COUNTY OF SAN DIEGO

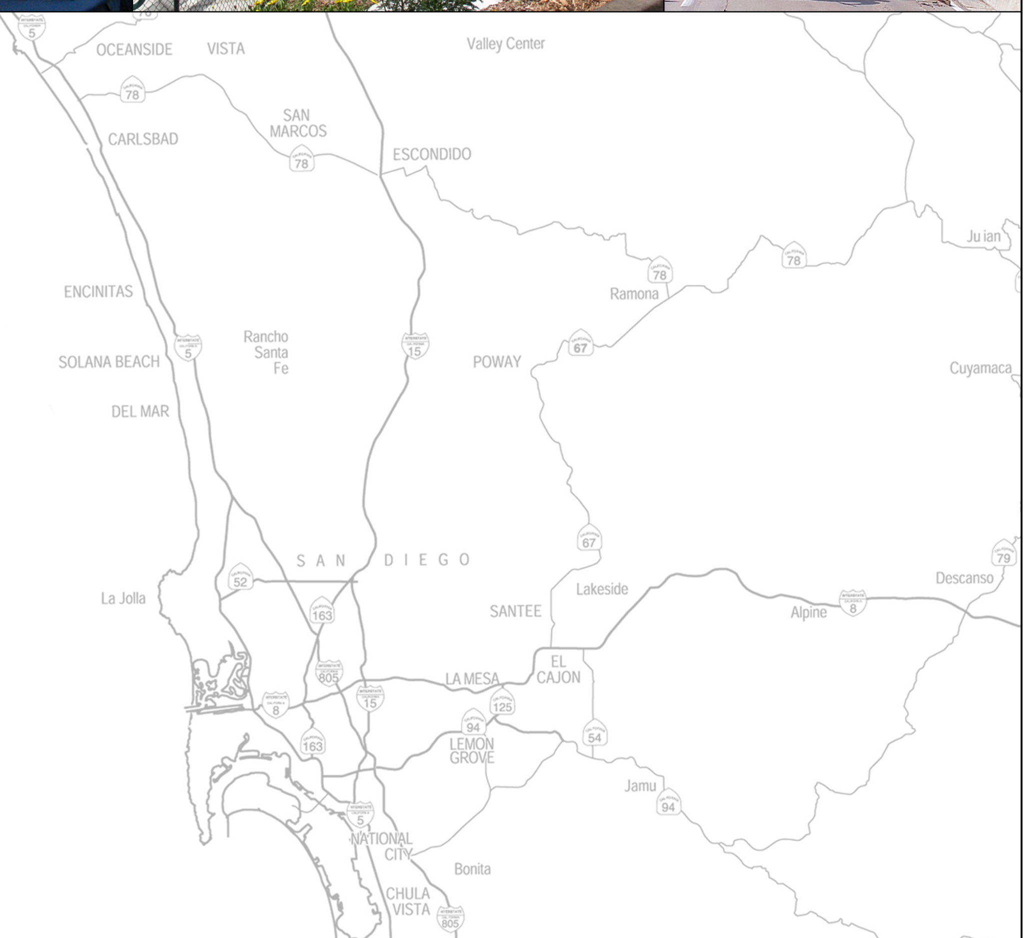
CAO Proposed Operational Plan | Fiscal Years 2012-2013 & 2013-2014

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, 2011

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, 2011**. 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 2012
Office of Financial Planning
Ebony Shelton, Director

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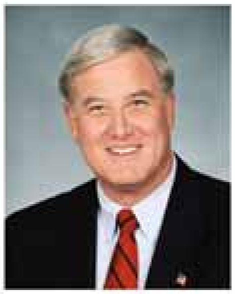
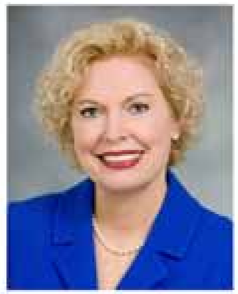
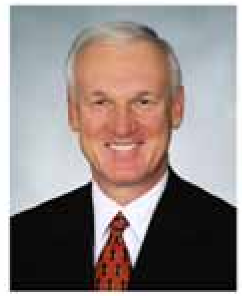


Greg Cox
Supervisor
District One

Dianne Jacob
Supervisor
District Two

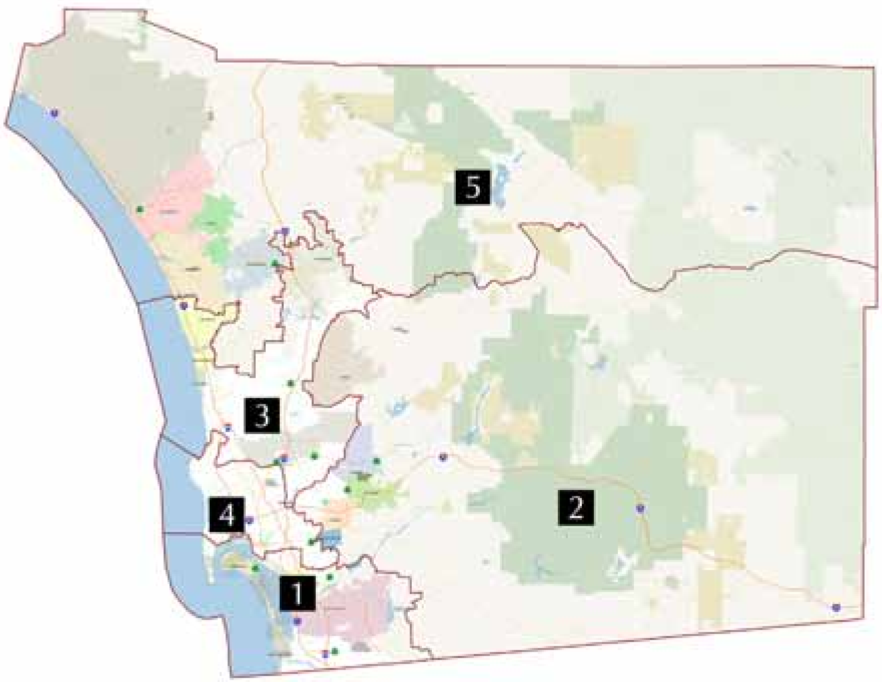


Pam Slater-Price
Supervisor
District Three



Ron Roberts
Supervisor
District Four

Bill Horn
Supervisor
District Five



Note: This map reflects the Supervisorial District boundaries as adopted by the Board of Supervisors on September 27, 2011.

Organizational Chart

- Citizens of San Diego County
  - Board of Supervisors*
    - Chief Administrative Officer
      - **Public Safety Group**
        - Child Support
        - Citizens' Law Enforcement Review Board
        - District Attorney*
        - Emergency Services
        - Executive Office
        - Medical Examiner
        - Probation Department
        - Public Defender
        - San Diego County Fire Authority
        - Sheriff*
      - **Health & Human Services Agency**
        - Administrative Support
        - Aging & Independence Services
        - Behavioral Health Services
        - Child Welfare Services
        - Public Administrator/ Public Guardian
        - Public Health Services
        - Regional Operations
        - Strategic Planning & Operational Support
      - **Land Use & Environment Group**
        - Agriculture, Weights & Measures
        - Air Pollution Control District
        - Environmental Health
        - Executive Office
        - Farm & Home Advisor
        - Parks & Recreation
        - Planning & Land Use
        - Public Works
      - **Community Services Group**
        - Animal Services
        - County Library
        - Executive Office
        - General Services
        - Housing & Community Development
        - Purchasing & Contracting
        - Redevelopment Agency/Successor Agency
        - Registrar of Voters
      - **Finance & General Government Group**
        - Assessor/Recorder/ County Clerk*
        - Auditor & Controller
        - Civil Service Commission
        - Clerk of the Board of Supervisors
        - County Communications Office
        - County Counsel
        - County Technology Office
        - Executive Office
        - Grand Jury
        - Human Resources
        - Treasurer - Tax Collector*

*Elected Official

Rev. 3/2012

Message from the Chief Administrative Officer

Embracing Change

Several years ago, two things happened that touched all our lives. The first event was, of course, the recession that began in 2008. Much has already been said about this topic and fortunately, we are starting to see signs of recovery - albeit slow and at times uneven - as we begin to put this event behind us. The second thing that occurred, however, has not been as widely discussed and that is that the pace of change in our world began accelerating exponentially. This dynamic - while not receiving as much attention as the recession - has been every bit as challenging and shows no signs of abating. In fact, the pace of change underway now in our world continues to accelerate. Fueled by technology advances, we are quickly changing and reshaping all aspects of our lives - from how we live and work to how we share information and communicate - in many ways fundamentally changing the public's expectations of and relationship to their government.

Therefore, if I had to sum up this year's Proposed Operational Plan for Fiscal Years 2012-14 in only two words, those words would be "Embracing Change." The County of San Diego will spend the next two years rising to the challenges that change presents, embracing the opportunities it offers and continuously examining how we can change as an organization to better provide the services the public needs and expects. Within this document, which guides how public funds will be spent over the next two years, you will see many references to changes in the way we do business.

A number of important programmatic and spending changes are the result of decisions made at the State level, with legislation enacted in Sacramento requiring us to significantly change how we provide many public safety and health programs. Implementation of Assembly Bill (AB) 118, *Local Revenue Fund 2011* shifted the State's financial responsibility for various services to Counties, with funding coming from a dedicated portion of sales tax, and the implementation of AB 109, *Public Safety Realignment (2011)*, expanded County responsibility for the management of criminal offenders. These bills - along with the State's decision to eliminate redevelopment - are requiring Counties to profoundly change not just how we provide services but what services we can or, in some cases, must provide.

In addition to adjusting to new roles and responsibilities in the areas of health, public safety and redevelopment, we're also taking advantage of opportunities to improve how and where we serve the public. Departments throughout the organization are using our Government Without Walls (GWOW) initiative, deploying new technology tools to expand employees' mobility, allowing them to spend more productive time in the community and with customers.

We're changing the way we design our services, too, by continually looking for more opportunities to streamline operations - such as the Red Tape Reduction Task Force - and by addressing public needs in innovative, comprehensive ways, as illustrated by our unique *"Live Well San Diego!"* health and wellness initiative.

We're changing the facilities we use to serve the public- continuing progress on the new, space- and energy-efficient County Operations Center in Kearny Mesa, and moving forward to turn underutilized parking lots at the historic, waterfront County Administration Center into a multi-purpose park that will serve current and future generations of San Diegans and welcome visitors to our region. We're moving forward to provide much-needed public safety facilities in the region such as the replacement of the Las Colinas Women's Detention Facility and the new Rancho San Diego Sheriff station.

And last but not least, we're changing how we communicate with the public we serve, by creating the County News Center to expand the services and information the public can find online and through social media.

Indeed, change is a constant that's threaded throughout every County department in this Operational Plan.

One thing, though, that will not change is our commitment to fiscal discipline. We continue to live within our means and to strive to maintain the County's strong credit ratings. The proposed Fiscal Years 2012-14 Operational Plan continues our commitment to structural balance and prudent reserves with a total of $4.77 billion proposed for Fiscal Year 2012-13. This is 1.9% lower than the Fiscal Year 2011-12 budget, even though this proposed budget contains a total of 15,958 staff years - 271 more than were budgeted in Fiscal Year 2011-12. These positions are being added to provide additional staff to support the County's family resource centers, to address the County's public safety realignment responsibilities, staffing for the new women's detention facility, sworn supervisory staff for the Sheriff's patrol stations, and additional staff to assist with the timely resolution of residential and commercial assessment appeals.

In the years ahead, we will preserve essential public safety services, continue the multi-year investment in the County's capital infrastructure to provide needed facilities for the region and expand our investment in health and wellness programs by leveraging new resources to improve the Community Nutrition Education Program, the Supplemental Nutrition Assistance Program, the and the Low Income Health Program. As we have done in past years, we'll focus on emergency preparedness and fire protection; protect public health; promote healthier communities and living habits; conduct the November Presidential election; maintain a strong, vibrant public library system; expand and protect park and open space resources and continue to promote sustainability and conservation.

We will do this by working 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 closely monitor changing economic conditions and the uncertainties surrounding key State revenue sources, working with other California counties to protect local revenues and interests as the State works to redefine State/County roles, responsibilities and revenues. And we will continue to use the County's General Management System (GMS) to carry out the Board's priorities, using our GMS management disciplines and commitment to innovation, continuous improve-ment, excellence and customer service to respond as efficiently as possible to increasing caseloads and other demands for service.

For the County of San Diego, our greatest asset is our ability to combine the expertise and dedication of our employees, the pragmatic, seasoned leadership of the Board of Supervisors and our commitment to a culture that embraces change. With these organizational strengths, I am confident that we will meet the challenges of the future.

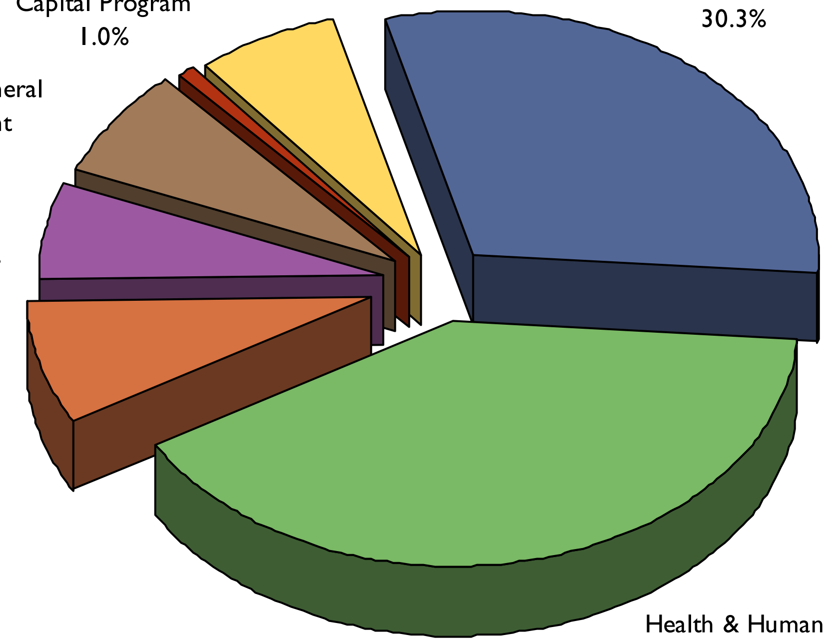
I invite you to read more about the County's accomplishments, objectives and programmatic changes in the individual group and department sections that begin on page 113.

Walter F. Ekard, Chief Administrative Officer

2012-13 Proposed Budget at a Glance

Proposed Budget by Functional Area — All Funds

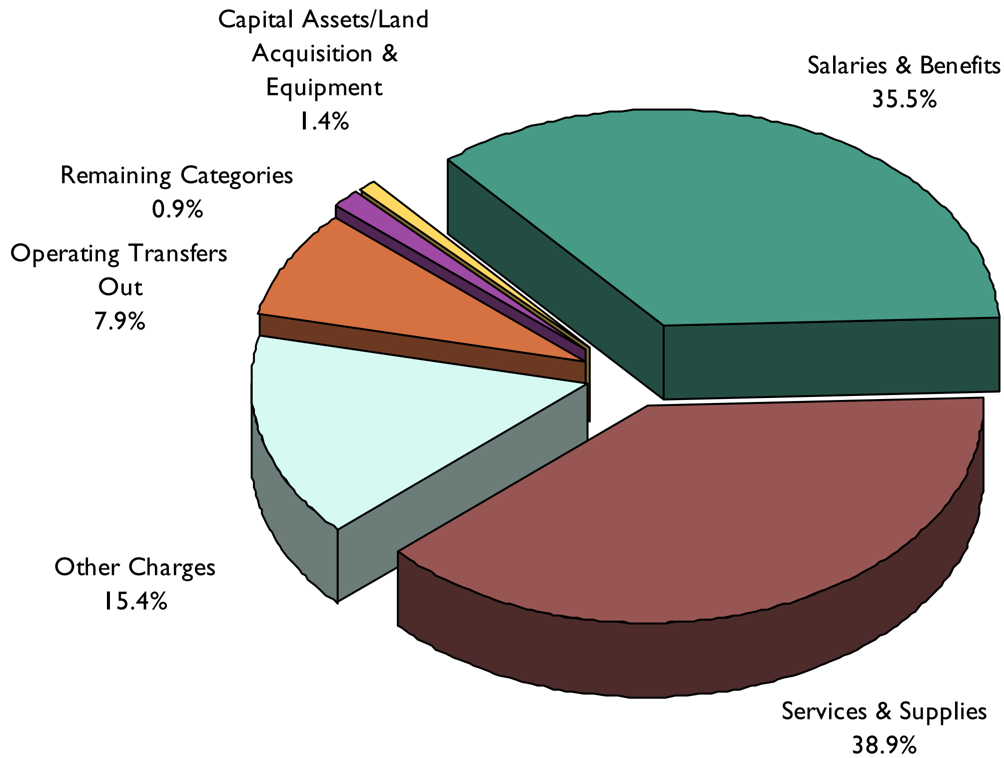
Total Budget: $4,767,957,875



Budget by Functional Area - All Funds		
	Budget in Millions	Percentage of Total Budget
Public Safety	$ 1,446.1	30.3%
Health & Human Services	1,928.9	40.5%
Land Use & Environment	387.9	8.1%
Community Services	302.7	6.3%
Finance & General Government	340.8	7.1%
Capital Program	48.1	1.0%
Finance Other	313.4	6.6%
Total	$ 4,768.0	100.0%

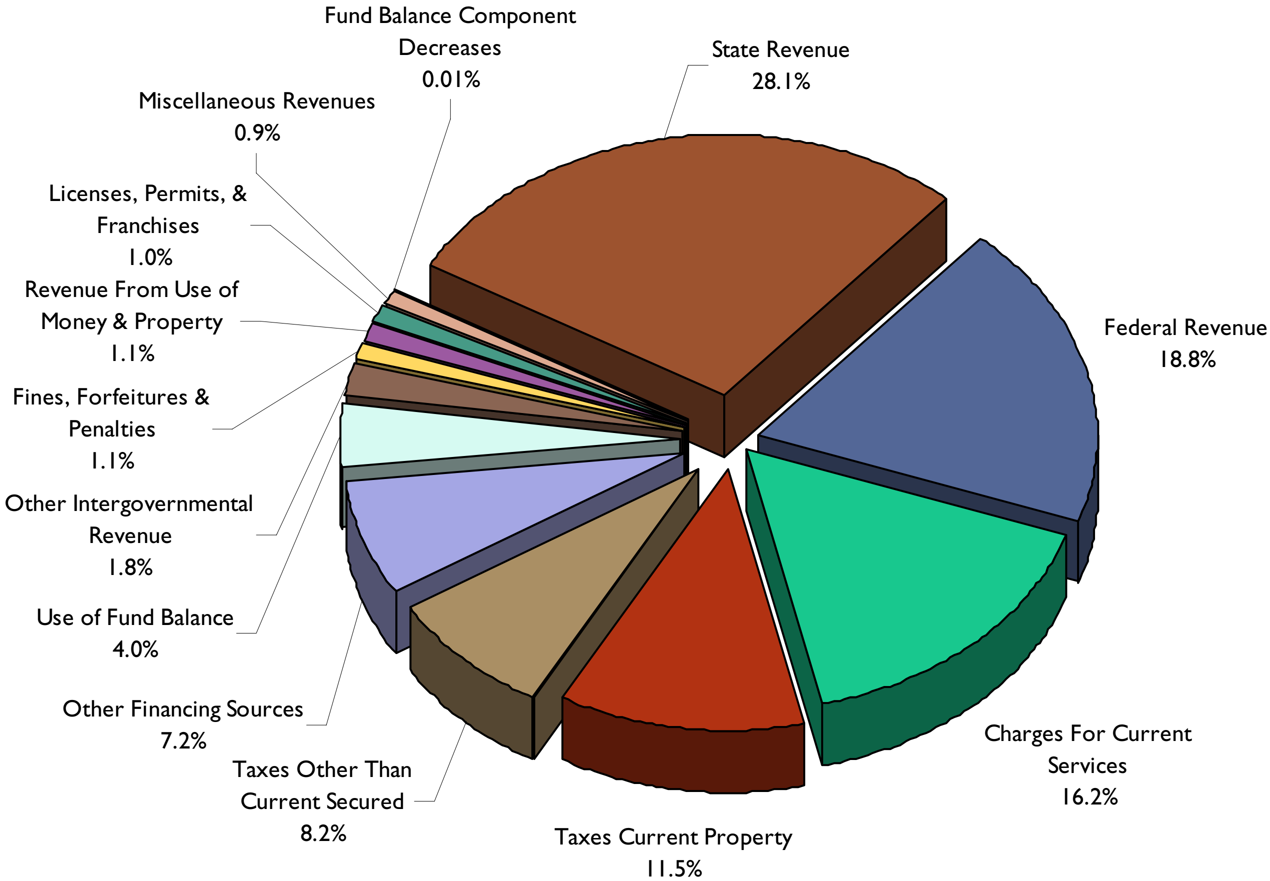
Note: In the chart and table, the sum of individual percentages may not total 100.0% due to rounding.

Proposed Budget by Category of Expenditure — All Funds



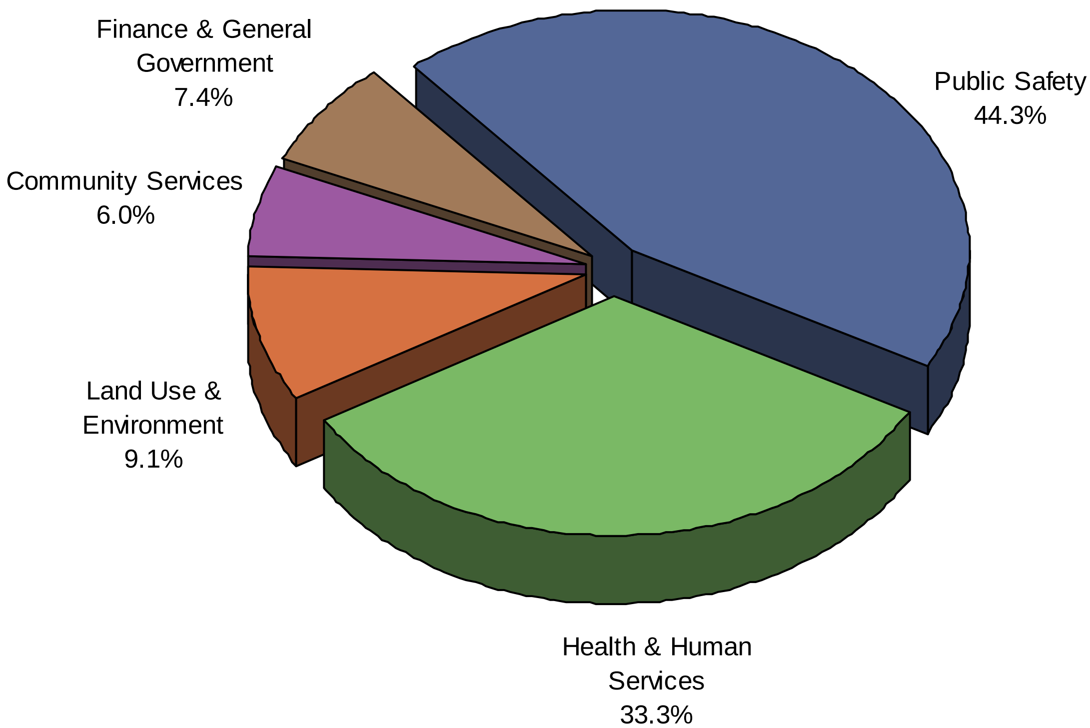
Budget by Category of Expenditure - All Funds		
	Budget in Millions	Percentage of Total Budget
Salaries & Benefits	$ 1,691.3	35.5%
Services & Supplies	1,855.6	38.9%
Other Charges	734.1	15.4%
Operating Transfers Out	375.9	7.9%
Capital Assets / Land Acquisition	47.0	1.0%
Capital Assets Equipment	21.6	0.4%
Remaining Categories:		
Fund Balance Component Increases	13.7	0.3%
Management Reserves	30.3	0.6%
Contingency Reserves	22.1	0.5%
Expenditure Transfer & Reimbursements	(23.6)	-0.5%
Total	$ 4,768.0	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	$ 1,341.2	28.1%
Federal Revenue	897.1	18.8%
Charges For Current Services	771.8	16.2%
Taxes Current Property	547.6	11.5%
Taxes Other Than Current Secured	390.6	8.2%
Other Financing Sources	341.4	7.2%
Use of Fund Balance	190.5	4.0%
Other Intergovernmental Revenue	84.2	1.8%
Fines, Forfeitures & Penalties	57.5	1.1%
Revenue From Use of Money & Property	53.9	1.1%
Licenses, Permits & Franchises	49.7	1.0%
Miscellaneous Revenues	41.9	0.9%
Fund Balance Component Decreases	0.5	0.0%
Total	$ 4,768.0	100.0%

Proposed Staffing by Group/Agency — All Funds



Staffing by Group/Agency - All Funds		
	Staff Years *	Percentage of Total Staffing
Public Safety	7,066.00	44.3%
Health & Human Services	5,306.25	33.3%
Land Use & Environment	1,451.00	9.1%
Community Services	960.75	6.0%
Finance & General Government	1,174.50	7.4%
Total	15,958.50	100.0%

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

Note: In the chart and table, the sum of individual percentages may not total 100.0% due to rounding.

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

Safe Communities
Promote Safe Communities

Sustainable Environments
Support environments that foster viable, livable communities while bolstering economic growth

Healthy Families
Make it easier for residents to lead healthy lives while improving opportunities for children and adults

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***	***2011***
	2,813,833	3,095,313	3,118,876

[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:	***2011***	***2012***
	1,583,808	1,588,050

Source: California Employment Development Department, Historical Data for Unemployment Rate and Labor Force, 2011 Annual Average and 2012 January to February average.

UNEMPLOYMENT RATE:	***2011***	***2012***
	10.0%	9.3%

Source: California Employment Development Department, Historical Data for Unemployment Rate and Labor Force, 2011 Annual Average and 2012 January to February average.

EMPLOYMENT MIX: (Industry)[1]	***2012 Employees***	***Percent of Total***
Government	230,700	18.6%
Professional & Business Services	215,600	17.3%
Trade, Transportation & Utilities	199,700	16.1%
Leisure and Hospitality	153,100	12.3%
Educational & Health Services	152,900	12.3%
Manufacturing	92,100	7.4%
Financial Activities	66,300	5.3%
Construction	53,300	4.3%
Other Services	46,100	3.7%
Information	23,700	1.9%
Farming	9,100	0.7%
Mining & Logging	400	<0.1%
Total	1,243,000	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 (February 2012 Benchmark, Preliminary)

TEN LARGEST EMPLOYERS:	***2010 Employees***	***2011 Employees***
Federal Government	44,000	46,300
State of California	42,300	45,500
University of California, San Diego	26,823	27,393
County of San Diego	15,842	15,687 [1]
Sharp Healthcare	14,832	14,969
Scripps Health	13,823	13,830
San Diego Unified School District	14,485	13,730
Qualcomm Inc.	11,847	10,509
City of San Diego	10,470	10,211
Kaiser Permanente	7,404	8,200

Source: San Diego The Daily Transcript, July, 2011
[1] County of San Diego, FY 2011-13 Adopted Operational Plan

MEDIAN HOME PRICE [1]:	Dec. 2009	Dec. 2010	Dec. 2011
[1] Median price of all existing homes sold in December of each year *Source: California Association of Realtors/DataQuick Information System*	$330,000	$335,000	$315,000

2010 MEDIAN HOUSEHOLD INCOME: (not adjusted for inflation) *Source: U.S. Census Bureau*	$59,923	**FISCAL YEAR 2011-12 ASSESSED VALUATIONS:** *Source: San Diego County Assessor/Recorder/County Clerk (Gross less regular exemptions)*	$393.0 billion
2010 TOTAL HOUSING UNITS: *Source: San Diego Regional Association of Governments, as of August 2010*	1,149,426	**2011 CONSUMER PRICE INDEX:** *Source: U.S. Department of Labor, Bureau of Labor Statistics June 2011*	252.91

Ten Top Property Taxpayers:	June 2011
San Diego Gas & Electric Company	$4,909,449
Southern California Edison Co.	$2,217,581
Irvine Co.	$1,567,992
Kilroy Realty LLP	$1,436,577
San Diego Family Housing LLC	$1,349,732
Qualcomm	$1,201,871
Camp Pendleton & Quantico Housing	$1,099,420
Arden Realty LLP	$785,373
Pacific Bell Telephone Company	$744,525
O C/S D Holdings LLC	$602,274

Source: County of San Diego, Auditor and Controller, Property Tax Services Division

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:	2010 Value	2010 Acres
Nursery & Flower Crops (e.g., indoor plants, trees & shrubs, bedding plants, cut flowers, etc.)	$1,107,558,336	12,606
Fruit & Nut Crops (e.g., avocados, citrus, berries, etc.)	$261,399,642	36,239
Vegetable Crops (e.g., tomatoes, herbs, mushrooms, etc.)	$169,803,464	6,303
Livestock & Poultry Products (e.g., chicken eggs, milk, etc.)	$85,124,763	—
Livestock & Poultry (e.g., cattle, calves, chicken, hogs & pigs)	$20,472,006	—
Field Crops (e.g., pastures, ranges, hay, etc.)	$5,117,287	247,565
Apiary (e.g., honey, pollination, bees & queen bees, etc.)	$2,168,007	—
Timber Products (e.g., firewood and timber)	$778,527	—

Source: County of San Diego, Department of Agriculture, Weights & Measures - 2010 Crop Statistics & Annual Report

MILITARY INSTALLATIONS:	CITY
United States Coast Guard Sector San Diego	San Diego
Marine Corps Air Station Miramar	San Diego
Marine Corps Base Camp Pendleton	Oceanside
Marine Corps Recruit Depot San Diego	San Diego
Naval Air Station North Island	Coronado
Naval Amphibious Base Coronado	Coronado
Naval Base Point Loma (including SPAWAR)	San Diego
Naval Medical Center San Diego	San Diego
Naval Station San Diego	San Diego

Source: U.S. Department of Defense Base Structure Report 2008
San Diego Military Economic Impact Study, 2007

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
Palomar Observatory, Palomar Mountain
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
USS Midway Museum, San Diego

Source: San Diego Convention and Visitors Bureau

TOTAL VISITORS 2011:	31,100,000

Source: San Diego Convention and Visitors Bureau
Quarterly Travel Forecast Report, February 2012 San DIego Visitor Forecast

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 re located. The average annual rainfall is only 10 inches for the coastal regions, so the county is highly reliant on imported water.

