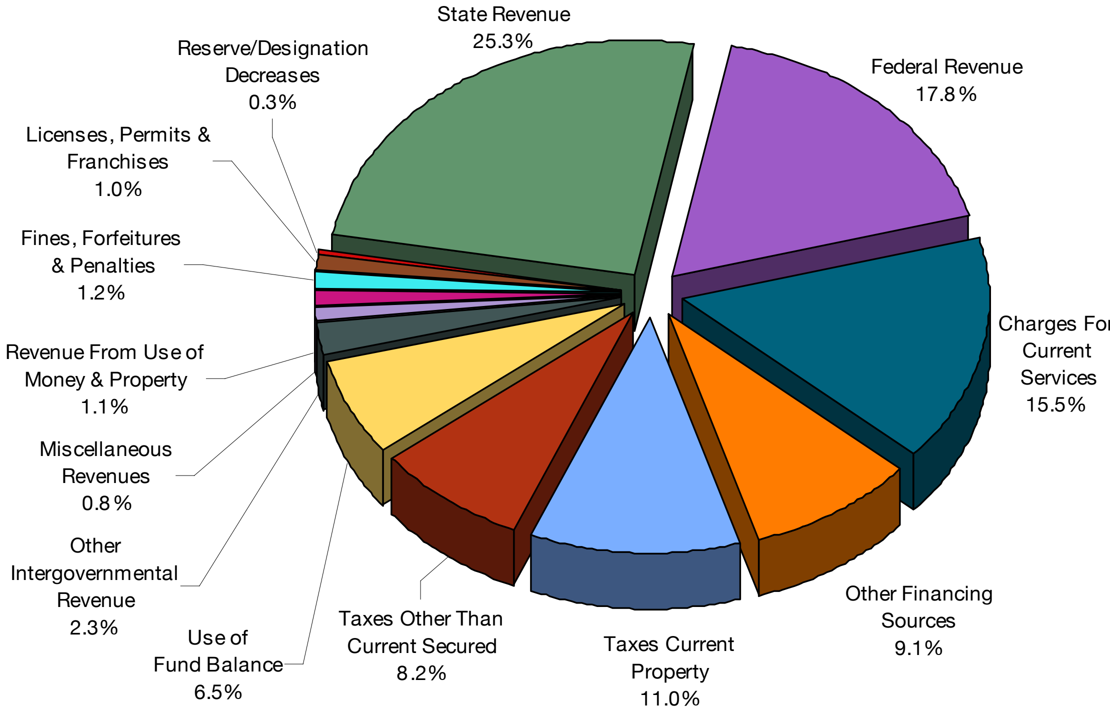
CAO Proposed Budget by Category of Expenditure — All Funds



Budget by Category of Expenditure - All Funds

	Budget in Millions	Percentage of Total Budget
Salaries & Benefits	$ 1,604.9	33.0%
Services & Supplies	1,874.9	38.6%
Other Charges	760.6	15.6%
Operating Transfers Out	334.8	6.9%
Capital Assets / Land Acquisition	204.7	4.2%
Capital Assets Equipment	19.1	0.4%
Remaining Categories:		
Reserve/Designation Increases	33.4	0.7%
Management Reserves	28.7	0.6%
Contingency Reserves	22.1	0.5%
Exp Transfer & Reimbursements	(20.1)	(0.4%)
Total	$ 4,863.2	100.0%

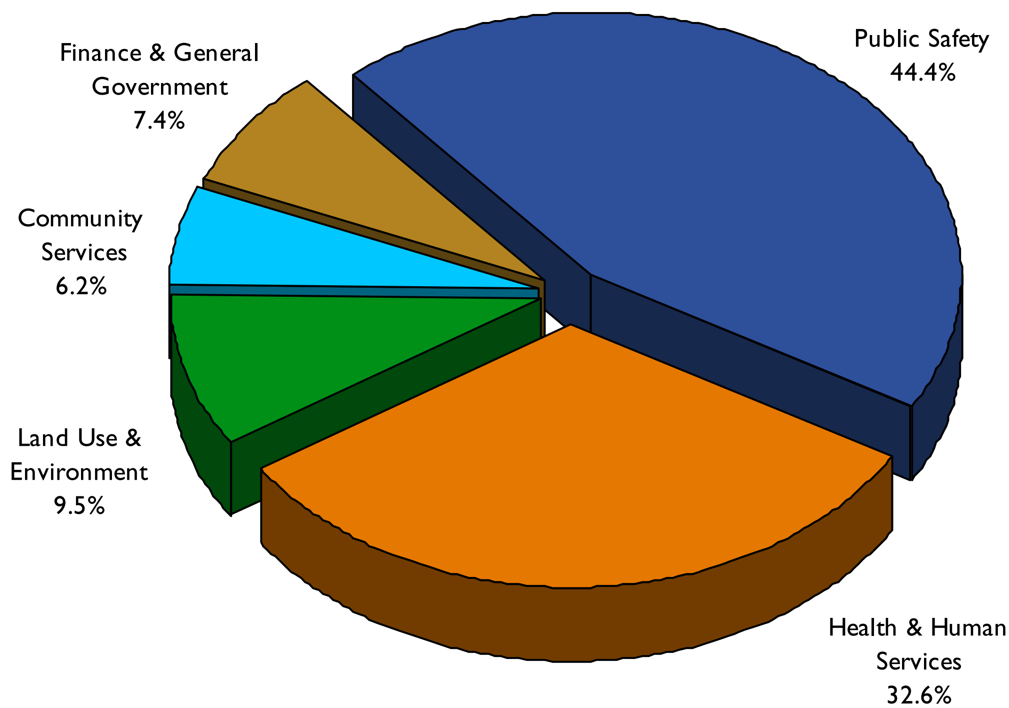
CAO Proposed Budget by Category of Revenue — All Funds



Budget by Category of Revenue - All Funds

	Budget in Millions	Percentage of Total Budget
State Revenue	$ 1,229.4	25.3%
Federal Revenue	864.5	17.8%
Charges For Current Services	753.1	15.5%
Taxes Current Property	535.5	11.0%
Other Financing Sources	441.2	9.1%
Taxes Other Than Current Secured	397.4	8.2%
Use of Fund Balance	318.4	6.5%
Other Intergovernmental Revenue	113.5	2.3%
Fines, Forfeitures, & Penalties	56.6	1.2%
Revenue From Use of Money & Property	54.6	1.1%
Licenses, Permits, & Franchises	49.1	1.0%
Miscellaneous Revenues	36.6	0.8%
Reserve/Designation Decreases	13.3	0.3%
Total	$ 4,863.2	100.0%

CAO Proposed Staffing by Group/Agency — All Funds



Staffing by Group/Agency - All Funds

	Staff Years *	Percentage of Total Staffing
Public Safety	7,025.25	44.4%
Health & Human Services	5,156.25	32.6%
Land Use & Environment	1,501.00	9.5%
Community Services	978.25	6.2%
Finance & General Government	1,165.50	7.4%
Total	15,826.25	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.

MISSION

To efficiently provide public services that build strong and sustainable communities

VISION

A county that is safe, healthy and thriving

STRATEGIC INITIATIVES

Kids

Improve opportunities for children and families

The Environment

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

Safe and Livable Communities

Promote safe and livable communities

San Diego County Facts and Figures

FOUNDED:	February 18, 1850
SIZE:	4,261 square miles
COASTLINE:	75 miles
ELEVATION:	Lowest - Sea Level Highest - 6,535 ft Hot Springs Mountain

POPULATION:	***2008***	***2009***
	3,131,552	3,173,407

Second most populous county in California and fifth most populous in the U.S.

Source: California Department of Finance, May 2009; U.S. Census Bureau, Table 7: Population Estimates for the 100 Largest U.S. Counties, March 2009

INCORPORATED CITIES: 18

CIVILIAN LABOR FORCE:	***2009***	***2010***
	1,557,400	1,553,250

Source: California Employment Development Department, Historical Data for Unemployment Rate and Labor Force, 2009 Annual Average and 2010 Jan-Feb Average

UNEMPLOYMENT RATE:	***2009***	***2010***
	9.7%	10.9%

Source: California Employment Development Department, Historical Data for Unemployment Rate and Labor Force, 2009 Annual Average and 2010 year-to-date data

EMPLOYMENT MIX (Industry)[1]	***2010 Employees***	***Percent of Total***
Government	225,400	18.5%
Professional & Business Services	195,200	16.0%
Trade, Transportation & Utilities	194,100	15.9%
Leisure and Hospitality	151,000	12.4%
Educational & Health Services	146,800	12.0%
Manufacturing	90,900	7.5%
Financial Activities	67,800	5.6%
Construction	56,600	4.6%
Other Services	46,300	3.8%
Information	35,900	2.9%
Farming	9,300	0.8%
Natural Resources & Mining	300	<0.1%
Total	1,219,600	100.0%

(1)Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, and household domestic workers.

Source: California Employment Development Department, Labor Market Information Division (March 2010 Benchmark, Preliminary)

TEN LARGEST EMPLOYERS: (as of April 1, 2008)	***2008***
State Government	41,400
Federal Government(1)	40,800
University of California, San Diego	30,078
County of San Diego	16,303
San Diego Unified School District(2)	15,800
Sharp HealthCare	14,390
Scripps Health	11,690
City of San Diego	11,054
Qualcomm Inc.	9,444
Kaiser Permanente	7,608

(1)Employment figures are as of January 1, 2008

(2)Employment figures provided by the San Diego School District Web site

Source: San Diego Business Journal, April 28, 2008

MEDIAN HOME PRICE [1]:	Dec 2007	Dec 2008	Dec 2009
Source: California Association of Realtors/DataQuick Information System [1] Median price of homes sold in December of each reported year	$437,000	$300,000	$330,000

2008 MEDIAN HOUSEHOLD INCOME: (not adjusted for inflation)	$63,026
Source: U.S. Census Bureau	

FISCAL YEAR 2009-10 ASSESSED VALUATIONS:	$396.3 billion
Source: San Diego County Assessor/Recorder/ County Clerk	

2009 NUMBER OF HOUSEHOLDS:	1,145,548
Source: San Diego Regional Association of Governments	

2009 CONSUMER PRICE INDEX:	242,270
Source: State of California Department of Industrial Relations, 2009 Annual Average	

MILITARY INSTALLATIONS:
United States Coast Guard Sector San Diego
Marine Corps Air Station Miramar
Marine Corps Base Camp Pendleton
Marine Corps Recruit Depot San Diego
Naval Air Station North Island
Naval Amphibious Base Coronado
Naval Base Point Loma (including SPAWAR)
Naval Medical Center San Diego
Naval Station San Diego
Source: U.S. Department of Defense 2008

LAND USE: (acres) in descending order [1]	*2009*
Parkland	1,070,803
Vacant or Undeveloped Land	871,720
Residential	345,363
Public/Government	151,700
Agriculture	118,836
Other Transportation	99,281
Commercial/Industrial	69,482
Total	2,727,185

Source: San Diego Association of Governments (SANDAG), 2009

[1] The acres available for land use may vary year to year due to survey updates that include tide level changes.

AGRICULTURAL PRODUCTION:	*2008 Value*	*2008 Acres*
Nursery & Flower Crops (e.g., indoor plants, trees & shrubs, bedding plants, cut flowers, etc.)	$1,042,703,756	10,670
Fruit & Nut Crops (e.g., avocados, citrus, berries, etc.)	$239,810,088	43,624
Vegetable Crops (e.g., tomatoes, herbs, mushrooms, etc.)	$163,027,398	7,228
Livestock & Poultry Products (e.g., chicken eggs, milk, etc.)	$85,449,409	—
Livestock & Poultry (e.g., cattle, calves, chicken, hogs & pigs)	$12,575,250	—
Field Crops (e.g., pastures, ranges, hay, etc.)	$4,599,445	251,244
Apiary (e.g., honey, pollination, bees & queen bees, etc.)	$3,186,328	—
Timber Products (e.g., firewood and timber)	$870,000	—

Source: San Diego Agricultural Commissioner/Sealer of Weights & Measures 2008 - San Diego County Crop Statistics & Annual Report

TOURIST ATTRACTIONS:

Anza-Borrego State Park
ARCO Olympic Training Center, Chula Vista
Balboa Park and Museums, San Diego
Birch Aquarium at Scripps, La Jolla
Hotel Del Coronado, Coronado
Legoland California, Carlsbad
Petco Park, San Diego
Point Loma and Cabrillo National Monument, San Diego
Qualcomm Stadium, San Diego
San Diego Wild Animal Park, Escondido
San Diego Zoo, San Diego
Sea World San Diego, San Diego
Torrey Pines Golf Course, La Jolla
Torrey Pines State Reserve, San Diego
U.S.S. Midway Museum, San Diego

Source: San Diego Convention and Visitors Bureau

TOTAL VISITORS (2009): 29,606,000

Source: San Diego Convention and Visitors Bureau

San Diego County Profile and Economic Indicators

History & Geography

San Diego County became one 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 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, approximately the size of the state of Connecticut, 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. It is the southwesternmost county in the contiguous 48 states.

For thousands of years, American Indians have lived in this area. The four tribal groupings that make up the indigenous Indians of San Diego County are the Kumeyaay (also referred to as Diegueño or Mission Indians), the Luiseño, the Cupeño and the Cahuilla. San Diego County has the largest number of Indian reservations (19) of any county in the United States. However, the reservations are very small, with total land holdings of an estimated 193 square miles.

The Spanish explorer Juan Rodriguez Cabrillo arrived by sea in the region on September 28, 1542. Although he named the area San Miguel, it was renamed 60 years later by Spaniard Sebastian Vizcaino. He chose the name San Diego in honor of his flagship and, it is said, 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. The State of California Department of Finance estimates the County's population to be 3,173,407 as of January 2009 (the latest date of available data), an increase of approximately 1.3% over the estimated January 2008 revised total of 3,131,552.

San Diego County Population

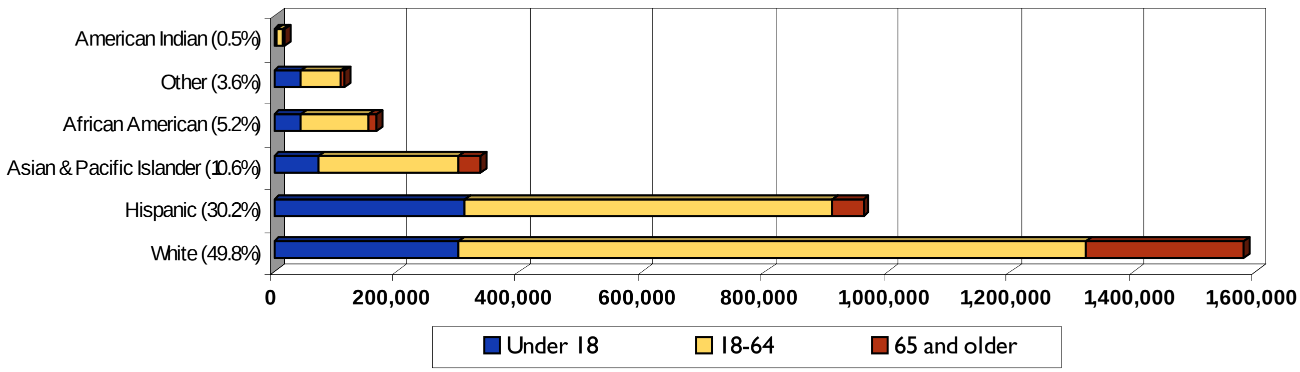
	2000	2009	% Change
Carlsbad	78,306	104,652	33.6
Chula Vista	173,543	233,108	34.3
Coronado	24,100	23,028	(4.4)
Del Mar	4,389	4,591	4.6
El Cajon	94,869	98,133	3.4
Encinitas	57,955	64,145	10.7
Escondido	133,663	144,831	8.4
Imperial Beach	26,992	28,243	4.6
La Mesa	54,749	56,881	3.9
Lemon Grove	24,918	25,650	2.9
National City	54,260	56,522	4.2
Oceanside	161,039	179,681	11.6
Poway	48,044	51,126	6.4
San Diego	1,223,415	1,353,993	10.7
San Marcos	54,977	83,149	51.2
Santee	52,946	56,848	7.4
Solana Beach	12,979	13,547	4.4
Vista	89,857	96,089	6.9
Unincorporated	442,832	499,190	12.7
Total	2,813,833	3,173,407	12.8

Source: California Department of Finance

The total population of the county has grown 12.8% since 2000. Population growth has averaged 1.2% over the past 9 years; however, growth has ranged from a high of approximately 1.9% in 2002 to a low of approximately 0.8% in 2006. Natural increase is the primary source of population growth. Another contributor to the change in population is net migration (both foreign and domestic) which has varied dramatically in the past 10 years. San Diego County is the second largest county by population in California and the fifth largest county by population in the country, as measured by the U.S. Census Bureau.

2009 San Diego County Population Distribution by Race/Ethnicity and Age

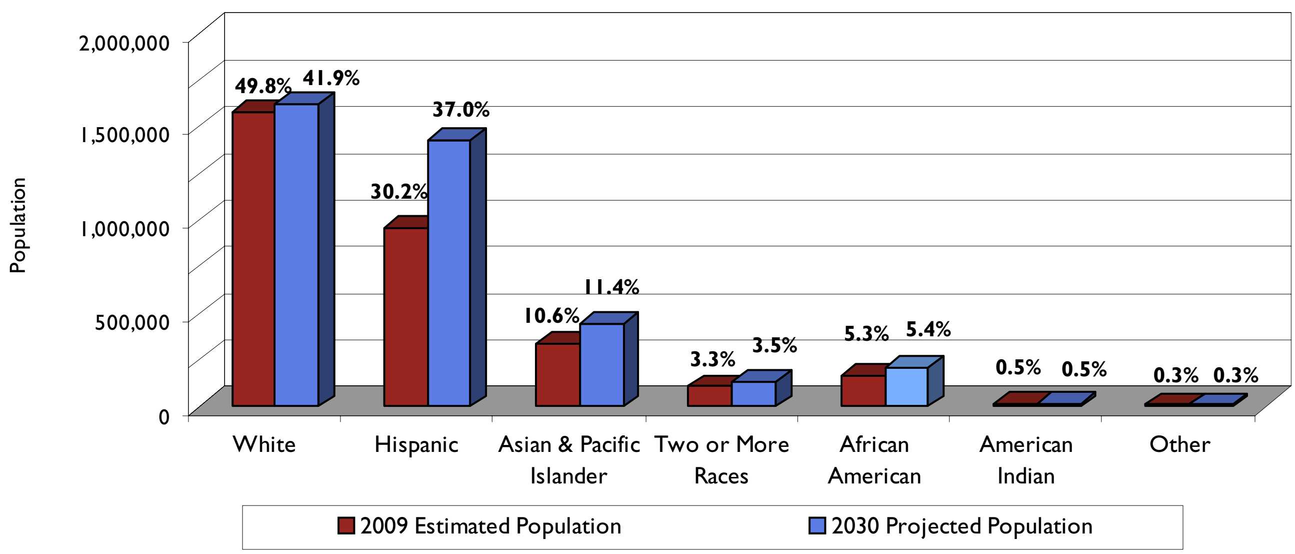
Total: 3,173,407



Source: San Diego Association of Governments

San Diego County Population Distribution by Race/Ethnicity

2009 Estimated vs. 2030 Projection

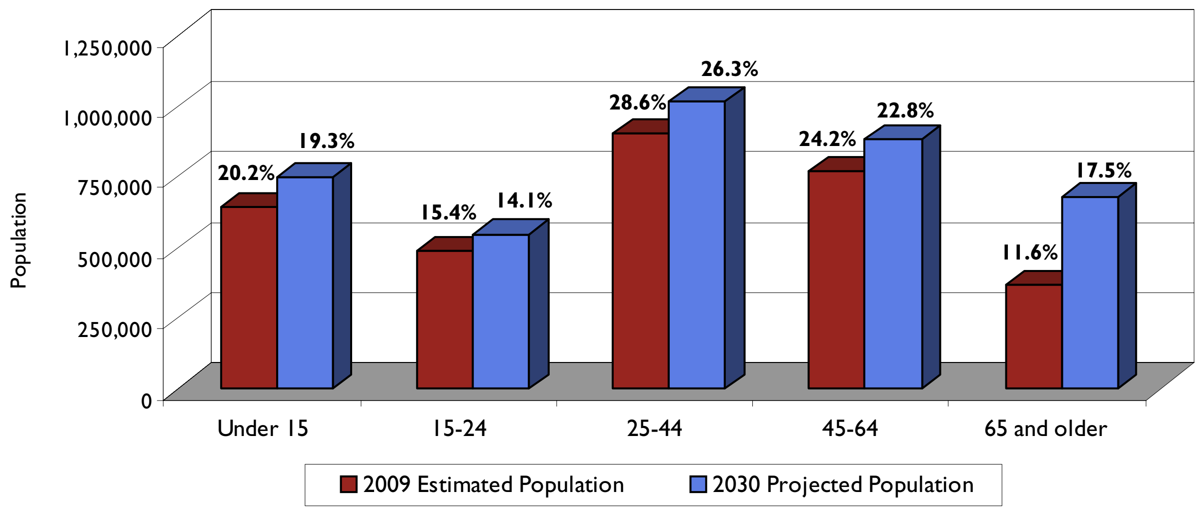


Note: Percentages represent the share of each group compared to the total population.
Source: San Diego Association of Governments (SANDAG) 2050 Regional Growth Forecast (Feb 2010) - 2030

The regional population for 2030 is forecasted to be 3.9 million according to the San Diego Association of Governments (SANDAG) based on its 2050 Regional Growth Forecast released in February 2010, a 38% increase from calendar year 2000. San Diego County's racial and ethnic composition is as diverse as its geography. SANDAG projects that in 2030, San Diego's population breakdown will be 41.9% White; 37% Hispanic; 11.4% Asian and Pacific Islander; 5.4% Black; and 4.3% all other groups. A significant growth in the Hispanic population is seen in this projection. 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 county. As depicted above, SANDAG is projecting that the population of residents 65 years and older will increase 86% by 2030.

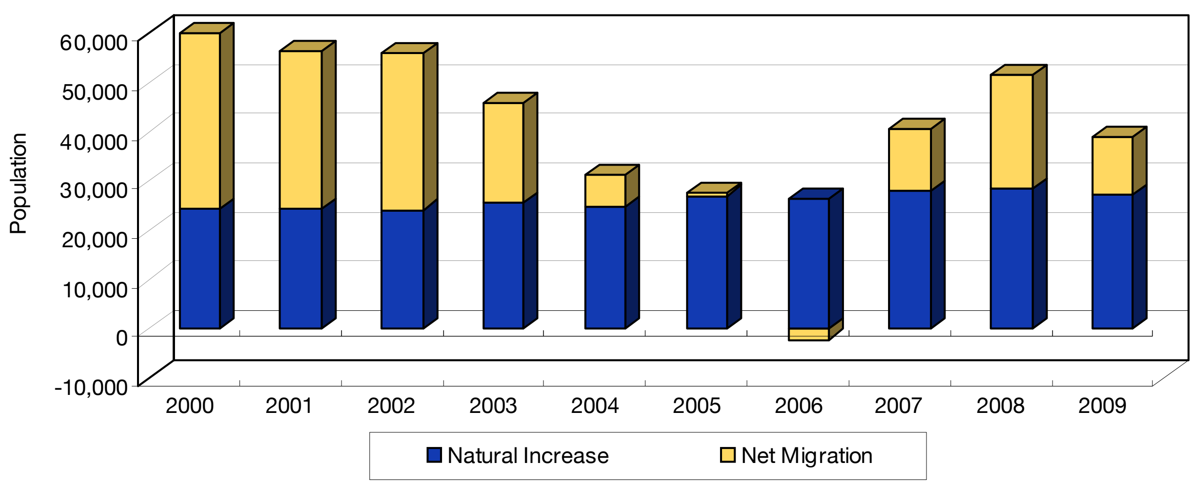
San Diego County Population Distribution by Age

2009 Estimated vs. 2030 Projection



Notes: Percentages represent the share of each group compared to the total population.
Source: San Diego Association of Governments (SANDAG) 2050 Regional Growth Forecast (Feb 2010) - 2030 Projection.

Change in San Diego Population: 2000 - 2009



Note: Change in population data is stated on a fiscal year basis beginning July 1st.
Source: California Department of Finance

Economic Indicators

U.S. Economy

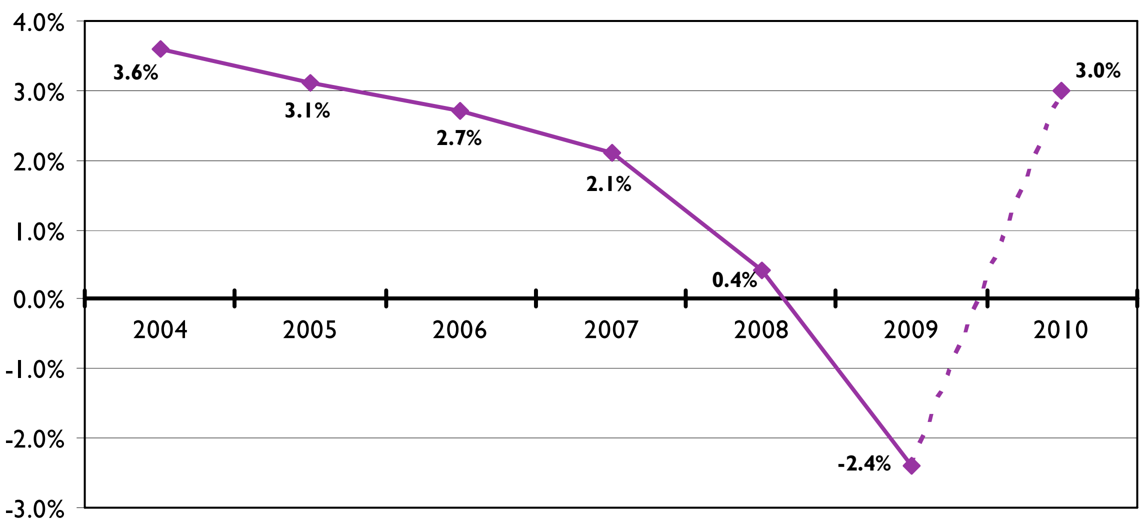
The U.S. economy suffered through a very deep recession beginning in December 2007 and continuing through the first half of 2009. It now appears that the downturn ended about the middle of 2009, approximately 18-20 months from when it began, making it the longest recession since the 1930s. (Source Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2010-11 Economic Forecast, February 2010).

A series of federal fiscal and monetary policy actions were initiated to address the credit crisis and economic volatility. The Federal Reserve 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 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.

According to the third estimate released by the Bureau of Economic Analysis, the U.S. economy increased at an annual rate of 5.6% in the fourth quarter of 2009. The increase in real Gross Domestic Product (GDP) in the fourth quarter primarily reflected positive contributions from private inventory investment, exports, personal consumption expenditures (PCE), and nonresidential fixed investment. The acceleration in real GDP in the fourth quarter primarily reflected acceleration in private inventory investment, an upturn in nonresidential fixed investment an acceleration in exports, a deceleration in imports that were partly offset by deceleration in PCE and in federal government spending.

Real GDP is forecasted to improve with projections of 3.2% growth in the first quarter and 2.4% growth in the second quarter of 2010. Real GDP growth is expected to continue to improve in 2011 but will be restrained by household and business uncertainty, only gradual improvement in labor market conditions, and slow easing of credit conditions in the banking sector. (See chart below for a historical comparison). The annualized forecast for 2010 depicts a Real GDP increase of 3.0% from the 2009 figure.

U.S. Gross Domestic Product Annual Percent Change 2004 - 2010



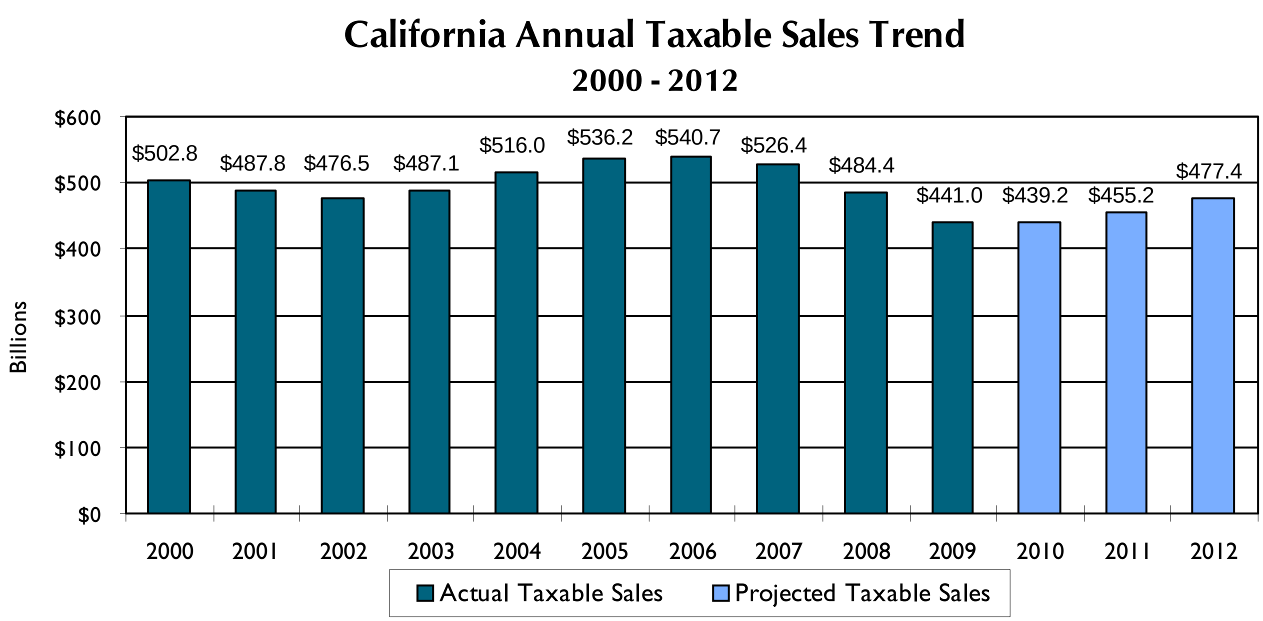
Notes: Gross Domestic Product (GDP) percent change measured by calendar year, based on chained 2005 dollars. The annual GDP percent change is projected for calendar year 2010.
Source: Bureau of Economic Analysis, U.S. Department of Commerce - March 26, 2010; UCLA Anderson Forecast - March 2010

Minutes from the Board of Governors of the Federal Reserve System and the Federal Open Market Committee joint meeting from March 16, 2010 indicate that economic activity expanded at a moderate pace in early 2010. Business investment in equipment and software seemed to have picked up, consumer spending increased further in January, and private employment would likely have turned up in February in the absence of the snowstorms that affected the East Coast. Output in the manufacturing sector continued to trend higher as firms increased production to meet strengthening final demand and to slow the pace of inventory liquidation. On the downside, housing activity remained flat and the nonresidential construction sector weakened further.

