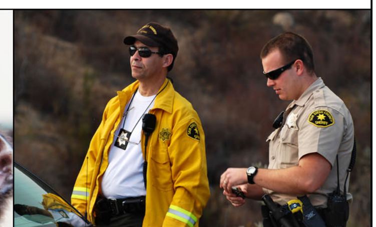
COUNTY OF SAN DIEGO

CAO Proposed Operational Plan | Fiscal Years 2011-2012 & 2012-2013

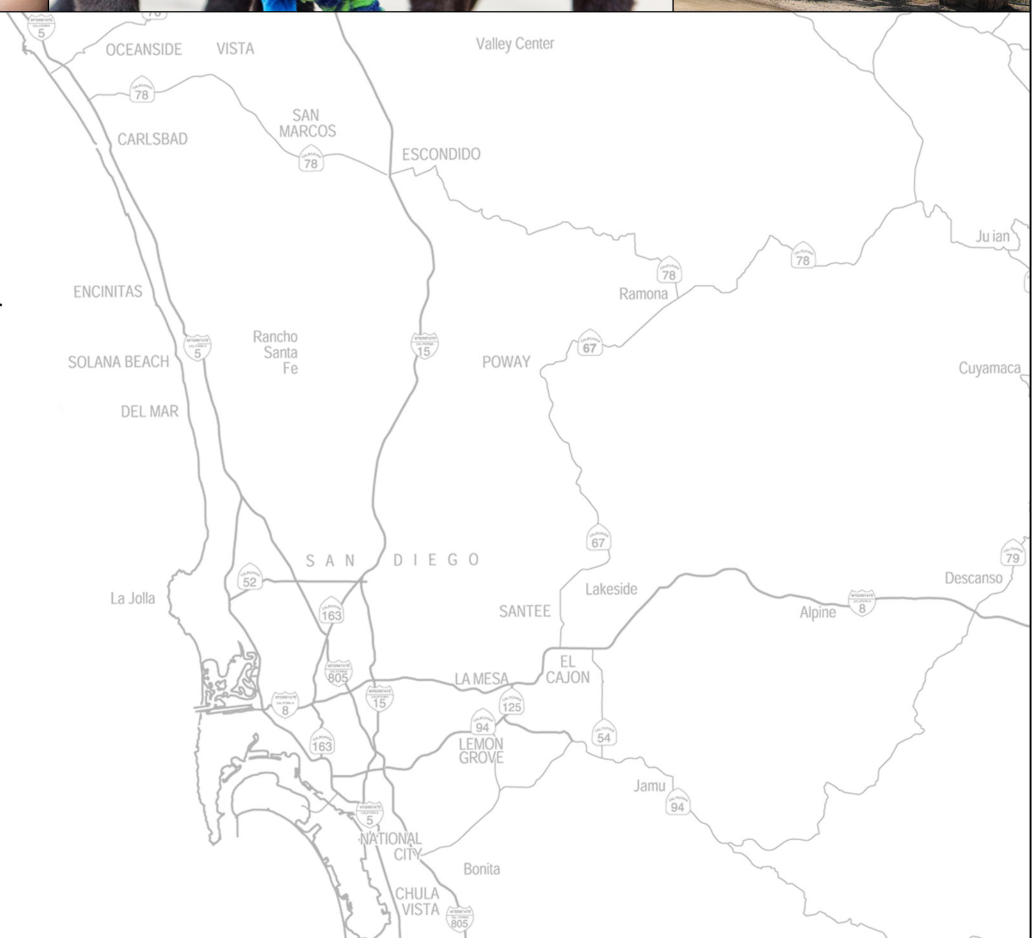


Walter F. Ekard
Chief Administrative Officer

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.

Published May 2011
Office of Financial Planning
Ebony Shelton, Director

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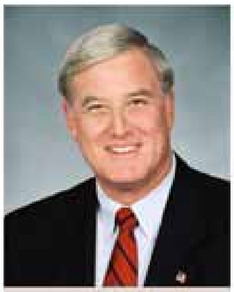
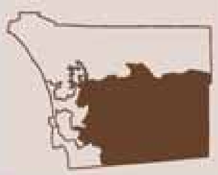
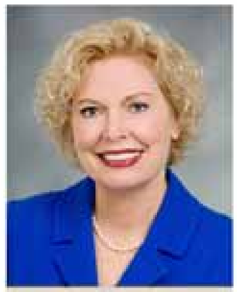
Board of Supervisors



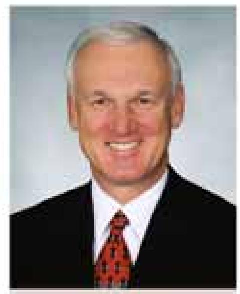
Greg Cox
Supervisor
District One

Dianne Jacob
Supervisor
District Two

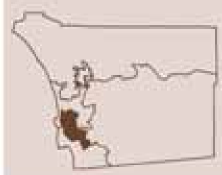




Pam Slater-Price
Supervisor
District Three



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
- San Diego County Fire Authority

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 Communications Office
- County Counsel
- Grand Jury
- Human Resources

☑ Elected Official

Rev. 4/11

Message from the Chief Administrative Officer

The New Reality

The Proposed Operational Plan contained in this document and submitted for Board of Supervisors' consideration reflects the new realities facing government agencies everywhere, including the County of San Diego.

The first reality is that the County continues to receive less revenue than it has received in past years and that is likely to be the case for the foreseeable future. Because we are an organization committed to living within our means, the Proposed Fiscal Years 2011-13 Operational Plan shows a reduction again in both spending and workforce from the previous year. The plan I am recommending for Fiscal Year 2011-12 contains $4.84 billion, which is 2.3% lower than the budget for the fiscal year now ending (Fiscal Year 2010-11). This Proposed Fiscal Year 2011-12 Operational Plan also includes a total of 15,689 positions or 153 fewer than were budgeted in Fiscal Year 2010-11, making this the third consecutive year the County of San Diego has reduced the size of its workforce.

Another reality reflected in this Operational Plan is that, when the economy falters, residents' need for services increases. That is the case now and can be seen in the performance measures and narratives of County departments. As County residents struggle with the recession, applications for nutrition and housing assistance have surged, more pets that need veterinary care are surrendered at County shelters and more residents and families turn to County libraries for affordable computer access, job information and enrichment.

And last but not least, a third reality for California counties which is not reflected in this Operational Plan is that the new administration in Sacramento seeks to redefine counties' relationship with State government - which could streamline programs and reduce bureaucracy if done well but creates a significant challenge for county governments who are already stretching limited resources and must manage programs and provide services within this increasingly uncertain environment.

To meet these challenges during Fiscal Years 2011-13, the Chief Administrative Office will work with the Board of Supervisors to ensure that County government in San Diego remains fiscally sound, operationally strong and able to meet the core needs of County residents within available revenues. We will continue to use the County's General Management System (GMS) to implement the Board's priorities as well as to maintain the County's established management disciplines and commitment to innovation, continuous improvement, excellence and customer service.

In the year ahead, we will continue to closely monitor changing economic conditions and the uncertainties surrounding key State revenue sources and will work with other California counties to protect local revenues and interests as the new State administration works to redefine State/County roles, responsibilities and revenues. We will also continue to examine ways to provide services through alternate delivery methods that include consolidation, reengineering and expanded partnerships with other entities that serve similar customers or have similar missions and goals.

Message from the Chief Administrative Officer

This Operational Plan preserves essential public safety and non-public safety services, continues the multi-year investment in the County's capital infrastructure and addresses increases in contributions to the retirement fund.

As we have done in past years, we'll focus on emergency preparedness, fire protection and public safety; protect public health; promote healthier communities and living habits; conduct elections; maintain a strong, vibrant public library system; expand and protect park and open space resources and continue to promote sustainability and conservation. We will also complete Phase 1B of the County Operations Center and Annex redevelopment project and will start work on a new Sheriff's station in Rancho San Diego, replacement of the Las Colinas Women's Detention Facility, and the County Administration Center Waterfront Park.

To provide essential services despite reduced revenues, we will continue to reevaluate how we do business and improve efficiency - whether through innovation, new technology or new work methods. For example, we're equipping more employees to work in the field, closer to the customers they serve. As mobile workers using GPS and Web-based tools, they can be more productive and responsive to customers than ever. And employees who work in traditional offices are also using technology to provide better service to customers without increasing costs or staffing, such as the Department of Planning and Land Use using the Web to let customers know anticipated wait times at building counters throughout the day.

During the past year, the County achieved many significant objectives that we will build on as we move forward. Among the highlights, we developed and adopted a comprehensive Health Strategy Agenda that will be used by the entire County enterprise to improve the health and wellness of county residents. We enrolled an additional 26,568 children and seniors in the CalFresh nutrition assistance program (formerly known as food stamps). We opened two new libraries in Fallbrook and Ramona and began work on a new library for Lincoln Acres, and offered 89,240 hours of service to library patrons throughout the region. We completed Phase 1A of the County Operations Center and Annex redevelopment project - bringing the $188.5 million project in on time and within budget, and started construction on Phase 1B. And we led a multi-jurisdictional effort to successfully secure and remove an extremely dangerous residential structure contaminated with explosives and hazardous chemicals, overseeing a team of law enforcement, emergency management, air quality, transportation, hazardous material and other experts.

The expertise and commitment of our employees, coupled with the pragmatic and seasoned leadership of the Board of Supervisors, have helped our organization remain strong and stable during difficult times and they are our greatest asset now, as we face the challenges of the future.

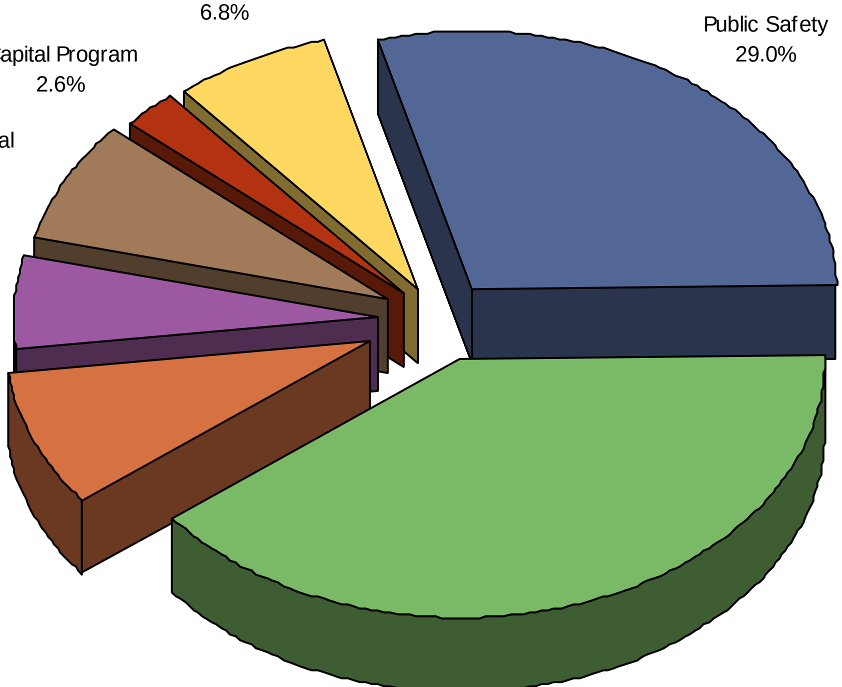
I invite you to read more about the County's accomplishments, objectives and proposed programmatic changes in the individual group and department sections that begin on page 105.

Walter Ekard

Walter F. Ekard, Chief Administrative Officer

2011-12 Proposed Budget at a Glance

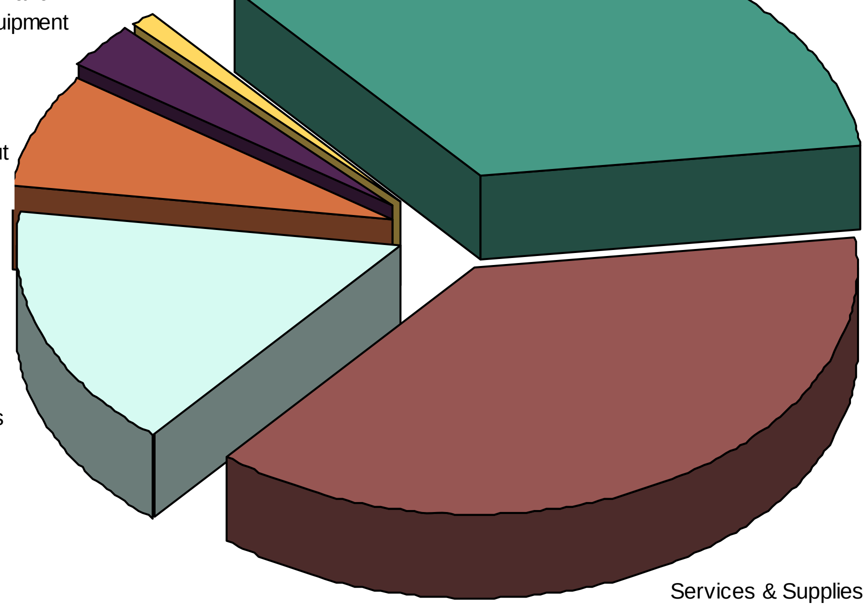
Proposed Budget by Functional Area — All Funds



Budget by Functional Area - All Funds		
	Budget in Millions	Percentage of Total Budget
Public Safety	$ 1,405.6	29.0%
Health & Human Services	1,918.7	39.6%
Land Use & Environment	412.0	8.5%
Community Services	285.9	5.9%
Finance & General Government	363.2	7.5%
Capital Program	126.6	2.6%
Finance Other	331.0	6.8%
Total	$ 4,842.9	100.0%

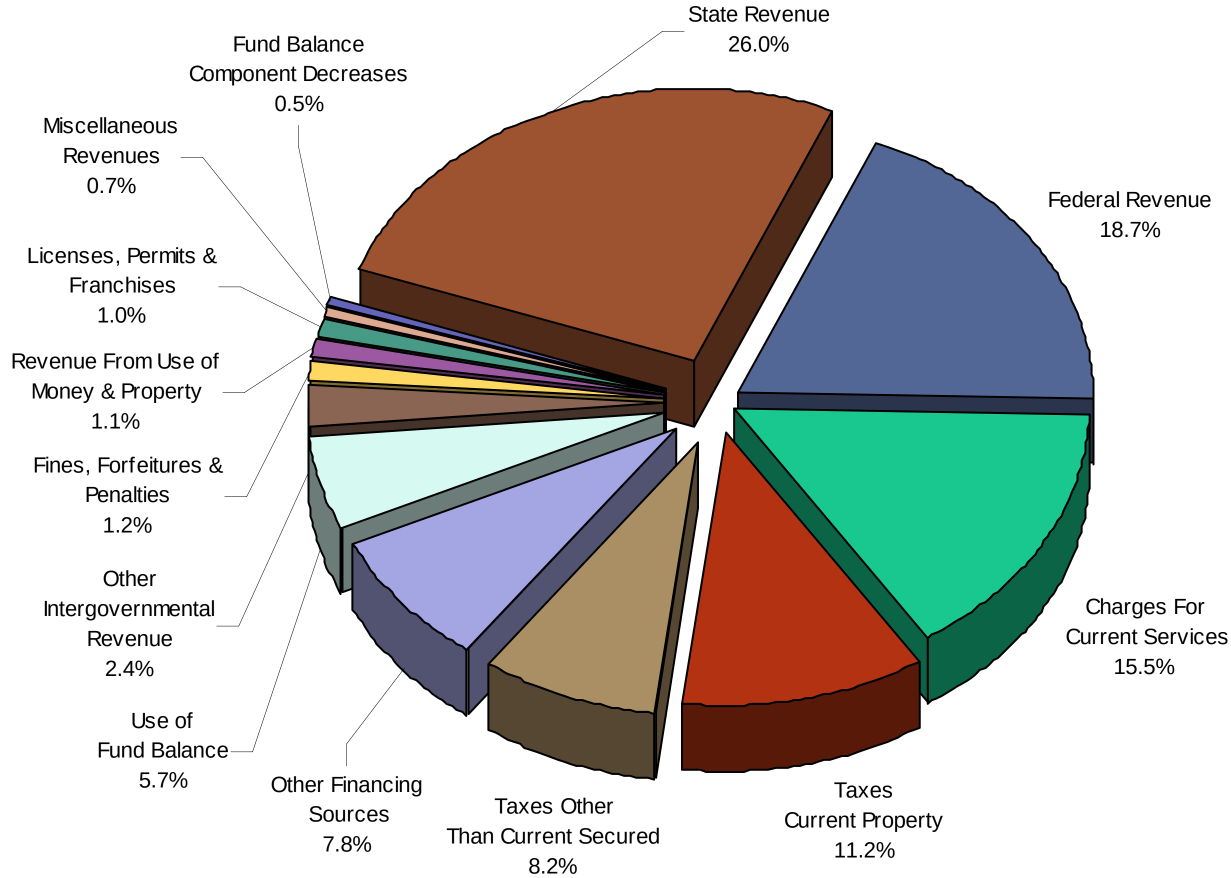
Note: In the charts, the sum of individual percentages may not total 100.0% due to rounding. Also, in the tables, the sum of individual figures within a column may not equal the total for that column due to rounding.

Proposed Budget by Category of Expenditure — All Funds



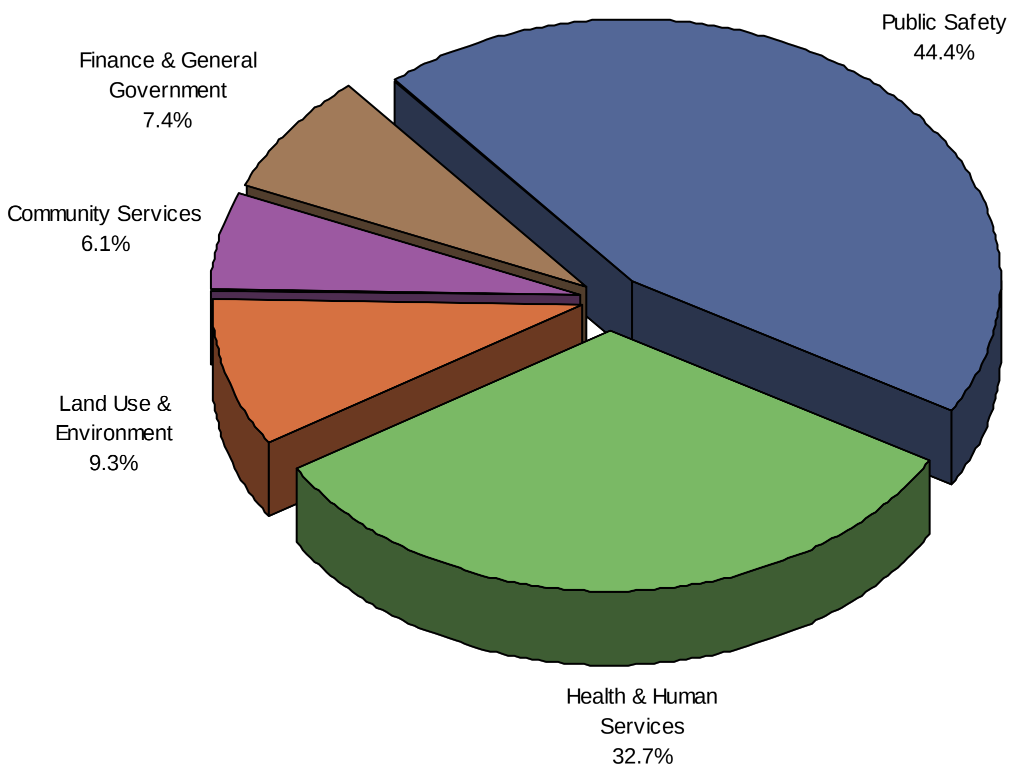
Budget by Category of Expenditure - All Funds		
	Budget in Millions	Percentage of Total Budget
Salaries & Benefits	$ 1,649.6	34.1%
Services & Supplies	1,849.7	38.2%
Other Charges	773.0	16.0%
Operating Transfers Out	363.3	7.5%
Capital Assets / Land Acquisition	135.1	2.8%
Capital Assets Equipment	21.8	0.5%
Remaining Categories:		
Fund Balance Component Increases	16.4	0.3%
Management Reserves	32.3	0.7%
Contingency Reserves	21.8	0.5%
Expenditure Transfer & Reimbursements	(20.1)	(0.4%)
Total	$ 4,842.9	100.0%

Proposed Budget by Category of Revenue — All Funds



Budget by Category of Revenue - All Funds	Budget in Millions	Percentage of Total Budget
State Revenue	$ 1,257.1	26.0%
Federal Revenue	906.0	18.7%
Charges For Current Services	749.5	15.5%
Taxes Current Property	543.0	11.2%
Taxes Other Than Current Secured	396.5	8.2%
Other Financing Sources	379.9	7.8%
Use of Fund Balance	275.9	5.7%
Other Intergovernmental Revenue	117.3	2.4%
Fines, Forfeitures, & Penalties	56.3	1.2%
Revenue From Use of Money & Property	54.3	1.1%
Licenses, Permits, & Franchises	49.9	1.0%
Miscellaneous Revenues	35.0	0.7%
Fund Balance Component Decreases	22.2	0.5%
Total	$ 4,842.9	100.0%

Proposed Staffing by Group/Agency — All Funds



Staffing by Group/Agency - All Funds	Staff Years *	Percentage of Total Staffing
Public Safety	6,973.00	44.4%
Health & Human Services	5,132.25	32.7%
Land Use & Environment	1,456.00	9.3%
Community Services	963.50	6.1%
Finance & General Government	1,164.50	7.4%
Total	15,689.25	100.0%

* A staff year in the Operational Plan context equates to one permanent employee working full-time for one year.

Mission and Vision

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[1]:	***2000***	***2010***
	2,813,833	3,095,313

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

Source: U.S. Census Bureau, Population Division. Release Date: March 2011

INCORPORATED CITIES:	18

CIVILIAN LABOR FORCE:	***2010***	***2011***
	1,557,517	1,553,600

Source: California Employment Development Department, Historical Data for Unemployment Rate and Labor Force, 2010 Annual Average and 2011 February Data

UNEMPLOYMENT RATE:	***2010***	***2011***
	10.5%	10.1%

Source: California Employment Development Department, Historical Data for Unemployment Rate and Labor Force, 2010 Annual Average and 2011 February Data

EMPLOYMENT MIX: (Industry)[1]	***2011 Employees***	***Percent of Total***
Government	226,600	18.5%
Professional & Business Services	212,700	17.4%
Trade, Transportation & Utilities	195,800	16.0%
Leisure and Hospitality	151,000	12.3%
Educational & Health Services	148,400	12.1%
Manufacturing	92,000	7.5%
Financial Activities	66,500	5.4%
Construction	53,300	4.4%
Other Services	45,000	3.7%
Information	24,800	2.0%
Farming	8,700	0.7%
Natural Resources & Mining	400	<0.1%
Total	1,225,200	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 (January 2011 Benchmark, Preliminary)

TEN LARGEST EMPLOYERS:	***2010 Employees***
Federal Government	44,000
State of California	42,300
University of California, San Diego	26,823
County of San Diego	15,391
Sharp Healthcare	14,832
San Diego Unified School District	14,485
Scripps Health	13,823
Qualcomm Inc.	11,847
City of San Diego	10,470
Kaiser Permanente	7,404

Source: San Diego Business Journal, October, 2010

MEDIAN HOME PRICE [1]:	Dec 2008	Dec 2009	Dec 2010
[1] Median price of all existing homes sold in December of each year *Source: California Association of Realtors/DataQuick Information System*	$300,000	$330,000	$335,000

2009 MEDIAN HOUSEHOLD INCOME: (not adjusted for inflation) $60,231

Source: U.S. Census Bureau

FISCAL YEAR 2010-11 ASSESSED VALUATIONS: $390.8 billion

Source: San Diego County Assessor/Recorder/County Clerk (Gross less regular exemptions)

2010 TOTAL HOUSING UNITS: 1,149,426

Source: San Diego Regional Association of Governments, as of August 2010

2010 CONSUMER PRICE INDEX: 245.464

Source: U.S. Department of Labor, Bureau of Labor Statistics

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 Base Structure Report 2008

LAND USE: (in descending order)		***2010 Acres*[1]**
Parkland		1,071,262
Vacant or Undeveloped Land		865,114
Residential		352,496
Public/Government		152,347
Agriculture		118,623
Other Transportation		105,014
Commercial/Industrial		62,138
	Total	2,726,994

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

Source: San Diego Association of Governments, 2010

AGRICULTURAL PRODUCTION:	***2009 Value***	***2009 Acres***
Nursery & Flower Crops (e.g., indoor plants, trees & shrubs, bedding plants, cut flowers, etc.)	$1,054,314,219	11,499
Fruit & Nut Crops (e.g., avocados, citrus, berries, etc.)	$219,053,918	40,532
Vegetable Crops (e.g., tomatoes, herbs, mushrooms, etc.)	$188,603,198	7,318
Livestock & Poultry Products (e.g., chicken eggs, milk, etc.)	$62,133,298	—
Livestock & Poultry (e.g., cattle, calves, chicken, hogs & pigs)	$15,863,725	—
Field Crops (e.g., pastures, ranges, hay, etc.)	$5,414,955	247,943
Apiary (e.g., honey, pollination, bees & queen bees, etc.)	$1,990,545	—
Timber Products (e.g., firewood and timber)	$757,474	—

Source: San Diego Agricultural Commissioner/Sealer of Weights & Measures 2009 - 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 Zoo Safari 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 2010:	29,875,000

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

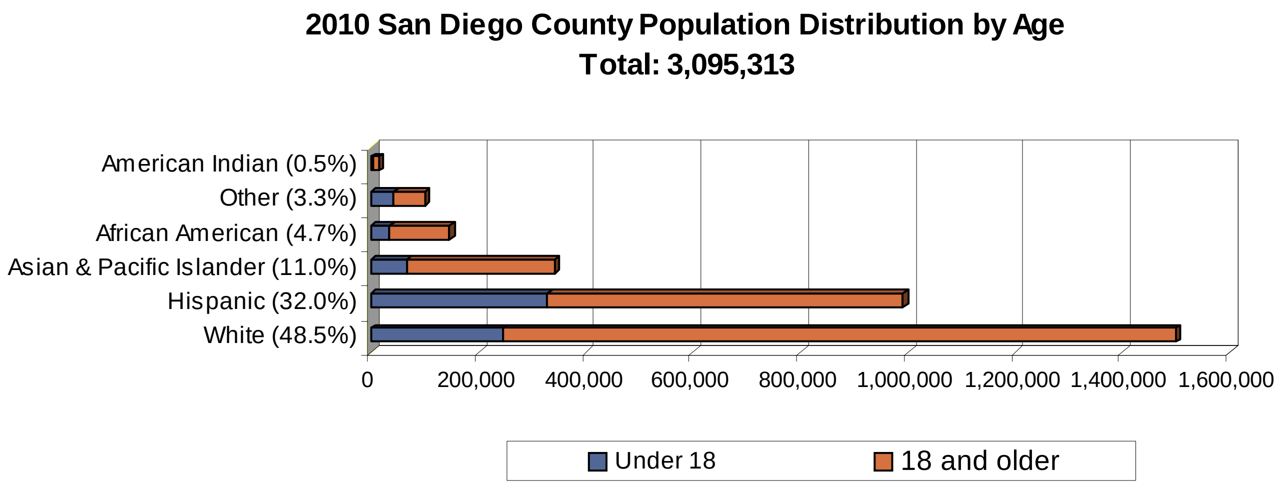
San Diego County is the southernmost major metropolitan area in the State. In March 2011, the U.S. Census Bureau estimated the County's population for 2010 to be 3,095,313, an increase of 10.0% from the 2000 figure of 2,813,833. San Diego County is the second largest county by population in California and the fifth largest county by population in the country, as measured by the U.S. Census Bureau.

San Diego County Population

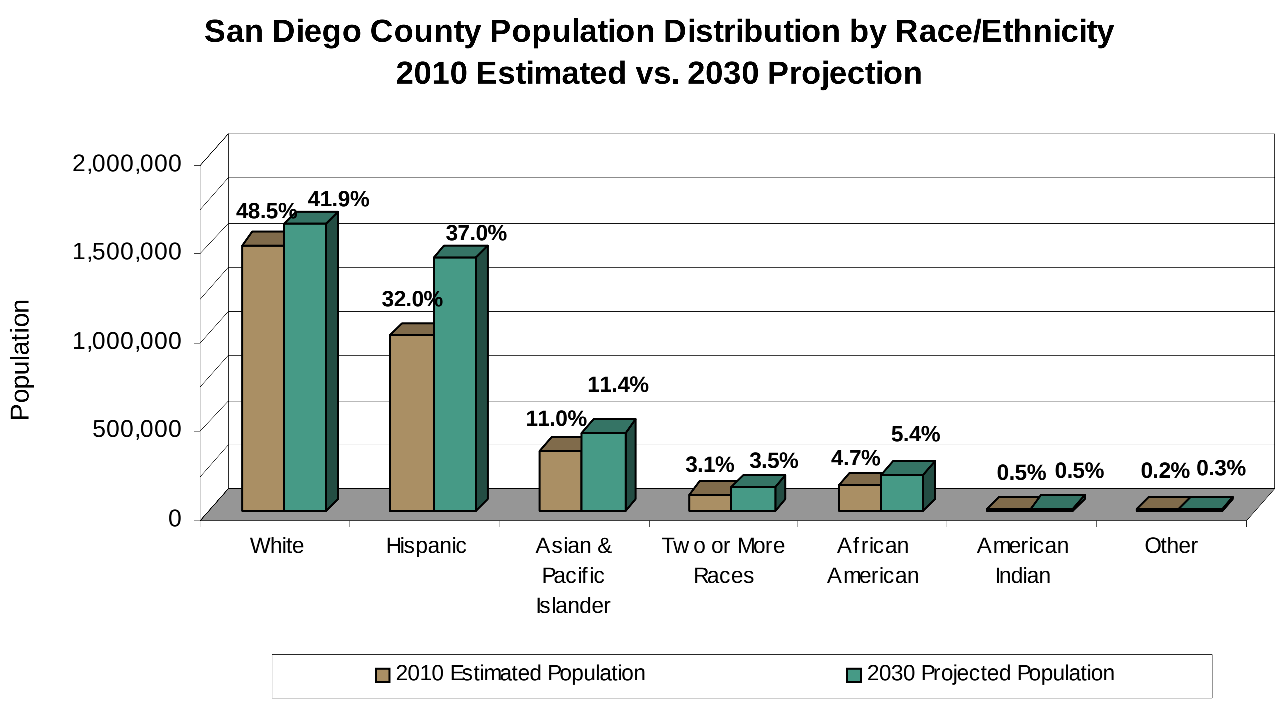
	2000	2010	% Change
Carlsbad	78,247	105,328	34.61
Chula Vista	173,556	243,916	40.54
Coronado	24,100	18,912	(21.53)
Del Mar	4,389	4,161	(5.19)
El Cajon	94,869	99,478	4.86
Encinitas	58,014	59,518	2.59
Escondido	133,559	143,911	7.75
Imperial Beach	26,992	26,324	(2.47)
La Mesa	54,749	57,065	4.23
Lemon Grove	24,918	25,320	1.61
National City	54,260	58,582	7.97
Oceanside	161,029	167,086	3.76
Poway	48,044	47,811	(0.48)
San Diego	1,223,400	1,307,402	6.87
San Marcos	54,977	83,781	52.39
Santee	52,975	53,413	0.83
Solana Beach	12,979	12,867	(0.86)
Vista	89,857	93,834	4.43
Unincorporated	442,919	486,604	9.86
Total	2,813,833	3,095,313	10.00

Source: U.S. Census 2010

Annual population growth has averaged 1.0% over the past 10 years. 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.