County Population

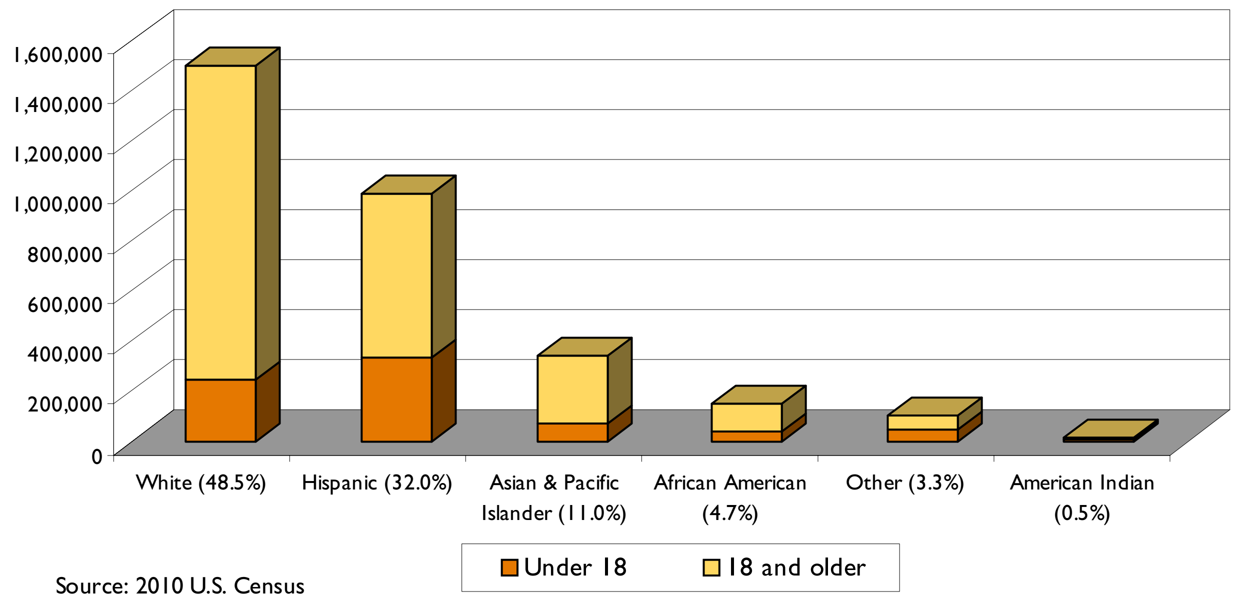
San Diego County is the southernmost major metropolitan area in the State. In March 2011, the U.S. Census Bureau estimated the County's population for 2010 to be 3,095,313, an increase of 10.0% from the 2000 figure of 2,813,833. The State of California Department of Finance released population data incorporating the 2010 Census counts as the benchmark, and the County's population for January 1, 2011 was estimated to be 3,118,876. 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	2011	Year Incorporated
Carlsbad	78,247	105,328	106,555	1952
Chula Vista	173,556	243,916	246,496	1911
Coronado	24,100	18,912	23,011	1890
Del Mar	4,389	4,161	4,187	1959
El Cajon	94,869	99,478	100,116	1912
Encinitas	58,014	59,518	59,910	1986
Escondido	133,559	143,911	145,196	1888
Imperial Beach	26,992	26,324	26,459	1956
La Mesa	54,749	57,065	58,041	1912
Lemon Grove	24,918	25,320	25,478	1977
National City	54,260	58,582	58,785	1887
Oceanside	161,029	167,086	168,173	1888
Poway	48,044	47,811	48,155	1980
San Diego	1,223,400	1,307,402	1,311.882	1850
San Marcos	54,977	83,781	84,734	1963
Santee	52,975	53,413	54,183	1980
Solana Beach	12,979	12,867	12,945	1986
Vista	89,857	93,834	94,431	1963
Unincorporated	442,919	486,604	490,139	
Total	2,813,833	3,095,313	3,118,876	

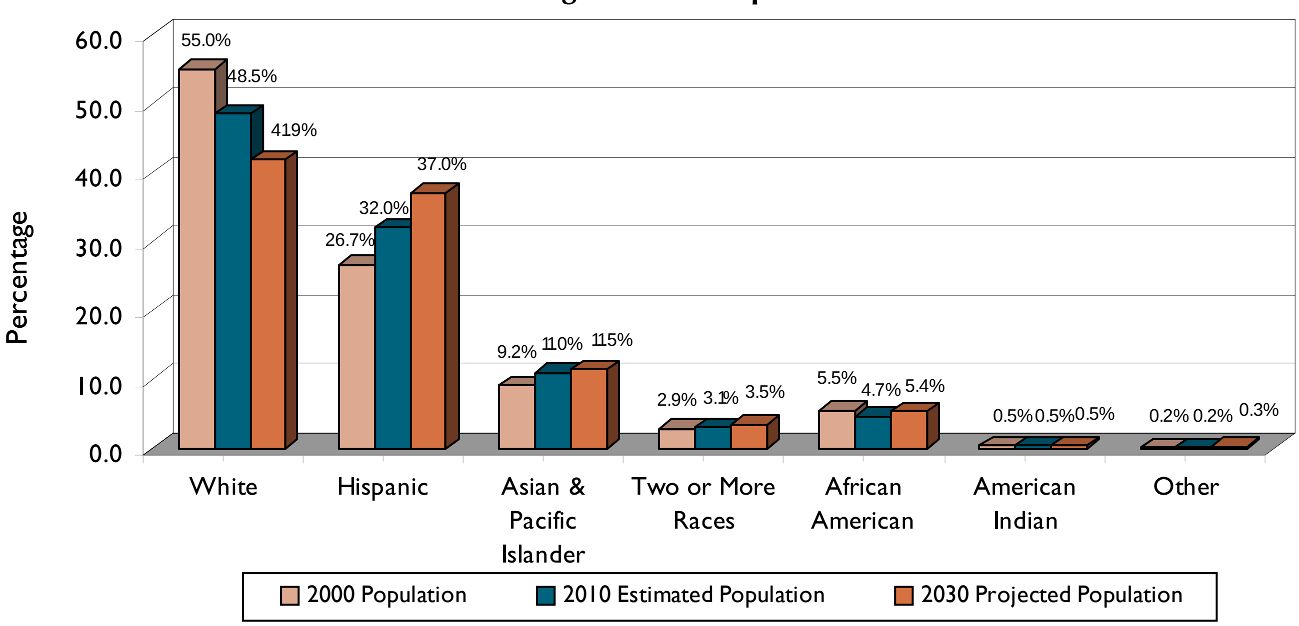
Source: U.S. Census 2000 and 2010; and California Department of Finance 2011

San Diego County Population Distribution by Race, Ethnicity and Age - 2010
Total: 3,095,313



Source: 2010 U.S. Census

San Diego County Distribution by Race/Ethnicity
2000, 2010 Estimated, and 2030 Projection
Percentage of Total Population

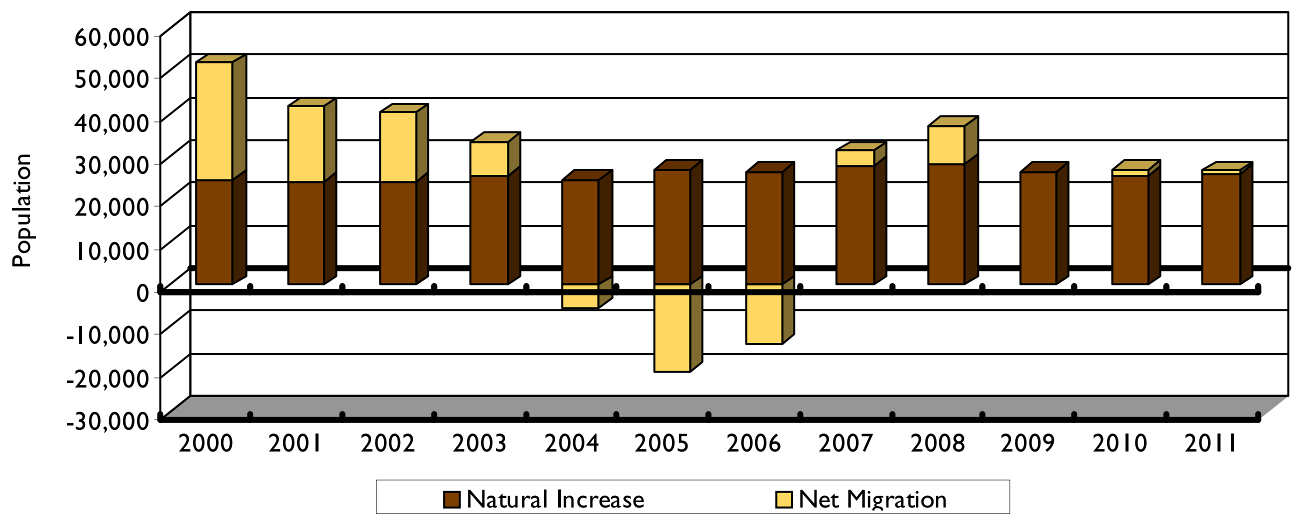


Note: Percentages represent the share of each group compared to the total population.
Source: U.S. Census - 2000 and 2010 Estimated Population

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.

Annual population growth has averaged approximately 0.9% over the past 11 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 11 years.

San Diego County Population Change: 2000 Through 2011



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.

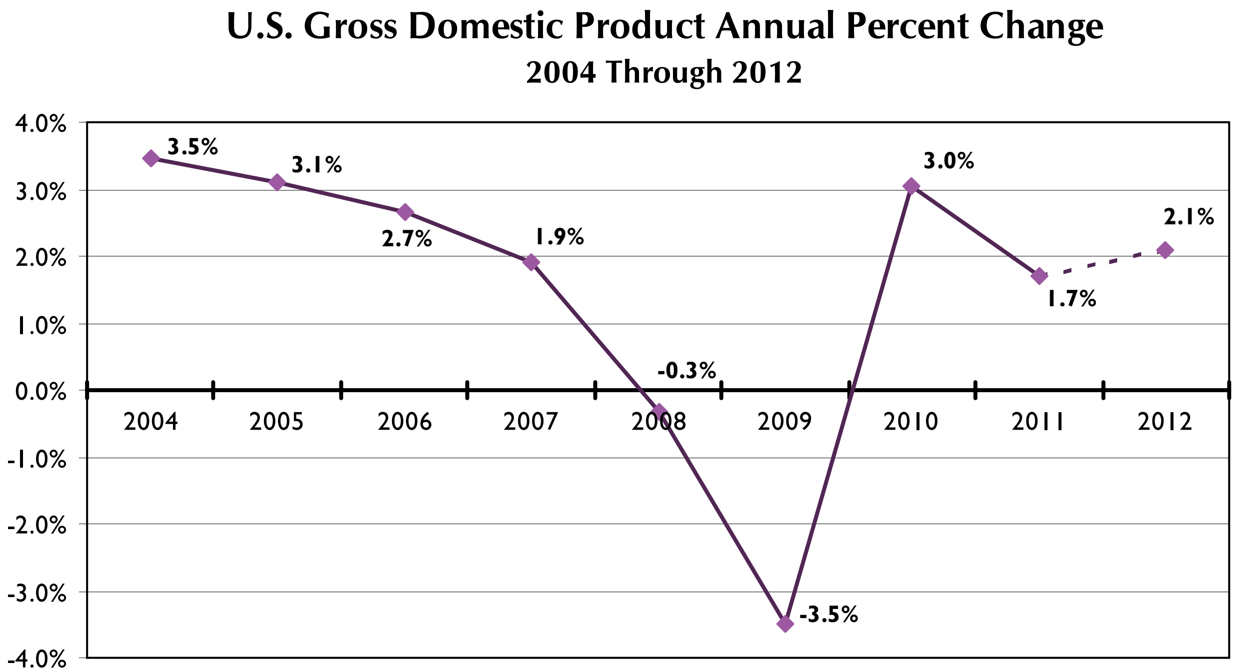
Economic Indicators

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 2011, real (GDP) increased by 1.7% compared to the 3.0% increase in 2010. (See the chart on the following page for a historical comparison.) According to the United States Department of Commerce Bureau of Economic Analysis, the U.S. economy increased at an annual rate of 3.0% in the fourth quarter of 2011 compared to an increase of 1.8% in the third quarter of 2011. The increase in real GDP in the fourth quarter primarily reflected positive contributions from private inventory investment, personal consumption expenditures (PCE), nonresidential fixed investment, exports, and residential fixed investment that were partly offset by negative contributions from federal government spending and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased. Real GDP growth is expected to continue in 2012 and 2013.

The Federal Open Market Committee met on March 13th, and the results of the meeting published in the minutes indicated that the pace of the economic recovery has been expanding moderately in recent months and labor market conditions have improved further. Overall, inflation has been subdued in recent months, however, crude oil and gasoline prices increased substantially. Private nonfarm employment has continued to expand moderately. The unemployment rate has continued to improve, however long-duration unemployment and the share of workers employed part-time for economic reasons were still quite high.



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 20112

Source: Bureau of Economic Analysis, U.S. Department of Commerce; UCLA Anderson Forecast - March 2012

Activity in the housing market improved in recent months but continued to be held down by the large overhang of foreclosed and distressed properties, uncertainty about future home prices, and tight underwriting standards for mortgage loans. Manufacturing production increased substantially in January, and the rate of manufacturing capacity utilization stepped up. Households' real disposable income increased, on balance, in December and January, and nominal business spending for nonresidential construction firmed, on net.

Some significant risks facing the U.S. economy in 2012 include continued weakness in the housing market, continued uncertainty among households and businesses, slower global economic growth, and continued strains in global financial markets (Source: Minutes from the Federal Open Market Committee meeting on January 24th and 25th, 2012 and March 13, 2012). The Federal Open Market Committee agreed to keep the target range for the federal funds rate at 0 or ¼ percent and to state that economic conditions warrant exceptionally low levels for the federal funds rate through late 2014. Households continue to face significant challenges-including limited growth in disposable income, stubbornly high unemployment levels, tight credit markets, and burdensome, although declining, mortgage debt (Source: State of California Legislative Analyst's Office (LAO) 2012-13 Budget: Economic and Revenue Update February 27, 2012).

California Economy

California's economy also experienced the impact of the worst recession since the Great Depression. In 2011, California's labor market registered gains, albeit at an uneven pace during the course of the year. The state unemployment rate fell modestly from 12.4% in 2010 to 11.7% in 2011, with a December 2011 unemployment rate of 10.9%. Across the major industries of the state, 2011 brought some much needed relief after years of job losses. Most, but not all, industries in the state registered gains, with the largest percentage increases coming in Information, Education, and Administrative Services.

Agriculture, specifically farm receipts, experienced back-to-back increases over the past two years. Imports and exports through California's three customs districts grew at a pace of 11.9% in 2011. California's aerospace sector has held its own but struggled to maintain aerospace-related employment numbers. Existing home prices fell across much of the state in year-to-year terms throughout 2011 but held steady in month-to-month comparisons through much of the year. The mix of sales has tilted away from distressed sales (bank-owned REO sales) in favor of non-distressed sales. (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2012-13 Economic Forecast and Industry Outlook, February 2012).

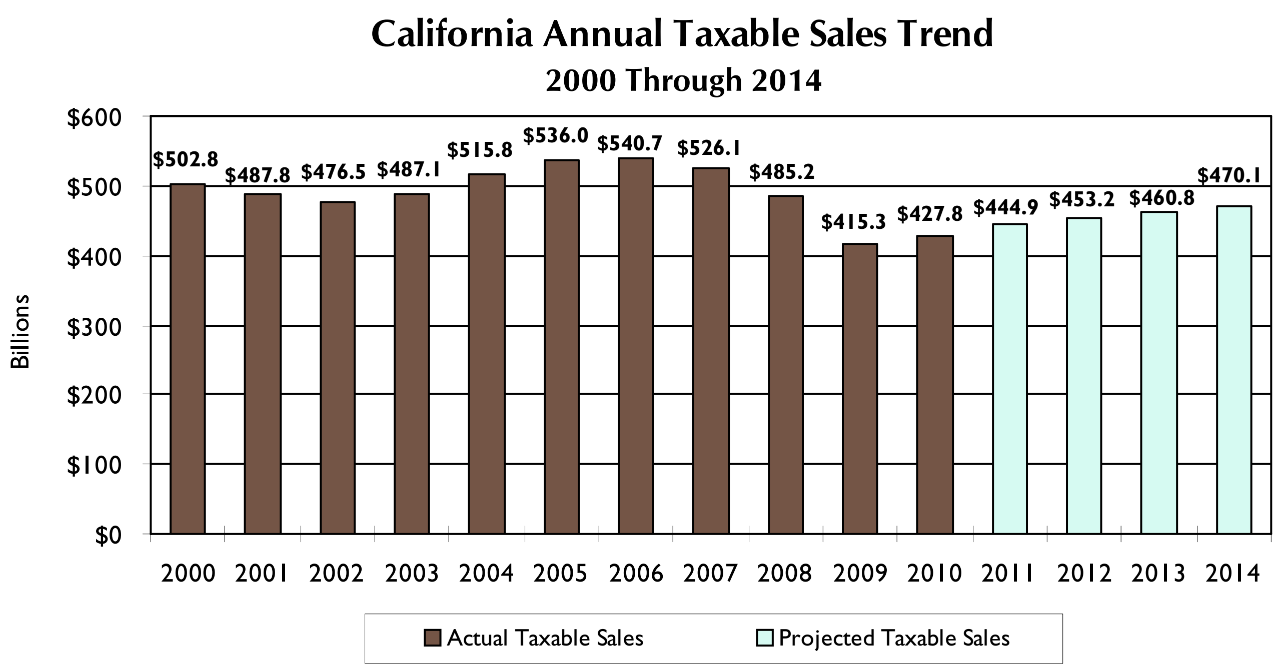
Following a decline of 5.3% in 2009, real personal income grew by 2.6% in 2010 and 3.3% in 2011. Taxable sales declined 14.4% in 2009 and grew by 3.0% in 2010 and are estimated to grow by 4.0% in 2011 (final taxable sales figures will not be available until early 2013). Consumer spending continues to be impacted by this economic volatility. (See chart below.) California's economy continues to recover from the steep recession. Nonfarm employment grew by 1.1% in 2011 and is projected to grow by 1.9% in 2012 and 2.0% in 2013. In 2012, real personal income is expected to grow by 2.4% and taxable sales are predicted to increase by 1.9%. More improvement is expected in 2013.

For 2012 and 2013, California should experience modest improvement in economic conditions, adding 200,000 jobs in 2012 and 260,000 jobs in 2013. The economy is expected to continue to heal but the process is uncomfortably long (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2012-13 Economic Forecast and Industry Outlook, February 2012).

San Diego Economy

San Diego's recent relative economic stability has been based on its increasing diversification of economic activity. The region is a thriving hub for the biotech and telecommunications industries. San Diego is also an important manufacturing center and a popular travel destination. Since the end of the Cold War, the military's presence has diminished but remains an important driver of the region's economy.

San Diego certainly shared the pain of the recession along with the rest of Southern California. The outlook for San Diego County in 2012 is for expanding but moderate growth (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2012-13 Economic Forecast and Industry Outlook, February 2012). Unemployment in the region in 2011



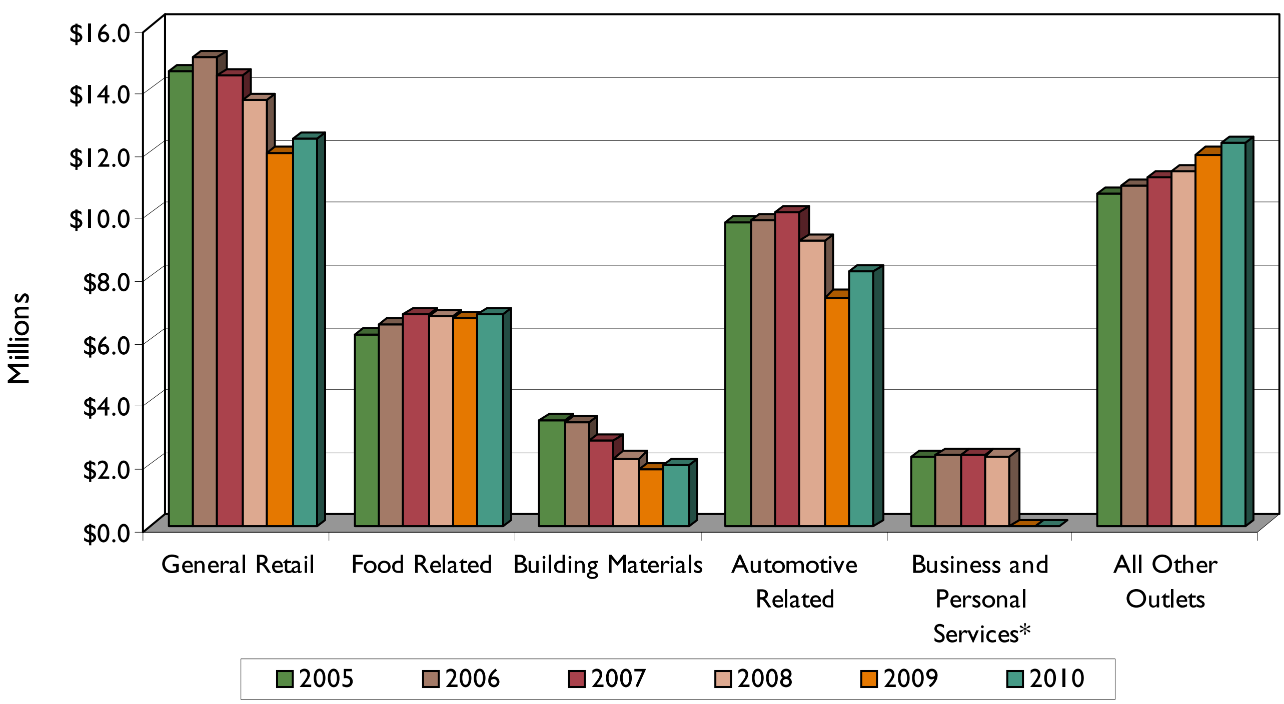
Note: Taxable sales are stated in calendar year 2005 dollars.
Source: UCLA Anderson Forecast, March 2012

averaged 10.0%, and was lower than the 2011 median of 10.4% for the 10 largest counties in the State. In 2012, the average unemployment rate for the first two months was 9.3%.

Another indicator of economic health is county taxable sales. Taxable sales started to decline overall in the county in 2007 and that trend continued in 2008 and 2009. In 2010, taxable sales showed moderate growth. While the annual figures on taxable sales for 2011 are not yet available from the California State Board of Equalization, sales tax revenues in 2011 have shown continued improvement. One category that has contributed to the higher growth rates in 2011 has been increased fuel costs. Growth in taxable sales is expected to continue in 2012 and 201and 2013.

San Diego County Taxable Sales by Category

2005 Through 2010[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.

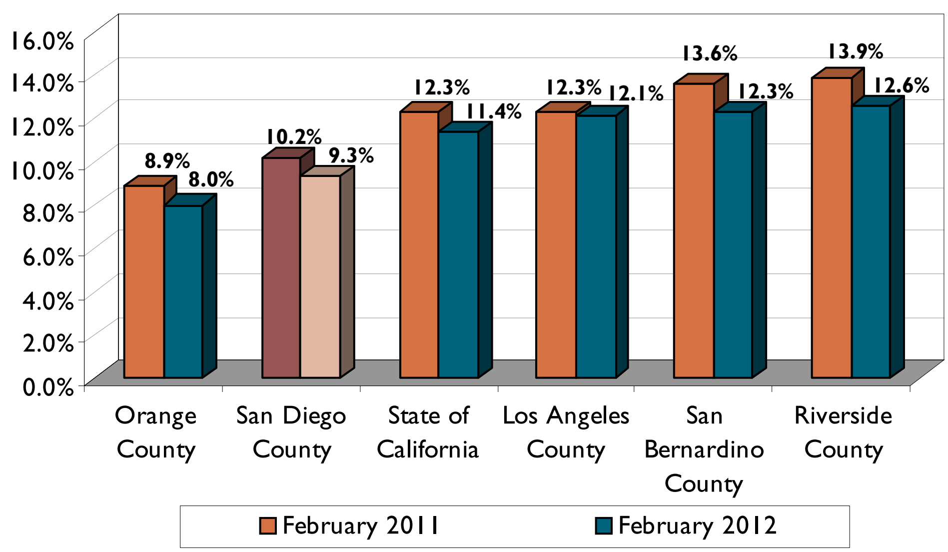
Inflation as measured by the Bureau of Labor Statistics consumer price index for all urban consumers (CPI-U) showed the cost of living increased 3.0% in 2011 compared to 1.3% in 2010 and virtually zero -0.02% in 2009. The increase was led by energy prices rising 16.7% including gas prices jumping 23.7%. With prices spiking so far in 2012 (as of early March) prices already exceed a year ago. Moreover, transportation accounts for San Diego's second-largest category of consumer expenditures (Source: National University System Institute for Policy Research Economic Ledger - March 2012).

More current indicators show that the economy gradually improved during 2011 and in the beginning of 2012. Stock prices, help wanted advertising, initial claims for unemployment insurance, consumer confidence, and the national economy as measured by the Conference Board Index of Leading Economic Indicators were all positive in January 2012. For the fourth month in a row, both labor market variables were positive. January is usually the highest month in the year for initial claims for unemployment insurance. Help wanted advertising rose for the 13th month in a row (University of San Diego Burnham-Moores Center). Economists forecast that the local economy will add upwards of 20,000 payroll jobs in 2012.

The region's health care industry is expected to continue to grow in 2012-13. San Diego attracts a significant number of retirees, a demographic that requires a larger share of health care services. Moreover, several of the region's major health care providers have expansion plans underway or have future projects: Sharp Healthcare, Scripps Health and Kaiser Permanente. The manufacturing sector will employ more workers this year. In particular, technology firms are hiring more engineers, software developers and software support staff. While smaller than it once was, San Diego's agricultural industry is still significant. It ranks as the 17th largest agricultural economy among counties in the United States. The life sciences sector was a strong performer in 2011 and will continue to expand in 2012 (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2012-13 Economic Forecast and Industry Outlook, February 2012).

Unemployment Rate Comparison by Select California Regions

February 2011 and February 2012



Source: California Employment Development Department
(February 2011 - revised data; February 2012 - preliminary)

In 2012-13, the federal government and Pentagon initiatives to cut back on defense spending will have an impact on San Diego's economy. Offsetting the cutback is the fact that the region is home to significant military commands and training centers. Additionally, the Department of Defense is shifting its focus to the Pacific and deploying more forces in San Diego. Through the third quarter of 2011, military contracts awarded to firms in the region totaled nearly $2.3 billion.

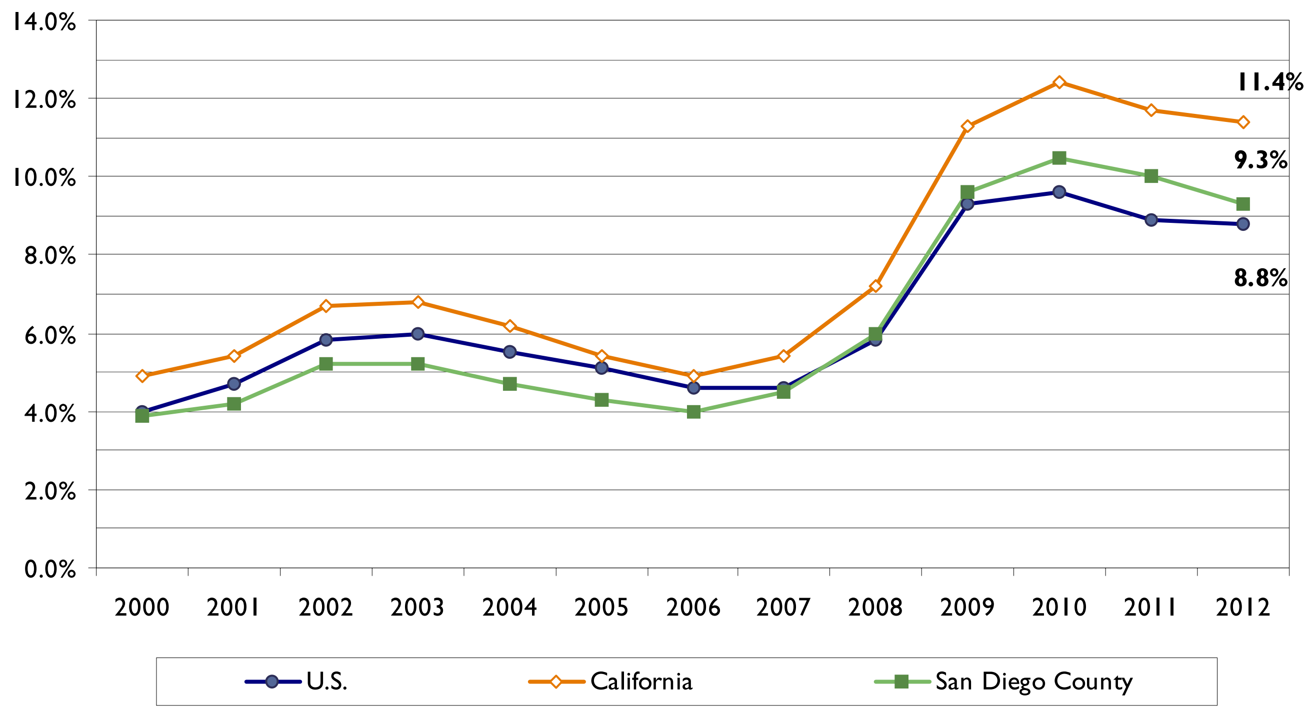
While demand for cruises to Mexico has declined and cruise lines have been shrinking their presence in San Diego, positive news is seen in a plan to expand the San Diego Convention Center. If the expansion goes forward, the $550 million project would begin in 2013 and be complete in 2016.

Although the residential real estate market is still being impacted by home price declines, nonresidential real estate is on the mend. Steady job growth is raising demand for office and other types of commercial real estate.

Approximately one-half of San Diego County's population is part of the civilian labor force (1,586,200 in January 2012). 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 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.

Annual Average Unemployment Rate Comparison

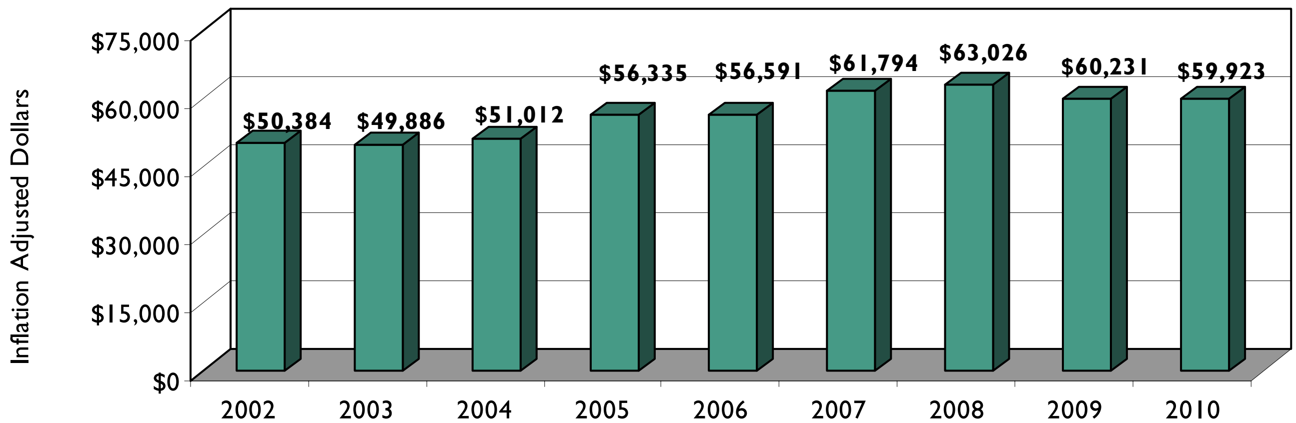
U.S., California and San Diego County



Notes: Unemployment rates are measured by calendar year. The rates for 2012 represent January through 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 and 2010 due to high unemployment and constrained consumer spending.

San Diego County Median Household Income
2002 Through 2010

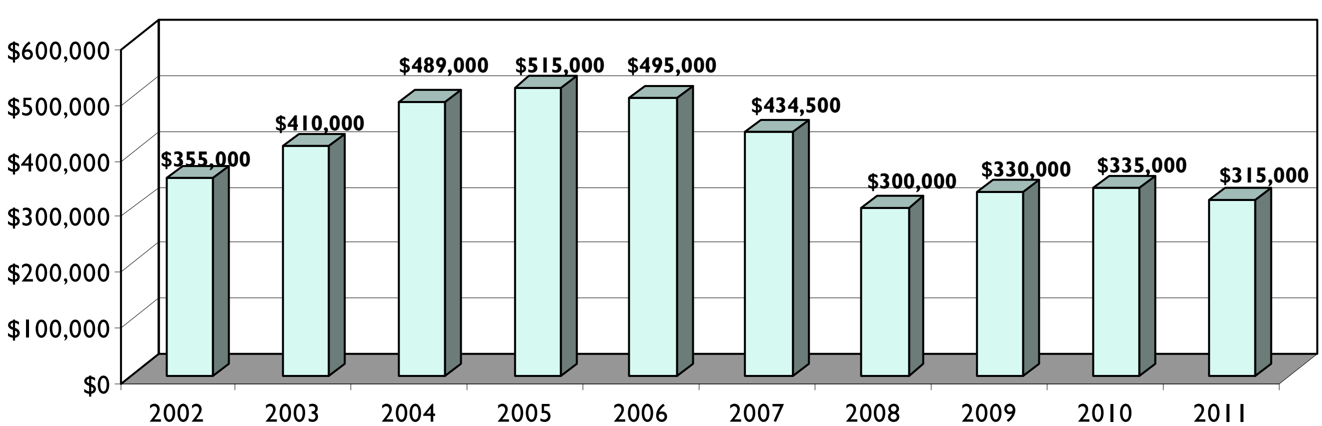


Note: Median Household Income is measured by calendar year.

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 for December 2011. The percentage of households that could afford to buy an entry-level home in San Diego increased to 67% 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 December 2011 compared to December 2010.

San Diego County Median Price of Existing Homes Sold
2002 Through 2011



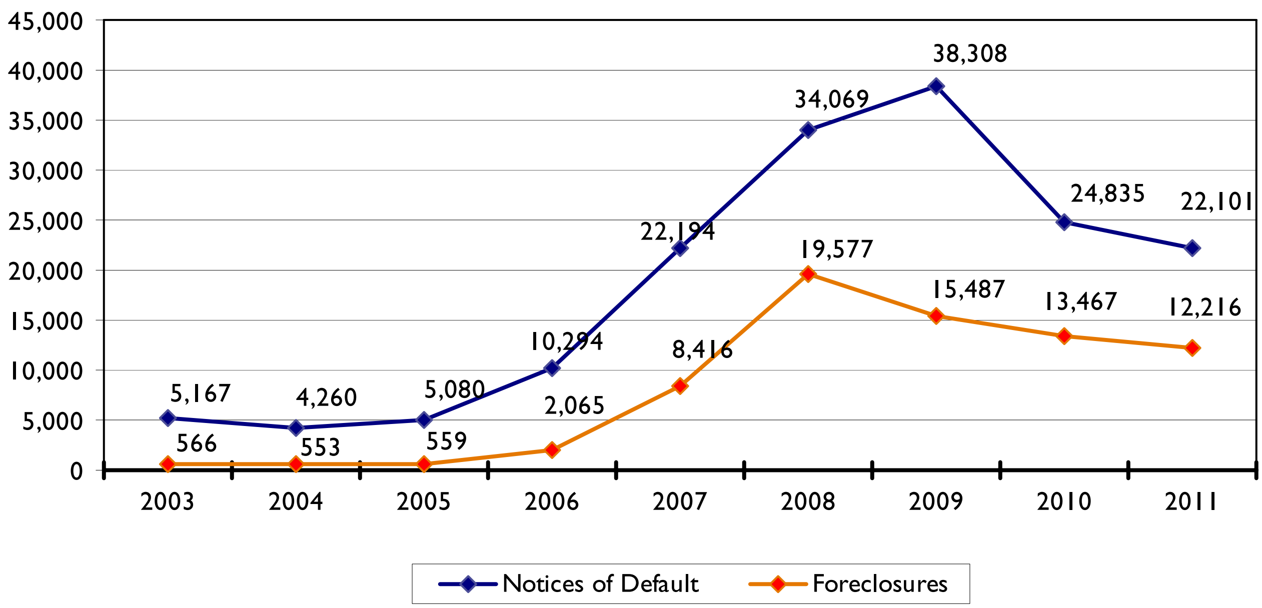
Note: Median home price of all existing homes sold in December of each year.

