County of San Diego

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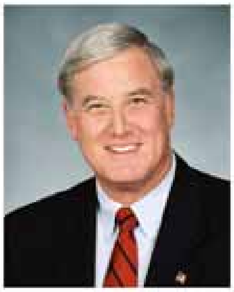
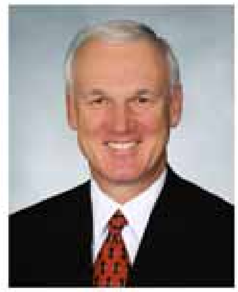
Board of Supervisors



Greg Cox
Supervisor
District One

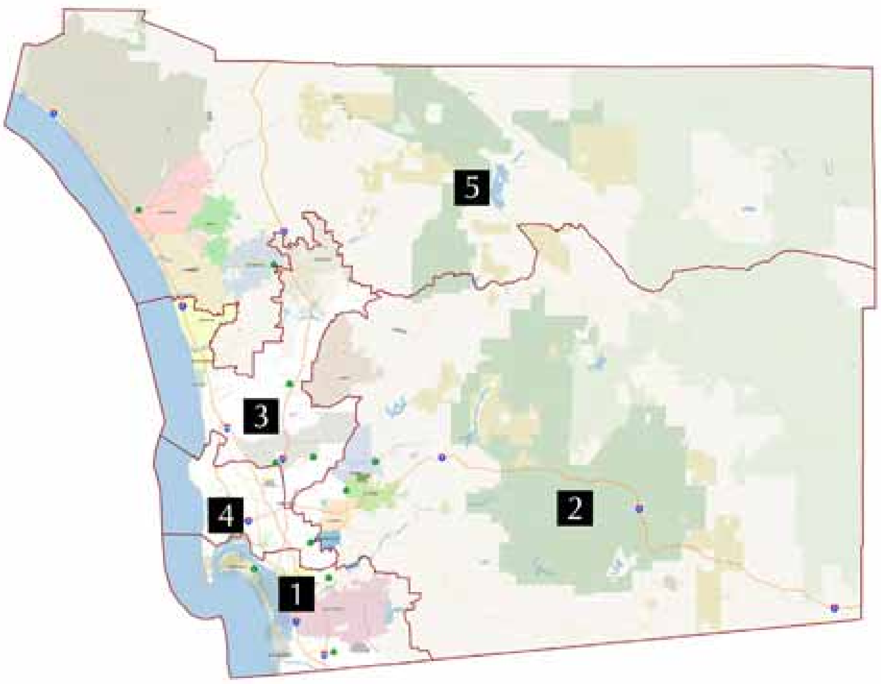
Dianne Jacob
Supervisor
District Two

Dave Roberts
Supervisor
District Three



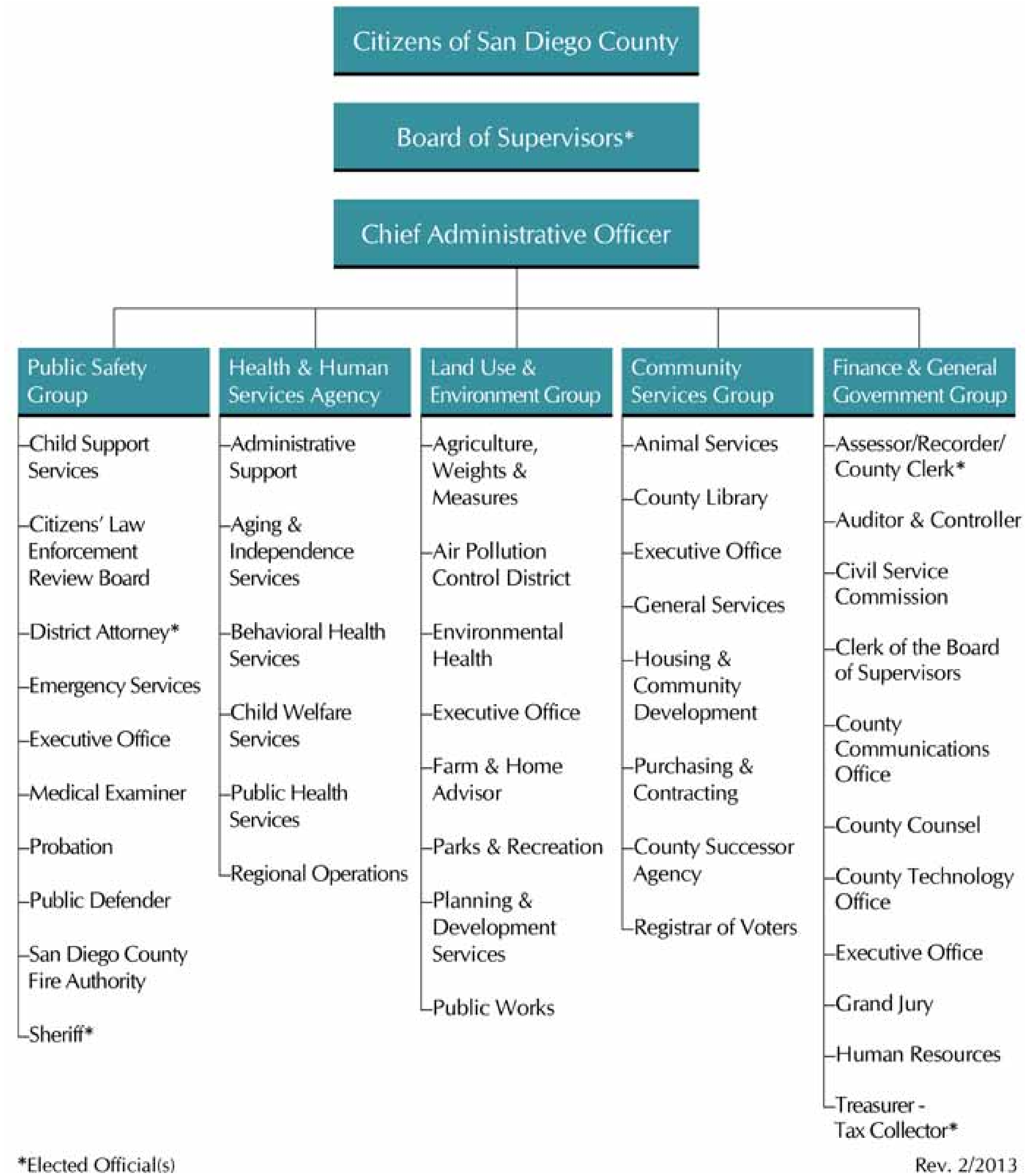
Ron Roberts
Supervisor
District Four

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



Message from the Chief Administrative Officer

Journey to World Class

Throughout the last fiscal year, the County has reinforced our commitment to maintaining the legacy of fiscal stability and operational excellence. When you stop and think about how County services connect with so many parts of residents' lives, it is inspiring. County employees are involved with and care about the community we serve. From disaster preparedness to public guardianship, voting, recreational programs, inspections, child support, foster care and much more, the County remains committed to upholding public trust by conducting the public's business with excellence and integrity.