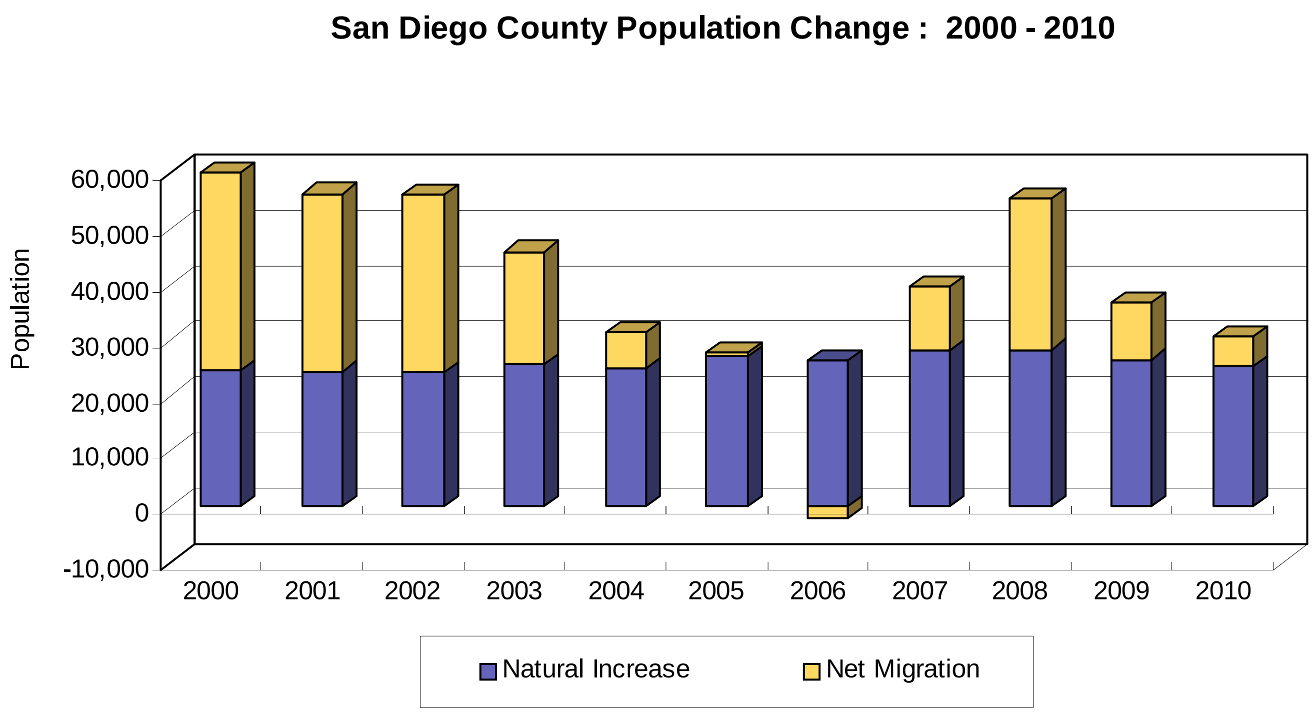


Source: 2010 U.S. Census



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

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; 37.0% Hispanic; 11.4% Asian and Pacific Islander; 5.4% African American; and 4.3% all other groups. A significant growth in the Hispanic population is seen in this projection.



Note: Natural Increase consists of Births minus Deaths. Net Migration is a measure of people moving into and away from San Diego County, both foreign and domestic. San Diego County Population Change data is on a fiscal year basis beginning July 1st. Source: California Department of Finance. Data is not updated to reflect the 2010 Census results which were scheduled for release in March 2011. The data is expected to be published in May 2011. The 2010 Census data will impact Net Migration.

Economic Indicators

U.S. Economy

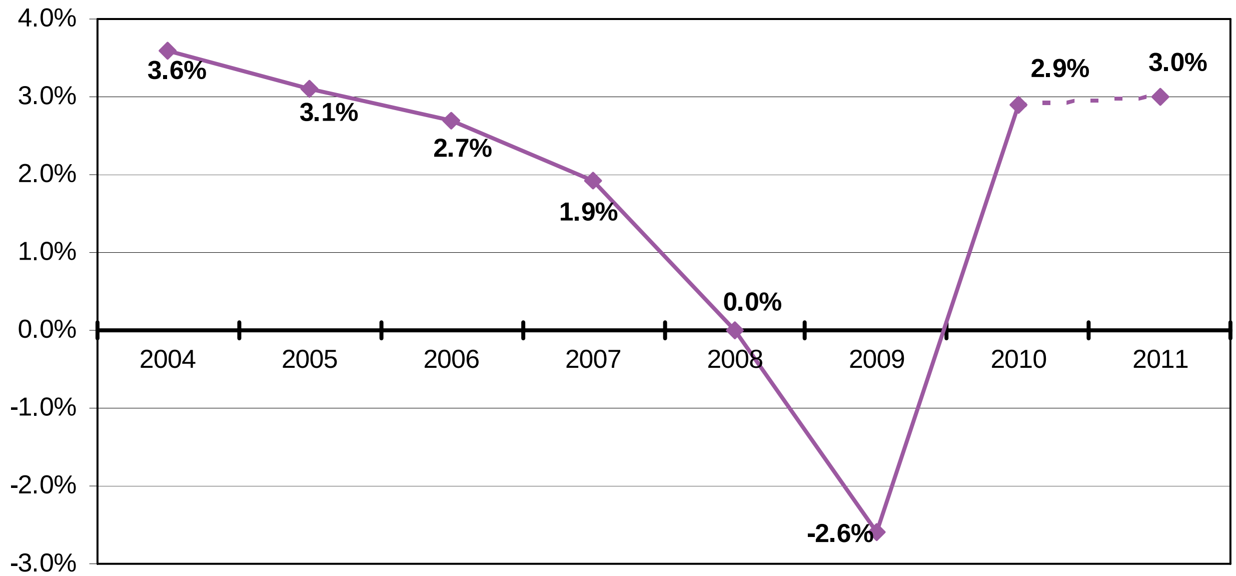
The U.S. economy suffered through a very deep recession beginning in December 2007 and ending in June 2009 according to the National Bureau of Economic Research (NBER), approximately 18 months from when it began, making it the longest recession since 1929.

In 2010, real Gross Domestic Product (GDP) increased by 2.9% in contrast to a decrease of 2.6% in 2009. (See the chart on the following page for a historical comparison.)

According to the third estimate released by the Bureau of Economic Analysis, the U.S. economy increased at an annual rate of 3.1% in the fourth quarter of 2010, down from the initial estimate of 3.2%. The increase in real GDP primarily reflected positive contributions from personal consumption expenditures (PCE), exports, and nonresidential fixed investment, partly offset by negative contributions from private inventory investment and State and local government spending. Imports, which are a subtraction in the calculation of GDP, decreased. The growth in real GDP primarily reflected a sharp downturn in imports, an acceleration in PCE, an upturn in residential fixed investment, and an acceleration in exports that were partly offset by downturns in private inventory investment, in federal government spending, and in State and local government spending, and a deceleration in non-residential fixed investment.

The annualized forecast for 2011 depicts a real GDP increase of 3.0% from 2010 with projections of 3.8% growth in the first quarter and 3.0% growth in the second quarter. Real GDP growth is expected to continue in 2012.

U.S. Gross Domestic Product Annual Percent Change 2004 - 2011



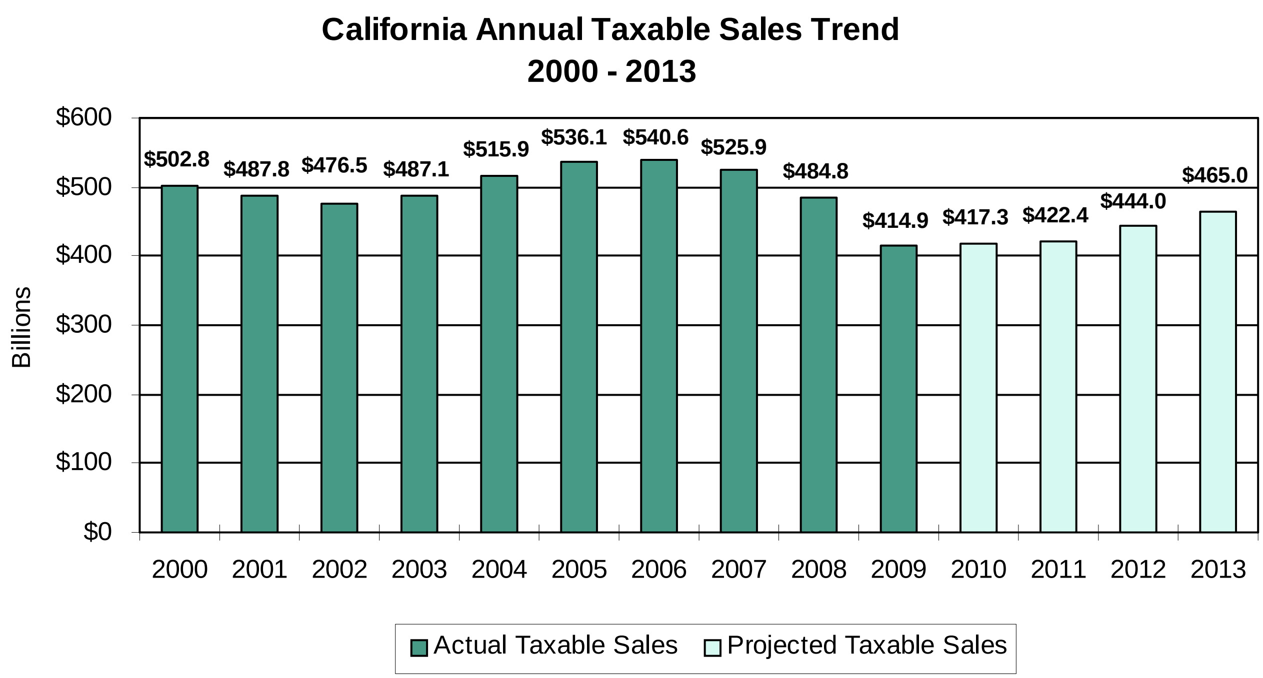
Notes: Gross Domestic Product (GDP) percent change measured by calendar year, based on chained 2005 dollars. The annual GDP percent change is projected for calendar year 2011.
Source: Bureau of Economic Analysis, U.S. Department of Commerce "revised data" - March 25, 2011; UCLA Anderson Forecast - March 2011

Minutes from the Federal Open Market Committee meeting on March 15, 2011, indicated that the economic recovery continued to proceed at a moderate pace, with further gradual improvement in labor market conditions. Sizeable increases in prices of crude oil and other commodities pushed up headline inflation, but longer-run inflation expectations remained stable. Activity in the housing market continued to be depressed, held down by the large inventory of foreclosed or distressed properties on the market and by weak demand. However, the labor market continued to show signs of firming. Private nonfarm payroll employment rose noticeably in February after a small increase in January. Initial claims for unemployment insurance trended lower through early March, and consumer spending appeared to have increased at a modest pace in early 2011 after rising briskly in the fourth quarter of 2010. Total industrial production was little changed in January after a strong rise in December, and real nonfarm inventory investment appeared to have picked up in early 2011 after slowing markedly in the fourth quarter.

Some significant risks facing the U.S. economy in 2011 include possible effects of spillovers from the banking and fiscal strains in European periphery, the ongoing fiscal adjustments by U.S. state and local governments, the continued weakness in the housing market, increases in energy and other commodity prices, and the tragedy in Japan although the direct economic impact of the Tohoku disaster on global growth is anticipated to be small (Source: Moody's Economy.com - Global Outlook: Shocks Challenge Recovery, March 29, 2011.)

California Economy

Like the national outlook, California's economy has felt the impact of the worst recession since the Great Depression. California's economic performance was mixed in 2010, with some sectors growing again while others continued to weaken (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2011-12 Economic Forecast, February 2011). Retail sales regained some of the losses incurred in 2009, while tourism was up across the board. Most manufacturing sectors remained weak. State and local government revenues turned up in line with renewed growth in incomes and sales. Monthly unemployment in 2010 remained above 12.0% with a December 2010 unemployment rate of 12.3%. Real personal income grew by 1.4%, and taxable sales were estimated to grow by 0.6% in 2010. However, property values continued to fall. Consumer spending continues to be impacted by this economic volatility. See chart below. Early in 2011, California's economy appears to be growing. Although unemployment is still extremely high, employment has stabilized and has begun to indicate growth. In 2011, real personal income is expected to grow by 1.3%, employment is expected to grow by 1.1% and taxable sales are predicted to increase by 1.2%. More improvement is expected in 2012.



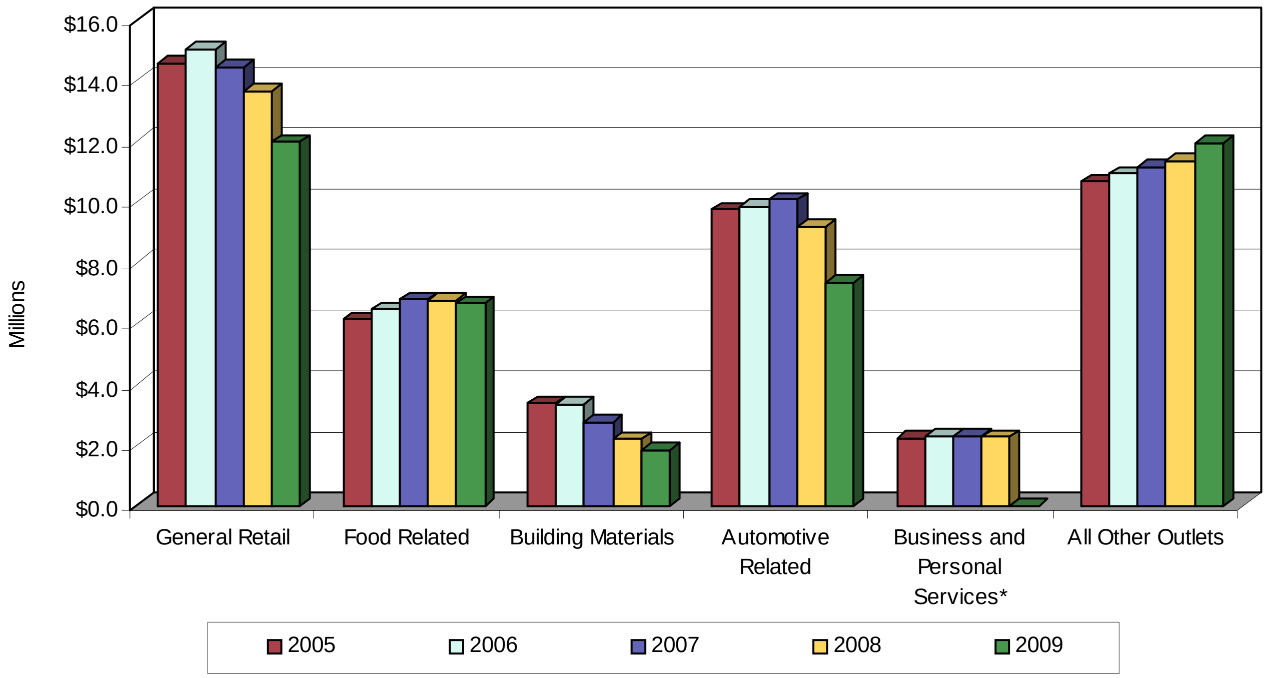
Note: Taxable sales are stated in calendar year 2005 dollars.
Source: UCLA Anderson Forecast, March 2011

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 certainly shared the pain of the recession along with the rest of Southern California. Increasing prices in commodities, including gasoline prices, are anticipated to place stress on the region. However, tourists are coming back, and many of the county's biggest industries are on the mend (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2011-12 Economic Forecast, February 2011). Unemployment in the region in 2010 averaged 10.5%, and was lower than the 2010 median of 11.25% for the 10 largest counties in the State. In addition, San Diego was one of the two major metropolitan areas showing an annual gain for 2010 in the S&P/Case Schiller Home Price Index (San Diego: +1.7%, Washington D.C.: 4.1%, Nationwide: -4.1%). 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 that trend continued in 2008 and 2009. The annual figures on taxable sales for 2010 are not yet available from the California State Board of Equalization, but sales tax revenues in 2010 have shown a gradual improvement, which suggests that taxable sales in San Diego County, similar to predictions for California as a whole, ended better in 2010. This improvement is expected to continue in 2011 and 2012.

San Diego County Taxable Sales by Category
2005 - 2009[1]



Source: State Board of Equalization

[1]Beginning in 2009, the State Board of Equalization began summarizing taxable sales using the North American Industry Classification System codes. As a result of the coding change, industry-level data for 2009 are not comparable to that of prior years.

*Due to coding changes as described above, this category no longer exists for calendar year 2009; taxable sales in the Business and Personal Services have been absorbed and redistributed to the remaining categories.

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.

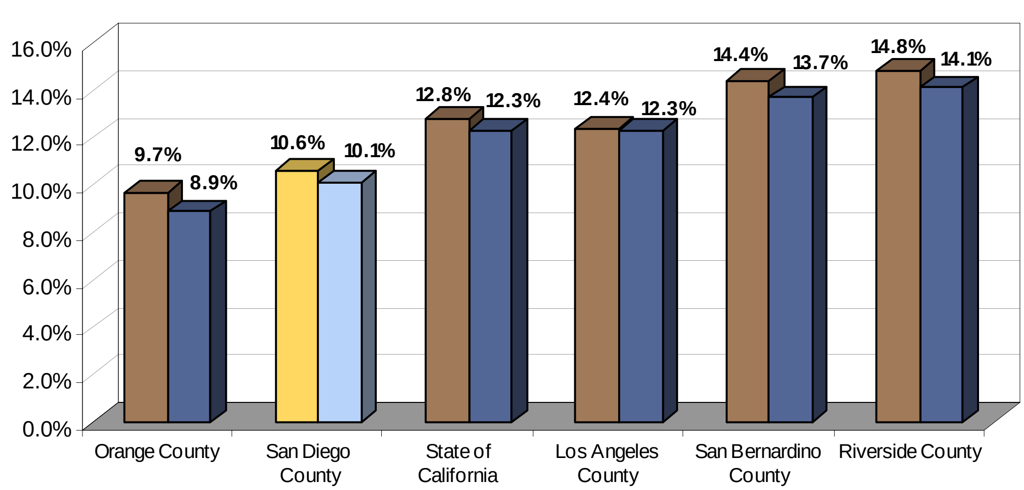
Business and Personal Services — for example: beauty salons and hotels.

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

More current indicators show that the economy is stabilizing and even slowly improving during 2011. Stock prices, consumer confidence and the national economy as measured by the Conference Board Index of Leading Economic Indicators were all positive in February 2011. Further, both labor market variables were strong with initial claims for unemployment insurance hitting their best level since September of 2008 and help wanted advertising at its highest level since November of 2008. The net result was that the local unemployment rate fell to 10.1% in February, down from 10.4% in January. Forecasts for 2011 project that the local economy will add 10,000-15,000 jobs in 2011 compared to the 6,300 added in 2010 (USD Burnham-Moores Center). Positive forces in 2011-2012 include the flow of defense dollars into the county. Although the Pentagon's announced an initiative in the fall of 2010 to cut back on defense spending, it is hard to determine the effects this will have on San Diego's economy until a new budget is passed. Fortunately, the region is home to significant military commands and training centers. General Dynamics NASSCO, the county's major shipyard, plans to launch two navy cargo and ammunition ships this year and will begin work on another. Lockheed Martin Corp. announced plans to add jobs locally in 2011, and makers of unmanned aircraft, Northrop Grumman and General Atomics Aeronautical Systems Inc., are still working on multimillion-dollar government contracts. The Space and Naval Warfare Systems Command will also continue to contract with local computer and electronic firms. San Diego had a mini-building boom in 2010, due to the military (and federal stimulus funds) with several base modernization projects. In 2011, work will commence on a $451 million, 500,000 square foot hospital planned for Camp Pendleton. The manufacturing sector is expected to add jobs this year. San Diego County has the benefit of several innovative manufacturing clusters including communications, bio-fuels, genomics, energy storage, cyber-security, and clean-tech. San Diego has some significant construction projects in the works. The $900 million Palomar Pomerado Health PMC West (hospital) project is scheduled for completion in 2012. Scripps Memorial Hospital in Encinitas is working on a $200 million expansion project, and a new $430 million cardiovascular institute is part of a $700 million renovation of the Scripps La Jolla campus. Largest of all, the San Diego International Airport is working on a $1 billion expansion and improvement project.

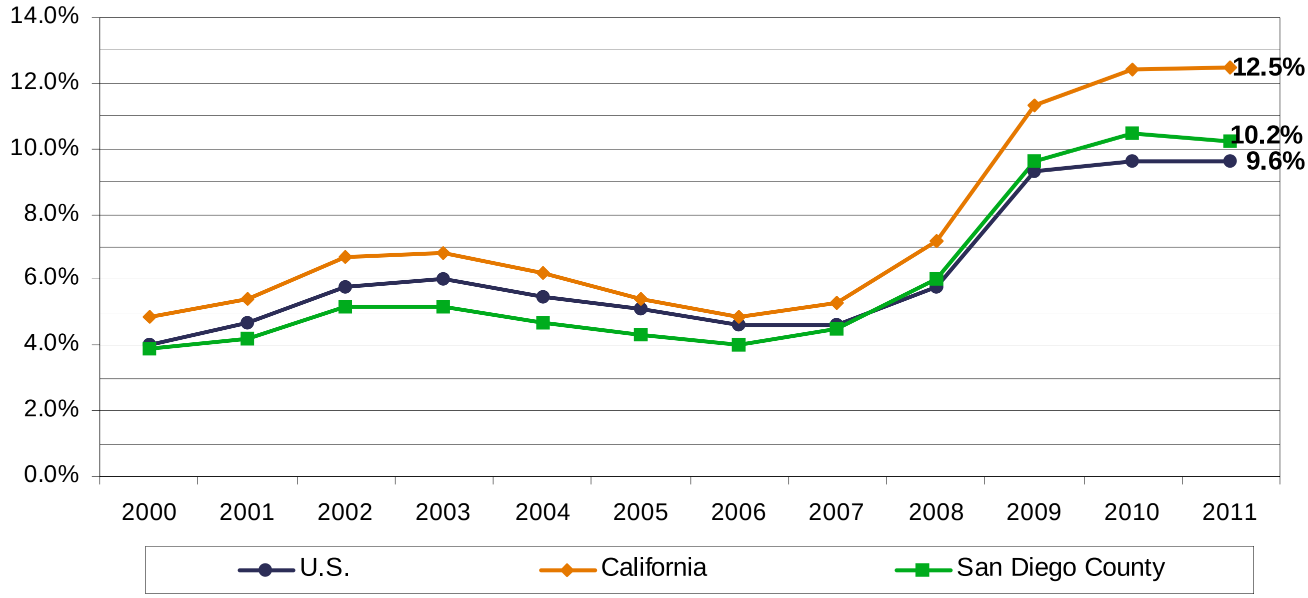
Approximately one-half of San Diego County's population is part of the civilian labor force (1,553,600 in February 2011). The region is also home to one of the largest military complexes in the world. San Diego's employment continues to compare favorably to other Southern California counties, with only 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. The following chart indicates the change in unemployment between February 2010 and February 2011.

Unemployment Rate Comparison by Select California Regions
February 2010 versus February 2011



Source: California Employment Development Department

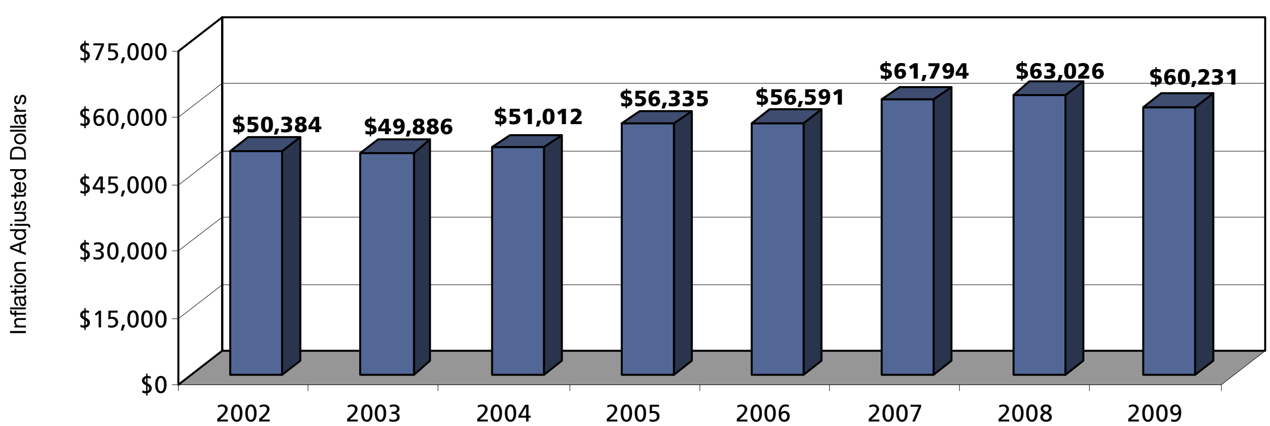
Annual Average Unemployment Rate Comparison
U.S., California and San Diego County



Notes: Unemployment rates are measured by calendar year. The rates for 2011 represent January and February figures only.
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 median household income actually declined in 2009 due to high unemployment and constrained consumer spending.

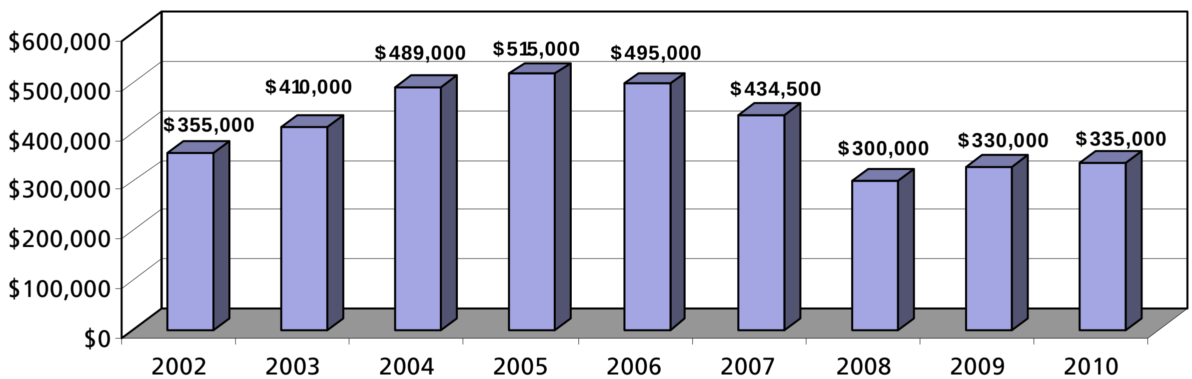
San Diego County Median Household Income
2002 - 2009



Note: 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 increase for San Diego in December 2010. The percentage of households that could afford to buy an entry-level home in San Diego increased to 62%. San Diego affordability was up from 57% in December 2009 and December 2008, up from 33% in December 2007 and up from 27% in December 2006. The median home price of existing homes sold continues to fluctuate slightly. During 2009 and 2010, median home sales started to rebound from the low experienced at the end of 2008 and early 2009. However, median home prices have declined marginally in early 2011.