Some significant risks facing the U.S. economy in 2010 include aftershocks from the financial crisis caused by both the near sovereign default in Dubai and fears of a potential default by Greece, double dip in housing, higher oil prices, premature policy tightening, continued high unemployment and high debt burden (Source: Global Insight's U.S. Economic Outlook - January 2010). Unemployment is expected to gradually decline in 2010, with a peak of 10.6% in January 2010, declining to 10.0% by the end of 2010. The unemployment rate in 2011 is expected to be 9.5%.

California Economy

Like the national outlook, California's economy has felt the impact of the worst recession since the Great Depression. Monthly job losses in 2009 have been high and only gradually decreasing, unemployment has inched up throughout the year reaching 12.2% in December 2009. See chart on page 23. Real personal income declined by 2.4%, and taxable sales declined by 9.0% in 2009. Consumer spending continues to be impacted by the economic volatility. See chart on page 21. Housing started to show improvement in 2009, with buyers returning to the market to take advantage of discounted home prices, government tax credits and low interest rates. The economic news in California is expected to get better during 2010, but slowly (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2010-11 Economic Forecast, February 2010). However, unemployment is still very high. In 2010, real personal income is expected to grow by 1.3%, but employment is expected to drop by 0.7% and taxable sales will decline at a 0.4% rate.



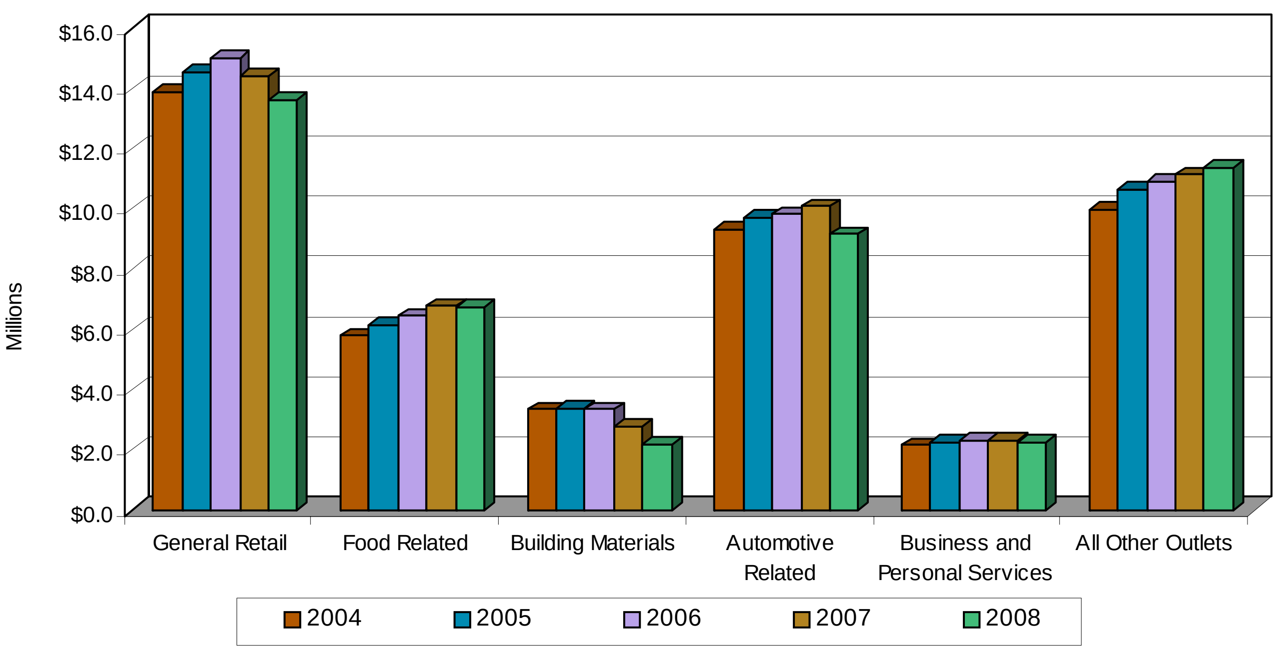
Notes: Taxable sales are stated in calendar year 2005 dollars
Source: UCLA Anderson Forecast, March 2010

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 shared the pain with the rest of Southern California in 2009. Construction, real estate, manufacturing and retail trade all suffered large employment declines. Unemployment in the region in 2009 averaged 9.7%, the highest rate in twenty years. Another indicator of economic health is county taxable sales. (See the chart below for more detail on taxable sales broken down by select categories.) Taxable sales started to decline overall in the County in 2007 and those trends continued in 2008. Data on taxable sales for 2009 is not yet available from the California State Board of Equalization, but a further decline is expected.

San Diego County Taxable Sales by Category



Source: State Board of Equalization

Categories of Taxable Sales include:

General Retail — apparel stores, general merchandise, home furnishings and appliances, and other retail.

Automotive Related — automotive stores and service stations.

Food Related — food stores and eating and drinking establishments.

Building Materials — hardware stores.

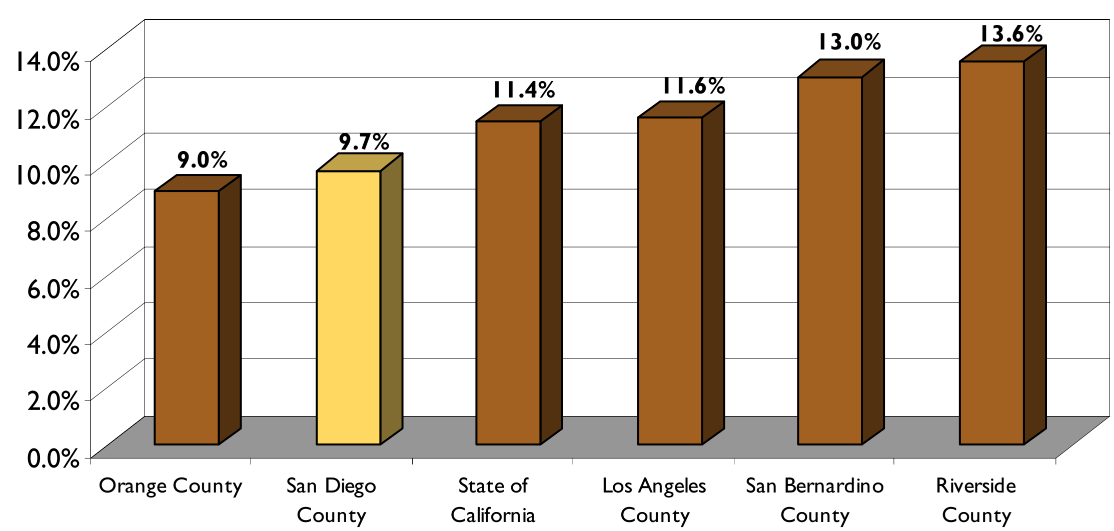
Business and Personal Services — for example: beauty salons and hotels.

All Other Outlets — Use Tax Collections. The State's *use tax* applies to the use, storage or other consumption of merchandise.

Looking forward, 2010 is expected to improve slowly. Building permits, initial claims for unemployment insurance and help wanted advertising were all positive in February 2010, offset by a decline in stock prices and consumer confidence, as reported by the University of San Diego's Index of Leading Economic Indicators for San Diego. Positive forces in 2010 and into 2011 include federal defense spending with General Dynamics Nassco getting funding to produce two US Navy cargo vessels, Northrop Grumman receiving funding for five Global Hawk aircraft (robotic planes), and federal stimulus money allocated for sizable construction projects. While private non-residential construction has declined, there are still some projects in the works, including the Palomar Pomerado Health PMC West project, the Scripps Memorial Hospital expansion in Encinitas, and a new cardiovascular institute that is part of a renovation of the Scripps La Jolla campus. Poseidon Resources has been approved to start construction of a $300 million desalination plant in Carlsbad. Moreover, the Port of San Diego has embarked on a project to add a second cruise ship pier and renovate the existing terminal and the County of San Diego is redeveloping its operations center in Kearny Mesa.

Approximately one-half of San Diego County's population is part of the civilian labor force (1,552,500 in February 2010). 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 annual average unemployment rate continues to compare favorably to the State rate, and it is expected to be somewhat higher than the U.S. rate. See chart below and on page 23.

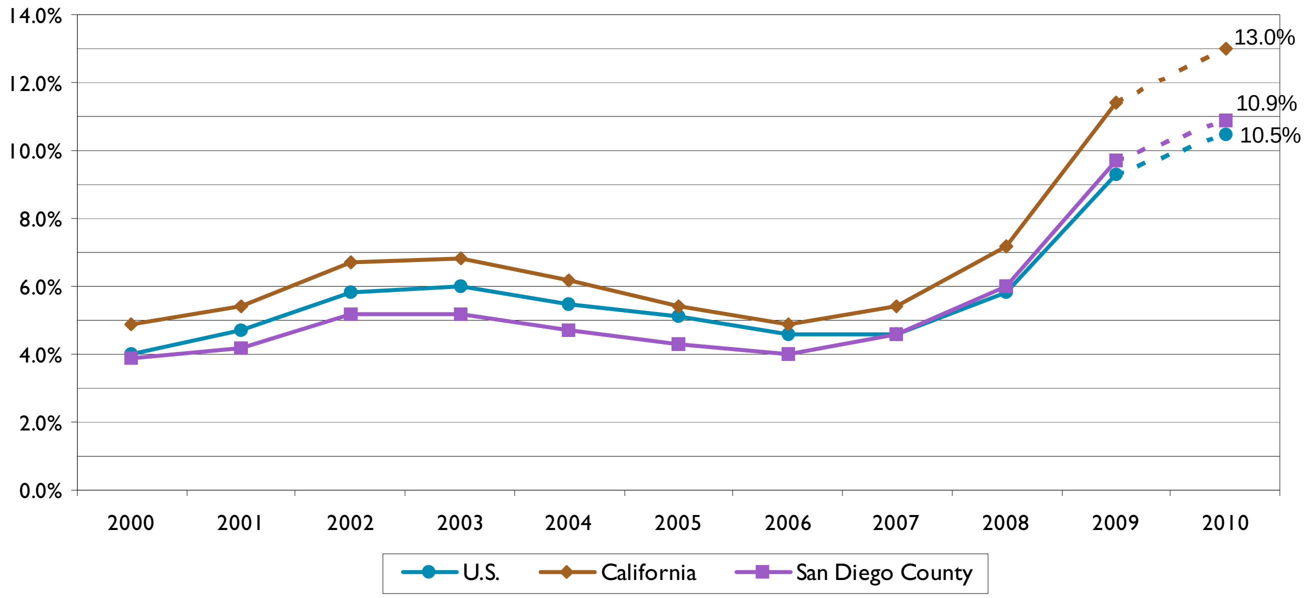
Unemployment Rate Comparison - 2009 Monthly Average



Source: California Employment Development Department

Annual Average Unemployment Rate Comparison

U.S., California and San Diego County

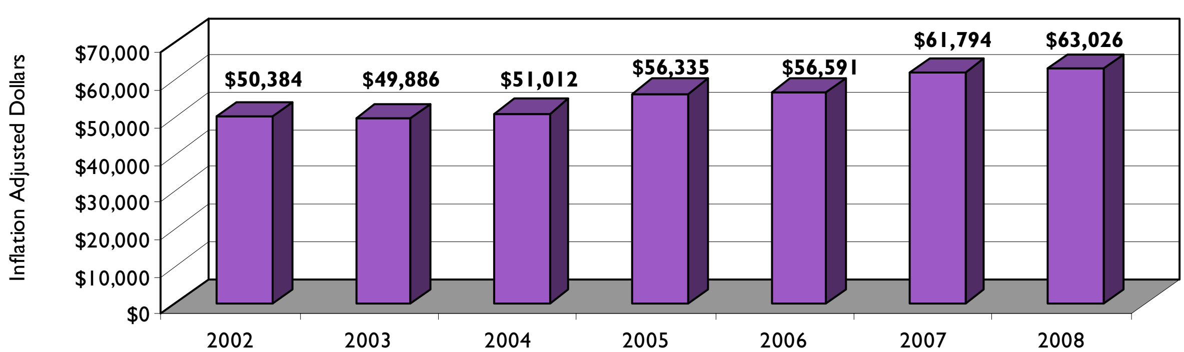


Notes: Unemployment rates are measured by calendar year. The rates for 2010 are a two-month average (Jan-Feb).
Source: California Employment Development Department; Bureau of Labor Statistics, U.S. Department of Labor

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

San Diego County Median Household Income

2002 - 2008

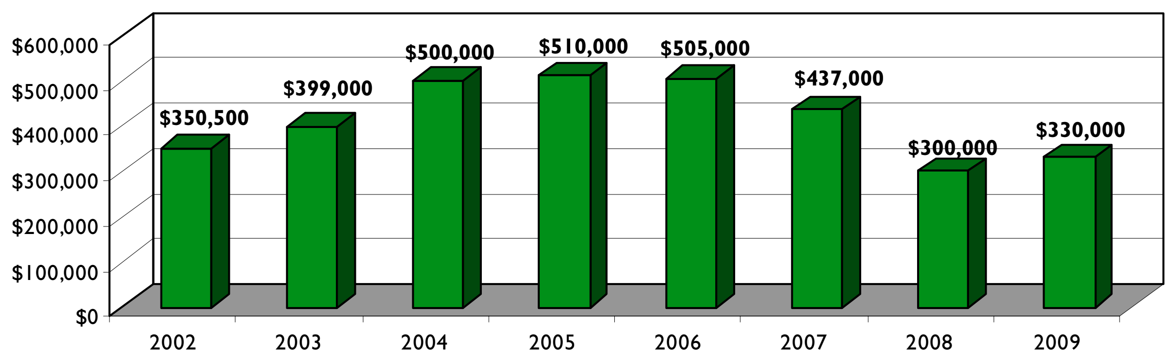


Notes: Median Household Income is measured by calendar year.
Source: U.S. Census Bureau

An unintended consequence of the housing market's recent turmoil has been the improvement in housing affordability during this period. The California Association of Realtors index* for first-time buyers throughout California showed a marginal decrease for San Diego in December 2009. The percentage of households that could afford to buy an entry-level home in San Diego decreased to 57% from a high of 61% in March 2009. However, San Diego affordability is still up from 56% in December 2008, up from 31% in December 2007 and up from 23% in December 2006. The median home prices of existing homes sold reveals that prices are gradually increasing. During 2009, median home sales started to rebound from the nadir experienced at the end of 2008 and early 2009

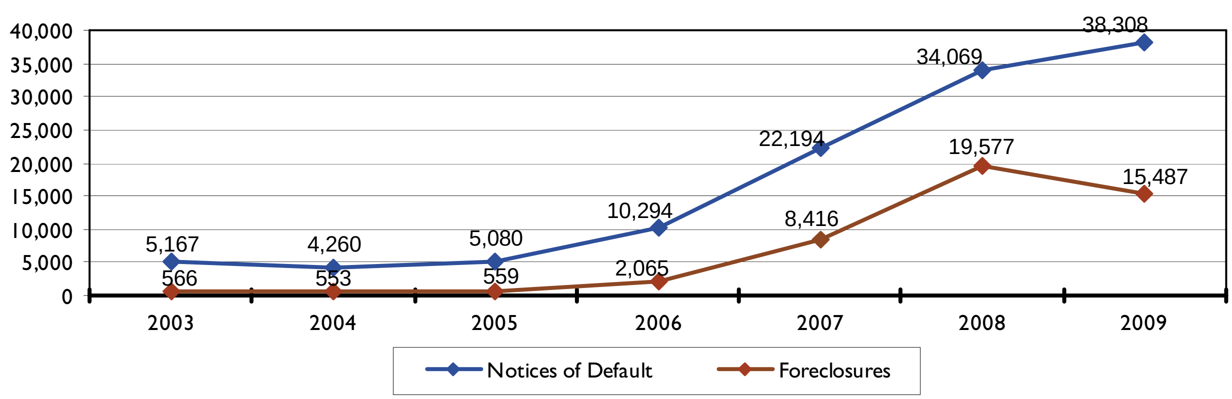
* The California Association of Realtors index is based on an adjustable rate mortgage with a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price. The improvement in the percentage of households that could afford to buy an entry-level home in San Diego 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.

San Diego County Median Price of Existing Homes Sold
2002 - 2009



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

San Diego County Total Notices of Default and Foreclosures
2003 - 2009



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 from 223,087 to a low of 115,540 in 2008 with marginal improvement in 2009 (119,153), illustrating the 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 increased markedly from 2003 through 2009, and foreclosures rose dramatically from 2003 through 2008 before declining 21% in 2009. Foreclosures compared to notices of loan default averaged approximately 11.6% from 2003 through 2005. However, this percentage increased from 2006 to 2008, reaching 57.5% in 2008 and declining to 40.4% in 2009. 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 soared to 16.9% in 2008 before declining to 13.0% in 2009.

Although San Diego tourism slowed in 2009 with the number of visitors declining by 4.8% compared to 2008, tourism continued to be a stimulus to the local economy. Total visitor spending was approximately $7.0 billion in 2009, a drop of 12.1% from 2008 total visitor spending. The "Tourism Outlook" for San Diego County in 2010 reflects the perspective of an overall slow recovery nationally and internationally, with an expected increase of 2.6% in total visits in 2010 and a 5.0% increase in visitor spending. However, visitor expenditure levels are anticipated to remain below 2006 levels.

The state of the economy continues to be a drag on the ability of the County to fund and provide many of the services that County residents have come to expect. The revenue and workload impacts along with the strategies being employed by the County to manage the public's resources are described in the pages below that summarize the proposed expenditures, revenues and staffing levels for Fiscal Years 2010-11 and 2011-12 and in the individual Group and department presentations that begin on 109.

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 can be found on page 4.

The General Management System

The County's General Management System (GMS) is the framework that establishes and guides the management of County operations and service delivery to residents, businesses and visitors. The County sets goals, prioritizes the use of resources, evaluates performance, ensures cooperation and recognizes 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 and sets goals for the future. 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, maximize efficiency 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 recognizing those who meet or exceed expectations. Motivation, Rewards and Recognition encourages individual and group excellence. The Operational Incentive Plans, Departmental Excellence Goals, the Do-It-Better-By-Suggestion (DIBBS) program and department recognition programs are the primary ways the County recognizes employees and encourages 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 enterprisewide 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. 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 enterprisewide review of the issues, risks and opportunities facing the region and the County organization. The County's 2010-15 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),
- **The 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, 2010 through June 30, 2012). 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 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. It is submitted to the Board of Supervisors in mid-May of each year. It includes:

- Summary tables outlining financing sources and expenditures for all County funds, plus an overview of staffing levels;
- A summary of the County's projected reserves, debt management policies and short- and long-term financial obligations;
- A detailed section by Group/Agency and Department/Program describing each entity's functions, mission, 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 along with 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 budget summaries and a glossary.

Public Review and Hearings — Prior to adopting a budget, the Board of Supervisors conducts public hearings. Pursuant to California Government Code §29081, budget hearings may last for a maximum of 14 calendar days. This process commences with presentations by community organizations that have applied for grant funds available through the Community Enhancement Program. Public hearings on the Operational Plan begin during the first half of June.

All requests for increases to the Proposed Operational Plan, whether they come from Board members, County staff, County advisory boards or members of the public, must be submitted to the Clerk of the Board in writing by the close of public hearings.

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 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 action 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 CAO 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 usually 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 principle 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 Revenue 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 Allocation. 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. These reports are placed on the Board of Supervisors regular agenda and are also posted on the Auditor and Controller's Web site.

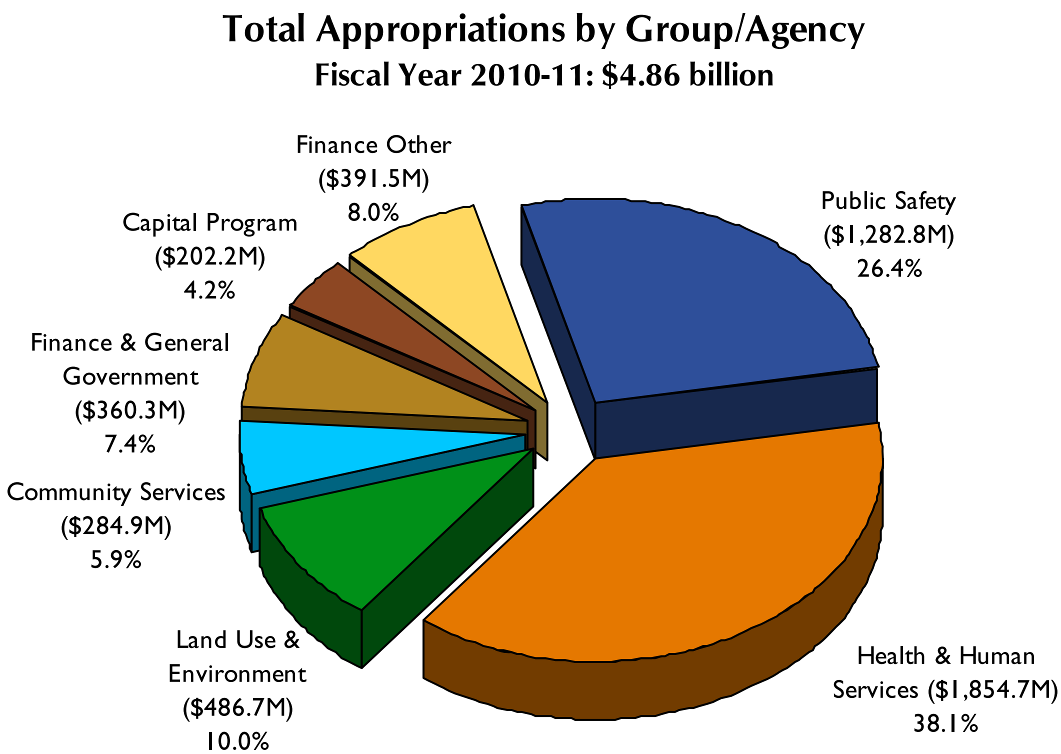
Financial Planning Calendar - 2010-11 Target Dates

Feb 1	Narrative Instructions for Operational Plan issued by Office of Financial Planning (OFP)
Feb 9	Budget Instructions for Operational Plan issued by OFP
Feb 11	Budget database opens for Operational Plan development
Mar 5	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 19	Budget database closed to departments to enable Groups to review
Mar 29	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 2	Budget database closed to Groups
Apr 12	Deadline for Groups to have all department narratives reviewed and submitted to OFP
Apr 26	Draft copy of balanced CAO Proposed Operational Plan sent to Chief Administrative Officer (CAO), Assistant CAO, Chief Financial Officer (CFO) and General Managers
May 3	CAO Proposed Operational Plan docketed and released to the Board of Supervisors and public
May 10	Change Letter Instructions issued by OFP and budget database opens for modifications
May 11	Board of Supervisors accepts CAO Proposed Operational Plan
May 24	Department Change Letter narratives due to Group for review
	Referrals to Budget sent to Groups by OFP
May 28	Budget Change Letter database closed to Groups
Jun 4	Deadline for Groups to have all departments' Change Letter narratives reviewed and submitted to OFP
Jun 11	Deadline for Groups to submit responses to Referrals to Budget to OFP
Jun 14-23	Public Hearings on CAO Proposed Operational Plan (10 calendar days)
Jun 23	Last day for Citizen Advisory Committees to submit statements to the Clerk of the Board
	The CAO Change Letter to be filed 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 29-30	Board Budget Deliberations and approval of the 2010-12 Operational Plan
Aug 3	Board of Supervisors adopts Fiscal Year 2010-11 Budget

All Funds: Total Appropriations

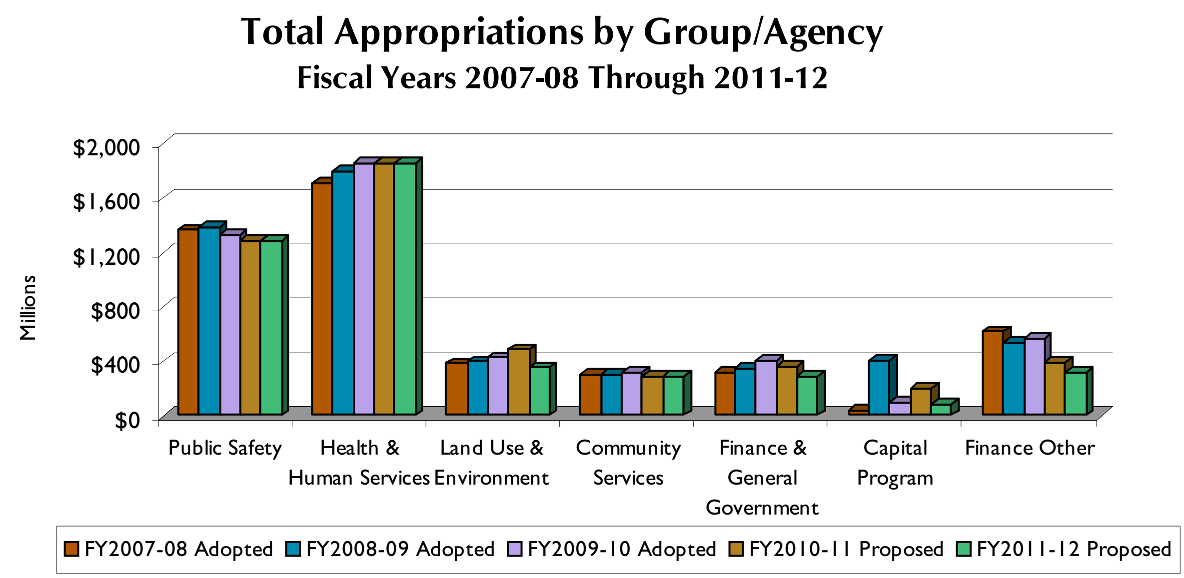
Total Appropriations by Group/Agency

Appropriations total $4.86 billion in the Proposed Operational Plan for Fiscal Year 2010-11 and $4.47 billion for Fiscal Year 2011-12. This is a decrease of $145.0 million (-2.9%) for Fiscal Year 2010-11 from the Fiscal Year 2009-10 Adopted Budget. Looking at the Operational Plan by Group/Agency, appropriations decrease in Public Safety, Health and Human Services, Community Services, Finance and General Government, and Finance Other, while they are increasing in Land Use and Environment and the Capital Program.



The pie chart above shows each Group/Agency's share of the Fiscal Year 2010-11 Adopted Budget, while the bar chart and table on the following page compare the Fiscal Years 2010-11 and 2011-12 appropriations to the three prior fiscal years. An overview of the County's Operational Plan for Fiscal Year 2010-11 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 109.

Note: In charts, the sum of individual percentages may not total 100.0% due to rounding. Also, in tables, the sum of individual figures within a column may not equal the total for that column due to rounding.



Total Appropriations by Group/Agency (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Public Safety	$ 1,366.0	$ 1,388.9	$ 1,330.5	$ 1,282.8	$ 1,284.1
Health & Human Services	1,712.1	1,797.7	1,860.9	1,854.7	1,856.0
Land Use & Environment	384.1	399.8	427.2	486.7	352.6
Community Services	303.3	303.7	313.3	284.9	288.8
Finance & General Government	315.6	350.6	407.2	360.3	286.7
Capital Program	34.1	406.2	99.7	202.2	82.1
Finance Other	616.6	541.2	569.4	391.5	317.8
Total	$ 4,731.7	$ 5,188.1	$ 5,008.2	$ 4,863.2	$ 4,468.1

Public Safety Group (PSG) — A proposed net decrease of 3.6% or $47.6 million from the Fiscal Year 2009-10 Adopted Budget. Resource reductions in local revenues and in State funding require continuing 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 changes include:

- Reductions to supervision services for adult probation offenders with substance abuse service needs due to the elimination of State funding for Proposition 36, Substance Abuse and Crime Prevention Act of 2000,
- Reductions in services to youth at risk of involvement in the juvenile justice systems,
- A more efficient staffing model for juvenile camps, which also results in a reduction in 30 beds available as a custody alternative,
- A further reduction of overtime costs in the Sheriff's department, totaling a 37% reduction over two years,

- Reductions in Court Security services due to a reduction in State funding,
- An increase in the length of prosecution investigations, time for case preparation and time to bring felony and misdemeanor cases to completion; the prosecution of these cases, however, will remain a priority, and
- The opportunity to provide enhanced law enforcement services on the Southern border, including the Border Crime Suppression Team and the Regional Cross Border Violence Project, services in the north county through the Street Narcotics/Gang Investigation Program, probation resources to participate in the Fugitive and Sexual Assault Felony Enforcement task forces, and funds to further develop evidence based probation supervision practices, with funds available through the American Recovery and Reinvestment Act of 2009 (ARRA).

Although significant service impacts are noted above, 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 include:

- Keeping communities safe through regional leadership and partnerships in public safety and criminal justice, including initiatives which break the cycle of criminal recidivism, protect the public, and focus on the successful reentry of offenders into the community upon leaving incarceration,
- 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, and
- Focusing on efficiency, performance results and evidence-based practices to identify the most effective and efficient public safety strategies to sustain critical public safety services with reduced resources.

Health and Human Services Agency (HHSA) — A proposed net decrease of 0.3% or $6.2 million from the Fiscal Year 2009-10 Adopted Budget. The net decrease is associated with reductions due to State cutbacks and the struggling economy, and the return of Child Care Stages II/III and the Alternative Payment Program child care services to the State, offset by increases in payments for CalWORKs Assistance, Aid to Adoptive Children providers, In-Home Supportive Services providers and contracts for the Communities Putting Prevention to Work (CPPW) Initiative funded with a Centers for Disease Control (CDC) ARRA grant.

This marks the first time since the inception of the Agency that the proposed budget declined from the prior year. The Agency faces over $70 million in funding challenges for the second consecutive year associated with the struggling economy and State budget cuts. Rising demands for services compound the financial challenge. Furthermore, in Fiscal Year 2010-11, the State enters its tenth year of failure to fund the cost of doing business.

In anticipation of these funding challenges, HHSA has been developing long range plans that align anticipated on-going funding with core, essential services that support the Agency's vision and strategic priorities. As in the past, HHSA continues to work with advisory boards and other key stakeholders in these efforts.

Key areas of focus include:

- Rolling out the County's Strategy Agenda for Health to improve services through four overarching strategies - changing the culture within, supporting healthy choices, pursuing policy changes for a healthy environment, and building a better system including:
  - Implementing year 1 of the 2-year Communities Putting Prevention to Work initiative, a grant from the Centers for Disease Control and Prevention, American Recovery and Reinvestment Act, and
  - Implementing year 2 of the 3-year Nutritional Security Plan.
- Supporting critical, core services by:
  - Developing an approach to increase safe communities, supporting the County's strategic plan,
  - Pursuing innovation to improve services, including a minimum of four continuous improvement projects,
  - Putting into operation economic reality plans and management controls initiatives for fiscal responsibility and integrity,
  - Implementing viable, cost effective options identified in In-Home Supportive Services reform activities, and
  - Leading the nation in the movement toward national public health accreditation by completing the beta test process of the Public Health Accreditation Board. The County of San Diego is the only California jurisdiction to participate in this process.