In the coming year, the County will embark on an effort to make all County services world class. This audacious goal will not happen overnight. The journey starts with the vision of a County that is safe, healthy and thriving. It continues with the County's ongoing efforts to provide public services that build strong and sustainable communities.

What do we mean by world class? Many County projects and services already are reaching this standard of excellence. For instance, the *Live Well San Diego* ten-year strategy for regional health, safety and well-being was featured in *Forbes* magazine. Its livewellsd.org website educates the community about the power of collective impact using five areas of influence and ten indicators of health across the county, state and nation. And the County's implementation of the federal *Patient Protection and Affordable Care Act (*ACA) continues with a new call center in place and increased staffing to help residents access needed health coverage. The County's responsibilities in the era of public safety realignment have seen the use of evidence-based practices connecting offenders to behavioral health and substance abuse treatment services, along with vocational training for rehabilitation and reduced recidivism.

When the community visits the County Administration Center in the days ahead, a beautiful new Waterfront Park will greet them, in place of decades-old asphalt parking lots. Creating this open space around the historic 1930s-era building provides the public and employees with generations of enjoyment and well-being. This project is just one example of the County's commitment to upholding the highest standards of excellence in public facilities. This past fiscal year, the Board of Supervisors broke ground on a new fire station in Boulevard where the County's volunteer firefighters will work alongside their counterparts from the California Department of Forestry and Fire Protection (CAL FIRE). The Rancho San Diego Sheriff's Station was completed, providing law enforcement services to several unincorporated communities. Construction of both the new East Mesa Reentry Facility and Phase I of the San Diego County Women's Detention and Reentry Facility is nearly complete, providing much needed space for an increasing detentions population brought on by public safety realignment. The Board of Supervisors also implemented the County's Strategic Energy Plan, continuing its leadership role in energy conservation and sustainability and creating taxpayer savings into the future. The plan builds on the County's substantial progress over the last decade in water conservation, sustainable design, energy supply, transportation and greenhouse gas emissions reduction.

Additionally, we're turning our attention to improving the customer experience, expanding and simplifying technology applications and managing expectations for pent-up service demands resulting from years of economic stress.

We're now over four years into recovery from the great recession. Despite a slow-paced recovery, unemployment now is declining, the region's housing market has stabilized, County revenues are on the mend and the overall outlook for our local economy is positive.

In this ever-changing environment, our journey to world class has only begun. To further the effort, the CAO Recommended Operational Plan for Fiscal Year 2014–2015 includes seed funding to replace the Sheriff's Crime Lab, to build a new library in Borrego Springs, additional law enforcement and detentions staffing, resources for ongoing implementation of the ACA, and the final year of increases to retirement contributions resulting from stock market losses in Fiscal Year 2008–09, as well as resources to support negotiated labor agreements. The Fiscal Year 2014–15 CAO Recommended Operational Plan totals $5.06 billion, an increase of 1.6% over the prior fiscal year, and includes 17,037 staff years, an increase of 2.5%.

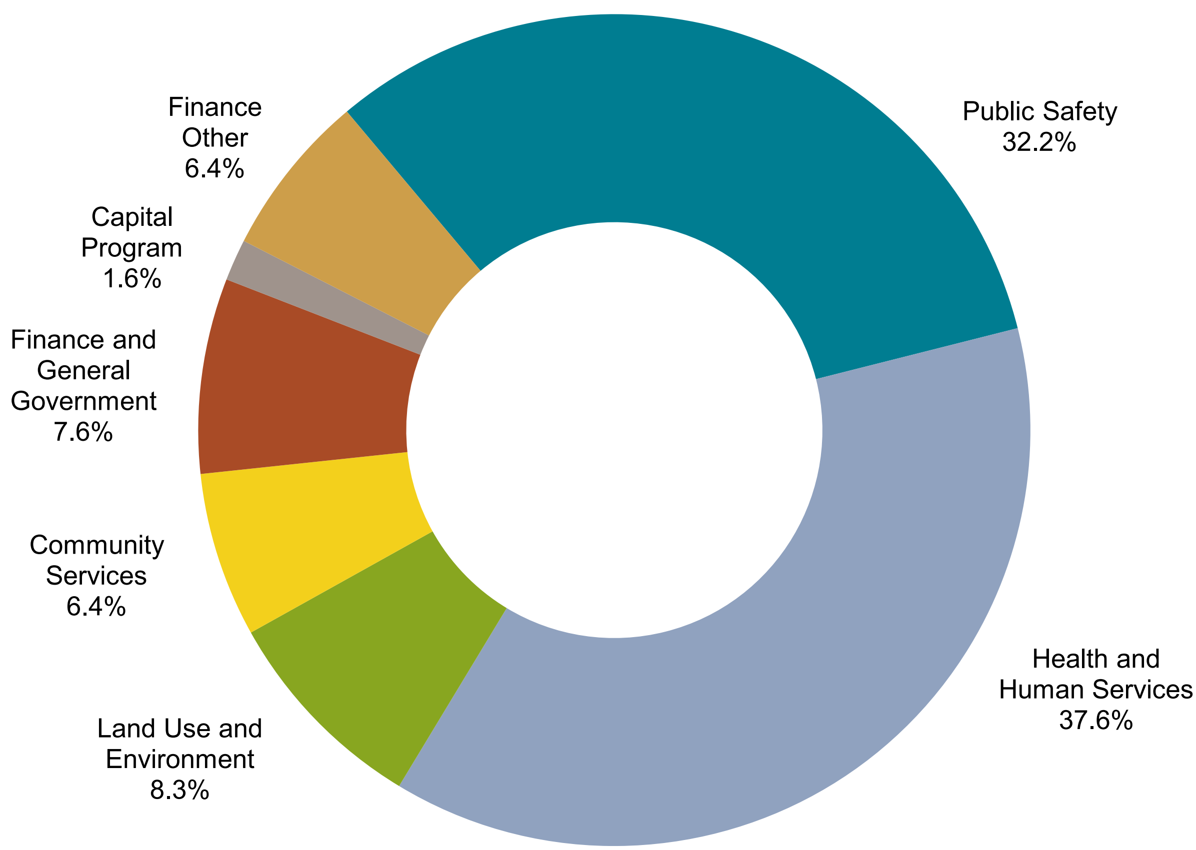
In the coming fiscal year, the County will uphold the commitment to fiscal stability by setting aside prudent reserves and meeting our ongoing obligation to the San Diego County Employees Retirement Association while maintaining the ability to face future challenges. San Diego County is the highest rated urban county in California with a “AAA” issuer credit rating. We also have negotiated long-term labor agreements with our largest employee unions. It is this ongoing fiscal stability that enables us to aim for world class in all that we do.