San Diego County Median Price of Existing Homes Sold 2002 - 2010

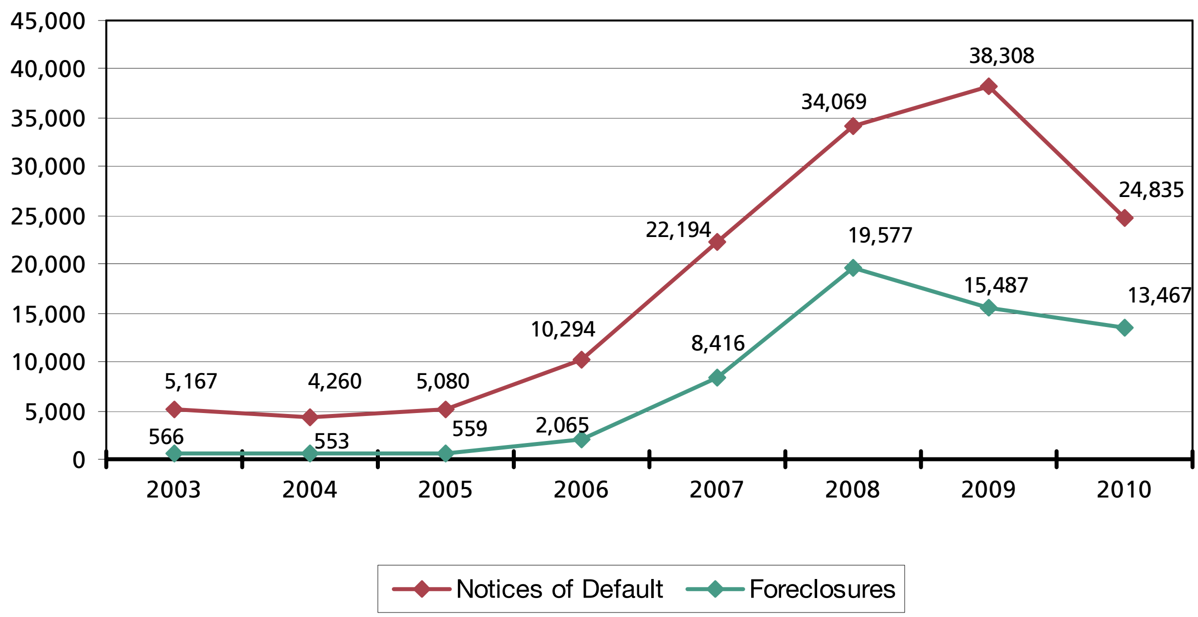


Note: Median home price of all existing homes sold in December of each year.
Source: DataQuick Information Systems

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 improvements in 2009 (119,153) and in 2010 (119,697), reflecting the continued weakness in the housing market overall.

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. In 2010, notices of default are down 35.2% and foreclosures have declined 13.0%. 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, declining to 40.4% in 2009, and increasing to 54.2% in 2010. 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, reaching 16.9% in 2008 before declining to 13.0% in 2009 and to 11.3% in 2010.

San Diego County Total Notices of Default and Foreclosures 2003 - 2010



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

San Diego tourism slowed in 2009, with the number of visitors declining by 4.8% compared to 2008; however, tourism improved gradually in 2010 increasing by 0.9%. Overall, tourism continues to be a stimulus to the local economy. Total visitor spending was approximately $7.1 billion in 2010, up from $7.0 billion in 2009. The "Tourism Outlook" for San Diego County in 2011 is described as being in recovery mode, with an expected increase of 3.7% in total visits in 2011 and a 5.4% increase in visitor spending. However, visitor expenditure levels are anticipated to remain below 2006 levels.

The state of the economy continues to impact the ability of the County to fund and provide many of the services that County residents have come to expect. The revenue and workload effects along with the strategies being employed by the County to manage the public's resources are described in the pages following that summarize the expenditures, revenues and staffing levels for Fiscal Years 2011-12 and 2012-13 and in the individual Group and department presentations that begin on page 105.

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 is limited to no more than two terms and 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 functions 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 - the District Attorney and the Sheriff in the Public Safety Group and the Assessor/Recorder/County Clerk and the Treasurer-Tax Collector in the 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 guides the management of County operations and service delivery to residents, businesses and visitors. The GMS identifies how the County sets goals, prioritizes the use of resources, evaluates performance, ensures cooperation and recognizes accomplishments in a structured, coordinated way. By developing and adhering to a written operations manual, the County of San Diego is able to create and maintain an organizational culture that values efficiency, innovation, and fiscal discipline and that provides focused, meaningful public services that 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, risks and opportunities that are likely to develop and sets goals for the future. Long-range strategic planning activities require the County to assess both where it is and where it wants to be.

Operational Planning asks: *How do we get there from here?* Operational Planning allocates resources over the next two fiscal years to specific programs and services that support the County's long-term goals as articulated in the Strategic Plan. 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 throughout the year and makes necessary adjustments. Progress is evaluated monthly, quarterly and annually at various levels throughout the organization.

Functional Threading asks: *Are we working together?* Although the County is divided into groups, departments and divisions for operational purposes, the County has many critical functions and goals that cross these organizational lines. Functional threading ensures that information and resources are coordinated and shared throughout the organization to achieve common goals, solve problems and maximize efficiency.

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 Departmental Excellence Goals, Operational Incentive Plans, Do-It-Better-By-Suggestion (DIBBS) program and department recognition programs are 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

In Fiscal Year 2008-09, the County launched GMS 2.0, an enterprisewide effort that challenged County employees to identify and prepare for the significant changes taking place in their workplace, community, economy and world using the GMS framework. GMS 2.0 and the follow-on GMS 2.1 required County managers and employees to identify: how their units were addressing the region's heightened need for resource conservation and sustainability; how staff would manage the exploding amount of information available to them to stay on the cutting edge of their fields; how the County can better use technology tools to accomplish its goals and how the County can make its operations and the organization more nimble, mobile and adaptable as circumstances and needs change.

GMS 2.0/2.1 emphasizes that everyone in the County workforce shares responsibility for helping the organization adapt to change and move forward in this fast-paced world.

Examples of how County employees are embracing GMS 2.0/2.1 and what they have accomplished are reflected throughout the enterprise. In keeping with the GMS disciplines, the County will continue to look ahead and aggressively embrace, adapt to and use the increasingly fast pace of change to ensure that County services meet residents' needs and provide the best value to taxpayers.

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

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 2011-16 Strategic Plan is built on three broad, organizationwide 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 services that customers rely on, in good times and in bad.
- **Customer Satisfaction** - Ensure customers are provided with superior services.
- **Regional Leadership** - As a regional leader, the County forges cooperative partnerships and leverages additional resources for residents.
- **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 and Ethical Conduct** - Ensure accountability to ourselves and the public by requiring that County business be conducted as openly as possible, resulting in the efficient and ethical use of public funds.
- **Continuous Improvement** - Achieve operational efficiency through continuous efforts to improve and innovate, thereby maximizing value for taxpayers.
- **Information Technology** - The County of San Diego will be the center of information technology (IT) innovation for advancing the delivery of County services, anytime and anywhere.

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.

In Fiscal Year 2011-12, the County will be updating the Strategic Initiatives to better reflect its priorities and sharpen its focus on the organizational Mission and Vision. The new Strategic Initiatives will be incorporated into the Fiscal Years 2012-14 Operational Plan.

Operational Plan

The Operational Plan provides the County's financial plan for the next two fiscal years (e.g., July 1, 2011 through June 30, 2013). However, pursuant to Government Code §29000 et seq., 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, all program objectives in the Operational Plan and department performance measures are aligned with the Strategic Plan Initiatives and/or the Required Disciplines.

The five business Groups 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 also 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.

Performance Measurement

Since Fiscal Year 2005-06, the County has undertaken an extensive effort to demonstrate performance to citizens through reporting 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 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-term 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.
- 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 CAO 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 business Group is responsible for providing requested information to the Board of Supervisors.

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 revenues, fund balance, fund balance component decreases and General Purpose Revenue Allocation. For any given budget year, the amount of the general purpose 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 fund balance component decreases and the general purpose 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 CAO 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 website.

Financial Planning Calendar - 2011-12 Target Dates

Jan 26	Narrative Instructions for Operational Plan issued by Office of Financial Planning (OFP)
Feb 4	Budget Instructions for Operational Plan issued by OFP
Feb 7	Budget database opens for Operational Plan development
Mar 1	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 18	Budget database closed to departments to enable Groups to review
Mar 28	Deadline for departments to submit their changes from current year adopted budget plus their final Anticipated Accomplishments, Objectives and Performance Measures sections of narratives to GFDs
Apr 1	Budget database closed to Groups
Apr 6	Deadline for Groups to have all department narratives reviewed and submitted to OFP
Apr 25	Draft copy of balanced CAO Proposed Operational Plan sent to Chief Administrative Officer (CAO), Assistant CAO, Chief Financial Officer (CFO) and General Managers
May 2	CAO Proposed Operational Plan docketed and released to the Board of Supervisors and public
	Change Letter Instructions issued by OFP and budget database opens for modifications
May 10	Board of Supervisors accepts CAO Proposed Operational Plan
May 16	Budget Change Letter database closed to departments to enable final review by Groups
May 18	Department Change Letter narratives due to Group for review
May 23	Referrals to Budget sent to Groups by OFP
May 25	Budget Change Letter database closed to Groups
May 27	Deadline for Groups to have all departments' Change Letter narratives reviewed and submitted to OFP
Jun 6-15	Public Hearings on CAO Proposed Operational Plan (10 calendar days)
Jun 10	Deadline for Groups to submit responses to Referrals to Budget to OFP
Jun 15	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 28-29	Board Budget Deliberations and approval of the 2011-13 Operational Plan
Aug 2	Board of Supervisors adopts Fiscal Year 2011-12 Budget

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, 2011 through June 30, 2013. The introductory portion of the document highlights the following:

- Board of Supervisors and Organizational Chart
- Message from the Chief Administrative Officer
- Fiscal Year 2011-12 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.

2010-11 Anticipated Accomplishments

Brief descriptions of the group's/department's anticipated accomplishments for Fiscal Year 2010-11. The discussions address the progress made on the 2010-12 Objectives reported in the prior fiscal year and include anticipated results. Anticipated Accomplishments are categorized by the County's Strategic Initiatives and Required Disciplines.

2011-13 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 website for the group/department. Some departments list additional websites 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	2009-10 Actuals	2010-11 Adopted	2010-11 Estimated Actuals	2011-12 Proposed	2012-13 Proposed
Defined Measure. . .	90% of xxx	92% of xxx	92% of xxx	94% of xxx	94% of xxx

Table Notes

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

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

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 categories may not equal the total change for overall expenditures and revenues.

Proposed Changes and Operational Impact: 2011-12 to 2012-13

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 table format which includes the Adopted Budget for Fiscal Years 2009-10 and 2010-11; the Proposed Budget for Fiscal 2011-12; the percentage change from the Fiscal Year 2010-11 Adopted Budget to the 2011-12 Proposed Budget; and the Fiscal Year 2012-13 Proposed Budget.

Sample Budget Tables

Staffing by Program	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Name of Program					
Name of Program					
Total					

Budget by Program	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Name of Program					
Name of Program					
Total					

Budget by Categories of Expenditures	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Salaries & Benefits					
Services & Supplies					
Other Charges					
Capital Assets Equipment					
Total					

Budget by Categories of Revenues	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Taxes Current Property					
Licenses, Permits & Franchises					
Charges For Current Services					
Miscellaneous Revenues					
Other Financing Sources					
Use of Fund Balance					
General Purpose 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:

- 2011-12 Capital Appropriations — Discusses new appropriations to the capital budget for Fiscal Year 2011-12, 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 2011-13. A summary of the potential impact these projects may have on the operating budget is presented.
- 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 2009-10 and 2010-11; the Proposed Budget for Fiscal Year 2011-12; the percentage change from the Fiscal Year 2010-11 Adopted Budget to the 2011-12 Proposed Budget; and the Fiscal Year 2012-13 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 listing 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 2009-10 and 2010-11; the Proposed Budget for Fiscal Year 2011-12; the percentage change from the Fiscal Year 2010-11 Adopted Budget to the 2011-12 Proposed Budget; and the Fiscal Year 2012-13 Proposed Budget.
- Lease Payments — Details lease payment expenditures, revenues and funding sources for the same fiscal years as described above.
- Outstanding Capital Projects by Group/Agency — Tables outline the total appropriations and the remaining balance for each capital project within each of the five business groups. The fiscal year 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.

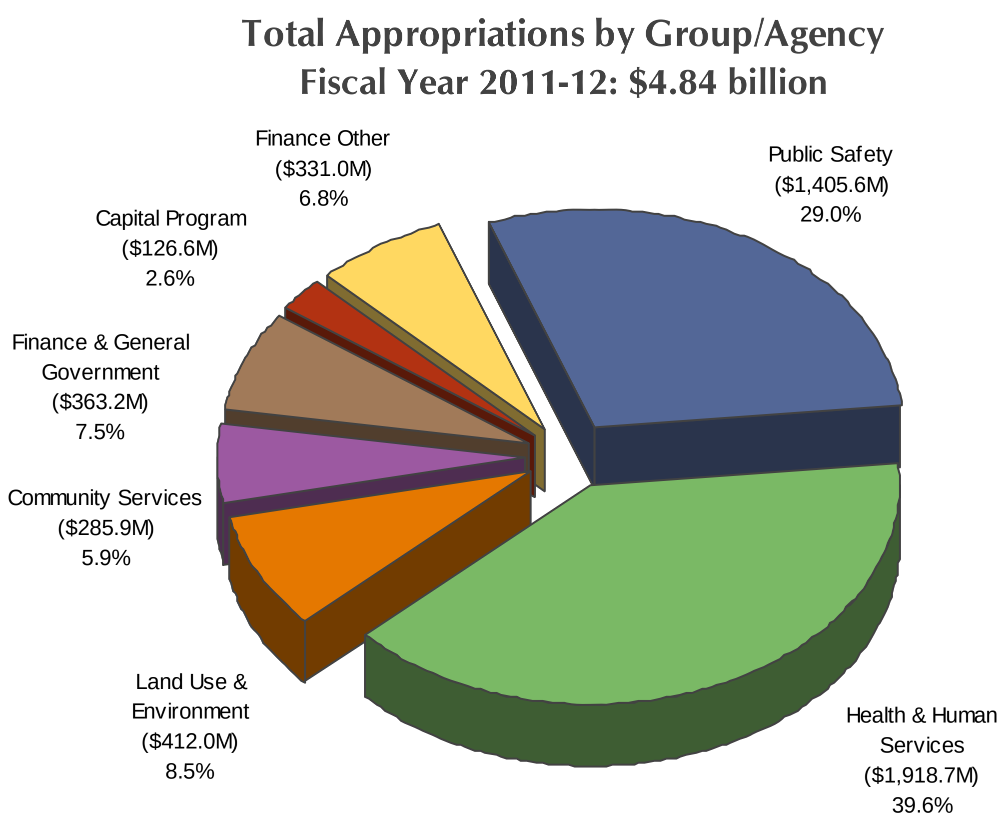
Appendices

- Appendices A, B and C present tables of data which include the Adopted Budget for Fiscal Years 2009-10 and 2010-11; the Proposed Budget for Fiscal Year 2011-12; the percentage change from the Fiscal Year 2010-11 Adopted Budget to the 2011-12 Proposed Budget; and the Fiscal Year 2012-13 Proposed Budget.
  - Appendix A: All Funds - Budget Summary — Tables outline staff years and expenditures and revenues by category for each business group, the Capital Program and Finance Other.
  - 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.
  - Appendix C: General Fund Budget Summary — Tables of General Fund expenditures for each department within each business group and for Finance Other; also provided are financing sources by category for the total General Fund.
- Appendix D: Health & Human Services - Regional Operations — Tables depict 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.

All Funds: Total Appropriations

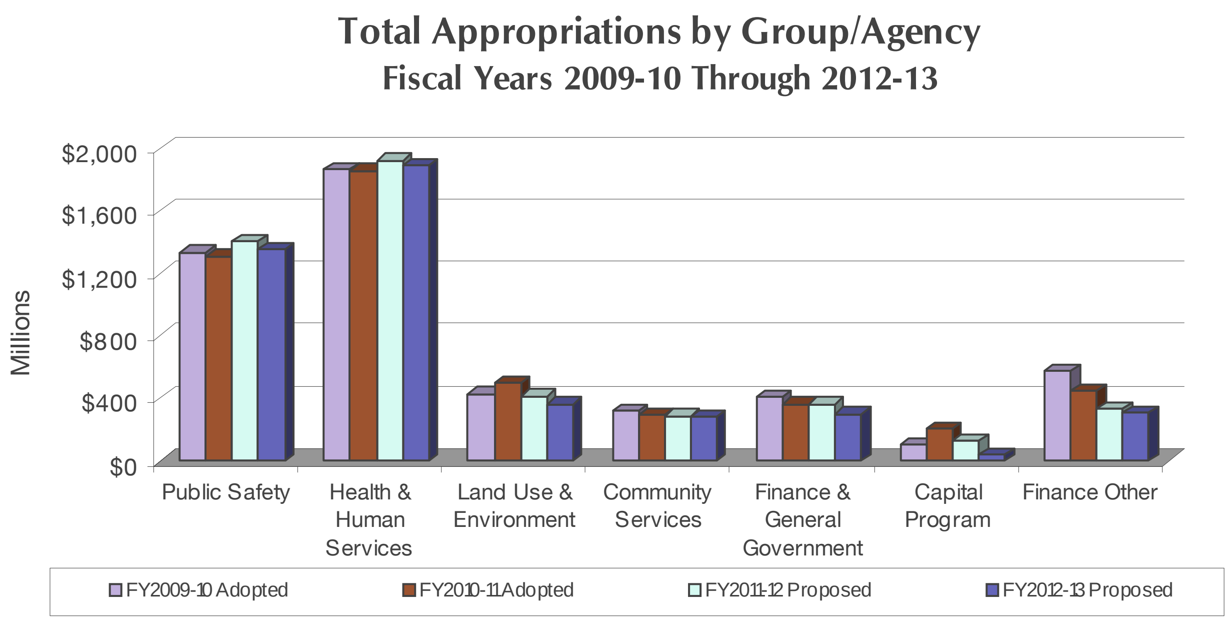
Total Appropriations by Group/Agency

Appropriations total **$4.84 billion** in the Proposed Budget for **Fiscal Year 2011-12** and $4.52 billion for Fiscal Year 2012-13. This is a **decrease of $114.1 million or 2.3%** for Fiscal Year 2011-12 from the Fiscal Year 2010-11 Adopted Budget. Looking at the Operational Plan by Group/Agency, appropriations decrease in Land Use and Environment, Community Services, the Capital Program and Finance Other, while they are increasing in Public Safety, Health and Human Services and Finance and General Government.



The pie chart above shows each Group/Agency's share of the Fiscal Year 2011-12 Proposed Budget, while the bar chart and table on the following page compare the Fiscal Years 2010-11 and 2011-12 appropriations to the two prior fiscal years. The percentage change is also calculated for the variance between Fiscal Years 2011-12 Proposed and 2010-11 Adopted. An overview of the County's Operational Plan for Fiscal Year 2011-12 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 105.

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 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Public Safety	$ 1,331.6	$ 1,307.3	$ 1,405.6	7.52	$ 1,354.8
Health & Human Services	1,860.9	1,856.4	1,918.7	3.35	1,890.3
Land Use & Environment	426.0	492.2	412.0	(16.31)	359.9
Community Services	313.3	293.4	285.9	(2.56)	274.6
Finance & General Government	407.2	360.3	363.2	0.78	295.1
Capital Program	99.7	202.2	126.6	(37.39)	38.6
Finance Other	569.4	445.0	331.0	(25.63)	302.0
Total	$ 5,008.2	$ 4,957.0	$ 4,842.9	(2.30)	$ 4,515.3

Note: For Fiscal Years 2009-10 and 2010-11 the Public Safety Group and Land Use and Environment Group totals have been restated to reflect the technical change associated with the transfer of various County Service Areas (CSA) and associated Fire Mitigation Funds effective September 14, 2010. All historical data moves with this transfer.

Public Safety Group (PSG) — A proposed **net increase of 7.5% or $98.3 million** from the Fiscal Year 2010-11 Adopted Budget. The increase primarily relates to increases in wage and benefit costs that reflect negotiated labor agreements and increases in County retirement contributions, the transfer of activities from the Land Use and Environment Group to the Public Safety Group, modest growth in Proposition 172 funding and the planned use of one-time resources. Reductions in State funding for contract dependency representation services are recognized. Certain other State and federal revenues are carried over from previous years. All mandated services are maintained.

Major changes include:

- The mid-year transfer of the San Diego County Fire Authority from the Land Use and Environment Group to the Public Safety Group.
- Allocation of resources to continue to provide enhanced law enforcement services on the Southern border through the Border Crime Suppression Team and to maintain patrol staffing levels due to increases in population in the unincorporated areas of the county.
- A further reduction of overtime costs in the Sheriff's department, totaling a 29% reduction over three years.
- Support for evidence-based probation practices and community based services to reduce offender recidivism with incentive funding available through the State's Community Corrections Performance Incentive Act (Senate Bill 678).
- The discontinuance of the California Administrative Office of the Courts' contract with the County for Family Dependency Services.
- A provision of initial funding of $16.3 million toward the County share of regionwide resources required to design, procure and install the platform for a Regional Communication System meeting Project 25 (P25) compliance standards set for public safety agencies. The total regional funding requirement, and the County's share of that requirement, has not yet been determined. Initial plans for system replacement will be completed by January 2012.

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 and operating an efficient and responsive criminal justice system.

Key areas of focus include:

- Promoting 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.
- Expanding collaboration and partnerships to improve wildland fire protection and emergency response services in the unincorporated area.
- 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.
- Holding supervised offenders accountable.
- Providing constitutionally required indigent defense.
- Improving public safety infrastructure.
- Focusing on business process reengineering and evidence based practices to identify the most effective and efficient public safety strategies to sustain critical public safety services.

Health and Human Services Agency (HHSA) — A proposed **net increase of 3.3% or $62.3 million** from the Fiscal Year 2010-11 Adopted Budget. The net increase is associated with the implementation of Low Income Health Program (LIHP), increases in Behavioral Health contracted services, as well as increases in wage and benefit costs that reflect negotiated labor agreements and increases in County retirement contributions, offset by decreases in In-Home Supportive Services based on caseload trends and reductions in immunization services due to State cuts.

The Agency faces over $40 million in funding challenges associated with State budget cuts, the ending of the federal economic stimulus funding, and continued increased demand for services. The Agency is mitigating these challenges by leveraging local resources, maximizing the use of State and federal dollars and continuing efforts to consolidate and integrate services.

A major goal in the development in this year's operational plan is to advance the *Live Well San Diego!* initiative including strengthening efforts in achieving operation excellence. As in the past, HHSA continues to work with advisory boards and other key stakeholders in these efforts.

Key areas of focus include:

- Continue implementation of Phase 1 and develop framework for Phase 2 of *Live Well, San Diego!* to achieve the vision of healthy, safe and thriving communities by:
  - Building a better system that recognizes the importance of safety in achieving healthy people, healthy communities.
  - Supporting positive choices that integrate healthy and safe living.
  - Pursuing policy and environmental changes that enhance safety, and make it easier to be healthy.
  - Improving the culture within to recognize that traumatic events impact community safety and individual health.

- Advancing operational excellence by ensuring fiscal stability, customer service, leadership, accountability and transparency, continuous improvement, and workforce excellence.

Land Use and Environment Group (LUEG) — A proposed **net decrease of 16.3% or $80.3 million** over the Fiscal Year 2010-11 Adopted Budget. Significant decreases include the mid-year transfer of the San Diego County Fire Authority to the Public Safety Group, one-time costs for the completion of information technology projects, the near completion of Proposition 1B, Transportation Bond Act, funded road projects and the use of one-time fund balance for the establishment of replacement reserves for infrastructure and equipment in the Sanitation Districts. These decreases are offset by increases in wage and benefit costs that reflect negotiated labor agreements, increases in County retirement contributions and the rebudgeting of one-time appropriations for the Business Case Management System, Phase III and for various projects such as the Woodside Avenue Drainage Project required matching funds, Mobile Source Emission Reduction Incentive Program, Zoning Ordinance Update and Fire Rebuild Fee Waiver.

Major changes include:

- Mid-year transfer of the San Diego County Fire Authority to the Public Safety Group.
- Reductions in the Road Fund Detail Work Program's construction and consulting contracts resulting from near completion of Proposition 1B funded projects.
- Mid-week closure or reduction of hours at parks due to a lack of sufficient resources.
- Increased funding for Vector Habitat Remediation Projects that protect health and prevent vector-borne diseases.
- Increase in one-time funds for the Mobile Source Emission Reduction Incentive Program which will allow the continuing of retrofitting and or replacement of school buses and heavy-duty trucks.

Key areas of focus include:

- Continuing Business Process Reengineering efforts and developing new online tools that will streamline business processes and improve customer service.
- Reducing risk of structure loss during wildfires through land use policies and regulations.
- 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.
- Protecting San Diego County's $1.5 billion agricultural industry from damaging pests, noxious non-native weeds and diseases.
- Awarding and managing construction contracts for road improvement projects in various county communities to enhance safety and improve traffic flow.
- 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.
- Completing required toxic air contaminant emission health risk assessments to verify compliance of new and expanding businesses with health risk standards.
- Protecting and preserving the county's water quality and watersheds.
- Improving land development customer service and streamlining permit processing.

Community Services Group (CSG) — A proposed **net decrease of 2.6% or $7.5 million** from the Fiscal Year 2010-11 Adopted Budget. The decrease is mainly due to the alignment of County Library resources to available funding, lower levels of discretionary maintenance projects, and Housing and Community Development programs that were funded by economic stimulus or other nonrecurring grants. Offsetting the decreases in program appropriations is an increase of $8.5 million in elections costs due to the scheduled February 2012 Presidential Primary, in addition to the June 2012 Statewide Primary, and the new "Top Two" ballot format for the latter, and increases in wage and benefit costs that reflect negotiated labor agreements and increases in County retirement contributions.

Key areas of focus include:

- Conducting the February and June 2012 Primary Elections.
- Maintaining library hours open to provide patron access to library materials and services.
- Completing the Lincoln Acres library, replacing a much older and smaller facility.
- Providing resources to homeless families exiting from transitional housing.
- Savings in the purchase and contracting of goods and services for all County departments through innovative procurement methods.

- Design and construction of capital improvements for the new Women's Detention Facility, the County Administration Center Waterfront Park and related new parking garage at Cedar and Kettner streets in downtown San Diego, Phase 1B of the County Operations Center development in Kearny Mesa, and the new Rancho San Diego Sheriff's station.
- Improving animal shelters and the medical treatment of animals to make them adoptable sooner.

Finance and General Government Group (FGG) — A proposed **net increase of 0.8% or $2.9 million** from the Fiscal Year 2010-11 Adopted Budget. The increase is mainly due to increases in wage and benefit costs that reflect negotiated labor agreements and increases in County retirement contributions. The proposed budget also contains increases for one-time enterprise information technology projects. However, there are offsetting decreases in contributions for public liability coverage, and a reduced amount of budgeted management reserves for unanticipated information technology needs.

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 systems.
- Providing the highest quality legal services to the Board of Supervisors and County departments.
- Maintaining the investment in modern information technology.

Capital Program — A proposed **net decrease of 37.4% or $75.6 million** from the Fiscal Year 2010-11 Adopted Budget. The amount budgeted in the Capital Program can vary significantly from year to year. The Fiscal Year 2011-12 Capital Program includes:

- $70.0 million for the Women's Detention Facility replacement project.
- $35.1 million for the County Administration Center (CAC) Waterfront Park.
- $10.0 million for Multiple Species Conservation Program (MSCP).
- $0.5 million for the Agua Caliente Park environmentally conscious-designed cabins.
- $0.5 million for long-term animal care facility in Bonita.
- $0.2 million for the Sweetwater Lane Park exercise path.
- $0.1 million for the Lincoln Acres Park pavilion and playground project.
- $0.1 million for Goodland Acres Park improvements.
- $0.1 million for Don Dussault Park improvements.
- $0.1 million for the Jess Martin Park ball field improvements.

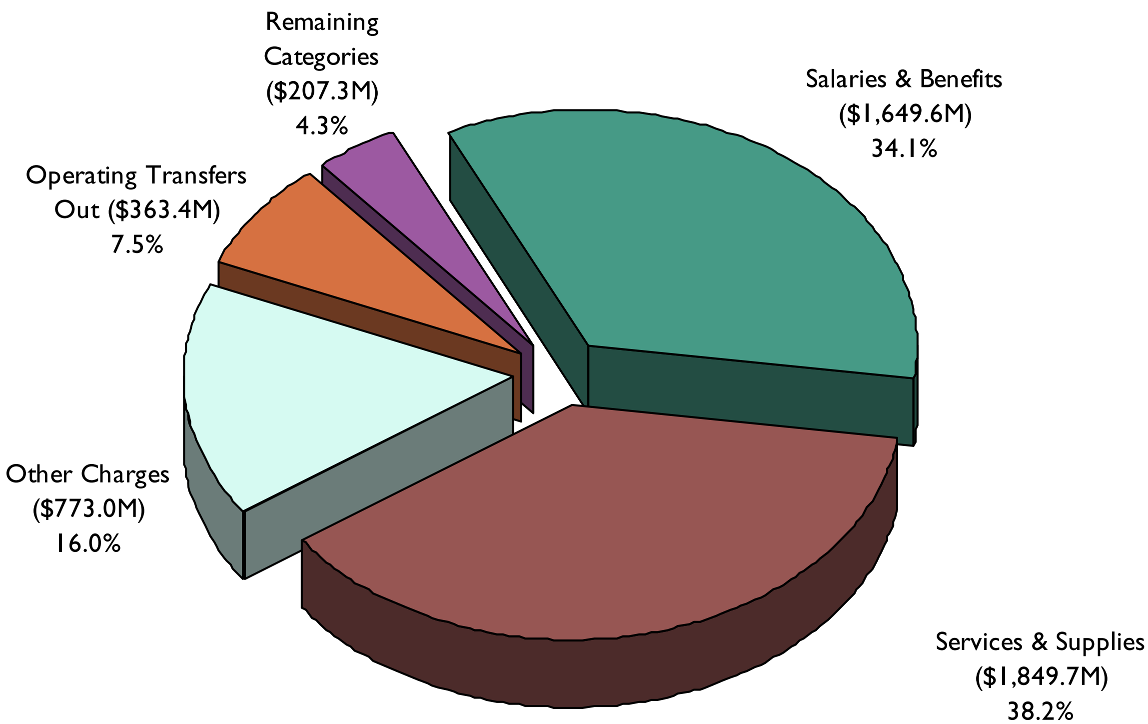
In Fiscal Year 2012-13, an increase of $26.2 million is proposed for the Cedar and Kettner Development. This project is planned in conjunction with the CAC Waterfront Park. An additional $2.5 million is also included for MSCP.