Land Use and Environment Group (LUEG) — A proposed net increase of 13.9% or $59.5 million over the Fiscal Year 2009-10 Adopted Budget. Significant increases include Proposition 1B, *Transportation Bond Act,* funding for projects in the Road Fund, replacement reserves for the Spring Valley and Lakeside Sanitation Districts and the rebudgeting of one-time appropriations for the Business Case Management System. Significant decreases include a reduction in salaries and benefits due to a reduction in staffing levels, and a reduction in capital assets equipment due to a projected decrease in requirements.

Key areas of focus include:

- Continuing Business Process Reengineering efforts,
- Protecting San Diego 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 via education and awareness of vector-borne diseases and proper disposal of household hazardous, electronic and universal waste,
- 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, Special Area Management Plan and Resource Management Plans,
- 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 decrease of 9.1% or $28.4 million from the Fiscal Year 2009-10 Adopted Budget. The decrease is mainly due to the alignment of County Library resources to available funding, the non-recurrence of one-time funding that was included in the Fiscal Year 2009-10 Adopted Budget for the Documentum End Users License Agreement and for Housing and Community Development programs. Other significant decreases are in salaries and benefits due to a reduction in staffing levels and in capital assets - equipment from a reduction in the planned acquisition of replacement vehicles in the Fleet Internal Service Fund.

Key areas of focus 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,
- 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 decrease of 11.5% or $46.9 million from the Fiscal Year 2009-10 Adopted Budget. The decrease is mainly due to the non-recurrence of one-time information technology costs included in the prior year budget to support the upgrade of core financial and human resource software applications. This decrease also reflects expenditure reductions proposed due to decreased funding levels. However, these decreases are offset by increased funding for non-recurring one-time information technology initiatives including server consolidation/virtualization, upgrade of the Internet/intranet portal, enhancements to the Web integrated property tax payment system, and replacement of the legal case management system. Overall salaries and benefits increase because of the negotiated increases in salaries and benefits, but the proposed amount also reflects a decrease of 16.50 staff years.

Key areas of focus include:

- Maintaining the County's fiscal stability through active monitoring of economic conditions, sound accounting, auditing, budgetary practices and management discipline, including continued assurance of accountability and transparency in the use of federal economic stimulus funds,

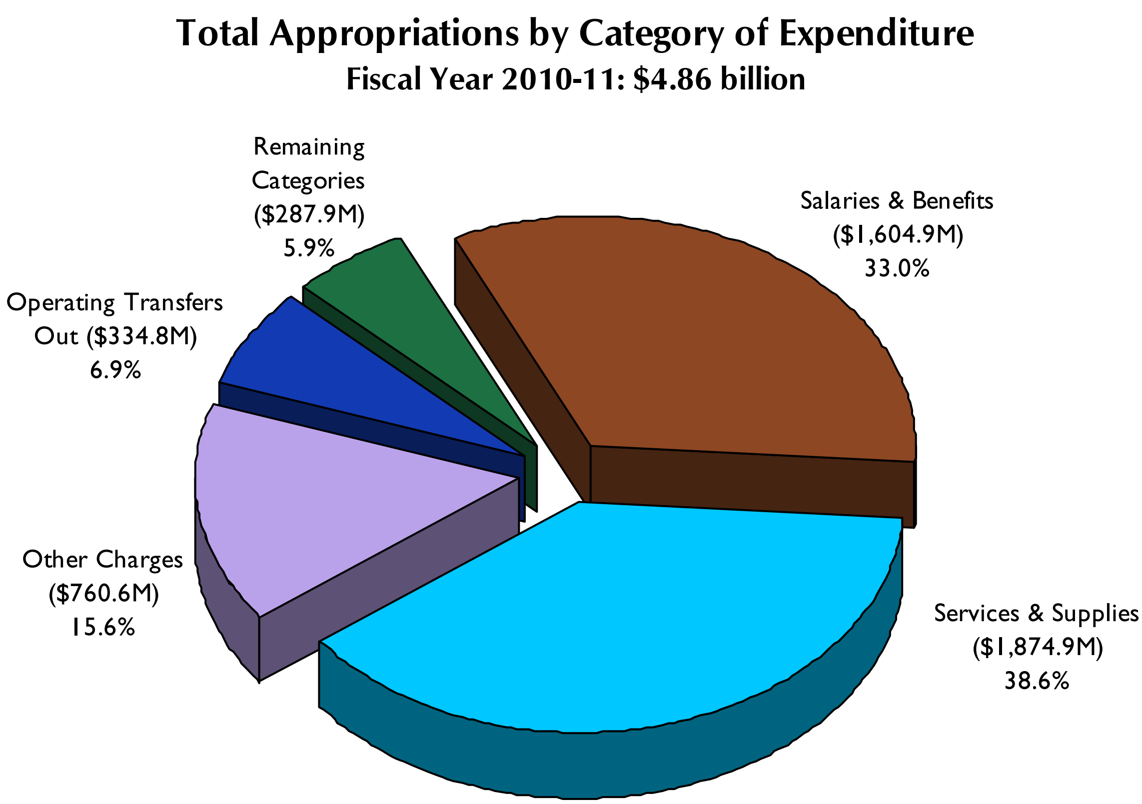
- Maintaining a robust, diverse and adaptable workforce,
- Aggressively pursuing opportunities to restructure the County's debt portfolio to maximize taxpayer savings,
- Maintaining a strong Treasurer's Investment Pool,
- Developing a new Integrated Property Tax System,
- Completing upgrades to the County's key financial and human resource systems,
- Modernizing the Recorder/County Clerk systems for improved customer service and to allow for electronic recording,
- Replacement of the existing legal case management 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 increase of $102.5 million (102.8%) from Fiscal Year 2009-10. The amount budgeted in the Capital Program can vary significantly from year to year. The Fiscal Year 2010-11 Capital Program includes: $119.8 million for the County Operations Center and Annex redevelopment - Phase 1B project (COC Phase 1B project), the addition of $55.0 million to the Women's Detention Facility replacement project, $10.0 million for land acquisition for the Multiple Species Conservation Program (MSCP), $2.0 million for the Juvenile Probation Complex Parking Expansion project, $2.5 million for the Sweetwater Lane Park synthetic turf project, $1.5 million for Sweetwater Regional Park energy upgrades, $1.0 million for the Agua Caliente Park water, sewer and electrical line replacement project, $0.5 million for the Animal Services South Shelter Cat Housing Facility replacement project, and $0.2 million for the multi-purpose barn at the Animal Services South Shelter. $66.0 million of the COC Phase 1B project would be funded by a general fund contribution ($20.0 million of General Purpose Revenue and $46.0 million of fund balance) with the remainder to be financed with lease revenue bonds. All of the other capital projects listed would be funded by General Fund fund balance. Appropriations are also included in the Edgemoor Development Fund to pay debt service on the 2005 and 2006 Edgemoor Certificates of Participation and other costs to maintain the Edgemoor property.

Finance Other — A proposed net decrease of $178.0 million or 31.2% from Fiscal Year 2009-10. 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. One-time appropriations in Fiscal Year 2009-10 included $100.0 million to pay off the Series B (variable rate) portion of the County's 2008 Pension Obligation Bond refunding and the creation of a $100.0 million fund balance Designation for Economic Uncertainty. A significant area of expenditure for Fiscal Year 2010-11 is in the general fund contribution to the Capital Program wherein $138.7 million is proposed for several projects as discussed above. See page 455 for the details of the proposed budget for Finance Other.

Total Appropriation by Category of Expenditure

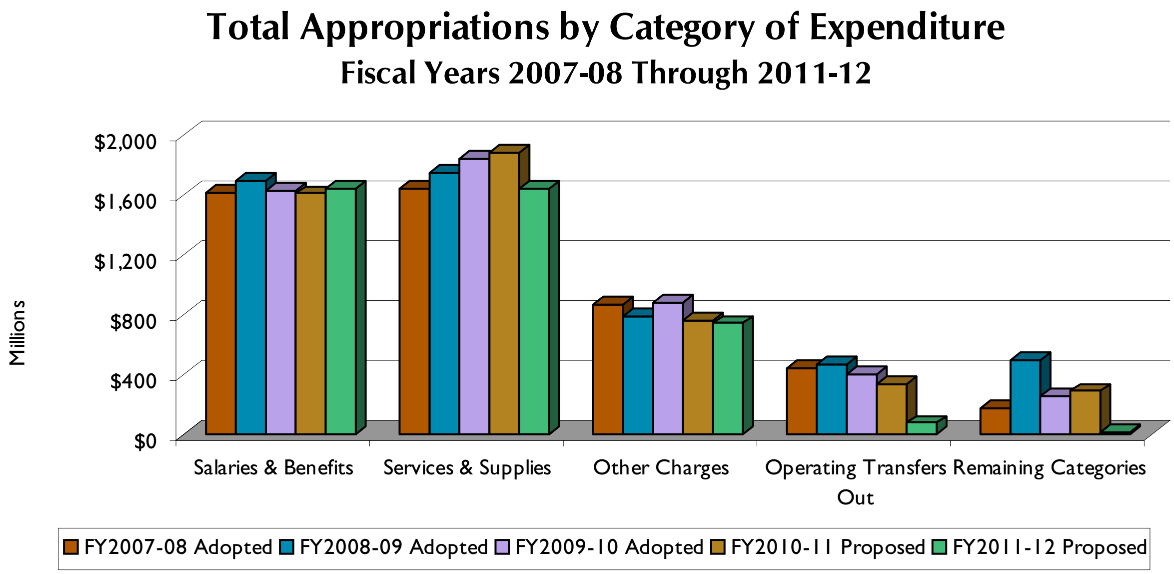
The pie chart below shows the Proposed Operational Plan broken down by category of expenditure. As noted previously, the Fiscal Year 2010-11 Proposed Operational Plan is decreasing overall by $145.0 million from the Fiscal Year 2009-10 Adopted Operational Plan and decreasing further by $395.1 million in Fiscal Year 2011-12. The pie chart below shows the share of the Fiscal Year 2010-11 Proposed Operational Plan for each category of expenditure, while the bar chart and table on the next page compares the Fiscal Years 2010-11 and 2011-12 proposed appropriations to the three prior years.



The changes by category are summarized as follows:

- **Salaries and Benefits** are decreasing overall by $24.4 million (-1.5%). The primary drivers of this change include the deletion of 588.75 staff years, a reduction in anticipated overtime and temporary help expenses, a negotiated 2% increase in base pay effective in July 2010, a negotiated 5% increase in the flexible benefit credit effective in January 2011, and an increase in unemployment insurance costs. Significant staff reductions are necessary due to insufficient revenues or declines in the demand for services (see various department sections for a discussion of these changes). In Fiscal Year 2011-12, the increase of $28.8 million (+1.8%) is primarily because of anticipated higher retirement contribution requirements and the full year effect of the flexible benefit credit increase that will take effect in January 2011. It also reflects a further decrease of 20.25 staff years. See Total Staffing on page 44 for a summary of staffing changes by functional area.
- **Services and Supplies** are increasing by a net of $38.3 million or 2.1%. This category accounts for expenditures for items such as office supplies, contracted services, facility leases, facility maintenance, minor equipment, utility usage, services provided by internal service funds and various other requirements. While individual accounts are increasing or decreasing by varying amounts, the most significant

changes include an increase of $66.0 million related to the proposed financing structure for Phase 1B of the County Operations Center (COC) and Annex Redevelopment project, an increase of $21.5 million for contracted road services based on revenue from a Proposition 1B, *Transportation Bond Act,* allocation from the State, and a decrease of $38.0 million because of the non-recurrence of appropriations for one-time funding of the Enterprise Resource Planning (ERP) system upgrades. A decrease of 12.5% is shown for Fiscal Year 2011-12, dropping primarily because of one-time expenditures occurring in Fiscal Year 2010-11.



Total Appropriations by Category of Expenditure (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Salaries & Benefits	$ 1,613.2	$ 1,691.6	$ 1,629.3	$ 1,604.9	$ 1,633.8
Services & Supplies	1,636.0	1,741.7	1,836.6	1,874.9	1,640.5
Other Charges	863.4	785.7	874.7	760.6	741.4
Operating Transfers Out	446.2	472.7	407.1	334.8	333.7
Remaining Categories:					
Capital Assets/Land Acquisition	49.4	421.7	101.3	204.7	75.4
Capital Assets Equipment	32.1	24.9	27.2	19.1	17.7
Exp Transfer & Reimbursements	(19.0)	(19.7)	(20.5)	(20.1)	(20.2)
Contingency Reserves	24.1	24.4	22.7	22.1	22.1
Reserve/Designation Increases	57.9	4.1	100.3	33.4	0.0
Management Reserves	28.5	41.2	29.6	28.7	23.8
Total	$ 4,731.7	$ 5,188.1	$ 5,008.2	$ 4,863.2	$ 4,468.1

- **Other Charges** are decreasing by $114.1 million or 13.0%. 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 grants to organizations participating in the Community Enhancement Program and the Neighborhood Reinvestment Program. The decrease is primarily due to the non-recurrence of one-time appropriations that were included in the Fiscal Year 2009-10 Operational Plan for the prepayment of outstanding variable rate Pension Obligation Bonds. A further decrease is due to the return of the Child Care Stage II program to the State. Appropriations are proposed to be added for CalWORKs assistance payments based on caseload growth. A net decrease of 2.5% is projected in Fiscal Year 2011-12.
- **Operating Transfers Out**, the accounting vehicle for transferring the resources of one fund to pay for activities in another, is decreasing by $72.3 million or 17.8%. The decrease reflects a reduction in the amount of revenues available in the Proposition 172, *Local Public Safety Protection and Improvement Act of 1993,* special revenue fund for transfer to the General Fund as a result of lower projected sales tax revenues in Fiscal Year 2010-11 (-$25.0 million); the non-recurrence of a one-time prepayment of the outstanding 2008 Series B1-2 Taxable Pension Obligation Bonds in Fiscal Year 2009-10 (-$24.1 million); the different mix and dollar value of capital projects being funded in the budget year compared to Fiscal Year 2009-10 (-$14.1 million); the non-recurrence of a transfer from the General Fund to the Purchasing and Contracting ISF related to document management system upgrades in Fiscal Year 2009-10 (-$5.0 million); the termination of General Fund support for the Library Fund (-$2.3 million); and miscellaneous other changes (-$1.8 million). A decrease of $1.1 million or 0.3% is projected for Fiscal Year 2011-12.
- **Capital Assets/Land Acquisition**, which includes capital improvement projects and property acquisitions, is increasing by $103.5 million or 102.2% from Fiscal Year 2009-10. Appropriations vary from year to year depending upon the cost of the projects being funded. Of the $204.7 million proposed to be budgeted for Fiscal Year 2010-11, $192.5 million is for projects in the Capital Program, with the remainder for projects in the Airport Enterprise Fund, and the Alpine, Lakeside and Spring Valley sanitation districts.

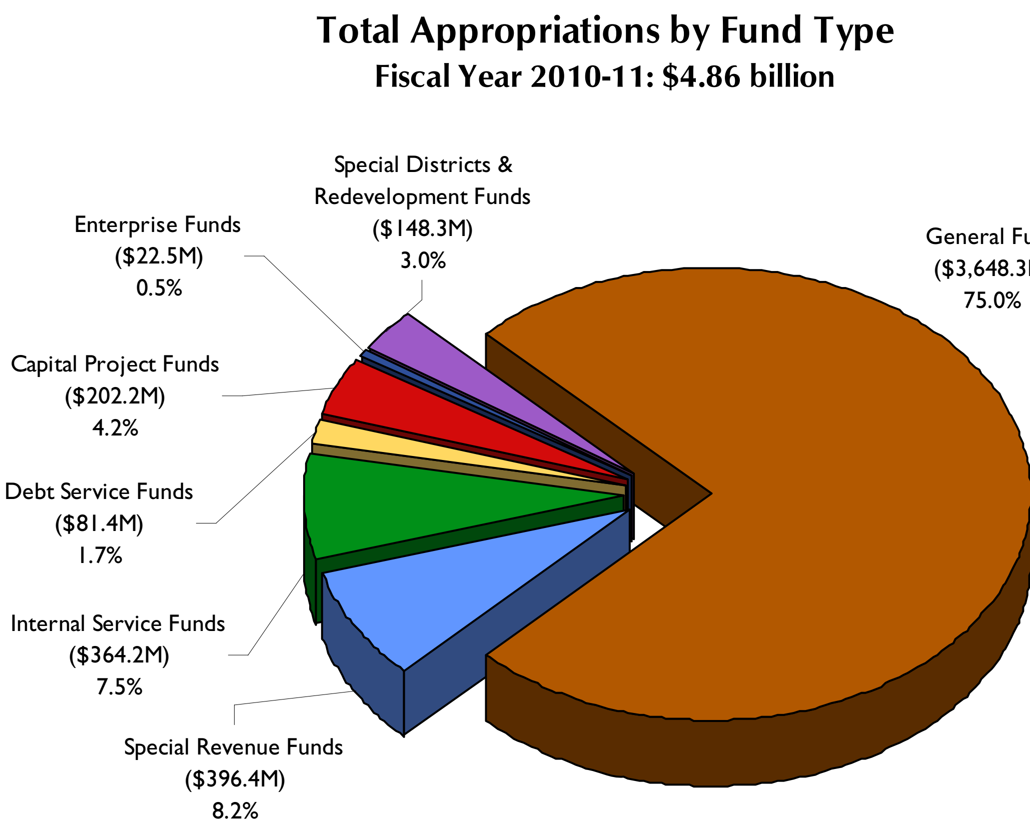
  The Fiscal Year 2010-11 Capital Program includes $119.8 million for Phase 1B of the County Operations Center and Annex redevelopment project, $55.0 million in additional seed money for a new Women's Detention Facility, and $10 million for land acquisition for the Multiple Species Conservation Program (MSCP). In addition, a total of $7.7 million is proposed for various other projects at sites including: Sweetwater Regional Park, Sweetwater Lane Park, Agua Caliente Park, Department of Animal Services' South Shelter, and at the Juvenile Probation Complex in Kearny Mesa. Of the $75.4 million proposed for Fiscal Year 2011-12, $70.0 million is for the new Women's Detention Facility, $2.5 million is for MSCP land acquisition, and the remainder is for projects in the Alpine, Lakeside and Spring Valley sanitation districts.
- **Capital Assets Equipment** is decreasing by $8.1 million or 29.8% from last year. This account primarily includes routine internal service fund purchases of replacement vehicles and heavy equipment. It may also include appropriations for information technology hardware and communications equipment. Amounts may vary from year to year. The projected vehicle and heavy equipment replacement needs are down for Fiscal Year 2010-11. Further, the Fiscal Year 2009-10 budget included appropriations for some grant funded information technology equipment that will not recur in Fiscal Year 2010-11. A further decrease of $1.4 million is expected for Fiscal Year 2011-12.
- **Expenditure Transfers and Reimbursements** are decreasing by $0.4 million or 1.9%. 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 purposes, 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 $0.1 million in Fiscal Year 2011-12 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 2010-11, three funds are proposed to have a contingency reserve. The General Fund contingency reserve is proposed to remain at $20.0 million. See the discussion of the General Fund Contingency Reserve in the Finance Other section beginning on page 455. The Employee Benefits Internal Service Fund is proposed to increase its contingency reserve to $2.0 million from $1.4 million in Fiscal Year 2009-10. The Fleet Internal Service Fund is proposed to have a $0.1 million contingency reserve, which is unchanged from Fiscal Year 2009-10. Contingency reserves in four Parkland Dedication funds were removed.
- **Reserve/Designation Increase** can vary from year to year depending upon the need to set aside fund balance for specific future uses. Fiscal Year 2010-11 includes proposed increases to Replacement Reserves for the Spring Valley Sanitation Maintenance and Operation District ($15.3 million), for the Lakeside Sanitation Maintenance and Operation District ($16.6 million), and for the Wintergardens Sewer Maintenance District ($0.2 million). A $1.3 million fund balance designation increase is proposed in order to set aside funds for the Registrar of Voters for the primary election in 2012.
- **Management Reserves** are decreasing by $0.8 million or 2.8%. 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 or department 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 funds/fund types described below 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 92.)



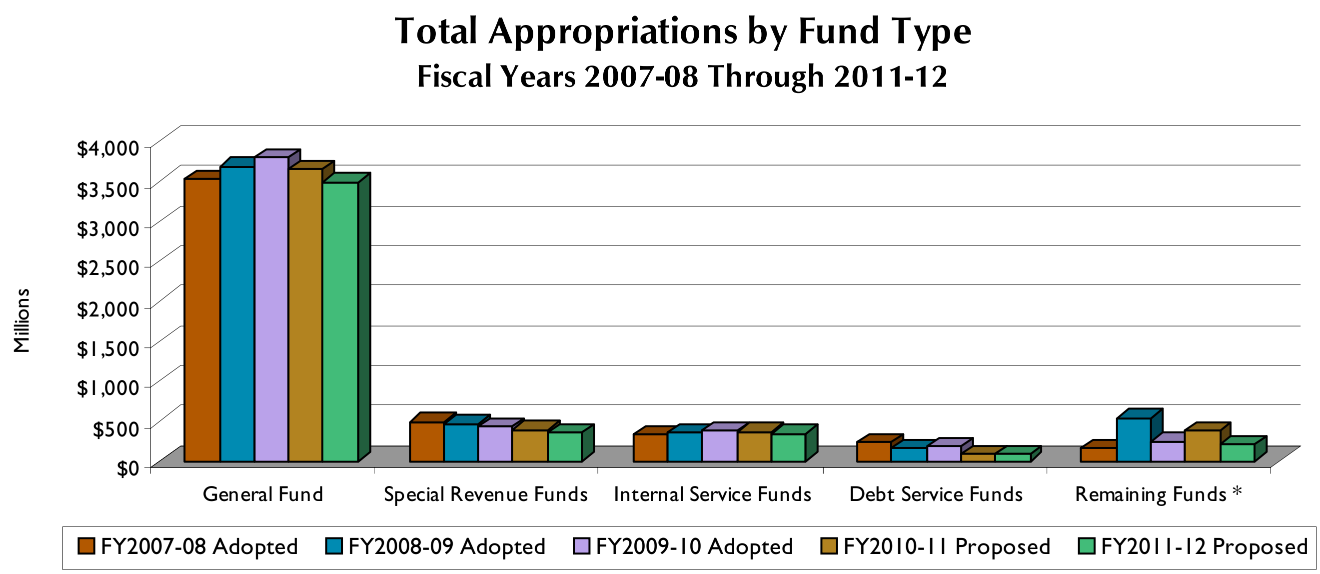
Governmental Fund Types

The **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.

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 84.

Capital Projects 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).



* Remaining Funds include Capital Project Funds, Enterprise Funds and Special Districts & Redevelopment Funds.

Total Appropriations by Fund Type (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
General Fund	$ 3,520.9	$ 3,679.5	$ 3,790.0	$ 3,648.3	$ 3,488.5
Special Revenue Funds	491.8	464.9	422.0	396.4	354.1
Internal Service Funds	333.5	353.9	374.7	364.2	342.7
Debt Service Funds	234.5	152.3	183.5	81.4	81.4
Capital Project Funds	34.1	406.2	99.7	202.2	82.1
Enterprise Funds	29.4	30.3	24.4	22.5	19.7
Special Districts & Redevelopment Funds	87.5	101.1	114.0	148.3	99.6
Total	$ 4,731.7	$ 5,188.1	$ 5,008.2	$ 4,863.2	$ 4,468.1

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.

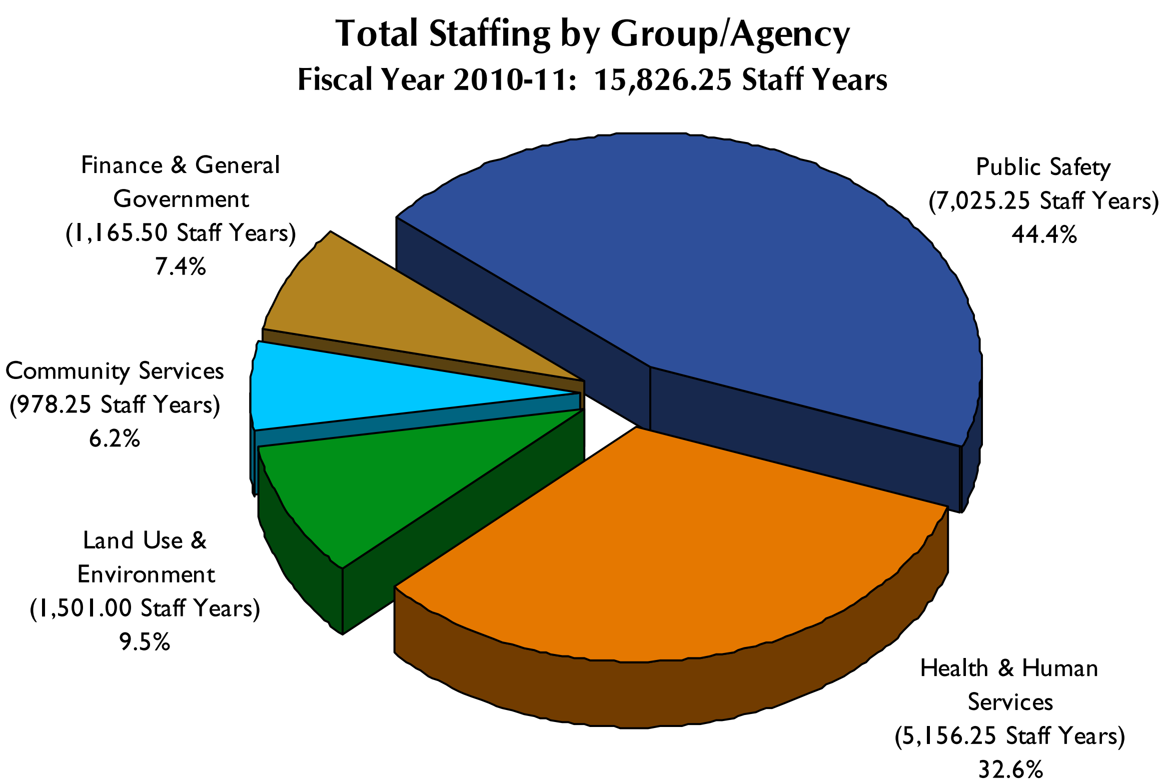
San Diego County Appropriation Limit (in millions)

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
Gann Limit	$ 2,949	$ 3,081	$ 3,300	$ 3,433	$ 3,619	$ 3,825	$ 3,897
Appropriations subject to the limit	$ 714	$ 717	$ 877	$ 1,002	$ 1,287	$ 1,340	$ 1,309

All Funds: Total Staffing

All Funds: Total Staffing

Proposed staff years[1] for Fiscal Year 2010-11 are 588.75 less than the Adopted Budget for Fiscal Year 2009-10, a decrease of 3.6% to 15,826.25 staff years. This decrease is directly attributable to the decline in the economy and the reduction in some instances of workload, but primarily due to available State and local revenues. A net decrease of 20.25 staff years is expected in Fiscal Year 2011-12. The staffing changes are summarized below by Group.

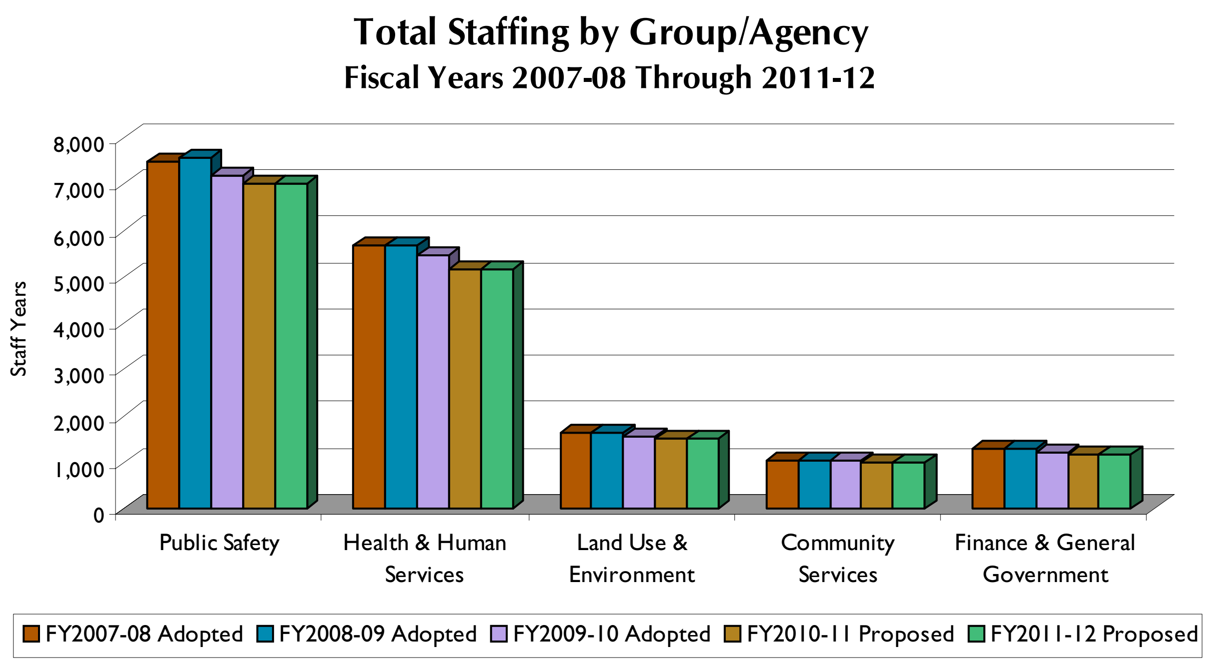


[1] One staff year equates to one permanent employee working full-time for one year.

Note: Restructuring of Public Communication Services

This Proposed Operational Plan reflects the restructuring and consolidation of public communication services that are currently provided by a combination of staff in the Department of Media and Public Relations and specialized staff in various County departments. Under this proposal, public communications services would be more centrally provided and job titles and duties would be revised to reflect the requirements of the new structure. The total number of staff providing these services would be decreased by 9 and the Department of Media and Public Relations' name would be changed to the County

Communications Office. As part of the restructuring, departmental public communications staff years would be deleted from the Health and Human Services Agency and the departments of Air Pollution Control, Planning and Land Use, Public Works, Office of Emergency Services, Parks and Recreation, and Probation. Further, one public communications position would be assigned to the executive office of three of the Groups (the Health and Human Services Agency, the Public Safety Group and the Land Use and Environment Group). The County Communications Office will have the same number of staff years (22.0) as is currently budgeted for the Department of Media and Public Relations. The overall savings to the County will be approximately $840,000. The restructuring does not apply to departments headed by elected officials.