I am proud to share more detailed descriptions of the County's accomplishments from the current fiscal year and goals for the next two fiscal years in the pages ahead. Included are the many different ways County departments support the community, as we make the journey to becoming world class.

Helen N. Robbins-Meyer, Chief Administrative Officer

2014–15 CAO Recommended Budget at a Glance

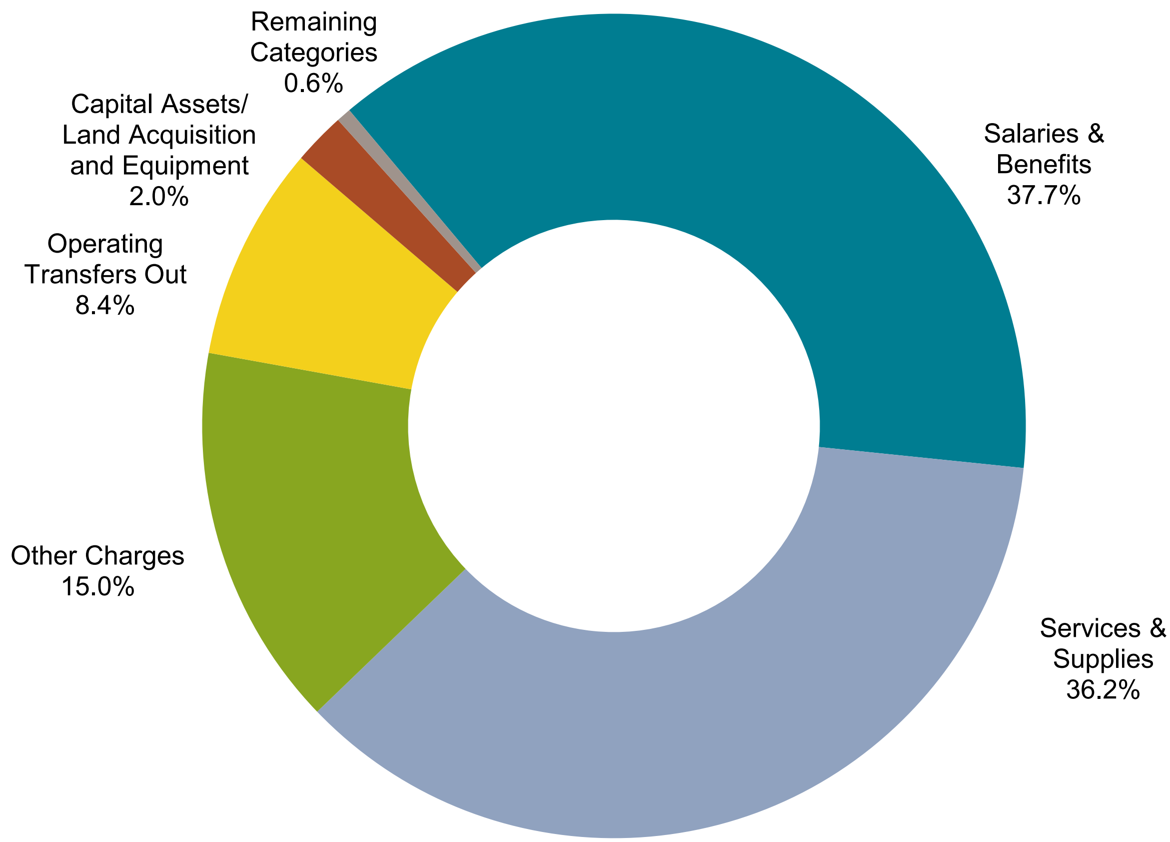
Recommended Budget by Functional Area: All Funds



Recommended Budget by Functional Area: All Funds			
	Budget in Millions		Percent of Total Budget
Public Safety	$	1,626.6	32.2
Health and Human Services		1,900.9	37.6
Land Use and Environment		417.5	8.3
Community Services		324.1	6.4
Finance and General Government		383.6	7.6
Capital Program		81.7	1.6
Finance Other		322.2	6.4
Total	**$**	**5,056.6**	**100.0**