Finance Other — A proposed **net decrease of 25.6% or $114.0 million** from the Fiscal Year 2010-11 Adopted Budget. 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. One-time appropriations in Fiscal Year 2010-11 included $119.8 million for the County Operations Center (COC) and Annex Redevelopment - Phase 1B project and $55.0 million for the Women's Detention Facility as well as several other projects discussed in the Fiscal Year 2010-11 budget. In the Fiscal Year 2011-12 proposed budget, the general fund contribution to the Capital Program continues to include significant one-time appropriations where $81.0 million is proposed for several projects discussed above. See page 435 for the details of the budget for Finance Other.

Total Appropriation by Category of Expenditure

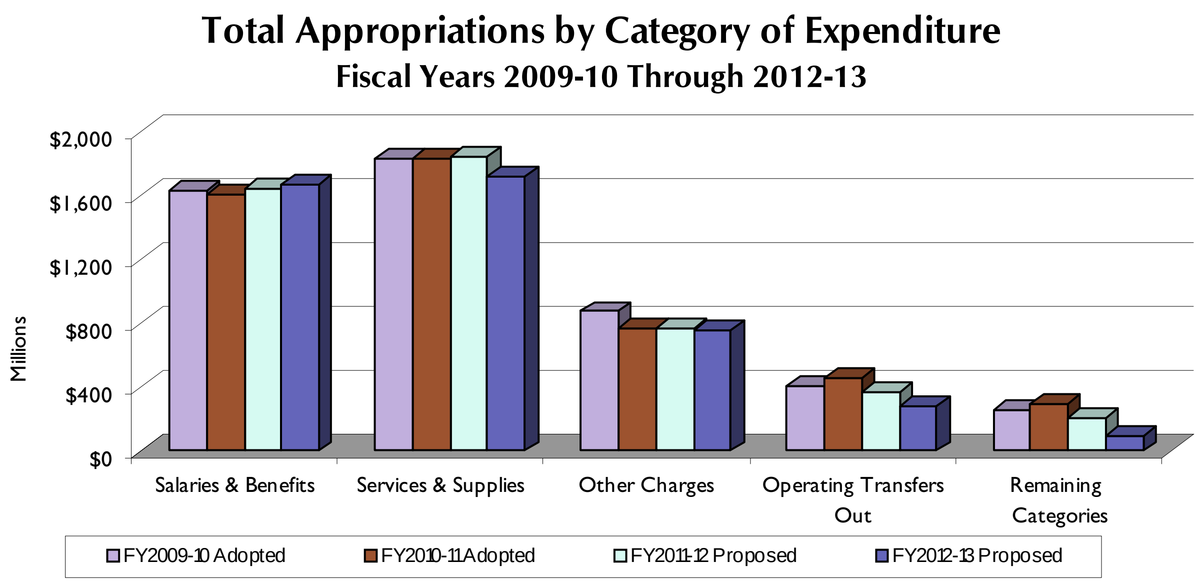
The pie chart below shows the Proposed Budget broken down by category of expenditure. As noted previously, the Fiscal Year 2011-12 Proposed Budget is decreasing overall by $114.1 million from the Fiscal Year 2010-11 Adopted Budget and decreasing further by $327.6 million in Fiscal Year 2012-13.

Total Appropriations by Category of Expenditure
Fiscal Year 2011-12: $4.84 billion



The changes by category are summarized as follows:

- **Salaries and Benefits** are **increasing overall by $38.2 million or 2.4%**. This change reflects higher retirement contribution requirements, benefit changes related to negotiated agreements and a decrease of 153.00 staff years. All labor contracts are up for renewal in Fiscal 2011-12 and the proposed changes reflect labor agreements with all unions, with the exception of the Deputy Sheriffs' Association and six bargaining units of SEIU Local 221, effective through June 23, 2013. The first year of the new contracts includes a one-time monetary payment equivalent to 2% of base pay for all eligible employees; increases in flexible benefit credits effective January 2012; and a reduction in the County funding of the employee share of retirement costs. There is no increase in base pay. 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 2012-13, salaries and benefits are increasing by $15.8 million (+1.0%) which reflects anticipated higher retirement contribution requirements, negotiated increases in flexible benefit credits effective January 2013, further negotiated reductions in the County funding of the employee share of retirement costs and a further decrease of 11.00 staff years. See Total Staffing on page 49 for a summary of staffing changes by business group.



Total Appropriations by Category of Expenditure (in millions)					
	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Salaries & Benefits	$ 1,629.3	$ 1,611.3	$ 1,649.6	2.37	$ 1,665.4
Services & Supplies	1,836.6	1,833.8	1,849.7	0.87	1,720.4
Other Charges	874.7	764.2	773.0	1.16	759.2
Operating Transfers Out	407.1	455.3	363.4	(20.20)	281.5
Remaining Categories:					
Capital Assets/Land Acquisition	101.3	204.8	135.1	(34.03)	41.8
Capital Assets Equipment	27.2	23.4	21.8	(6.79)	17.2
Exp Transfer & Reimbursements	(20.5)	(20.0)	(20.1)	0.22	(20.3)
Reserves	22.7	22.1	21.8	(1.36)	21.8
Fund Balance Component Increases	100.3	33.4	16.4	(51.00)	0.1
Management Reserves	29.6	28.7	32.3	12.33	28.3
Total	$ 5,008.2	$ 4,957.0	$ 4,842.9	(2.30)	$ 4,515.3

- **Services and Supplies** are **increasing by a net of $15.9 million or 0.9%.** 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 $55.9 million for the implementation of the Low Income Health Program, which provides health care services to eligible low-income persons, and a decrease of $27.8 million for contracted road services due to completion of projects. A decrease of 7.0% is shown for Fiscal Year 2012-13, dropping primarily because of one-time expenditures occurring in Fiscal Year 2011-12.

- **Other Charges** are **increasing by $8.9 million or 1.2%**. This category includes items such as aid payments, debt service payments, interest expense, right-of-way easement purchases and various other payments including contributions to trial courts and grants to organizations participating in the Community Enhancement and the Neighborhood Reinvestment Programs. The increase is primarily due to funding from a State Homeland Security grant and from the Goods Movement Emissions Reduction Program for heavy duty trucks. A net decrease of 1.8% is projected in Fiscal Year 2012-13 and is due to removal of one-time grant funding 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 $69.7 million or 34.0%**. The most significant decrease is due to the nonrecurrence of one-time funding for Phase 1B of the County Operations Center (COC) and Annex Redevelopment project (-$119.8 million). This is offset by an increase 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 higher projected sales tax revenues and available prior year fund balance in Fiscal Year 2011-12 (+$17.2 million); the different mix and dollar value of capital projects being funded in the budget year compared to Fiscal Year 2010-11 (+$9.2 million); and miscellaneous other changes (+$1.4 million). A decrease of $82.0 million or 22.6% is projected for Fiscal Year 2012-13 and is due to the nonrecurrence of one-time items from the prior year.
- **Capital Assets/Land Acquisition**, which includes capital improvement projects and property acquisitions, is **decreasing by $75.9 million or 39.4%** from Fiscal Year 2010-11. Appropriations vary from year to year depending upon the cost of the projects being funded. Of the $135.1 million budgeted for Fiscal Year 2011-12, $116.6 million is for projects in the Capital Program, with the remainder for projects in the Airport Enterprise Fund and in the San Diego County Sanitation District. The Fiscal Year 2011-12 Capital Program includes $70.0 million in final funding for a new Women's Detention Facility, $35.1 million for the County Administration Center Waterfront Park, and $10.0 million for land acquisition for the Multiple Species Conservation Program (MSCP). In addition, a total of $1.5 million is for various other projects at sites including: Lincoln Acres Park, Sweetwater Lane Park, Agua Caliente Park, Goodland Acres Park, Don Dussault Park, Jess Martin Park, and a Long-Term Animal Care Facility. Of the $41.8 million planned for Fiscal Year 2012-13, $26.2 million is for the Cedar and Kettner Development, $2.5 million for MSCP land acquisition, $11.1 million for projects in the San Diego County Sanitation District and $2.0 million for the Registrar of Voters' relocation.
- **Capital Assets Equipment** is **decreasing by $1.6 million or 6.8%** 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 Fiscal Year 2010-11 budget included appropriations for some grant funded information technology equipment that will not recur in Fiscal Year 2011-12. A further decrease of $4.7 million is expected for Fiscal Year 2012-13.
- **Expenditure Transfers and Reimbursements** are **increasing by $0.04 million or 0.2%**. 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 or federal revenue account. An increase of $0.3 million in Fiscal Year 2012-13 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 2011-12, three funds have a contingency reserve. The General Fund contingency reserve **remains at**

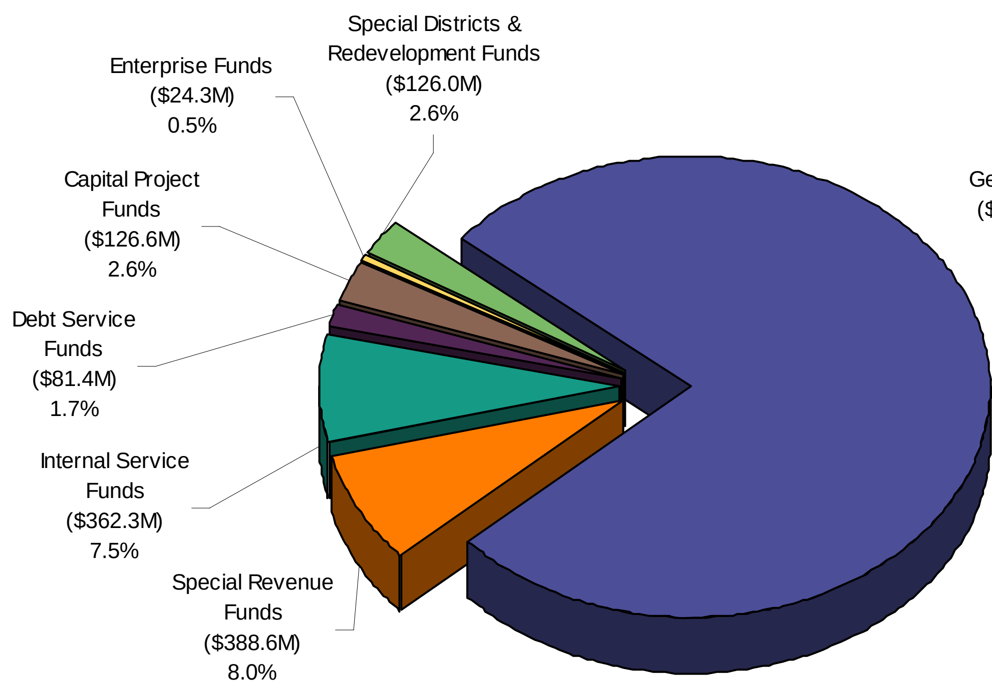
$20.0 million. See the discussion of the General Fund Contingency Reserve in the Finance Other section beginning on page 436. The Employee Benefits Internal Service Fund contingency reserve decreases to $1.7 million from $2.0 million in Fiscal Year 2010-11. The Fleet Internal Service Fund contingency reserve is budgeted at $0.1 million, which is unchanged from Fiscal Year 2010-11.

- **Fund Balance Component Increases (formerly Reserve/Designation Increase)** can vary from year to year depending upon the need to set aside fund balance for specific future uses. In Fiscal Year 2011-12, fund balance has been committed for the Replacement/Upgrade of the Regional Communications System ($16.3 million), for public health based on proceeds from the sale of the Grand Avenue Clinic ($0.02 million), and for replacement reserves for the Rancho Del Campo Water District ($0.05 million). A decrease of $32.1 million is due to commitments that were included in Fiscal Year 2010-11 Adopted Budget for the Sanitation Districts.
- **Management Reserves** are **increasing by $3.5 million or 12.3%.** The level of Management Reserves can vary from year to year. They are used to fund one-time projects or to serve as a prudent mitigation 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 and Changes in Fund Balance provides expenditure amounts for County funds by Type of Fund and by Group/Agency. (See also "Measurement Focus and Basis of Accounting" on page 95.)

Total Appropriations by Fund Type
Fiscal Year 2011-12: $4.84 billion



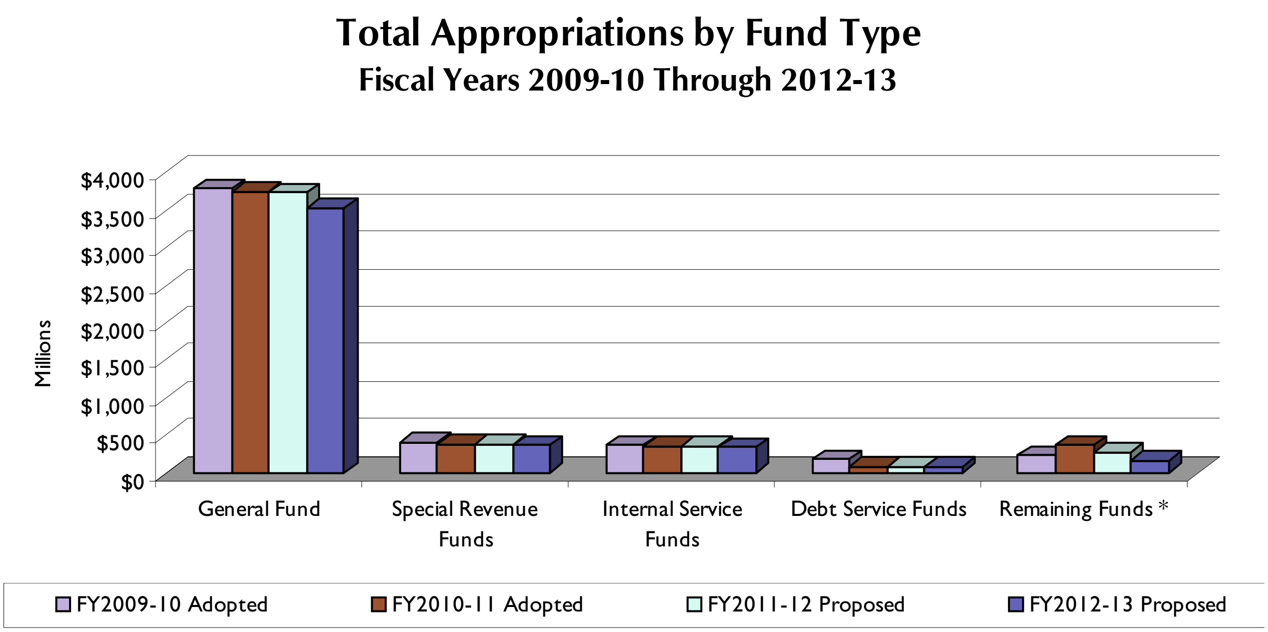
Governmental Fund Types

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 83.

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

Total Appropriations by Fund Type (in millions)

	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
General Fund	$ 3,790.0	$ 3,739.1	$ 3,733.8	(0.14)	$ 3,539.0
Special Revenue Funds	422.0	397.4	388.6	(2.21)	372.8
Internal Service Funds	374.7	366.2	362.3	(1.06)	346.2
Debt Service Funds	183.5	81.4	81.4	(0.09)	81.4
Capital Project Funds	99.7	202.2	126.6	(37.39)	38.6
Enterprise Funds	24.4	22.5	24.3	8.15	21.1
Special Districts & Redevelopment Funds	114.0	148.3	126.0	(15.03)	116.1
Total	$ 5,008.2	$ 4,957.0	$ 4,842.9	(2.30)	$ 4,515.3

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.
- 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.

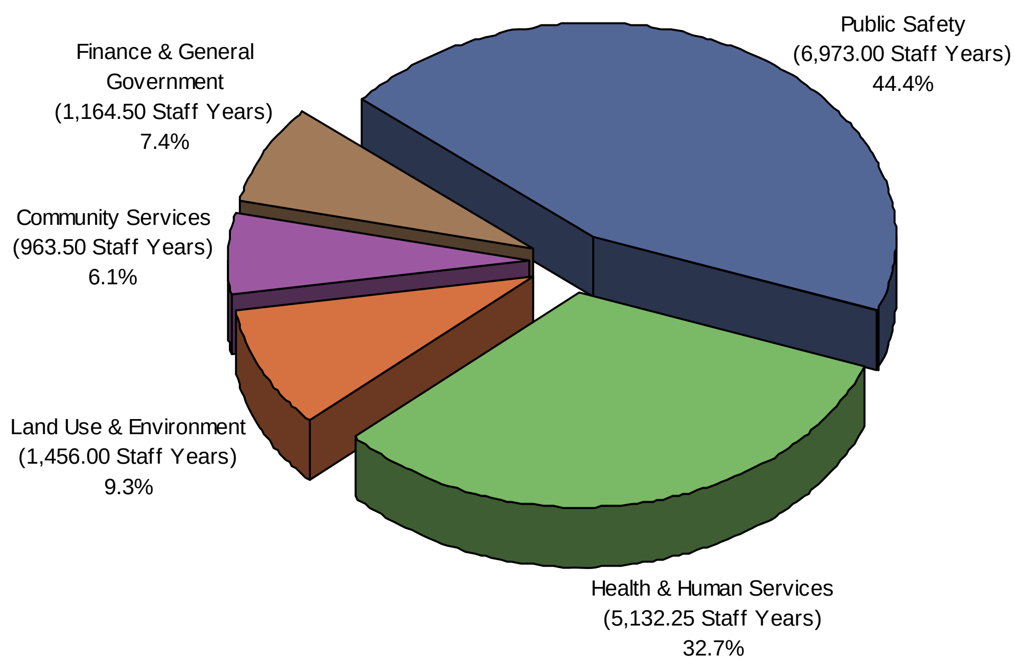
San Diego County Appropriation Limit (in millions)

	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
Gann Limit	$ 3,081	$ 3,300	$ 3,433	$ 3,619	$ 3,825	$ 3,897	$ 3,852
Appropriations subject to the limit	$ 717	$ 877	$ 1,002	$ 1,287	$ 1,340	$ 1,309	$ 1,264

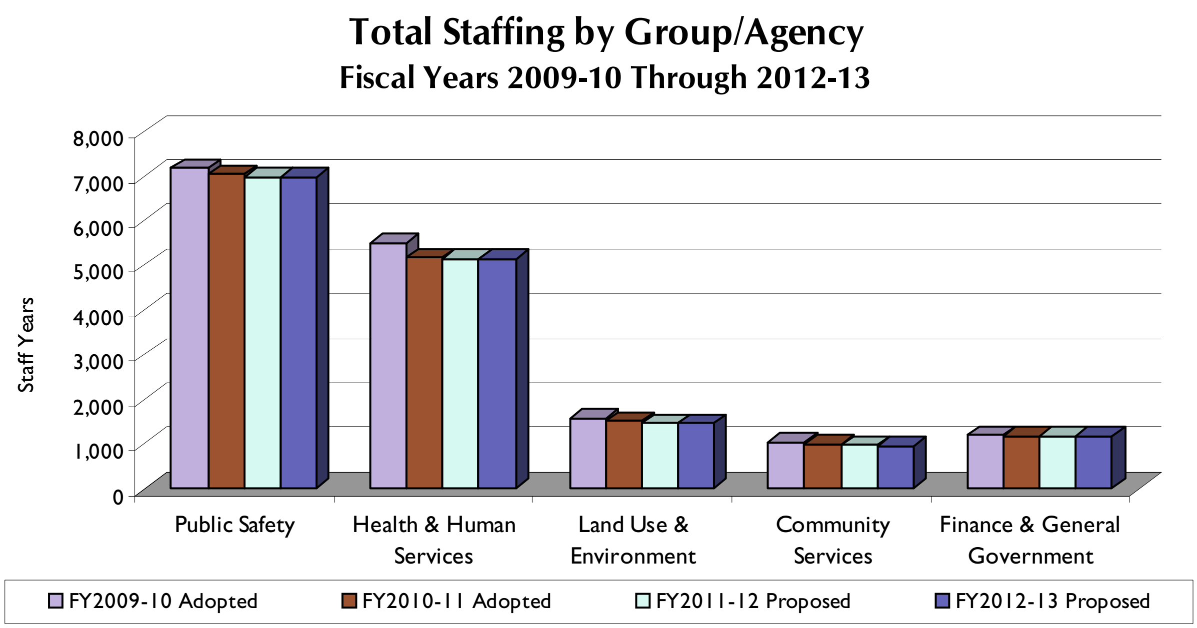
All Funds: Total Staffing

Proposed staff years[1] for Fiscal Year 2011-12 are **153.00 fewer** than the Adopted Budget for Fiscal Year 2010-11, a **decrease of 1.0% to 15,689.25 staff years**. This net decrease is attributable to the expiration of temporary Federal Economic Stimulus awards and declines in local revenues and reductions in workload due to consolidation, increased efficiency and outsourcing of certain functions. While overall staffing levels are proposed to decrease, there are several programs in which staffing levels are proposed to increase. A further net decrease of 11.00 staff years is expected in Fiscal Year 2012-13. The staffing changes are summarized below by Group.

Total Staffing by Group/Agency
Fiscal Year 2011-12: 15,689.25 Staff Years



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



Total Staffing by Group/Agency (staff years)

	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Public Safety	7,170.00	7,041.25	6,973.00	(0.97)	6,976.00
Health & Human Services	5,482.00	5,156.25	5,132.25	(0.47)	5,132.25
Land Use & Environment	1,562.00	1,501.00	1,456.00	(3.00)	1,456.00
Community Services	1,019.00	978.25	963.50	(1.51)	949.50
Finance & General Government	1,182.00	1,165.50	1,164.50	(0.09)	1,164.50
Total	16,415.00	15,842.25	15,689.25	(0.97)	15,678.25

The **Public Safety Group (PSG)** proposes a **net decrease of 68.25 staff years, a 1.0% reduction**, to align staffing with available revenues and to address key operational requirements.

- Sheriff's Department - increases by a net of 13.00 staff years. This includes an increase of 9.00 staff years required to maintain adequate sworn staffing levels due to increases in population in the unincorporated areas of the county. Other changes include an increase of 1.00 staff year which represents the addition of a traffic deputy to the City of Encinitas to provide law enforcement services to the North County Transit District, an increase of 1.00 staff year in the Crime Lab to provide fingerprint identification services and supported by revenue from vehicle registration fees and a net increase of 2.00 staff years representing the addition of 4.00 staff years Sheriff's Detentions Licensed Vocational Nurse offset by the deletion of 2.00 staff years Sheriff's Detentions Supervising Nurses.
- District Attorney - decreases by a total of 31.00 staff years. In Fiscal Year 2011-12, a total of 100 currently vacant positions continue without funding. The department has consolidated divisions, implemented information technology efficiencies and established job

sharing and cross-training strategies. The prosecution of felony and misdemeanor cases will remain a priority; however, the reduction in staff may impact the length of time from case preparation to case completion.

- Public Defender - decreases by a net of 55.00 staff years. This includes a reduction of 63.00 staff years due to the discontinuance of the California Administrative Office of the Courts' contract with the County for Family Dependency Services and an increase of 8.00 staff years in the Primary Public Defender to address representation needs for misdemeanor cases and administrative support.
- Probation Department - decreases by a net of 9.25 staff years due to reductions in State funding and the expiration of Federal Economic Stimulus awards. A total of 3.75 staff years is reduced due to the elimination of State funding for the Offender Treatment Program, resulting in reduced substance abuse treatment services for offenders. A reduction of 1.00 staff year is due to the elimination of State funding for the IMPACT program serving homeless mentally ill offenders. A total of 6.50 staff years are reduced as funding received through the American Recovery and Reinvestment Act (ARRA) of 2009 ends for two programs including the Probation Specialized Unit (0.50 staff years) and the ARRA Offender Treatment Program (6.00 staff years). The activity and workload of the Probation Specialized Unit, which focused on high-risk sex offenders, will be absorbed by existing staff. The reductions in the Offender Treatment Program will reduce services and eliminate proactive supervision for these offenders. These reductions are offset by the addition of 2.00 staff years to support the two-year Adult Reentry Court Program to address the supervision of low level felony offenders.
- San Diego County Fire Authority - increases by 13.00 staff years due to the mid-year transfer of this program from the Department of Planning and Land Use to the Public Safety Group.
- PSG Executive Office - increases by 1.00 staff year for operational support of the Public Safety Group Executive Office and the departments within the Group.

In Fiscal Year 2012-13, the Public Safety Group increases by a net of 3.00 staff years, which includes a decrease of 5.00 staff years in the Probation Department due to the expiration of Federal Economic Stimulus funding and an increase of 8.00 staff years in the Sheriff's Department to maintain adequate sworn staffing levels as population continues to increase in the unincorporated areas of the county.

The **Health and Human Services Agency (HHSA)** proposes a **decrease of 24.00 staff years or 0.5%** due to reengineering as well as consolidating and centralizing functions.

- Administrative Support - decreases by 3.00 staff years as a result of consolidation and centralization of HHSA backgrounds with the Department of Human Resources Risk Management.
- Child Welfare Services - decreases by 5.00 staff years in non-case-carrying positions with no impact to client services. A decrease of 16.00 staff years as a result of the Fiscal Year 2010-11 contracting out of Early Periodic Screening, Diagnosis and Treatment services due to reengineering efforts at Polinsky Children's Center.
- Other changes include reallocating existing administrative staff years to create the Office of Health Systems Innovation and the Office of Business Intelligence. These offices will assist the Agency in strengthening operational excellence through continued integration and alignment of services, community engagement and advancing the use of data and information to increase efficiency.

In Fiscal Year 2012-13 there is no proposed change.

The **Land Use and Environment Group (LUEG)** proposes a **decrease of 45.00 staff years or 3.0%**.

- Environmental Health - decreases by 3.00 staff years. A decrease of 2.00 staff years is a result of reductions in project submittals for septic, water well permits and land use projects and a decrease 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. A decrease of 2.00 staff years is due to operational changes and consolidation of duties.
- Planning and Land Use - decreases by 32.00 staff years. A decrease of 13.00 staff years is a result of a mid-year transfer of the San Diego County Fire Authority Program to the Public Safety Group. A decrease of 10.00 staff years in various divisions is a result of business process re-engineering and a decrease of 9.00 staff years is due to reductions in discretionary permit processing.
- Public Works - decreases by 8.00 staff years. A decrease of 6.00 staff years in the Road Fund is a result of reductions in revenue from the Highway Users Tax Account and decreased workload. A decrease of 1.00 staff year in the Inactive Waste Site Management Recycling Program is due to the consolidation of management oversight with Land Development and a

decrease of 1.00 staff year in the General Fund Watershed Protection Program is due to outsourcing of compliance tasks for stormwater permits.

In Fiscal Year 2012-13 there is no proposed change.

The **Community Services Group (CSG)** proposes a **decrease of 14.75 staff years 1.5%**. This reduction will result in decreased customer services at libraries and a reduction in interoffice mail delivery, and fewer staff in response to declining levels of County purchases.

- County Library - decreases staff by 9.75 staff years due to loss of revenue from property taxes. Reductions are primarily in Library Branch Operations and Administration. The Library will continue to mitigate the impacts of these reductions through library design, automation and business process improvements. However, customer services will be decreased and, as a result, there will be delays in services.
- Department of General Services - decrease of 3.00 staff years to reduce costs paid by County departments for mail delivery services, which will change from two pick-ups and deliveries per day to one.
- Department of Purchasing and Contracting - decrease of 2.00 staff years to reduce costs paid by County departments and in response to declining overall purchasing activity Countywide.

In Fiscal Year 2012-13, the County Library decreases by 14.00 staff years to continue to realign staffing with available resources.

The **Finance and General Government Group (FGG)** proposes a **decrease of 1.00 staff year or 0.1%** as a result of the demolition of the Askew Building near the County Administration Center. The staffing reduction is proposed as a result of reduced total square footage to be maintained.

In Fiscal Year 2012-13 there is no proposed change.

More detail on proposed staff year changes can be found in the Group/Agency section that begins on page 105.