Total Staffing by Group/Agency (staff years)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Public Safety	7,475.50	7,574.50	7,170.00	7,025.25	7,005.00
Health & Human Services	5,663.00	5,677.50	5,482.00	5,156.25	5,156.25
Land Use & Environment	1,612.00	1,643.00	1,562.00	1,501.00	1,502.00
Community Services	1,009.00	1,013.00	1,019.00	978.25	977.25
Finance & General Government	1,281.00	1,281.00	1,182.00	1,165.50	1,165.50
Total	17,040.50	17,189.00	16,415.00	15,826.25	15,806.00

The **Public Safety Group (PSG)** proposes a net decrease of 144.75 staff years (-2.0%) to align staffing with available revenues.

- Sheriff's Department - decreases by a net of 28.00 staff years. This is a decrease of 49.00 staff years primarily due to reduced funding as a result of the national economic downturn, reductions to security services requested by the Superior Court and the law enforcement services requested by the Contract Cities, offset by an increase of 20.00 staff years supported by the American Recovery and Reinvestment Act of 2009 (ARRA) for law enforcement in the border region and one staff year supported through funding from High Intensity Drug Trafficking Area (HIDTA) for the Law Enforcement Coordination Center.

- Public Defender - decreases by 28.00 staff years due to the decline in available local resources and efficiencies which have been achieved through the consolidation of indigent defense services.
- Medical Examiner - decreases by 2.00 staff years. Changes in operations may include increased response times in toxicology and forensic examinations.
- Office of Emergency Services - increases by 1.00 staff year to support countywide emergency preparedness outreach efforts. This position is being transferred from the District Attorney's office.
- Probation Department - decreases by 84.75 staff years due to reductions in State funding and the decline in available local resources. Adult Field Services is reduced due to the elimination of State funding for Proposition 36, Substance Abuse and Crime Prevention Act of 2000. Other reductions in this division reflect the reduced service of warrants, the consolidated oversight of work projects, and reduced participation in task forces.

  Staff reductions in Juvenile Services will result in reduced services to at-risk youth through the Breaking Cycles, Truancy Supervision, Community Assessment Teams and Drug Court programs. A Probation officer will be removed from one school because that school has ended its contract for services and one Probation officer will no longer serve as a liaison to the STAR/PAL- United for Youth program. A reduction of staff in Institutional Services is related to a more efficient overall staffing plan, but also results in the reduction of 30 available beds in the juvenile camps.

  Other changes include a reduction in administrative and support staff years resulting in delays in these services, the realignment of services between divisions and the restructuring of the County's public communications services. Staffing is increased by 6.25 staff years in programs supported by the American Recovery and Reinvestment Act of 2009 (ARRA) that are focused on supporting evidence based practices in supervising adult offenders, countywide task forces and supervision of sexual assault offenders.
- Public Safety Group Executive Office - decreases by 2.00 staff years. This change will result in a reduction of support to Public Safety Group departments.
- District Attorney - decreases by 1.00 staff year as the result of a position being transferred to the Office of Emergency Services. Additionally, funding is removed for vacant positions. In Fiscal Year 2010-11, a total of 100 currently vacant positions are not funded and this number is projected to increase to 130 by the end of the fiscal year. The prosecution of felony and misdemeanor cases will remain a priority; however, changes in the District Attorney operations will impact the organization of units, the length of investigations and time required for case preparation and to bring cases to completion.

In Fiscal Year 2011-12, the Public Safety Group is proposed to decrease by an additional 20.25 staff years, which includes a decrease of 20.00 staff years in the Sheriff's Department and 0.25 staff years in Probation due to the expiration of funding for programs supported by the American Recovery and Reinvestment Act of 2009 (ARRA).

The **Health and Human Services Agency (HHSA)** proposes a decrease of 325.75 staff years (-5.9%) due to the economic decline, State cuts and the outsourcing of employment and child care services. The State cuts will result in fewer or reduced services to clients in many programs throughout the Agency. The outsourcing of services will achieve cost savings and efficiencies while maintaining essential services. The high unemployment rate increases demand for Medi-Cal and CalWORKs programs, and the Supplemental Nutrition Assistance Program (SNAP). HHSA is committed to providing efficient program delivery and will continue to review programs and processes to ensure staffing resources are focused where needed the most and where funding is available.

- Regional Operations - decreases by 176.00 staff years. This reduction includes the elimination of 200.00 staff years for employment and Stage I child care services associated with the outsourcing of these activities, and due to the return of Stages II/III and the Alternative Payment Program child care services to the State. An additional 23.00 staff years are reduced in regional child welfare services due to State cuts which will result in increased response times, increased caseloads, children remaining in care longer and difficulty meeting required court timelines.

  The Family Resource Centers increase a net of 53.00 staff years to address the significant rise in Medi-Cal, SNAP and CalWORKs caseloads and to consolidate administrative activities. A total of 2.00 staff years are transferred to the Community Services Group to support purchasing and contracting activities for the Agency. There is a transfer in of 2.00 staff years from Public Health Services associated with the transfer of the Vaccines are Important to Preschoolers program to the Central Region. The remaining decrease of 6.00 staff years reflects the elimination of 1.00 staff year for an administrative support position and the transfer out of 5.00 staff years to provide support and services in other Agency divisions.

- Strategic Planning & Operational Support - decreases by 21.00 staff years. This includes the transfer out of 28.00 staff years to Regional Operations - Family Resource Centers due to changes in administrative responsibility for the Hospital Outstation/Health Coverage Access program and the ACCESS Center. Seven staff years are transferred in from Administrative Support to the ACCESS Center to support client services and 1.00 staff year is transferred in from the Regional Operations - Community Action Partnership program to coordinate the Refugee Employment Services Program. One staff year is transferred out to Child Welfare Services to support foster care services.
- Aging & Independence Services - decreases by 3.00 staff years, including 2.00 staff years from the Mental Health Senior Team and 1.00 staff year from the Case Management/Linkages unit. These reductions will reduce services provided to clients in these programs.
- Behavioral Health Services - decreases by 31.00 staff years. A total of 5.00 staff years are decreased due to the outsourcing of the Psychiatric Emergency Response Team (PERT). Three staff years are decreased in Alcohol and Drug Services due to the State's elimination of Proposition 36, *Substance Abuse and Crime Prevention Act of 2000* funding. An additional 23.00 staff years are reduced in Mental Health Services and the San Diego County Psychiatric Hospital due to the loss of revenue associated with the decline in the economy and loss of State funding. This decrease will result in reductions in assessment and case management capacity in the Adult Services, Conservatorship Investigation, and Special Education programs.
- Child Welfare Services (CWS) - decreases by 64.00 staff years. Sixty-five staff years are reduced due to State funding cutbacks and the decline in the economy. This will result in longer wait times for child abuse hotline calls, increased response times, increased caseloads, children remaining in care longer and difficulty meeting required court timelines. To minimize impacts, CWS will restructure services at the Polinsky Children's Center and continue redesign efforts. There is a transfer in of 1.00 staff year to Foster Care from Strategic Planning and Operational Support to provide client services.
- Public Health Services - decreases by 13.75 staff years. A total of 16.75 staff years are reduced to mitigate the loss of revenue with the decline in the economy and the loss of State funding. To minimize impacts, priorities will focus on essential and mandated public health services. Two staff years are transferred out to Regional Operations associated with the transfer of the Vaccines are Important to Preschoolers program to Central Region. Five staff years are transferred in from Regional Operations to provide support and services associated with the Communities Putting Prevention to Work (CPPW) Initiative.
- Administrative Support - decreases by 17.00 staff years. Seven staff years are transferred to the ACCESS Center in Strategic Planning and Operational Support to support client services associated with increased Medi-Cal, SNAP and CalWORKs caseloads. Another 7.00 staff years are eliminated to mitigate the loss of revenue due to the decline in the economy. In response to these reductions, administrative support services would be limited to core essential functions. Four staff years are reduced in the Office of Media and Public Affairs associated with the restructuring of the County's public communications services. One staff year is transferred in from Regional Operations to cover legislative analysis for HHSA.

The **Land Use and Environment Group (LUEG)** proposes a decrease of 61.00 staff years, a 3.9% reduction.

- Agriculture, Weights & Measures - decreases by 5.00 staff years as a result of transferring the Veterinary Diagnostics Laboratory staff to the Department of Environmental Health.
- Air Pollution Control District - decreases by 1.00 staff year due to the transfer of one staff year to the Land Use and Environment Group Executive Office to reflect the restructuring of the County's public communications services.
- Environmental Health - net increase of 2.00 staff years. An increase of 5.00 staff years in the Vector Control Program is due to the transfer of Veterinary Diagnostics Laboratory staff from Agriculture, Weights and Measures to consolidate services related to combating vector-borne diseases. A decrease of 2.00 staff years is due to reductions in project submittals from the public for septic, water well permits and land use projects in

the Land and Water Quality Division. A reduction of 1.00 staff year in the Finance Division is due to a reduction in workload.

- Farm and Home Advisor - decreases by 2.00 staff years due to a reduction in the allocation of General Purpose Revenue and reengineering certain activities.
- Parks and Recreation - decreases by 11.00 staff years due to a reduction in available funding (9.00 staff years) and changes made to reflect the restructuring of the County's public communications services (2.00 staff years).
- Planning and Land Use - decreases by 9.00 staff years. A reduction of 15.00 staff years is related to the downturn in plan check and building and discretionary permit processing activities; a reduction of 2.00 staff years is due to reorganizations of duties and the deletion of 1.00 staff year as a result of the restructuring of the County's public communications services. Nine staff years are transferred in from other departments to consolidate all LUEG Geographic Information Services (GIS) activities in Planning and Land Use.
- Public Works - decreases a net of 29.00 staff years. A decrease of 25.00 staff years in the Road Fund is due to changes in the economy and vulnerability of the Highway Users Tax revenue, including a reduction of 1.00 staff year to reflect the restructuring of the County's public communications services. There is a decrease of 3.00 staff years in Public Works General Fund due to declining General Purpose Revenue and 1.00 staff year in the Wastewater Enterprise Fund due to closure of the Descanso Detention Facility.
- LUEG Executive Office - no net change in staff years. 1.00 staff year is deleted due to a reduction in the allocation of General Purpose Revenue and 1.00 staff year is transferred in from the Air Pollution Control District related to the restructuring of the County's public communications services.
- San Diego Geographic Information Source (SanGIS) - decreases by 6.00 staff years. As part of the consolidation of all GIS services, 5.00 staff years are transferred out to the Department of Planning and Land Use and 1.00 staff year is deleted.

In Fiscal Year 2011-12, Environmental Health increases by an additional 1.00 staff year in the Hazardous Materials Management Division to implement requirements associated with the *Aboveground Petroleum Storage Act*, which is offset by a decrease in Services and Supplies.

The **Community Services Group (CSG)** proposes a decrease of 40.75 staff years (-4.0%). This decrease will result in fewer programs for Library patrons, longer cycle times for maintenance of non-critical building systems, and less oversight of Group operations.

- County Library - decreases headquarters and branch library staff by 26.75 staff years, 8.4% of the total, due to loss of revenue from property taxes and the elimination of General Fund support due to the downturn in the overall economy.
- Animal Services - decrease of 2.00 staff years to align staffing with available resources. The reduction in the number of staff will be mitigated in part by increased staff efficiencies from installing wireless laptops in patrol cars.
- Department of General Services - decrease of 11.00 staff years across a broad range of administrative, facilities maintenance, and fleet services staff to reduce costs paid by County departments for these services.
- CSG Executive Office - decrease of 1.00 staff year due to cost reductions necessitated by the downturn in the overall economy.

In Fiscal Year 2011-12, the Registrar of Voters decreases by 1.00 staff year due to the expected benefits of reengineering business processes.

The **Finance and General Government Group (FGG)** proposes a decrease of 16.50 staff years (-1.4%) as a result of reductions in the General Purpose Revenue Allocation driven by the downturn of the economy.

- Auditor and Controller - decreases by 3.50 staff years. This staffing decrease may result in reduced and delayed collection revenue for client departments, as well as staff reassignments, cross-training and altered work functions to meet existing and future needs during normal and peak workload demands.
- Office of County Counsel - decreases by 2.00 staff years. This decrease in staffing would result in delays in responses to requests for legal advisory guidance and assistance to County departments. This staffing change will also result in a reduction to the number of training programs provided to County departments, which may increase the County's exposure to legal liability.
- Finance and General Government Executive Office - decreases by 2.00 staff years. This proposed decrease in staffing levels would reduce the level of direct support offered to Finance and General Government Group departments on business process reengineering

initiatives and would result in the transfer of management of the Panoramic Views (PB Views) application to the Health and Human Services Agency.

- Department of Human Resources - decreases by 8.00 staff years. It is anticipated that these staffing changes would result in overall decreased levels of service as well as the elimination of the external customer satisfaction program.
- Chief Administrative Office - decreases by 1.0 staff year. This reduction will require the reassignment of duties within the organization and will reduce the department's capacity to respond to workload increases or special projects.

More detail on staff year changes can be found in each Group/Agency section of the Operational Plan that begins on page 109.

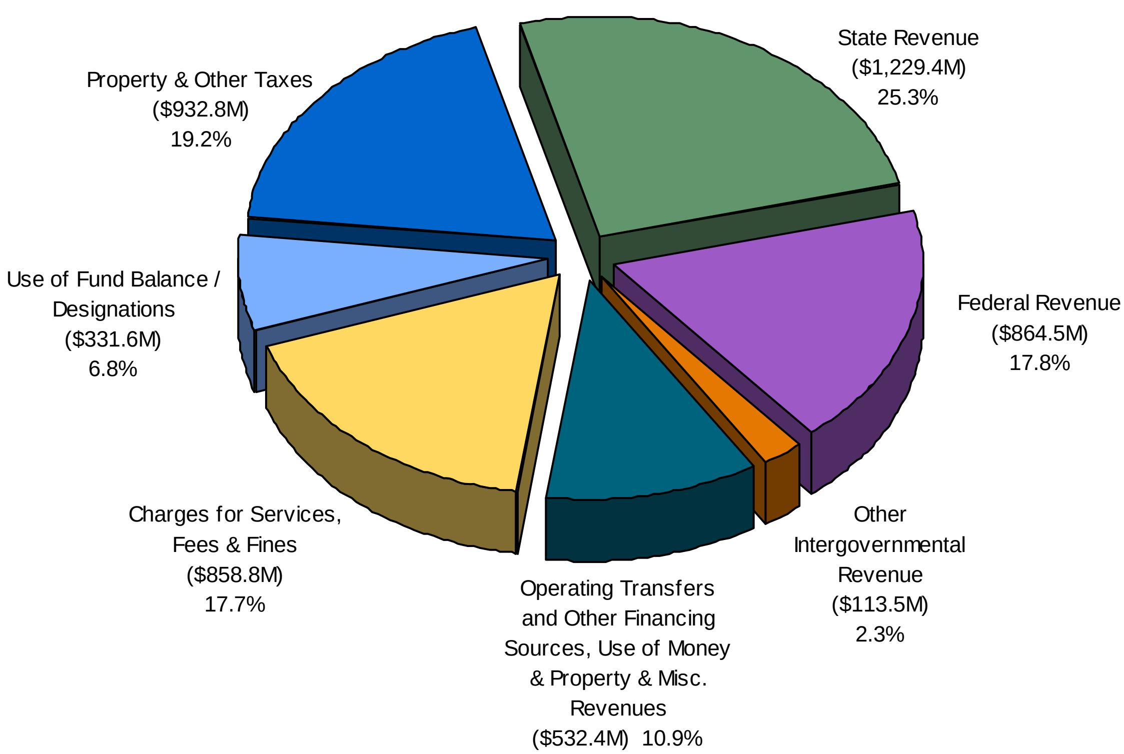
All Funds: Total Funding Sources

Total Funding by Source

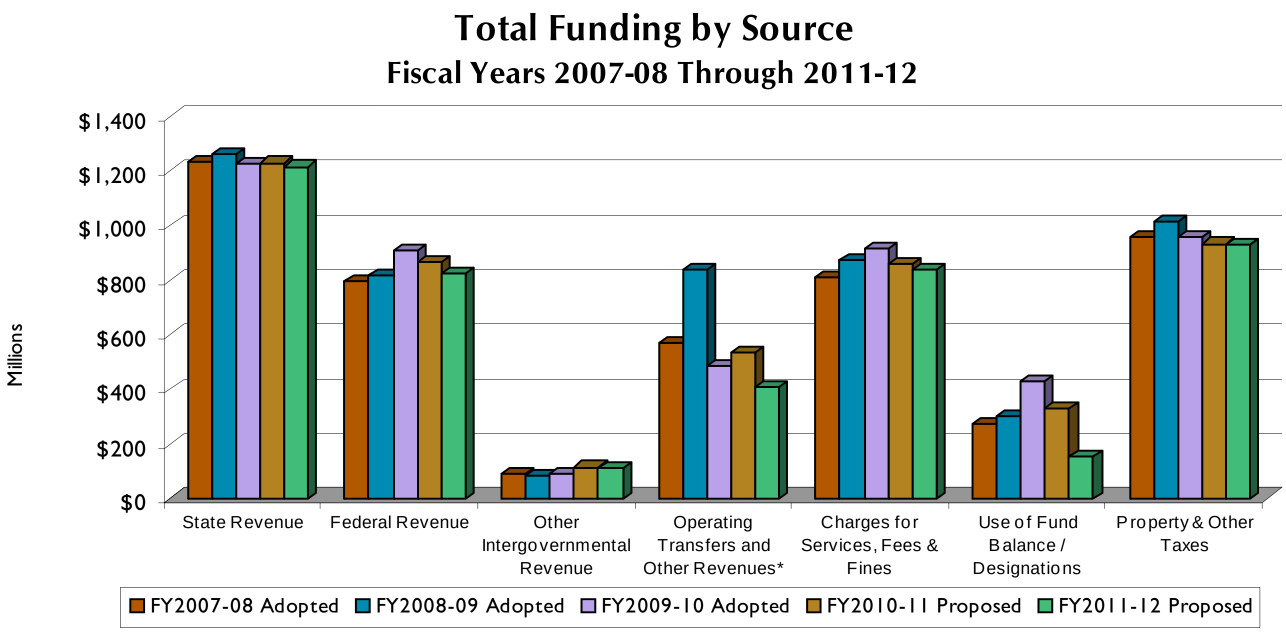
Total resources available to support County services for Fiscal Year 2010-11 are expected to be $4.86 billion, a decrease of $145.0 million or 2.9% from the Fiscal Year 2009-10 Adopted Budget. Total resources are anticipated to decrease further by $395.1 million or 8.1% to $4.47 billion in Fiscal Year 2011-12. For Fiscal Year 2010-11, the combination of State Revenue ($1.2 billion), Federal Revenue ($864.5 million) and Other Intergovernmental Revenue ($113.5 million) supplies 45.4% of the financing sources for the County's budget. 10.9% ($532.4 million) comes from interfund Operating Transfers, Use of Money and Property, Miscellaneous Revenues and Other Financing Sources. Another 17.7% ($858.8 million) comes from Charges for Current Services, Fees and Fines. Use of Fund Balance and Reserve/ Designation Decreases supply 6.8% ($331.6 million) of the financing sources.

Total Funding by Source

Fiscal Year 2010-11: $4.86 billion



Finally, revenues in the Property and Other Taxes category come from property taxes, property tax in lieu of vehicle license fees, the Teeter program, sales tax, real property transfer tax, transient occupancy tax and miscellaneous other revenues and account for 19.2% ($932.8 million) of the financing sources for the County's budget. 94.4% of the revenues in this category are budgeted in the General Fund with the balance in the Library Fund, the Road Fund and miscellaneous other funds.



*Other Revenues include Other Financing Sources, Use of Money & Property and Miscellaneous Revenues

Total Funding by Source (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
State Revenue	$ 1,230.5	$ 1,262.2	$ 1,223.3	$ 1,229.4	$ 1,216.1
Federal Revenue	797.5	816.2	911.2	864.5	820.7
Other Intergovernmental Revenue	91.8	81.8	89.0	113.5	107.1
Operating Transfers and Other Financing Sources, Use of Money & Property & Misc. Revenues	572.0	837.8	484.7	532.4	407.9
Charges for Services, Fees, and Fines	811.7	875.4	918.3	858.8	838.6
Property & Other Taxes	957.5	1,013.5	956.3	932.8	928.0
Reserve/Designation Decreases	57.6	2.3	8.7	13.3	34.1
Use of Fund Balance	213.1	298.8	416.6	318.4	115.5
Total	$ 4,731.7	$ 5,188.1	$ 5,008.2	$ 4,863.2	$ 4,468.1

Overall Change

The $145.0 million decrease in the Proposed Fiscal Year 2010-11 Budget is the net of increases in some funding sources and decreases in others. In the table above, State Revenue, Other Intergovernmental Revenue, Operating Transfers and Other Financing Sources, Use of Money and Property, Miscellaneous and Other Revenues and Reserve/ Designation Decreases increase a combined $82.9 million. Reductions totaling $227.9 million are in the combined categories of Federal Revenue, Property and Other Taxes, Charges for Services, Fees & Fines and Use of Fund Balance. The General Fund Financing Sources section beginning on page 55 addresses significant revenue changes by source in the General Fund. Changes other than those in the General Fund are highlighted in the paragraphs below.

Change by Source

State Revenue

State Revenue is projected to increase $6.1 million overall in Fiscal Year 2010-11. Of this total, there are decreases in the Public Safety Group (PSG) of approximately $36.3 million, in the Capital Program of $2.6 million, and in Finance Other of $0.1 million, offset by increases in the Land Use and Environment Group (LUEG) of $27.1 million, in the Health and Human Services Agency (HHSA) of $13.5 million and in Community Services Group (CSG) of $4.5 million.

The $36.3 million decrease in PSG includes a $25.0 million estimated reduction in Proposition 172, *Local Public Safety Protection and Improvement Act of 1993,* sales tax revenues. Please see the General Fund Financing Sources by Category section for more information on Proposition 172 funding. The balance of the PSG reduction is addressed in the General Fund Financing Sources section.

The $2.6 million decrease in the Capital Program is attributed to one-time funding of the San Luis Rey River Park acquisition in Fiscal Year 2009-10.

LUEG's proposed increase of $27.1 million is primarily in Public Works related to an increase in Proposition 1B, *Transportation Bond Act,* funding for projects in the Road Fund, and an increase in Highway Users Tax Account offset by a decrease in Proposition 42, *Traffic Congestion Improvement Act* revenues to reflect the replacement of sales tax on gasoline with an increase in the excise tax on gasoline.

HHSA's net proposed increase of $13.5 million is in the General Fund and is discussed in that section.

The proposed $4.5 million increase in CSG is substantially in General Services and is related to a reclassification of State revenues associated with Trial Courts reimbursement for facilities maintenance, contracts and utilities. The balance of the increase is proposed in the General Fund and is discussed further in that section.

Federal Revenue

Federal Revenue is projected to decrease by 5.1% ($46.7 million). A net decrease of $25.3 million is in the General Fund, and it is largely in HHSA and PSG, net of a proposed program change in Housing and Community Development (HCD) to restructure and eliminate the HCD Special Revenue Fund, thereby increasing the HCD proposed General Fund budget. See the General Fund Financing Sources section for additional detail related to the General Fund changes. In addition to the General Fund related net decreases, the balance of the projected decrease is in CSG in Housing and Community Development, mainly the result of a decrease related to prior year one-time revenue from an Economic Stimulus grant for the Neighborhood Stabilization Program (NSP 1), Homeless Prevention and Rapid Re-housing Program and Community Development Block Grant - Recovery.

Other Intergovernmental Revenue

Other Intergovernmental Revenue is projected to increase by a net of $24.5 million, with a decrease in PSG of $1.7 million, offset by a $1.1 million increase in CSG, a $0.2 million increase in HHSA, $0.5 million in LUEG and $24.4 million increase in Finance Other.

The proposed increase in Finance Other is in General Purpose Revenue and it is a reclassification of Other Intergovernmental Revenues related to Aid from Redevelopment Agencies previously budgeted as Taxes Other Than Current Secured.

The $0.5 million projected increase in LUEG is net of a $4.7 million decrease in LUEG in the General Fund. The offsetting increase is proposed in the Air Pollution Control District from an additional $2 Motor Vehicle Emission Reduction fee per registered vehicle in San Diego County, a $2.3 million rebudget of incentive program funds previously suspended by the State, offset by a decrease of $2.6 million in completed incentive program funds.

See the General Fund Financing Sources section for additional detail.

Operating Transfers and Other Financing Sources, Use of Money & Property and Miscellaneous Revenues

- **Other Financing Sources** (primarily Operating Transfers between funds) are anticipated to increase a net of $46.3 million. Operating Transfers result when one fund provides a service on behalf of another fund. There is an overall increase from Fiscal Year 2009-10 in one-time funding in Operating Transfers from the General Fund for various Capital Projects including $55.0 million for the Women's Detention Facility proposed to be added to the $75.0 million that was appropriated in Fiscal Year 2009-10 and from proceeds from long-term debt related to Phase 1B of the County Operations Center (COC) and Annex Redevelopment project. These increases are partially offset by the decrease in Finance Other due to the Fiscal Year 2009-10 one-time contribution from the General Fund to support the pay down of the outstanding variable rate Pension Obligation Bond debt and the decrease in PSG of $25.0 million representing the reduction in Proposition 172, *Local Public Safety Protection and Improvement Act of 1993,* sales tax revenue.
- **Revenue from Use of Money & Property** is anticipated to decrease a net of $3.3 million in Fiscal Year 2010-11. The decrease is largely in LUEG specifically in Public Works due to decreasing fund balances in the Road Fund and declining interest rates on investments and deposits, as well as in rents and concessions, partially offset by an increase in the equipment rental operating fee and original cost replacement in the equipment acquisition internal service fund. An additional decrease is proposed in PSG and it is primarily in the General Fund.
- **Miscellaneous Revenues** are anticipated to increase by $4.7 million. Of this total, there are increases in CSG of approximately $3.4 million, $1.2 million in LUEG, $0.8 million in Finance and General Government Group (FGG) and $0.7 million in PSG, partially offset by a $1.4 million decrease in HHSA. The largest projected increase is in CSG in the County Library and represents anticipated donations from the Friends of the Library for Fallbrook and Ramona in support of new libraries in those communities. The General Fund Financing Sources Section includes a discussion on the other significant changes.

Charges for Services, Fees and Fines

- **Charges for Current Services** are estimated to decrease $60.2 million overall. However, in the General Fund they are expected to increase $23.8 million. The three primary changes outside of the General Fund are in Finance Other, in LUEG's Department of Public Works and CSG's Department of General Services.
    - In the Pension Obligation Bond Fund in Fiscal Year 2009-10, additional charges to departments were budgeted related to the early pay down of variable rate POB principal. These charges will not recur.
    - The Public Works Fiscal Year 2010-11 budget proposes a $9.0 million decrease mainly due to completed projects funded by the Transportation Impact Fee, decreased services provided to property owners, less capital improvement projects generating shared cost revenue from other governments, decreased contributions from the Environmental Trust Fund for landfill operations, decreased contributions from special drainage areas due to completed Flood Control projects, reduced rates for Campo Hills Water District and decreases in services to other County departments and completion of various projects.
    - In General Services, these charges are estimated to decrease by $5.4 million due to the reclassification of revenues associated with the Trial Court reimbursement for facilities maintenance, contracts and utilities to State Revenues, and the anticipated decrease in cost reimbursement associated with vehicle fuel prices and acquisitions.
- **Licenses, Permits & Franchises** are estimated to increase by $2.1 million including increases in HHSA discussed in the General Fund Financing Sources section, in General Purpose Revenue, in Public Works from passenger facility charges at County operated airports, and Air Pollution Control District for the reclassification of various revenue sources.
- **Fines, Forfeitures & Penalties** are estimated to decrease by $1.3 million. The primary source of the reduction is in General Purpose Revenue due to a projected decrease in Penalties & Cost Delinquency Taxes based on property tax collections and delinquencies as well as market conditions.

Property and Other Taxes

Property and Other Taxes are anticipated to decrease $23.5 million. The overall decrease is primarily in the General Fund, and it is the result of a reclassification of Aid from Redevelopment Agencies to Other Intergovernmental Revenue. See the section on General Purpose Revenue by Source beginning on page 65 for more information on the changes in these funding sources.

Reserves/Designations

The use of Reserves/Designations is proposed to increase by $4.6 million compared to Fiscal Year 2009-10. The increases in the use of Reserves/ Designations are primarily in Public Works for one-time capital improvement projects in Spring Valley, Alpine and Lakeside Sanitation Districts, and in Child Welfare Services to cover possible foster care costs associated with a pending State lawsuit and redesign efforts.

Use of Fund Balance

Finally, the Use of Fund Balance is proposed to decrease by $98.3 million due to the normal fluctuations in one-time projects. The use of fund balance is decreasing in the general fund by $115.1 million and increasing by $16.8 million in all other funds combined.

See the individual Group/Agency sections of this Operational Plan beginning on page 109 for the breakdown of financing sources by department.

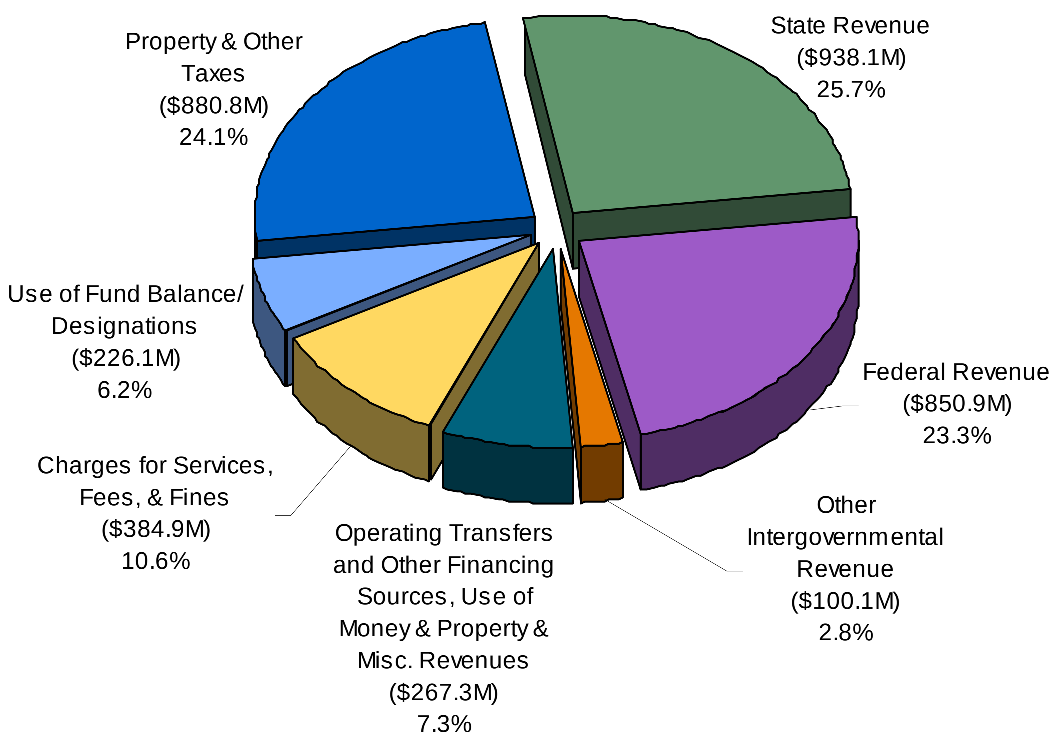
The following section looks at the General Fund portion of these funding sources.