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

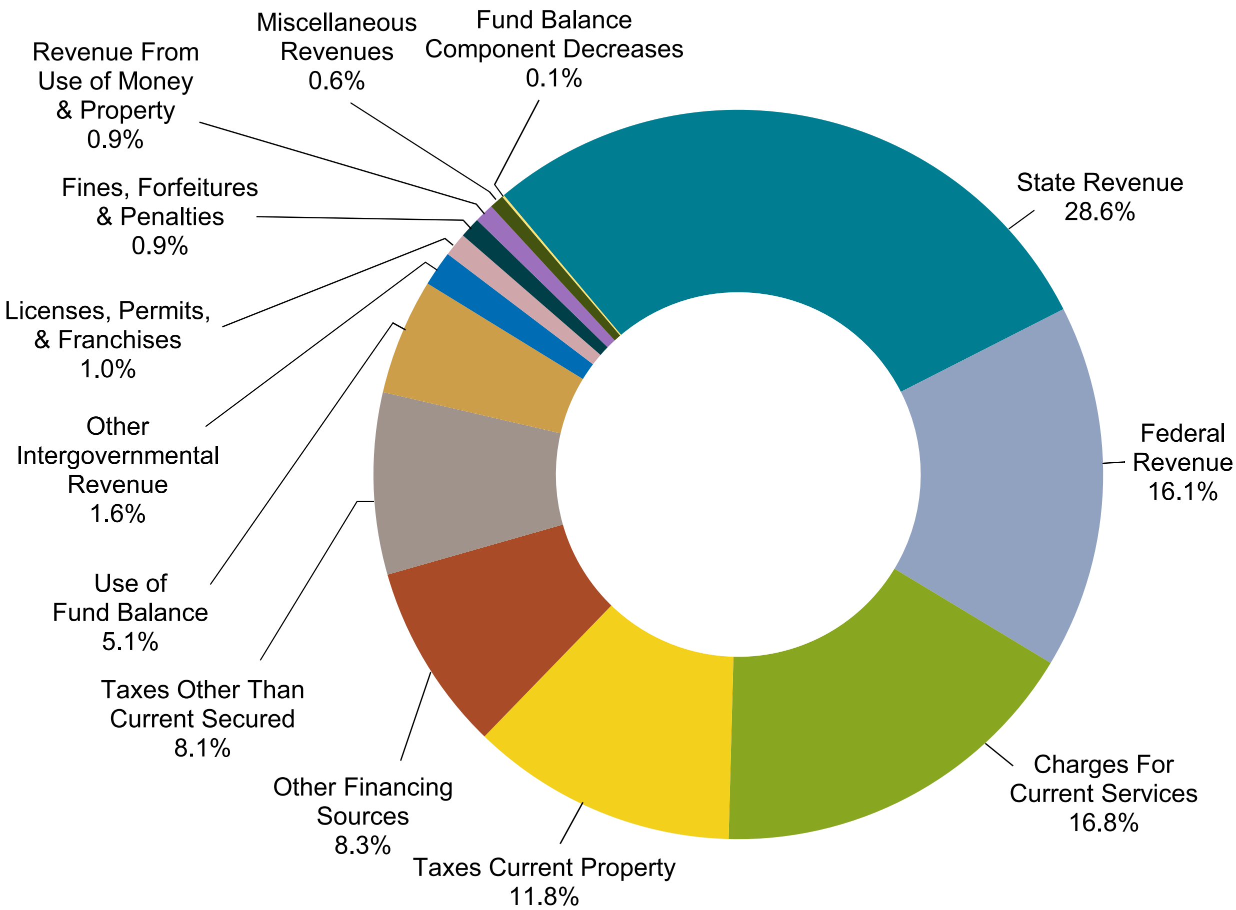
Recommended Budget by Categories of Expenditure: All Funds



Recommended Budget by Categories of Expenditure: All Funds		
	Budget in Millions	Percent of Total Budget
Salaries and Benefits	$ 1,908.3	37.7
Services and Supplies	1,829.6	36.2
Other Charges	760.0	15.0
Operating Transfers Out	425.8	8.4
Capital Assets/Land Acquisition	83.0	1.6
Capital Assets Equipment	20.7	0.4
Remaining Categories:		
Fund Balance Component Increases	2.6	0.1
Management Reserves	32.2	0.6
Contingency Reserves	24.6	0.5
Expenditure Transfer and Reimbursements	(30.3)	(0.6)
Total	**$ 5,056.6**	**100.0**

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

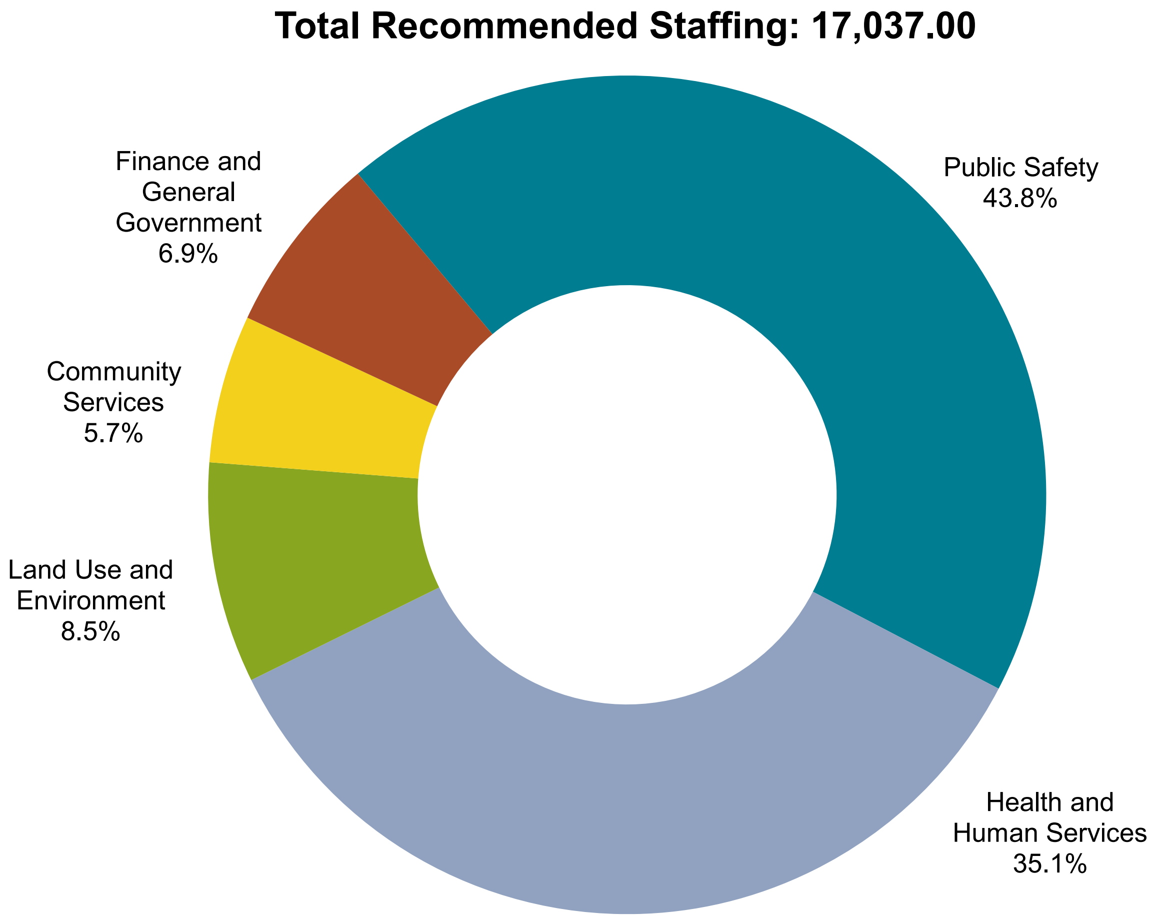
Recommended Budget by Categories of Revenue: All Funds