Source: Data Quick Information Systems

Another measure of the downturn in housing is the rate of foreclosures, as well as the companion indices notices of loan default and deeds recorded (changes in ownership). The number of total deeds recorded has fallen significantly since 2003 from 223,087 to a low 119,933 in 2011, 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 were down 35.2% and down an additional 11.0% in 2011. In 2010, foreclosures declined 13.0% and down an additional 9.3% in 2011. The percentage of properties with delinquent mortgage loans that went into foreclosure averaged at approximately 11.6% from 2003 through 2005. During the recession, this indicator peaked at 57.5% in 2008 and declined to 55.3% in 2011. Foreclosures compared to total deeds recorded (change in ownership) averaged 0.3% over the three-year period of 2003, 2004 and 2005, then rose significantly beginning in 2006, reaching 16.9% in 2008 declining to 10.2% in 2011.

San Diego County Total Notices of Default and Foreclosures
2003 Through 2011



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%. In 2011, visitor growth improved by 4.3% totaling more than 31 million visitors. Overall, tourism continues to be a stimulus to the local economy. Total visitor spending was approximately $7.5 billion in 2011 up from $7.1 billion in 2010 and up from $7.0 billion in 2009. In 2012, growth in visitation to San Diego is expected to slow to 2.2% and total visitor spending is estimated to grow 4.1%. However, visitor expenditure levels are anticipated to remain below 2007 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 2012-13 and 2013-14 and in the individual Group and department presentations that begin on page 113.

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 us to assess where the County 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 frequently, including structured monthly, quarterly, and annual reviews so that necessary adjustments may be made without delay.

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 and understand how this system guides the success of County operations and contributes to their success on the job. To encourage excellence, managers must set clear expectations, provide incentives, evaluate performance, and reward those who meet or exceed goals. And County employees meet the challenge by becoming Knowledge Workers who are comfortable with changing technology and who prepare themselves and their departments for changes expected in the future.

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 2.0/2.1

In Fiscal Year 2008-09, the County launched GMS 2.0, an enterprise-wide initiative 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 required County managers and employees to identify: how their units were addressing the region's increasing need for resource conservation and sustainability and how staff will manage the exploding amount of information available to them to stay on the cutting edge of their fields. In Fiscal Year 2009-10, GMS 2.1 followed on these principles by challenging the workforce to make better use of technology tools to accomplish its goals and to identify 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 now reflected throughout the enterprise. In keeping with the GMS disciplines and our commitment to continuous improvement, 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 Vision and Mission. First and foremost, the Strategic Plan sets the course for accomplishing the County's Vision:

A county that is safe, healthy and thriving

By establishing a clear Vision, the County can articulate the strategies and approaches it will take to carry out its Mission. The 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. The County's Mission:

To efficiently provide public services that build strong and sustainable communities

The County recognizes that "The noblest motive is the public good." As such, there is an ethical obligation and commitment to uphold basic standards as we conduct operations to realize a shared Vision. The County embraces the following values:

- Integrity - We are dedicated to the highest ethical standards.
- Stewardship - We will ensure responsible stewardship of all that is entrusted to us.
- Commitment - We are committed to excellence in all that we do.

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 enterprise-wide review of the issues, risks and opportunities facing the region and the County organization. In reviewing the Strategic Plan as part of the annual GMS cycle, it was determined that some changes were needed in order to keep up with the changing world we live in and the residents that we serve. These changes were also made to promote increased collaboration between Groups and Departments to better achieve our goals. All County programs support at least one of these three new Strategic Initiatives or the Required Disciplines for Excellence that make achievement of the initiatives possible:

- **Safe Communities** (Promote safe communities),
- **Sustainable Environments** (Support environments that foster viable, livable communities while bolstering economic growth), and
- **Healthy Families** (Make it easier for residents to lead healthy lives while improving opportunities for children and adults).

The Strategic Plan also commits the organization to adhere to eight key internal organizational disciplines that are necessary to maintain a high level of operational excellence and accomplish the Strategic Initiatives. These Required Disciplines for Excellence 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 our 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 and Innovation** - Achieve operational efficiency through continuous efforts to improve and innovate, thereby maximizing value for taxpayers.
- **Information Services** - The County of San Diego will be the center of Information Services 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.

Operational Plan

The Operational Plan provides the County's financial plan for the next two fiscal years (e.g., July 1, 2012 through June 30, 2014). 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 for Excellence.

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, current fiscal year anticipated accomplishments, operating objectives for the two upcoming fiscal years, and performance measures and staffing by program, expenditures by category, revenue amounts and sources.
- An explanation of the capital program planning process along with a description of the capital projects with new appropriations proposed, the operating impact of the capital projects scheduled for completion during the next two fiscal years, and budget summaries for capital projects by fund.
- Other supporting material including budget summaries, a glossary and an index.

Public Review and Hearings — Prior to adopting a budget, the Board of Supervisors conducts public hearings for 10 calendar days. Pursuant to California Government Code §29081, budget hearings may be continued from day to day until concluded, but not to exceed a total 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 CAO 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 Budget 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 fiscal years' adopted budgets and the proposed amounts for the two upcoming fiscal 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 Auditor and Controller. There are two options for requesting a midyear 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 - 2012-13 Target Dates

Jan 23	Narrative instructions for Operational Plan issued by Office of Financial Planning (OFP)
Feb 6	Budget instructions for Operational Plan issued by OFP
Feb 13	Budget database opens for Operational Plan development
Feb 29	Due date for departments to submit draft Anticipated Accomplishments, Objectives and Performance Measures sections of narratives to OFP
Mar 16	Budget database closed to departments to enable business Groups (Groups) to review
Mar 26	Deadline for departments to submit their budget changes from current year adopted budget plus their final Anticipated Accomplishments, Objectives and Performance Measures sections of narratives to their Group Finance Director
Mar 29	Budget database closed to Groups
Apr 4	Deadline for Groups to have all department narratives reviewed and submitted to OFP
Apr 24	Draft copy of balanced CAO Proposed Operational Plan sent to Chief Administrative Officer (CAO), Assistant CAO, Chief Financial Officer (CFO) and General Managers
Apr 30	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 8	Board of Supervisors accepts CAO Proposed Operational Plan
May 14	OFP sends request to Groups for Referrals to Budget
May 16	Budget Change Letter database closed to departments to enable final review by Groups
May 18	Department Change Letter narratives due to Groups for review
May 23	Budget Change Letter database closed to Groups
May 25	Deadline for Groups to submit responses to Referrals to Budget to OFP
May 30	Deadline for Groups to have all departments' Change Letter narratives reviewed and submitted to OFP
Jun 11-20	Public Hearings on CAO Proposed Operational Plan (10 calendar days)
Jun 20	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 26-27	Board of Supervisors Budget Deliberations and approval of the 2012-14 Operational Plan
Aug 7	Board of Supervisors adopts Fiscal Year 2012-13 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, 2012 through June 30, 2014. The introductory portion of the document highlights the following:

- Board of Supervisors and Organizational Chart
- Message from the Chief Administrative Officer
- Fiscal Year 2012-13 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.

2011-12 Anticipated Accomplishments

Brief descriptions of the group's/department's anticipated accomplishments for Fiscal Year 2011-12. The discussions address the progress made on the 2011-13 Objectives reported in the prior fiscal year and include anticipated results. Anticipated Accomplishments are categorized by the County's Strategic Initiatives and Required Disciplines.

2012-14 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 for Excellence 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	2010-11 Actuals	2011-12 Adopted	2011-12 Estimated Actuals	2012-13 Proposed	2013-14 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: 2011-12 to 2012-13

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: 2012-13 to 2013-14

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 2010-11 and 2011-12; the Proposed Budget for Fiscal Year 2012-13; the percentage change from the Fiscal Year 2011-12 Adopted Budget to the 2012-13 Proposed Budget; and the Fiscal Year 2013-14 Proposed Budget.

Sample Budget Tables

Staffing by Program	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Name of Program					
Name of Program					
Total					

Budget by Program	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Name of Program					
Name of Program					
Total					

Budget by Categories of Expenditures	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Salaries & Benefits					
Services & Supplies					
Other Charges					
Capital Assets Equipment					
Total					

Budget by Categories of Revenues	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 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

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

- Capital Appropriations — Discusses new appropriations to the capital budget for Fiscal Years 2012-14, including the amount and purpose of each capital item.
- Operating Impact of Capital Program — A summary of the potential impact on the operating budget is presented for a handful of capital projects that are scheduled for completion during Fiscal Years 2012-14.
- 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 2010-11 and 2011-12; the Proposed Budget for Fiscal Year 2012-13; the percentage change from the Fiscal Year 2011-12 Adopted Budget to the 2012-13 Proposed Budget; and the Fiscal Year 2013-14 Proposed Budget.
  - Tables are presented for each fund within the Capital Program that has budgeted appropriations for the fiscal years presented, which may include any or all of the following funds: Capital Outlay, County Health Complex, Justice Facility Construction, Multiple Species Conservation Program, Library Projects and Edgemoor Development.
  - Information includes: Budget by Categories of Expenditures; Project Details listing each capital project by name and number; and Funding Source which provides all funding sources and lists each project funded by each source.
  - Data include the Adopted Budget for Fiscal Years 2010-11 and 2011-12; the Proposed Budget for Fiscal Year 2012-13; the percentage change from the Fiscal Year 2011-12 Adopted Budget to the 2012-13 Proposed Budget; and the Fiscal Year 2013-14 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 — Total appropriations and the remaining balance for each capital project within each business group is displayed, along with the fiscal year the project was established.

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.

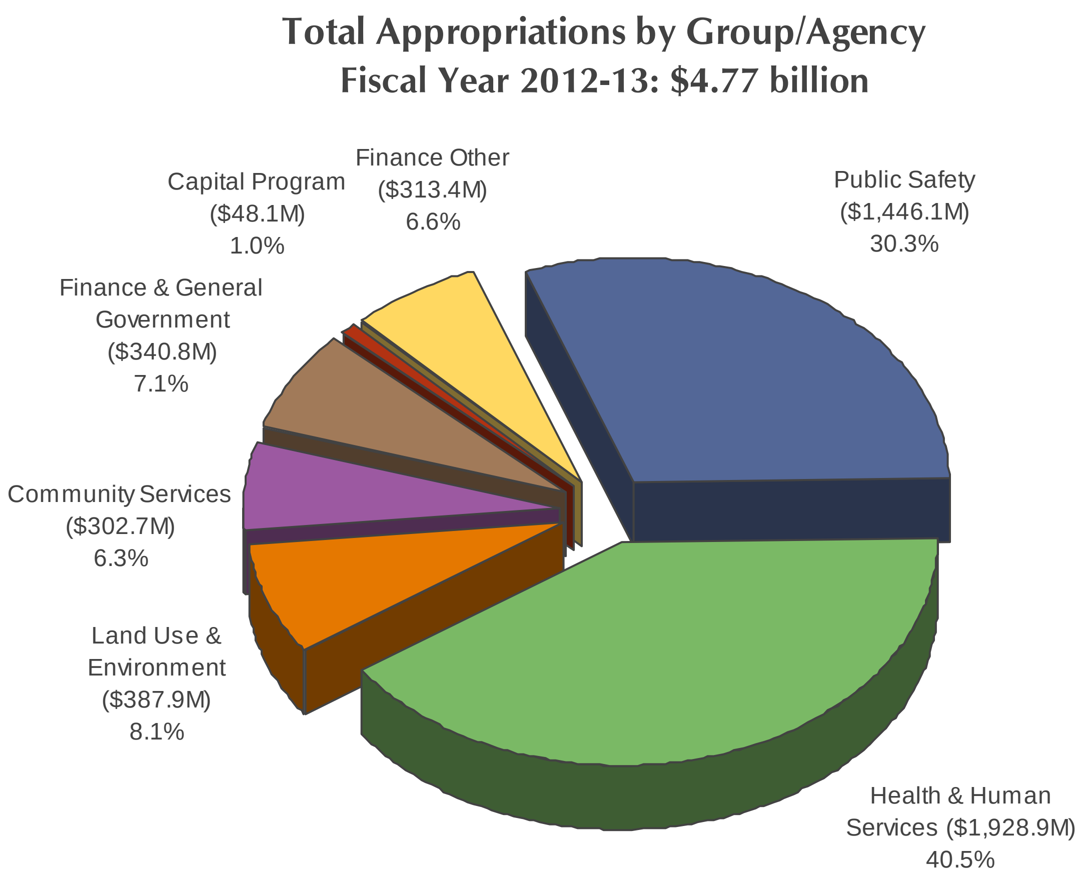
Appendices

- Appendices A, B and C present tables of data which include Fiscal Years 2010-11and 2011-12 Adopted Budget; Fiscal Year 2012-13 Proposed Budget; the percentage change from the Fiscal Year 2011-12 Adopted Budget to the 2012-13 Proposed Budget; and the Fiscal Year 2013-14 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 by 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 budgeted 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.
- Index: An alphabetical listing of key topics and the page reference for each.

All Funds: Total Appropriations

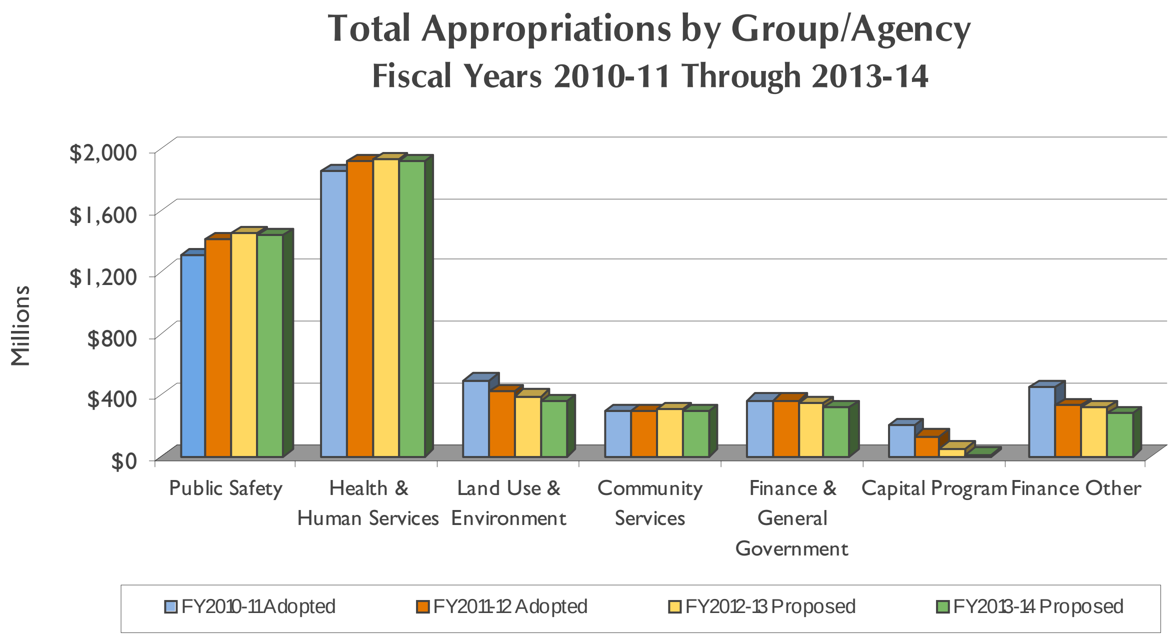
Total Appropriations by Group/Agency

Appropriations total **$4.77 billion** in the Proposed Budget for **Fiscal Year 2012-13** and $4.62 billion for Fiscal Year 2013-14. This is **a decrease of $91.7 million or 1.9%** for Fiscal Year 2012-13 from the Fiscal Year 2011-12 Adopted Budget. Looking at the Operational Plan by Group/Agency, appropriations decrease in Land Use and Environment, Finance and General Government, the Capital Program and Finance Other, while they are increasing in Public Safety, Health and Human Services and Community Services.



The pie chart above shows each Group/Agency's share of the Fiscal Year 2012-13 Proposed Budget, while the bar chart and table on the following page compare the Fiscal Years 2012-13 and 2013-14 appropriations to the two prior fiscal years. The percentage change is also calculated for the variance between Fiscal Years 2012-13 Proposed and the 2011-12 Adopted Budget. An overview of the County's Operational Plan for Fiscal Year 2012-13 is presented below by Group/Agency and highlights changes and key areas of focus. 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 113.

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 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Public Safety	$ 1,307.3	$ 1,410.3	$ 1,446.1	2.5	$ 1,436.6
Health & Human Services	1,856.4	1,919.9	1,928.9	0.5	1,921.4
Land Use & Environment	492.2	419.0	387.9	(7.4)	359.0
Community Services	293.4	289.1	302.7	4.7	293.0
Finance & General Government	360.3	363.2	340.8	(6.2)	319.7
Capital Program	202.2	127.2	48.1	(62.2)	12.4
Finance Other	445.0	331.0	313.4	(5.2)	274.0
Total	$ 4,957.0	$ 4,859.6	$ 4,768.0	(1.9)	$ 4,616.1

Public Safety Group (PSG) — A proposed **net increase of 2.5% or $35.8 million** from the Fiscal Year 2011-12 Adopted Budget. The increase primarily relates to increased costs reflecting negotiated labor agreements and increases in County retirement contributions, growth in Proposition 172, *Local Public Safety Protection and Improvement Act of 1993*, funding, additional service requirements due to the transfer of responsibilities for offenders from the State to the counties, and the planned use of one-time resources. Reductions in State funding and the expiration of funding under the American Recovery and Reinvestment Act (ARRA) of 2009 are recognized. All mandated services are maintained.

Major changes include:

- Resources and services to address the transfer of responsibility for certain offenders from the State to the counties pursuant to Assembly Bill (AB) 109, *Public Safety Realignment (2011).* As outlined in state budget bills, funds to support services and activities required by counties due to Public Safety Realignment are allocated to the Local Community Corrections Account within each county's County Local Revenue Fund.

Proposed services include supervision of offenders, costs associated with the custody of offenders, including food and medical costs, and resources for services including mental health treatment, substance abuse treatment, vocational and behavioral services. As further services and strategies are recommended to the Board of Supervisors by the Community Corrections Partnership, additional anticipated state resources will be proposed for appropriation.

- Transition planning for the staffing and operation of the Women's Detention Facility.
- Increase in sworn supervisory positions at patrol stations in the unincorporated area. Increases to support hiring and training activities in the Sheriff, and to support Emergency Planning. Crime Lab and Records, Inmate Welfare and the operations in support of the Regional Communications System.
- Resources to fund the replacement of the conventional radio system providing support to critical public firesafety voice communications for local and statewide mutual aid response to emergencies throughout the county.
- The implementation of a public defense internship pilot program and adjustments in public defense to allow positions to be filled at authorized levels as required by the volume and complexity of cases.
- Reductions in amounts allocated for one-time expenditures in the previous fiscal year.

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 strategies that prevent crime and make neighborhoods safe places to live, work and play.
- Promoting and implementing strategies that protect residents from crime, including proactive law enforcement and monitoring of offenders subject to community supervision.
- Providing for a strong, collaborative criminal justice system that holds offenders accountable.
- Reducing recidivism by implementing treatment strategies that help offenders successfully reenter society.
- Continuing to strengthen the County's and communities' ability to prepare for, respond to and recover from disasters.
- Promoting the well-being of children and the self-sufficiency of families through the success of the child support program.
- Leveraging new technology innovations to improve service delivery and operational efficiency.

Health and Human Services Agency (HHSA) - A proposed **net increase of 0.4% or $9.0 million** from the Fiscal Year 2011-12 Adopted Budget. The proposed increase relates to the increase in staff years as well as increases in wage and benefit costs that reflect negotiated labor agreements and increases in retirement contributions, and costs associated with contracted services and client payments. Reductions in funding and caseloads are also recognized as well as the implementation of Assembly Bill (AB) 118, *Local Revenue Fund 2011*, which shifts State financial responsibility of various services to counties, funded with a dedicated portion of sales tax.

Major changes include:

- Ongoing implementation of Assembly Bill (AB) 109, *Public Safety Realignment,* in partnership with Probation and the community for the provision of mental and substance abuse services.
- Increase in In-Home Supportive Services associated with the sunset of a State imposed reduction of hours.
- Increase associated with Aid to Adoptive Children payments and expansion of services to emancipated youth under the Transitional Housing Program.
- Decrease in Mental Health Services contracts and in Child Welfare Services due to the San Diego County Office of Education (SDCOE) assuming responsibility for provision of Emotionally Related Mental Health Services in the schools.
- Decrease in CalWORKs Assistance payments, and Foster Care payments to align with projected caseload costs.

A major goal in the development of the Agency's operational plan is to advance the *Live Well, San Diego!* initiative. In that endeavor, HHSA has pursued and acquired grants that will help improve the health and well-being of San

Diego's communities and citizens. 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 Phrase 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 service delivery system that is innovative and outcome-driven.
  - Implement Year 1 of the Community Transformation Grant (CTG) to support public health efforts to reduce chronic diseases, promote healthier lifestyles, reduce health disparities and decrease health care costs.
  - Implement the Community Based Care Transition program to reduce readmissions to hospitals by Medicare recipients.
  - Evaluate data from the two pilot programs integrating physical and behavioral health services.
  - Establish the Extended Foster Care program, an outcome from Assembly Bill 12, *The California Fostering Connections to Success Act*, to extend foster care to 21 years of age.
- Supporting positive choices that empower residents to take responsibility for their own health and well-being.
  - Implement Year 1 of the Community Nutrition Education Program (CNEP) grant to increase access and nutrition education for CalFresh eligible or potentially eligible clients
- Pursuing policy and environmental changes that make it easier for people to engage in healthy and safe behaviors
  - Complete and document community input to the six regional *Live Well, San Diego!* plans by using the MAPP process from the National Association of County and City Health Officials.
- Improving the culture from within by increasing employees' knowledge on how to incorporate health and safety.
  - Implement second phase of the succession plan to advance *Live Well, San Diego*!
- Advancing operational excellence by ensuring fiscal stability, customer service, leadership, accountability and transparency, continuous improvement and workforce excellence.
  - Begin improvements to Family Resource Centers and ACCESS (a public benefits transaction call center), including increasing accuracy of payment, and technological enhancements to improve customer service.
  - Implement Year 1 of the SNAP grant to implement a system for electronic documents conversion and tracking, and to help reduce processing time and minimize lost documents.
  - Begin phase 2 of the Knowledge Integration Project (KIP) to develop the foundation for information exchange across multiple disciplines to improve the information available and coordinate services for shared clients.
- Complete co-location of Public Administrator/Public Guardian with Mental Health Conservatorship to improve service coordination.

Land Use and Environment Group (LUEG) -A proposed **net decrease of 7.4% or $31.0 million** from Fiscal Year 2011-12 Adopted Budget. Significant decreases are in: right-of-way acquisition costs for Bear Valley Parkway; completion of capital projects in the County of San Diego Sanitation District and Airports; completion of grant funded contracts; one-time only costs for completion of several business process reengineering projects and reductions in staffing.

Major changes include:

- Reductions in the Road Fund Detail Work Program's construction and consulting contracts resulting from near completion of Proposition 1B, Transportation Bond Act, funded projects.
- One-time-only funding in the Watershed Protection Program for new Bacteria Total Maximum Daily Load requirements by the Regional Water Quality Control Board.
- One-time only funds for major maintenance projects identified in the facility conditions assessment program and for upgrades for the Agua Caliente Park Water, Sewer and Electrical Line Replacement project.
- Decrease in one-time funds due to completion of the Mobile Source Emission Reduction Incentive Programs.
- One-time only funding for the completion for the final phase of the Business Case Management System - Accela, and associated online reporting tools.

Key areas of focus include:

- Improving the land development process overall, as well as the associated customer experience and streamlining permit processing.
- Continuing business process reengineering efforts to develop new online tools that will streamline processes and improve customer service.

- 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 $1.65 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.

Community Services Group (CSG) - A proposed **net increase of 4.7% or $13.6 million** from the Fiscal Year 2011-12 Adopted Budget. The increase is due to a major upgrade of the Documentum Enterprise Content Management application, the use of loans from the California Energy Commission to finance energy-efficiency projects, and increases in wage and benefit costs that reflect negotiated labor agreements and increases in County retirement contributions. Offsetting the increases in program appropriations is a decrease of $7.6 million in elections' costs due to the scheduled February 2012 Presidential Primary.

Major changes include:

- Major upgrade of the Documentum Enterprise Content Management application.
- Conducting one election in Fiscal Year 2012-13 (two primaries were budgeted in Fiscal Year 2011-12).
- Use of loans from the California Energy Commission to finance energy-efficiency projects.
- Increased costs of major maintenance and energy-efficiency projects, routine maintenance and contracted services for County-owned facilities.
- Higher demand for fuel and higher fuel costs.
- Dissolution of the County of San Diego Redevelopment Agency and subsequent budgeting and management of the Successor Agency. Effective February 1, 2012, all California redevelopment agencies were dissolved and their assets, obligations and programs were transferred to successor agencies, usually the sponsoring agency. The County of San Diego elected to be the Successor Agency for the former Redevelopment Agency.

Key areas of focus include:

- Conducting the November 2012 Primary Elections.
- Maintaining library hours 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, moving County staff into 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 decrease of 6.2% or $22.4 million** from the Fiscal Year 2011-12 Adopted Budget. The decrease is mainly due to the completion of one-time funding of major enterprise information technology (IT) projects in Fiscal Year 2011-12 partially offset by smaller IT projects in Fiscal Year 2012-13. There are also offsetting increases in staffing costs due to an increase in staff years and for retirement costs related to existing positions.

Major changes include:

- A reduction of funding to reflect the fact that the Integrated Property Tax System (IPTS) project initiated in Fiscal Year 2011-12 is not anticipated to require additional appropriations in FY2012-13.
- An increase in planned IT services for a number of County departments through the County's information technology outsourcing contract.
- An increase in staff years for property appraisal activities countywide and for restored clerk service levels in one branch office of the Assessor/Recorder/County Clerk.

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, including the enterprise budget software system, the imaging system for supporting financial documents, and the system used for information technology billing purposes.
- 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 **decrease of 62.2% or $79.1 million** from the Fiscal Year 2011-12 Adopted Budget. The amount budgeted in the Capital Program for Capital Projects can vary significantly from year to year. The Fiscal Year 2012-13 Capital Program includes:

- $26.2 million for the Cedar and Kettner Development
- $10.0 million for Multiple Species Conservation Program (MSCP).
- $2.0 million for Agua Caliente Park Water, Sewer and Electrical Line Replacement project.

In Fiscal Year 2013-14, a decrease of $35.7 million is proposed and includes funding of $2.5 million for MSCP.

The Capital Program also includes appropriations for the Edgemoor Development Fund to pay debt service on the 2005 and 2006 Edgemoor Certificates of Participation and other costs to maintain the Edgemoor property.

Finance Other - A proposed **decrease of 5.3% or $17.6 million** from the Fiscal Year 2011-12 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 2011-12 included $70.0 million for the Women's Detention Facility replacement project, $10.0 million for Multiple Species Conservation Program (MSCP), $0.5 million for the Agua Caliente Park Cabins and $0.46 million for the Long-Term Animal Care Facility.

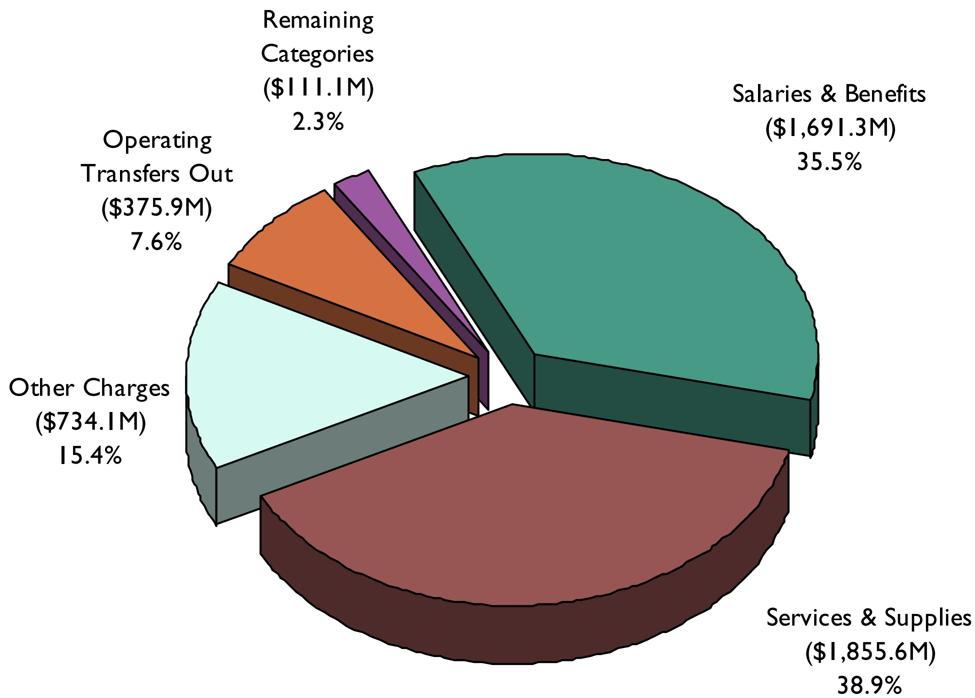
In the Fiscal Year 2012-13 proposed budget, the General Fund contribution to the Capital Program continues to include appropriations for MSCP of $10.0 million and $2.0 million for the Agua Caliente Park Water, Sewer and Electrical Line Replacement project. In addition, a one-time appropriation of $45.4 million is proposed to fund future capital projects and anticipated higher payments to the retirement fund in future years. See page 437 for the details of the proposed budget for Finance Other.

Total Appropriations by Category of Expenditure

The pie chart below shows the Proposed Budget broken down by category of expenditure. As noted previously, the Fiscal Year 2012-13 Proposed Budget is decreasing overall by $91.7 million from the Fiscal Year 2011-12 Adopted Budget and decreasing further by $151.8 million in Fiscal Year 2013-14.

Total Appropriations by Category of Expenditure

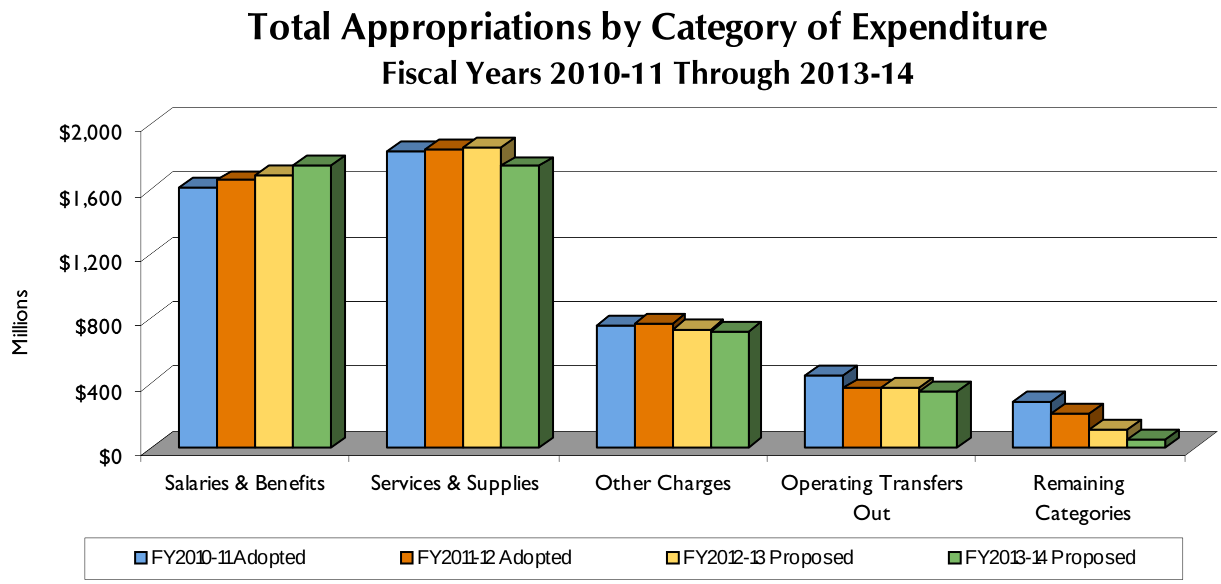
Fiscal Year 2012-13: $4.77 billion



The changes by category are summarized as follows:

- **Salaries and Benefits** are **increasing overall by a net $35.8 million or 2.2%** in Fiscal Year 2012-13. This change reflects higher retirement contribution requirements, negotiated reductions in the County funding of the employee share of retirement costs, negotiated benefit increases and an increase of 271.25 staff years. The current labor contracts are effective through June 23, 2013, except for the Deputy Sheriffs' Association contract which is effective through June 26, 2014. All contracts include increases in flexible benefit credits effective January 2013; and further negotiated reductions in the County funding of the employee share of retirement costs. There is no increase in base pay. In addition, current contracts for six bargaining units of the Service Employees International Union (SEIU) Local 221, include a one-time monetary payment equivalent to 1% of base pay in Fiscal Year 2012-13.