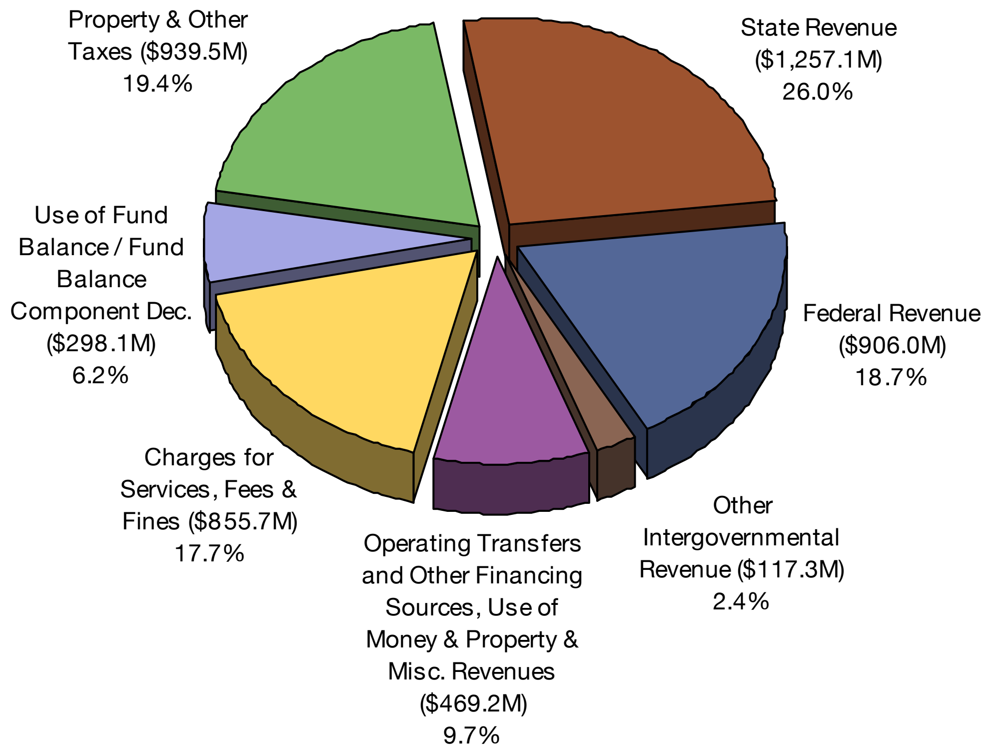
All Funds: Total Funding Sources

Total Funding by Source

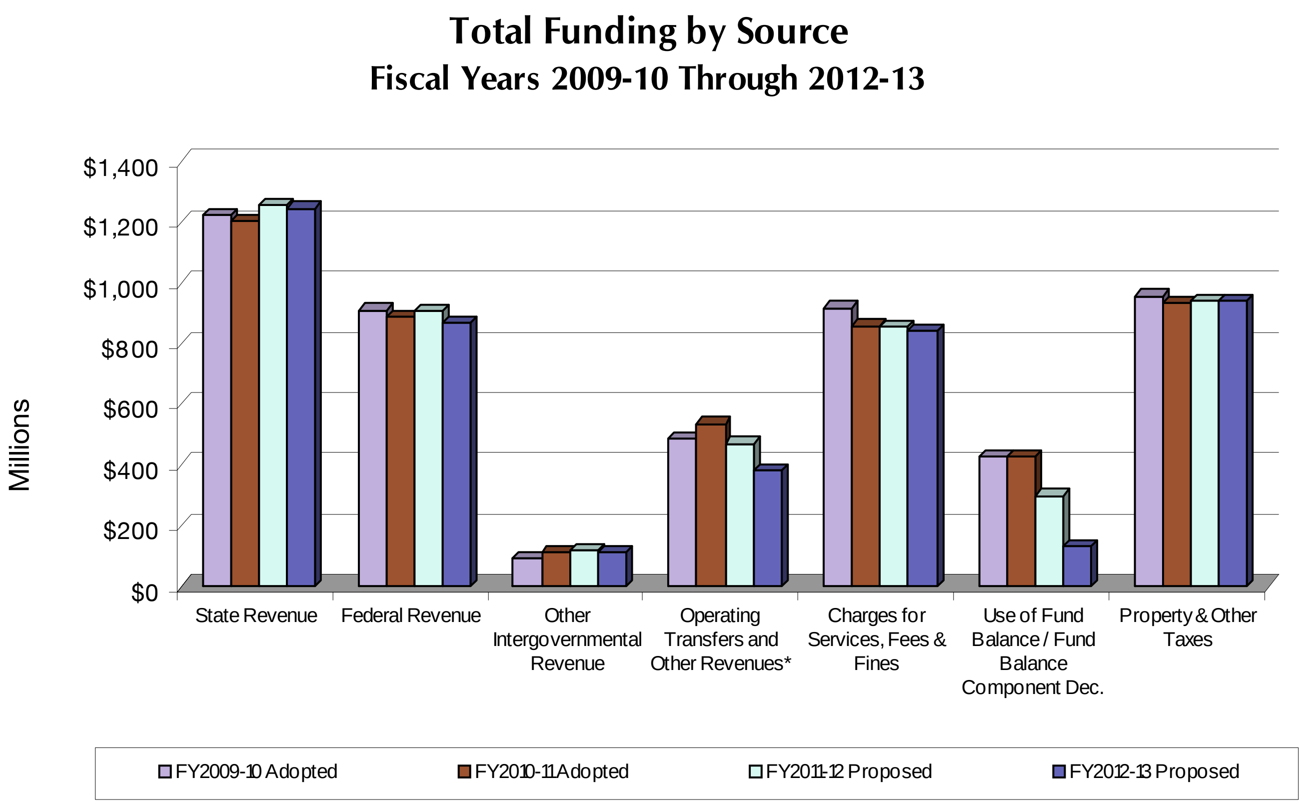
Total resources available to support County services for Fiscal Year 2011-12 are expected to be **$4.84 billion, a decrease of $114.1 million or 2.3%** from the Fiscal Year 2010-11 Adopted Budget. Total resources are anticipated to decrease further by $327.6 million or 6.8% to $4.52 billion in Fiscal Year 2012-13. For Fiscal Year 2011-12, the combination of State Revenue ($1.257 billion), Federal Revenue ($906.0 million) and Other Intergovernmental Revenue ($117.3 million) supplies 47.1% of the funding sources for the County's budget. Interfund Operating Transfers, Use of Money and Property, Miscellaneous Revenues and Other Financing Sources make up 9.7% of the funding sources ($469.2 million). Another 17.7% ($855.7 million) comes from Charges for Current Services, Fees and Fines. Use of Fund Balance and Fund Balance Component Decreases (formerly Reserve/Designation Decreases) supply 6.1% ($298.1 million) of the funding sources.

Total Funding by Source

Fiscal Year 2011-12: $4.84 billion



Finally, revenues in the Property and Other Taxes category received from property taxes, property tax in lieu of vehicle license fees, the Teeter program, sales and use tax, real property transfer tax, transient occupancy tax and miscellaneous other revenues account for 19.4% ($939.5 million) of the financing sources for the County's budget. The majority of the revenues in this category (94.5%) are budgeted in the General Fund with the balance budgeted 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 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
State Revenue	$ 1,223.3	$ 1,204.4	$ 1,257.1	4.37	$ 1,246.0
Federal Revenue	911.2	888.1	906.0	2.01	866.2
Other Intergovernmental Revenue	89.0	111.6	117.3	5.12	109.4
Operating Transfers and Other Financing Sources, Use of Money & Property & Misc. Revenues	484.7	534.3	469.2	(12.18)	382.0
Charges for Services, Fees, and Fines	918.3	859.3	855.7	(0.42)	841.8
Property & Other Taxes	956.3	932.8	939.5	0.71	941.3
Fund Balance Component Decreases	8.7	13.3	22.2	67.30	25.6
Use of Fund Balance	416.6	413.2	275.9	(33.22)	103.0
Total	$ 5,008.2	$ 4,957.0	$ 4,842.9	(2.30)	$ 4,515.3

Overall Change

The **$114.1 million decrease** in the Fiscal Year 2011-12 proposed budget is the net of increases in some funding sources and decreases in others. In the table above, State Revenue, Federal Revenue, Other Intergovernmental Revenue, Property and Other Taxes and Fund Balance Component Decreases (FB Component Decreases) increase a combined $91.8 million. Reductions totaling $205.9 million are in the combined categories of Operating Transfers and Other Financing Sources, Use of Money and Property, Miscellaneous and Other Revenues, Charges for Services, Fees & Fines and Use of Fund Balance. The General Fund Financing Sources section beginning on page 57 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 by $52.7 million or 4.4%** overall in Fiscal Year 2011-12. Increase are proposed in the Health and Human Services Agency (HHSA) $39.3 million, the Public Safety Group (PSG) $13.5 million, and the Land Use and Environment Group (LUEG) $2.8 million, offset by a decrease in the Community Services Group (CSG) $2.9 million.

HHSA's proposed increase of $39.3 million is in the General Fund and is discussed in that section.

The $13.5 million increase in PSG includes a $10.6 million estimated increase in Proposition 172, *Local Public Safety Protection and Improvement Act of 1993*, sales tax revenues. Please see the General Fund Financing Sources section on page 57 for more information on Proposition 172 funding. The remaining General Fund increase of $2.9 million is primarily in Probation and is also discussed in the General Fund Financing Sources section.

LUEG's increase of $2.8 million is primarily in Air Pollution and Control District (APCD) and is attributed to Goods Movement Emission Reduction Program (GMERP).

The $2.9 million decrease in CSG includes a $1.0 million estimated decrease in General Services primarily due to the transfer of Court facilities, utilities, and mail services to the State of California. A decrease of $1.6 million is in the General Fund and is discussed in that section.

Federal Revenue

Federal Revenue is proposed to **increase by $17.9 million or 2.0%** overall in Fiscal Year 2011-12. A net increase of $16.7 million is in the General Fund, and is largely in HHSA as well as increases in PSG and in LUEG, partially offset by a decrease in CSG as well as a small decrease in Finance Other in General Purpose Revenues related to a projected decrease in Payments in Lieu of Taxes. See the General Fund Financing Sources section for additional details related to these changes. In addition to the General Fund related net increases, the balance of the increase is primarily in LUEG in the Department of Public Works, mainly the result of increased funding from the Federal Highway Planning & Construction for Federal Highway Administration (FHWA) of approximately $3.0 million for projects in the Detailed Work Program and a net decrease in the Capital Program related to reduced funding needed for the Edgemoor Distinct Part Skilled Nursing Facility.

Other Intergovernmental Revenue

Other Intergovernmental Revenue is proposed to **increase by a net of $5.7 million or 5.1%** overall in Fiscal Year 2011-12. The primary increases are in Finance Other $5.3 million in General Purpose Revenue and it includes an increase in Aid from Redevelopment Agencies, an increase in the Capital Program of $5.1 million due to funding from Aid from Redevelopment Agencies to partially fund the CAC Waterfront Park capital project, offset by decreases in LUEG of $6.2 million in the General Fund and it is discussed in that section. The balance of the net increase is spread across the other groups.

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

- **Other Financing Sources** (primarily Operating Transfers between funds) are anticipated to **decrease by a net of $62.1 million or 14.0%.** The most significant changes include a decrease of $81.0 million primarily attributable to prior year one-time funding for Phase 1B of the County Operations Center (COC) and Annex Redevelopment project which is offset by proposed increases for the development of County Administration Center (CAC) Waterfront Park and increased funding for the Women's Detention Facility.

  An increase of $16.9 million in PSG is largely due to an increase in Proposition 172, which supports regional law enforcement and detention services is due to projected increases in annual receipts and the proposed use of prior year fund balance available in the Proposition 172 Special Revenue fund. Additional changes include an increase of $2.2 million in LUEG primarily in APCD related to transfers needed to support operations and administrative costs related to mobile source emission reduction activities, an increase of $0.8 million due to Information Technology Internal Service Fund and a decrease of $0.9 million in CSG primarily in General Services due to the elimination of one-time funding for the purchase of additional vehicles for the Departments of Agriculture, Weights and Measures and Parks and Recreation.

- **Revenue from Use of Money & Property** is proposed to **decrease a net of $0.3 million** in Fiscal Year 2011-12 or **0.6%**. This is due to decreases in Finance Other of $0.5 million due to Contributions to Capital Program, Workers' Compensation Employee Benefits and Public Liability ISF, in LUEG of $0.4 million related to rental rates charged to the Road Fund for Road Fund Equipment Acquisition, $0.3 million in CSG primarily due to the anticipated transfer of East County Regional Center leases to the State of California and $0.1 million in Capital Program in the Edgemoor Development Fund.

  This decrease is offset by increases in HHSA of $0.7 million and $0.3 million in PSG which are both in the General Fund and further discussed in that section.

- **Miscellaneous Revenues** are anticipated to **decrease by $2.7 million or 7.1%**. The decrease is primarily in CSG and includes a $2.3 million decrease in the County Library as a result of fewer public donations as well as the completion of two capital projects, offset by an increase of $0.6 million in PSG primarily due to increased revenue from sales of commissary goods to inmates. This is offset by an additional decrease of $1.0 million in the General Fund, $0.6 million in HHSA and $0.4 million in LUEG which are further discussed in that section.

Charges for Services, Fees and Fines

- **Charges for Current Services** are estimated to **decrease by $4.1 million or 0.6%.** Of this total, a decrease of $5.9 million is in CSG primarily in General Services due to the reduction in one-time Major Maintenance projects. Also outside the General Fund, a net increase of $1.8 in LUEG is primarily in the Department of Public Works. See the Department of Public Works section for further detail on all the funding changes. An increase of $1.4 million in Finance Other is due to additional charges to departments in the Workers' Compensation Employee Benefit ISF and Public Liability ISF net of a decrease in charges to department in the Unemployment Insurance Employee Benefit ISF.

  A decrease of $1.4 million is proposed in the General Fund and is discussed in that section.

- **Licenses, Permits & Franchises** are estimated to **increase by $0.8 million or 1.6%.** A decrease of $0.6 million is in LUEG, primarily in the Air Pollution Control District. However, LUEG has an increase in the General Fund in the Department of Planning and Land Use (DPLU) and Department of Environmental Health (DEH) discussed in the General Fund Financing Sources section.

- **Fines, Forfeitures & Penalties** are estimated to **decrease by $0.3 million**, with a projected decrease in General Purpose Revenue in Penalties & Cost Delinquency Taxes based on expected improved rates of property tax collections and delinquencies as well as market conditions offset by an increase in PSG in the General Fund and discussed in that section. See General Purpose Revenue by Source for more information.

Property and Other Taxes

Property and Other Taxes are anticipated to **increase by $6.7 million or 0.7%**. The overall increase is primarily in the General Fund in General Purpose Revenue. See the section on General Purpose Revenue by Source beginning on page 68 for more information on the projected increase.

Fund Balance Component Decrease

The use of Fund Balance Component Decreases (formerly Reserves/Designations Decreases) is proposed to **increase by a net of $8.9 million or 67.3%** compared to Fiscal Year 2010-11. The increases in this category are primarily in Public Works for replacement capital projects in the Spring Valley, Alpine, Lakeside and Wintergarden Sanitation Districts, and in CSG in the Registrar of Voters in the General Fund.

Use of Fund Balance

Finally, the Use of Fund Balance is proposed to **decrease by $137.2 million or 33.2%** due to the normal fluctuations in one-time projects. The Use of Fund Balance in the General Fund is proposed to decrease by $85.9 million and all other funds are proposed to decrease by $51.3 million.

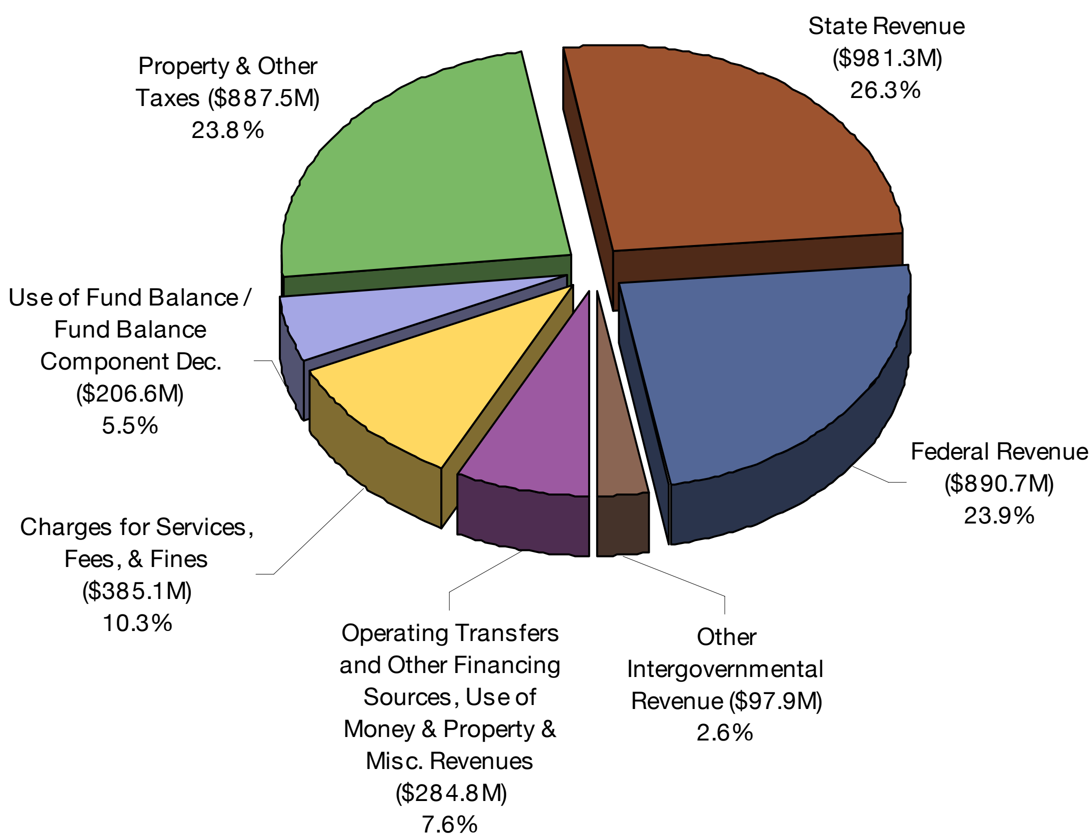
See the Group/Agency section beginning on page 105 for the breakdown of financing sources by department.

Summary of General Fund Financing Sources

General Fund Financing Sources - Overview

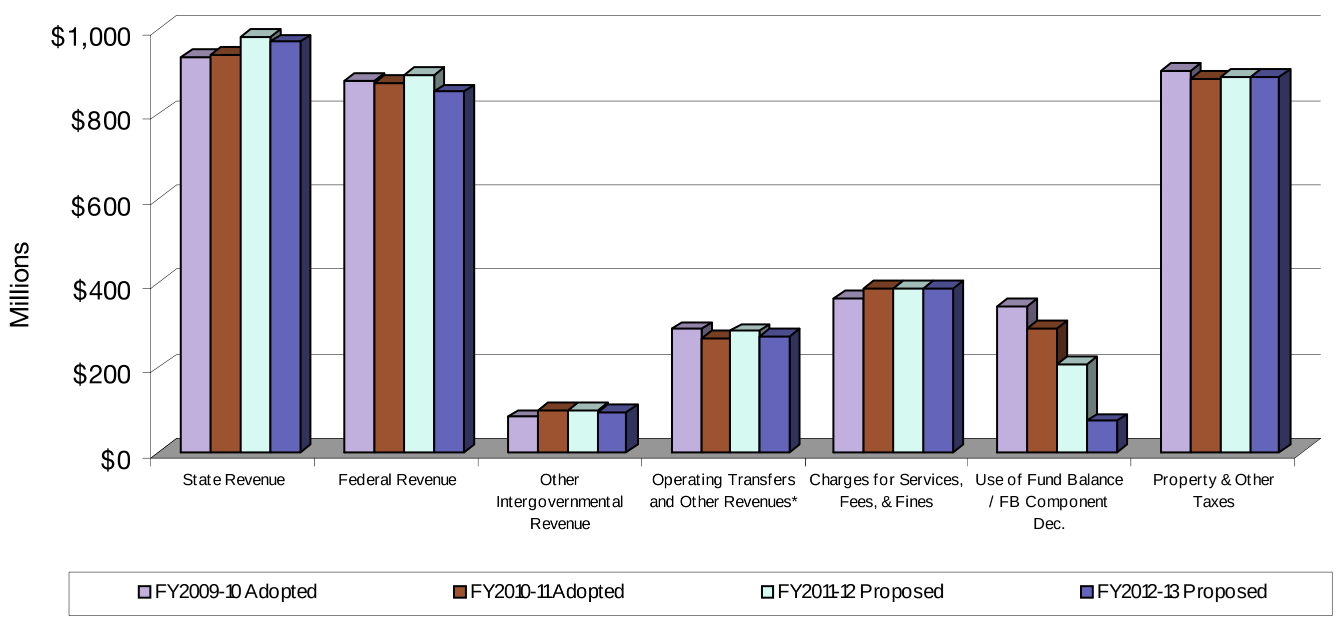
The General Fund is the County's largest single and primary operating fund. It is used to account for all financial resources of the County except those required to be accounted for in other funds. In this Proposed Operational Plan, **General Fund Financing Sources total $3.73 billion** for Fiscal Year 2011-12, a $5.3 million or 0.1% decrease from Fiscal Year 2010-11 Adopted Budget. In comparison, the previous nine fiscal years saw an average annual growth rate of 4.5%. 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 2011-12: $3.73 billion



Further slowing is expected in Fiscal Year 2012-13. General Fund Financing Sources are expected to decrease by $194.8 million or 5.2% in Fiscal Year 2012-13. General Purpose Revenue is expected to increase by 0.1% ($1.2 million), Program Revenue is projected to decline by 2.4% ($62.0 million) and the planned use of fund balance is expected to decline by 64.8% ($134.0 million) in Fiscal Year 2012-13. Proposed uses of fund balance in Fiscal Year 2012-13 are tentative and subject to revision during the next Operational Plan development cycle.

General Fund Financing Sources
Fiscal Years 2009-10 Through 2012-13



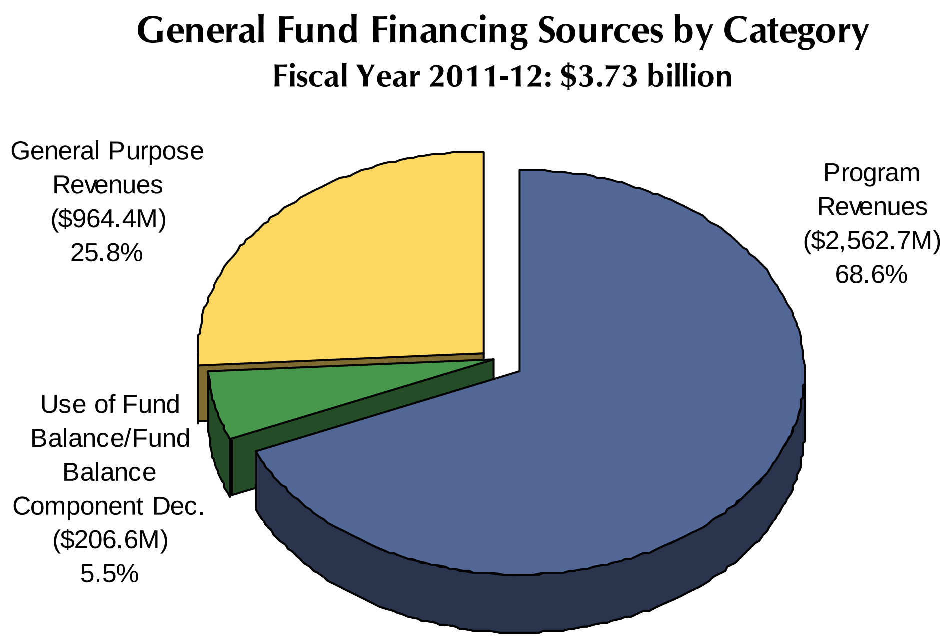
*Other Revenues include Other Financing Sources, Use of Money & Property and Miscellaneous Revenues.

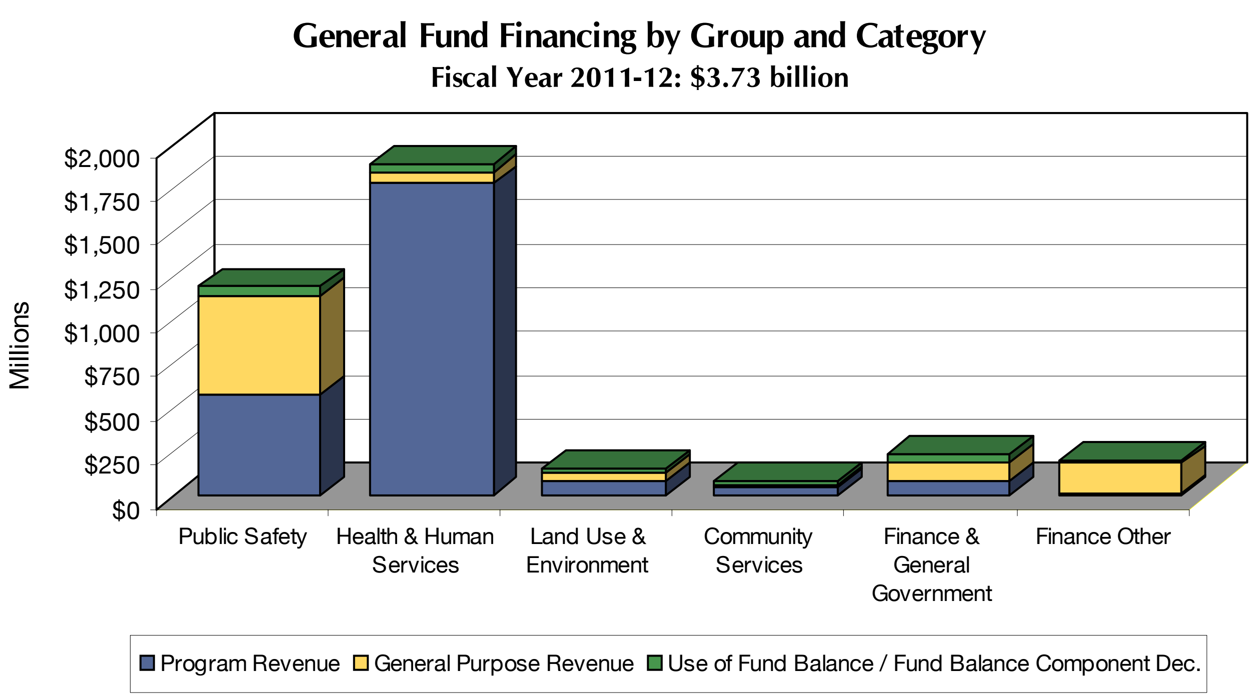
General Fund Financing Sources (in millions)

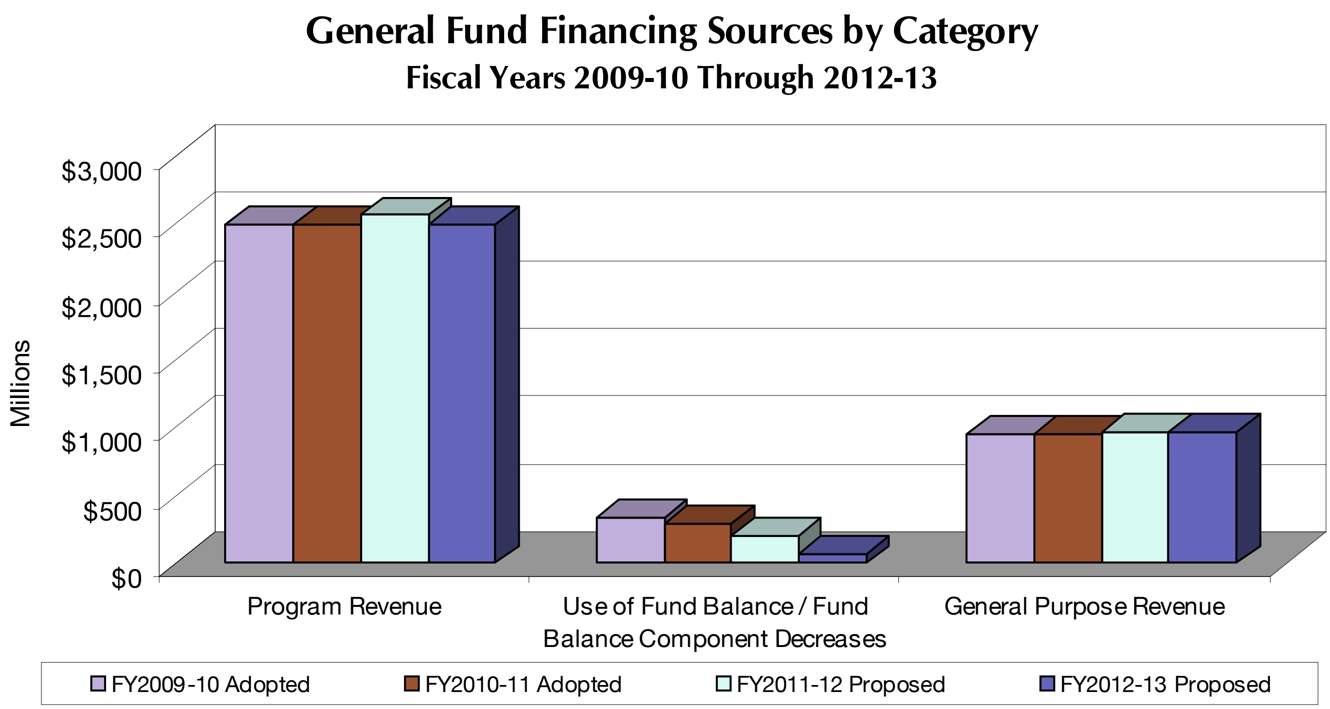
	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
State Revenue	$ 936.0	$ 940.7	$ 981.3	4.31	$ 970.1
Federal Revenue	876.1	874.0	890.7	1.91	852.1
Other Intergovernmental Revenue	81.7	98.2	97.9	(0.31)	94.9
Operating Transfers and Other Financing Sources, Use of Money & Property & Misc. Revenues	290.2	268.7	284.8	6.00	275.1
Charges for Services, Fees, & Fines	361.5	385.4	385.1	(0.07)	385.8
Property & Other Taxes	900.8	880.8	887.5	0.76	888.4
Fund Balance Component Decreases	7.2	4.6	5.9	27.89	13.6
Use of Fund Balance	336.6	286.8	200.8	(29.99)	59.1
Total	$ 3,790.0	$ 3,739.1	$ 3,733.8	(0.14)	$ 3,539.0

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 Revenue, General Purpose Revenue or Use of Fund Balance (including Fund Balance Component Decreases - formerly Reserves/Designation Decreases).





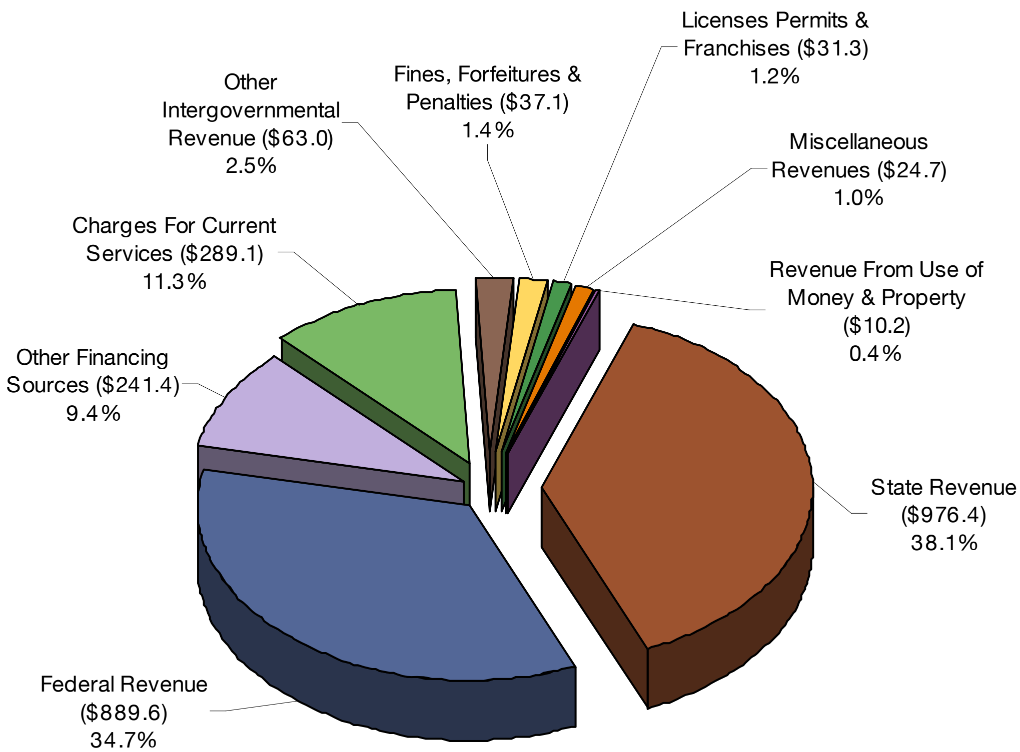


General Fund Financing Sources by Category (in millions)					
	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Program Revenues	$ 2,495.6	$ 2,493.3	$ 2,562.7	2.78	$ 2,500.7
Use of Fund Balance / Fund Balance Component Decreases	343.7	291.4	206.6	(29.08)	72.7
General Purpose Revenues	950.7	954.4	964.4	1.05	965.6
Total	$ 3,790.0	$ 3,739.1	$ 3,733.8	(0.14)	$ 3,539.0

General Fund - Program Revenue

Program Revenue, as the name implies, is dedicated to and can be used only for the specific programs with which they are associated. This revenue makes up 68.6% of General Fund Financing Sources in Fiscal Year 2011-12, and is derived primarily from State and federal subventions and grants, and from charges and fees earned from specific programs. The Health and Human Services Agency manages 69.2% of the program revenues, the Public Safety Group manages 22.4% and the balance is managed across the County's other service delivery groups. Program Revenue is expected to increase by 2.8% ($69.4 million) from the Fiscal Year 2010-11 Adopted Budget compared to an average annual growth for the last eight years of 2.9%.