Recommended Budget by Categories of Revenue: All Funds		
	Budget in Millions	Percent of Total Budget
State Revenue	$ 1,447.1	28.6
Federal Revenue	816.0	16.1
Charges For Current Services	848.5	16.8
Taxes Current Property	597.9	11.8
Other Financing Sources	421.0	8.3
Taxes Other Than Current Secured	407.4	8.1
Use of Fund Balance	260.3	5.1
Other Intergovernmental Revenue	78.8	1.6
Licenses, Permits and Franchises	53.1	1.0
Fines, Forfeitures and Penalties	46.1	0.9
Revenue From Use of Money & Property	43.3	0.9
Miscellaneous Revenues	32.5	0.6
Fund Balance Component Decreases	4.8	0.1
Total	**$ 5,056.6**	**100.0**

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

Recommended Staffing by Group/Agency: All Funds



Recommended Staffing by Group/Agency: All Funds	Staff Years[1]	Percent of Total Staffing
Public Safety	7,456.00	43.8
Health and Human Services	5,973.50	35.1
Land Use and Environment	1,452.00	8.5
Community Services	972.00	5.7
Finance and General Government	1,183.50	6.9
Total	**17,037.00**	**100.0**

[1]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

To efficiently provide public services that build strong and sustainable communities

VISION

A county that is safe, healthy and thriving

VALUES/GUIDING PRINCIPLES

Integrity, Stewardship, Commitment

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:	70 miles
ELEVATION:	Lowest = Sea Level Highest = 6,535 ft Hot Springs Mountain

POPULATION[1]:	***2011***	***2012***	***2013***
	3,125,810	3,128, 734	3,150,178

[1]San Diego County is the second most populous county in California and fifth most populous in the United States.

Source: State of California, Department of Finance, revised 2012 and 2013 estimates. Sacramento, California, May 2013.

INCORPORATED CITIES:	18

CIVILIAN LABOR FORCE:	***2012***	***2013***
	1,599,169	1,607,615

Source: California Employment Development Department, Historical Data for Unemployment Rate and Labor Force, annual average (for the months of January to December) 2012 and 2013.

UNEMPLOYMENT RATE:	***2012***	***2013***
	8.9%	7.4%

Source: California Employment Development Department (data not seasonally adjusted).

EMPLOYMENT MIX: (Industry)[1]	***2013 Employees***	***2014 Employees***
Government[2]	230,000	232,900
Professional & Business Services	221,100	227,800
Trade, Transportation & Utilities	208,400	211,200
Leisure and Hospitality	159,800	164,600
Educational & Health Services	178,200	182,900
Manufacturing	94,800	95,600
Financial Activities	71,100	70,600
Construction	58,500	62,800
Other Services	48,200	49,700
Information Technology	24,100	23,800
Farming	9,200	9,600
Mining & Logging	400	400
Total	**1,303,800**	**1,331,900**

[1]Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, and household domestic workers.
[2]Excludes the U.S. Department of Defense.
Source: California Employment Development Department, Labor Market Information Division, March 21, 2014 News release.

TEN LARGEST EMPLOYERS:	***2012 Employees***	***2013 Employees***
U.S. Department of Defense	133,323	136,664
Federal Government	45,500	46,100
State of California	42,900	44,700
University of California, San Diego	27,391	26,000
County of San Diego[1]	16,011	16,027
San Diego Unified School District	14,603	14,438
Sharp Healthcare	15,231	14,390
Scripps Health	14,097	13,000
Qualcomm Inc.	11,400	11,775
City of San Diego	10,057	10,296

[1]County of San Diego, Fiscal Years 2012–13 and 2013–14 Adopted Operational Plan.

Source: San Diego Business Journal, Book of Lists 2013.

CONSUMER PRICE INDEX:	2011	2012	2013
	252.91	256.96 (1.6% increase)	260.32 (1.3% increase)

Source: U.S. Department of Labor, Bureau of Labor Statistics, February 2014 (not seasonally adjusted, annual).

MEDIAN HOUSEHOLD INCOME[1]:	2010	2011	2012
	$59,923	$60,699	$60,330

[1]Adjusted for inflation to 2012 dollars.
Source: U.S. Census Bureau, 2012 Median Household Incomes by 25 Most Populous U.S. Metropolitan Areas.

MEDIAN HOME PRICE[1]:	January 2012	January 2013	January 2014
	$305,000	$350,000	$405,000

Source: California Association of Realtors/DataQuick Information System.
[1]Median price of all existing homes sold in January of each year.

FISCAL YEAR 2013–14 TOP TEN PROPERTY TAXPAYERS (as of July 2013):

	Amount of Tax
San Diego Gas & Electric Company	$87,007,049
Southern California Edison Company	$35,875,444
Irvine Company	$19,995,798
Qualcomm Incorporated	$18,573,859
Kilroy Realty, LP	$15,791,405
Pacific Bell Telephone Company	$10,658,898
Host Hotels and Resorts	$9,242,345
OC/SD Holdings, LLC	$7,596,075
One Park Boulevard LLC	$7,245,071
BSK Del Partners LLC	$6,135,288

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

FISCAL YEAR 2014–15 ASSESSED VALUATION:	$406 billion
Source: San Diego County Assessor/Recorder/County Clerk (Gross less regular exemptions).	