  In Fiscal Year 2013-14, salaries and benefits are increasing by a net of $54.3 million or 3.2%, which reflects anticipated higher retirement contribution requirements, a 1% negotiated wage increase in base pay for the Deputy Sheriffs' Association (DSA) bargaining unit, an increase in flexible benefit credits for the DSA bargaining unit effective January 2014, and a net decrease of 3.00 staff years. See Total Staffing on page 53 for a summary of staffing changes by business group.



Total Appropriations by Category of Expenditure (in millions)					
	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Salaries & Employee Benefits	$ 1,611.3	$ 1,655.5	$ 1,691.3	2.2	$ 1,745.6
Services & Supplies	1,833.8	1,851.5	1,855.6	0.2	1,741.8
Other Charges	764.2	770.9	734.1	(4.8)	726.0
Operating Transfers Out	455.3	369.3	375.9	1.8	352.7
Remaining Categories:					
Capital Assets/Land Acquisition	204.8	137.8	47.0	(65.9)	10.1
Capital Assets Equipment	23.4	22.5	21.6	(3.7)	17.0
Exp Transfer & Reimbursements	(20.0)	(20.2)	(23.6)	16.7	(23.7)
Reserves	22.1	21.8	22.1	1.4	22.1
Fund Balance Component Increases	33.4	18.4	13.7	(25.3)	0.4
Management Reserves	28.7	32.3	30.3	(6.2)	24.3
Total	$ 4,957.0	$ 4,859.6	$ 4,768.0	(1.9)	$ 4,616.1

Services and Supplies are **increasing by a net of $4.1 million or 0.2%**. 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 a $41.3 million decrease due to the reduction of one-time appropriations for the Integrated Property Tax System, a $5.9 million increase to replace the conventional radio system, and an increase in information technology costs of $13.3 million and a corresponding increase in the Information Technology Internal Service Fund of $12.7 million.

A decrease of $113.8 million or 6.1% in Fiscal Year 2013-14, is primarily due to completion of one-time expenditures in Fiscal Year 2012-13 and redirection of resources to address anticipated increases in retirement contributions.

- **Other Charges** are **decreasing by $36.8 million or 4.8%.** 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 decreases are primarily due to reduced funding from CalWORKs ($8.5 million), Seriously Emotionally Disturbed Children ($10.8 million), foster care ($5.5 million), and completion of the Bear Valley Parkway right-of-way acquisition ($9.5 million).

  A net decrease of $8.1 million or 1.1% is projected in Fiscal Year 2013-14 due to decreases in certain scheduled lease payments and reduction of the Homeland Security Grant grant funding.

- **Operating Transfers Out**, the accounting vehicle for transferring the resources of one fund to pay for activities in another, is i**ncreasing by $6.7 million or 1.8%**. The most significant increases are in Public Safety Group in the Proposition 172, *Local Public Safety Protection and Improvement Act of 1993,* special revenue fund for transfer to the General Fund, in Community Services largely in General Services due to project management labor provided for the Major Maintenance Improvement Program projects, in Purchasing and Contracting for one-time costs for the Documentum 6.7 version upgrade, and in Finance Other for appropriations to fund anticipated one-time capital projects, for the Agua Caliente Park Water, Sewer and Electrical Line Replacement and for the Multiple Species Conservation Program (MSCP). The most significant decrease is in Finance Other and is due to the nonrecurrence of one-time funding for the Women's Detention Facility capital project ($70.0 mil-lion).

  A decrease of $23.2 million or 6.2% is projected for Fiscal Year 2013-14, and is due to the nonrecurrence of one-time items from the prior year including a $7.5 million decrease for the Multiple Species Conservation Program (MSCP) and a $8.7 million decrease for funding future capital projects.

- **Capital Assets/Land Acquisition**, which includes capital improvement projects and property acquisitions, is **decreasing by $90.9 million or 65.9%** from Fiscal Year 2011-12. Appropriations vary from year to year depending upon the cost of the projects being funded. Of the $47.0 million budgeted for Fiscal Year 2012-13, $38.2 million is for projects in the Capital Program, $2.0 million is for the Registrar of Voters' relocation, with the remainder for projects in the Airport Enterprise Fund and in the San Diego County Sanitation District. Specifically, the Fiscal Year 2012-13 Capital Program includes $26.2 million for the Cedar and Kettner Development, $10.0 million for land acquisition for MSCP and $2.0 million for the Agua Caliente Park Water, Sewer and Electrical Line Replacement project.

  A decrease of $36.9 million or 78.5% is projected for Fiscal Year 2013-14. $2.5 million is planned for MSCP land acquisition.

- **Capital Assets Equipment** is **decreasing by $0.8 million or 3.7%** 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 2011-12 budget included appropriations for one-time projects and purchases that will not recur in Fiscal Year 2012-13. A further decrease of $4.6 million is expected for Fiscal Year 2013-14.

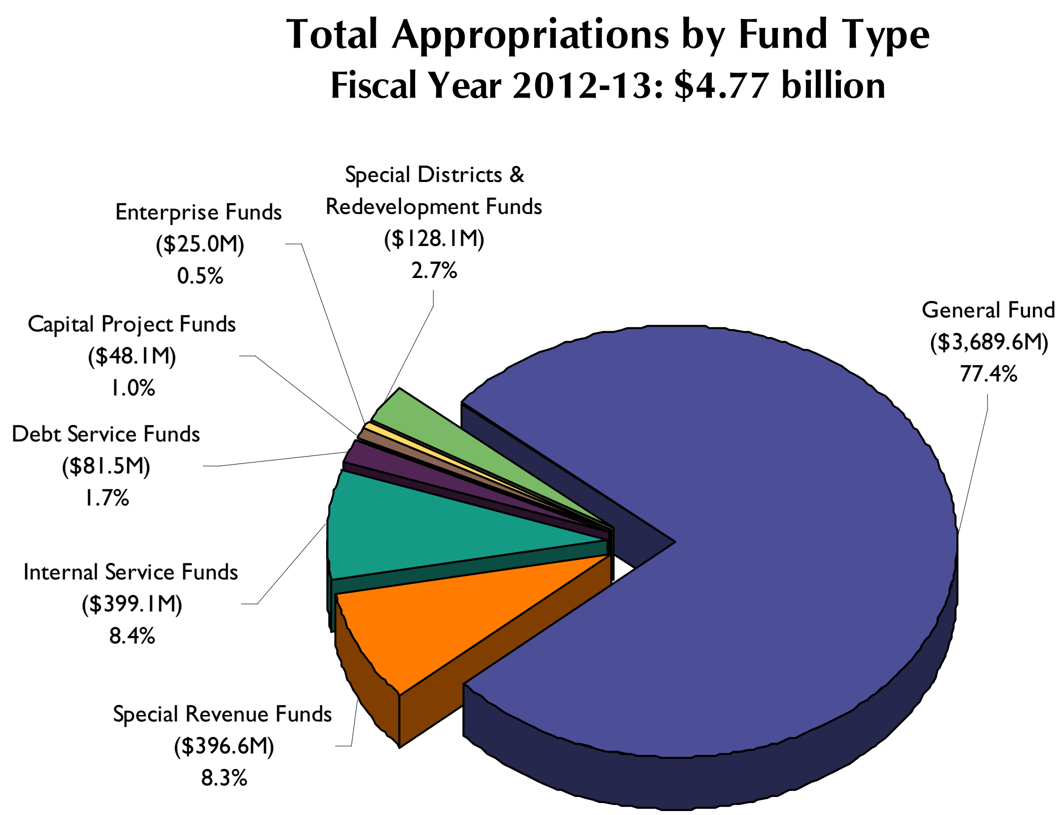
- **Expenditure Transfers and Reimbursements** are **decreasing by $3.4 million or 16.7%.** Activity in this account reflects the transfer of expenses to another department within the same fund for services provided. A transfer can occur because a department's funding source requires the expenses to 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. In Fiscal Year 2012-13, $3.0 million in HHSA expenditures are associated with the reimbursement for services under Public Safety Realignment through the Probation Department

- **Contingency Reserves** are appropriations that are set aside for unanticipated needs during the year. In Fiscal Year 2012-13, 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 on page 437. The Employee Benefits Internal Service Fund contingency reserve increases to $2.0 million from $1.7 million in Fiscal Year 2012-13. The Fleet Internal Service Fund contingency reserve is budgeted at $0.1 million, which is unchanged from Fiscal Year 2011-12.
- **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 2012-13, fund balance has been committed for replacement reserves for equipment and infrastructure in the San Diego County Sanitation District for Lakeside, Julian and Wintergarden service areas ($11.4 million), for initial amount towards the replacement/upgrade of fire apparatus and equipment for regional support for the San Diego County Fire Authority ($1.9 million), and for reserves for building maintenance and replacement for the Air Pollution Control District ($0.3 million).
- **Management Reserves** are **decreasing by $2.0 million or 6.2%.** 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 business group 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 90.)



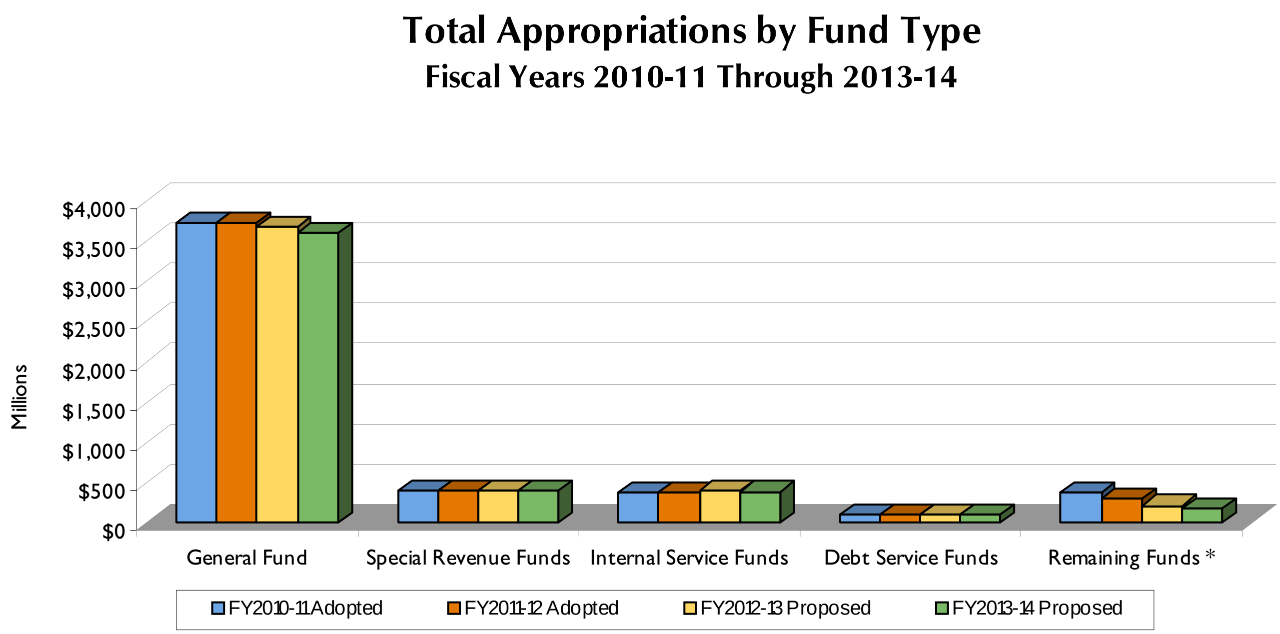
Governmental Fund Types

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 101.

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



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

Total Appropriations by Fund Type (in millions)

	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
General Fund	$ 3,739.1	$ 3,742.8	$ 3,689.6	(1.4)	$ 3,604.3
Special Revenue Funds	397.4	389.4	396.6	1.8	393.0
Internal Service Funds	366.2	362.8	399.1	10.0	380.6
Debt Service Funds	81.4	81.4	81.5	0.1	81.5
Capital Project Funds	202.2	127.2	48.1	(62.2)	12.4
Enterprise Funds	22.5	24.3	25.0	3.0	22.4
Special Districts & Redevelopment Funds	148.3	131.8	128.1	(2.8)	122.0
Total	$ 4,957.0	$ 4,859.6	$ 4,768.0	(1.9)	$ 4,616.1

Proprietary Fund Types

Internal Service Funds account for the financing of goods or services provided by one department to other departments of the County, or to other governmental units, on a cost-reimbursement basis. Examples include the Facilities Management, Fleet, Purchasing and Contracting, Employee Benefits, Public Liability and Information Technology Internal Service Funds.

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are also used for any activity whose principal external revenue sources meet any of the following criteria:

- Issued debt is backed solely by fees and charges.
- Cost of providing services must legally be recovered through fees and charges.

- Government's policy is to establish fees or charges to recover the cost of provided services.

Examples include the Airport and Wastewater 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 were originally established to account for the proceeds of redevelopment area incremental taxes, interest revenues and temporary loans which were used to eliminate slums and blighted areas, improve housing, expand employment opportunities and provide an environment for the social, economic and psychological growth and well-being of all citizens of the county.

The State of California, through the passage of Assembly Bill X1 26, dissolved all redevelopment agencies as of February 1, 2012. As a requirement of the dissolution process, all funds, assets and obligations of the redevelopment agencies were transferred to a successor agency for payment or disbursement. Redevelopment Funds will be removed from future year Operational Plans, replaced by successor agency funds and included under Governmental Fund Types within the Special Revenue Funds and Debt Service Funds, as they apply.

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.

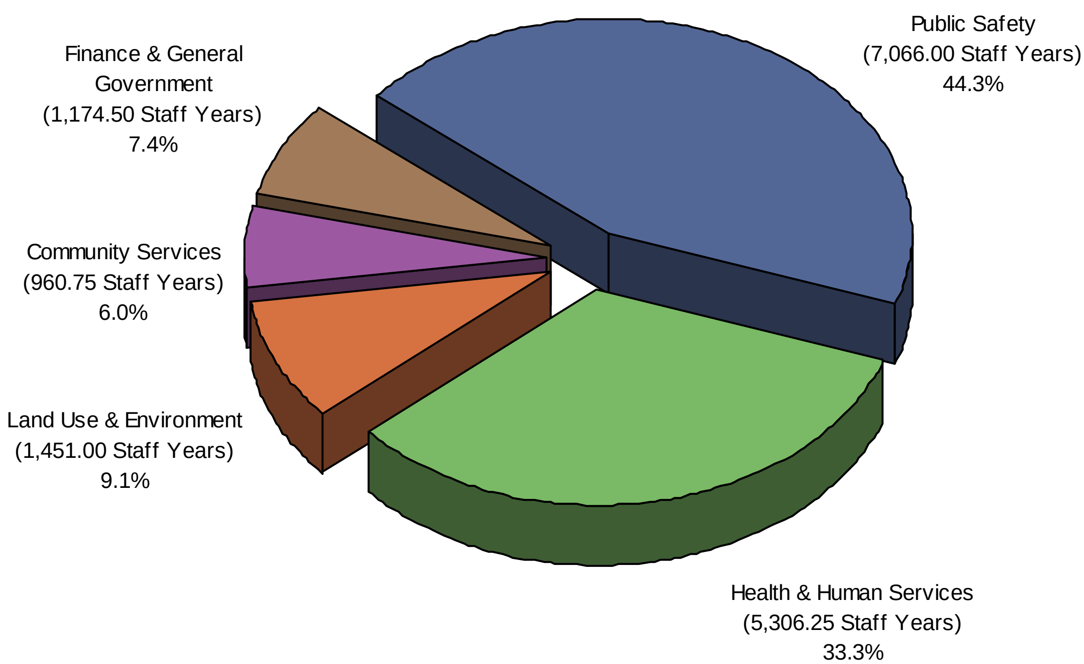
San Diego County Appropriation Limit (in millions)

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Gann Limit	$ 3,300	$ 3,433	$ 3,619	$ 3,825	$ 3,897	$ 3,852	$ 3,977	$ 3,977
Appropriations subject to the limit	$ 877	$ 1,002	$ 1,287	$ 1,340	$ 1,309	$ 1,264	$ 1,255	$ 1,255

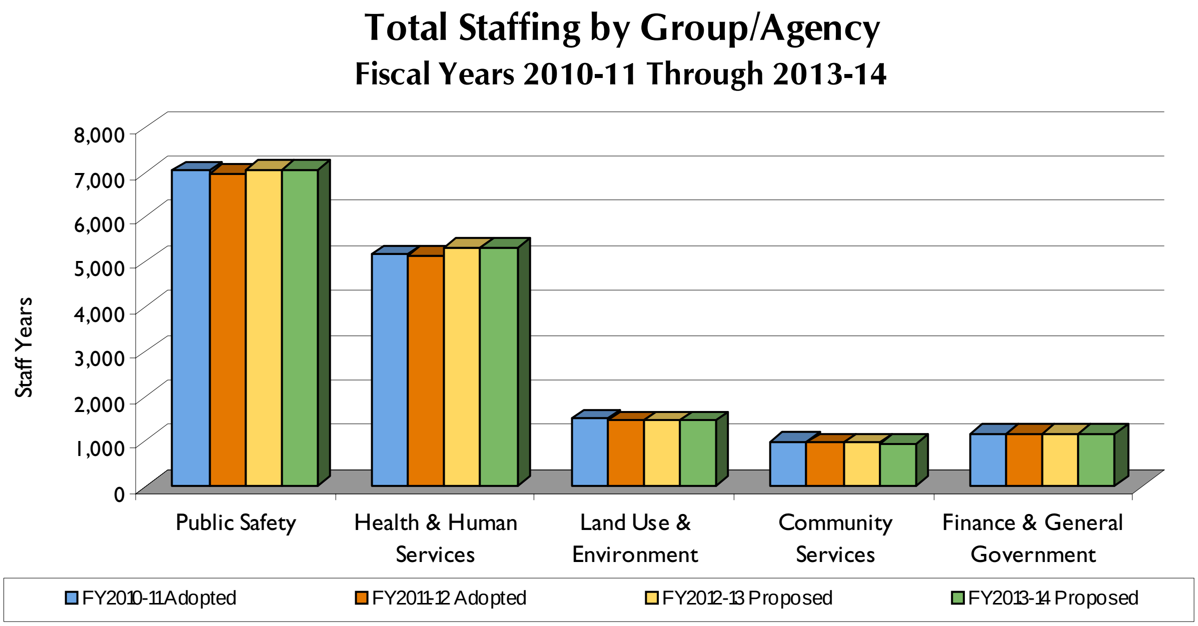
All Funds: Total Staffing

Proposed staff years[1] for Fiscal Year 2012-13 are **271.25 greater** than the Adopted Budget for Fiscal Year 2011-12, an **increase of 1.7% to 15,958.50 staff years**. This net increase is primarily attributable to increased staffing in the Public Safety Group and the Health and Human Services Agency. While overall staffing levels are increasing, there are some departments and programs in which staffing levels are decreasing. A further net decrease of 3.00 staff years is expected in Fiscal Year 2013-14. The staffing changes are summarized below by business group.

Total Staffing by Group/Agency
Fiscal Year 2012-13: 15,958.50 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 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Public Safety	7,041.25	6,971.00	7,066.00	1.4	7,067.00
Health & Human Services	5,156.25	5,130.25	5,306.25	3.4	5,306.25
Land Use & Environment	1,501.00	1,456.00	1,451.00	(0.3)	1,451.00
Community Services	978.25	963.50	960.75	(0.3)	956.75
Finance & General Government	1,165.50	1,166.50	1,174.50	0.7	1,174.50
Total	15,842.25	15,687.25	15,958.50	1.7	15,955.50

The **Public Safety Group (PSG)** proposes a **net increase of 95.00 staff years, a 1.4% increase**, to align staffing with available revenues and to address key operational requirements.

- District Attorney - decreases by 44.00 staff years. This reduction is mitigated by previous investment in information technology to improve business efficiency.
- Sheriff's Department - increases by a net of 62.00 staff years. This includes an increase of 15.00 staff years to create an Alternate Custody Unit in response to Public Safety Realignment and to add one position to direct the implementation of Public Safety Realignment in the Sheriff's Department, an increase of 18.00 staff years to form the transition team to prepare for the staffing and operation of the Women's Detention Facility, an additional 14.00 staff years to support the hiring and training needs of the department and an increase of 8.00 staff years to provide additional sworn supervisory positions at patrol stations.

  Other changes include an increase of 4.00 staff years in the Crime Lab and the Records Unit to perform functions supported by Cal ID revenues, an increase of 3.00 staff years in the Inmate Services Division, an increase of 3.00 staff years in the Wireless Service Division, an increase of 3.00 staff years to support emergency planning, manage grant funds and support data services, a decrease of 4.00 staff years due to a reduction in the law enforcement services requested by the contract cities and a reduction of 2.00 staff years due to the expiration of two American Recovery and Reinvestment Act of 2009 (ARRA) grants.

- Medical Examiner - increase of 1.00 staff year supported by the contract for Toxicology Services with the County of San Bernardino.
- Probation Department - increases by a net of 74.00 staff years. This includes an increase of 71.00 staff years to supervise offenders as required by Public Safety Realignment. Other changes include an increase of 7.00 staff years to continue to provide required staffing ratios in the juvenile institutions previously achieved through the use of staff overtime, an increase of 1.00 staff year to provide financial and operational support to Public Safety Realignment, an increase of 1.00 staff year to provide reentry services to juvenile offenders, a decrease of 5.00 staff years due to the elimination of state funding for programs created by Senate Bill 618, (SB 618) *San Diego Prisoner Reentry Program* and a reduction of 1.00 staff year due to the expiration of an ARRA grant.
- Public Defender - increases by 2.00 staff years to respond to additional criminal case defense responsibilities as the result of Public Safety Realignment.

In Fiscal Year 2013-14, the Public Safety Group proposes a net increase of 1.00 staff year in Emergency Planning in the Sheriff's Department required to assist in the department's efforts in emergency preparedness and disaster response.

The **Health and Human Services Agency (HHSA)** proposes an **increase of 176.00 staff years or 3.4%**.

- Regional Operations - increases by 155.00 staff years to support Family Resource Centers, ACCESS operations (a public benefits transaction center), Health Promotion operations and Family Resource Center Centralized Imaging operations, offset by transfers to other divisions based on operational needs.
- Strategic Planning and Operational Support (SPOS) - increases by 9.00 staff years in the Office of Business Intelligence (OBI) to advance operational excellence by managing and coordinating data and information analysis, and to support efforts to enhance quality control in eligibility services, offset by transfers to other divisions based on operational needs.
- Administrative Support - increases by 4.00 staff years in Human Resources to meet increased recruitment and training needs, especially in frontline positions such as eligibility and child welfare services. Increases are the result of transfers from other divisions within the Agency.
- Aging and Independence Services - decreases by 1.00 staff year due to the transfer of staff to another division based on operational needs.
- Behavioral Health Services - decreases by 8.00 staff years due to the transfer of staff to other divisions based on operational needs.
- Child Welfare Services - increase by 14.00 staff years due to the move of the Court Unit from Regional Child Welfare Services. Increases are the result of transfers from other divisions within the Agency.
- Public Health Services - increases by 3.00 staff years to support activities in Epidemiology, Emergency Medical Services, and Maternal, Child and Family Health Services. Increases are the result of transfers from other divisions within the Agency.

In Fiscal Year 2013-14, no change in staffing is proposed.

The **Land Use and Environment Group (LUEG)** proposes a **decrease of 5.00 staff years or 0.3%**.

- Farm and Home Advisor - decreases by 1.00 staff year as a result of operational changes and consolidation of duties.
- Planning and Land Use - decreases by 3.00 staff years. A decrease of 2.00 staff years in Code Enforcement as a result of reengineering, cross-training and automation services and a decrease of 1.00 staff year in LUEG Geographic Information Services (GIS) as a result of reorganization of duties within the division.
- Public Works - decreases by 1.00 staff year in the Road Fund, Land Development Program due to consoli-dation of management oversight.

In Fiscal Year 2013-14, no change in staffing is proposed.

The **Community Services Group (CSG)** proposes a **decrease of 2.75 staff years or 0.3%**.

- County Library - decreases by 8.75 staff years to continue to adjust to ongoing costs as a result of the loss of revenue from property taxes, State grants, and General Fund support since Fiscal Year 2008-09. The Library will continue to mitigate the impacts of these reductions through library design, automation and business process improvements.
- General Services - increases by a net 5.00 staff years. An increase of 9.00 staff years related to the transfer of maintenance responsibilities at the County Administration Center from the Clerk of the Board; decrease of 3.00 staff years as a result of building maintenance effi-

ciencies; an increase of 2.00 staff years as a result of reorganizing work related to maintenance of fleet vehicles; a reduction of 2.00 staff years to consolidate welding related labor due to a diminished workload, and a reduction of 1.00 staff year as a result of streamlining support services.

- Registrar of Voters - increases by 1.00 staff year to implement and manage the new Chinese language service program, which will provide community out-reach and elections materials translation.

In Fiscal Year 2013-14, the County Library decreases by 4.00 staff years to continue to realign staffing with available resources.

The **Finance and General Government Group (FGG)** proposes an **increase of 8.00 staff year or 0.7%.**

- Assessor/Recorder/County Clerk - increases by 13.00 staff years. The staffing increase results from the reinstatement of 10.00 appraisal positions to assist with the timely resolution of residential and commercial assessment appeals filings. An increase of 3.00 clerical support positions will allow the department to extend clerk services (primarily marriage licenses and ceremonies) at the Chula Vista branch office.
- Clerk of the Board of Supervisors - decreases by 9.00 staff years. The staffing decrease results from the transfer of County Administration Center facility man-agement responsibilities from the Clerk of the Board of Supervisors to the Department of General Services.
- Department of Human Resources - increases by 2.00 staff years. The staffing increase results from the addition of a Wellness Coordinator to oversee and manage the Workers' Compensation Work Safe Stay Healthy and Employee Wellness Program and the addition of a Human Resources Assistant in the Human Resources Services Division due to additional support needed to meet the increasing hiring needs of the Public Safety Group. One position will be added in the Administration Division due to the reorganization of duties within the department, and will be offset by the deletion of a position in the Employee Benefits Division.
- Auditor and Controller - increases by 1.00 staff year. The staffing increase results from transfers among programs to accommodate increasing workloads in redevelopment dissolution activities and to restore one previously deleted position in Central Payroll to meet projected needs.
- Finance and General Government Group Executive Office - increases by 1.00 staff year. The staffing increase results from the reinstatement of one previously deleted position to accommodate increasing workloads in group program management.

In Fiscal Year 2013-14, no change in staffing is proposed.

More detail on staff year changes can be found in the Group/Agency section that begins on page 113.

Total Staffing by Department within Group (staff years)

	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Public Safety	7,041.25	6,971.00	7,066.00	1.4	7,067.00
Public Safety Executive Office	10.00	11.00	11.00	0.0	11.00
District Attorney	1,053.00	1,022.00	978.00	(4.3)	978.00
Sheriff	3,800.00	3,812.00	3,874.00	1.6	3,875.00
Child Support Services	473.00	472.00	472.00	0.0	472.00
Citizens' Law Enforcement Review Board	4.00	4.00	4.00	0.0	4.00
Office of Emergency Services	17.00	17.00	17.00	0.0	17.00
Medical Examiner	51.00	51.00	52.00	2.0	52.00
Probation	1,234.25	1,225.00	1,299.00	6.0	1,299.00
Public Defender	399.00	344.00	346.00	0.6	346.00
San Diego County Fire Authority	0.00	13.00	13.00	0.0	13.00
Health & Human Services	5,156.25	5,130.25	5,306.25	3.4	5,306.25
Regional Operations	2,262.00	2,277.00	2,432.00	6.8	2,432.00
Strategic Planning & Operational Support	200.00	202.00	211.00	4.5	211.00
Aging and Independence Services	292.50	292.50	291.50	(0.3)	291.50
Behavioral Health Services	840.50	837.50	829.50	(1.0)	829.50
Child Welfare Services	744.50	703.50	717.50	2.0	717.50
Public Health Services	479.75	480.75	483.75	0.6	483.75
Public Administrator / Public Guardian	34.00	34.00	34.00	0.0	34.00
Administrative Support	303.00	303.00	307.00	1.3	307.00
Land Use & Environment	1,501.00	1,456.00	1,451.00	(0.3)	1,451.00
Land Use and Environment Executive Office	10.00	10.00	10.00	0.0	10.00
Agriculture, Weights and Measures	150.00	150.00	150.00	0.0	150.00
Air Pollution Control District	146.00	146.00	146.00	0.0	146.00
Environmental Health	285.00	282.00	282.00	0.0	282.00
Farm and Home Advisor	5.00	3.00	2.00	(33.3)	2.00
Parks and Recreation	175.00	175.00	175.00	0.0	175.00
Planning and Land Use	196.00	164.00	161.00	(1.8)	161.00
Public Works	534.00	526.00	525.00	(0.2)	525.00

Total Staffing by Department within Group (staff years)	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Community Services	978.25	963.50	960.75	(0.3)	956.75
Community Services Executive Office	8.00	8.00	8.00	0.0	8.00
Animal Services	123.00	123.00	123.00	0.0	123.00
County Library	290.25	280.50	271.75	(3.1)	267.75
General Services	334.00	331.00	336.00	1.5	336.00
Housing & Community Development	102.00	102.00	102.00	0.0	102.00
Purchasing and Contracting	58.00	56.00	56.00	0.0	56.00
Registrar of Voters	63.00	63.00	64.00	1.6	64.00
Finance & General Government	1,165.50	1,166.50	1,174.50	0.7	1,174.50
Finance & General Government Executive Office	6.00	6.00	7.00	16.7	7.00
Board of Supervisors	56.00	56.00	56.00	0.0	56.00
Assessor/Recorder/County Clerk	397.50	397.50	410.50	3.3	410.50
Treasurer-Tax Collector	121.00	121.00	121.00	0.0	121.00
Chief Administrative Office	14.50	14.50	14.50	0.0	14.50
Auditor and Controller	245.50	245.50	246.50	0.4	246.50
County Technology Office	16.00	16.00	16.00	0.0	16.00
Civil Service Commission	4.00	4.00	4.00	0.0	4.00
Clerk of the Board of Supervisors	37.00	36.00	27.00	(25.0)	27.00
County Counsel	135.00	135.00	135.00	0.0	135.00
Grand Jury	1.00	1.00	1.00	0.0	1.00
Human Resources	110.00	112.00	114.00	1.8	114.00
County Communications Office	22.00	22.00	22.00	0.0	22.00
County Total	15,842.25	15,687.25	15,958.50	1.7	15,955.50

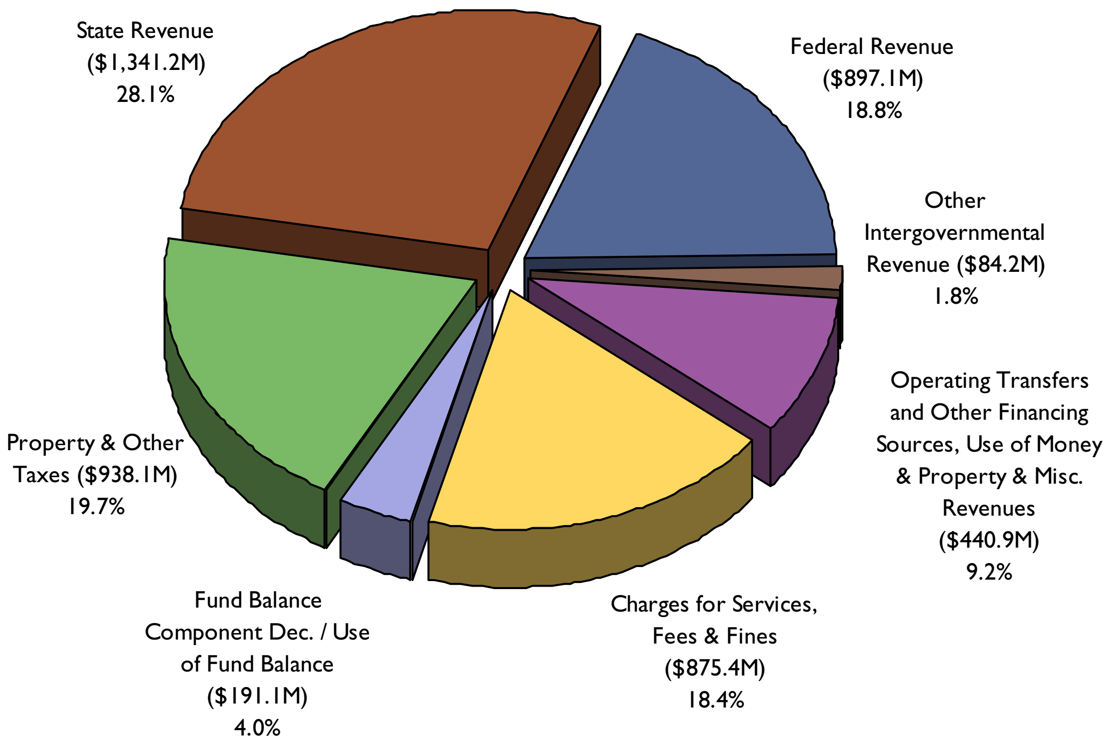
All Funds: Total Funding Sources

Total Funding by Source

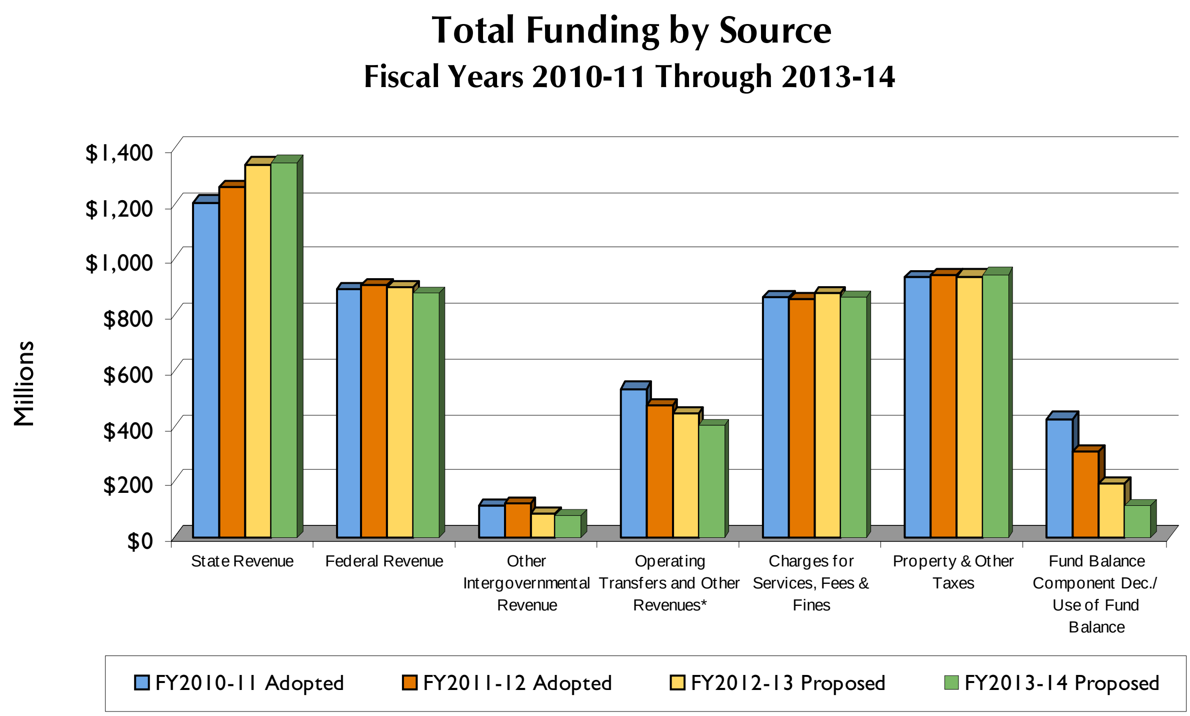
Total resources available to support County services for Fiscal Year 2012-13 are $4.77 billion, a decrease of $91.7 million or 1.9% from the Fiscal Year 2011-12 Adopted Budget. Total resources decrease further by $151.8 million or 3.2% to $4.6 billion in Fiscal Year 2013-14. For Fiscal Year 2012-13, the combination of State Revenue ($1.3 billion), Federal Revenue ($897.1 million) and Other Intergovernmental Revenue ($84.2 million) supplies 48.7% of the funding sources for the County's budget. Interfund Operating Transfers, Use of Money & Property, Miscellaneous Revenues and Other Financing Sources make up 9.2% of the funding sources ($440.9 million). Another 18.4% ($875.4 million) comes from Charges for Current Services, Fees and Fines. Use of Fund Balance and Fund Balance Component Decreases (formerly Reserve/Designation Decreases) supply 4.0% ($191.1 million) of the funding sources.