Summary of General Fund Financing Sources

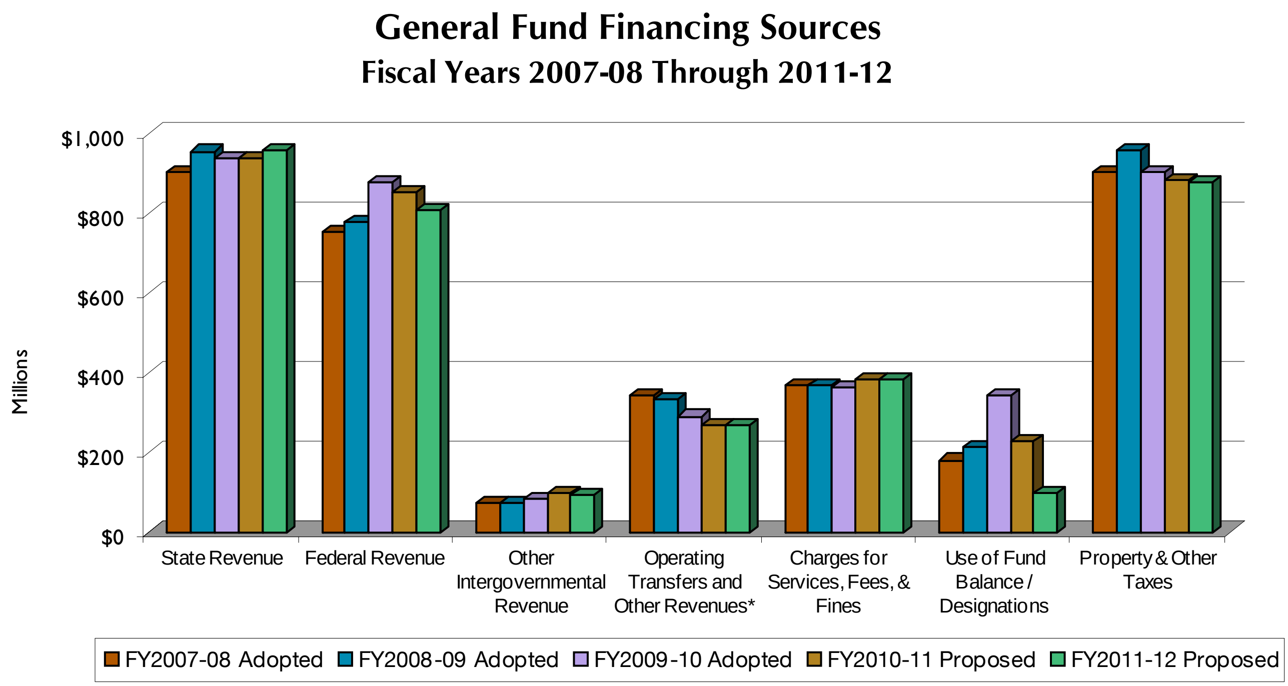
Summary of General Fund Financing Sources

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 $3.65 billion for Fiscal Year 2010-11, a $141.8 million or 3.7% decrease from Fiscal Year 2009-10. In comparison, the previous eight fiscal years saw an average annual growth rate of 5.3%. This decrease reflects the continued after-effects of the national and international economic downturn, the impact of the State of California's budget constraints and estimates of available program and General Purpose Revenue.

General Fund Financing Sources
Fiscal Year 2010-11: $3.65 billion



Further slowing is expected in Fiscal Year 2011-12. General Fund Financing Sources are expected to decrease by $159.8 million or 4.4% in Fiscal Year 2011-12. General Purpose Revenue is expected to decline by 0.1% ($1.1 million), program revenues are projected to decline by 1.3% ($31.3 million) and the planned use of fund balance is expected to decline by 56.3% ($127.4 million) in Fiscal Year 2011-12. Proposed uses of fund balance in Fiscal Year 2011-12 are tentative and subject to revision during the next Operational Plan development cycle.



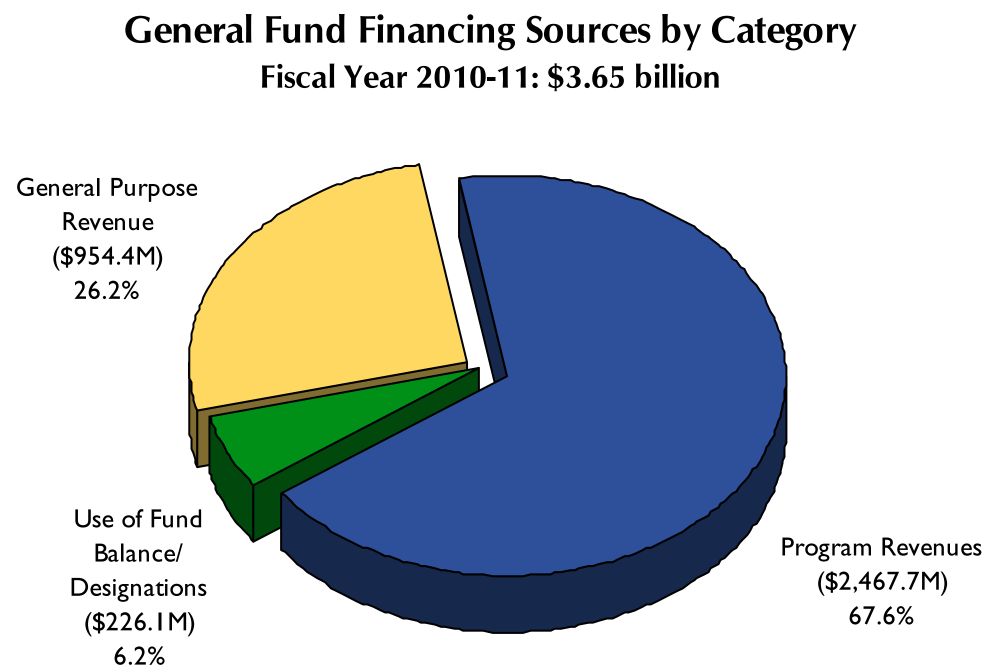
*Includes Other Financing Sources, Use of Money & Property & Misc. Revenues

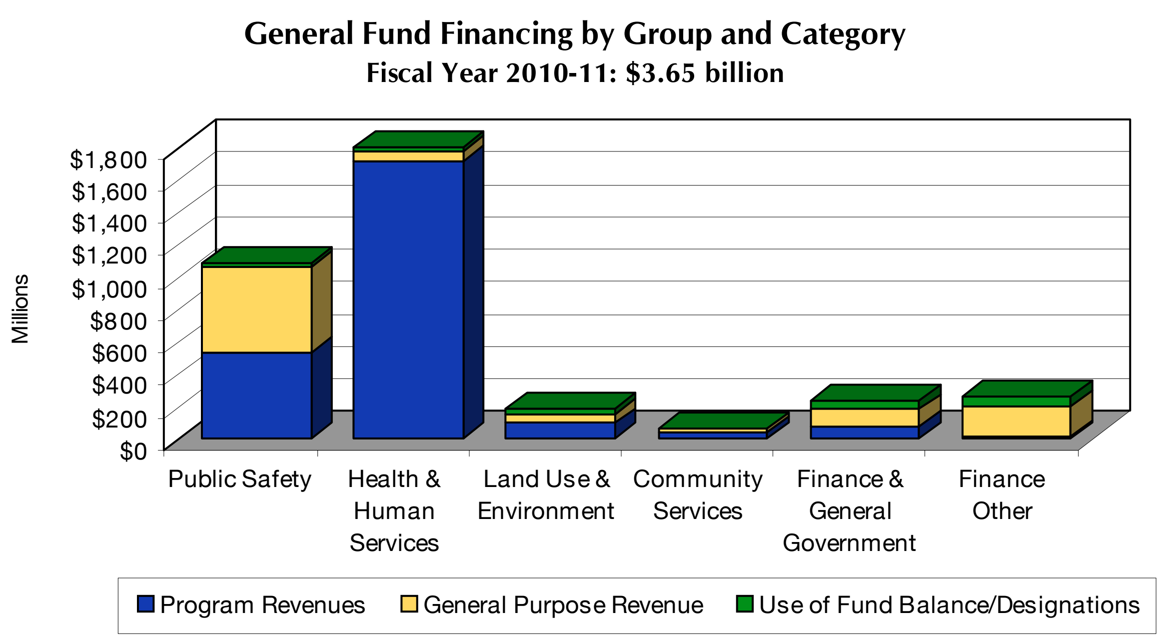
General Fund Financing Sources (in millions)

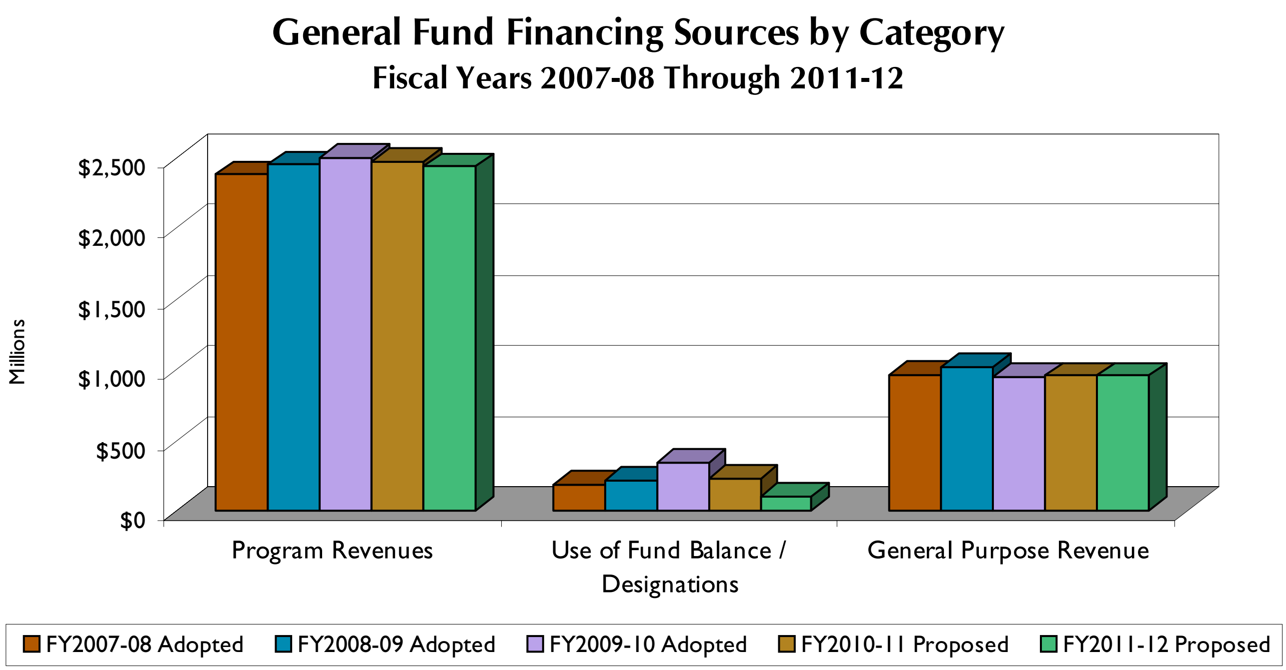
	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
State Revenue	$ 903.8	$ 954.4	$ 936.0	$ 938.1	$ 958.5
Federal Revenue	753.1	777.6	876.1	850.9	808.5
Other Intergovernmental Revenue	74.8	71.8	81.7	100.1	93.7
Operating Transfers and Other Financing Sources, Use of Money & Property, Miscellaneous Revenues	340.5	334.9	290.2	267.3	267.3
Charges for Services, Fees, & Fines	366.2	369.4	361.5	384.9	383.9
Property & Other Taxes	902.2	956.5	900.8	880.8	877.9
Reserve/Designation Decreases	57.0	0.2	7.2	4.6	34.1
Use of Fund Balance	123.3	214.7	336.6	221.5	64.6
Total	$ 3,520.9	$ 3,679.5	$ 3,790.0	$ 3,648.3	$ 3,488.5

General Fund Financing Sources by Category

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





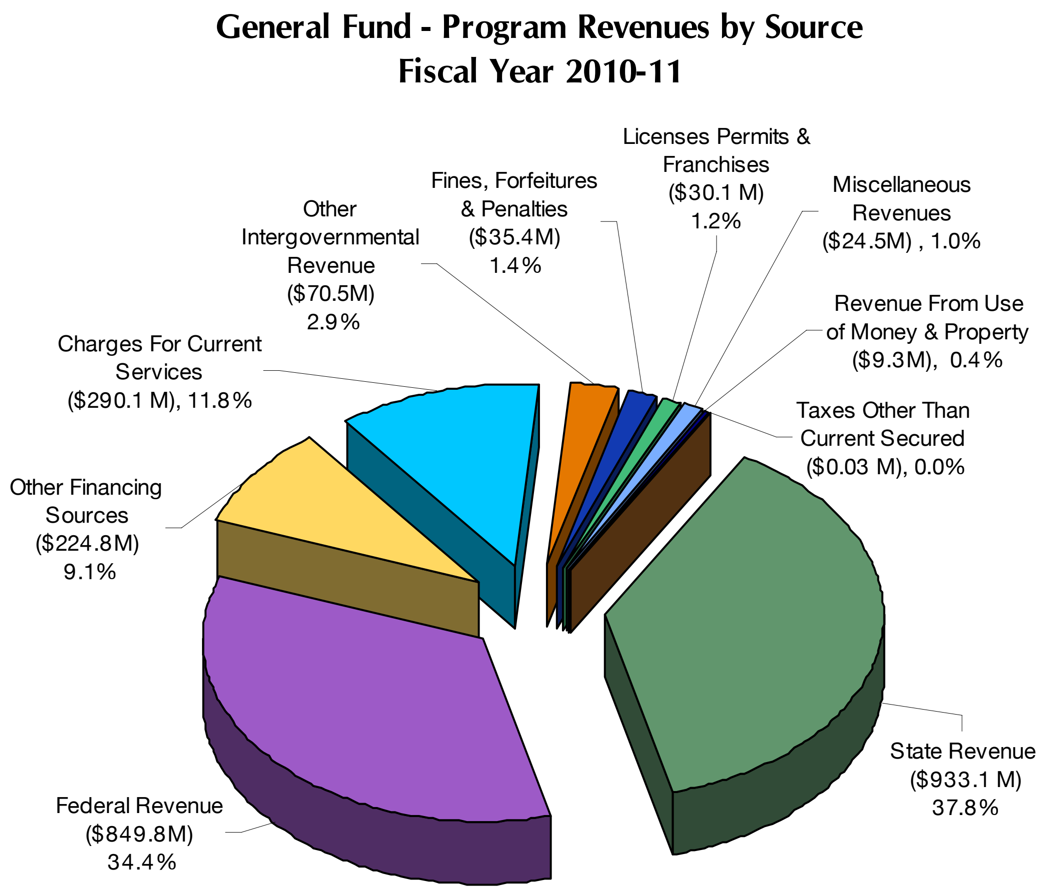


General Fund Financing Sources by Category (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Program Revenues	$ 2,376.9	$ 2,449.9	$ 2,495.6	$ 2,467.7	$ 2,436.4
Fund Balance/Designations	180.4	214.9	343.7	226.1	98.8
General Purpose Revenue	963.6	1,014.7	950.7	954.4	953.3
Total	$ 3,520.9	$ 3,679.5	$ 3,790.0	$ 3,648.3	$ 3,488.5

General Fund - Program Revenues

Program Revenues, as the name implies, are dedicated to and can be used only for the specific programs with which they are associated. These revenues make up 67.6% of General Fund Financing Sources in Fiscal Year 2010-11, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. The Health and Human Services Agency manages 69.6% of the program revenues, the Public Safety Group manages 21.4% and the balance is managed across the County's other service delivery groups. Program Revenues are expected to decrease by 1.1% ($27.8 million) from the Fiscal Year 2009-10 Adopted Budget compared to an average annual growth for the last seven years of 3.4%.



General Fund - Program Revenues by Source (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
State Revenue	$ 898.5	$ 949.1	$ 930.9	$ 933.1	$ 953.5
Federal Revenue	752.5	777.0	875.1	849.8	807.4
Other Financing Sources	281.2	265.8	248.9	224.8	224.4
Charges For Current Services	277.6	279.7	266.3	290.1	290.1
Other Intergovernmental Revenue	69.5	66.6	76.5	70.5	63.9
Fines, Forfeitures & Penalties	33.2	32.2	35.4	35.4	32.9
Licenses, Permits & Franchises	31.1	31.9	29.6	30.1	31.5
Miscellaneous Revenues	24.1	37.5	22.9	24.5	23.4
Revenue From Use of Money & Property	9.3	10.1	10.0	9.3	9.3
Taxes Other Than Current Secured	—	0.09	0.05	0.03	—
Total	$ 2,376.9	$ 2,449.9	$ 2,495.6	$ 2,467.7	$ 2,436.4

General Fund - Change in Program Revenues

The $27.8 million decrease in program revenues in the Proposed Fiscal Year 2010-11 Budget is the net of increases and decreases in various funding sources. In the table on the previous page, State Revenues; Charges for Current Services; Fines, Forfeitures & Penalties; Licenses Permits and Franchises; and Miscellaneous Revenues increase a combined $28.3 million. Reductions totaling $56.1 million are in the categories of Federal Revenue, Other Intergovernmental Revenue, Other Financing Sources, Revenue from the Use of Money and Property and Taxes Other Than Current Secured.

General Fund - Change in Program Revenues by Source

State Revenue

State Revenue is projected to increase by $2.2 million overall in Fiscal Year 2010-11. Of this total there are decreases in the Public Safety Group (PSG) of approximately $11.2 million and in the Land Use and Environment Group (LUEG) of $1.6 million, offset by increases in Health and Human Services Agency (HHSA) of $13.5 million and in Community Services Group (CSG) of $1.5 million.

In HHSA, the proposed net increase of $13.5 million is the result of revenue decreases due to State cuts, the declining economy, and the return of Child Care Stages II/III and the Alternative Payment Program child care services to the State, offset by increases in CalWORKs revenue that will fund a projected increase in assistance payments and that reflect a shift in estimated sharing ratios for State and federal funding. This shift will increase State revenues and decrease federal revenues.

The $1.5 million projected increase in CSG is in the Registrar of Voters Department due to additional funding from the Help America Vote Act (HAVA) grant and State funding that reimburses mandated costs.

The projected decreases in PSG of $11.2 million stem from various State funding cuts in Probation, Public Defender, the District Attorney's Office and the Sheriff's Department. A substantial portion of these reductions are in Probation and are due to decreases in the Local Safety and Protection Account, which is supported by vehicle license fees. Programs impacted are Juvenile Probation and Camps as well as Juvenile Crime Prevention. Further, the State has eliminated funding for services provided in response to Proposition 36, *Substance Abuse and Crime Prevention Act of 2000*.

The $1.6 million decrease in LUEG is primarily attributed to program funding changes in Agriculture, Weights and Measures.

Federal Revenue

Federal Revenue is projected to decrease by a net of $25.3 million or 3.0%. They are expected to decrease in HHSA by $29.8 million and in PSG by $10.1 million. They are expected to increase in LUEG by $4.2 million and in CSG by $10.4 million.

The net projected decrease of $29.8 million in HHSA is predominantly from decreases due to the shift in the CalWORKs assistance payments revenue to the State revenue category (see the discussion in State revenue above) combined with increases in American Recovery and Reinvestment Act (ARRA) funding in Aging and Independence Services for the In-Home Supportive Services (IHSS) program, in Behavioral Health Services for federal Medi-Cal and Drug Medi-Cal services, in Child Welfare Services for federally eligible cases in foster care and adoption, and in Public Health Services for the Communities Putting Prevention to Work (CPPW) Initiative from the Centers for Disease Control (CDC).

The decrease in PSG is largely in the Sheriff's Department due to the non-recurrence of federal reimbursement for one-time Firestorm 2007 costs budgeted in Fiscal Year 2009-10 and the expiration of various grants, as well as in the District Attorney's Office related to the transfer of the Project Safe Neighborhood Program to the San Diego Association of Governments.

The proposed increase of $10.4 million in CSG is in Housing and Community Development and it is associated with the closing of the HCD Special Revenue fund and the budgeting of appropriations formerly in the Special Revenue fund in the General Fund.

The $4.2 million increase in LUEG is in Agriculture, Weights and Measures for trapping services under the Pest Detection contract related to the Farm Bill legislation and additional surveillance under the Plant Health and Pest Prevention Contract, as well as in Environmental Health related to an ARRA grant for green business and compact fluorescent bulb recycling.

Other Financing Sources

Other Financing Sources (including Operating Transfers from Other Funds) are projected to decrease by a net of $24.1 million or 9.7%. There are decreases of $25.0 million in PSG as well as increases of $0.4 million in LUEG and $0.5 million in Finance Other (FO). The $25.0 million decrease in PSG represents a reduction in Proposition 172, *Local Public Safety Protection and Improvement Act,* sales tax revenues. Please see the following section for more information on Proposition 172 funding. The increase in LUEG is in Planning and Land Use related to the County Service Areas - Fire Prevention Program. The increase in Finance Other is associated with increasing lease payments for the Edgemoor Distinct Part Skilled Nursing Facility (DPSNF) funded by a transfer from the Edgemoor Development Fund.

Charges for Current Services

Charges for Current Services are estimated to increase by $23.8 million, including increases of $10.7 million in HHSA, $6.0 million in LUEG, $4.7 million in Finance and General Government Group (FGG), and $2.8 million in CSG, net of decreases of $0.4 million in PSG.

The increase in HHSA includes increases in Regional Operations from the San Diego First Five Commission to support the Early Childhood Welfare Project, in Strategic Planning and Operational Support for an increase in Third Party reimbursements in County Medical Services (CMS), and in Child Welfare Services from the San Diego First Five Commission for the KidSTART Center.

In LUEG, the increases are in Environmental Health for the Vector Control Program for the transfer of staff from the Department of Agriculture, Weights and Measures and to implement the Vector Control Habitat Remediation Program and in Planning and Land Use related to the GIS staff transferred from Public Works.

The increase in FGG is proposed in the Department of the Assessor/Recorder/County Clerk based on an estimated increase in Property Tax System Administration revenues and one-time revenues used for the scanning initiative, in the Treasurer-Tax Collector's department based on an estimated increase in Property Tax System Administration revenues and Bank Services Pooled Money for the implementation of enhanced technology solutions, and in part in the Auditor and Controller's department from A-87 Cost Reimbursements.

The CSG increase is in the Registrar of Voters as a result of the greater number of billable participating jurisdictions that participate in the Gubernatorial General Election compared to the Gubernatorial Primary Election.

These increases are offset by a net decrease of $0.4 million in PSG, primarily in the Sheriff's Department due to decreases in law enforcement services to other governments, partially offset by an increase in the Public Defender from a reclassification of intergovernmental revenue.

Other Intergovernmental Revenue

Other Intergovernmental Revenue is projected to decrease by $6.0 million or 7.8%. There are decreases of $4.7 million in LUEG in large part in Planning and Land Use related to the completion of grant projects for the Fuels Reduction Program and $1.7 million in PSG primarily in the Sheriff's Department due to a decrease in reimbursements for Trial Court services, as well as an increase of $0.4 million in CSG in Housing and Community Development related to aid from the Housing Authority

Fines, Forfeitures & Penalties

Fines, Forfeitures & Penalties remain unchanged.

Licenses, Permits & Franchises

Licenses, Permits & Franchises are anticipated to increase by $0.5 million primarily in HHSA in Regional Operations from marriage license fees that support domestic violence services.

Miscellaneous Revenues

Miscellaneous Revenues are expected to increase by $1.7 million. Projected increases include $1.5 million in LUEG, $0.8 million in FGG, $0.5 million in CSG, and $0.3 million in PSG, net of a decrease of $1.4 million in HHSA to align with historical actuals. The largest increase is in LUEG and is attributed to insurance for firestorm recovery claims in Public Works and recovered expenditures for the Hazardous Materials Management Division in Environmental Health.

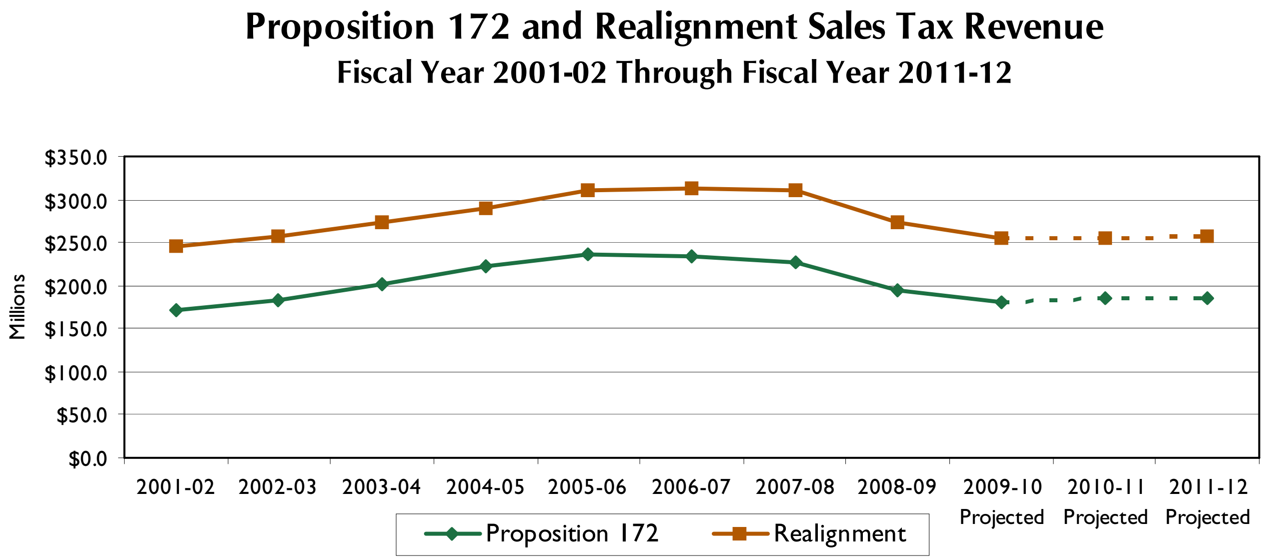
Revenue from Use of Money & Property

Revenue from Use of Money & Property is projected to decrease by $0.7 million. The primary source of the decrease is in the Public Safety Executive Office due to reduced rents and leases revenues.

Taxes Other than Current Secured

Taxes Other than Current Secured reflect minimal change.

Following are some of the largest and most closely watched Program Revenues. Please see the individual Group and department sections beginning on page 109 for more specific information on the various other program revenues.



Notes: 2001-02 to 2008-09 figures represent actual revenue. 2009-10 figures represent projected revenue as of March 31, 2010. 2010-11 and 2011-12 figures represent projected revenue as included in the Fiscal Year 2010-12 CAO Proposed Operational Plan.

- **Health and Social Services Realignment Revenues** ($254.7 million in Fiscal Year 2010-11 and $257.7 million in Fiscal Year 2011-12) 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 below the prior year by 12.2%. For Fiscal Year 2009-10, a marginal decrease over Fiscal Year 2008-09 was expected (0.5%); however, these revenues are projected to be 6.6% or $18.0 million below 2008-09 actuals.

  For Fiscal Year 2010-11, these revenues are being forecasted cautiously and are expected to be at the level of the Fiscal Year 2009-10 projected amount. It is anticipated that the economy will keep these revenues relatively flat in Fiscal Year 2011-12. The chart above shows the realized revenues for Health and Social Services Realignment for Fiscal Years 2001-02 through 2008-09 and projected levels for Fiscal Years 2009-10 through 2011-12.

- **Proposition 172 - Public Safety Sales Tax Revenues** ($185.9 million in Fiscal Year 2010-11 and $185.9 million in Fiscal Year 2011-12) 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 fell from prior year levels by 14.1% due to the decline in the economy.

For Fiscal Year 2009-10, these revenues have continued to decline with revenues projected at $185.0 million, a 5.4% decline over Fiscal Year 2008-09 actuals. For Fiscal Year 2010-11, revenues are projected to improve by 0.5% over the projected amount for Fiscal Year 2009-10. The chart on the preceding page shows the realized revenues for Proposition 172 for Fiscal Years 2001-02 through 2008-09 and projected levels for Fiscal Years 2009-10 through 2011-12. See also, the discussion of General Purpose Revenue allocations on page 73.

- **Tobacco Settlement Revenues** ($31.7 million in Fiscal Year 2010-11 and $24.2 million in Fiscal Year 2011-12) by Board of Supervisors Policy E-14, *Expenditure of Tobacco Settlement Revenue in San Diego County*, are dedicated to health care-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 $31.7 million proposed in Fiscal Year 2010-11 reflects $7.5 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 2010-11. A request will be submitted to the Board if the additional resources are needed.

General Fund - General Purpose Revenue

General Purpose Revenue (GPR) makes up 26.2% of the General Fund Financing Sources. Please see the separate discussion of General Purpose Revenue beginning on page 65.

General Fund - Use of Fund Balance/ Designations

Use of Fund Balance/Designations ($226.1 million in Fiscal Year 2010-11 and $98.8 million in Fiscal Year 2011-12), including reserve/designation decreases, represents 6.2% of General Fund Financing Sources in Fiscal Year 2010-11. 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.