2011 ESTIMATED TOTAL HOUSING UNITS:	1,186,100
Source: U.S. Census Bureau, 2011 Housing Profile, July 2013.	

LAND USE: (in descending order)	*2013 Acres*[1]
Parkland	1,243,940
Vacant or Undeveloped Land	708,045
Residential	361,853
Public/Government	156,049
Agriculture	117,639
Other Transportation	106,019
Commercial/Industrial	33,657
Total	2,727,202

[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, 2013.

AGRICULTURAL PRODUCTION:	*2012 Value*	*2012 Acres*
Nursery & Flower Crops (e.g., indoor plants, trees & shrubs, bedding plants, cut flowers, etc.)	$1,109,275,096	12,735
Fruit & Nut Crops (e.g., avocados, citrus, berries, etc.)	$338,808,324	38,535
Vegetable Crops (e.g., tomatoes, herbs, mushrooms, etc.)	$188,496,460	5,436
Livestock & Poultry Products (e.g., chicken eggs, milk, etc.)	$77,114,130	—
Livestock & Poultry (e.g., cattle, calves, chicken, hogs & pigs)	$24,099,053	—
Field Crops (e.g., pastures, ranges, hay, etc.)	$6,021,294	247,277
Apiary (e.g., honey, pollination, bees & queen bees, etc.)	$2,384,588	—
Timber Products (e.g., firewood and timber)	$870,864	—
Total	**$1,747,069,809**	**303,983**

Source: San Diego Agricultural Commissioner/Sealer of Weights & Measures 2012 San Diego County Crop Statistics and Annual Report.

MAJOR MILITARY BASES AND INSTALLATIONS:	CITY
United States Coast Guard Sector San Diego	San Diego
Marine Corps Air Station Miramar (3rd Marine Aircraft Wing)	San Diego
Marine Corps Base Camp Pendleton (largest West Coast expeditionary training facility)	North County
Marine Corps Recruit Depot San Diego	San Diego
Naval Base Coronado (includes Naval Air Station North Island and Naval Amphibious Base)	Coronado
Naval Base Point Loma (includes Space and Naval Warfare Systems Command [SPAWAR])	San Diego
Naval Medical Center San Diego	San Diego
Naval Base San Diego (principal home port of the Pacific Fleet)	San Diego

Source: U.S. Department of Defense Base Structure Report 2012.

TOURIST ATTRACTIONS:	
Anza-Borrego Desert State Park[1], Borrego Springs	Petco Park, San Diego
Balboa Park and Museums, San Diego	Point Loma and Cabrillo National Monument, San Diego
Birch Aquarium at Scripps, La Jolla	Qualcomm Stadium, San Diego
Del Mar Racetrack, Del Mar	San Diego Zoo Safari Park, Escondido
Gaslamp Quarter National Historic District, San Diego	San Diego Zoo, San Diego
Hotel Del Coronado, Coronado	Sea World San Diego, San Diego
Legoland California, Carlsbad	Torrey Pines Golf Course, La Jolla
Maritime Museum, San Diego	Torrey Pines State Beach and Reserve, San Diego
Old Town State Historic Park, San Diego	U.S. Olympic Training Center, Chula Vista
Palomar Observatory, Palomar Mountain	USS Midway Museum, San Diego

[1]Anza-Borrego Desert State Park is primarily in San Diego County but also in Imperial and Riverside Counties.
Source: San Diego Tourism Authority.

TOTAL VISITORS 2013:	33,091,000

Source: San Diego Tourism Authority, San Diego Visitor Industry Summary (Calendar Year through 2013)

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

The Spanish explorer Juan Rodriguez Cabrillo arrived by sea in the region on September 28, 1542. Although he named the area San Miguel, it was renamed 60 years later by Spaniard Sebastian Vizcaino. He chose the name San Diego in honor of his flagship and, it is said, his favorite saint, San Diego de Alcala.

San Diego County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the county. The climate is equable in the coastal and valley regions where most resources and population are located. The average annual rainfall is only 10 inches 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. According to the State of California Department of Finance, the County's revised population estimate for January 1, 2012 was 3,128,734 and the County's population estimate for January 1, 2013 was 3,150,178. San Diego County is the second largest county by population in California and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau.