Total Funding by Source

Fiscal Year 2012-13: $4.77 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 19.7% ($938.1 million) of the financing sources for the County's budget. The majority of the revenues in this category (95.3%) are in the General Fund with the balance in the Library Fund, the Road Fund and miscellaneous other funds.



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

Total Funding by Source (in millions)

	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
State Revenue	$ 1,204.4	$ 1,257.2	$ 1,341.2	6.7	$ 1,348.4
Federal Revenue	888.1	905.7	897.1	(1.0)	873.6
Other Intergovernmental Revenue	111.6	117.9	84.2	(28.6)	73.5
Operating Transfers and Other Financing Sources, Use of Money & Property & Misc. Revenues	534.3	475.8	440.9	(7.3)	399.5
Charges for Services, Fees, and Fines	859.3	854.6	875.4	2.4	862.1
Property & Other Taxes	932.8	939.5	938.1	(0.1)	945.3
FB Component Decrease	13.3	22.2	0.5	(97.5)	14.2
Use of Fund Balance	413.2	286.7	190.5	(33.5)	99.5
Total	$ 4,957.0	$ 4,859.6	$ 4,768.0	(1.9)	$ 4,616.1

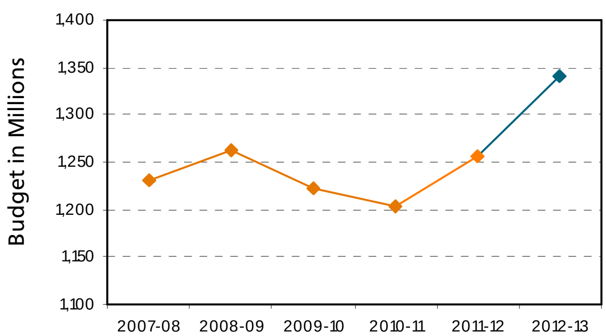
Overall Change

The **$91.7 million decrease** in the Fiscal Year 2012-13 proposed budget is the net of increases in some funding sources and decreases in others. In the table above, State Revenue and Charges for Services, Fees & Fine increase a combined $104.8 million. Reductions totaling $196.5 million are in the combined categories of Federal Revenue, Other Intergovernmental Revenue, Operating Transfers and Other Financing Sources, Property and Other Taxes and Use of Fund Balance. The General Fund Financing Sources section beginning on page 65 addresses significant revenue changes by source in the General Fund. Changes other than those in the General Fund are highlighted below.

Change by Source

State Revenue

State Revenue **increases by $84.0 million or 6.7%** overall in Fiscal Year 2012-13.



There are increases in the Public Safety Group (PSG) of $75.2 million, in the Health and Human Services Agency (HHSA) of $10.1 million and in Finance Other of $2.8 million, offset by decreases in the Community Services Group (CSG) of $2.9 million and in the Land Use and Environment Group (LUEG) of $1.4 million.

The $75.2 million increase in PSG includes a $24.0 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 65 for more information on Proposition 172 funding. The remaining General Fund increase of $51.2 million is primarily the result of Public Safety Realignment 2011 implementation, which is discussed in the General Fund Financing Sources section.

HHSA's increase of $10.1 million is in the General Fund and is discussed in that section.

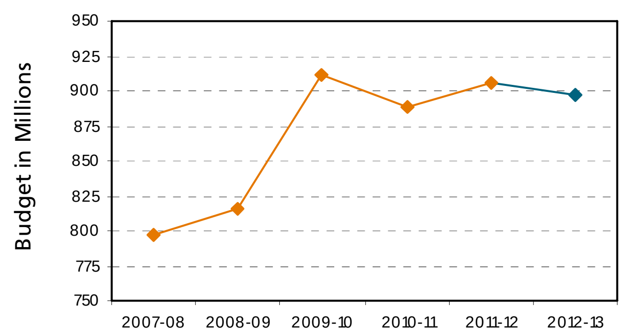
In Finance Other, the $2.8 million increase is in the Local Detention Facility Revenue account due to a reclassification from Other Intergovernmental revenue.

The $2.9 million decrease in CSG is due to the elimination of prior year one-time funding in Registrar of Voters and is also discussed in the General Fund section.

LUEG's decrease of $1.4 million is primarily due to completion of prior year grants in the Air Pollution Control District (APCD) including Goods Movement Emission Reduction Program (GMERP) and Low Emissions School Bus (LESB) programs. There are offsetting increases of $0.3 million in the General Fund in Public Works and Environmental Health programs which are discussed in the General Fund section.

Federal Revenue

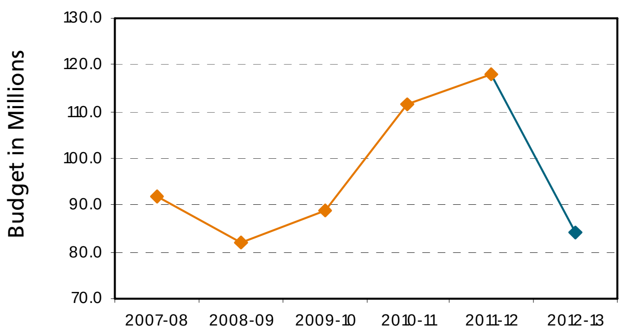
Federal Revenue **decreases by $8.6 million or 1.0%** overall in Fiscal Year 2012-13.



A net decrease of $5.9 million is in the General Fund, and is largely due to decreases in PSG, LUEG and CSG offset by an increase in HHSA. See the General Fund Financing Sources section for additional details related to these changes. Outside of the General Fund, there is a total decrease of $2.7 million primarily in LUEG in the Department of Public Works, mainly due to funding reduction resulting from decreased work or completion of various projects such as CDBG construction, 2010 Flooding Emergency, airport construction and highway projects in the Road Fund; and in the Capital Program related to the elimination of prior year one-time funding in various capital projects.

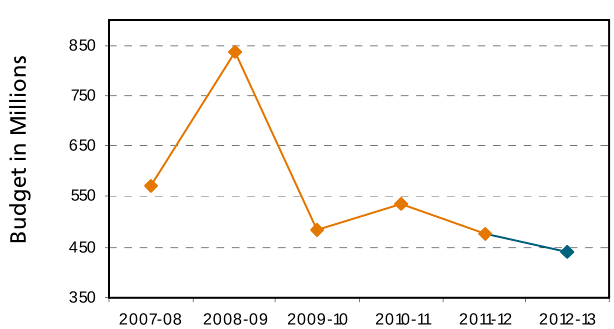
Other Intergovernmental Revenue

Other Intergovernmental Revenue **decreases by a net of $33.8 million or 28.7%** overall in Fiscal Year 2012-13.



The decreases are primarily in PSG and a small portion is in Finance Other, both of which are discussed in the General Fund Financing section. The decrease is offset by a net increase, outside of the General Fund and predominantly in the Capital Program, which is mainly from Aid from Redevelopment Successor Agencies, to partially fund the Cedar and Kettner Development project, offset by a reduction due to prior year one-time funding for the County Administration Center (CAC) Waterfront Park capital project. The balance of the net increase is in HHSA resulting from additional ambulance transport fees in CSA 17 and 69.

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



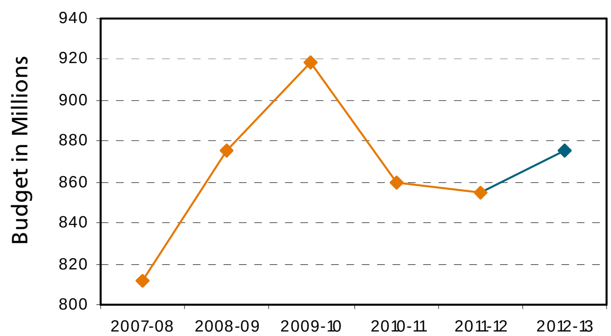
- Other Financing Sources (primarily Operating Transfers between funds) **decrease by a net of $45.0 million or 11.6%.** The most significant changes include a decrease of $80.3 million in Capital Program and decrease of $4.8 million in LUEG offset by increases in PSG of $23.0 million and in CSG of $17.0 million. The net decrease in Capital Program is primarily attributable to the elimination of prior year one-time funding for the development of the CAC Waterfront Park and the Women's Detention Facility offset by an increase in funding for the Cedar and Kettner Development project of $19.2 million. The decrease in LUEG is in the Department of Public Works due to reduced revenue in capital improvement projects, Equipment Operations ISF and the Road Fund Equipment Acquisition Fund and an additional reduction in Parks and Recreation Department in the General Fund due to reduced staff support in Recreation and Community Center Operations (CSAs).

  An increase of $23.0 million in PSG is largely due to an increase in Proposition 172, which supports regional law enforcement and detention services, due to increases in annual receipts and the use of prior year fund balance available in the Proposition 172 Special Revenue Fund. This also includes an increase in San Diego Fire Authority of $0.5 million as a result of the transfer of funds and a transition of operation activities to CSA 135.

  The $17.0 million increase in CSG is largely due to activities related to SDGE's "on bill financing" and California Energy Commission financing in General Services in Purchasing and Contracting as a result of Documentum system maintenance and upgrade.
- Revenue from Use of Money & Property **increases by a net of $3.2 million or 5.9%** in Fiscal Year 2012-13**.** Changes include:
  - Increase of $5.3 million in the Capital Program in the Edgemoor Development Fund.
  - Increase of $1.3 million in LUEG related to increased rental rates on equipment in the Equipment ISF and on properties owned by County airports.
  - Increase of $0.5 million in CSG primarily due to increased operating leases of County-owned properties.
  - Increase of $0.3 million in PSG is in the General Fund which is further discussed in that section.
  - Decrease of $4.1 million in Finance Other, also in the General Fund due to declining interest rates on investments and deposits.
- Miscellaneous Revenues **increase by $6.9 million or 19.6%**. The increases are primarily in the General Fund: $6.4 million increase in PSG, $0.9 million in LUEG and $0.2 million in Finance and General Government (FGG), offset by $1.5 million decrease in HHSA and $0.1 million decrease in CSG. Please see the General Fund Financing section for more information.

  Outside of the General Fund, there is a net increase of $1.1 million. Increase of $1.1 million in PSG due to increased revenue from sales of commissary goods to inmates in the Sheriff; $0.2 million increase in LUEG due to an increase in capital projects in the Road Fund, offset by a decrease of $0.3 million in CSG resulting from reduced donations to the Vista library.

Charges for Services, Fees and Fines

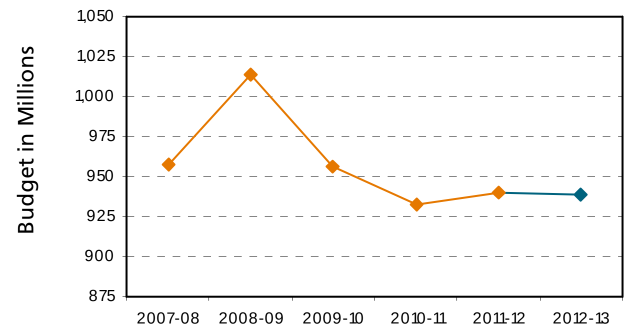


- Charges for Current Services **increase by $21.1 million or 2.8%.** Of this total, an increase of $12.7 million is in FGG, primarily in the County Technology Office due to planned IT services to various depart-ments; an increase of $5.4 million in CSG for services provided by General Services to client department's based on operational needs; an increase of $2.0 million in Finance Other is due to additional charges to departments in the Workers' Compensation Employee Benefit ISF and Pension Obligation Bonds offset by a decrease in Public Liability ISF; an increase of $0.5 million in HHSA additional revenue for nonresident transport fees in the CSA 17 and 69; and offset by a net decrease of $1.4 million in LUEG in the Department of Public Works which includes reduced funding from Transportation Impact Fee, Liquid Waste, Inactive Waste, Airport, Flood Control and Sanitation Districts.

  In addition, a $1.8 million net increase is in the General Fund which includes: $3.4 million increase in Finance Other and $2.6 million increase in FGG; offset by decreases of $3.1 million in HHSA, $0.7 million in LUEG and $0.3 million in PSG, all of which are discussed in the General Fund Financing section.
- Licenses, Permits & Franchises **decrease by $0.2 million or 0.5%.** A net decrease of $0.2 million is budgeted in LUEG, mainly in APCD to align budget with prior year actuals and due to re-categorizing of emission fees.
- Fines, Forfeitures & Penalties **remain unchanged**.

Property and Other Taxes

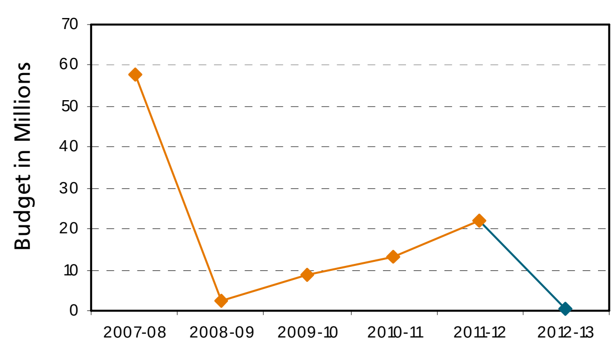
Property and Other Taxes **decrease by $1.3 million or 0.1%**.



The overall decrease is primarily in the DPW due to completion of projects in Road Fund funded by TransNet sales tax and in CSG for property taxes distributed from Redevelopment Property Tax Trust Fund.

Fund Balance Component Decreases

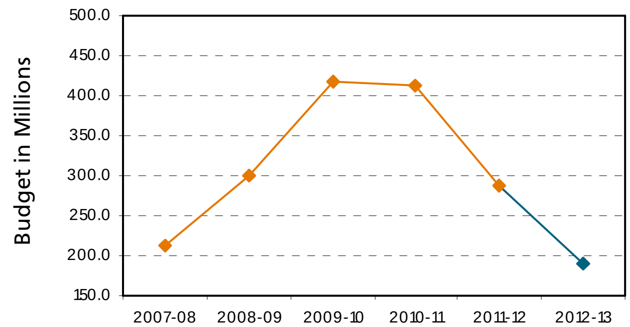
The use of Fund Balance Component Decreases (formerly Reserves/Designations Decreases) **decrease by $21.6 million or 97.6%** compared to Fiscal Year 2011-12.



The decreases in this category are primarily in Public Works due to the dissolution of sanitation districts and the consolidation of the San Diego County Sanitation District. Additional decreases are mainly PSG and CSG which are further discussed in the General Fund Financing section.

Use of Fund Balance

Finally, the Use of Fund Balance **decreases by $96.2 million or 33.5%** primarily in the General Fund due to the normal fluctuations in one-time projects, including prior year funding for the Integrated Property Tax System (IPTS) and Regional Communications System (RCS), as well as funding of a one-time negotiated salary adjustment.

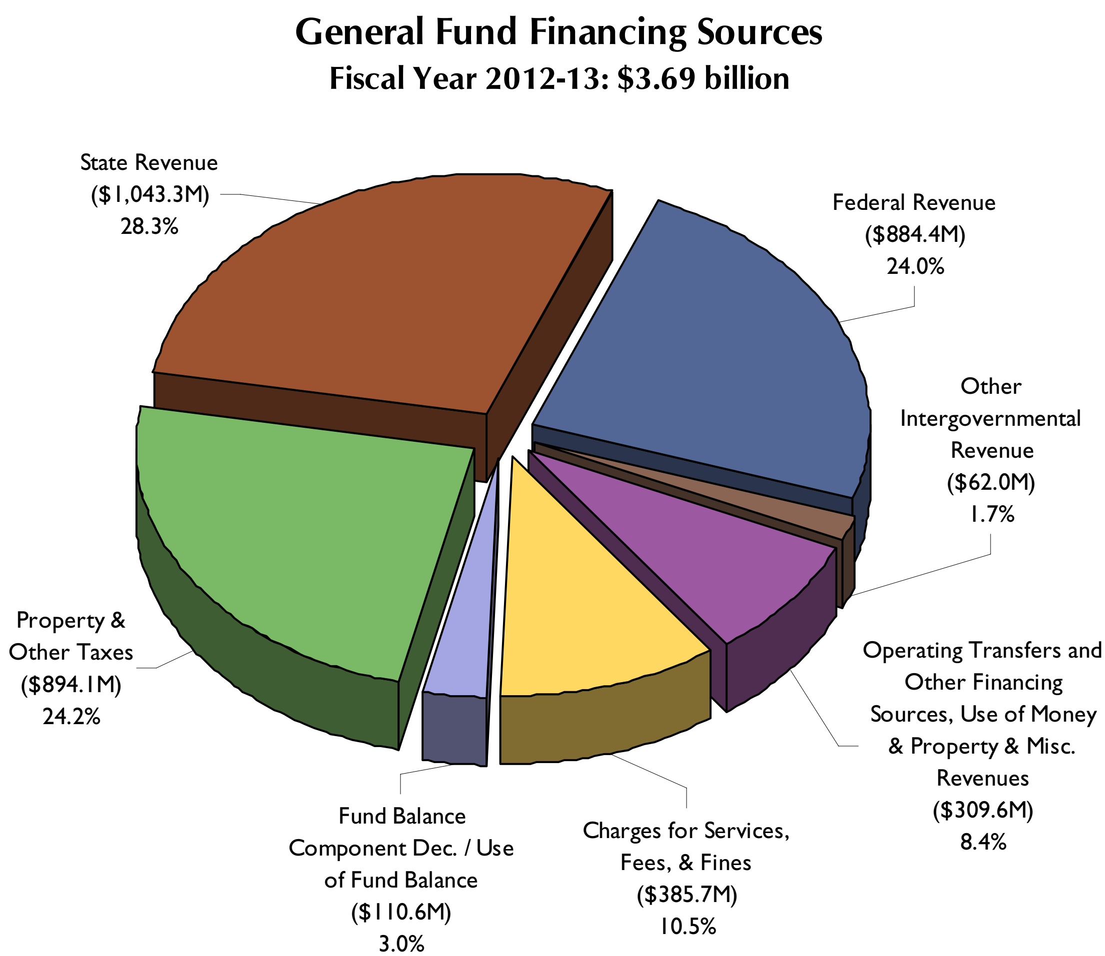


See the Group/Agency section beginning on page 113 for the breakdown of financing sources by department.

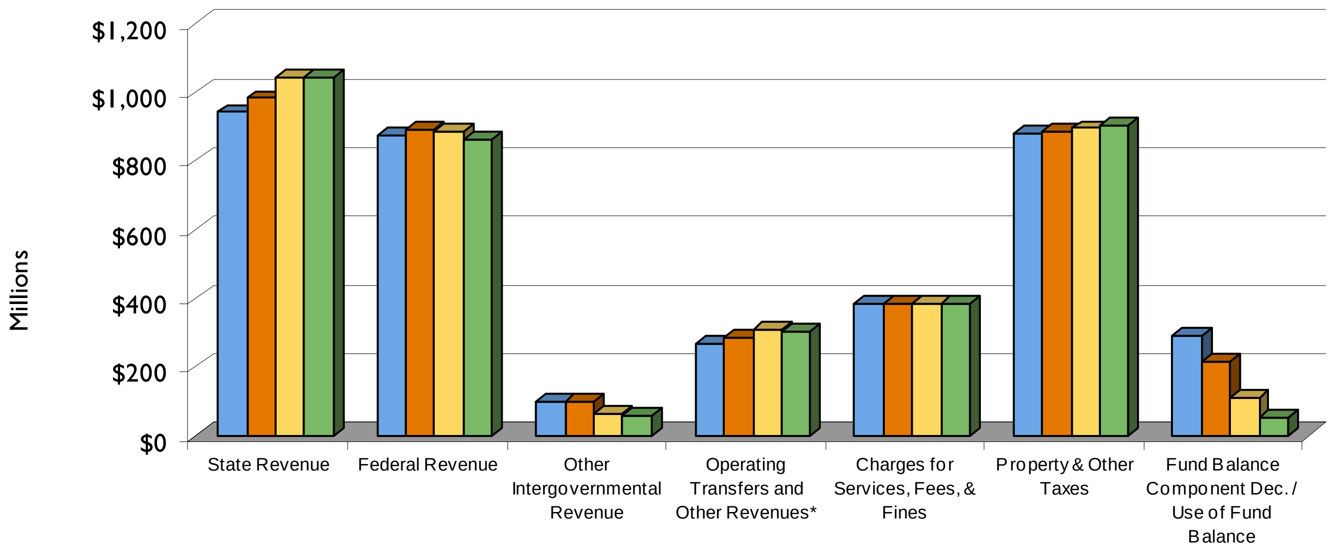
Summary of General Fund Financing Sources

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 $3.69 billion** for Fiscal Year 2012-13, a **$53.2 million or 1.4% decrease** from Fiscal Year 2011-12 Adopted Budget. In comparison, the previous ten fiscal years saw an average annual growth rate of 4.1%. The decrease in Fiscal Year 2012-13 is primarily due to a reduction in the use of one-time resources (fund balance) offset by growth in program revenues and a slight improvement in General Purpose Revenue. General Fund Financing Sources are expected to decrease by $85.3 million or 2.3% in Fiscal Year 2013-14 primarily due to a further reduction in the use of one-time resources (fund balance).



General Fund Financing Sources
Fiscal Years 2010-11 Through 2013-14

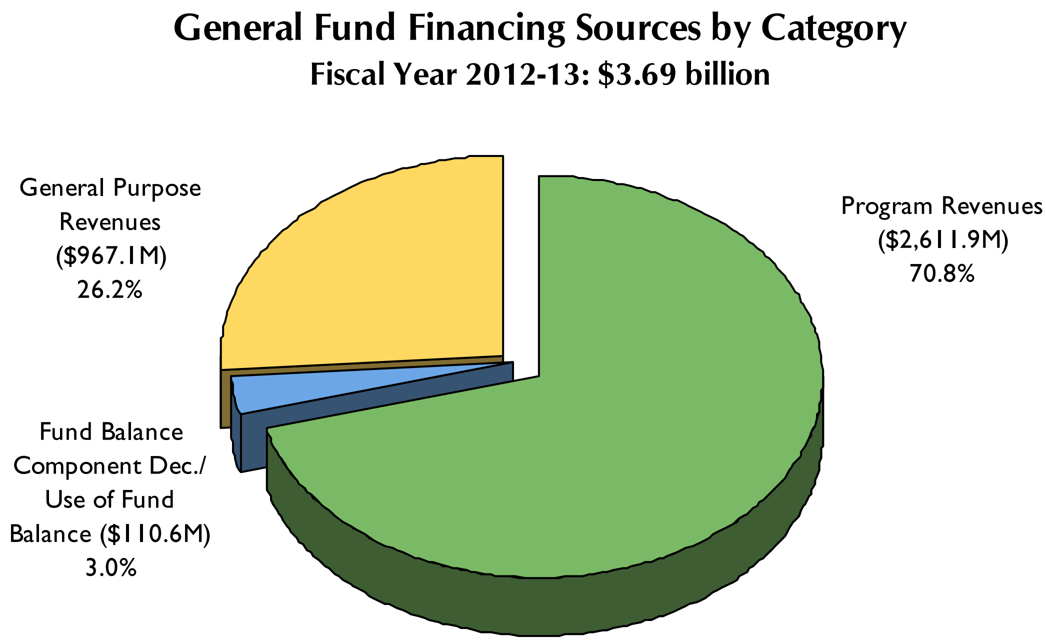


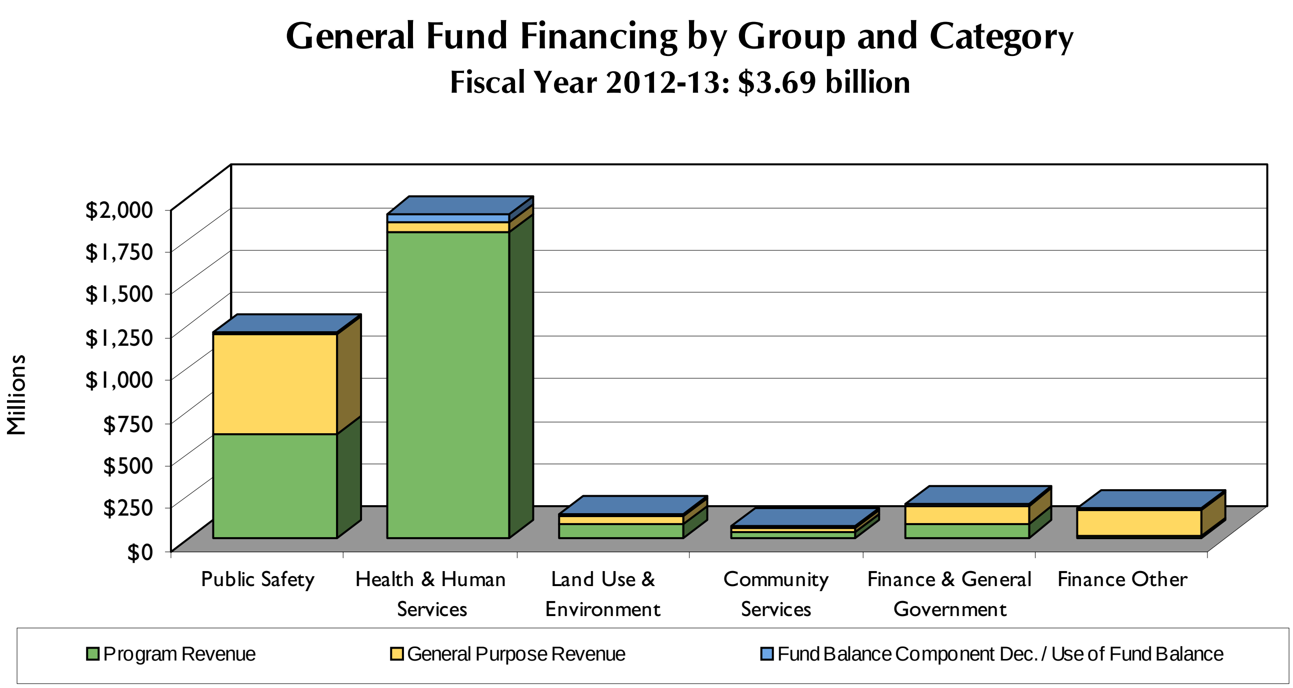
*Other Revenues include Other Financing Sources, Use of Money & Property and Miscellaneous Revenues

General Fund Financing Sources (in millions)					
	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
State Revenue	$ 940.7	$ 981.7	$ 1,043.3	6.3	$ 1,044.2
Federal Revenue	874.0	890.3	884.4	(0.7)	861.9
Other Intergovernmental Revenue	98.2	98.5	62.0	(37.1)	58.1
Operating Transfers and Other Financing Sources, Use of Money & Property & Misc. Revenues	268.7	284.9	309.6	8.7	302.3
Charges for Services, Fees, & Fines	385.4	384.0	385.7	0.4	384.7
Property & Other Taxes	880.8	887.5	894.1	0.7	901.1
Fund Balance Component Decreases	4.6	5.9	0.5	(90.8)	14.2
Use of Fund Balance	286.8	210.1	110.1	(47.6)	37.8
Total	$ 3,739.1	$ 3,742.8	$ 3,689.6	(1.4)	$ 3,604.3

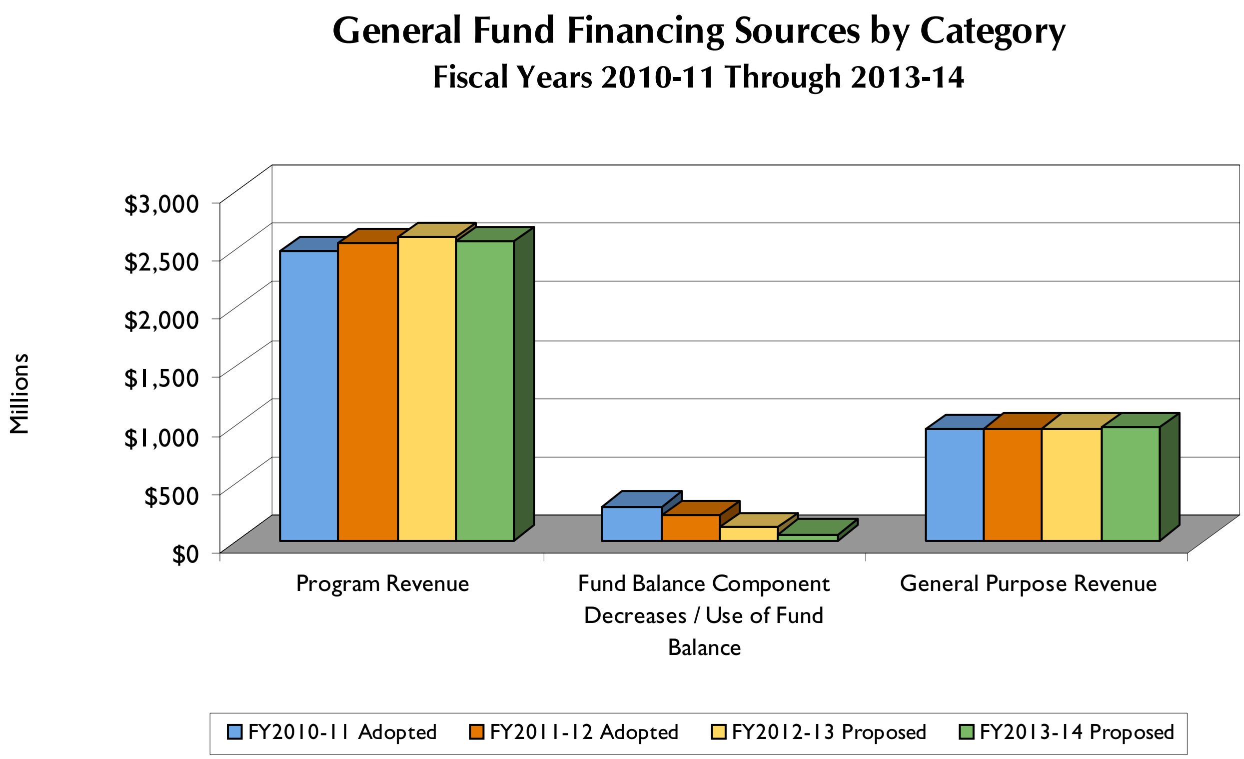
General Fund Financing Sources by Category

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).