The following list details the various proposed uses of fund balance in Fiscal Year 2010-11:

- One-time capital needs for the volunteer fire protection districts via the Fire Protection and Emergency Medical Services Grant Program,
- Aerial Fire Suppression "Call When Needed" support,
- Potential costs related to death penalty cases,
- Juvenile Voice Supervision Pilot Program in the Probation department,
- One-time needs associated with the Automated Field Reporting/Records Management System project,
- Safety equipment replacement in the Sheriff's Department,
- Business Process Reengineering, Imaging and IT initiatives in the Health and Human Services Agency,
- One-time support for the Chronic Disease Program contract with the California Highway Patrol,
- Peripheral relocations related to the COC capital project,
- Major maintenance projects,
- Capital projects, including the County Operations Center (COC) and Annex Redevelopment - Phase 1B project, Juvenile Probation Complex Parking Expansion, MSCP land acquisition, Sweetwater Regional Park energy upgrades, Sweetwater Lane Park

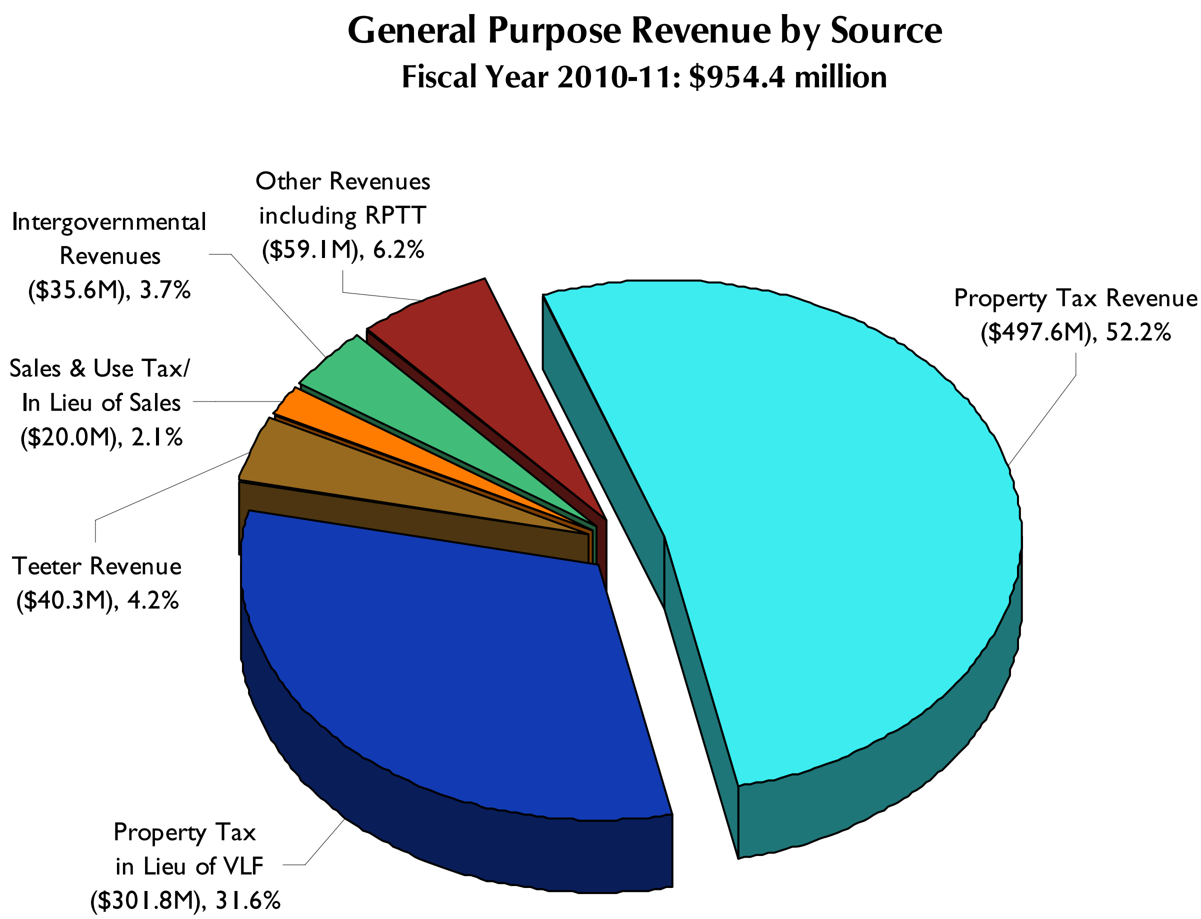
synthetic turf project, Agua Caliente Park water, sewer, and electrical line replacement, Animal Services South Shelter Cat Housing Facility replacement project, and Animal Services South Shelter multi-purpose barn,

- General Plan Update/Zoning Ordinance project costs rebudget,
- MSCP (North) Resource Management Plans to protect biological and cultural resources,
- Consultants for work related to various Tribal councils,
- Web-based Stormwater Outreach project,
- Smuggler's Gulch dredging project,
- Vegetation management, fire suppression and debris clean up for Tijuana River and Otay River Valley,
- Fire program prevention and response activities, such as:
  - Fire Safe Communities Evacuation Study,
  - Volunteer personal safety equipment rebudget,
  - Fire Prevention personal safety equipment,
  - Volunteer Stipends rebudget,
  - Fire contract rebudget, and
  - Dead, dying and diseased tree removal rebudget,
- Firestorm 2007 permit waiver rebudget,
- Planning and Land Use Building Division core services support,
- Campo Wastewater Plant upgrades,
- Inland Rail Trail project management rebudget,
- Valley Center Interpretive Trail signs rebudget,
- Sweetwater utility conversion rebudget,
- Assorted stormwater, residential pest management and flood control costs rebudget,
- Woodside Drainage improvement rebudget,
- Contribution to the Environmental Trust Fund to sustain operations in future years at County-owned inactive or closed landfills,
- Animal Services Central Shelter cat cages replacement,
- Animal Services flatbed trailers,
- Fund balance designations for the Registrar of Voters for low revenue election years,
- Registrar of Voters November 2010 Gubernatorial General Election support,
- Workforce Academy for Youth (WAY) program,
- Various information technology projects, such as:
  - Document digitization in Planning and Land Use and Public Works,
  - Infrastructure and upgrade needs in the District Attorney's Office,
  - Intergraph Computer Assisted Design (CAD) in the Sheriff's Department,
  - IT costs associated with the COC relocations in the Sheriff's Department,
  - Land Use and Environment Group Business Case Management System rebudget,
  - Geographic Information System enhancements rebudget,
  - Documentum electronic repository for CD files project in Housing and Community Development,
  - Centralized "on-boarding" process in the Department of Human Resources,
  - Registrar of Voters IT enhancements and equipment,
  - Learning Management System (LMS) upgrade,
  - Web Integrated Tax System (WITS) 2.0 one-time project,
  - One-time County Technology Office Initiatives,
  - Integrated Property Tax System implementation rebudget, and
  - Service First online initiative rebudget,
- One-time match for library material donations for the new Ramona and Fallbrook library branches,
- Replacement of the County Law Case Management System,
- Grants provided to community organizations,
- One-time support to partially offset the dramatic decline in Proposition 172 revenues, and
- Management reserves.

General Purpose Revenue

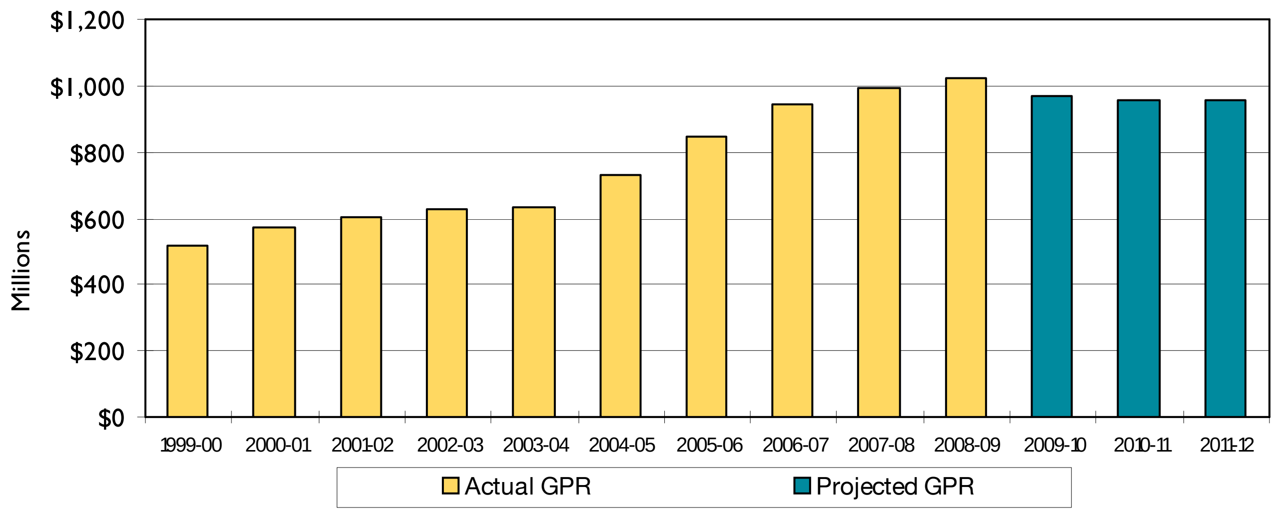
General Purpose Revenue by Source

General Purpose Revenue (GPR) represents approximately 26.2% of the General Fund's Financing Sources. The revenues come from property taxes, property tax in lieu of vehicle license fees (VLF), the Teeter program, sales tax, real property transfer tax (RPTT), Aid from Redevelopment Agencies, 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 Revenue are discussed below.



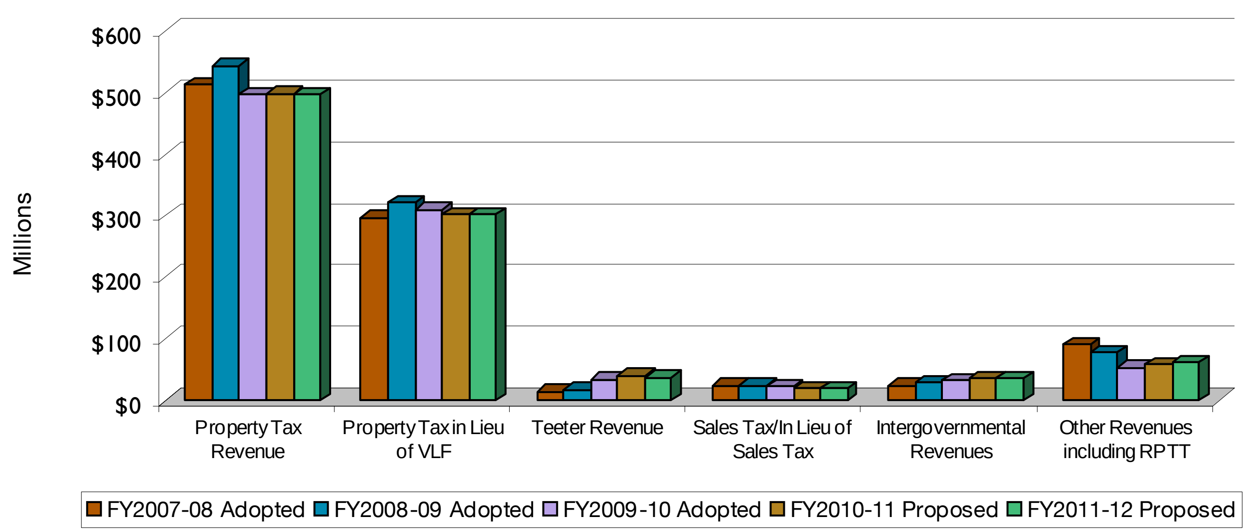
From Fiscal Year 1999 - 2000 through Fiscal Year 2008-09, GPR grew by an annual average of $55.7 million. However, the national recession that began in December 2007 and the corresponding State and local downturn have had a significant impact on GPR. For Fiscal Year 2010-11, the $954.4 million proposed for GPR is an increase of $3.7 million or 0.4% from the Fiscal Year 2009-10 budgeted amount of $950.7 million. These resources are projected to decline slightly to $953.3 million in Fiscal Year 2011-12. See the chart on the following page for an historical view of GPR.

General Purpose Revenue History
Fiscal Year 1999-00 Through Fiscal Year 2011-12



Notes: General Purpose Revenue (GPR) for 1999-00 through 2008-09 represent actual revenue. 2009-10 represents projected revenue as of March 31, 2010. GPR projections for 2010-11 and 2011-12 represent the proposed amounts for the 2010-12 CAO Proposed Operational Plan.

General Purpose Revenue by Source
Fiscal Years 2007-08 Through 2011-12



General Purpose Revenue by Source (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Property Tax Revenue	$ 511.4	$ 543.1	$ 496.3	$ 497.6	$ 496.7
Property Tax in Lieu of VLF	297.1	321.0	309.3	301.8	301.8
Teeter Revenue	14.6	18.1	33.9	40.3	37.0
Sales and Use Tax/In Lieu of Sales Tax	24.7	24.8	23.4	20.0	20.3
Intergovernmental Revenues	24.9	29.1	33.4	35.6	35.9
Other Revenues including RPTT	90.8	78.7	54.4	59.1	61.5
Total	$ 963.6	$ 1,014.7	$ 950.7	$ 954.4	$ 953.3

Property Tax Revenue

Property Tax Revenue, ($497.6 million in Fiscal Year 2010-11 and $496.7 million in Fiscal Year 2011-12), including current secured, current supplemental and current unsecured combined represents 52.2% of the total General Purpose Revenue. (The term "current" refers to those taxes that are due and expected to be paid in the referenced budget year.) For Fiscal Year 2010-11, proposed property tax revenue is $1.3 million or 0.3% higher than budgeted for Fiscal Year 2009-10. Property tax revenue is projected to decline 0.2% or $0.8 million for Fiscal Year 2011-12.

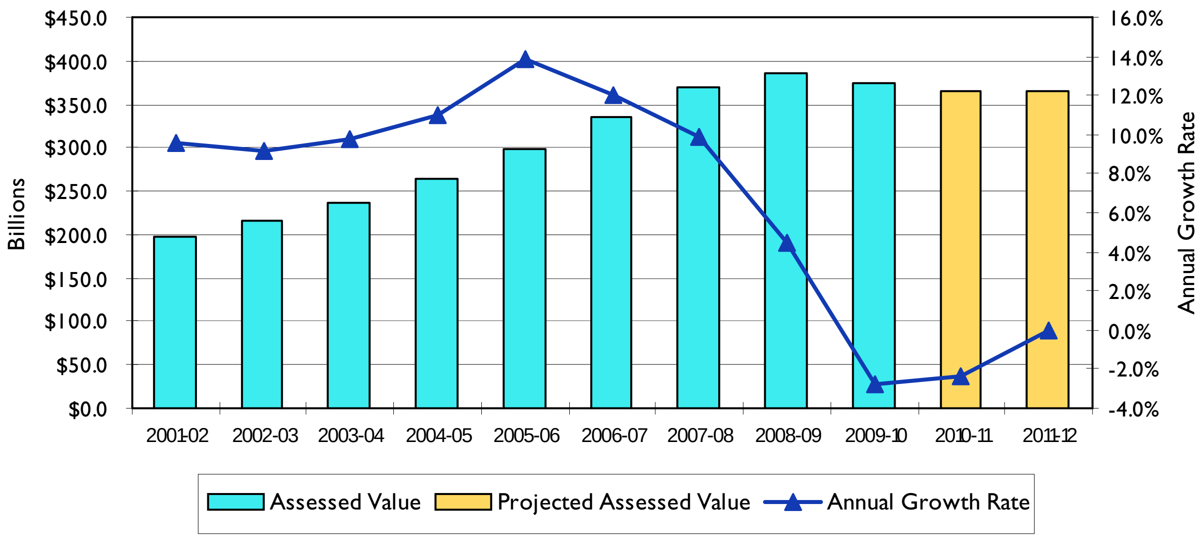
Property Tax Revenue in the State of California is a funding source for local governments and school districts and is based on ad valorem property taxation whereby the amount due is calculated by applying a 1% tax rate to the assessed value of real property (land and improvements) and certain business personal property owned by tenants. The assessed value of property is tracked on the secured, unsecured, and supplemental tax rolls. Counties generate the property tax bills and collect the tax payments on behalf of the taxing entities within their respective boundaries. In some cases, there are additional special assessments approved by the voters, which are included on the tax bills as well. Property tax payment amounts received by the counties are then distributed to the various taxing entities.

The assessed value of real property has been in decline over the last two years in San Diego County as a result of the credit crisis and economic downturn that began in 2007. Consequently property tax revenue has decreased. Both the commercial and residential real estate markets remain soft, although signs of stabilization have begun to appear as discussed above in the Economic Indicators section beginning on page 20. The table above presents a summary of historical and projected property tax revenues to show the changes by category.

- ***Current Secured*** property taxes ($477.2 million in Fiscal Year 2010-11 and $476.3 million in Fiscal Year 2011-12) are expected to decrease by $1.9 million in Fiscal Year 2010-11 over the adopted level for Fiscal Year 2009-10.

  These revenues are generated from the secured roll, that part of the roll containing real property, including residential and commercial property as well as State-assessed public utilities. The Fiscal Year 2010-11 revenue amount assumes a 2.35% decrease in the local secured assessed value over the actual current secured assessed value amount for 2009-10, and makes certain assumptions regarding the County's share of countywide property tax revenues, the delinquency rate, and the amount of tax roll corrections and refunds on prior year assessments. In Fiscal Year 2010-11, corrections and refunds are expected to decline compared to Fiscal Year 2009-10 because a significant portion of the decrease in property values since 2007 will have been captured and reflected in the total value of the 2010 tax assessment roll. Thus, while the amount of secured property tax payments will decrease because of the decline in assessed value, the decrease in property tax revenues will be mitigated by the reduction in expected refunds and corrections. The result is only a 0.4% decrease in current secured property tax revenues in Fiscal Year 2010-11 compared to the amount budgeted for Fiscal Year 2009-10. For Fiscal Year 2011-12, local secured assessed value is assumed to remain flat but the County's share of total property tax revenues is expected to decrease marginally.

San Diego County Locally Assessed Secured Property Values
Fiscal Year 2001-02 to Fiscal Year 2011-12



Notes: The projected locally assessed secured values assume a -2.35% decline in Fiscal Year 2010-11 and no growth in Fiscal Year 2011-12.
Source: San Diego County Auditor and Controller.

- ***Current Supplemental*** property taxes ($3.1 million in Fiscal Year 2010-11 and $3.2 million in Fiscal Year 2011-12) are derived from net increases to the secured 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. These actions are captured on the supplemental roll. 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 exceeded $38.3 million in Fiscal Year 2008-09. Supplemental refunds are projected to exceed $20.0 million in Fiscal Year 2009-10, and are anticipated to decline gradually starting in Fiscal Year 2010-11.

  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, to $14.0 million in Fiscal Year 2007-08, and to $2.4 million in Fiscal Year 2008-09. As of the third quarter of Fiscal Year 2009-10, current supplemental property tax revenues are projected to total $2.9 million. The proposed operational plan assumes that this weakness will continue through the next two fiscal years with the Fiscal Year 2010-11 amount being $3.0 million, followed by a marginal increase to $3.2 million in Fiscal Year 2011-12.

- ***Current Unsecured*** property taxes ($17.3 million in Fiscal Year 2010-11 and $17.2 million in Fiscal Year 2011-12) do not build on a prior year base. The unsecured roll is that part of the assessment roll, consisting largely of business personal property owned by tenants. The roll is forecasted based on trends and available information at the time the budget is developed. A marginally more conservative projection was used for Fiscal Year 2011-12.

Property Tax Summary (in millions)						
	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2008-09 Actuals	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2009-10 Estimated Actuals	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Current Secured	$ 511.8	$ 500.5	$ 479.2	$ 481.8	$ 477.2	$ 476.3
Current Supplemental	15.1	2.4	0.3	2.9	3.1	3.2
Current Unsecured	16.2	16.9	16.8	16.9	17.3	17.2
Total	$ 543.1	$ 519.8	$ 496.3	$ 501.6	$ 497.6	$ 496.7

Property Tax in Lieu of Vehicle License Fees (VLF)

Property Tax in Lieu of Vehicle License Fees (VLF) comprises 31.6% ($301.8 million) of the proposed General Purpose Revenue amount in Fiscal Year 2010-11 and 31.7% ($301.8 million) in Fiscal Year 2011-12. Beginning in Fiscal Year 2004-05, this revenue source replaced the previous distribution of vehicle license fees to local governments. Per the implementing legislation, revenue levels for this funding source are based on the growth or reduction in net taxable unsecured and local secured assessed value, which is estimated to be a reduction of 2.3% for Fiscal Year 2010-11. The Fiscal Year 2011-12 revenue is estimated using a flat assessed value growth calculation.

Teeter Revenues

Teeter Revenues ($40.3 million in Fiscal Year 2010-11 and $37.0 million in Fiscal Year 2011-12) represent about 4.2% of General Purpose Revenue in Fiscal Year 2010-11.

In Fiscal Year 1993-94, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan (named after its author) with its total secured property taxes during the year for which the taxes are levied, regardless of whether all taxes due were paid by the property owner in that year. Under this plan, the County advances funds to these entities to cover the unpaid (delinquent) taxes (the "Teetered Taxes"). The County's general fund benefits from this plan by being entitled to future collections of penalties and interest that are also due once the delinquent taxes are paid.

Teeter revenues are projected based on the anticipated collection of the County's portion of the Teetered Taxes from the prior year and cumulative prior years as well as the interest and penalty payments, which appear in the Teeter Tax Loss Reserve Excess account. A legal requirement of the Teeter Plan requires the County to maintain a tax loss reserve fund to cover losses that may occur if delinquent taxes are not paid and the property goes into default and is sold for less than the outstanding taxes and assessments. Throughout the year, all interest and penalties collected on Teetered secured and supplemental property taxes are first deposited into the Teeter Tax Loss Reserve Fund. Any excess amounts above 25% of the total delinquent secured taxes and assessments may be transferred to the general fund.

For Fiscal Year 2010-11, collections from previous years' receivables are expected to decrease by $1.1 million based on the size of the outstanding annual receivables and based on anticipated collection trends and market conditions. In Fiscal Year 2010-11, excess amounts from the Teeter Tax Loss Reserve Fund are projected to increase from the $14.0 million that was budgeted in Fiscal Year 2009-10 to $21.5 million based on the change in the expected level of Teetered taxes. They are expected to decrease to $19.0 million in Fiscal Year 2011-12.

Sales & Use Tax Revenue

Sales & Use Tax Revenue ($20.0 million in Fiscal Year 2010-11 and $20.3 million in Fiscal Year 2011-12) represents about 2.1% of General Purpose Revenue and is derived from taxable sales by retailers who sell or rent tangible personal property in unincorporated areas of the county or from use taxes from consumers who purchase tangible personal property from out of state. Use taxes are also imposed on the storage, use, lease or other consumption of tangible personal property at any time a sales tax has not been paid by the retailer. The amounts shown in the table above reflect the combined Sales and Use Tax revenues and the In Lieu Local Sales & Use Tax replacement funding that will be transferred to the County from the Educational Revenue Augmentation Fund (ERAF). The ERAF was established in 1992-93 and 1993-94 in response to serious State budgetary shortfalls. The legislature and administration permanently redirected over $3 billion of property taxes from cities, counties, and special districts to schools and community college districts. These redirected funds reduced the state's funding obligation for K-14 school districts by a commensurate amount. 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 had 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. However, the recent economic volatility, housing market declines, and unemployment trends have impacted retail sales at the statewide, Southern California and San Diego regional level resulting in a projected Fiscal Year 2009-10 shortfall compared to budget of $3.7 million. The sales tax revenues are showing signs of improvement in the first three months of 2010 compared to 2009 and this trend is expected to continue through the end of the calendar year. That positive trend, however, suggests only about a $0.3 million improvement over estimated actuals for Fiscal Year 2009-10, resulting in an amount proposed to be budgeted for Fiscal Year 2010-11 that is approximately $3.4 million, or 14.6%, below the Fiscal Year 2009-10 Adopted Budget. Sales Tax growth in Fiscal Year 2011-12 is anticipated to be $0.3 million, or 1.5%, over Fiscal Year 2010-11.

Intergovernmental Revenue (in millions)

	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2008-09 Actuals	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2009-10 Estimated Actuals	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Aid from Redevelopment Agencies	$ 18.0	$ 37.7	$ 22.1	$ 24.7	$ 24.3	$ 24.6
State Aid HOPTR	5.3	5.1	5.1	5.0	5.0	5.0
Federal Payments In Lieu of Taxes	0.6	1.5	1.0	1.1	1.1	1.1
Aid from City of San Diego	5.2	7.57	5.2	5.2	5.2	5.2
Total	$ 29.1	$ 51.9	$ 33.4	$ 36.0	$ 35.6	$ 35.9

Intergovernmental Revenue

Intergovernmental Revenue ($35.6 million in Fiscal Year 2010-11 and $35.9 million in Fiscal Year 2011-12) represents funding the County receives from various intergovernmental sources including Redevelopment Agencies, the City of San Diego (pursuant to a Memorandum Of Understanding related to the County's Central Jail), the federal government (Payments in Lieu of Taxes (PILT) for tax-exempt federal lands administered by the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service), and the State of California (reimbursement to the County for the Homeowner's Property Tax Relief (HOPTR) program). The largest portion of this funding is from redevelopment agencies based on the provisions of Article 16, Section 16 of the California Constitution, and Health and Safety Code Section 33670 which provides for the division of certain portions of property tax revenues between redevelopment projects and other taxing agencies. Under the HOPTR program, homeowners are exempted from paying property taxes on the first $7,000 of the assessed value of their personal residence and the state reimburses local taxing entities for the related loss of revenue. The table above presents a summary of historical and projected intergovernmental revenue to show the changes by category.

Other Revenues

Other Revenues for Fiscal Year 2010-11 total $59.1 million and increase to $61.5 million in Fiscal Year 2011-12. The Fiscal Year 2010-11 amount represents an 8.6% or $4.7 million increase over the Fiscal Year 2009-10 Adopted Budget, primarily from an anticipated increase in Real Property Transfer Tax (RPTT). Various revenue sources make up this "Other Revenues" category including RPTT, interest on deposits, fines, fees and forfeitures, prior year property taxes, penalties & cost delinquency taxes, franchise fee revenue, cable and video licenses and other miscellaneous revenues.

The largest component of this revenue category for Fiscal Year 2010-11, at $17.1 million, is Penalties & Cost Delinquency Taxes. These revenues are received as a result of penalties assessed on the late payment of current year taxes (those taxes paid late, but before the end of the fiscal year). The second largest component of Other Revenues, Real Property Transfer Tax, is a leading indicator of local economic strength. RPTT revenue for Fiscal Year 2010-11 is proposed to be budgeted at $12.7 million, a 116% ($6.8 million) increase from the Fiscal Year 2009-10 Adopted Budget, reflecting an improvement in the volume of transactions from the substantial slowing and overall volatility that began in fall 2008. Revenues are projected to improve by $0.6 million or 5.0% in Fiscal Year 2011-12 with an assumption that property re-sales will continue to improve, but only modestly. 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 $0.55 per $500 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. The table below presents a summary by account of historical and projected General Purpose Revenue.

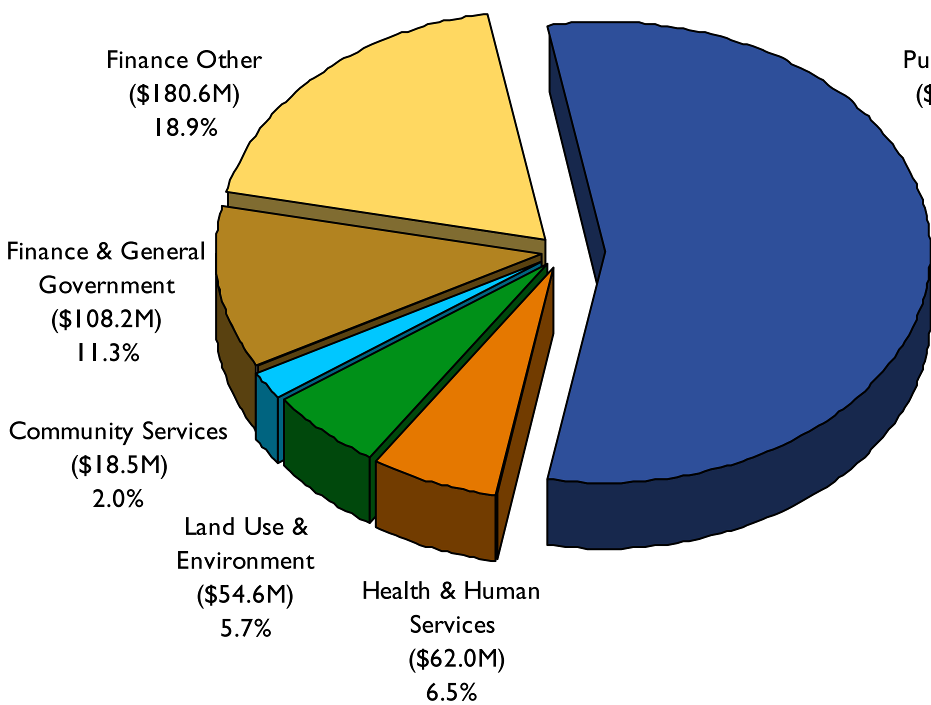
General Purpose Revenue

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Property Taxes Current Secured	$ 474,620,362	$ 511,838,614	$ 479,141,686	$ 477,192,517	$ 476,341,208
Property Taxes Current Supplemental	20,774,990	15,049,668	315,120	3,044,869	3,189,148
Property Taxes Current Unsecured	15,998,030	16,173,808	16,826,271	17,338,957	17,205,054
Property Tax In Lieu of VLF	297,094,027	320,951,431	309,263,588	301,837,082	301,837,082
Teeter Tax Reserve Excess	2,500,000	5,000,000	14,000,000	21,500,000	19,000,000
Teeter Prop Tax Cumulative Prior Years	12,104,075	8,495,850	4,435,615	6,204,217	5,709,718
Teeter Prop Tax Prior Year		4,610,797	15,455,034	12,554,621	12,299,045
Sales & Use Taxes	18,446,000	18,258,000	17,442,429	14,999,966	15,224,965
In Lieu Local Sales & Use Tax	6,276,651	6,499,874	5,990,080	5,003,345	5,078,395
State Aid HOPTR	5,286,616	5,286,616	5,078,014	4,985,000	4,985,000
Federal In-Lieu Taxes	640,728	640,728	1,023,206	1,056,408	1,056,408
Aid From City Of San Diego	5,222,553	5,222,553	5,222,553	5,222,553	5,222,553
Redevelopment Incr./Aid from Red. Agencies	13,800,000	18,000,000	22,100,000	24,362,009	24,612,382
Property Taxes Prior Secured	200,000	400,000	400,000	400,000	400,000
Property Taxes Prior Secured Supplemental	13,449,234	8,042,956	2,583,671	2,030,625	2,132,156
Property Taxes Prior Unsecured	500,000	100,000	300,000	300,000	300,000
Property Taxes Prior Unsecured Suppl.	200,000	-	300,000	200,000	200,000
Other Tax Aircraft Unsecured	1,750,000	2,078,915	3,045,000	3,045,000	3,090,675
Transient Occupancy Tax	3,000,000	3,200,000	3,300,000	2,500,000	2,600,000
Real Property Transfer Taxes	21,456,251	17,739,779	5,854,000	12,659,593	13,292,572
Franchises, Licenses, Permits	4,896,000	5,366,234	9,231,379	10,083,693	10,136,530
Fees, Fines & Forfeitures	1,815,890	1,393,208	2,141,064	2,124,258	2,196,598
Penalties & Cost Delinquency Taxes	17,543,586	18,469,627	18,412,468	17,102,675	17,038,429
Interest On Deposits & Investments	25,000,000	21,172,081	7,385,109	7,623,775	9,123,775
Interfund Charges/ Miscellaneous Revenues	1,025,007	709,261	1,458,713	1,028,837	1,028,307
Total	$ 963,600,000	$ 1,014,700,000	$ 950,705,000	$ 954,400,000	$ 953,300,000

Allocation of General Purpose Revenue by Group

General Purpose Revenue (GPR) is 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 2010-11 budget for the Public Safety Group represents 26.4% of total County expenditures, the allocation of General Purpose Revenue for services in that Group equals 55.6% of the total GPR. By contrast, the Health and Human Services Agency's budget represents 38.1% of total County expenditures but, because of significant amounts of funding from program revenues, it is allocated only about 6.5% of the total GPR. As noted above, the total amount of GPR increases in the Fiscal Year 2010-11 Proposed Budget by $3.7 million, but only the Public Safety Group is recommended to have its allocation increased; the allocations to the four other operating groups are proposed to be decreased. The GPR allocations for all five of the operating groups are proposed to increase in Fiscal Year 2011-12.