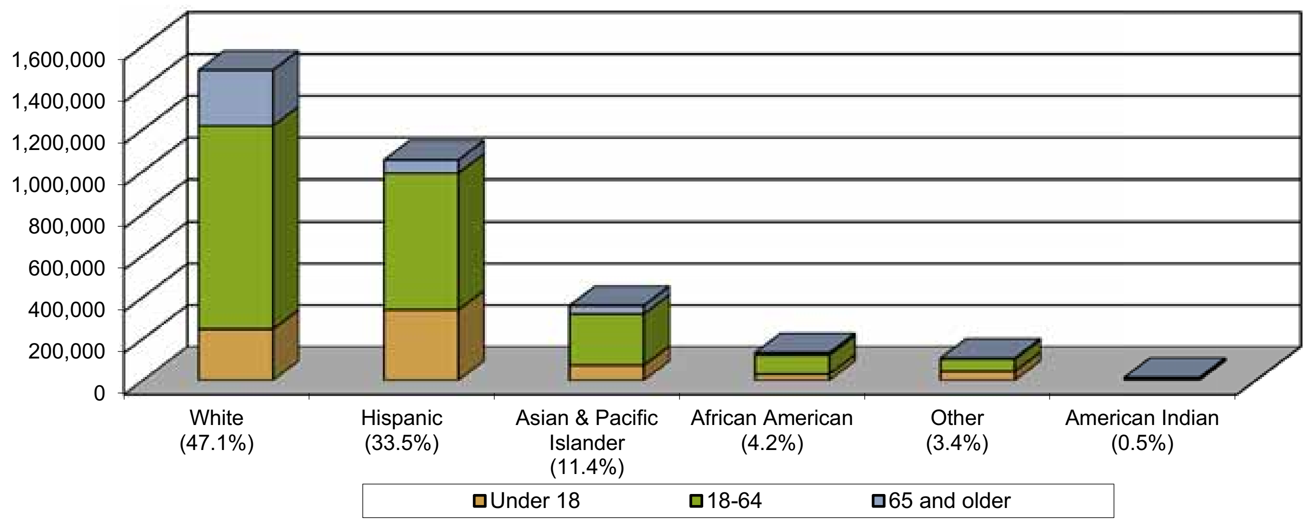
San Diego County Population

	2000	2012	2013	Year Incorporated
Carlsbad	78,247	107,158	108,246	1952
Chula Vista	173,556	248,185	251,613	1911
Coronado	24,100	23,104	23,176	1890
Del Mar	4,389	4,174	4,199	1959
El Cajon	94,869	100,088	100,460	1912
Encinitas	58,014	60,057	60,482	1986
Escondido	133,559	145,368	145,908	1888
Imperial Beach	26,992	26,483	26,496	1956
La Mesa	54,749	58,017	58,244	1912
Lemon Grove	24,918	25,481	25,554	1977
National City	54,260	58,708	58,838	1887
Oceanside	161,029	168,505	169,350	1888
Poway	48,044	48,151	48,559	1980
San Diego	1,223,400	1,315,173	1,326,238	1850
San Marcos	54,977	85,159	87,040	1963
Santee	52,975	54,384	55,033	1980
Solana Beach	12,979	12,938	12,987	1986
Vista	89,857	94,586	95,264	1963
Unincorporated	442,919	493,015	492,491	
Total	**2,813,833**	**3,128,734**	**3,150,178**	

Source: U.S. Census 2000 data and California Department of Finance revised 2012 and 2013 estimates.

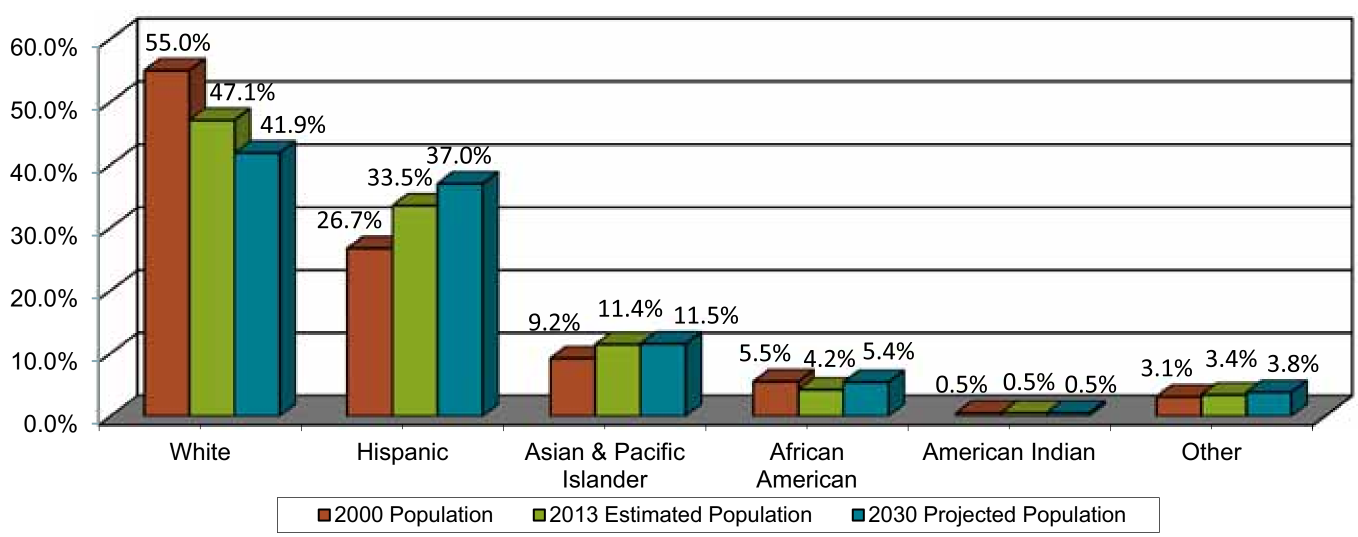
The first chart on the following page shows, for 2013, the most recent race, ethnicity and age composition for the regional population. Data for 2030 indicates that the San Diego regional population will be approximately 3.9 million according to the San Diego Association of Governments (SANDAG) based on the 2050 Regional Growth Forecast

San Diego County Population Distribution by Race, Ethnicity and Age
2013 Total Population: 3,150,178



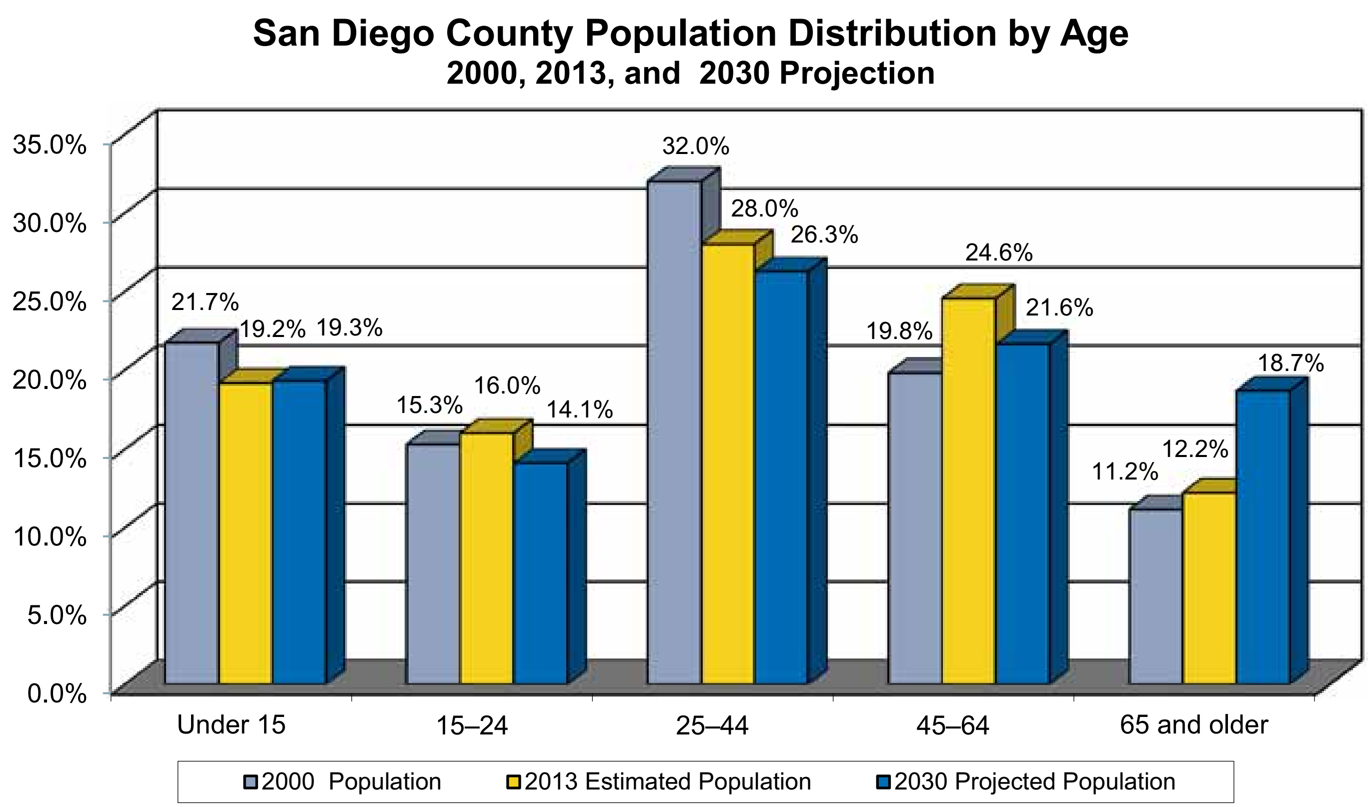
Source: San Diego Association of Governments 2013 Demographic & Socio Economic Estimates