In Fiscal Year 2012-13, General Purpose Revenue (GPR) increases by 0.3% ($2.7 million), the planned use of fund balance declines by 48.8% ($105.4 million) and Program Revenue increases by 1.9% ($49.5 million) from the Fiscal Year 2011-12 Adopted Budget. In Fiscal Year 2013-14, GPR is projected to increase by 0.8% ($7.4 million), Program Revenue is projected to decline by 1.3% ($34.1 million), and the planned use of fund balance is expected to decline by 53.0% ($58.6 million). Uses of fund balance in Fiscal Year 2013-14 are tentative and subject to revision during the next Operational Plan development cycle.

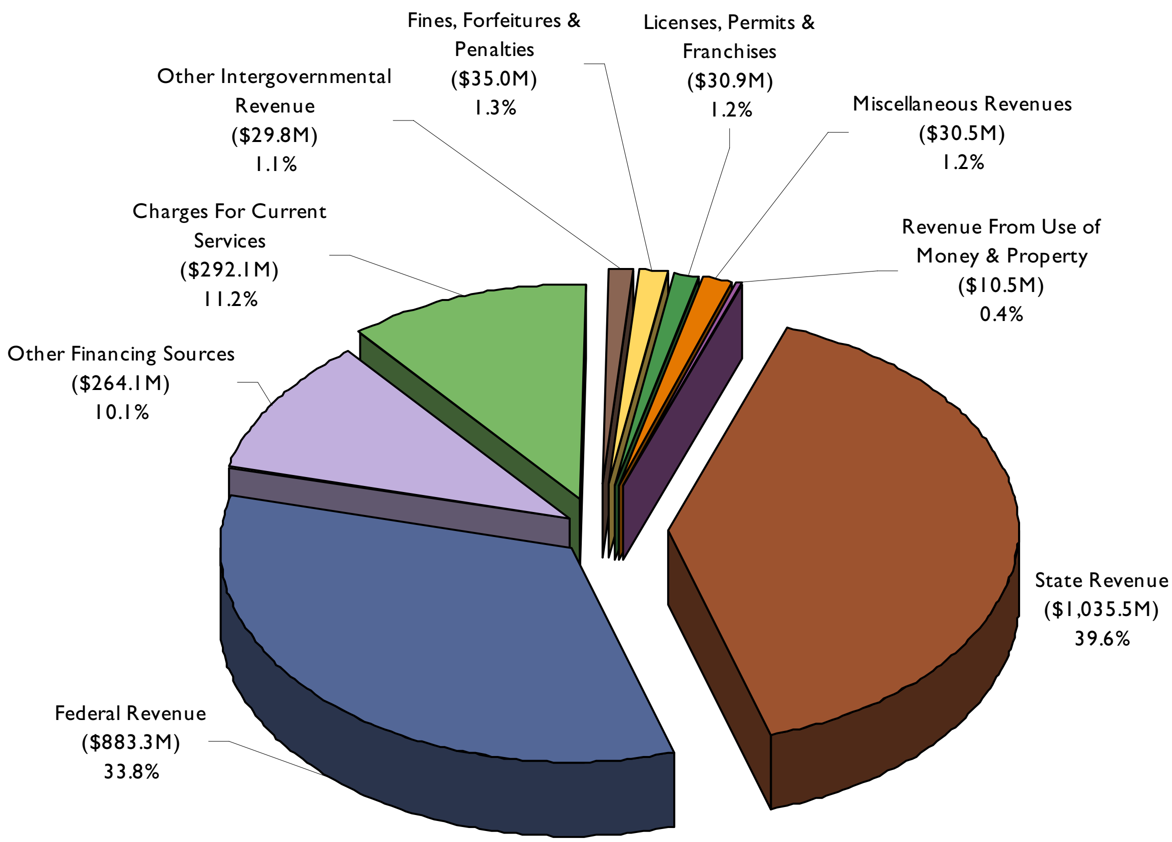


General Fund Financing Sources by Category (in millions)					
	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Program Revenues	$ 2,493.3	$ 2,562.4	$ 2,611.9	1.9	$ 2,577.8
Fund Balance Component Decreases / Use of Fund Balance	291.4	216.0	110.6	(48.8)	52.0
General Purpose Revenues	954.4	964.4	967.1	0.3	974.5
Total	$ 3,739.1	$ 3,742.8	$ 3,689.6	(1.4)	$ 3,604.3

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 70.8% of General Fund Financing Sources in Fiscal Year 2012-13, and is derived primarily from State and federal subventions and grants, and from charges and fees earned from specific programs. Of the County's Program Revenue, the Health and Human Services Agency manages 68.4%, the Public Safety Group manages 23.3% and the balance is managed across the County's other service delivery groups. Program Revenue is expected to increase by 1.9% ($49.4 million) from the Fiscal Year 2011-12 Adopted Budget compared to an average annual growth for the last nine years of 2.9%.

General Fund - Program Revenue by Source
Fiscal Year 2012-13



General Fund - Program Revenue by Source (in millions)

	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
State Revenue	$ 935.7	$ 976.8	$ 1,035.5	6.0	$ 1,036.5
Federal Revenue	872.9	889.2	883.3	(0.7)	860.8
Other Financing Sources	225.1	241.5	264.1	9.4	264.9
Charges For Current Services	290.5	290.4	292.1	0.6	292.4
Other Intergovernmental Revenue	68.6	63.6	29.8	(53.2)	25.8
Fines, Forfeitures & Penalties	35.4	34.8	35.0	0.5	31.8
Licenses, Permits & Franchises	30.1	31.3	30.9	(1.1)	32.7
Miscellaneous Revenues	25.6	24.7	30.5	23.5	22.4
Revenue From Use of Money & Property	9.3	10.2	10.5	2.9	10.6
Total	$ 2,493.3	$ 2,562.4	$ 2,611.9	1.9	$ 2,577.8

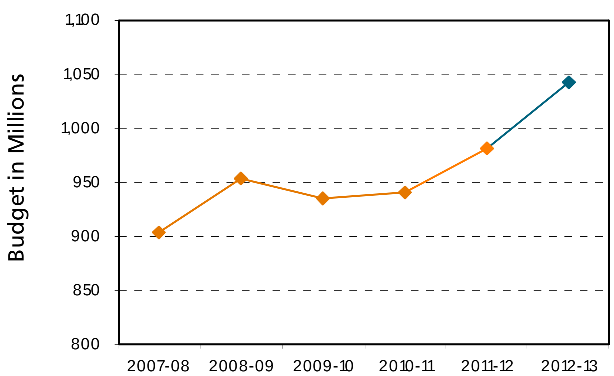
General Fund - Change in Program Revenue

The **$49.4 million increase** in Program Revenue in the Fiscal Year 2012-13 Proposed Budget is the net of increases and decreases in various funding sources. In the table on the previous page, State Revenue; Other Financing Sources; Charges for Current Services; Fines, Forfeitures & Penalties; Miscellaneous Revenues and Revenue from the Use of Money & Property increase a combined $89.5 million. Reductions totaling $40.1 million are in the categories of Federal Revenue; Other Intergovernmental Revenue; and Licenses, Permits & Franchises.

General Fund - Change in Program Revenue by Source

State Revenue

State Revenue **increases by $58.8 million or 6.0%** in Fiscal Year 2012-13.



Of this total, the increase is largely due to $51.2 million in the Public Safety Group (PSG) resulting from the implementation of Public Safety Realignment of 2011. Additionally, there are increases in Health and Human Services Agency (HHSA) of $10.1 million and in Land Use and Environment Group (LUEG) of $0.3 million offset by a decrease in Community Services Group (CSG) of $2.9 million.

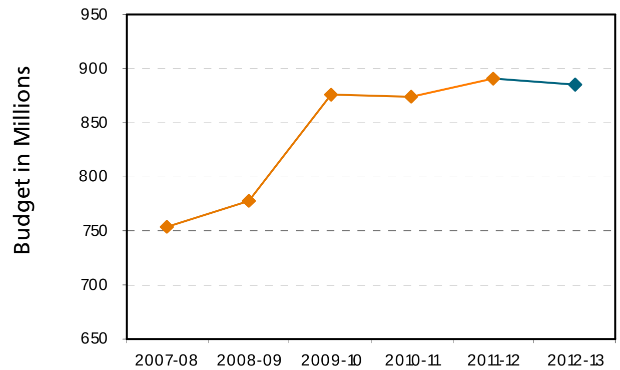
In HHSA, the increase of $10.1 million is primarily the result of 2011 Realignment implementation affecting social services and mental health services programs.

The $0.3 million increase in LUEG is in Public Works for Proposition 84 grants to implement an Integrated Regional Water Management plan to improve water quality.

The $2.9 million decrease in CSG is primarily due to the elimination of one-time prior year funding in Help America Vote Act (HAVA) for voting booths, ADA voting booths and Precinct Inspector supply bag/ballot box in the Registrar of Voters.

Federal Revenue

Federal Revenue **decreases by a net of $5.9 million or 0.7%**.



It decreases in PSG by $6.8 million, in LUEG by $4.2 million and in CSG by $2.3 million offset by an increase in HHSA by $7.4 million.

The net decrease in PSG of $6.8 million is primarily due to the expiration of ARRA grant funded programs, decreases in the Criminal Alien Assistance Program, the Homeland Security Grant Program, the Urban Areas Security Initiative and the Stonegarden Grant Program in the Sheriff's Department.

The $4.2 million net decrease in LUEG is largely in the Department of Planning and Land Use (DPLU) primarily attributed to completion of grant projects for the Energy Efficiency Conservation Block Grants and in Environmental Health for Urban Areas and Homeland Security Initiatives for emergency response training and equipment.

The decrease of $2.3 million in CSG is in Housing and Community Development (HCD) and is associated with one-time prior year projects in Shelter Plus Care and HOME, and a reduction in the funding allocation from Housing and Urban Development (HUD).

The net increase of $7.4 million in HHSA is associated with the implementation of the Low Income Health Program (LIHP) and projected increase in funding for IHSS program and Aid for Adopted Children.

Other Financing Sources

Other Financing Sources (including Operating Transfers from Other Funds) **increases by a net of $22.7 million or 9.4%**. There is an increase of $22.5 million in PSG and $0.3 million in CSG offset by a decrease of $0.1 million in LUEG.

The $22.5 million increase in PSG is primarily due to funding from Proposition 172. Please see the following section for more information on Proposition 172 funding. The

$0.3 million increase in CSG is a result of energy efficiency projects related to SDGE's on-bill financing and California Energy Commission financing. The $0.1 million decrease in LUEG is due to the transfer of staff support to PSG for County Services Areas.

Charges For Current Services

Charges For Current Services **increase by $1.8 million or 0.6%**. Revenues increase by $3.4 million in Finance and General Government Group (FGG) and $2.6 million in CSG and are offset by decreases of $3.1 million in HHSA, $0.7 million in LUEG and $0.3 million in PSG.

- The increases in FGG are in the Department of the Assessor/Recorder/County Clerk based on one-time initiatives for the integrated recording/vital records system, increases in E-recording revenue, Social Security Number Truncation revenue, marriage cere-monies, and recorded document fees; in FGG Administration related to external department overhead payments (A-87) for enterprise resource planning system support; in County Counsel due to an increase in project workloads; in the Clerk of the Board due to increases in passport application and photo services; and in the County Technology Office based on overall information technology expenditures of all county departments.
- The CSG increase is in the Registrar of Voters as a result of greater number of billable jurisdictions participating in the Presidential General Election as compared to the Presidential Primary Election, as well as in Animal Services due to an increase in the contract cities' proportional share of the department's operational budget.
- In HHSA, the decreases are in Regional Operations associated with the San Diego First Five Commission contract ending the Early Childhood program; in Public Administrator/Public Guardian based on declining estate values; in Public Health Services due to the elimination of UASI grant allocation; and in Health Care Administration due to Third Party Reimbursement and decrease in Child Abuse fees.
- In LUEG, the decreases are in Environmental Health due to completion of projects associated with the Vector Control Program Benefit Assessment funds; in Planning and Land Use related to economic conditions; and in Parks due to reclassification of grant funds to Intergovernmental Revenues and the reduction of park and camping revenues.
- In PSG, the decreases are in Probation as a result of overall reductions in collections for cost of supervision and in the Sheriff based on Jail Bed Leasing due to decreased misdemeanor jail bookings by the City of San Diego.

Other Intergovernmental Revenue

Other Intergovernmental Revenue decreases by $33.8 million or 53.2%. This decrease is largely in PSG predominantly in the Sheriff Department related to the recategorizing of reimbursement for Trial Courts to State revenue resulting from the implementation of Public Safety Realignment of 2011 and in the Fire Authority resulting from a revised projection of revenue for the Dead, Dying and Diseased Tree Grant Program. The decreases are partially offset by increases in CSG of $0.4 million in HCD due to one-time prior year funding from Housing Opportunities for Persons with AIDS (HOPWA); and in LUEG of $0.3 million in Parks and Recreation due to reclassification of grants from Charges to Current Services as well as increased grant funding from Coastal Impact Assistance Program; and in Public Works related to Proposition 84, *Stormwater Grant Program*, grant to implement the Integrated Regional Water Management Plan.

Fines, Forfeitures & Penalties

Fines, Forfeitures & Penalties **increase by $0.2 million or 0.5%,** primarily in PSG, to support maintenance and operation costs associated with juvenile institutional facili-ties in the Probation Department.

Licenses, Permits & Franchises

Licenses, Permits & Franchises **decrease by $0.3 million or 1.1%**, primarily in HHSA, due to projected available revenue from the Domestic Violence Trust Fund and in LUEG in the Department of Planning and Land Use due to economic conditions. The decrease is offset by an increase in FGG which is the result of increased marriage license fees.

Miscellaneous Revenues

Miscellaneous Revenues **increase by $5.8 million or 23.5%**. Increases include $6.4 million in PSG due to a settlement to resolve litigation with San Diego Gas and Electric, increase from sales of commissary goods to inmates, and reimbursement for Regional Communication system expenditures; $0.9 million in LUEG in Public Works due to increase in fuel sales at the airport and the development of Business Case Management System (Accela) reporting tools in Environmental Health; and $0.2 million in FGG to fund a Wellness Coordinator and due to increased reimbursement in Workers Comp ISF. The increase is offset by a $1.5 million decrease in HHSA Behavioral Health Services due to the elimination of prior year one-time funding and

$0.1 million decrease in CSG in HCD for program income from long-term loan repayments.

Revenue from Use of Money & Property

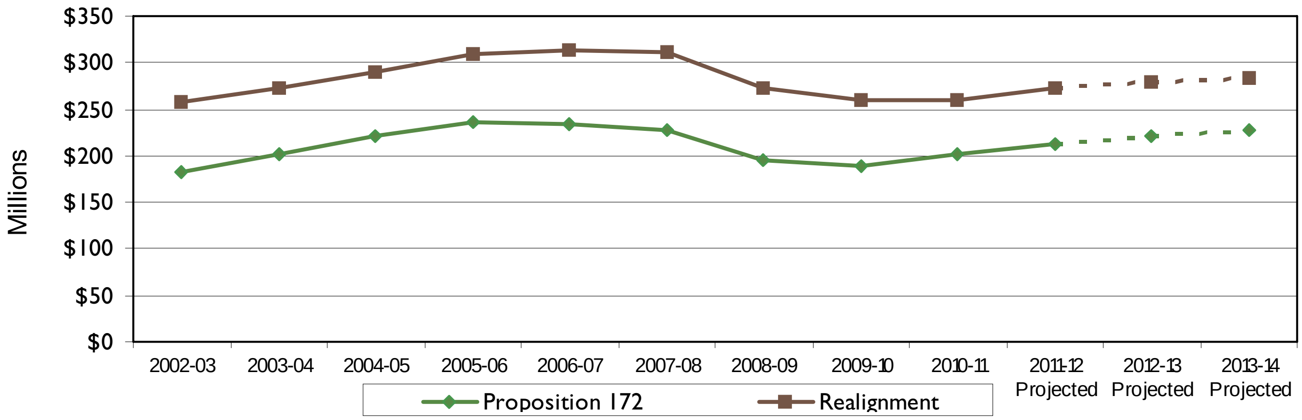
Revenue from Use of Money & Property **increases by $0.3 million or 2.9%**. The primary source of the increase is in PSG associated with the lease of the Otay Mesa Detention Facility.

Taxes Other than Current Secured

Taxes Other than Current Secured remain unchanged.

Proposition 172 and 1991 Realignment Sales Tax Revenue

Fiscal Year 2002-03 to Fiscal Year 2013-14



Notes: 2001-02 to 2010-11 figures represent actual revenue. Fiscal Year 2011-12 figures represent projected revenues as of December 31, 2011. Fiscal Year 2012-13 and 2013-14 figures represent projected revenue as included in the Fiscal Year 2012-14 CAO Proposed Operational Plan. Starting in 2011, the 1991 Realignment has been adjusted to exclude funding for Mental Health support that was transferred to the 2011 Realignment. Also beginning in 2011, CalWORKS funding has been incorporated into the 1991 Realignment.

Following are some of the largest and most closely watched program revenues. Please see the individual Group and department sections beginning on page 113 for more specific information on the various other program revenues.

- *1991 Health and Social Services Realignment Revenues* **($279.3 million in Fiscal Year 2012-13 and $284.3 million in Fiscal Year 2013-14)** are received from the State to support health and social services programs. The term 1991 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. The 2011 State budget realigned various programs and the revenues to support them. See the section below on the 2011 Realignment. Mental health programs and funding were shifted from the 1991 Realignment to 2011 Realignment. Starting in Fiscal Year 2011-12, additional CalWORKs funding was incorporated into the 1991 Realignment.

  Between Fiscal Years 2002-03 and 2006-07, annual revenue growth averaged 5.0%. Revenues declined by an average 4.6% from the peak in 2006-07 of $313.0 million through 2010-11.

  In Fiscal Year 2011-12, there is a projected $7.1 million positive variance to budget. For Fiscal Year 2012-13, these revenues are budgeted cautiously and are expected to be above the Fiscal Year 2011-12 budgeted amount by 5.5% ($14.5 million). It is anticipated that these revenues will grow modestly in Fiscal Year 2013-14. The chart above shows the realized revenues for Health and Social Services Realignment for Fiscal Years 2002-03 through 2010-11 and projected levels for Fiscal Years 2011-12 through 2013-14.

- *2011 Realignment* (Health and Human Services and Public Safety). As part of the 2011-12 State of California budget plan, the legislature enacted a major shift or "realignment" of State program responsibilities and revenues to local governments. Legislative changes were included in Assembly Bills 109, 117 and 118 along with other implementing legislation associated with the State of California's Budget for Fiscal Year 2011-12. Due to the passage of Assembly Bill (AB) 118, *Local Revenue Fund 2011*, the State replaced State General Funds with a portion of State sales tax and State and local Vehicle License Fee (VLF) revenues to local governments to fund various criminal justice, mental health, and social service programs in 2011-12. This is a significant shift from a known and committed amount of State funding for a broad range of programs to an estimated variable amount of sales tax which is remitted based on economic activity. The revenues provided for realign-ment are deposited into the Local Revenue Fund 2011 and allocated to specific accounts by statute. Additional changes are anticipated which would expand realignment further.

- *Public Safety Realignment 2011* **($82.2 million in Fiscal Year 2012-13 and $81.8 million in Fiscal Year 2013-14)**.

  Funds allocated to the Local Community Corrections Account are proposed to support services required to address the transfer of responsibility for certain offenders from the State to the counties pursuant to Assembly Bill (AB) 109, *Public Safety Realignment (2011).* including supervision of offenders, costs associated with the custody of offenders, including food and medical costs, and resources for services including mental health treatment, substance abuse treatment, and vocational and behavioral services. As additional services and strategies are recommended to the Board of Supervisors by the Community Corrections Partnership, additional anticipated state resources will be proposed for appropriation.

  Public Safety Realignment 2011 also includes these accounts and related subaccounts: Juvenile Justice (Youthful Offender Block Grant and Juvenile Reentry), Local Community Corrections (AB 109), Local Law Enforcement Services (various programs), District Attorney and Public Defender (AB 109), and Trial Court Security.

- *Health and Human Services Realignment 2011* **($200.7 million in Fiscal Year 2012-13 and $200.7 million in Fiscal Year 2013-14)**.

  Health and Human Services Realignment 2011 includes activities in Behavioral Health Services, Adult Protective Services, Child Abuse Prevention, Child Welfare Services, Foster Care, Adoptions, and the activities related to mental health programs shifted from 1991 Realignment.

- *Proposition 172 - Public Safety Sales Tax Revenues* **($220.5 million in Fiscal Year 2012-13 and $226.6 million in Fiscal Year 2013-14)** 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 2002-03 and 2005-06, annual revenue growth averaged 9.0%. Revenues declined by an average 3.1% from the peak in 2005-06 of $236.4 million through 2010-11.

  In Fiscal Year 2011-2, there is a projected $16.5 million positive variance to budget. For Fiscal Year 2012-13, these revenues are expected to be above the Fiscal Year 2011-12 budgeted amount by 12.2% ($24.0 million). It is anticipated that these revenues will grow modestly in Fiscal Year 2013-14. The chart on the preceding page shows the realized revenues for Proposition 172 for Fiscal Years 2002-03 through 2010-11 and projected levels for Fiscal Years 2011-12 through 2013-14. See, also, the discussion of General Purpose Revenue on page 76.

- *Tobacco Settlement Revenues* **($32.2 million in Fiscal Year 2012-13 and $24.2 million in Fiscal Year 2013-14)** 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 Pay-ments 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 budgeted in Fiscal Year 2012-13 reflects $8.0 million in one-time, nonsecuritized Tobacco Settlement funds and $24.2 million in Securitized Tobacco funds. Another $3.3 million is budgeted and retained in the Tobacco Securitization Special Revenue Fund. $3.3 million is set aside as an unallocated reserve and $0.2 million is budgeted for processing costs in Fiscal Year 2012-13. 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 26.2% of the General Fund Financing Sources. Please see the separate discussion of General Purpose Revenue beginning on page 76.

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

Use of Fund Balance, including Fund Balance Component Decreases, **($110.6 million in Fiscal Year 2012-13 and $52.0 million in Fiscal Year 2013-14)**, represents 3.0% of General Fund Financing Sources in Fiscal Year 2012-13. 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 2012-13:

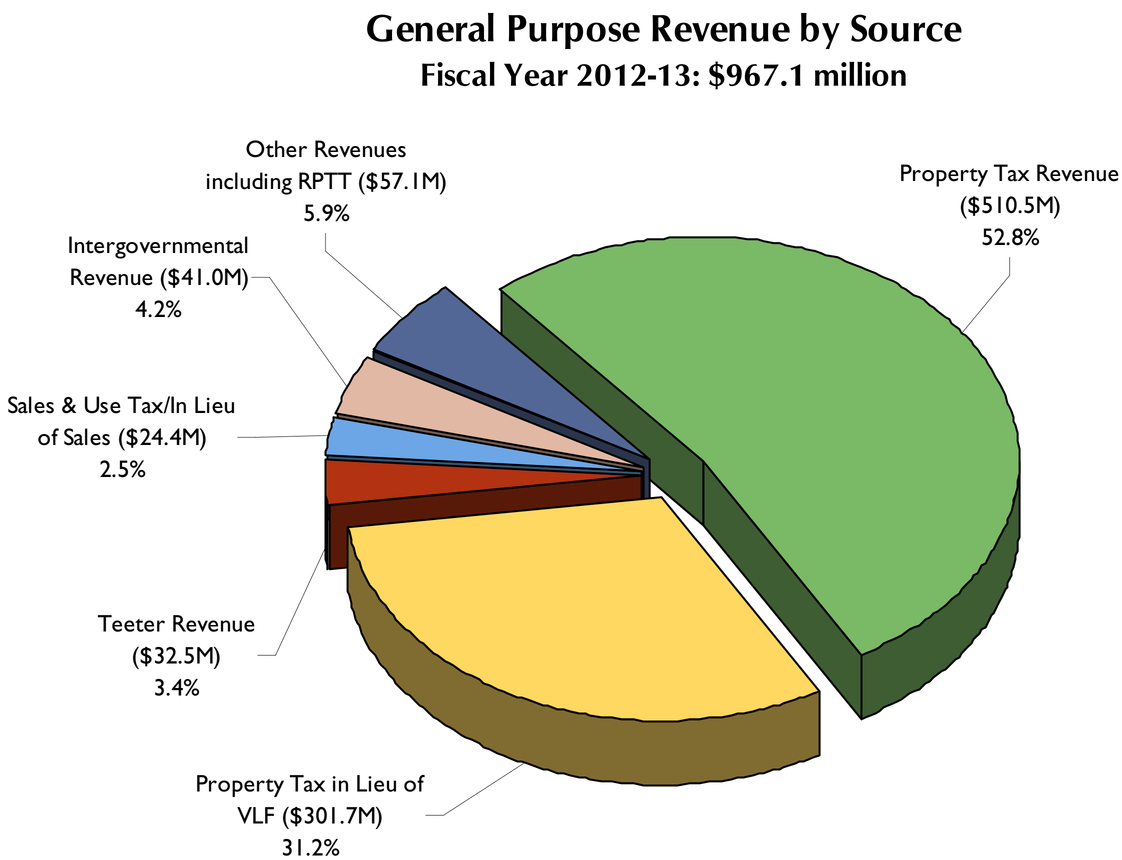
- Management reserves.
- Negotiated one-time 1% salary payment not covered by other funding sources.
- Reentry program in the District Attorney and Probation departments.
- Information Technology (IT) equipment purchase and installation in the District Attorney.
- Resources for Child Support Services to match available federal funds.
- Medical Examiner equipment replacement.
- Fire Protection and Emergency Medical Services Grant Program for one-time capital needs for volunteer fire protection districts.
- Aerial Fire Suppression "Call When Needed" support.
- Radio communication equipment for the Probation Department.
- Defense of special circumstance cases rebudget.
- Graduate law clerks and temporary staff for the Public Defender.
- Public Defender support for the remaining term of certain lease costs associated with the discontinued contract for Family Dependency Services.
- San Diego County Fire Authority equipment replacement commitment, acquisition of a reserve fire engine, and various program prevention and response activities.
- One-time major maintenance.
- Mainframe system software support.
- One-time resources to support recruitment activities associated with Assembly Bill (AB) 109, *Public Safety Realignment (2011).*
- Relocation efforts related to the County Operations Center capital project.
- Health and Human Services Juvenile Diversion Program support.
- Health and Human Services resources for transition from future State enacted cuts or economic downturn.
- Grand Avenue clinic sale proceeds commitment for Public Health.
- Childhood Obesity Initiative in Public Health.
- Public Administration/Public Guardian (PA/PG) for one-time use to mitigate the projected decline in revenues and the continued reorganization of warehouse functions.
- Polaris all-terrain with vehicle spray equipment for pest management.
- Tribal liaison consultant and support rebudget.
- Firestorm 2007 rebuilding permit fee waiver rebudget.
- Environmental Health support for beach water quality monitoring rebudget.
- Green Building Program and Homeowner Relief Act Fee Waivers.
- Multiple Species Conservation Program (MSCP) (North) Resource Management Plans to protect biological and cultural resources.

- Land Use rebudgets for Purchase of Agriculture Conservation Easements (PACE) program support, zoning ordinance update, Greenhouse Gas Guidelines Phase I, and code enforcement abatements.
- Total Maximum Daily Load (TMDL) testing for Watershed Program.
- Traffic modeling support.
- Public Works rebudgets for Integrated Regional Water Management data management system grant match, Residential Integrated Pest Management program, and Proctor Valley Road closure.
- Downtown Justice Center Support Facilities Master Plan.
- Upgrade Fleet work order system to M5.
- Continuation of Vote-by-Mail program.
- Digital X-ray cameras for Carlsbad and Bonita animal shelters.
- Various information technology projects, such as:
  - Business Process Reengineering initiatives.
  - Probation Case Management System.
  - Accela for Mobile Office Implementation, CalAg-Permit System (CAPS), Agriculture Water Quality, and Pesticide Regulation Program and implementa-tion costs for fee offset staff.
  - Business Case Management System - Accela rebudget for continued implementation, user accep-tance testing, reporting tools, and training.
  - Data imaging project rebudget.
  - Online Payment Solution Integration.
  - Parcel Genealogy, Business Intelligence and Asset Management applications rebudget.
  - Qmatic System Upgrade - Customer Routing in Land Development Process.
  - Web-based Reporting System for Waste Haulers rebudget.
  - Documentum - document digitization, re-architect and upgrade to version 6.7, Community Development files (rebudget).
  - Upgrades or replacement of BRASS, XenDocs, and Chargeback.
  - Transition of County Counsel's Case Management System.
  - Electronic Document Submittal/Review Automation for Land Use rebudget.
  - Justice Electronic Library System implementation to create electronic files for juvenile case management.
  - Information Technology Improvement Needs Assessment projects: Identity and Access Management, Mobile Enterprise Applications Platform, Mobility Device Management, Master Data Management, endpoint encryption.
  - Desktop virtualization.
  - Electronic Approval System and SharePoint enhancements and Documentum integration.
  - Transformation of Project Portfolio Management, Application Lifecycle Management, and Application Rationalization project to manage and identify existing software for replacement or upgrade.
  - Learning Management System database upgrade.
  - Enterprise Resource Planning (ERP) short-term data storage and unanticipated project costs.
- Assessor Film Deterioration Project.
- Terminal leave for long-term staff.
- Workforce Academy for Youth (WAY) program.
- Grants provided to community organizations.
- Capital projects including MSCP land purchases and Agua Caliente Campground Expansion and upgrades to sewer system and other utilities.

General Purpose Revenue

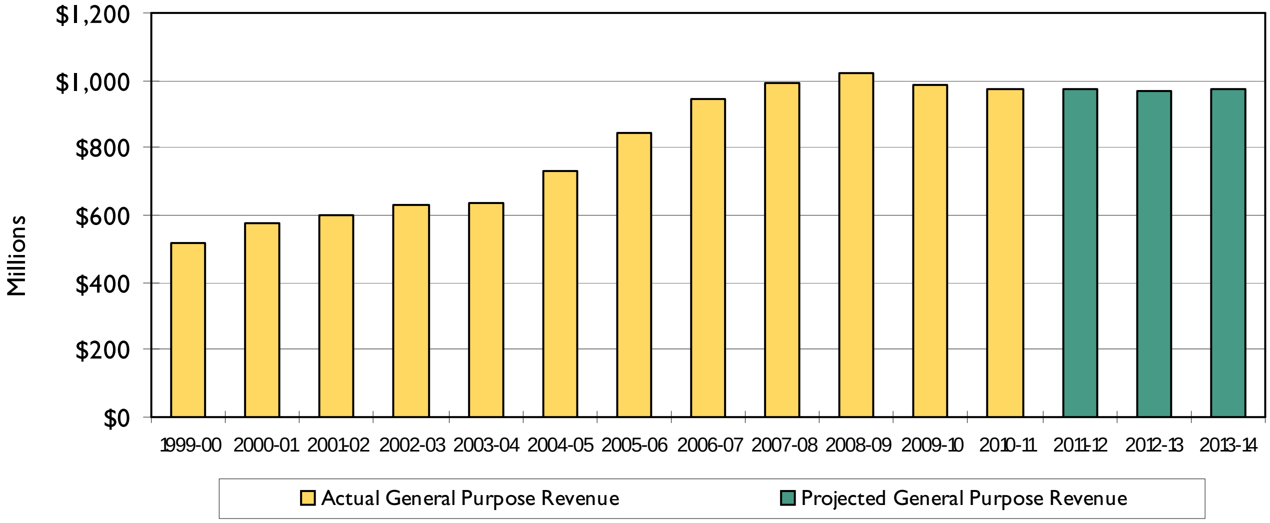
General Purpose Revenue by Source

General Purpose Revenue (GPR) represents approximately 26.2% 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 Successor 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.