General Purpose Revenue Allocations by Group/Agency
Fiscal Year 2010-11: $954.4 million

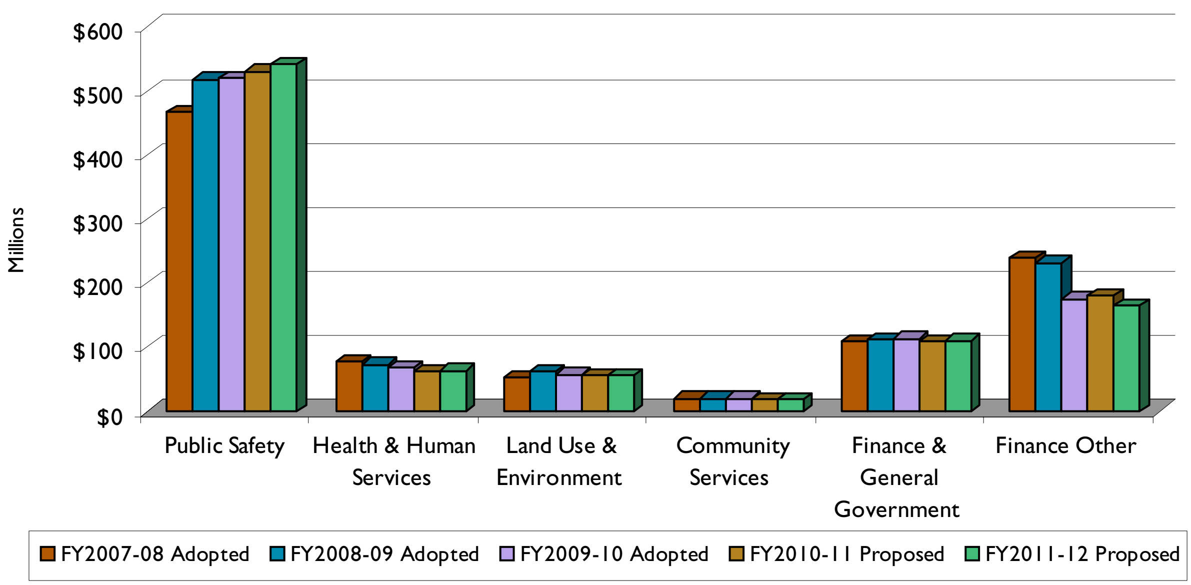


The proposed allocation of GPR for Fiscal Years 2010-11 and 2011-12 reflects a multi-year strategic approach to managing County resources within the current challenging economic environment. The primary goals of this strategy are to preserve core public safety and non-public safety services, maintain the commitment to the County's capital program and position the County for addressing anticipated increases in contributions to the retirement fund.

The various aspects of the challenging economic environment are described elsewhere in this document, but to recap, the County has been facing falling revenues from significant funding sources once considered to be the solid foundation for meeting the needs of a steadily growing population. The total assessed value of real estate in the County is expected to fall for the second year in a row, resulting in a decline in revenues from current secured property taxes and from property tax in lieu of vehicle license fees, both key components of GPR, which, as noted above, is projected to be $954.4 million in Fiscal Year 2010-11, a large drop from a high of $1.01 billion in Fiscal Year 2008-09. The significant drop in retail sales statewide has caused Proposition 172 and Realignment revenues to plummet from a high of $236.4 million for Proposition 172 in Fiscal Year 2005-06 to the Fiscal Year 2010-11 proposed amount of $185.9 million ($50.5 million), and from a high of $313.0 million for Realignment in Fiscal Year 2006-07 to the Fiscal Year 2010-11 proposed amount of $254.7 million ($58.3 million).

General Purpose Revenue Allocations by Group/Agency

Fiscal Years 2007-08 Through 2011-12



General Purpose Revenue Allocations by Group/Agency (in millions)	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
Public Safety	$ 467.2	$ 517.6	$ 519.1	$ 530.5	$ 540.9
Health & Human Services	77.4	72.2	67.6	62.0	63.1
Land Use & Environment	51.9	62.2	56.5	54.6	55.9
Community Services	19.5	19.9	19.2	18.5	18.7
Finance & General Government	107.6	111.7	113.3	108.2	110.2
Finance Other	240.1	231.1	175.1	180.6	164.5
Total	$ 963.6	$ 1,014.7	$ 950.7	$ 954.4	$ 953.3

Compounding the impact of these and other falling or stagnant revenues, required contributions to the retirement fund are expected to increase by an average of 20% annually over the next five years as a result of a 25.71% loss in the retirement fund's market value in Fiscal Year 2008-09. While this rate of increase is not certain, and could in fact be more or less depending upon the actual performance of the fund, it is prudent to plan with this possibility in mind.

The proposed resource management strategy over the next two years is summarized as follows:

- Increase the GPR allocation to the Public Safety Group in Fiscal Year 2010-11 by $11.3 million to cover the net cost of negotiated salary and benefit increases;
- Reduce the GPR allocations to the other four operating groups and the County Library Fund in Fiscal Year 2010-11 by a total of $15.4 million and reallocate those resources to the pension stabilization fund;
- Shift resources no longer needed for pension obligation bond payments to the retirement contributions account to make the required increase in pension fund payments in Fiscal Year 2010-11 as well as to make voluntary additional payments to the fund to help reduce the unfunded actuarial accrued liability;
- Use fund balance of $16.3 million in Fiscal Year 2010-11 to partially offset the $25.0 million decrease in budgeted Proposition 172 revenues in the Public Safety Group in order to sustain core services until the economic indicators can provide a clearer picture of likely revenue levels for Fiscal Year 2011-12 and beyond;
- Use $4.4 million of the Realignment fund balance designation in Fiscal Year 2010-11 to partially offset the decrease in budgeted Realignment revenues;
- Assume no negotiated wage or benefit increases for Fiscal Year 2011-12;
- Shift $15.0 million from the pension stabilization fund in Fiscal Year 2011-12 to the five operating groups to fund the net cost of the anticipated further increase in required retirement fund contributions;
- Tentatively allocate $16.3 million of fund balance in Fiscal Year 2011-12 to public safety services in PSG only as a placeholder until a clearer revenue picture for that year emerges. The intent is to eliminate the use of fund balance in Fiscal Year 2011-12 and evaluate the combination of options that may be available to close this gap; and
- Use $32.8 million of the Realignment fund balance designation in Fiscal Year 2011-12 to offset the anticipated shortfall in realignment revenues compared to the County's obligation to fund a share of the costs for certain health and social services programs. This amount is tentative and dependent upon the direction of the economy over the next year.

Further detail about the impact of the reductions in GPR allocations is provided in the Group/Agency and department sections that begin on page 109. The above charts and table show the amount of General Purpose Revenue allocated to support each Group/Agency for Fiscal Years 2010-11 and 2011-12 compared to the three prior fiscal years.

Capital Projects

Capital Projects

Each year, the County assesses the need for capital improvements in accordance with Board of Supervisors Policies G-16, *Capital Facilities and Space Planning* and B-37, *Use of the Capital Program Funds*. These policies provide guidelines for the County's multi-year approach to 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 2010-11 proposed capital projects budget for the County is $192.5 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 2010-11)		
Capital Outlay Fund	$ 135,460,000	7
Justice Facility Construction Fund	57,000,000	2
Total - Appropriation Increases for New & Existing Capital Projects (Fiscal Year 2010-11)	$ 192,460,000	9
Projects Underway		
Public Safety Group	$ 104,617,875	10
Health & Human Services Agency	1,486,783	4
Land Use & Environment Group	119,590,340	102
Community Services Group	145,212,721	14
Finance & General Government Group	6,883,705	1
Total - Projects Underway	$ 377,791,424	131
Grand Total	$ 570,251,424	140

The Capital Program section of this Operational Plan on page 423 highlights major projects and includes a schedule of lease-purchase payments related to previously debt-financed projects.

Projected Reserves and Resources

Projected Reserves and Resources

The County maintains a prudent level of reserves for various purposes. The tables below display the reserves and other available resources and fund balance designations as of July 1, 2009 and proposed for July 1, 2010.

Projected County Reserves and Resources (in millions)	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget
General Reserve	$ 55.5	$ 55.5
General Fund Contingency Reserve-Operations	20.0	20.0
Group/Agency Management Reserves	29.6	28.7
Debt Service Reserves	31.5	24.2
Environmental Trust Fund	66.1	61.5
Tobacco Securitization Endowment Fund	427.0	393.6
Workers' Compensation Fund	92.1	92.5
Public Liability Fund	27.0	31.4
Total	$ 748.8	$ 707.4

Fund Balance Designations (General Fund only, in millions)	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget
Designated - Sheriff Capital Project	$ 4.0	$ 4.0
Designated - Dept. of Voter Registration	0.0	1.2
Designated - Planning and Land Use	0.7	0.7
Designated - Environmental Health	3.3	0.0
Designated - HA Kearny Mesa Lease	0.2	0.0
Designated - Realignment	73.7	69.3
Designated - ROV Equipment Replacement	0.4	0.4
Designated - Economic Uncertainty	100.0	100.0
Total	$ 182.3	$ 175.6

General Reserve — A reserve established to address unforeseen catastrophic situations. By law, the General Reserve may be established, cancelled, increased or decreased at the time of adopting the budget with a three-fifths vote of the Board of Supervisors. It may be increased at any time during the year with a four-fifths vote of the Board, and in the case of a legally declared emergency as defined in Government Code §29127, the Board by a four-fifths vote may appropriate these funds and make the expenditures necessary for the emergency. 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 Revenue. The County's General Reserve of $55.5 million equates to 5.8% of Fiscal Year 2010-11 General Purpose Revenue 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 Revenue. The amount proposed for Fiscal Year 2010-11 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 and Lease Revenue Bonds that are set aside to provide assurance to the investors that funds are available should the County not be able to make a lease payment from currently budgeted resources. The necessary level of debt service reserves was reduced as part of the Justice Facilities refunding in the fall of 2009.

Environmental Trust Fund — Proceeds from the sale of the County's Solid Waste System on August 12, 1997, were set aside to fund inactive/closed landfill management for approximately 30 years. The decrease from Fiscal Year 2009-10 to Fiscal Year 2010-11 represents the net of the amount projected to be drawn down to support landfill management operations during Fiscal Year 2009-10 and the proposed addition of $4.0 million to the fund, based on General Fund fund balance, 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 $95.0 million as of July 1, 2010, which includes $22.4 million in expected costs for Fiscal Year 2010-11. The cash balance in the fund is projected to be $92.5 million as of July 1, 2010.

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 $23.1 million, which includes $10.7 million in expected costs for Fiscal Year 2010-11. The cash balance in the fund is projected to be $31.4 million as of July 1, 2010.

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. The designation is proposed to be increased by $1.2 million in Fiscal Year 2010-11 and used as a funding source for Fiscal Year 2011-12.
- **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. Now that the designation has been depleted, future payments will be offset by General Purpose Revenue, 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. The Health and Human Services Agency is proposing to use $4.4 million of this designation to support its programs because of the economic downturn's continued impact on realignment revenues.
- **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** — This designation was established in Fiscal Year 2009-10, to comply with Board of Supervisors Policy B-71, *Fund Balance and Reserves*, which sets a target amount that equates to 10% of General Purpose Revenue. The designation is proposed to remain at $100.0 million, slightly above the Fiscal Year 2010-11 10% target level.

Debt Management Policies and Obligations

Debt Management

The County of San Diego uses debt financing to: (i) fund certain capital assets that support the provision of services by the County; (ii) achieve savings in meeting its obligations to the pension fund; and (iii) provide for short term cash flow requirements. The decision to use debt financing is governed by several factors including the nature of the project to be financed, 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 (CFO), 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 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 credit review by the three rating agencies was performed in September 2009 in relation to the County's refunding of two of its existing Certificates of Participation (COPs) transactions -- the 1997 Central Jail COPs and the 1998 Downtown Courthouse COPs. 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 they assigned. According to Standard and Poor's credit research report issued in September 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."

More recently, Moody's Investor Service and Fitch Ratings have proceeded with recalibration activities of certain U.S. municipal finance credit ratings. Effective April 16, 2010, Moody's applied its Global Scale Rating (GSR) to the County and on April 30, 2010, Fitch Ratings recalibrated their ratings assigned to the County. The ratings in the table below reflect these recalibrations.

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)	Aa1 (GSR)	AAA	AAA
Certificates of Participation and Lease Revenue Bonds	Aa3 (GSR)	AA+	AA+
Pension Obligation Bonds	Aa2 (GSR)	AA+	AA+
San Diego County Retirement Association	—	AAA	—
County Investment Pool	—	AAAf/S1	—

GSR - Global Scale Rating

Authority to Finance and Bond Ratios

The table on the following page 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.

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.

Authority to Finance

Issuer	Issuance Legal Authority
County of San Diego	General: Government Code §§5900 et seq. and 29900 et seq.
	Maximum Indebtedness: Government Code §29909
	Short-Term TRANs: Government Code §53820 et seq.
	Pension Obligation Bonds: Government Code §53506 et seq.
Nonprofit Public Benefit Corporation	Corporations Code §§5110 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.
Assessment Bonds	Street and Highway Code §6400 et seq. and §8500 et seq.
Mello-Roos Community Facilities District	Government Code §53311 et seq.
Conduit Bonds	Government Code §26227

Bond and Debt Service Ratios

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	Fiscal Year 2010-11
Net Bonded Debt (in millions)	$1,597.0	$1,578.7	$1,404.1	$1,436.7[1]	$1,265.4[1]
Net Bonded Debt per Capita	$515	$504	$442[2]	$448[2]	$390[2]
Ratio of Net Bonded Debt to Assessed Value	0.45%	0.41%	0.35%	0.36%	0.33%

[1] Net Bonded Debt is reported as of June 30, 2010, and it excludes Redevelopment Agency Bonds (approximately $14.6 million as of June 2010) and reflects the net effect of debt service reserves.

[2] Based on the estimated January 1, 2009 population figures for the County of San Diego provided by the State of California Department of Finance, and a projection of the January 1, 2010 and January 1, 2011 populations figures.

Note: If the County were to issue General Obligation Bonds, the debt limit pursuant to Government Code §29909 would be 1.25% of the taxable property in the county. The estimated taxable assessed value in the county as of June 30, 2010 is $387.5 billion.

General Fund Debt Service Ratios

The Total Debt Service reported in the table below is comprised of payments on the County's Pension Obligation Bonds, Certificates of Participation and Lease Revenue Bonds. They are described in the following section titled "Long-Term Obligations." In addition, the detail of the payments required for assets financed through the Certificates of Participation and Lease Revenue Bonds is provided on page 443 in the Capital Program section.

Components of General Fund Debt Service Ratio (in millions)

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Proposed Budget	Fiscal Year 2011-12 Proposed Budget
General Fund Revenue[1]	$ 3,340.5	$ 3,464.6	$ 3.446.3	$ 3.422.1	$ 3.389.7
Total Debt Service[2]	$ 115.2	$ 128.3	$ 129.4	$ 120.5	$ 120.6
Ratio of Total Debt Service to General Fund Revenue	3.45%	3.70%	3.75%	3.52%	3.56%
General Fund Share of Debt Service Cost [3]	$ 99.1	$ 108.5	$ 103.5	$ 93.6	$ 94.7
Ratio of General Fund Share of Debt Service to General Fund Revenue	2.97%	3.13%	3.00%	2.73%	2.79%

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

[2] The decrease in Total Debt Service in Fiscal Year 2010-11 is mainly due to the final payment of principal and interest for the Information Technology Certificates of Participation made in Fiscal Year 2009-10.

[3] 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, 2010 and projected as of June 30, 2011 is:

Outstanding Principal Bonded Debt (in millions)

	As of June 30, 2010	Projected as of June 30, 2011
Certificates of Participation	$ 278.4	$ 251.6
Lease Revenue Bonds	136.9	136.9
Pension Obligation Bonds	874.3	848.9
Redevelopment Agency Bonds	14.6	14.3
Total	$ 1,304.2	$ 1,251.7

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) and **Lease Revenue Bonds** (LRBs) are sold to investors to raise cash for the financing of capital infrastructure. The repayment of these COPs and LRBs is secured by a revenue stream created by lease payments, often associated with the capital asset that the proceeds of the COPs or LRBs are funding. These lease payments are established in agreements between the County and another entity, typically a nonprofit corporation, such as the San Diego County Capital Asset Leasing Corporation, or a joint powers authority, such as the San Diego Regional Building Authority. The annual lease payments from the County to the financing entity are in an amount sufficient to satisfy the principal and interest payments due to the holders of the COPs or LRBs. At the end of the lease period, the title to the asset is conveyed to the County.

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 lease-backed transactions, both COPs and LRBs, to fund the County's major capital requirements. The County currently has COPs and LRBs outstanding, the proceeds of which were used to fund the construction of various justice facilities, the Edgemoor Skilled Nursing Facility and the County Operations Center.

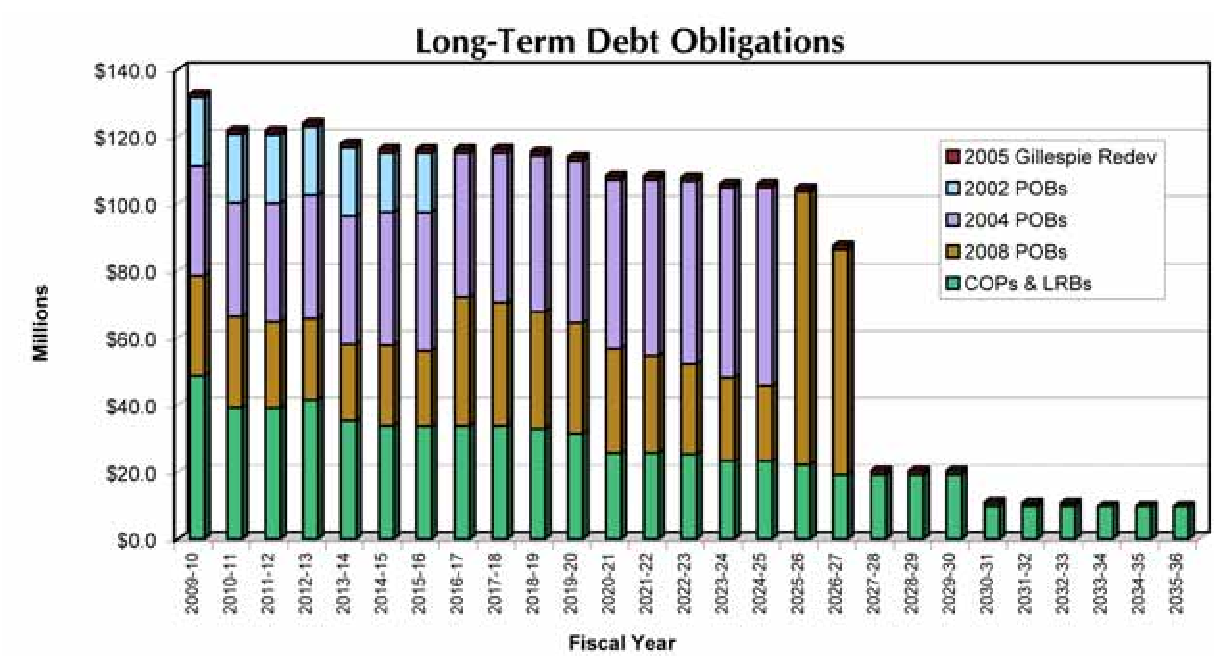
Taxable Pension Obligation Bonds (POBs) are financing instruments typically used to pay some or all of a pension plan's unfunded liability. The bond proceeds are transferred to the issuer's pension system as a prepayment of all or part of the unfunded pension liabilities of the issuer, and the proceeds 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, 2009, a total of $264 million of the principal component of the County's outstanding taxable POBs issuances have been prepaid. As anticipated in the Fiscal Year 2009-10 Operational Plan, the most recent prepayment occurred on July 1, 2009 and retired the $100 million of outstanding 2008 Series B1-2 POBs (variable rate demand obligations). This most recent prepayment resulted in lowering the aggregate annual debt service for the taxable POBs from $86.0 million to $81.4 million and a further shortening of the final maturity to Fiscal Year 2026-27. As of February 15, 2010, the County had $872.8 million of taxable POBs outstanding.

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 TABs, 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. This pledge along with certain tax increment revenues generated in the Gillespie Field Redevelopment Project Area support annual principal and interest payments of approximately $1.2 million through Fiscal Year 2032-33; the final maturity of the 2005 TABs is in December 2032.

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, which includes the promise to levy an ad valorem tax 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). The table following it shows the final maturity date, original principal amount and the outstanding principal amount for each of the County's current long-term financings.



The following chart reflects the County's outstanding financings as of June 30, 2010:

Outstanding County Financings

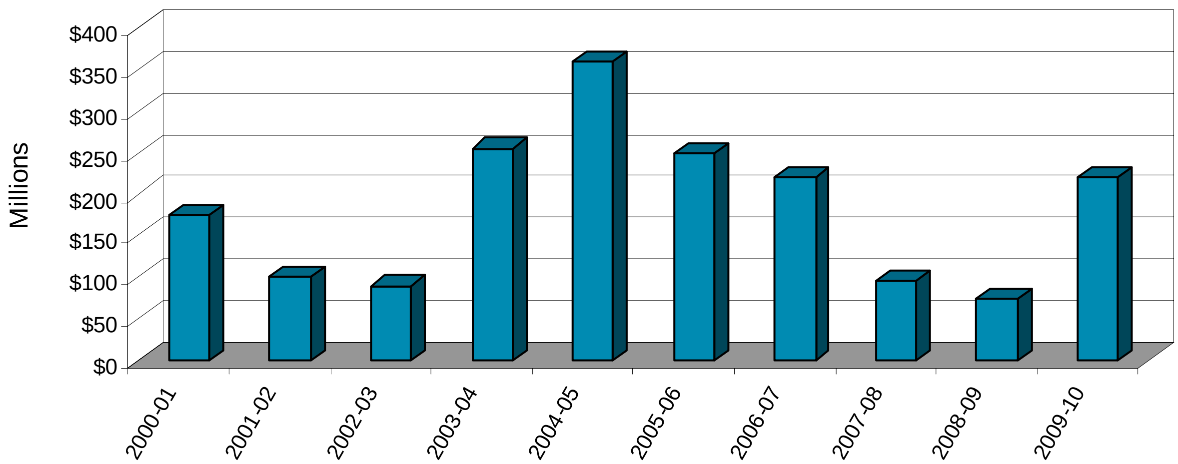
	Final Maturity Date	Original Principal Amount	Principal Amount Outstanding
Certificates of Participation and Lease Revenue Bonds			
1993 Master Refunding	2012	$ 203,400	$ 14,800
2001 MTS Tower Refunding	2019	36,960	24,075
2002 Motorola	2010	26,060	3,320
2005 North & East County Justice Facility Refunding	2019	28,210	21,695
2005 Edgemoor & RCS Refunding	2019	112,395	92,410
2006 Edgemoor Completion Project	2030	42,390	41,115
2009 COC Phase 1A	2036	136,885	136,885
2009 Justice Facilities Refunding	2025	80,940	80,940
Total Certificates of Participaton and Lease Revenue Bonds		$ 667,240	$ 415,240
Taxable Pension Obligation Bonds			
Series 2002	2015	$ 132,215	$ 102,215
Series 2004 [1]	2024	454,113	437,186
Series 2008	2027	343,515	334,935
Total Taxable Pension Obligation Bonds		$ 929,843	$ 874,336
Redevelopment Agency Tax Allocation Bonds			
2005 Gillespie Field Refunding	2032	$ 16,000	$ 14,640
Total Tax Allocation Bonds		$ 16,000	$ 14,640

[1] Series 2004 Principal Amount Outstanding is net of unaccreted value of the 2004 Series C Pension Obligation Bonds.

Short-Term Obligations

During the course of the fiscal year, the County may 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.

Tax and Revenue Anticipation Notes (TRANs) - Cash Borrowing 2000-01 Through 2009-10



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 nonprofit 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 nonprofit 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, the financing is then 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 assigned an investment grade.

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 assessment financing, it will then be forwarded to the Board of Supervisors for consideration. All expenses related to the assessment financing will be borne by the applicants.

The following chart reflects the County's outstanding conduit issuances as of June 30, 2010:

Outstanding Conduit Issuances	Final Maturity Dates	Original Principal Amount	Principal Amount Outstanding
Conduits			
1998 Sharp HealthCare	2028	$ 112,020	$ 86,700
1998 San Diego Natural History Museum	2028	15,000	12,000
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	9,000
2003 Chabad Hebrew Academy	2023	11,700	8,775
2003 San Diego Jewish Academy	2023	13,325	10,650
2004 Bishop School	2044	25,000	24,370
2004 Museum of Contemporary Art	2034	13,000	10,525
2005 Burnham Institute for Medical Research *	2031	24,500	20,785
2006 Burnham Institute for Medical Research	2034	59,405	55,370
2006 San Diego Foundation	2036	13,500	13,070
2008 The Arc of San Diego	2038	13,250	13,250
Total Conduits		$ 369,320	$ 312,440
Housing			
1999 Laurel Village Apartments	2014	$ 1,670	$ 1,406
2001 Village West	2031	4,438	3,819
2002 Spring Valley	2032	3,250	1,912
Total Housing		$ 9,358	$ 7,137
Reassessment Bonds			
1997 4S Ranch Reassessment District Bonds	2012	$ 21,755	$ 5,655
Total Reassessment Bonds		$ 21,755	$ 5,655

* On July 2, 2009 the outstanding County of San Diego Variable Rate Demand Certificates of Participation (COPs) secured by payments received from the Sidney Kimmel Cancer Center, dated October 5, 2005, were remarketed as County of San Diego Variable Rate Demand COPs secured by payments received from the Burnham Institute for Medical Research.

Summary of Financial Policies

Background

The County of San Diego has long been recognized for its strong financial management practices. The Government Finance Officers Association has recognized the County for its annual financial report with the *Certificate of Achievement for Excellence in Financial Reporting* and for its budget document with the *Distinguished Budget Presentation Award.* The following is an overview of various policies that the County adheres to in its financial management practices and uses to guide the County's budgetary decision making process.

Financial Planning and Budget

The County is actively engaged in financial and strategic planning activities. As discussed previously, the General Management System is the framework that guides County operations as is set forth in **Board of Supervisors Policy A-136**, *Use of County of San Diego General Management System for Administration of County Operations.*

- With the GMS as a guide for fiscal management practices, the County will:
  - Maintain fiscal stability to ensure the ability to provide services that customers rely on, in good times and in bad. All departments share in the responsibility of ensuring fiscal stability for the County.
  - Ensure that the financial management activities of the County support structural balance between ongoing revenues and expenditures.
  - Using the Strategic Plan as a guide, develop an annual five-year financial forecast to review primary cost drivers, service needs and available funding sources, which will lay the foundation for the upcoming Operational Plan.
  - Annually develop a structurally balanced two-year Operational Plan; the first year of which is formally adopted by the Board of Supervisors as the County's budget, with the second year accepted as a tentative plan.
  - Conduct quarterly financial reporting processes to allow County managers to appropriately address changes in the external economic or internal fiscal conditions of the organization. At no time shall total expenditures exceed total appropriations; a budget amendment must be submitted and approved by the Board of Supervisors.
  - Develop and use performance measures to monitor progress and ensure that the County is on track to achieve its goals.

Revenues

- As a political subdivision of the State, the County has all the powers specifically stated and necessarily implied in general law and the County Charter, including the power to assess, levy and collect taxes.
- The County shall review and evaluate revenues from all sources in order to maximize these revenues within existing legal provisions — **County Administrative Manual 0030-22**, *Revenue Management: Auditor and Controller & Chief Administrative Officer (CAO) Responsibilities*.
  - The County shall develop annual revenue estimates for the development of the Operational Plan relating to revenues under control of the CAO.
  - The County shall devise and monitor the goals and objectives of a revenue management program within policy guidelines prescribed by the Board.
- All revenues received by the County identified as "one-time" revenues will be appropriated to "one-time" expenditures only — **County Administrative Manual 0030-14**, *Use of One-Time Revenues*.
- County departments will seek to recover the full cost of all services they provide to agencies or individuals outside the County organization on a contractual or fee basis or when obtaining grant funding. Exceptions to this policy require Board of Supervisors approval for the non-reimbursed costs — **Board of Supervisors Policy B-29**, *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery*.
  - Full cost is defined as the sum of direct costs plus departmental overhead costs plus external indirect costs as calculated pursuant to the federal Office of Management and Budget Circular A-87 cost plan for the County (http://www.whitehouse.gov/omb/rewrite/circulars/a087/a87_2004.html).

- All proposed grant funding requests must be certified by the department head as being worthy of funding with County resources if external financing were unavailable.
- The establishment of fees, and subsequent changes to fees, will be done by ordinance or resolution at regularly scheduled meetings of the Board of Supervisors. Fees are to be deposited or paid in advance of delivery or completion of services. All fee schedules will be reviewed annually or more frequently, if warranted, to allow for full cost recovery.
- The CAO shall review all proposed new or changed fee schedules, grant applications and revenue contracts from an overall policy perspective before they are submitted to the Board of Supervisors for action. The County Counsel shall review all revenue contracts to ensure that the County's interests are protected.