General Fund - Program Revenue by Source
Fiscal Year 2011-12



General Fund - Program Revenue by Source (in millions)	Fiscal Years 2009-10 Adopted Budget	Fiscal Years 2010-11 Adopted Budget	Fiscal Years 2011-12 Proposed Budget	% Change	Fiscal Years 2012-13 Proposed Budget
State Revenue	$ 930.9	$ 935.7	$ 976.4	4.35	$ 965.1
Federal Revenue	875.1	872.9	889.6	1.90	851.0
Other Financing Sources	248.9	225.1	241.4	7.25	238.3
Charges For Current Services	266.3	290.5	289.1	(0.48)	295.9
Other Intergovernmental Revenue	76.5	68.6	63.0	(8.09)	59.9
Fines, Forfeitures & Penalties	35.4	35.4	37.1	4.79	30.6
Licenses Permits & Franchises	29.6	30.1	31.3	3.91	31.7
Miscellaneous Revenues	22.9	25.6	24.7	(3.63)	17.9
Revenue From Use of Money & Property	10.0	9.3	10.2	8.79	10.3
Taxes Other Than Current Secured	0.05	—	—	—	—
Total	$ 2,495.6	$ 2,493.3	$ 2,562.7	2.78	$ 2,500.7

General Fund - Change in Program Revenue

The **$69.4 million increase in Program Revenue** in the Fiscal Year 2011-12 Proposed Budget is the net of increases and decreases in various funding sources. In the table on the previous page, State Revenue, Federal Revenue, Other Financing Sources, Fines, Forfeitures & Penalties, Licenses, Permits & Franchise and Revenue from the Use of Money & Property increase a combined $77.3 million. Reductions totaling $7.9 million are in the categories of Other Intergovernmental Revenue, Charges for Current Services, and Miscellaneous Revenues.

General Fund - Change in Program Revenue by Source

State Revenue

State Revenue **increases by $40.7 million or 4.3%** in Fiscal Year 2011-12. Of this total, there is a decrease in the Community Services Group (CSG) of $1.6 million, offset by increases in the Health and Human Services Agency (HHSA) of $39.3 million and in the Public Safety Group (PSG) of $3.0 million.

In HHSA, the net increase of $39.3 million is primarily the result of increases in Mental Health Services (MHS) revenue due to planned implementation of additional MHS components and an increase in State Realignment revenue substantially in Aging and Independence Services to help offset the ending of the Economic Stimulus funding.

The increase in PSG of $3.0 million is primarily in Probation due to the creation of *Community Connections Performance Incentive Act* (Senate Bill 678) and increases in Youthful Offender Block Grant and Local Safety and Protection Account for the Juvenile Justice Crime Prevention Act. These increases are partially offset by decreases due to the discontinuance of the California Administrative Office of the Courts' contract with the County for Family Dependency Services and reductions in SB618, Medi-Cal Administrative Activities and Offender Treatment Program.

The $1.6 million decrease in CSG is in Housing and Community Development (HCD) due to decreased funding from the California Department of Housing and Community Development for First-Time Homebuyers down payment and closing cost assistance program in Community Development Block Grant and the HOME Investment and Partnership Grant and in the Registrar of Voters resulting from the suspension of State funding for reimbursement of elections mandates.

Federal Revenue

Federal Revenue **increases by a net of $16.6 million or 1.9%**. It increases in HHSA by $15.5 million, in PSG by $1.9 million and in LUEG by $1.5 million offset by a decrease in CSG by $2.3 million.

The net increase of $15.5 million in HHSA is predominantly associated with the implementation of the Low Income Health Program, offset in part by reductions resulting from anticipated IHSS program caseloads based on trends and the loss of Economic Stimulus funding in Behavioral Health Services.

The decrease of $2.3 million in CSG is in HCD and is associated with the loss of prior year one-time Economic Stimulus Funding and other nonrecurring grants.

The net increase in PSG of $1.9 million is primarily due to increases in Homeland Security funding in the Sheriff's Department and the Office of Emergency Services and increased claimable expenditures in the Department of Child Support Services, offset by decreases due to the expiration of ARRA grant funded programs in the Sheriff's Department and Probation and reduced claimable expenditures in Probation programs. See the departmental narratives for additional detail.

The $1.5 million increase in LUEG is in Department of Planning and Land Use primarily attributed to Energy Efficiency and Conservation Block Grant ARRA grant for the Energy Upgrade San Diego program in December 2010.

Other Financing Sources

Other Financing Sources (including Operating Transfers from Other Funds) **increases by a net of $16.3 million or 7.3%**. There is an increase of $17.0 million in PSG as well as decrease of $0.7 million in LUEG. The $17.0 million increase in PSG is primarily due to funding from Proposition 172, *Local Public Safety Protection and Improvement Act of 1993*. Please see the following section for more information on Proposition 172 funding. The decrease in LUEG is related to the San Diego County Fire Authority transfer and a decrease in the Executive Office from one-time support from the Air Pollution Control District in Fiscal Year 2010-11 for the Business Case Management System.

Charges For Current Services

Charges For Current Services **decrease by $1.4 million or 0.5%**. Revenues decrease by $3.0 million in LUEG, $1.8 million in PSG, $0.6 million in Finance Other and $0.6 million in CSG, offset by increases of $1.7 million in HHSA and $2.9 million in FGG.

- In LUEG, the decreases are in Environmental Health due to completion of one-time projects in Fiscal Year 2010-11 for the Vector Control Program Benefit Assessment funds and in Planning and Land Use related to the economic downturn and the transfer of zoning counter functions to the General Fund.
- In PSG, the decreases are in Child Support Services due to State action to redirect County Recovered Costs to the State general fund for one year and in Contribution to Trial Courts due to an overall reduction in work crews and associated fees.
- In Finance Other, the decrease is in Contributions to Capital Outlay due to the final maturity of the 2001 Motorola Financing.
- The CSG decrease is in the Registrar of Voters as a result of fewer billable jurisdictions participating in the Primary election, partially offset by an increase in Animal Services due to contract cities' share of the department's operational budget.
- The increase in FGG is in the Department of the Assessor/Recorder/County Clerk based on an estimated increase in Property Tax System Administration revenues and an increase in recorded document fees, E-recording revenue and Social Security Number Truncation revenue; and in the Treasurer-Tax Collector's department based on an estimated fees and penalties on delinquent tax payments, property tax administrative fee, and Bank Services Pooled Money for the implementation of enhanced technology solutions.
- In HHSA, the increases are in Regional Operations from the San Diego First Five Commission to support the Early Childhood Welfare Project, and in San Diego Psychiatric Hospital, Edgemoor Distinct Part Skilled Nursing Facility and in Alcohol and Drug Services.

Other Intergovernmental Revenue

Other Intergovernmental Revenue **decreases by $5.5 million or 8.1%**. This decrease is largely in LUEG predominantly in the Department of Planning and Land Use (DPLU) related to the completion of grant projects for the Fuels Reduction Program.

Fines, Forfeitures & Penalties

Fines, Forfeitures & Penalties **increase by $1.7 million or 4.8%** primarily in PSG due to an increase in Cal-ID revenue and increases in revenues to support facility maintenance and operation costs associated with juvenile institutional facilities.

Licenses, Permits & Franchises

Licenses, Permits & Franchises **increases by $1.2 million or 3.9%** primarily in LUEG due to increases in Environmental Health and DPLU for Hazardous Materials and Food Facility permit revenues and other fees.

Miscellaneous Revenues

Miscellaneous Revenues **decrease by $0.9 million or 3.6%**. Decreases include $0.6 million in HHSA to align budget to historical actuals, to align revenues to the correct account and due to lower interest revenue; $0.3 million in LUEG due to completion of one-time projects in Environmental Health and insurance reimbursements for firestorm claims in Public Works; $0.1 million in FGG Revenue and Recovery, and a net increase of $0.1 million in PSG primarily in the Sheriff's Department due to increased revenue from sales of commissary goods to inmates.

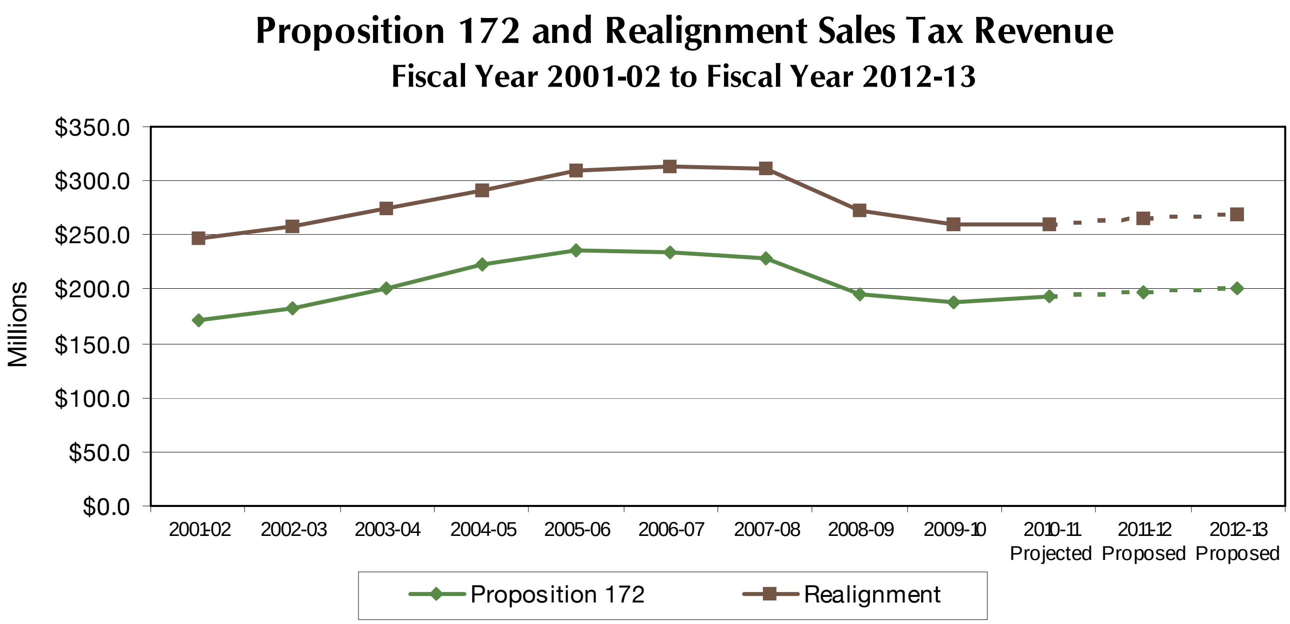
Revenue from Use of Money & Property

Revenue from Use of Money & Property **increases by $0.8 million or 8.8%**. The primary source of the increase is in HHSA and is associated with rental of property sub-leased by CalWORKs contractors.

Taxes Other than Current Secured

Taxes Other than Current Secured remain unchanged.

Following are some of the largest and most closely watched program revenues. Please see the individual Group and department sections beginning on page 105 for more specific information on the various other program revenues.



Notes: 2001-02 to 2009-10 figures represent actual revenue. 2010-11 figures represent projected revenue as of December 31, 2010. Fiscal Year 2011-12 and 2012-13 figures represent projected revenue as included in the Fiscal Year 2011-13 Proposed Operational Plan.

- **Health and Social Services Realignment Revenues ($264.8 million in Fiscal Year 2011-12 and $269.5 million in Fiscal Year 2012-13)** 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 an average 6.1% from the peak in 2006-07 of $313.0 million through 2009-10. For Fiscal Year 2010-11, a modest increase of $1.0 million over the Fiscal Year 2009-10 actual revenue is anticipated.

  For Fiscal Year 2011-12, these revenues are being budgeted cautiously and are expected to be above the Fiscal Year 2010-11 projected amount by 1.9% ($4.8 million). It is anticipated that these revenues will grow modestly in Fiscal Year 2012-13. The chart above shows the realized revenues for Health and Social Services Realignment for Fiscal Years 2001-02 through 2009-10 and projected levels for Fiscal Years 2010-11 through 2012-13.

- **Proposition 172 - Public Safety Sales Tax Revenues ($196.5 million in Fiscal Year 2011-12 and $200.0 million in Fiscal Year 2012-13)** 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 based on the relative levels of taxable sales in each county to the total taxable sales in all qualified counties. Counties in turn distribute a portion of the Proposition 172 receipts to their cities according to ratios established pursuant to the Government Code.

  Between Fiscal Years 2001-02 and 2005-06, annual revenue growth averaged 8.3%. Revenues declined by an average 5.5% from the peak in 2005-06 of $236.4 million through 2009-10. For Fiscal Year 2010-11, a moderate increase of $5.5 million over the Fiscal Year 2009-10 actual revenue is anticipated.

For Fiscal Year 2011-12, these revenues are being budgeted cautiously and are expected to be above the Fiscal Year 2010-11 projected amount by 1.4% ($2.8 million). It is anticipated that these revenues will grow modestly in Fiscal Year 2012-13. The chart on the preceding page shows the realized revenues for Proposition 172 for Fiscal Years 2001-02 through 2009-10 and projected levels for Fiscal Years 2010-11 through 2012-13. See also, the discussion of General Purpose Revenue on page 68.

- **Tobacco Settlement Revenues ($32.2 million in Fiscal Year 2011-12 and $24.2 million in Fiscal Year 2012-13)** 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 nonreceipt 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 of Supervisors Policy.

  In May 2006, the County securitized additional anticipated receipts and added $123.5 million to the endowment fund. These proceeds will enable the County to fund approximately $27.5 million of health care programs annually through approximately 2034. The $32.2 million proposed in Fiscal Year 2011-12 reflects $8.0 million in one-time, nonsecuritized 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 2011-12. A request will be submitted to the Board of Supervisors if the additional resources are needed.

General Fund - General Purpose Revenue

General Purpose Revenue (GPR) makes up 25.8% of the General Fund Financing Sources. Please see the separate discussion of General Purpose Revenue beginning on page 68.

General Fund - Use of Fund Balance/Fund Balance Component Decreases (previously Designations)

Use of Fund Balance, including Fund Balance Component Decreases, **($206.6 million in Fiscal Year 2011-12 and $72.7 million in Fiscal Year 2012-13)**, represents 5.5% of General Fund Financing Sources in Fiscal Year 2011-12. 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 mitigation 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 General Fund - Use of Fund Balance proposed for Fiscal Year 2011-12:

- Aerial Fire Suppression "Call When Needed" support.
- One-time capital needs for volunteer fire protection districts through the Fire Protection and Emergency Medical Services Grant Program.
- Reentry programs rebudget in the District Attorney and Probation departments.
- Resources for Child Support Services to match available federal funds for one year.
- County Administration Center relocation for Public Safety Group Executive Office.
- Miramar Range Training Center operational support.
- Food services equipment for Sheriff's facilities.
- Public Defender support for the remaining term of certain lease costs associated with the discontinued contract for Family Dependency Services.
- Safety equipment for the Sheriff's Department.
- Regional Communication System initial support pledged toward the County share of region-wide funding required to design, procure and install the system platform.
- Defense of special circumstance cases rebudget.
- Replacement of radio communication equipment.
- Stabilization support, in decreasing amounts, to partially offset dramatic prior year decreases in Proposition 172 revenues.
- One-time major maintenance projects.

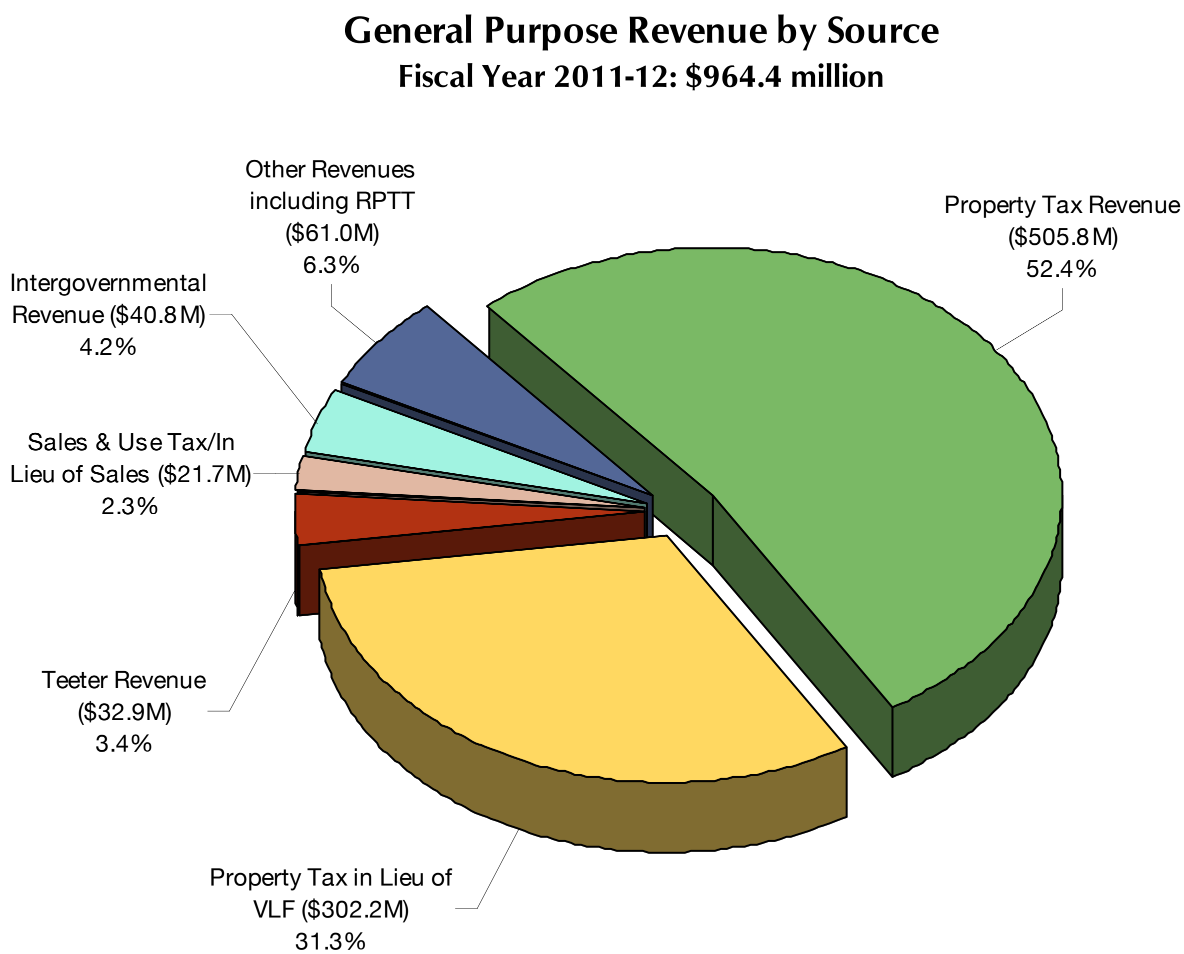
- Health and Human Services support for transition from future State enacted cuts or economic downturn.
- Grand Avenue clinic sale proceeds commitment for Public Health.
- Public outreach for maternal, child and family health.
- Relocation efforts related to the County Operations Center capital project.
- General Plan Update/Zoning Ordinance project costs rebudget.
- Multiple Species Conservation Program (MSCP) (North) Resource Management Plans to protect biological and cultural resources rebudget.
- Smuggler's Gulch dredging project rebudget.
- Fire program prevention and response activities:
  - Fire Safe Communities Evacuation Study rebudget.
  - Defensible space management.
  - Volunteer program stipends.
  - Vehicle, equipment and fire apparatus grant match.
  - Consultant services for vegetation management environmental impact report.
  - Volunteer personal safety equipment rebudget.
- Firestorm 2007 rebuilding permit waiver rebudget.
- Parks and Recreation energy savings projects.
- Planning and Land Use Code Enforcement temporary staffing support rebudget.
- Planning and Land Use Code Enforcement abatements rebudget.
- Planning and Land Use plan for addressing greenhouse gas emissions in projects in compliance with Assembly Bill (AB) 32, *California Global Warming Solutions Act of 2006*.
- Purchase of Agriculture Conservation Easements (PACE) program support.
- Parks and Recreation community target marketing plan.
- Parks and Recreation signage and health and safety needs.
- Planning and Land Use building permit study to establish a permit self-certification program.
- Public Works SANDAG quality of life study.
- Consultants for grants and FEMA for the Land Use and Environment Group.
- Tribal liaison consultants and support.
- Woodside Drainage improvement rebudget.
- Sweetwater-Jamul Drainage Master Plan rebudget.
- Public Works Stormwater program financing alternatives study.
- Residential integrated pest management program rebudget.
- Proctor Valley Road closure rebudget.
- Regional Water Quality Control Board bacteria total max daily load reporting requirement compliance study.
- Animal Services interactive voice response system.
- Registrar of Voters February 2012 election support.
- Registrar of Voters Top Two Primary Act support.
- Continuation of Vote-by-Mail program.
- Various information technology projects, such as:
  - District Attorney Case Management System and IT refresh rebudget.
  - IT refresh in the Sheriff's Department.
  - Probation Case Management System.
  - Support the initial development of IT proposals that involve multiple County departments and systems.
  - Business Process Reengineering, imaging and IT initiatives, including Microsoft Windows 7 remediation upgrade, in the Health and Human Services Agency.
  - Geographic Information System enhancements rebudget.
  - Document imaging, digitization and Documentum records management integration in Land Use and Environment Group.
  - Land Use and Environment Group Business Case Management System rebudget and enhancements.
  - Public Works Integrated Regional Water Management data management system grant match.
  - Public Works upload of reports to State.
  - Enterprise Resource Planning initiatives related to system access management, website design, virtualization of desktop computers and data storage.
  - Documentum electronic repository for CD project files rebudget in Housing and Community Development.
  - Registrar of Voters Internet election disclosures and digitization of signatures from microfiche.
  - Human Resources one-time licensing related to "On-Boarding" system project.
  - Web Integrated Tax System (WITS) 3.0 upgrade.
  - Integrated Property Tax System (IPTS) rebudget.
  - Data imaging enhancements rebudget.
- County Administration Center seismic evaluation.
- Grand Jury carpet replacement.
- Workforce Academy for Youth (WAY) program.

- Capital projects, including MSCP land purchase, Agua Caliente Park cabins for campers, and Animal Services long-term care facility.
- Grants provided to community organizations.
- Negotiated one-time 2% salary payments not covered by other funding sources.
- Management reserves.

General Purpose Revenue

General Purpose Revenue by Source

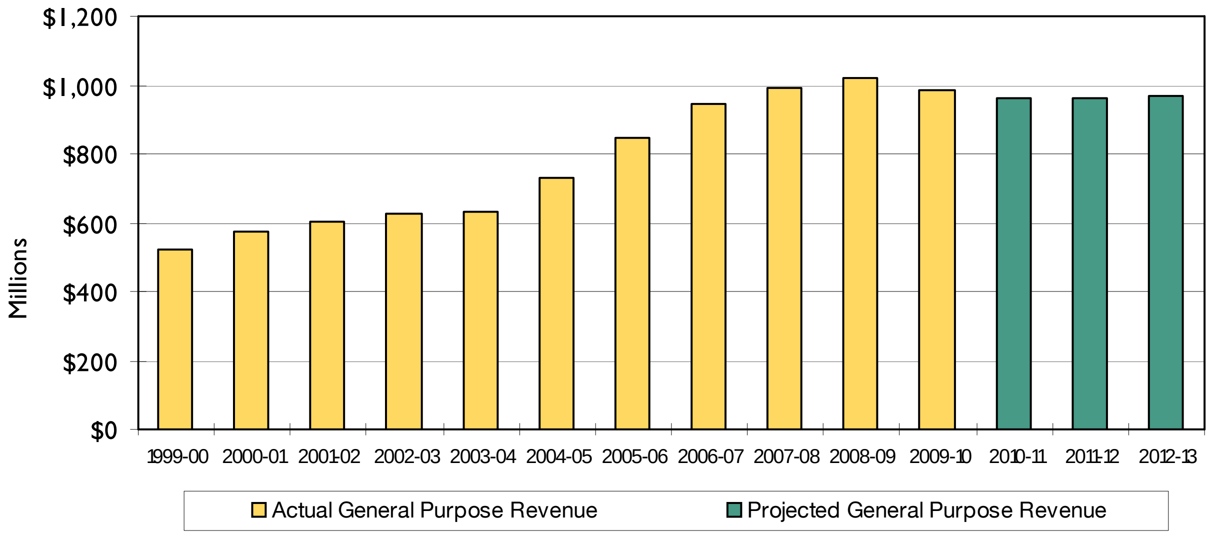
General Purpose Revenue (GPR) represents approximately 25.8% of the General Fund's Financing Sources. This revenue comes from property taxes, property tax in lieu of vehicle license fees (VLF), the Teeter program, sales and use tax, real property transfer tax (RPTT), Aid from Redevelopment Agencies, and miscellaneous other sources. It 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 this revenue. Details of the major components of General Purpose Revenue are discussed below.



For the ten-year period of Fiscal Year 1999-2000 through Fiscal Year 2009-10, GPR grew by an annual average of $46.4 million. This is a decrease from the nine-year average of $55.7 million from Fiscal Year 1999-2000 through Fiscal Year 2008-09. The national recession that began in December 2007 and ended in June 2009 along with the State and local downturn that corresponded with the national recession have had a significant impact on GPR. For Fiscal Year 2011-12, the $964.4 million proposed for GPR is an increase of $10.0 million or 1.0% from the Fiscal Year 2010-11 budgeted amount of $954.4 million. These resources are projected to increase slightly to $965.6 million in Fiscal Year 2012-13. See the chart on the following page for an historical view of GPR.

General Purpose Revenue History

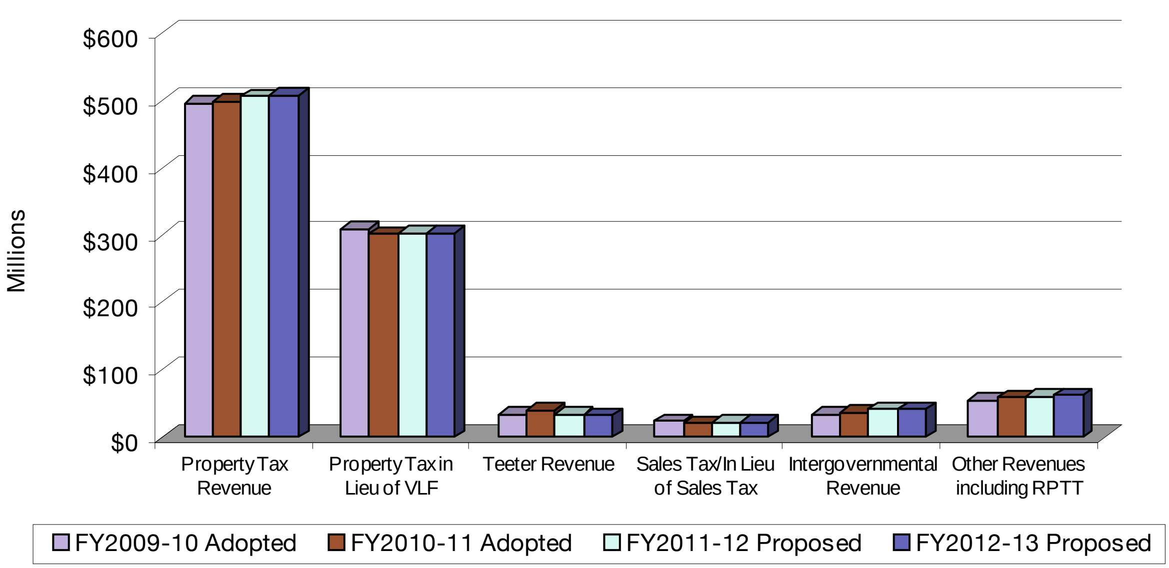
Fiscal Year 1999-00 to Fiscal Year 2012-13



Notes: General Purpose Revenue (GPR) for 1999-00 through 2009-10 represents actual revenue. Fiscal Year 2010-11 represents the 2nd Quarter estimate produced December 2010. GPR projections for Fiscal Years 2011-12 and 2012-13 are included in the 2011-13 CAO Proposed Operational Plan.