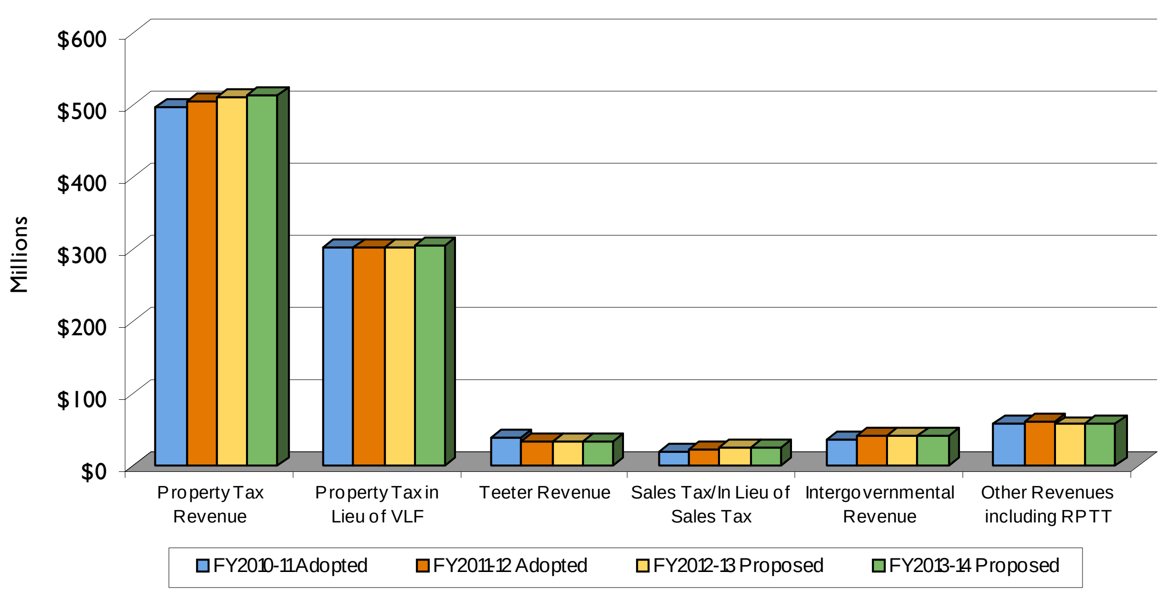
For the eleven-year period of Fiscal Year 1999-2000 through Fiscal Year 2010-11, GPR grew by an annual average of $41.4 million. This is a decrease from the ten-year average of $46.4 million from Fiscal Year 1999-2000 through Fiscal Year 2009-10, and a decrease from the nine-year average of $55.7 million 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. The U.S. economy is still continuing to recover from the deep recession. For Fiscal Year 2012-13, the $967.1 million proposed for GPR is an increase of $2.7 million or 0.3% from the Fiscal Year 2011-12 budgeted amount of $964.4 million. These resources are projected to increase slightly to $974.5 million in Fiscal Year 2013-14. See the chart on the following page for an historical view of GPR. Also see the accompanying table for a summary by account of historical and projected GPR.

General Purpose Revenue History
Fiscal Year 1999-00 to Fiscal Year 2013-14



Notes: General Purpose Revenue (GPR) for Fiscal Years 1999-00 through 2010-11 represents actual revenue. Fiscal Year 2011-12 represents the 2nd Quarter estimate produced December 2011. GPR projections for Fiscal Years 2012-13 and 2013-14 are included in the 2012-14 CAO Proposed Operational Plan.

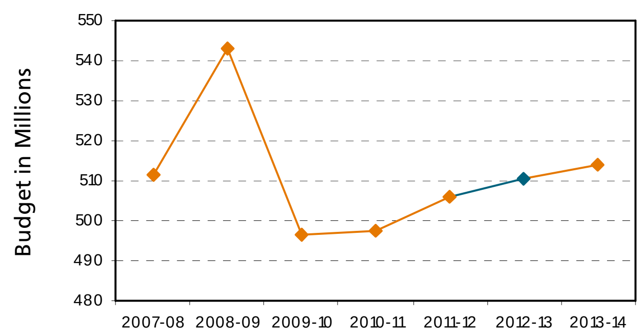
General Purpose Revenue by Source
Fiscal Years 2010-11 Through 2013-14



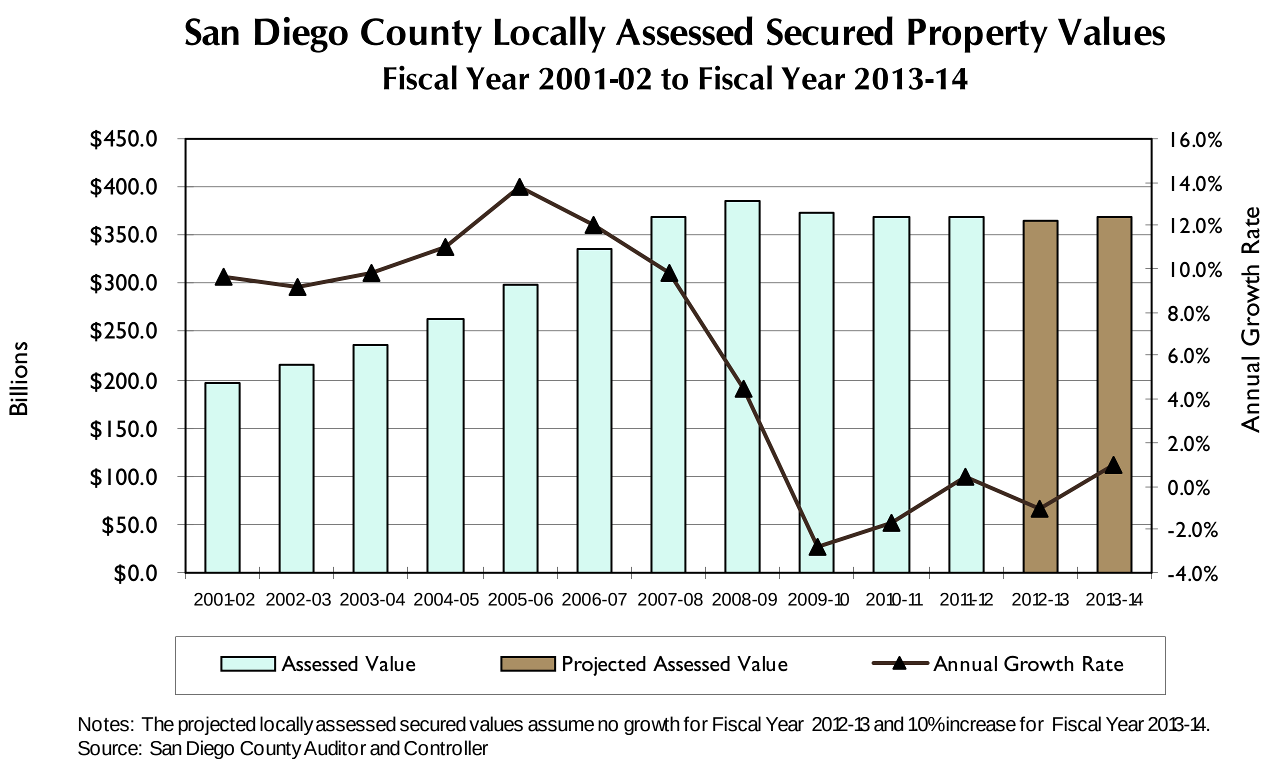
General Purpose Revenue					
	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Property Taxes Current Secured	$ 477,192,517	$ 487,158,053	$ 490,625,867	0.7	$ 494,058,561
Property Taxes Current Supplemental	3,044,869	1,874,015	3,291,750	75.7	3,324,668
Property Taxes Current Unsecured	17,338,957	16,781,591	16,522,894	(1.5)	16,459,773
Property Taxes Current Unsecured Supplemental	—	—	50,000	—	50,750
Total Property Tax Revenue	**$ 497,576,343**	**$ 505,813,659**	**$ 510,490,511**	**0.9**	**$ 513,893,752**
Total Property Tax In Lieu of VLF	**$ 301,837,082**	**$ 302,159,104**	**$ 301,668,991**	**(0.2)**	**$ 304,584,143**
Teeter Tax Reserve Excess	$ 21,500,000	$ 19,000,000	$ 21,000,000	10.5	$ 21,000,000
Teeter Prop Tax Cumulative Prior Years	6,204,217	4,376,700	3,769,926	(13.9)	3,524,803
Teeter Prop Tax Prior Year	12,554,621	9,542,387	7,756,580	(18.7)	7,687,415
Total Teeter Revenue	**$ 40,258,838**	**$ 32,919,087**	**$ 32,526,506**	**(1.2)**	**$ 32,212,218**
Sales & Use Taxes	$ 14,999,966	$ 15,993,213	$ 18,406,197	15.1	$ 18,958,383
In Lieu Local Sales & Use Tax	5,003,345	5,713,046	5,999,874	5.0	6,179,871
Total Sales & Use Tax / In Lieu of Sales Tax	**$ 20,003,311**	**$ 21,706,259**	**$ 24,406,071**	**12.4**	**$ 25,138,254**
State Aid HOPTR	$ 4,985,000	$ 4,910,000	$ 4,882,356	(0.6)	$ 4,882,356
Federal In-Lieu Taxes	1,056,408	1,100,000	1,081,818	(1.7)	1,081,818
Local Detention Facility Revenue	—	—	2,850,953	—	2,850,953
Aid From City of San Diego	5,222,553	5,222,553	2,371,600	(54.6)	2,371,600
Aid from Redevelopment Agencies/Aid from Redevelopment Successor Agencies	24,362,009	29,612,382	29,772,755	0.5	29,971,545
Total Intergovernmental Revenue	**$ 35,625,970**	**$ 40,844,935**	**$ 40,959,482**	**0.3**	**$ 41,158,272**
Property Taxes Prior Secured	$ 400,000	$ 400,000	$ 400,000	0.0	$ 400,000
Property Taxes Prior Secured Supplemental	2,030,625	4,033,363	4,914,113	21.8	4,963,750
Property Taxes Prior Unsecured	300,000	300,000	250,000	(16.7)	250,000
Property Taxes Prior Unsecured Suppl.	200,000	350,000	400,000	14.3	400,000
Other Tax Aircraft Unsecured	3,045,000	3,451,000	2,609,264	(24.4)	2,648,402
Transient Occupancy Tax	2,500,000	2,500,000	2,350,000	(6.0)	2,350,000
Real Property Transfer Taxes	12,659,593	13,828,537	14,097,121	1.9	14,238,093
Franchises, Licenses, Permits	10,083,693	10,336,530	10,663,537	3.2	10,717,673
Fees, Fines & Forfeitures	2,124,258	2,064,742	2,221,017	7.6	2,265,437
Penalties & Cost Delinquency Taxes	17,102,675	15,161,049	14,693,668	(3.1)	14,774,950
Interest On Deposits & Investments	7,623,775	7,525,430	3,437,944	(54.3)	3,437,944
Interfund Charges/Miscellaneous Revenues	1,028,837	1,028,305	1,027,775	(0.1)	1,032,112
Total Other Revenues including RPTT	**$ 59,098,456**	**$ 60,978,956**	**$ 57,064,439**	**(6.4)**	**$ 57,478,361**
Total General Purpose Revenue	**$ 954,400,000**	**$ 964,422,000**	**$ 967,116,000**	**0.3**	**$ 974,465,000**

Property Tax Revenue

Property Tax Revenue, **($510.5 million in Fiscal Year 2012-13 and $513.9 million in Fiscal Year 2013-14)**, including current secured, current supplemental, current unsecured and current unsercured supplemental, represents 52.8% of the total General Purpose Revenue in Fiscal Year 2012-13 and 52.8% of the projected amount in Fiscal Year 2013-14.



(The term "current" refers to those taxes that are due and expected to be paid in the referenced budget year.) For Fiscal Year 2012-13, proposed property tax revenue is $4.7 million or 0.9% higher than the budget for Fiscal Year 2011-12. Property tax revenue is projected to increase 0.7% or $3.4 million for Fiscal Year 2013-14. 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 ad valorem taxes and 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.



Notes: The projected locally assessed secured values assume no growth for Fiscal Year 2012-13 and 1.0% increase for Fiscal Year 2013-14.
Source: San Diego County Auditor and Controller

The assessed value of real property declined in 2009 and 2010 (following the credit crisis and economic downturn that began in 2007) and it grew marginally in 2011. For 2012, weakness in residential markets is contributing to a 1% projected decline in assessed value of real property overall.

- *Current Secured* property tax revenue **($490.6 million in Fiscal Year 2012-13 and $494.1 million in Fiscal Year 2013-14)** is expected to increase by $3.5 million in Fiscal Year 2012-13 from the adopted level for Fiscal Year 2011-12.

  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 2012-13 revenue amount assumes a decline of 1% in the local secured assessed value compared to the actual current secured assessed value amount for 2011-12 (which was an approximate 0.5% increase 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.

  In Fiscal Year 2012-13, refunds and corrections combined are projected to decline to $7.5 compared to the Fiscal Year 2010-11 actual level of $19.4 million and the Fiscal Year 2011-12 estimated level of $19.0 million because a significant portion of the decrease in property values since 2007 will have been captured and reflected in the total value of the 2012 tax assessment roll. While refunds and corrections are expected to decline, there is a risk that refunds and corrections may exceed budgeted levels due to commercial property assessment reviews currently in progress. The anticipated reduction in refunds and corrections will not increase current secured revenue as refunds and corrections were budgeted at $5.8 million in Fiscal Year 2011-12. The timing and amount of these potential resultant refunds is unknown and will be monitored closely.

  The expected increase in revenue of $3.5 million or 0.7% is the net result of the proposed increase in expected refunds and corrections compared to budget, the decrease in the projected current secured assessed value amount, an improvement in the delinquency rate, and the fact that the assessed value assumption used to develop the budget in Fiscal Year 2011-12 improved to a positive 0.5%. Specifically, the Fiscal Year 2011-12 current secured revenue assumed a 0.5% decrease in the local secured assessed value over the actual current secured assessed value amount for 2010-11. However, the actual current secured assessed value increased by 0.5%. For Fiscal Year 2013-14, local secured assessed value is assumed to grow by 1.0% and the County's share of total property tax revenues is expected to increase based on this anticipated growth.

- *Current Supplemental* property tax revenue **($3.3 million in Fiscal Year 2012-13 and $3.3 million in Fiscal Year 2013-14)** is projected to increase by $1.4 million in Fiscal Year 2012-13 from the adopted level in Fiscal Year 2011-12. This revenue is derived from net increases to the secured tax roll from either new construction or changes in ownership that occur sub-sequent 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 con-struction 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, supplemental 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 and dropped to $15.3 million in Fiscal Year 2010-11. Through February 2012, supplemental refunds totaled $12.2 million. They are anticipated to continue to decline gradually over time as residential and commercial assessed values improve.

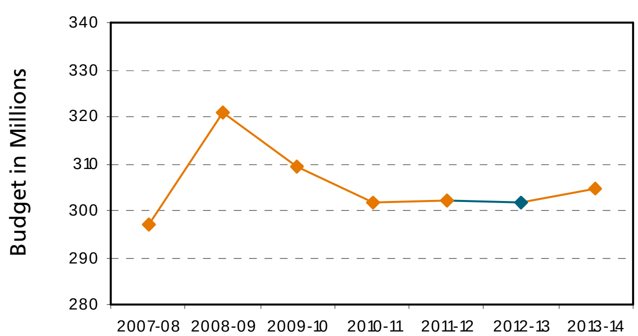
  Current supplemental property tax revenues were $29.5 million in Fiscal Year 2005-06. They dropped to $23.4 million in Fiscal Year 2006-07, to $14.0 million in Fiscal Year 2007-08, to $2.4 million in Fiscal Year 2008-09, and to $1.9 million in Fiscal Year 2009-10. In Fiscal Year 2010-11, Current Supplemental property tax revenues were $3.9 million. The budget assumes that this weakness will continue through the next two fiscal years with the Fiscal Year 2012-13 amount being $3.3 million, followed by $3.3 million in Fiscal Year 2013-14.

- *Current Unsecured* property tax revenue **($16.5 million in Fiscal Year 2012-13 and $16.5 million in Fiscal Year 2013-14)** is not based on a lien on real property. 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 2013-14.

- *Current Unsecured Supplemental* property tax revenue **($0.1 million in Fiscal Year 2012-13 and $0.1 million in Fiscal Year 2013-14)** is derived from supplemental bills that are transferred to the unsecured roll when a change in ownership occurs. There may be a subsequent change in ownership following the initial change in ownership or completion of new construction, which occurs prior to the mailing of the initial supplemental tax bill. When this occurs, the bill is prorated and a portion of the original supplemental tax bill that is attributable to the initial change in ownership or completion of new construction becomes an unsecured supplemental tax bill. Historically, this revenue category has not been budgeted because the actual amount of revenue received has been low.

Property Tax in Lieu of Vehicle License Fees (VLF)

Property Tax in Lieu of Vehicle License Fees (VLF) **comprises 31.2% ($301.7 million) of the General Purpose Revenue amount in Fiscal Year 2012-13 and 31.3% of the projected amount ($304.6 million) in Fiscal Year 2013-14.**



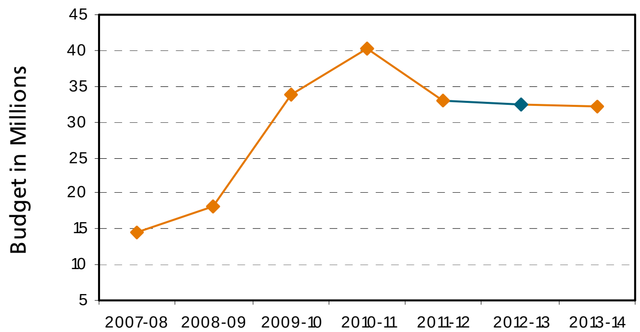
Beginning in Fiscal Year 2004-05, this revenue source replaced the previous distribution of vehicle license fees to local governments. Per the implementing legislation, revenue levels for this funding source are based on the growth or reduction in net taxable unsecured and local secured assessed value. With a projected 1% decline in taxable unsecured and local secured assessed value in Fiscal Year 2012-13, revenues are anticipated to be $0.5 million lower than what was budgeted for Fiscal Year 2011-12. The decline is partially offset by the actual assessed value increase in Fiscal Year 2011-12 of 0.3% compared to a budgeted reduction of 0.5%. The Fiscal Year 2013-14 revenue is estimated using a 1.0% assessed value growth calculation.

Teeter Revenue

Teeter Revenue **($32.5 million in Fiscal Year 2012-13 and $32.2 million in Fiscal Year 2013-14)** represents about 3.4% of General Purpose Revenue in Fiscal Year 2012-13 and 3.3% of the projected amount in Fiscal Year 2013-14. For Fiscal Year 2012-13, proposed Teeter Revenue is $0.4 million or 1.2% less than the budget for Fiscal Year 2011-12.

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 and special assessments 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 78 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.



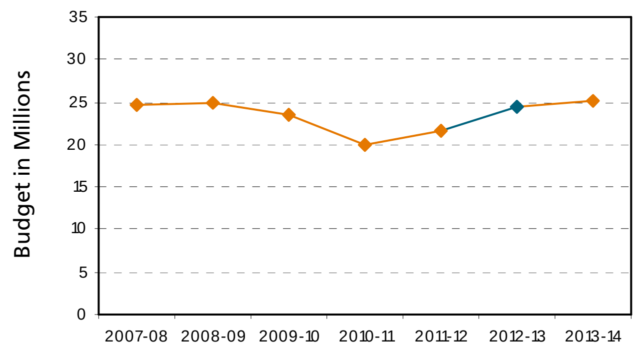
For Fiscal Year 2012-13, collections from previous years' receivables are budgeted to decrease by $2.4 million based on the size of the outstanding annual receivables and anticipated collection trends and market conditions. In Fiscal Year 2012-13, excess amounts from the Teeter Tax Loss Reserve Fund are projected to increase from the $19.0 million in the Fiscal Year 2011-12 budget to $21.0 million. They are also projected at $21.0 million in Fiscal Year 2013-14.

Sales & Use Tax Revenue

Sales & Use Tax Revenue **($24.4 million in Fiscal Year 2012-13 and $25.1 million in Fiscal Year 2013-14)** represents about 2.5% of General Purpose Revenue in Fiscal Year 2012-13 and 2.6% of the projected amount in Fiscal Year 2013-14. This revenue 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 78 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.

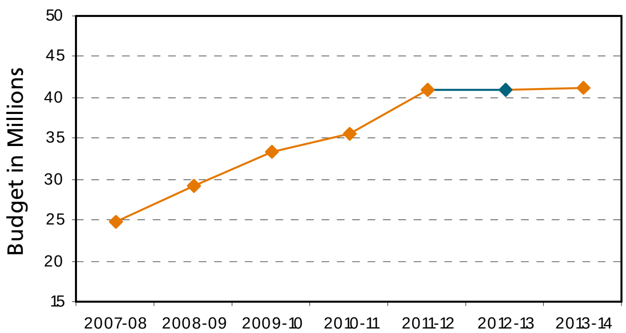
The In Lieu Local Sales & Use Tax is referred to as the "triple flip" and was effective July 1, 2004. Assembly Bill (AB) 7 XI, *California Fiscal Recovery Financing Act*, one of the 2003-04 State budget bills, enabled the State to redirect one-quarter cent of the local sales and use tax to the State 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, in the county, 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 revenue started to improve during calendar year 2010 with year-over-year quarterly increases in all four quarters. This trend continued throughout calendar year 2011. Fiscal Year 2011-12 Sales and Use Tax revenue are projected to increase by $1.8 million or 8.1% compared to budget and $1.0 million or 4.5% compared to Fiscal Year 2010-11 actuals. For Fiscal Year 2012-13, the amount is projected to increase by $2.7 million or 12.4% above the Fiscal Year 2011-12 Adopted Budget. Sales Tax growth in Fiscal Year 2013-14 is anticipated to be $0.7 million or 3.0% over Fiscal Year 2012-13.

Intergovernmental Revenue

Intergovernmental Revenue **($41.0 million in Fiscal Year 2012-13 and $41.2 million in Fiscal Year 2013-14)** comprises 4.2% of the General Purpose Revenue amount in Fiscal Year 2012-13 and 4.2% of the projected amount in Fiscal Year 2013-14.

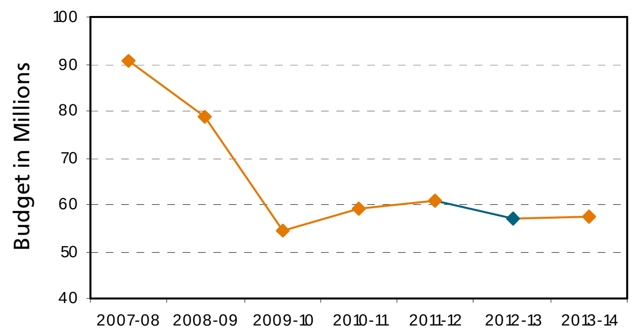


For Fiscal Year 2012-13, the amount proposed is $0.1 million or 0.3% above the Fiscal Year 2011-12 Adopted Budget. Funding from various intergovernmental sources include Redevelopment Successor Agencies, the City of San Diego (pursuant to a Memorandum of Understanding (MOU) related to the County's Central 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). Under the HOPTR program, homeowners are exempted from paying property taxes on the first $7,000 of the assessed value of their personal residence and the State reimburses local taxing entities for the related loss of revenue.

The largest portion of this funding is from aid from Redevelopment Successor Agencies. Redevelopment agencies were dissolved by the California legislature in ABX1 26 on June 28, 2011. The California Supreme Court upheld the constitutionality of the dissolution on December 29, 2011. The Court extended the date of dissolution to February 1, 2012. Based on Section 34183 of the Health and Safety Code, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each local agency and school entity an amount of property tax revenues in an amount equal to that which would have been received under Section 33401, 33492.14, 33607, 33607.6, 33607.7 or 33676. Residual funds not allocated for specific purposes will be distributed to local taxing agencies under Section 34183 of the Health and Safety Code, but the specific amount for Fiscal Year 2012-13 will not be known until later in the year.

Other Revenues

Other Revenues for **Fiscal Year 2012-13 total $57.1 million** and **increase to $57.5 million in Fiscal Year 2013-14**, and it is approximately 5.9% of the total General Purpose Revenue amount in Fiscal Year 2012-13 and 5.9% of the projected amount in Fiscal Year 2013-14. The Fiscal Year 2012-13 amount represents a 6.4% or $3.9 million decrease from the Fiscal Year 2011-12 Adopted Budget.



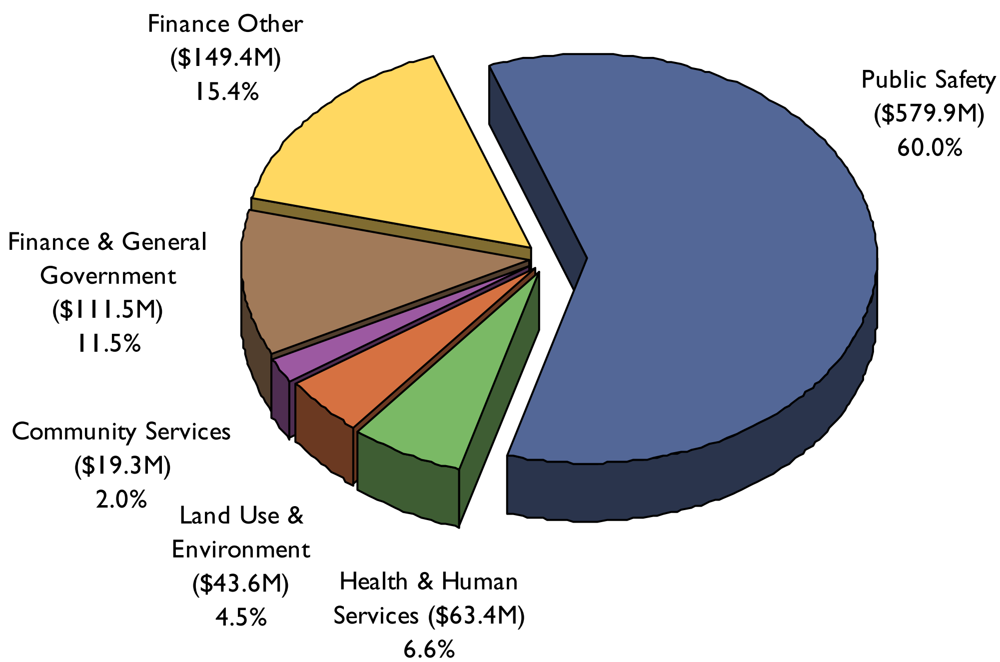
Various revenue sources make up this "Other Revenues" category including Real Property Transfer Tax (RPTT), interest on deposits, fees, fines and forfeitures, prior year property taxes, penalties & cost delinquency taxes, franchise fee revenue, cable and video licenses and other miscellaneous revenues.

The largest component of this revenue category for Fiscal Year 2012-13, at $14.7 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 2012-13 is proposed to be budgeted at $14.1 million, a 1.9% ($0.3 million) increase from the Fiscal Year 2011-12 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 $0.1 million or 1.0% in Fiscal Year 2013-14 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.

Allocation of General Purpose Revenue by Group/Agency

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 2012-13 budget for the Public Safety Group represents 30.3% of total County expenditures, the allocation of GPR for services in that Group equals 60.0% of the total GPR. By contrast, the Health and Human Services Agency's budget represents 40.5% of total County expenditures but, because of significant amounts of funding from program revenues, it is allocated only about 6.6% of the total GPR. As noted above, the total amount of GPR increases in the Fiscal Year 2012-13 Proposed Budget by $2.7 million.

General Purpose Revenue Allocation by Group/Agency
Fiscal Year 2012-13: $967.1 million

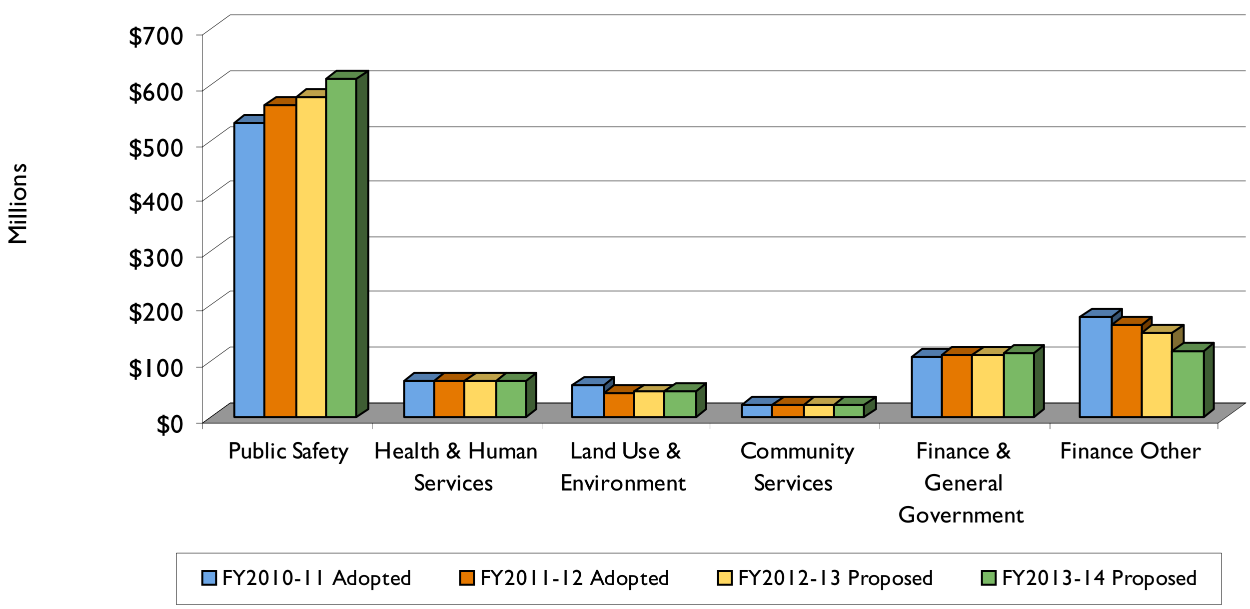


The allocation of GPR for Fiscal Years 2012-13 and 2013-14 reflects a multi-year strategy to managing County resources within the recovering economic environment, which began to show signs of stabilization and gradual recovery in Fiscal Year 2010-11 and continued in Fiscal Year 2011-12 despite weakness in current secured assessed values. 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 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 fell two of the last three years (with marginal growth this past year) and the total assessed value is expected to decline marginally this year. In **Fiscal Year 2012-13, GPR is budgeted at $967.1 million**, a slight improvement from Fiscal Year 2011-12, which was budgeted at $964.4 million, but still a significant 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 annual retirement contributions are proposed to increase in Fiscal Year 2012-13 by 16.9% and in Fiscal Year 2013-14 by 14.9%. However, in Fiscal Year 2012-13 the negotiated decrease in the County portion of the employee paid retirement offset effective July 1, 2012 partially mitigates the proposed increase. The Fiscal Year 2012-13 net employer contributions to the retirement fund are proposed to increase by 8.7%. Contributions are expected to continue to increase significantly through Fiscal Year 2014-15; however, the annual rate of increase beyond Fiscal Year 2012-13 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 Allocation by Group/Agency
Fiscal Years 2010-11 Through 2013-14



General Purpose Revenue Allocations by Group/Agency (in millions)

	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	% Change	Fiscal Year 2013-14 Proposed Budget
Public Safety	$ 530.5	$ 563.9	$ 579.9	2.8	$ 609.8
Health & Human Services	62.0	62.9	63.4	0.9	65.0
Land Use & Environment	54.6	42.5	43.6	2.6	45.4
Community Services	18.5	18.7	19.3	1.5	19.8
Finance & General Government	108.2	109.8	111.5	1.5	114.9
Finance Other	180.6	166.6	149.4	(10.3)	119.6
Total	$ 954.4	$ 964.4	$ 967.1	0.3	$ 974.5

The significant drop in retail sales statewide driven by economic contraction caused Proposition 172 and 1991 Realignment revenues to plummet from highs of $236.4 million for Proposition 172 in Fiscal Year 2005-06 and $313.0 million for 1991 Realignment in Fiscal Year 2006-07. Fiscal Year 2011-12 Proposition 172 budgeted revenues are still down $39.9 million from the 2005-06 peak but are anticipated to improve in Fiscal Year 2012-13 growing by $24.0 million from the Fiscal Year 2011-12 budgeted level. In Fiscal Year 2011-12, 1991 Realignment revenues are down $48.2 million from the 2006-07 high but are also anticipated to recover by $14.5 million in Fiscal Year 2012-13.

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

- The Fiscal Year 2012-13 CAO Proposed Budget factors in the County's labor agreements and assumes salaries will remain at the Fiscal Year 2011-12 levels except for changes due to step or merit increases. In Fiscal Year 2012-13, employees in the CL, CM, FS, HS and SW bargaining units will receive a negotiated one-time 1% payment estimated at $3.0 million. Flex credits will increase 5% as of January 1, 2013. The County portion of the employee paid retirement offset will be further reduced in Fiscal Year 2012-13 by $17.2 million.
- Shifts $15.9 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 and negotiated flex credit increases.
- Initially, $16.3 million of fund balance was allocated for public safety services in the Public Safety Group (PSG) as a placeholder. The PSG Proposition 172 Fund stabilization strategy was refined for Fiscal Year 2012-13 now that the revenue picture has become clearer. This revised strategy nearly eliminates the $16.3 million placeholder using a combination of Proposition 172 revenue growth and $1.4 million Proposition 172 fund balance projected to be generated in Fiscal Year 2011-12.
- The Fiscal Year 2013-14 Proposed Budget also factors in the County's labor agreements and assumes no negotiated wage increases, except for the DSA bargaining unit. The Fiscal Year 2013-14 Proposed Budget includes a 1% negotiated wage increase for the DSA bargaining unit effective June 28, 2013 and a negotiated increase in flex credits effective January 1, 2014.
- Shifts $37.2 million from the pension stabilization fund in Fiscal Year 2013-14 to the five operating groups to fund the net cost increase in required retirement fund contributions.
- Uses $13.0 million of the Realignment fund balance commitment in Fiscal Year 2013-14 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 on GPR allocations is provided in the Group and department sections that begin on page 113. The previous charts and table show the amount of General Purpose Revenue allocated to support each Group/Agency for Fiscal Years 2012-13 and 2013-14 compared to the two prior fiscal years.