- During the budget development process, selected departments may be asked to analyze services, either County operated or contracted, to determine if the quality, economy and productivity are equal to that of an alternative delivery method, including other government agencies, and to determine how the revenues can be maximized so the highest level or volume of services can be provided (**Board of Supervisors Policy B-63**, *Competitive Determination of Optimum Service Delivery Method*).
- There are three basic categories of funding sources for County programs and services - Program Revenue, General Purpose Revenue and fund balance.
  - Program Revenue may be received in the form of fees paid by customers for a particular service or may be received as a subvention or grant from the State or federal government based on qualifying services being provided to local residents. For purposes of constructing the Operational Plan, Program Revenue is defined to also include all revenue received by special funds.
  - General Purpose Revenue may be used to provide for any service that is within the legal purview of the County. It is used to match federal or State program revenues where required and to fund mandated and discretionary services where either no program revenue or insufficient program revenue is received. General Purpose Revenue shall be budgeted only after all other funding sources for those services are taken into account.
  - Fund balance results from an excess of revenues over expenditures in prior fiscal years. Fund balance is used to support one-time projects, not ongoing services.
- Revenues received from the Tobacco Master Settlement Agreement (1998) shall be allocated to support a comprehensive tobacco control strategy, to increase funding for health care-based programs, and to supplement, but not replace, existing health care revenue — **Board of Supervisors Policy E-14**, *Expenditure of Tobacco Settlement Revenue in San Diego County*.
- Revenue match contributions from the General Fund for required revenue match funding will be limited to the designated match level; i.e., if a 10% match is mandated, a maximum amount of 10% of program costs will be provided by the General Fund — **County Administrative Manual 0030-19**, *Revenue Match Limitations*.
- All County funds shall be established according to the procedures set forth in **County Administrative Manual 0030-18**, *Establishing Funds and Transfer of Excess Cash Balances* to the General Fund. Interest earned on all funds is deposited to the General Fund, unless specific legislation, codes or Board of Supervisors action directs otherwise. Earnings in excess of funding requirements are to be transferred to the General Fund.

Expenditures

- The Chief Administrative Officer supervises the expenditures of all departments and reports to the Board of Supervisors whether those expenditures are necessary — **County Charter, Article VII, Section 703.4**.
- Changes during the year to the adopted budget are permitted by State law with approval by the Board of Supervisors or, in certain instances, by the Chief Financial Officer.
- Appropriation transfers of any amount between objects within a budget unit may be processed by the Auditor and Controller except when the transfer would have actual or potential programmatic impacts or are to or from Capital Projects or Operating Transfers between departmental budget units. Programmatic impact is defined as a change in program emphasis (e.g., due to shifts in workload or new opportunities), staffing or method of service delivery from the adopted budget. Appropriation transfer requests that fall within the exception categories require approval from the Board of Supervisors — **County Administrative Manual 0030-1**, *Transfers of Appropriations between Objects within a Budget Unit.*

- As a general policy, the County does not backfill programmatic funding eliminated by the State.
- Contracts for services, when properly issued and administered, are an approved method to accomplish County program objectives. Pursuant to County Charter §§703.10 and 916, the County may employ an independent contractor if it is determined that the services can be provided more economically and efficiently than by persons employed in the Classified Service. The County may enter into contracts for services based upon conditions and methods as set forth in **Board of Supervisors Policy A-81**, *Procurement of Contract Services*.
- The County shall procure items or services on a competitive basis unless it is in the County's best interests not to use the competitive procurement process. The competitive procurement requirements may be satisfied through conducting either (a) formal bidding or (b) competitive negotiated procurement. Definitions and guidelines for exemptions and exceptions are outlined in **Board of Supervisors Policy A-87**, *Competitive Procurement*.
- The County will establish appropriations for the Community Enhancement Program at a level approximately equal to the amount of Transient Occupancy Tax revenues estimated to be collected each fiscal year. Each Board of Supervisors office is allocated 20% of the total program amount for purposes of recommending grant awards to community organizations based on eligibility criteria and application guidelines — **Board of Supervisors Policy B-58**, *Funding of the Community Enhancement Program*.
- The County will annually include appropriations in the Operational Plan for the Neighborhood Reinvestment Program in varying amounts of up to $10.0 million subject to the budget priorities of the Board of Supervisors as detailed in **Board of Supervisors Policy B-72**, *Neighborhood Reinvestment Program.*

Reserves

- The County provides a wide variety of services that are funded by a number of revenue sources. The County must be prepared for unforeseen events that could result in additional expenditure requirements or loss of revenue by establishing and maintaining prudent levels of fund balance and reserves.
- Pursuant to **Board of Supervisors Policy B-71**, *Fund Balance and Reserves*, the County will maintain fund balances and reserves in the General Fund as follows:
  - The *General Reserve* shall be targeted at the equivalent of 5% of budgeted General Purpose Revenue. The amount of the reserve may be increased or decreased at the time the budget is adopted with a three-fifths vote of the Board; after the budget is adopted, with a four-fifths vote of the Board, it may be increased or it may be used for legally declared emergencies as defined in Government Code §29127.
  - The General Fund appropriated *Contingency Reserve* shall be targeted at the equivalent of 2% of budgeted General Purpose Revenue. The Contingency Reserve provides a source of funding for unanticipated needs or to offset revenue shortfalls during the year.
  - *General Fund Designation of Fund Balance for Economic Uncertainty*: The maintenance level for this reserve shall be targeted at the equivalent of 10% of budgeted General Purpose Revenue. To the extent that fund balance is available in excess of that amount, the Chief Administrative Officer (CAO) may recommend the appropriation or commitment of the available balance for one-time purposes.
- Management Reserve appropriations may be established at the group or department level for unforeseen needs or one-time purposes that enhance or support services provided by the group or department.
- The Board may, from time to time, approve the designation of fund balance for specific purposes that are in addition to the designation for economic uncertainty.
- The Board may waive the requirement to maintain the reserves and fund balance designation for economic uncertainty at the targeted levels if it finds that it is in the best interest of the residents of the County to so do.
- In the event that the General Reserve, Contingency Reserve or Fund Balance Designation for economic uncertainty falls below targeted levels, the CAO will present a plan to the Board of Supervisors for restoration of those targeted levels.

Debt Management

- The County adopted **Board of Supervisors Policy B-65**, *Long-Term Financial Obligation Management Policy*, to ensure sound financial management. The Policy governs the County's entry into financial obligations that exceed one fiscal year.

- Long-term debt financing will not be used to fund current operations or to finance ongoing operations.
- The Debt Advisory Committee reviews and evaluates all long-term financing obligations which bear the County of San Diego's name or the name of any subordinate agency of the County or any conduit financing prior to approval by the Board of Supervisors. The Committee reviews all proposed financings and based on its satisfactory determination, provides an evaluation for the Board of Supervisors and concurs on any Board letter related to debt financings.
- The County may issue Tax and Revenue Anticipate Notes (TRANs) as a short-term financing instrument to overcome temporary shortfalls in cash due to the timing of expenditures and receipt of revenues.
- For additional details on the County's debt management policy, refer to page 80 "Debt Management Policies and Obligations" section.

Investments

- The San Diego County Treasurer-Tax Collector is responsible for the collection, banking, investment, disbursement and accountability of public funds, excluding pension funds. Accordingly, the County Treasurer shall annually prepare an Investment Policy that will be reviewed and monitored by the County Treasury Oversight Committee, established by the Board of Supervisors pursuant to California Government Code §§27130-27137.
- The monies entrusted to the County Treasurer (the Fund) will comprise an actively managed portfolio. This means that the Treasurer and his staff will observe, review and react to changing conditions that affect the Fund.
- The *San Diego County Treasurer's Pooled Money Fund Investment Policy* shall be annually reviewed and approved at a public hearing by the Board of Supervisors. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds:
  - The primary objective shall be to safeguard the principal of the funds under the Treasurer's control.
  - The secondary objective shall be to meet the liquidity needs of the participants.
  - The third objective shall be to achieve an investment return on the funds under control of the Treasurer within the parameters of prudent risk management.
- The Treasurer shall prepare an investment report monthly to be posted on the Treasurer-Tax Collector's Web site.
- The Treasurer shall provide to the Treasury Oversight Committee an annual independent review by an external auditor to assure compliance with policies and procedures set forth by the California Government Code.

Capital Improvements

- 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.
- The need for capital improvements is assessed annually. **Board of Supervisors Policy B-37**, *Use of the Capital Program Funds,* establishes funding methods, administration and control, and allowable uses of the Capital Program Funds.
- The physical assets of the County are extensive; thus, it is essential that the County follows an effective strategy to manage and plan for current and long-term capital and space needs. The Department of General Services shall be the responsible agency to manage the capital facilities planning and space needs of the County. The Department is responsible for establishing the 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 plan - **Board of Supervisors Policy G-16**, *Capital Facilities and Space Planning*.
- Additional details on the County's Capital Program may be found on page 423.

Measurement Focus and Basis of Accounting

Governmentwide, proprietary and fiduciary fund financial statements are reported using the economic resources 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 eligibility 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 at the end of the fiscal year if their receipt is anticipated within 180 days. 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.

For governmentwide (governmental and business-type activities) and proprietary fund activities, 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 business-type activities and proprietary funds. 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 agencies.

Financial Statement Presentation

For governmental funds only, current assets, current liabilities and fund balances are generally 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), 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 net assets" in the County's Comprehensive Annual Financial Report (CAFR). The net assets for the fiduciary funds are described as "held in trust for other pool participants" and "held in trust for individual investment accounts" in the CAFR. Proprietary funds statement of revenues, expenses and changes in fund net assets present increases (i.e., operating revenues and non operating revenue), decreases (i.e., operating expenses and non operating expensed), income/loss before capital contributions and transfers 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 in the CAFR and is prepared in accordance with GAAP. This statement includes the following columns:

- The Original Budget column consists of the 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.
- The Final Budget column consists of the Original Budget column plus amendments to the budget 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

Recent economic difficulties in the region have placed additional pressure on area governments to find innovative ways to deliver services and to meet program objectives in the face of shrinking resources. Despite these considerable challenges, the County of San Diego continues to strive 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. The County is proud that its leadership in these areas has been recognized for the following:

- For the fifth consecutive year, San Diego County received more **National Association of Counties (NACo)** ***Achievement Awards*** than any other county in the nation. Thirty-nine San Diego County programs were recognized for excellence in 2009. The award-winning programs operate within all five County business groups and include programs that serve children, youth and seniors, as well as those that promote environmental protection, public safety and efficient, effective county administration.
- In 2009, the County of San Diego and Mental Health Systems, Inc. received the Public-Private Partnership Award from the **San Diego Taxpayers Association** for the *Serial Inebriate Program*, which offers treatment, shelter and other supportive services to chronic public inebriates as an alternative to custody, saving San Diego County taxpayers more than $800,000 a year. This program is made possible by the collaboration of a wide range of agencies and organizations including: San Diego County Alcohol and Drug Services, local law enforcement, hospitals and Mental Health Systems, Inc.

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

- The **California Association of Counties (CSAC)** recognized the Health & Human Services Agency (HHSA) for its "Neighborhoods for Kids - East County" program. The program was selected from hundreds of nominations to receive the ***2009 California Counties Innovation Award***, the organization's top honor. CSAC honored another HHSA program with a ***CSAC Merit Award***: the "Life Skills for Foster Youth" program, which engages the San Diego Workforce Partnership to help teen-aged foster youth gain life skills.
- The **California Child Support Director's Association** recognized San Diego County Department of Child Support Services (DCSS) with two top honors in the same year - an accomplishment no other county has achieved. DCSS was recognized as the ***Federal Fiscal Year 2009 Top Performing County*** in the "Very Large County" category. In addition, DCSS was also recognized as the ***Most Improved in Overall Performance*** for a "Very Large County."
- **National Association of Counties (NACo) -** ***Achievement Awards - 2009***
    - Counseling Cove - an outreach program for homeless youth that provides case management and other intensive services.
    - eQuest - an automated referral and case management system developed for California Children Services, a State mandated program for children with qualifying health problems.
    - Independent Living Skills/Foster Youth Workforce Services - a partnership between the County Health and Human Services Agency and the San Diego Workforce Partnership to streamline services that both agencies were providing to older foster youth about to age out of the system.
    - Office of Emergency Services for Kids - a program initiated to foster student awareness of the need to plan and prepare for disasters that may occur while they are at or away from home.
    - San Diego County Report Card on Children & Families - produced in partnership with a local nonprofit organization, the Children's Initiative, the San Diego County Report Card on Children and Families is used by local governments, school

districts and community-based organizations to develop budget and planning documents for critical children's programs.
  - Students Taking Academic Responsibility (STAR) - a program created by the Probation Department in conjunction with the San Diego Office of Education to prepare 17-year-olds at the Juvenile Detention Facility to take the General Education Development (GED) exam, completing their high school education.
  - Summer Reading Club for Offsite Groups - a program that brings the traditional summer reading program to youth who are in group settings during the summer and are unable to visit a branch library on a regular basis.
- The Farm and Home Advisor's Office received two national awards for “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**.

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

- In February 2010, the County received the ***2009 Sustainability Showcase Award*** in the “Local Government, Large” category from the **California Sustainability Alliance**. The County's Energy Management Program, Green Business Program, Green Building Program, Stormwater Management Program and Climate Change Team were highlighted in the award entry.
- The **Fire Safe Council of San Diego County** recently honored the San Diego County Fire Authority with the ***2009 Outstanding Partnership Award***. The County Board of Supervisors created the County Fire Authority to improve regional fire protection and emergency medical service.
- The **United States Green Building Council (USGBC)** has granted the San Elijo Nature Center the first ***Leadership in Energy and Environmental Design (LEED) Platinum*** certification for a public building in the entire county, the highest ranking in green building design. Certification provides independent, third-party verification that a building project meets the highest green building and performance measures.
- The Department of Parks and Recreation (DPR) has received a ***Preservation Design Award*** from the **California Preservation Foundation**. The award was given for the restoration work DPR performed in partnership with IS Architecture and the Vista Irrigation District (VID) on the Warner-Carrillo Ranch House and Barn, which are located in Warner Springs.
- The **San Diego American Society of Civil Engineers (ASCE) Awards Committee** selected the County's Ruxton Avenue Channel Conversion to receive the ***Water Quality, Flood & Drainage Award of Excellence*** and the McClellan Palomar Terminal Redevelopment to receive the ***Outstanding Airport and Port Facility Project*** as part of its ***Civil Engineering Project Awards*** program.
- **National Association of Counties (NACo) - *Achievement Awards - 2009***
  - Groundwater Model - a “first of its kind” comprehensive groundwater study that will empower planners and decision makers to see how various land use proposals would affect the vast areas of unincorporated San Diego County that rely on groundwater supplies.
  - Integrated Fire Suppression/Stormwater Compliance - a program developed to ensure the appropriate testing of fire sprinkler and fire pump systems to meet National Fire Protection Association requirements while complying with the State of California stormwater regulations.
  - Integrated Regional Water Management Plan Adoption - a partnership with the County of San Diego, the City of San Diego and the San Diego County Water Authority that provides a formal framework for regionally coordinating water supply, water quality and watershed/environmental stewardship issues.
  - Wildfire Inspection Program - a program developed following the 2007 Southern California wildfires to mitigate potential fire risk factors surrounding critical facilities. It is completed in conjunction with existing Stormwater Compliance inspection requirements.

Strategic Initiative - Promote safe & livable communities

- The **California Association of Counties (CSAC)** selected the Housing and Community Development (HCD)'s Housing Inspection Reengineering Project for the ***CSAC Merit Award***. The award-winning program allowed HCD to maintain housing inspection levels and improve customer service, while reducing costs.
- For the third year in a row, the County received the ***2009 Award of Excellence*** from the **California Counties Facilities Services Association (CCFSA)**.

CCFSA's award program recognizes organizations that continue to advance the development of programs and processes that extend the life of public facilities.

- The **American Public Works Association (APWA)** has selected the Lakeside Baseball Park as the ***2009 Project of the Year***. The new park features four tournament play fields with artificial turf, concession building with restrooms, maintenance building, volunteer staging area, stadium seating, tot lot play area, an equestrian trail and parking lot.
- The **U.S. Department of Homeland Security (DHS)** awarded the ***BioWatch Award of Excellence*** to the County's Air Pollution Control District (APCD) for enhancing the San Diego BioWatch surveillance network.
- The County Office of Emergency Services' Geographic Information System (GIS) Unit was recently honored as the recipient of the **Environmental Systems Research Institute (ESRI)'s *2009 Special Achievement in GIS Award*** for its work on the Golden Guardian 2008 exercise, a statewide exercise which took place in November 2008 and was based on a 7.8 magnitude earthquake along the southern portion of the San Andreas Fault.
- "Tsunamis: Know What to Do," an animated video produced by the County Office of Emergency Services, was recognized with a ***Bronze Telly Award*** in three different categories: "Use of Animation," "Safety," and "Government Relations." The video also received the **International Association of Emergency Managers (IAEM) *Public Awareness Award***.
- **National Association of Counties (NACo) - *Achievement Awards - 2009***
  - Animal Disease Network - a Web site developed to increase the knowledge and improve the detection of disease in the county which is used by veterinarians and pet owners.
  - Biological Risk Management Education Seminars - a three part program for local veterinarians and animal health care workers on risk management to better protect people and animals from infectious diseases and to prepare for a local disaster or bioterrorism event.
  - Collaboration for Community Art - a partnership between the City of Encinitas and the County of San Diego's Encinitas Community Library to create a Civic Arts Program to foster the concept of "library as community" by integrating Encinitas' artistic heritage into their institutions.
  - Collaborative Citizenship Classes at Neighborhood Library Branches - citizenship classes offered at no cost at San Diego County Libraries in partnership with local adult schools which introduces members of the large immigrant population to their neighborhood public library as they sign up for class and attend.
  - Fiesta! Community Building through Library Cultural Program - an annual program celebrating Hispanic Heritage Month that fuses together the literature, art, music and flavors of the Latino culture in a unique outdoor library celebration.
  - Intergenerational Dance at the Library - a program that brings young people and older adults (50 years and older) together to have a positive experience relating to each other by sharing the joy of dance in a community gathering space, the public library.
  - Medical Examiner Bereavement Center - a center that offers grief counseling, personal assistance and volunteer chaplains from an array of religions to those who have lost a loved one.
  - Medical Examiner John/Jane Doe Center - a center dedicated to providing closure for families by vigorously exhausting all available resources to identify approximately 100 unidentified remains each year.
  - Ranchos of San Diego County - a publication by the Department of Parks and Recreation that offers the public information about early-Californian ranchos to instill a greater appreciation for the region's historic treasures.
  - Regional Continuum of Care - the Department of Housing and Community Development supports the activities of the Regional Continuum of Care Council, a community-based forum focused on homelessness in the San Diego region, by providing regional leadership in the coordination of federal housing applications.
  - Senior Expo: Protect Yourself and Your Wallet - Aging & Independence Services, in collaboration with the District Attorney's Office and the County Library, held events in various community libraries to help battle a growing number of crimes against older adults.
  - Sheriff Mobile Photo Identification System - a system that retrieves data and photos from both California Department of Motor Vehicles and Department of Justice files specifically designed for use with Mobile Data Computers operating in all patrol and command vehicles.

- Sheriff Office Co-Located in Public Library Branch - the County Library partnered with the Sheriff's Department to create a storefront Sheriff's office inside the Vista Branch Library to improve relations and collaboration between the Sheriff's department and the community.
- Spring Valley ADA Fitness Walkway - an Americans with Disabilities Act Fitness Walkway built for the San Diego County parks system with eight universal outdoor exercise stations for people of all ages and abilities.
- The "Gateway/AL-Bawaba" A Library Based Bilingual Computer Literacy Project - provides computer and Internet instruction to the immigrant Middle Eastern population in San Diego County. This is one of the only bilingual Arabic computer instruction class programs being offered in a U.S. public library.
- Tweenie Kitten Foster Program-In Home Care for Kittens 6-8 weeks of age - a program that provides foster care in a home environment to kittens be"tween" the ages of six and eight weeks of age to increase the survival rate and adoption of kittens.
- Wildfire Public Awareness Campaign - a pamphlet with information on residential defensible space, fire-resistant landscaping, fire-safe residential remodeling and emergency notification systems. 1.1 million pamphlets were mailed to residents living in fire-prone areas.
- World Music & Cultural Arts Series - the County Library held 31 concerts and major art exhibits featuring internationally renowned performers, photography and a multimedia exhibit to introduce customers to the musical, cultural and artistic diversity available to them through the library.

- The **National Association of County Park and Recreation Officials** recognized the County with two awards. The book "Ranchos of San Diego County," co-authored by the County Parks Historian, was presented a ***2009 Recognition of Outstanding Accomplishment Award***. Also, the Hilton Head Park Aquatic Playground, a central recreational feature at Hilton Head Park, received a ***2009 Park and Recreation Facilities Award*** for excellence in national park and recreation facility design, outstanding planning, construction and benefits to 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:

- **EMC**, a leading provider of document management technology, recognized the County with a ***Leadership Award*** at the EMC World conference in May 2009. The award was based on the County's provision of advice and regional leadership to other government agencies that use Documentum, EMC's document management software application.
- The County's Internet website was recognized as the ***Best Local Government Website*** in the State by the **Center for Digital Government** in their ***2009 Best of California Awards*** program.
- The **International Public Management Association for Human Resources** has awarded the County Department of Human Resources (DHR) its ***2009 Large Agency Award of Excellence***. The Association established the award to recognize the overall quality and accomplishments of public agency human resources programs that exceed the normal operation of a "good government human resource program."
- The County's "457 and 401(a) Deferred Compensation Provider Transition Marketing and Communications Plan" has received a ***Leadership Recognition Award*** from the **National Association of Government Defined Contribution Administrators (NAGDCA)**. The Plan was implemented during the 2009 move to the County's new Deferred Compensation provider.
- The Investment Policy for the San Diego County Investment Pool, which serves as the guiding document for the investment of public funds by the County's Treasury Investment staff, received ***2009 Certification*** from the **Association of Public Treasurers of the United States and Canada**.
- The County's In-Home Supportive Services (IHSS) Public Authority received the ***2009 Medallion Award*** for workplace innovation and employee-friendly practices. The award program is sponsored by the **Society for Human Resource Management** and the **San Diego Union Tribune**.
- **National Association of Counties (NACo) - *Achievement Awards - 2009***
  - Crime Analysis Early Warning System -- a system that delivers timely and forward-looking crime analysis reports for the Sheriff's department, leveraging real-time data available from a recent records system implementation.

- Finance Academy - a training program for County financial professionals to meet the needs of succession planning efforts and to improve the consistency in financial management skills across the organization.
- Health and Human Services Agency Contractor Financial Review - an internal unit that monitors and audits over 900 contracts with 500 different organizations accounting for over $400 million per year in essential services for residents.
- Health and Human Services Agency High School Student Outreach Program - a succession planning program exposing high school students to career opportunities through unpaid internships, volunteer opportunities, mentorship programs and job-shadow events.
- Health and Human Services Agency Job Shadow Program - a program providing an estimated 5,500 employees with opportunities to preview an assortment of jobs they are considering transferring and/or promoting to within the agency.
- Health and Human Services Agency OMB A-133 Centralized Compliance - a program that centralizes the review and compliance with Federal Office of Management and Budget regulations for federal pass-through funds.
- Preventative Maintenance Quality Assurance Program - an audit program by the Department of General Services to provide program visibility and quantifiable maintenance completion statistics for clients.

- For the eighth consecutive year, the **Government Finance Officers Association (GFOA) of the United States and Canada** recognized the County with the ***Distinguished Budget Presentation Award*** for the "Adopted Operational Plan: Fiscal Years 2009-2010 & 2010-2011." This award is a significant achievement for the County as it reflects the organization's commitment to maintaining the highest standards of governmental budgeting.

Operational Plan Format

Introduction - County Overview

This Operational Plan provides the financial plan for the County of San Diego for the next two fiscal years - July 1, 2010 through June 30, 2012. The introductory portion of the document highlights the following:

- Board of Supervisors and Organizational Chart
- Message from the Chief Administrative Officer
- Fiscal Year 2010-11 Proposed Budget at a Glance
- County Profile, County History and Economic Indicators
- Governmental Structure, Budget Documents and Financial Planning Calendar
- Appropriations and Funding Sources for all funds and the General Fund
- Staffing
- Financial Obligations and Debt Service
- Financial Policies
- Recognition of County Performance

Groups and Departments

This section highlights the five business groups and the departments in each group. The following information is presented:

Group Description

Department Description

Highlights the responsibilities of the group/department and some of the programs it operates or the major functions it performs.

Mission Statement

A clear and concise statement of the overall purpose and general assignment of the group or department.

2009-10 Anticipated Accomplishments

Brief descriptions of the group's/department's anticipated accomplishments for Fiscal Year 2009-10. The discussions address the progress made on the 2009-11 Objectives reported in the prior fiscal year and include the anticipated results. Anticipated Accomplishments are categorized by the County's Strategic Initiatives and Required Disciplines.

2010-12 Objectives

Group's/department's key goals and priorities for the next two fiscal years and statements on how they will be achieved. Each objective is linked to one of the County's Strategic Initiatives or Required Disciplines and focuses on the outcome desired by the work performed.

Related Links

The County's Web site for the group/department. Some departments list additional Web sites that may be of interest to the reader.

Performance Measures

Each department's key performance measures are outlined in a table format. The department's progress in achieving its goals and objectives is depicted over time. Data include past performance, current year goals and estimated results, as well as proposed targets for the next two fiscal years.

Performance Measures	2008-09 Actuals	2009-10 Adopted	2009-10 Estimated Actuals	2010-11 Proposed	2011-12 Proposed
Defined Measure - For example: Percentage of xxx	90% of xxx	92% of xxx	94% of xxx	95% of xxx	95% of xxx

Table Notes

Footnotes to the Performance Measure table which provide additional details to explain or clarify a measure or the measurement data.

Proposed Changes and Operational Impact: 2009-10 to 2010-11

Detailed explanations of the proposed budget changes in staffing, expenditures and revenues from the current fiscal year's adopted budget to the newly proposed budget. Dollar changes are rounded. Therefore, the sum of the individual expenditure and revenue items may not equal the total change for overall expenditures and revenues.

Proposed Changes and Operational Impact: 2010-11 to 2011-12

A brief narrative description of significant proposed changes in staffing, expenditures and revenues from the first year of the CAO Proposed Operational Plan to the second year of the two-year plan.

Budget Tables

Tables of comparative data on staffing, expenditures and revenues are presented for each group and department. The following is an example of the format which includes the Adopted Budget for Fiscal Years 2008-09 and 2009-10; the Proposed Budget for Fiscal Year 2010-11; the percentage change from the Fiscal Year 2009-10 Adopted Budget to the 2010-11 Proposed Budget; and the Fiscal Year 2011-12 Proposed Budget.

Sample Charts

Staffing by Program

	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
Name of Program					
Name of Program					
Total					

Budget by Program

	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
Name of Program	$	$	$	$	$
Name of Program					
Total	$	$	$	$	$

Budget by Categories of 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
Salaries & Benefits	$	$	$	$	$
Services & Supplies					
Other Charges					
Total	$	$	$	$	$

Budget by Categories of Revenues

	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
Taxes Current Property	$	$	$	$	$
Licenses Permits & Franchises					
Intergovernmental Revenues					
Charges For Current Services					
Miscellaneous Revenues					
Use of Fund Balance					
General Revenue Allocation					
Total	$	$	$	$	$

Capital Program

The Capital Program section of the Operational Plan discusses the County's Capital Program - its structure, funds, policies and procedures. Details are provided for the following:

- 2010-11 Proposed Capital Appropriations - Discusses new appropriations to the capital budget for Fiscal Year 2010-11, including the amount and purpose of each capital item.
- Operating Impact of Capital Program - A handful of capital projects are scheduled for completion during Fiscal Years 2010-12. A summary of the potential impact these projects may have on the operating budget is discussed.
- Tables summarizing the Capital Program budget, including the budget by fund, by categories of expenditures and revenues, and the revenue detail. Data include the Adopted Budget for Fiscal Years 2008-09 and 2009-10; the Proposed Budget for Fiscal Year 2010-11; the percentage change from the Fiscal Year 2009-10 Adopted Budget to the 2010-11 Proposed Budget; and the Fiscal Year 2011-12 Proposed Budget.
  - Tables are presented for each fund within the Capital Program: Capital Outlay, County Health Complex, Justice Facility Construction, Library Projects and Edgemoor Development Fund.
  - Information includes: Budget by Categories of Expenditures; Project Details which lists each capital project by name and number; and Funding Source which includes all funding sources and lists each project funded by each source.
  - Data include the Adopted Budget for Fiscal Years 2008-09 and 2009-10; the Proposed Budget for Fiscal Year 2010-11; the percentage change from the Fiscal Year 2009-10 Adopted Budget to the 2010-11 Proposed Budget; and the Fiscal Year 2011-12 Proposed Budget.
- Lease Payments - Details lease payment expenditures, revenues and funding sources for four fiscal years.
- Outstanding Capital Projects by Group/Agency - Tables outlining the total appropriations and the remaining balance for each capital project within each of the five business groups. The date the project was established is also provided.

Finance Other

This component of the document highlights miscellaneous funds and programs that are predominantly Countywide in nature, have no staffing associated with them or exist for proper budgetary accounting purposes.

Appendices

- Appendix A: All Funds - Budget Summary — Tables outlining staff years and expenditures and revenues by category for each business group, the Capital Program and Finance Other. Data displayed include the Adopted Budget for Fiscal Years 2008-09 and 2009-10; the Proposed Budget for Fiscal Year 2010-11; the percentage change from the Fiscal Year 2009-10 Adopted Budget to the 2010-11 Proposed Budget; and the Fiscal Year 2011-12 Proposed Budget.
- Appendix B: Budget Summary of All Funds — Tables of Countywide appropriations by fund type and appropriations by fund type within each business group, the Capital Program and Finance Other. Data includes the Adopted Budget for Fiscal Years 2008-09 and 2009-10; the Proposed Budget for Fiscal Year 2010-11; the percentage change from the Fiscal Year 2009-10 Adopted Budget to the 2010-11 Proposed Budget; and the Fiscal Year 2011-12 Proposed Budget.
- Appendix C: General Fund Budget Summary — Tables of General Fund expenditures are depicted for each department within each business group and for Finance Other; also provided are financing sources by category for the total General Fund. Data displayed include the Adopted Budget for Fiscal Years 2008-09 and 2009-10; the Proposed Budget for Fiscal Year 2010-11; the percentage change from the Fiscal Year 2009-10 Adopted Budget to the 2010-11 Proposed Budget; and the Fiscal Year 2011-12 Proposed Budget.
- Appendix D: Health & Human Services - Regional Operations — Tables depicting staff years and total appropriations by type of program or administrative service for the Regional Operations division of the Health and Human Services Agency.

- Appendix E: Operational Plan Abbreviations and Acronyms — Common abbreviations and acronyms referenced.
- Appendix F: Glossary of Operational Plan Terms — Explanations of key terms used in the document and during the budget process.

THE NOBLEST MOTIVE IS THE PUBLIC GOOD

COUNTY OF SAN DIEGO

MDCCCLI