General Purpose Revenue by Source

Fiscal Years 2009-10 Through 2012-13



General Purpose Revenue by Source (in millions)	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Property Tax Revenue	$ 496.3	$ 497.6	$ 505.8	1.66	$ 506.7
Property Tax in Lieu of VLF	309.3	301.8	302.2	0.11	302.2
Teeter Revenue	33.9	40.3	32.9	(18.23)	31.8
Sales and Use Tax/In Lieu of Sales Tax	23.4	20.0	21.7	8.51	22.1
Intergovernmental Revenue	33.4	35.6	40.8	14.65	41.0
Other Revenues including RPTT	54.4	59.1	61.0	3.18	61.8
Total	$ 950.7	$ 954.4	$ 964.4	1.05	$ 965.6

Property Tax Revenue

Property Tax Revenue, **($505.8 million in Fiscal Year 2011-12 and $506.7 million in Fiscal Year 2012-13)**, including current secured, current supplemental and current unsecured, represents 52.4% 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 2011-12, proposed property tax revenue is $8.2 million or 1.7% higher than the budget for Fiscal Year 2010-11. Property tax revenue is projected to increase 0.2% or $0.9 million for Fiscal Year 2012-13.

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.

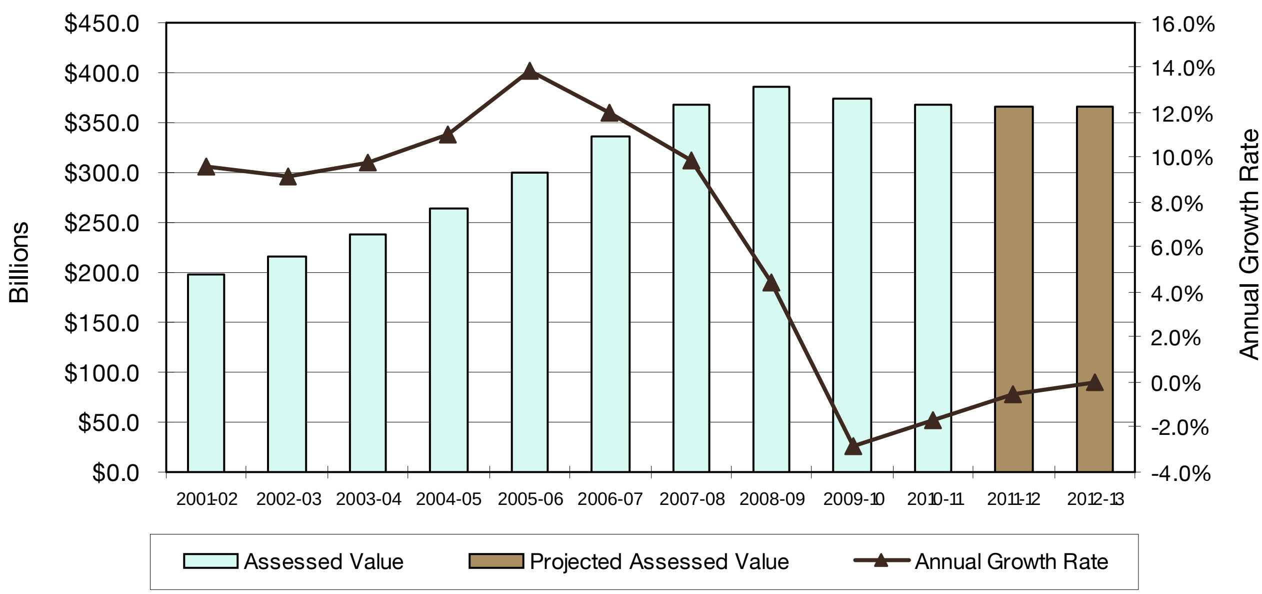
The assessed value of real property has been in decline over the last two years and is projected to decline for a third year in San Diego County as a result of the credit crisis and economic downturn that began in 2007. Consequently property tax revenue has decreased during this same time period. The residential real estate has begun to stabilize; however, the commercial real estate market has weakened. The table above presents a summary of historical and projected property tax revenue to show the changes by category.

- ***Current Secured*** property tax revenue **($487.1 million in Fiscal Year 2011-12 and $488.0 million in Fiscal Year 2012-13)** is expected to increase by $9.9 million in Fiscal Year 2011-12 from the adopted level for Fiscal Year 2010-11.

  This revenue is 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 2011-12 revenue amount assumes a 0.5% decrease in the local secured assessed value from the actual current secured assessed value amount for 2010-11 (which was a 1.7% decrease from the prior year), but it also 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. The Fiscal Year 2011-12 assumption that local secured assessed value will decrease by 0.5% conservatively captures anticipated decreases associated with commercial assessment reviews in progress and uncertainty regarding timing of anticipated commercial value reductions. If the anticipated commercial reductions are not processed in Fiscal Year 2010-11, the Fiscal Year 2011-12 actual decline in assessed value may be less than assumed in the proposed budget resulting in a positive variance from budget. In Fiscal Year 2011-12, corrections and refunds are expected to decline compared to Fiscal Year 2010-11 projected levels of $19.2 million estimated at the time the budget was prepared 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. While refunds and corrections are expected to stabilize, there is a risk that refunds and corrections may exceed budgeted levels due to commercial property assessment reviews currently in progress. The timing and amount of these potential resultant refunds is unknown and will be monitored closely.

The expected increase in revenue of $9.9 million or 2.1% is the net result of an anticipated reduction in expected refunds and corrections, an improvement in the delinquency rate, and the fact that the assessed value decline used to develop the budget in Fiscal Year 2010-11 was less than anticipated. Specifically, the Fiscal Year 2010-11 current secured revenue assumed a 2.35% decrease in the local secured assessed value over the actual current secured assessed value amount for 2009-10. However, the actual current secured assessed value decrease was only 1.7%. Moreover, there was an overall assessed value increase in State-assessed public utilities. For Fiscal Year 2012-13, local secured assessed value is assumed to remain flat but the County's share of total property tax revenues is expected to increase marginally with an expected stabilization in the level of refunds and corrections.

San Diego County Locally Assessed Secured Property Values
Fiscal Year 2001-02 to Fiscal Year 2012-13



Notes: The projected locally assessed secured values assume a -0.5% decline for Fiscal Year 2011-12 and no growth for Fiscal Year 2012-13.
Source: San Diego County Auditor and Controller

- ***Current Supplemental*** property tax revenue **($1.9 million in Fiscal Year 2011-12 and $2.0 million in Fiscal Year 2012-13)** is 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 have been 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, increased to $15.0 million in 2007-08, and exceeded $38.3 million in Fiscal Year 2008-09. Supplemental refunds dropped to $21.6 million in Fiscal Year 2009-10. They are projected to total $14.6

million in Fiscal Year 2010-11, and are anticipated to continue to decline gradually with the anticipated slow improvement in residential and commercial assessed values.

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, to $2.4 million in Fiscal Year 2008-09, and to $1.9 million in Fiscal Year 2009-10. The Proposed Operational Plan assumes that this weakness will continue through the next two fiscal years with the Fiscal Year 2011-12 amount being $1.9 million, followed by a marginal increase to $2.0 million in Fiscal Year 2012-13.

- ***Current Unsecured*** property tax revenue **($16.8 million in Fiscal Year 2011-12 and $16.7 million in Fiscal Year 2012-13)** does 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 is used for Fiscal Year 2012-13.

Property Tax Summary (in millions)

	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Current Secured	$ 479.2	$ 477.2	$ 487.1	2.07	$ 488.0
Current Supplemental	0.3	3.1	1.9	(38.71)	2.0
Current Unsecured	16.8	17.3	16.8	(2.89)	16.7
Total	$ 496.3	$ 497.6	$ 505.8	1.65	$ 506.7

Property Tax in Lieu of Vehicle License Fees (VLF)

Property Tax in Lieu of Vehicle License Fees (VLF) **comprises 31.3% ($302.2 million) of the General Purpose Revenue amount in Fiscal Year 2011-12 and 31.3% of the projected amount ($302.2 million) in Fiscal Year 2012-13.** 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 0.5% for Fiscal Year 2011-12. Despite the projected reduction in net taxable unsecured and local secured assessed value in Fiscal Year 2011-12, proposed revenues are anticipated to be $0.3 million higher than what was budgeted for Fiscal Year 2010-11. In Fiscal Year 2010-11, the actual assessed value reduction was 1.7% compared to a budgeted reduction of 2.3%. The Fiscal Year 2012-13 revenue is estimated using a flat assessed value growth calculation.

Teeter Revenue

Teeter Revenue (**$32.9 million in Fiscal Year 2011-12 and $31.8 million in Fiscal Year 2012-13)** represents about 3.4% of General Purpose Revenue in Fiscal Year 2011-12. For Fiscal Year 2011-12, proposed Teeter Revenue is $7.3 million or 18.2% lower than the budget for 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 Revenue is 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. See the table on page

72 for the amount of revenue pertaining to each of these three components. 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 2011-12, collections from previous years' receivables are budgeted to decrease by $4.8 million based on the size of the outstanding annual receivables and anticipated collection trends and market conditions. In Fiscal Year 2011-12, excess amounts from the Teeter Tax Loss Reserve Fund are projected to decrease from the $21.5 million that was budgeted in Fiscal Year 2010-11 to $19.0 million in Fiscal Year 2011-12. They are expected to decrease to $18.0 million in Fiscal Year 2012-13.

Sales & Use Tax Revenue

Sales & Use Tax Revenue **($21.7 million in Fiscal Year 2011-12 and $22.1 million in Fiscal Year 2012-13)** represents about 2.3% 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 on page 68 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 through Fiscal Year 2007-08 in concert with population growth and new retail business formation in the unincorporated areas of the county. However, the recession, housing market declines, and unemployment trends negatively impacted taxable sales at the statewide, Southern California and San Diego regional level. Sales and use tax revenues have started to improve during calendar year 2010 with year-over-year quarterly increases in all four quarters, resulting in a projected Fiscal Year 2010-11 increase of $1.3 million, or 6.4%, compared to budget. For Fiscal Year 2011-12, the amount proposed is $1.7 million, or 8.5%, above the Fiscal Year 2010-11 Adopted Budget. Sales Tax growth in Fiscal Year 2012-13 is anticipated to be $0.4 million, or 2.0%, over Fiscal Year 2011-12.

Intergovernmental Revenue

Intergovernmental Revenue **($40.8 million in Fiscal Year 2011-12 and $41.0 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.

Intergovernmental Revenue (in millions)	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Aid from Redevelopment Agencies	$ 22.1	$ 24.3	$ 29.6	21.81	$ 29.8
State Aid HOPTR	5.1	5.0	4.9	(1.71)	4.9
Federal Payments In Lieu of Taxes	1.0	1.1	1.1	0.0	1.1
Aid from City of San Diego	5.2	5.2	5.2	0.0	5.2
Total	$ 33.4	$ 35.6	$ 40.8	14.66	$ 41.0

The table above presents a summary of historical and projected intergovernmental revenue to show the changes by category. For Fiscal Year 2011-12, the amount proposed is $5.2 million, or 14.6%, above the Fiscal Year 2010-11 Adopted Budget. The anticipated increase in Aid from Redevelopment Agencies is primarily associated with additional funding from the Redevelopment Agency of the City of San Diego, Centre City Redevelopment Project. Pursuant to an agreement, the County will receive a percentage increase of total tax increment generated in the project area upon meeting certain tax increment thresholds. There will be no further percentage increases with this Redevelopment Agency.

Other Revenues

Other Revenues for **Fiscal Year 2011-12 total $61.0 million and increase to $61.8 million in Fiscal Year 2012-13.** The Fiscal Year 2010-11 amount represents an 3.2% or $1.9 million increase over the Fiscal Year 2010-11 Adopted Budget. Various revenue sources make up this "Other Revenues" category including Real Property Transfer Tax (RPTT), interest on deposits, fees, fines 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 2011-12, at $15.2 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, RPTT, is a leading indicator of local economic strength. RPTT revenue for Fiscal Year 2011-12 is proposed to be budgeted at $13.8 million, a 9.2% ($1.2 million) increase from the Fiscal Year 2010-11 Adopted Budget, reflecting a continued improvement in the volume of transactions from the substantial slowing and overall volatility that began in fall 2008. Revenues are projected to improve by $0.4 million or 3.0% in Fiscal Year 2012-13 with an assumption that property re-sales will continue to improve, but only modestly. RPTT 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.

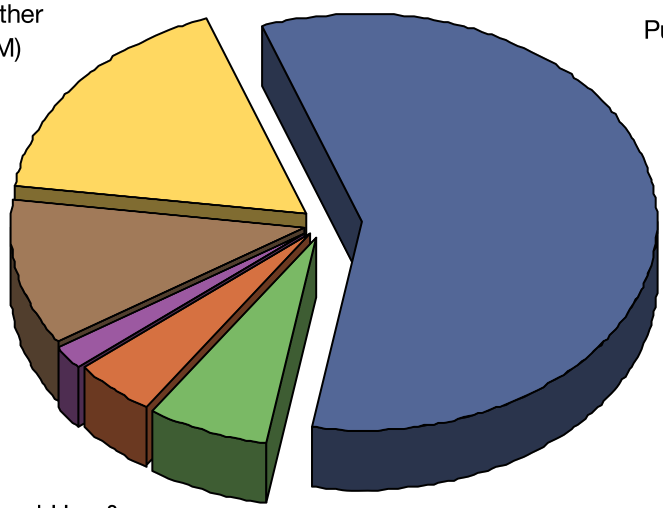
The following table presents a summary by account of historical and projected General Purpose Revenue.

General Purpose Revenue	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Property Taxes Current Secured	$ 479,141,686	$ 477,192,517	$ 487,158,053	2.09	$ 488,058,053
Property Taxes Current Supplemental	315,120	3,044,869	1,874,015	(38.45)	1,959,938
Property Taxes Current Unsecured	16,826,271	17,338,957	16,781,591	(3.21)	16,717,105
Property Tax In Lieu of VLF	309,263,588	301,837,082	302,159,104	0.11	302,159,104
Teeter Tax Reserve Excess	14,000,000	21,500,000	19,000,000	(11.63)	18,000,000
Teeter Prop Tax Cumulative Prior Years	4,435,615	6,204,217	4,376,700	(29.46)	4,247,502
Teeter Prop Tax Prior Year	15,455,034	12,554,621	9,542,387	(23.99)	9,516,052
Sales & Use Taxes	17,442,429	14,999,966	15,993,213	6.62	16,313,078
In Lieu Local Sales & Use Tax	5,990,080	5,003,345	5,713,046	14.18	5,827,306
State Aid HOPTR	5,078,014	4,985,000	4,910,000	(1.50)	4,910,000
Federal In-Lieu Taxes	1,023,206	1,056,408	1,100,000	4.13	1,100,000
Aid From City Of San Diego	5,222,553	5,222,553	5,222,553	0.00	5,222,553
Redevelopment Incr./Aid from Red. Agencies	22,100,000	24,362,009	29,612,382	21.55	29,772,755
Property Taxes Prior Secured	400,000	400,000	400,000	0.00	400,000
Property Taxes Prior Secured Supplemental	2,583,671	2,030,625	4,033,363	98.63	4,294,079
Property Taxes Prior Unsecured	300,000	300,000	300,000	0.00	300,000
Property Taxes Prior Unsecured Suppl.	300,000	200,000	350,000	75.00	350,000
Other Tax Aircraft Unsecured	3,045,000	3,045,000	3,451,000	13.33	3,502,765
Transient Occupancy Tax	3,300,000	2,500,000	2,500,000	0.00	2,500,000
Real Property Transfer Taxes	5,854,000	12,659,593	13,828,537	9.23	14,243,393
Franchises, Licenses, Permits	9,231,379	10,083,693	10,336,530	2.51	10,389,895
Fees, Fines & Forfeitures	2,141,064	2,124,258	2,064,742	(2.80)	2,106,038
Penalties & Cost Delinquency Taxes	18,412,468	17,102,675	15,161,049	(11.35)	15,159,179
Interest On Deposits & Investments	7,385,109	7,623,775	7,525,430	(1.29)	7,525,430
Interfund Charges/Miscellaneous Revenues	1,458,713	1,028,837	1,028,305	(0.05)	1,027,775
Total	$ 950,705,000	$ 954,400,000	$ 964,422,000	1.05	$ 965,602,000

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 2011-12 budget for the Public Safety Group represents 29.0% of total County expenditures, the allocation of GPR for services in that Group equals 58.5% of the total GPR. By contrast, the Health and Human Services Agency's budget represents 39.6% 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 2011-12 Proposed Budget by $10.0 million.

General Purpose Revenue Allocations by Group/Agency
Fiscal Year 2011-12: $964.4 million

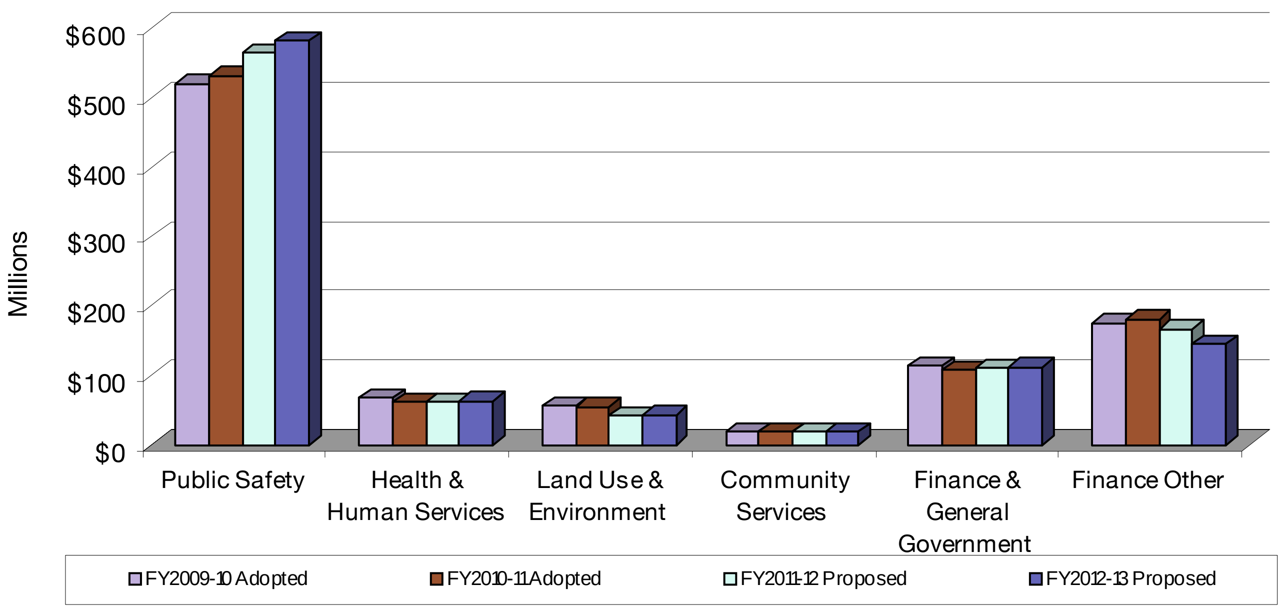


The allocation of GPR for Fiscal Years 2011-12 and 2012-13 reflects a multi-year strategic approach to managing County resources within the ongoing challenging economic environment, which has begun to show signs of stabilization and gradual recovery in Fiscal Year 2010-11. The primary goals of this strategy are to preserve core public safety and non-public safety services, maintain the commitment to the County's capital program, and address increases in contributions to the retirement fund.

Although various aspects of the challenging economic environment are described elsewhere in this document, the following is a brief summary of trends. The total assessed value of real estate in the County is expected to fall for the third year in a row. In Fiscal Year 2011-12, GPR is budgeted at $964.4 million, an improvement from Fiscal Year 2010-11 which was budgeted at $954.4 million but still a large drop from a high of $1.01 billion in Fiscal Year 2008-09. More detail on the assessed value changes are described earlier in the General Purpose Revenue section. Also important are increases in the required contributions to the retirement fund driven by the 25.71% loss in the retirement fund's market value in Fiscal Year 2008-09. The Fiscal Year 2011-12 net employer contributions to the retirement fund are proposed to increase by 14%. In anticipation of the proposed increase in required contributions, the Fiscal Year 2010-11 contribution rates adopted by the Board of Supervisors were higher than those recommended by the actuary at that time. This has lessened the impact of the increase in the County's Fiscal Year 2011-12 required contribution. Contributions are expected to continue increase significantly through Fiscal Year 2014-15; however, the annual rate of increase beyond Fiscal Year 2011-12 is not certain. Future contribution rates will be driven by the actual performance of the retirement fund. However, it is prudent to plan with these possibilities in mind.

General Purpose Revenue Allocations by Group/Agency

Fiscal Years 2009-10 Through 2012-13



General Purpose Revenue Allocations by Group/Agency (in millions)	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Public Safety	$ 519.1	$ 530.5	$ 563.9	6.31	$ 581.2
Health & Human Services	67.6	62.0	62.9	1.30	63.7
Land Use & Environment	56.5	54.6	42.5	(22.17)	43.6
Community Services	19.2	18.5	18.7	1.08	18.9
Finance & General Government	113.3	108.2	109.8	1.52	112.1
Finance Other	175.1	180.6	166.6	(7.74)	146.0
Total	$ 950.7	$ 954.4	$ 964.4	1.05	$ 965.6

The significant drop in retail sales statewide driven by economic contraction caused Proposition 172 and Realignment revenues to plummet from highs of $236.4 million for Proposition 172 in Fiscal Year 2005-06 and $313.0 million for Realignment in Fiscal Year 2006-07. Fiscal Year 2010-11 Proposition 172 budgeted revenues are still down $50.5 million from the 2005-06 peak but are showing improvement in Fiscal Year 2011-12 growing by $10.6 million. Fiscal Year 2010-11 Realignment revenues are down $58.3 million from the 2006-07 high but are anticipated recover by $10.1 million in Fiscal Year 2011-12.

The resource management strategy to address these issues over the next two years is summarized as follows:

- The Fiscal Year 2011-12 CAO Proposed Budget factors in the County's labor agreements, assumes no negotiated wage increases for Fiscal Year 2011-12, includes a 5% increase in flex credits as of January 1, 2012 and it incorporates retirement offset savings for Fiscal Year 2011-12.
- Shifts $15.2 million from the pension stabilization fund in Fiscal Year 2011-12 to the five operating groups to fund the net cost increase in required retirement fund contributions.
- Initially, $16.3 million of fund balance was allocated for public safety services in PSG as a placeholder. The Public Safety Group Proposition 172 Fund Stabilization strategy has been refined for Fiscal Year 2011-12 now that the revenue picture has become clearer. This multiyear strategy closes the gap using a combination of Proposition 172 revenue growth, Proposition 172 fund balance projected to be generated in Fiscal Year 2010-11, and Public Safety General Fund available fund balance.
- Uses $4.0 million of the Realignment fund balance commitment 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.
- The Fiscal Year 2012-13 Proposed Budget also factors in the County's labor agreements, assumes no negotiated wage increases for Fiscal Year 2012-13, includes a 5% increase in flex credits as of January 1, 2013, and it incorporates retirement offset savings for Fiscal Year 2012-13.
- Shifts $17.9 million from the pension stabilization fund in Fiscal Year 2012-13 to the five operating groups to fund the net cost increase in required retirement fund contributions.
- Continues the multi-year Public Safety Group Proposition 172 Fund Stabilization strategy for Fiscal Year 2012-13 addressing program costs in Public Safety through a combination of anticipated Proposition 172 revenue growth and Public Safety General Fund available fund balance.
- Uses $13.6 million of the Realignment fund balance commitment in Fiscal Year 2012-13 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 105. The previous charts and table show the amount of General Purpose Revenue allocated to support each Group/Agency for Fiscal Years 2011-12 and 2012-13 compared to the two prior fiscal years.

Capital Projects

Each year, the County assesses the need for capital improvements in accordance with Board of Supervisors Policies G-16, *Capital Facilities and Space Planning* and B-37, *Use of the Capital Program Funds*. These policies provide guidelines for the County's multi-year approach to planning for capital projects. The projects identified in this process include the improvement to or acquisition of land and facilities. Infrastructure projects, such as roads, bridges and sewer lines, are reviewed separately and budgeted in the applicable operating fund (e.g., Road Fund or sanitation district funds). The Fiscal Year 2011-12 capital projects budget for the County is $116.6 million and $28.7 million for Fiscal Year 2012-13. This excludes amounts proposed to be appropriated in the Edgemoor Development Fund to support the long term lease payments associated with the construction of the Edgemoor Skilled Nursing Facility. The Capital Program section of this Operational Plan on page 407 highlights major projects and includes a schedule of lease-purchase payments related to previously debt-financed projects.

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 Project Appropriations

	Dollar Amount	Number of Projects
Appropriation Increases for New & Existing Capital Projects (Fiscal Year 2011-12)		
Capital Outlay Fund	$ 36,632,500	8
Justice Facility Construction Fund	70,000,000	1
Multiple Species Conservation Program Fund	10,000,000	1
Total - Appropriation Increases for New & Existing Capital Projects (Fiscal Year 2011-12)	$ 116,632,500	10
Projects Underway		
Public Safety Group	$ 152,728,977	9
Health & Human Services Agency	9,195,964	6
Land Use & Environment Group	55,046,718	91
Community Services Group	221,927,441	15
Finance & General Government Group	7,089,808	2
Total - Projects Underway	$ 445,988,908	123
Grand Total	$ 562,621,408	133

Reserves and Resources

Additional Resources

The County maintains a prudent level of resources for various purposes. The tables below display the amount available as of July 1, 2010 and July 1, 2011. Due to the implementation of Governmental Accounting and Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions GASB 54, certain accounts have been revised to reflect the new naming convention. Also, see Summary of Financial Polices for more information.

Reserves and Resources (Projected) (in millions)	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget
Tobacco Securitization Endowment Fund	$ 412.2	$ 388.8
Economic Uncertainty	100.0	100.0
Workers' Compensation Fund	98.7	96.0
Environmental Trust Fund	63.9	58.3
Public Liability Fund	34.2	32.6
Group/Agency Management Reserves	28.7	31.2
Restricted - Debt Service	24.0	24.1
General Fund Contingency Reserve - Operations	20.0	20.0
Total	$ 781.7	$ 751.0

Committed Fund Balance (General Fund only, in millions)	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget
Committed - Realignment	$ 69.3	$ 65.3
Committed - Unforeseen Catastrophic Events	55.5	55.5
Committed - Replacement of Regional Communication System	0.0	16.0
Committed - Sheriff Capital Project	4.0	4.0
Committed - Dept. of Voter Registration	1.3	0.0
Committed - Planning and Land Use	0.7	0.7
Committed - ROV Equipment Replacement	0.4	0.4
Committed - Environmental Health	0.0	0.6
Committed - HA Kearny Mesa Lease	0.0	0.0
Total	131.2	142.5

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. Based on certain interest rate assumptions, these proceeds would have enabled the County to fund approximately

$24.2 million of health care programs annually through approximately 2020. Due to lower than anticipated interest earnings, 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.

General Fund Minimum Fund Balance for Economic Uncertainty — Established in Fiscal Year 2009-10, pursuant to Board of Supervisors Policy B-71, *Fund Balance and Reserves* (previously known as General Fund Designation of Fund Balance for Economic Uncertainty), sets a target amount that equates to 10% of General Purpose Revenue. The $100.0 million set aside of General Fund unassigned fund balance for Fiscal Year 2011-12 equates to 10.4% of General Purpose Revenue and is in compliance with that policy.

Workers' Compensation Fund — The County contracts with an actuary to annually estimate the liability and capture the costs associated with all reported and unreported Workers' Compensation claims. The liability is estimated to be $106.5 million as of July 1, 2011, which includes $22.6 million in expected costs for Fiscal Year 2011-12. The cash balance in the fund is projected to be $96.0 million as of July 1, 2011.

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 2010-11 to Fiscal Year 2011-12 represents the net amount drawn down to support landfill management operations.

Public Liability Fund — The County contracts with an actuary to annually assess the long-term liability of the fund and determine adequate level of reserves for current and future public risk management claims. The liability is estimated to be $29.0 million, which includes $10.1 million in expected costs for Fiscal Year 2011-12. The cash balance in the fund is projected to be $32.6 million as of July 1, 2011.

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.

Restricted - Debt Service —The portion of bond proceeds from 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.

General Fund Contingency Reserve — Appropriated for unanticipated needs or to offset revenue shortfalls during the fiscal year. Board of Supervisors Policy B-71, *Fund Balance and Reserves*, sets a target amount that equates to 2% of budgeted General Purpose Revenue. The $20.0 million budgeted for Fiscal Year 2011-12 equates to 2.1% of General Purpose Revenue and is in compliance with that policy.

Committed Fund Balance (General Fund only) — The Board of Supervisors has determined from time to time that certain amounts of fund balance be set-aside for specific 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 period of time. Current amounts set aside include:

- **Committed - Realignment** — 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 will use $4.0 million in Fiscal Year 2011-12 to support its programs because of the economic impact on realignment revenues.
- **Committed - Unforeseen Catastrophic Events** — Established in Fiscal Year 2007-08 by the Board of Supervisors, previously known as General Reserve, 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 fund balance commitment for Unforeseen Catastrophic Events of $55.5 million equates to 5.8% of Fiscal Year 2011-12 budgeted General Purpose Revenue and is in compliance with the policy.

- **Committed - Replacement of Regional Communication System** — Proposed to be established in Fiscal Year 2011-12, for the future design, procurement and installation of the next generation of communication technology to be used by public safety and public service agencies throughout San Diego County. These funds will be used to support the County's share of costs to replace the existing 800MHZ Regional Communication System implemented in 1996.
- **Committed - Sheriff Capital Project** — Established in Fiscal Year 1999-00, for future departmental capital expenditures.
- **Committed - Dept. of Voter Registration** — Established in Fiscal Year 2003-04 to provide sustained funding for those election years with few billable participating jurisdictions. This commitment has been decreased by $1.3 million in Fiscal Year 2011-12 to help fund election services.
- **Committed - Planning and Land Use** — Established to set aside the balance of Building/Code Enforcement excess revenue over cost paid by the Department of Planning and Land Use customers related to building permit activities. This ensures that excess revenue over cost paid by the customers is used only for work in progress costs in coming fiscal years.
- **Committed - ROV Equipment Replacement** — 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.
- **Committed - Environmental Health** — Established in Fiscal Year 2003-04, by the Department of Environmental Health (DEH) to set aside any excess revenue over cost that may occur in some fiscal years for use in a subsequent fiscal year when costs exceed revenue. This ensures that excess revenue over cost paid by DEH customers is used only to fund expenses in DEH.
- **Committed - HA Kearny Mesa Lease** — This commitment 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 commitment 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.