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 Responsibilities*.
  - The Auditor and Controller will devise and monitor the goals and objectives of a revenue management program within policy guidelines prescribed by the Board of Supervisors. This includes a periodic review of the County's financial condition in order to ensure that the County's financial sources (revenues) are sufficient to meet anticipated obligations.
  - The Auditor and Controller will develop annual revenue estimates for the development of the Operational Plan relating to revenues under control of the Chief Administrative Officer.
  - The Auditor and Controller will ensure that full cost is recovered from fees, grants and revenue contracts to the extent legally possible. If not, the reasons for recovery of less than full cost will be documented and disclosed.
- All revenues received by the County identified as "one-time" revenues will only be appropriated for "one-time" expenditures — **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 of San Diego organization on a contractual or fee basis or when obtaining grant funding. Exceptions to this policy require specific 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/sites/default/files/omb/assets/agencyinformation_circulars_pdf/a87_2004.pdf)
- 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.
- Funding sources that will require a revenue match from the County General Fund shall be limited to the designated match level mandated as a condition of funding.
- 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 fre-quently, if warranted, to allow for full cost recovery.
- The Chief Administrative Officer 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, Pro-gram 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 only, 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 sup-plement, but not replace, existing health care revenue — **Board of Supervisors Policy E-14**, *Expenditure of Tobacco Settlement Revenue in San Diego County*.
- 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.

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 Auditor and Controller.
- 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 is 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**, *Procure-ment 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 excep-tions 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 com-munity organizations based on eligibility criteria and application guidelines — **Board of Supervisors Policy B-58**, *Funding of the Community Enhancement Program*.
- All appropriations available for the Neighborhood Reinvestment Program will be included annually in the County's Operational Plan. Resources available may vary and may range 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 to support fiscal health and stability including:
  - *Fund Balance Committed for Unforeseen Catastrophic Events*
  - *General Fund Contingency Reserve*
  - *General Fund Minimum Fund Balance for Economic Uncertainty*
- The Board of Supervisors may waive the requirement to maintain fund balance and reserve amounts 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, the Contingency Reserve or General Fund Minimum Fund Balance for Economic Uncertainty falls below targeted levels, the Chief Administrative Officer will present a plan to the Board of Supervisors for restoration to those targeted levels.
- For additional details on County Reserves, refer to page 94 Reserves and Resources.

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 Anticipation 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 xx - 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 Govern-ment 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 County 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 a monthly investment report 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 County-wide 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 sub-sequent 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 appro-priations 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 occur-ring 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, which structures the fund balance components to focus financial reporting on planned use of funds and constraints on the specific purposes for which funds can be spent.

The five components of fund balance are:

- 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.

Fund Balance Component Increases are shown as appropriations (expenditures) and Fund Balance Component Decreases are shown as revenues when used as a funding source. These two 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.

Capital Projects

Capital Projects

Each year, the County assesses the need for capital improvements in accordance with Board of Supervisors Policies G-16, Capital Facilities and Space Planning and B-37, Use of the Capital Program Funds. These policies provide guidelines for the County's multi-year approach to planning for capital projects. The projects identified in this process include the improvement to or acquisition of land and facilities. Certain 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 2012-13 capital projects budget for the County is $38.2 million and $2.5 million for Fiscal Year 2013-14. This excludes amounts 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 xx 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 2012-13)		
Capital Outlay Fund	$ 28,240,000	2
Multiple Species Conservation Program Fund	10,000,000	1
Total - Appropriation Increases for New & Existing Capital Projects (Fiscal Year 2012-13)	$ 38,240,000	3
Projects Underway		
Public Safety Group	$ 210,422,855	11
Health & Human Services Agency	1,715,541	6
Land Use & Environment Group	51,981,054	87
Community Services Group	119,721,244	16
Finance & General Government Group	39,826,051	2
Total - Projects Underway	$ 423,666,745	122
Grand Total	$ 461,906.745	125

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

Reserves and Resources

The County maintains a prudent level of resources to help protect the fiscal health and stability of the County. These tables include frequently referenced budgetary reserves and resources but do not include the reserves and resources of all funds as reported in the Consolidated Annual Financial Report (CAFR). The figures in the tables reflect budgeted and/or estimated amounts for the items listed. These totals for these items may vary from those in the CAFR since the CAFR reflects final audited fiscal year end balances. The CAFR can be accessed at http://www.sdcounty.ca.gov/auditor/cafr.html.

In addition, due to the implementation of Governmental Accounting and Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, certain accounts have been revised to reflect the new naming convention. See Summary of Financial Polices for more information.

Reserves and Resources (Projected) (in millions)

	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget
General Fund Minimum Fund Balance for Economic Uncertainty	$ 100.0	$ 100.0
General Fund Contingency Reserve - Operations	20.0	20.0
Committed Fund Balance - Unforeseen Catastrophic Events	55.5	55.5
Group/Agency Management Reserves	32.2	30.2
Total	$ 207.7	$ 205.7

General Fund - Fund Balance and Reserves

The County provides a wide variety of services that are funded by a number of revenue sources. Expenditures for these services are subject to fluctuations in demand; revenues are influenced by changes in the economy and budgetary decisions made by the State of California and the federal government. In accordance with Board of Supervisors Policy B-71, Fund Balance and Reserves, the County must be prepared for unforeseen events or economic uncertainties that could result in additional expenditure requirements or loss of revenue by establishing and maintaining prudent levels of fund balance and reserves.

- **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 2012-13 equates to 10.3% of General Purpose Revenue and is in compliance with that policy.
- **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 2012-13 equates to 2.1% of General Purpose Revenue and is in compliance with that policy.
- **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 Super-visors. 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 5.7% of Fiscal Year 2012-13 budgeted General Purpose Revenue and is in compliance with the policy.

- **Group/Agency Management Reserves** — Appropriations established at the Group/Agency or department level to fund unanticipated items during the fiscal year or for a planned future year use. There is no targeted level for these reserves. However, establishment of management reserves shall not be permitted if the action would result in the amount of unassigned fund balance falling below the targeted level.

Additional Reserves and Resources (Projected) (in millions)		
	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget
Tobacco Securitization Endowment Fund	$ 392.6	$ 381.2
Workers' Compensation Fund	103.4	100.3
Environmental Trust Fund	59.7	56.0
Public Liability Fund	32.6	36.3
Restricted - Debt Service	22.6	24.6
Total	$ 610.9	$ 598.4

Additional Reserves and Resources (projected)

The additional reserves and resources reflected in the table above represent the most frequently referenced budgetary reserves and resources but do not include all reserves and resources reported in the CAFR.

Tobacco Securization 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.

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 $113.0 million, which includes $25.3 million in expected costs for Fiscal Year 2011-12. The cash balance in the fund is projected to be $100.3 million as of July 1, 2012.

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 $25.9 million, which includes $10.6 million in expected costs for Fiscal Year 2011-12. The cash balance in the fund is projected to be $36.3 million as of July 1, 2012.

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.

Committed Fund Balance (General Fund only, in millions)	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget Increase/(Decrease)
Committed - Sale Proceeds Grand Avenue Clinic	$ 0.0	$ 0.1
Committed - SDCFA Equipment Replacement	0.0	1.9
Committed - Environmental Health	0.6	(0.5)
Total	$ 0.6	$ 1.5

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. The figures in the table do not reflect all General Fund commitments, but rather those with a proposed increase or decrease. Totals for these items may vary from those in the Consolidated Annual Financial Report (CAFR) since the CAFR reflects final audited fiscal year end balances. The CAFR can be accessed at http://www.sdcounty.ca.gov/auditor/cafr.html.

- **Committed - Sales Proceeds Grand Avenue Clinic —** Established in Fiscal Year 2010-11 to set aside funds for future replacement of a Health and Human Services Agency public health clinic based on proceeds from the sale of the former North Central Public Health Clinic on Grand Avenue.
- **Committed - SDCFA Equipment Replacement —** Established in Fiscal Year 2012-13 to set aside funds for future replacement of San Diego County Fire Authority (SDCFA) equipment.
- **Committed - Environmental Health —** Established in Fiscal Year 2003-04, by the Department of Environ-mental 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.

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; or (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 financ-ings 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 econom-ically 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 main-tained 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 advan-tageous.

Credit Ratings

The most recent long-term credit review by Moody's Investors Service, Standard and Poor's and Fitch Ratings was performed in June and July 2011, when the agencies assigned ratings to the County's 2011 County Admini-stration Center Waterfront Park 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 strong financial management, broad and diverse economy, 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." Moody's Investors Service states that the County's financial position remains strong and it "benefits from very strong, conservative fiscal management." Standard and Poor's holds that "the county will likely maintain, what [it considers], good financial performance and contingency reserves despite the economic downturn and uncertainty over state funding."

The San Diego County Employees Retirement Association (SDCERA) had its 'AAA' rating affirmed by Standard & Poor's in January 2009. The rating reflects the organization's overall capacity to pay its financial obliga-tions, 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 below lists the statutes authorizing the County of San Diego to enter into long-term 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

** Effective February 1, 2012, Redevelopment Agencies in California have been dissolved and the authority for Redevelopment Agencies to issue new bonds has expired.*

Bond and Debt Service Ratios

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

Bond Ratios

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Net Bonded Debt (in millions)[1]	$1,578.7	$1,404.1	$1,436.7	$1,265.5	$1,204.4	$1,177.0[2]
Net Bonded Debt per Capita[3,4]	$521	$458	$465	$406	$383[4]	$371[4]
Ratio of Net Bonded Debt to Assessed Value	0.41%	0.35%	0.36%	0.32%	0.31%	0.30%

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

[2] Net Bonded Debt as of June 30, 2012.

[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 (DOF). E-4 Population Estimates for Cities, Counties and the State with Annual Percent Change - January 2001 to 2009, with 2000 and 2010 Census counts. This also includes January 1, 2011 population estimates by the DOF that incorporate the 2010 Census counts.

[4] Based on estimated January 1, 2012 and January 1, 2013 population figures for the County of San Diego using an annual average growth for the last nine years.

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 of the county. The estimated taxable assessed value in the county as of June 30, 2012 is $389.3 billion.

General Fund Debt Service Ratios

The Total Debt Service reported in the table below is composed 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 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Adopted Budget	Fiscal Year 2012-13 Proposed Budget	Fiscal Year 2013-14 Proposed Budget
General Fund Revenue[1]	$ 3.446.3	$ 3,447.7	$ 3,526.9	$ 3,579.0	$ 3,552.3
Total Debt Service [2]	$ 129.4	$ 120.5	$ 120.5	$ 124.5	$ 118.4
Ratio of Total Debt Service to General Fund Revenue	3.75%	3.49%	3.42%	3.48%	3.33%
General Fund Share of Debt Service Cost [3]	$ 103.5	$ 93.6	$ 95.0	$ 97.2	$ 91.3
Ratio of General Fund Share of Debt Service to General Fund Revenue	3.00%	2.71%	2.69%	2.72%	2.57%

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, 2012 and projected as of June 30, 2013 is:

Outstanding Principal Bonded Debt (in millions)		
	As of June 30, 2012	Projected as of June 30, 2013
Certificates of Participation	$ 261.4	$ 239.9
Lease Revenue Bonds	133.8	130.5
Pension Obligation Bonds	806.8	770.5
Redevelopment Agency Tax Allocation Bonds	13.9	13.5
Total	$ 1,215.9	$ 1,154.4

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, the County Operations Center and the anticipated County Administration Center Waterfront Park.

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.

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, 2012, the County had $806.8 million of taxable POBs outstanding.

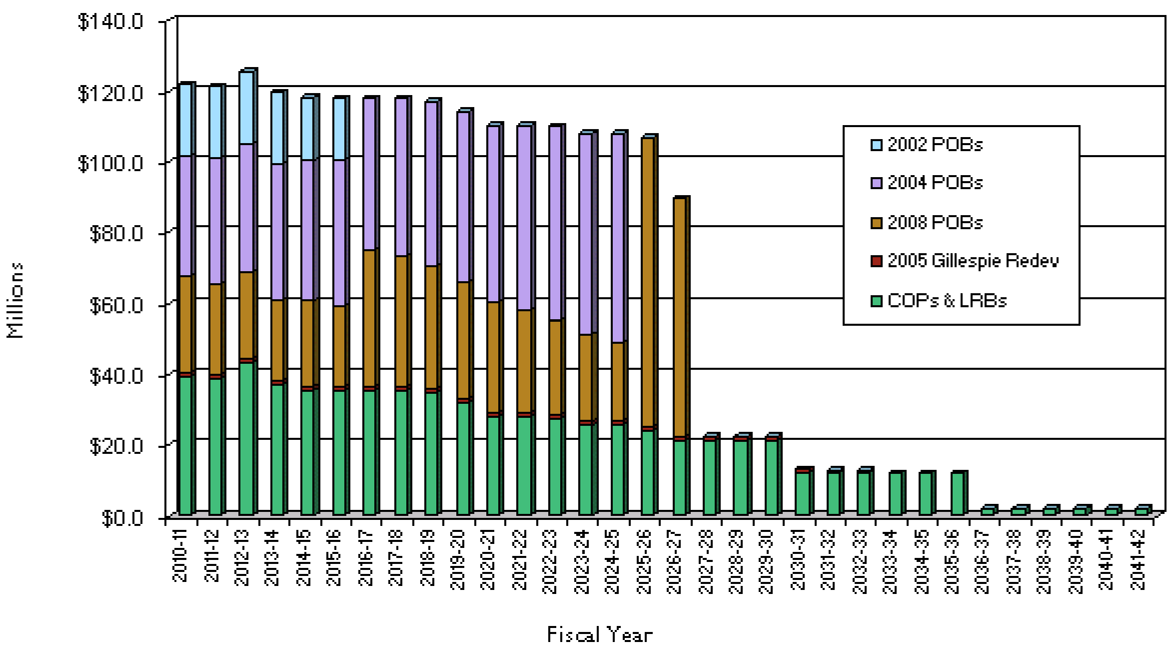
Redevelopment Agency Tax Allocation Bonds (TABs) are limited obligations issued by the Redevelopment Agency of the County of San Diego (Agency) to help pay for improvements related to redevelopment projects. The Agency was formed on October 14, 1974 pursuant to Redevelopment Law, and effective February 1, 2012 has been dissolved by State legislature. Any outstanding TABs of the Agency are now limited obligations of the County, the Successor Agency, which now manages the assets, repays the debts, and fulfills other obligations that were previously attributable to the Agency. An initial series of TABs was issued on September 12, 1995 as limited obligations of the Agency in the amount of $5.1 million for the construction of public improvements at the Gillespie Field Airport located on the Gillespie Field Redevelopment Project Area, which was one of the Agency's two redevelopment project areas. 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 from the County Airport Enterprise were used by the Agency to finance redevelopment activities in the Gillespie Field Redevelopment Project Area. In con-nection with the 2005 TABs, the County pledged to make limited payments to the Agency from the Airport Enterprise Fund. This pledge remains 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 an ad valorem tax that may be levied in whatever amount is 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 2041-42, 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.

Long-Term Debt Obligations

Fiscal Years 2010-11 Through 2041-42



The following chart reflects the County's outstanding financings as of June 30, 2012:

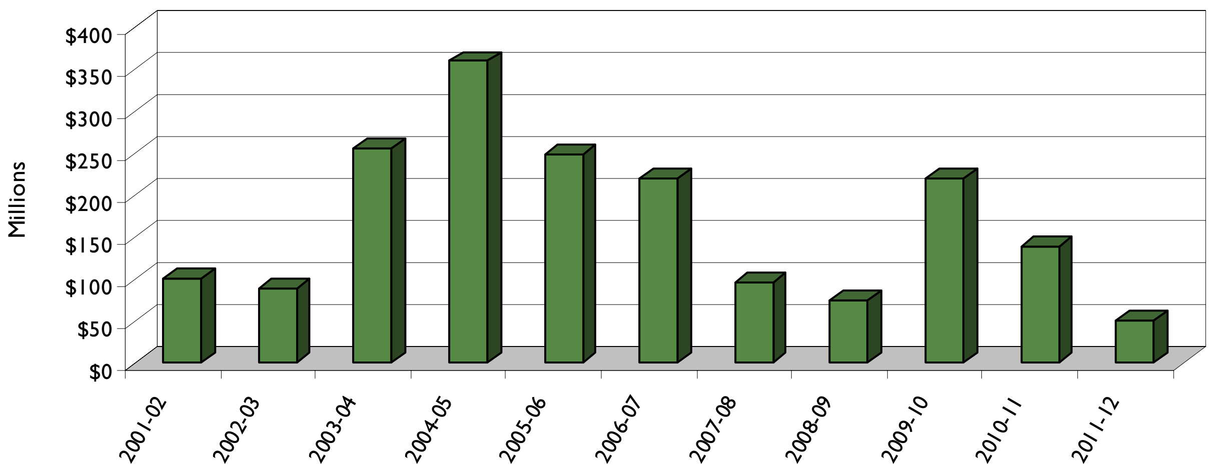
Outstanding County Financings (in thousands)			
	Final Maturity Date	Original Principal Amount	Principal Amount Outstanding
Certificates of Participation & Lease Revenue Bonds			
1993 Master Refunding	2012	$ 203,400	$ 3,800
2005 Edgemoor & RCS Refunding	2030	112,395	82,900
2005 North & East County Justice Facility Refunding	2019	28,210	18,065
2006 Edgemoor Completion Project	2030	42,390	38,415
2009 County Operations Center Phase 1A	2036	136,885	133,755
2009 Justice Facilities Refunding	2025	80,940	68,250
2011 MTS Tower Refunding	2019	19,260	17,265
2011 County Administration Center Waterfront Park	2042	32,665	32,665
Total Certificates of Participation and Lease Revenue Bonds		$ 656,145	$ 395,115
Taxable Pension Obligation Bonds			
Series 2002	2015	132,215	69,505
Series 2004 [1]	2024	454,113	416,400
Series 2008	2027	343,515	320,940
Total Pension Obligation Bonds		$ 929,843	$ 806,845
Redevelopment Agency Tax Allocation Bonds			
2005 Gillespie Field Refunding	2032	$ 16,000	$ 13,905
Total Tax Allocations Bonds		$ 16,000	$ 13,905

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

Short-Term Obligations

During the ordinary course of business, local governments, such as the County, typically experience temporary mismatches in cash flow due to the shortfalls in cash because of the mismatch in timing of the County's payment of expenditures, which is ongoing, and receipt of revenues, which is largely focused on months surrounding tax payment dates. 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 2001-02.

Tax and Revenue Anticipation Notes (TRANs) - Cash Borrowing
2001-02 Through 2011-12



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, 2012:

Outstanding Conduit Issuances (in thousands)	Final Maturity Dates	Original Principal Amount	Principal Amount Outstanding
Conduits			
1998 Sharp Healthcare	2028	$ 112,020	$ 79,480
1998 San Diego Natural History Museum	2028	15,000	11,200
2000 San Diego Museum of Art	2030	6,000	5,700
2001 University of San Diego	2041	36,870	0
2002 San Diego Imperial Counties	2027	10,750	8,500
2003 Chabad	2023	11,700	8,190
2003 San Diego Jewish Academy	2023	13,325	10,650
2004 Bishop School	2044	25,000	14,320
2004 Museum of Contemporary Art	2034	13,000	9,350
2005 Burnham Institute for Medical Research*	2031	24,500	19,550
2006 Burnham Institute for Medical Research	2034	59,405	55,360
2006 San Diego Foundation	2036	13,500	12,600
2008 The ARC of San Diego	2038	13,250	12,670
2010 Salk Institute for Biological Studies	2040	37,445	37,085
Total Conduits		$ 391,765	$ 284,655
Housing			
1999 Laurel Village Apartments	2014	$ 1,670	$ 1,331
2001 Village West	2031	4,438	3,629
2002 Spring Valley	2032	3,250	1,824
Total Housing		$ 9,358	$ 6,784
Reassessment Bonds			
1997 4S Ranch Reassessment District Bonds	2012	$ 21,755	$ 0
Total Reassessment Bonds		$ 21,755	$ 0

* 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.

Excellence in Governing

Recognitions of Excellence

Embracing change is the key challenge for area governments. The County of San Diego is rising to that challenge and continually looks to improve by seeking opportunities to streamline operations, utilize technology to provide innovative solutions for services, create space- and energy-efficient workplaces, and expand the services and information to the public through the use of online and social media.

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 **California State Association of Counties (CSAC**) is committed to assisting California counties in providing a vital and efficient system of public services for the general health, welfare and public safety of every resident. CSAC presented the County of San Diego with eight awards. One program was recognized with the organizations' top honor ***California Counties Innovation Award*** for innovation and creativity; two programs received the ***Challenge Award 2011*** for spirit and commitment; five programs received the ***Merit Award 2011*** for innovation and excellence.
- The **Center for Digital Government** provided national recognition with the ***Digital Government Achievement Award*** for an innovative program to help rural residents get Medi-Cal and CalFresh (formerly Food Stamps). This video program makes it easier for some 450,000 residents living in the rural North County and North Inland Regions to access needed County services. The County was awarded second place in the ***Digital Counties Survey 2011*** for those with a population over 500,000. This award recognizes leading examples of counties using information and communications technology.
- In 2011, the County of San Diego won national recognition and the second highest number of awards in the country by the **National Association of Counties (NACo).** Twenty-eight programs received the ***Achievement Awards*** for excellence. 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 pro-mote environmental protection, public safety and efficient, effective county administration

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

Strategic Initiative - Healthy Families

- The California State Association of Counties (CSAC) awarded San Diego County, a *California Counties Innovation Award* for the reformation of the In-Home Supportive Services (IHSS). The creation of a new program integrity initiative and other measures, including integration of a long-term care system with wrap-around services blending health and social services funding while reducing gaps in care, reduced program cost growth from an average of 8-10 percent annually to 0.2 percent. Annual budget expenditures were $24 million less than projected.
- **California State Association of Counties (CSAC) *Challenge Award 2011***
  - *Free Foreclosure Prevention HOME Clinic* - which provides counseling and education for families facing bankruptcy or foreclosure in partnership with the Housing Opportunities Collaborative.
  - *Camp Connect San Diego* - which brings together siblings separated by placement in the foster care system. The program offers approximately 65-80 children opportunities to connect with their siblings through four-day camps and all-day activities.
- **California State Association of Counties (CSAC) *Merit Award 2011***
  - **Educating Non-Custodial Parents** - for videos produced in-house by Department of Child Support Services and posted on the department website in an effort to engage parents owing child support to participate in the process.
- For the third time the **California Child Support Director's Association,** honored San Diego County Department of Child Support Services (DCSS) as the state's ***Top Performing County (very large).*** DCSS ranked highest for outstanding performance on five federal performance measures and dollars given to families.
- The It's Up to Us campaign received the ***Inspiration Media Award*** from the **National Association on Mental Illness San Diego**. The campaign reinforces the idea that mental health is just as important to quality of life as physical wellbeing, and also educates people about mental health challenges and the use of local resources.

- The First 5 Commissions' San Diego's Oral Health campaign received the top ***Public Service Announcement (PSA) Award*** from the **Public Relations Society of America**. The honor recognized efforts to promote good oral health care for pregnant women and children through the age of five.
- The **National Association of Counties (NACo) Achievement Awards - 2011**
  - Camp Connect San Diego - a public-private partnership program designed to bring together siblings who have been separated by their placement in the foster care system.
  - Teens Go Green: Mental Health Life Skills Program - a program that provides life skills to help prepare teenagers with emotional challenges or mental illnesses for adulthood. Through an innovative gardening project, the youth worked with chefs and gardeners to achieve healthy results they could see through the vegetables that grew.
  - *Girls Only* - a gender-specific preventative program that promotes self-esteem and motivation, in order to develop life skills and keep girls who are at risk out of the influence of gangs and drugs, and inspire them to further their education.
  - *Families as Partners* - a Child Welfare Services program designed to protect children and ensure they can remain safely in their homes by partnering with community and familial support systems to achieve identified goals.
  - *Homelessness Prevention and Rapid Re-housing Program Design* - through partnership with the U.S. Department of Housing and Urban Development, this program addresses the needs of local school districts that serve families with housing sub-sisdies. The program stabilized 137 families and ensured that 257 children remained in school.
  - *In-Home Supportive Services (IHSS) Reform* - Implemented reform recommendations for this state-mandated program administered by counties, including program integrity case reviews and unannounced home visits to protect taxpayer dollars and ensure appropriate level of care for consumers.
  - *Prescription Drug Abuse Task Force and Collaborative Action Plan* - promotes coordinated efforts by federal, state and local partners throughout the region, and provides the public with a clear description of how prescription drug abuse among teens and young adults will be addressed to prevent the related issues from escalating.

Strategic Initiative - Sustainable Environments

- The National Association of Counties (NACo) *Achievement Awards - 2011*
  - San Diego Air Pollution Control District's (APCD) Compliance Inspection Videos - an innovative tool to provide assistance, training and education to the regulated facilities to prevent noncompliance and promote self-inspections to ensure ongoing compliance.
  - *Water Conservation Landscape Ordinance* - a new landscape conservation ordinance that includes a Landscape Design Manual that gives the County greater oversight when builders prepare landscape plans and water budgets.
  - *Energy Saving Adventures (ESA) Program* - a program that supports community needs in the areas of energy efficiency and sustainability through resource conservation.
  - *Water Efficiency Program* - a program developed to reduce water consumption and sewer discharge, and their associated costs at County facilities. This program has produced an annual water savings of 150 million gallons, with an associated cost savings of $1.1 million.

Strategic Initiative - Safe communities

- California State Association of Counties (CSAC) *Merit Award 2011*
  - *Integrated Fire Suppression/Stormwater Compliance System* - this system was developed in collaboration with area industry other stakeholders to enhance safety, ecological stewardship, and efficiency.
  - *Responsible Pet Ownership (RePo)* - this program works like a "traffic school" for individuals cited for minor animal violations, providing resources, rehabilitation and cost savings while reducing recidivism and court time.
  - *Senior Expo: Protect Yourself and Your Wallet* - these events help prevent crimes against older adults by empowering and educating seniors with physical and financial self-defense techniques. The program has educated more than 1,100 seniors at 24 events.
- The Sheriff's Department Helicopter Unit ASTREA received a ***Partnership Award*** **CAL FIRE,** State fire protection agency. The award recognizes the cooperation between law enforcement and fire agencies in times of wildfires and other emergencies.

- National Association of Counties (NACo) *Achievement Awards - 2011*
  - *HOPE (Helping Other Pursue Excellence)* - a local re-entry resource program designed to gather and share information on service providers, etc. with inmates released or recently released from local jail custody. The program is run by Americorps VISTA (Volunteers in Service to America) and staff at the San Diego County District Attorney's Office.
  - *Blueprint for Recovery: Comprehensive Services for Homeless Mentally Ill* - a multi-facetted ap-proach to provide this vulnerable population with per-manent housing, the necessary supportive services and a stigma-busting campaign.
  - *Responsible Pet Ownership Program* - The Depart-ment of Animal Services, the San Diego City Attorney and the San Diego County District Attorney devel-oped an educational Responsible Pet Owner-ship program to reduce recidivism of animal law violators. The program also promotes a cooperative relation-ship with animal owners, while saving tax-payers' money.
  - *Veterans' Internship Program Work Experience Option* - a program that provides paid work experi-ence to veterans pursuing a career in County govern-ment and enables them to effectively compete for regular County jobs or employment with other agen-cies.
  - *Emergency Management Augmentation Program* - The Office of Emergency Services (OES) developed a local program to utilize trained Probation Officers to augment OES staff in the County's Emergency Oper-ations Center during emergencies. This lessens the County's reliance on mutual aid, while strength-ening its ability to manage large, complex emer-gencies and disasters.
  - *Partner/Sponsor Cross-Promotions* - a program that target arts and community-based organizations in support of library programs and events, offering mu-tual benefit and connections for increased col-labo-ration.
  - *Ground-in Centerline Rumble Strips on Rural Road-ways* - a program to install ground-in centerline rumble strips along mountain and other rural roads to reduce the number of collisions involving motor-cycles that cross the centerline. This resulted in a 30% decrease in collisions on Palomar Moun-tain.
  - Tip the Scale to Reduce Drug Abuse and Increase Public Safety - a large-scale, multi-agency col-labo-rative effort to tackle the County's pervasive drug problem. The program Operation Tip the Scale encourages treatment for criminals and holding sub-stance abusers accountable for their legal court orders, thus creating healthier and safer neigh-bor-hoods.

Operational Excellence Awards

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

- California State Association of Counties (CSAC) *Merit Award 2011*
  - *Regional GIS Data Exchange* - this county-spon-sored project improved Geographic Information Sys-tems (GIS) data exchanges between local gov-ern-ments and regional governmental agencies, while lowering costs and increasing reliability.
- For the tenth consecutive year, the **Government Finance Officers Association of the United States and Canada (GFOA)** recognized the County with the ***Distinguished Budget Presentation Award*** for the Adopted Operational Plan Fiscal Years 2011-2012 & 2012-2013. This award is a significant achievement for the County as it reflects the organization's commitment to maintaining the highest standards of governmental budgeting.
- For the fourth year in a row the **San Diego Society for Human Resource Management** honored the District Attorney's Office with an ***Excellence Award*** for inno-vative planning that allowed the office to reduce its workforce by ten percent while maintaining quality of service to the public.
- The Department of General Services was honored the fifth year in a row with the ***Award of Excellence 2011*** from the **California Counties Facilities Services As-sociation** for demonstrating exceptional dedication to facilities excellence through best practices, innovation, staff development, automation and customer service.
- The Department of General Services received a ***Qualifi-cations-Based Selection Merit Award 2011*** by the **American Council of Engineering Companies** and **National Society of Professional Engineers**. This national award recognizes those who use quali-fica-tions-based methods to procure the services of consult-ing engineers at the state and local level.
- The Department of Housing and Community Develop-ment received the ***Nan McKay Pioneer Award*** by **Nan McKay & Associates, Inc**. for its TourSolver software program, which optimizes inspector travel routes, saving approximately $30,000 annually.

- The James R. Mills Building was awarded ***Building of the Year 2011 (TOBY)*** in the government category by the **Building Owners and Managers Association.** The award recognizes excellence in building operations, property management, energy and water cost saving upgrades.
- The ***Program Awareness Award 2011*** was presented by the **Child Support Directors Association of California** to the Department of Child Support Serv-ices. The honor was in recognition of the department's new Spanish website, which mirrors the information and functionality of its English site.
- The Fallbrook Library was the winner of the ***People's Choice Orchid 2011*** from the **San Diego Archi-tectural Foundation**. The building achieved LEED Silver Certification for sustainable design. The library features include: natural lighting, "living room" area, Poets Patio, homework center, and a portion of the roof landscaped with succulents.
- The **San Diego Chapter of Associated Builders & Contractors** honored the Fallbrook Branch Library with an ***Award of Excellence 2011*** and became a fi-nalist for "Top Project by a General Contractor.
- National Association of Counties (NACo) *Achievement Awards - 2011*
  - *Accountability and Transparency of ARRA Funds* -To ensure compliance and promote accountability and transparency regarding funding from the American Recovery and Reinvestment Act (ARRA), a taskforce was established to proactively address such issues as grant accountability, contract management, the prevention of fraud, waste, and abuse and reporting requirements.
  - *San Diego County Probation Department Leadership Academy* - a program to empower supervisors and managers to improve service delivery with implementation of evidence-based programs and supervision techniques to adult felony probationers, with the goal of reducing recidivism among adult probationers.
  - *Improved Administration of County Pool Investment Strategy* - The County Treasurer's Office improved the administration of the San Di-ego County Pool's investment strategy during the credit crisis and the State budget challenges, through enhanced monitoring of credit markets, restrictions of corporate exposure, utilization of federal liquidity programs, and shortening of the Pool's duration.
  - *Electronic Classification Activity Request (eCAR) Tracking System* - The Department of Human Resources, which receives an average of 350 in-ternal classification requests per year, developed an electronic Tracking System that allows depart-ments to utilize an electronic "Smart Form" to submit a variety of classification requests. This has greatly reduced the content error rate and the amount of paper used.
  - *Sheriff's Management Academy* - a Peace Officer Standards and Training (POST) certified training program for the levels of Lieutenant and higher within the Sheriff's Department on topics from con-tracts to leadership skills.
  - *Contract Services Direct Billing Program* - a program developed by the Department of General Services to provide client departments with actual and timely billing with a direct correlation to the provided service (e.g., trash, etc.).
  - *Treasurer-Tax Collector Workflow Prioritization Matrix* - a tool to manage daily priorities and provide a high level of customer service within ex-isting resources.
  - *San Diego Multiple Agency Public Safety System* - a program that consists of a Government 2.0 designed Geographical Information Systems (GIS) project that allows the newly reorganized County Volunteer Fire Departments to jointly maintain their critical infrastructure and their community infor-mation in a Web-based mapping and data editing application.
  - *Transcending to be a Government Without Walls* - continued implementation of a program that evaluates and identifies areas within departments where alternative work schedules or locations would benefit department business needs, reduce vehicle fuel and maintenance costs, and increase efficiency and productivity.