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 debt affordability. The County enters into both long-term 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. The term debt is used to refer to certain financial obligations of the County that are sold in the capital markets, including its bonds, certificates of participation and notes.

Long-Term Obligation Policy

The foundation of any well-managed debt program is a comprehensive and fiscally prudent policy that 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, and periodically reviews and updates it as necessary. Policy B-65, 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.

Long-Term Obligation Limits

- 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 and recommendation by the Debt Advisory Committee, which is composed of the Chief Financial Officer (CFO), the Auditor and Controller and the Treasurer-Tax Collector.
- Prior to its recommendation, the Debt Advisory Committee shall assess the ability of the County to repay the obligation, identify the funding source of repayment, evaluate the impact of the ongoing obligation on the current budget and future budgets, assess the maintenance and operational requirements of the project to be financed, and consider the impact on the County's credit rating.
- The term of the long-term obligation will not exceed the useful life or the average life of the project or projects being financed.
- Annual principal and interest payments on long-term obligations of the General Fund will not exceed 5% of General Fund revenue.

Uses of Long-Term Obligations

- Long-term financial obligations will not be used to finance current operations or recurring needs.
- The Board of Supervisors may consider long-term financial obligations for the purpose of providing office space or operational facilities to County departments or agencies, upon recommendation of the Debt Advisory Committee. Capital projects identified as candidates for debt financing should have first been identified and prioritized during the development of the County's multi-year Capital Improvement Needs Assessment. If the Debt Advisory Committee deems that the financing is feasible, financially and economically prudent, coincides with the County's objectives and does not impair the County's creditworthiness, then it will be forwarded to the Board of Supervisors for consideration.

Structuring Practices

- Variable rate obligations shall not exceed 15% of the County's outstanding long-term obligations.
- Derivative products, such as interest rate swaps, will be considered only if they meet the economic goals and policy objectives of the County as outlined in the Swap Policy of the Debt Advisory Committee.
- Long-term obligations taken on by organizations utilizing the County as a conduit issuer must qualify for an investment grade rating by one of the nationally recognized rating agencies (either with or without

alternative credit enhancement). An exception to this requirement would be private placements subject to approval by the Debt Advisory Committee.

Management Practices

- The County shall encourage and maintain good relations with credit rating agencies, investors in the County's long-term financial obligations, and those in the financial community who participate in the issuance or monitoring of the County's long-term obligations. A policy of full and open disclosure on every financial report and long-term obligation transaction will be enforced, an investor relations website will be maintained with current and accurate information, and a credit rating agency presentation/update shall be conducted annually.
- The County shall comply with all ongoing disclosure conditions and shall file such required documents in a timely manner.
- 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.
- The County of San Diego will enforce filing notices of completion on all projects within five years of their financing. 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 Moody's Investors Service and Fitch Ratings was performed in April 2011, when the agencies assigned ratings to the County's 2011 MTS Tower Refunding Certificates of Participation. During these credit reviews, all three major rating agencies affirmed the County's long-term issuer rating, lease financing ratings and pension obligation bond ratings, citing 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 Fitch Ratings, "the county continues to manage its financial situation well in the face of significant challenges." All these rating agencies noted the County's large diverse economic base and strong, conservative financial management.

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 Investors 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 Employees 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-term 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-term and short-term obligations is in the Tenth Amendment to the U.S. Constitution. To incur long-term 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: (i) the Offner-Dean lease exception, (ii) the special fund doctrine and (iii) the obligation imposed by law exception.

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 that is used to finance an activity related to the source of the revenue.

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 §53580 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	Fiscal Year 2011-12
Net Bonded Debt (in millions)[1]	$1,597.0	$1,578.7	$1,404.1	$1,436.7	$1,265.5	$1,205.4[2]
Net Bonded Debt per Capita[3,4]	$517	$504	$441	$446	$388[4]	$365[4]
Ratio of Net Bonded Debt to Assessed Value	0.45%	0.41%	0.35%	0.36%	0.32%	0.31%

[1] Net Bonded Debt excludes Redevelopment Agency Bonds and reflects the net effect of debt service reserves.

[2] Net Bonded Debt estimated as of June 30, 2011.

[3] Based on the January 1st annual estimated population figures for the County of San Diego provided by the State of California Department of Finance.

[4] Based on estimated January 1, 2011 and January 1, 2012, population figures for the County of San Diego using an annual average growth for the last eight years. The revision based on the 2010 U.S. Census is not yet available.

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, 2011 is $388.9 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 425 in the Capital Program section.

Components of General Fund Debt Service Ratio (in millions)	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	Fiscal Year 2012-13 Proposed Budget
General Fund Revenue[1]	$ 3,464.6	$ 3.446.3	$ 3,447.7	$ 3,527.1	$ 3,466.3
Total Debt Service [2]	$ 128.3	$ 129.4	$ 120.5	$ 120.5	$ 122.8
Ratio of Total Debt Service to General Fund Revenue	3.70%	3.75%	3.49%	3.42%	3.54%
General Fund Share of Debt Service Cost [3]	$ 108.5	$ 103.5	$ 93.6	$ 95.0	$ 97.6
Ratio of General Fund Share of Debt Service to General Fund Revenue	3.13%	3.00%	2.71%	2.69%	2.82%

See table notes on the following page.

[1]General Fund Revenue excludes fund balance and fund balance component 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, 2011 and projected as of June 30, 2012 is:

Outstanding Principal Bonded Debt (in millions)	As of June 30, 2011	Projected as of June 30, 2012
Certificates of Participation	$ 251.6	$ 231.6
Lease Revenue Bonds	136.9	133.8
Pension Obligation Bonds	841.0	806.6
Redevelopment Agency Bonds	14.3	13.9
Total	$ 1,243.8	$ 1,185.9

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 either 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 typically 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.

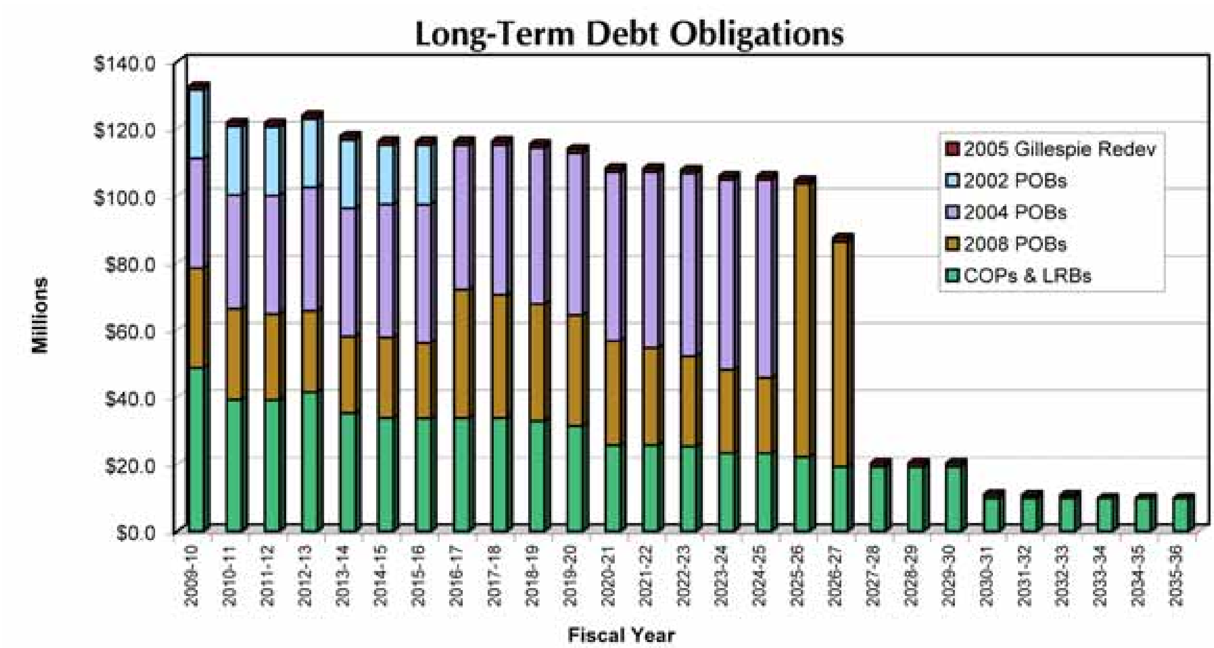
Taxable Pension Obligation Bonds (POBs) are financing instruments typically used to pay some or all of a pension plan's unfunded liability. The bond proceeds are transferred to the issuer's pension system as a prepayment of all or part of the unfunded pension liabilities of the issuer, and the proceeds 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 has been prepaid. As reflected in the Fiscal Year 2009-10 Adopted Operational Plan, the most recent prepayment occurred on July 1, 2009 and retired the $100 million of outstanding 2008 Series B1-B2 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 June 30, 2011, the County will have $841.0 million of taxable POBs outstanding.

Redevelopment Agency Tax Allocation Bonds (TABs) were issued on September 12, 1995 as limited obligations of the County of San Diego Redevelopment Agency (Agency) in the amount of $5.1 million. The Agency was formed on October 14, 1974 pursuant to Redevelopment Law. The 1995 bonds were issued for the Gillespie Field Redevelopment Project, which is one of the Agency's two redevelopment project areas. The proceeds were used by the Agency to finance the construction of public improvements at the Gillespie Field Airport. On December 22, 2005, the Agency issued $16 million in TABs to refund all of the Agency's outstanding 1995 bonds and to repay loans owed to the County's Airport Enterprise Fund. These loans were used by the Agency to finance redevelopment activities in the Gillespie Field Redevelopment Project Area. In connection with the 2005 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, authorization to issue GO bonds requires supermajority (two-thirds) voter approval. GO bonds are unique in that the bonds are secured 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, 2011:

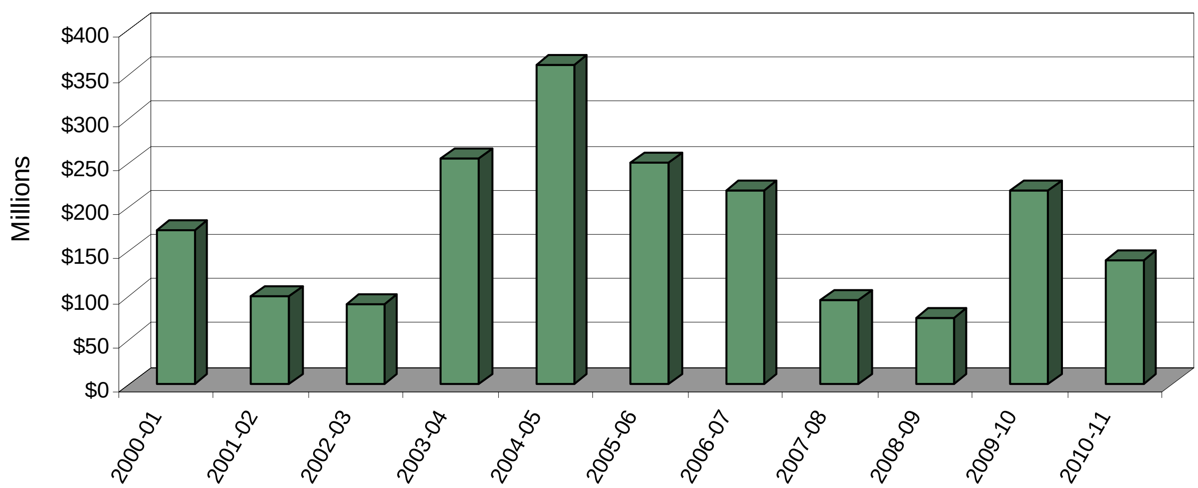
Outstanding County Financings	Final Maturity Date	Original Principal Amount	Principal Amount Outstanding
Certificates of Participation & Lease Revenue Bonds			
1993 Master Refunding	2012	$ 203,400	$ 7,400
2001 MTS Tower Refunding	2019	36,960	22,115
2005 Edgemoor & RCS Refunding	2019	112,395	87,720
2005 North & East County Justice Facility Refunding	2019	28,210	19,915
2006 Edgemoor Completion Project	2030	42,390	39,790
2009 County Operation Center Phase 1A	2036	136,885	136,885
2009 Justice Facilities Refunding	2025	80,940	74,680
Total Certificates of Participation and Lease Revenue Bonds		$ 641,180	$ 388,505
Taxable Pension Obligation Bonds			
Series 2002	2015	$ 132,215	$ 86,225
Series 2004 [1]	2024	454,113	427,443
Series 2008	2027	343,515	327,370
Total Pension Obligation Bonds		$ 929,843	$ 841,038
Redevelopment Agency Tax Allocation Bonds			
2005 Gillespie Field Refunding	2032	$ 16,000	$ 14,280
Total Tax Allocations Bonds		$ 16,000	$ 14,280

(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 the County's payment of expenditures, which is ongoing, and receipt of revenues, which is largely seasonal. 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 of 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 2010-11



Conduit Issuances

Board of Supervisors Policy B-65, *Long-Term Financial Obligation Management Policy,* also 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. Initial contact will be directed to the Debt Advisory Committee and if the Committee decides that the conduit financing is feasible, financially and economically prudent, coincides with the County's objectives, and does not impair the County's creditworthiness, it will then be forwarded to the Board of Supervisors for consideration. All expenses related to the conduit financing will be borne by the applicants.

The Board of Supervisors may consider assessment district and community facilities district financings to provide for public improvements, whether initiated by petition of the property owners, the County or a non-County agency. Initial contact will be directed to the Debt Advisory Committee and if the Committee decides that the financing is feasible, financially and economically prudent, coincides with the County's objectives, and does not impair the County's creditworthiness, it will then be forwarded to the Board of Supervisors for consideration. All expenses related to the assessment district or community facilities district financing will be borne by the applicants.

The following chart reflects the County's outstanding conduit issuances as of June 30, 2011:

Outstanding Conduit Issuances	Final Maturity Dates	Original Principal Amount	Principal Amount Outstanding
Conduits			
1998 Sharp Healthcare	2028	$ 112,020	$ 83,175
1998 San Diego Natural History Museum	2028	15,000	11,600
2000 San Diego Museum of Art	2030	6,000	5,700
2001 University of San Diego	2041	36,870	25,860
2002 San Diego Imperial Counties	2027	10,750	8,750
2003 Chabad	2023	11,700	8,190
2003 San Diego Jewish Academy	2023	13,325	10,650
2004 Bishop School	2044	25,000	24,140
2004 Museum of Contemporary Art	2034	13,000	9,750
2005 Burnham Institute for Medical Research*	2031	24,500	20,180
2006 Burnham Institute for Medical Research	2034	59,405	54,190
2006 San Diego Foundation	2036	13,500	12,840
2008 The ARC of San Diego	2038	13,250	12,890
2010 Salk Institute for Biological Studies	2040	37,445	37,445
Total Conduits		$ 391,765	$ 325,360
Housing			
1999 Laurel Village Apartments	2014	$ 1,670	$ 1,370
2001 Village West	2031	4,438	3,727
2002 Spring Valley	2032	3,250	1,869
Total Housing		$ 9,358	$ 6,966
Reassessment Bonds			
1997 4S Ranch Reassessment District Bonds	2012	$ 21,755	$ 3,885
Total Reassessment Bonds		$ 21,755	$ 3,885

* 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.
  - Use the Strategic Plan as a guide to 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 and the second year is accepted as a tentative plan.
    - California Government Code §29009 requires a balanced budget, defined as "the funding sources shall equal the financing uses," in the recommended, adopted and final budgets.
    - A structurally balanced budget means that ongoing, not one-time, resources are used to fund ongoing costs.
  - Conduct quarterly financial reporting processes to allow County managers to appropriately address changes in the external economic or internal financial 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 of Supervisors.
- 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 nonreimbursed 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/circulars_a087/a87_2004/).
  - 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.
- Revenue 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 0030-10**, *Transfers of Appropriations between Objects within a Budget Unit.*

- As a general policy, the County does not backfill programmatic funding eliminated by the State of California.
- 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 of the five 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:
  - *Fund Balance Committed for Unforeseen Catastrophic Events*: The amount of fund balance committed for unforeseen catastrophic events shall be targeted at the equivalent of 5% of the total amount of budgeted general purpose revenue. The establishment of this fund balance commitment is governed by Government Code §29085-29086, which allows the amount to be increased or decreased at the time the budget is adopted, but once the budget is adopted, it may only be used for legally declared emergencies as defined in Government Code §29127.
  - *General Fund Contingency Reserve*: The General Fund appropriated Contingency Reserve shall be targeted at the equivalent of 2% of the total amount of budgeted general purpose revenue. The Contingency Reserve provides a source of funding for unanticipated needs or to offset revenue shortfalls during the year. Transfers from the Contingency Reserve require a 4/5ths vote of the Board of Supervisors.
  - *General Fund Minimum Fund Balance for Economic Uncertainty*: In order to be prepared for broader levels of economic uncertainty, the minimum level of unassigned fund balance in the General Fund shall be targeted at the equivalent of 10% of the total amount of budgeted general purpose revenue. To the extent that fund balance is available in excess of that amount, the Chief Administrative Officer 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 of Supervisors may waive the requirement to maintain fund balance and reserves 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 Commitment for Unforeseen Catastrophic Events, Contingency Reserve or General Fund Minimum Fund Balance falls below targeted levels, the CAO will present a plan to the Board of Supervisors for restoration to 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.
- 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 83 - "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 website.
- 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 407.

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 nonoperating 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 nonoperating 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 nonoperating revenue), decreases (i.e., operating expenses and nonoperating expenses), 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. 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 revenues 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/GASB 54 — The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ending June 30, 2011. GASB No. 54 expands and restructures the fund balance components to focus financial reporting from restrictions on use of funds to planned use of funds and constraints on the specific purposes for which funds can be spent.

GASB No. 54 replaces the three traditional components of fund balance (reserved, designated and unreserved) with five new components:

- Nonspendable fund balance — inherently nonspendable.
- Restricted fund balance — externally enforceable limitations on use.
- Committed fund balance — self-imposed limitations set in place prior to the end of the period.
- Assigned fund balance — limitation resulting from intended use.
- Unassigned fund balance — residual net resources.

This has resulted in two new categories in the current Operational Plan. Fund Balance Component Increases (previously Reserve/Designation Increases) are shown as appropriations (expenditures) and Fund Balance Component Decreases (previously Reserve/Designation Decreases) are shown as revenues when used as a funding source. These two new categories are only used for adjustments to Restricted, Committed or Assigned fund balance. The term “Use of Fund Balance” indicates that budgetary fund balance available for use is being applied as a funding source.

Excellence in Governing

Recognitions of Excellence

Ongoing economic difficulties in the region present continued challenges for area governments to find innovative ways to deliver services and meet program objectives with limited resources. The County of San Diego continues to meet the challenge, striving for excellence and innovation, 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 works hard to maintain its standing as a best practices organization, offering 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:

- The County of San Diego continues to be one of the leading recipients of **National Association of Counties (NACo)** ***Achievement Awards***. Twenty-nine County programs were recognized for excellence in 2010. 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 2010, the **San Diego Taxpayers Association** presented the County of San Diego a ***Regional Golden Watchdog Award*** for the recently completed Medical Examiner and Forensic Center. The Taxpayers Association recognized the County for saving $140 million in potential financing costs by cash financing the project, completing the project on schedule and under budget, and using the most current technology available in creating the energy-efficient complex, which has an 80-year life cycle. The new complex also received a ***Citation Award*** for architectural design from the **American Institute of Architects (AIA) San Diego Chapter.**
- The Department of Purchasing and Contracting (P&C) received its tenth consecutive ***Achievement of Excellence in Procurement*** award from the **National Purchasing Institute** recognizing organizational excellence in public procurement. The County of San Diego is one of only 38 government agencies in Californio and one of only 34 counties in the United States to receive this award. The award's criteria measures innovation, professionalism, e-procurement, productivity and leadership attributes of the procurement function.

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 **National Child Support Enforcement Association** honored the Department of Child Support Services with the ***2010 Excellence Award for Program Awareness*** based on their effective use of media relations and public outreach in dissemination of child support program information and public awareness. The department was also honored by the **California Child Support Director's Association** with the ***2010 Outstanding Program Award***, in recognition of the department's quality services to the community.
- **National Association of Counties (NACo) Achievement Awards - 2010**
  - *El Arte* - an event created to meet the critical need for Spanish-speaking caregivers in the San Diego region, supported by the County's Aging and Independence Services and the Caregiver Coalition.
  - *San Diego Stand Down 2009, Department of Child Support Services* - a pilot project created in conjunction with the San Diego County Superior Court and Thomas Jefferson School of Law Veteran's Clinic to give homeless veterans access to court services in relation to their child support cases.
  - *Self Service Kiosks, Department of Child Support Services* - a program that places kiosks in convenient places for walk-in customers to make child support payments, complete forms, and access information related to their child support cases.
  - *Service Learning @ Your Library* - a program that engages teens in providing direct service within their own communities, helping them to develop interests and work skills while establishing meaningful relationships with adult mentors.
  - *District Attorney's "4 or 40" Program* - a short film created through a partnership between the San Diego County District Attorney's Office and its Youth Advisory Board (YAB) at Lincoln High School. The

film's theme centered on the concept that the choices youths make during the four years of high school will affect the next 40 years of their lives.

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

- The **Women's Transportation Seminar** selected County Airports for their ***Annual Award for Innovative Transportation Solutions*** for the McClellan-Palomar Airport Terminal Redevelopment Project. The terminal was built with consideration of energy and environmental design criteria and sustainable design principles.
- The **National Association of Counties (NACo)** presented an ***Achievement Award - 2010*** to the County of San Diego for the *San Elijo Nature Center*, a new environmentally-friendly facility built on the banks of the San Elijo Lagoon to educate the public and encourage thoughtful exploration of the surrounding wetland preserve.

Strategic Initiative - Promote safe & livable communities

- The **Department of Housing and Urban Development (HUD) Los Angeles Office of Public Housing** awarded the Department of Housing and Community Development with the ***"Up and Up Campaign" award*** for *Achievement in Housing Choice Voucher Utilization* for their hard work and best practices that ultimately increase the number of families served under the Housing Choice Voucher Program.
- The Department of Parks and Recreation won an ***Award of Excellence*** from the **California Parks and Recreation Society** for the planning and design of Clemmens Lane Park. The park includes a soccer field, volleyball court, two play structures and picnic area.
- The **National Association of Area Agencies on Aging** awarded Aging and Independence Services with two of nine national ***Aging Innovation Awards*** for the "TEAM San Diego" project and the "Workforce Academy for Youth" program. TEAM San Diego works with health and social service providers to coordinate needs in those areas for aging and disabled populations. The Workforce Academy for Youth is an intergenerational program that pairs youth with senior life skills coaches who support their future employment goals.
- The **Institute of Transportation Engineers - San Diego Section** awarded ***Transportation Project of the Year*** to the Department of Public Works for using High-Risk Rural Road funds to install rumble strips on South Grade Road at Palomar Mountain to reduce collisions. The rumble strips make the road bumpy and loud when tires cross the center line. Since installation of the strips, collisions have reduced dramatically.
- **Health Care Communications** presented Behavioral Health Services with the ***Gold Award*** for their "Network of Care" website, which provides local information on behavioral health as part of a national network system.
- Guajome Regional Park was named ***Best of Family Attractions - Oceanside California*** by **UpTake.com** based on customer reviews and expert ratings from across the Web.
- The County won ***Emmy Awards*** in six categories from the **National Television Arts & Sciences Pacific Southwest Chapter**. The awards recognized the "Oxy Abuse Kills" public service announcement series; "Water Babies", a story about the benefits of water safety training for toddlers, and "Tsunamis: Know What To Do!", an animated educational video designed for children.
- **National Association of Counties (NACo)** ***Achievement Awards - 2010***
  - *Disaster Food Stamp Program Protocol Guide* - a program developed by the Health and Human Services Agency to assist local residents displaced by disasters. Based on experience gained through wildfire response, this program is now being replicated in other California counties and the US Department of Agriculture Food & Nutrition Service.
  - *Code Enforcement Storefronts* - a program created to place County personnel in remote areas to address local disputes that arise among neighbors over boundary lines, litter, land uses and other issues that strike citizens on a personal level.
  - *Animated Tsunami Preparedness Video* - Using a grant from the National Oceanic and Atmospheric Administration and the California Emergency Management Agency, San Diego County's Office of Emergency Services (OES) produced a multiple award-winning video for children grades K-12 entitled "Tsunamis: Know What to Do!".
  - *District Attorney/City Attorney Prosecution System Collaboration Project* - a project designed to share usage of the County District Attorney's internally developed criminal case management system with

the San Diego City Attorney's Office, resulting in savings for the City and the beneficial sharing of case and defendant data between the two agencies.

- *Free Foreclosure Prevention HOME Clinics at Neighborhood Library Branches* - a collaboration between the County Library system and Housing Opportunities Collaborative (HOC), Home Owner Mobile Education (HOME) clinics offer homeowners advice on legal, credit, and mortgage issues from skilled professionals.
- *H1N1 Vaccine Distribution Tracking and Resource Management* - a successful vaccine distribution program designed by Health and Human Services in response to a massive delivery of H1N1 vaccine doses from the California Department of Public Health.
- *High Tech Mental Health Solutions* - a walk-in assessment center designed in collaboration with Exodus Recovery, Inc., serving the north San Diego County region. The program provides screening and triage for appropriateness of hospitalization to reduce escalation of crisis mental health situations and minimizes unnecessary inpatient treatment.
- *Lindo Lake Park Americans with Disabilities Act (ADA) Fitness Walkway* - a tree-shaded, stroller and ADA-accessible walkway on a peninsula surrounded by water, including 17 universal outdoor exercise stations for people of all ages and abilities.
- *MAYSI-2 & Early Intervention Project, Probation Department* - a project designed to address the critical need for effective early mental health screening and interventions for youth 12-17 years old. Massachusetts Youth Screening Instrument - Second Version (MAYSI-2) refers to the screening tool utilized in the program, which is designed for use with minors in detention facilities.
- *ReadySanDiego Business Alliance, Office of Emergency Services* - a partnership program that focuses on creating a coalition of businesses that can contribute resources and expertise needed in times of crises or emergencies.
- *Senate Bill (SB) 618 San Diego County Prisoner Reentry Program* - a comprehensive, evidence-based, multi-agency program designed to assist, educate, treat addictions and transition nonviolent parolees from prison into the community.

Operational Excellence Awards

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

- The **Center for Digital Government** honored the District Attorney's office with a national ***Digital Government Achievement Award*** for 3-D computer animated courtroom exhibits used by prosecutors to present evidence during trials.
- The **Government Finance Officers Association (GFOA) of the United States and Canada** recognized the County's Management Control Initiatives (MCI) with honorary mention in its ***2010 Awards for Excellence in Government Finance.*** The MCI identifies and mitigates financial risk through the assurance that key business objectives are achieved.
- The **California Counties Facilities Services Association** presented the County of San Diego the **2010 Award of Excellence** for agencies who demonstrate facilities excellence through best practices, process innovation, staff development, automation, energy program improvements and customer service.
- The Department of Agriculture Weights and Measures received an award from **Accela, Inc**. for ***Outstanding Achievements in Mobile Inspections***. This mobile technology places inspectors in the field nearly 100% of the time, which eliminates transit time from office to field, improves customer service, boosts productivity and reduces fuel and maintenance costs.
- **National Association of Counties (NACo) *Achievement Awards - 2010***
  - *Advanced Human Resources (HR) Certificate Program* - a low-cost, innovative training program that broadens the business knowledge of both HR generalists and specialists. By focusing on Human Resources theory and practicum, participants learn critical skills needed to manage day-to-day human resources responsibilities.
  - *Centralized Procurement Financial Evaluation* - a streamlined process by which HHSA reviews more than 200 annual proposals from community providers in response to open procurements for HHSA services.
  - *Citizens Advisory Board Application (CABA) System* - a new online application that automatically calculates terms of new County Boards, Commissions, and Committees (BCC) members and

automates generation of routine correspondence, such as nomination letters, Board Letters, and appointments.

- *Deferred Compensation Provider Transition Plan* - an outreach program implemented to help County employees smoothly transition through the County's first major change in deferred compensation providers in 26 years.
- *E Forms* - Using Adobe Acrobat software, HHSA employees can now complete electronic forms for approval of purchases, requests to hold or cancel checks, requisition goods and services, general claim forms, nontravel reimbursement requests, and many others.
- *Government Without Walls* - a County initiative that promotes a mobile workforce through the use of technology. The Department of Agriculture, Weights, and Measures (AMW) implemented a wireless fleet management program that combines Automatic Vehicle location (AVL) and Global Positioning System (GPS) technologies.
- *Management Controls Initiative* - a program launched by the County Office of Audits and Advisory Services (OAAS) and HHSA to focus on financial reporting, compliance, and operational risk management.
- *Quality Assurance Review of Contracting Practices* - an oversight program created by HHSA to include development and management of contract policies, development and provision of contract training, and monitoring of program division adherence to policies and standards. HHSA is responsible for monitoring more than 500 contractors, 900 contracts, and $400 million in annual contract costs.
- *Seamless Systems Synchronization* - a project which integrates the County's records management software (Documentum) with the County's third party offsite records storage vendor (Iron Mountain) inventory tracking software.
- *Service First Initiative* - a plan consisting of 67 separate tasks designed to improve every aspect of the Department of Planning & Land Use's (DPLU) customer service, from walk-in counter service to management structure.
- *Treasurer-Tax Collector Bond Administration Database* - a centralized and accessible repository for tracking all debt payment information related to more than 100 debt issuances and $300 million in annual debt service payments.
- *Treasurer-Tax Collector Public Auction Tax Sale Booklet* - a publication that attracts a pool of prospective bidders and provides them with information and instruction on what is being offered at the sale, how to participate as a bidder, and the requirements of successful purchasers.

THE NOBLEST MOTIVE IS THE PUBLIC GOOD

COUNTY OF SAN DIEGO

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