San Diego County Population Distribution by Race and Ethnicity
2000, 2013, and 2030 Projection
Percentage of Total Population



Note: Percentages represent the share of each group compared to the total population.
Sources: U.S. Census - 2000; San Diego Association of Governments 2013 Demographic & Socio Economic Estimates; San Diego Association of Governments 2050 Regional Growth Forecast (Feb 2010) 2030 Projection

Note: In these charts, the sum of individual percentages may not total 100.0% due to rounding.



Sources: U.S. Census 2000; San Diego Association of Governments 2013 Demographic & Socio Economic Estimates; SANDAG 2050 Regional Growth Forecast (Feb 2010) 2030 Projection

final series as of October 2011, a 38% increase from calendar year 2000. The second chart shows that 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; 11.5% 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. The chart above indicates the regional population trends are also anticipated to show changes to the population in several age segments with individuals under 65 years of age declining gradually and those individuals 65 and older estimated to increase approximately 130% in 2030 from 2000.

Annual population growth has averaged approximately 0.9% over the past 13 years as presented on the chart on the following page. 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 13 years.

Economic Indicators

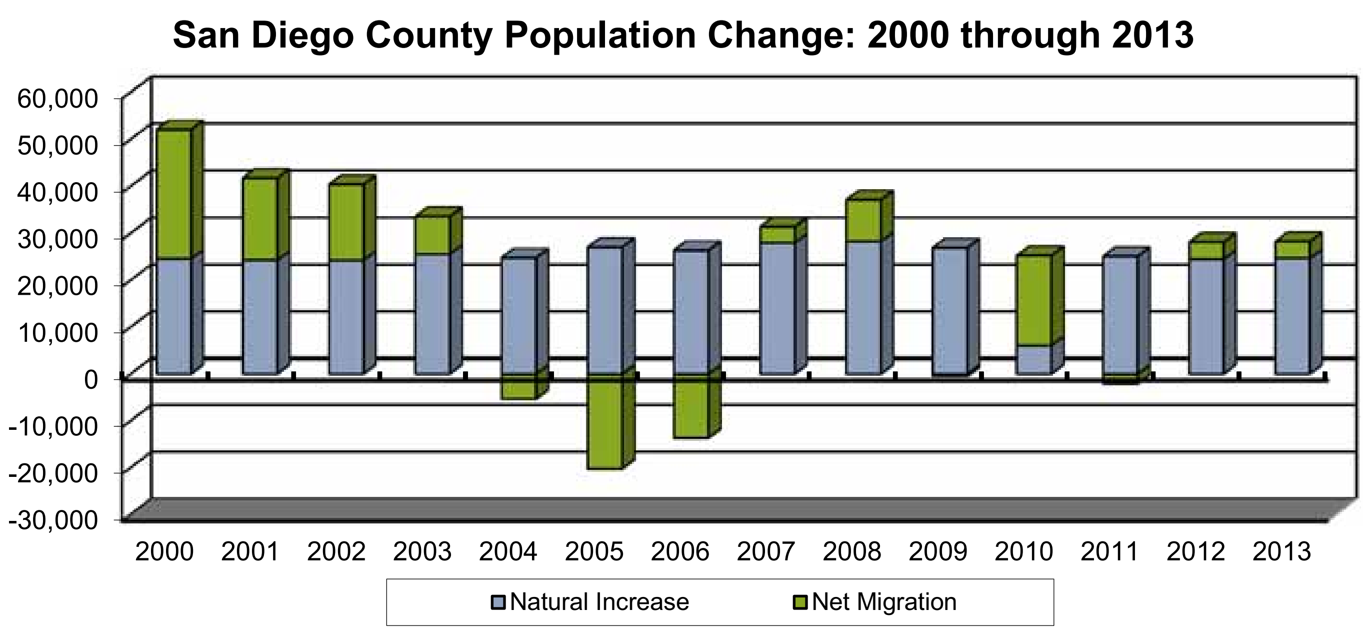
U.S. Economy

Despite a sluggish pace of the national economic recovery which started more than four years ago, the U.S. Economy not only made significant progress but an improved outlook is projected in the coming year. In 2013, real gross domestic product (GDP) increased by 1.9% compared to a 2.8% increase for 2012. See the chart on the following page for a historical comparison. According to U.S. Department of Commerce Bureau of Economic Analysis (BEA), the decrease in federal government spending, slowdown in business investment, mainly in power, communication and equipment and consumer spending on services, contributed to the slowdown in real GDP growth in 2013. This was offset by acceleration in consumer spending on goods, slowdown on imports and less decline in local government spending. For the fourth quarter of 2013, the U.S. economy increased at an annual rate of 2.4% compared to an increase of 4.1% in the third quarter of 2013. The deceleration in real GDP in the fourth quarter primarily reflected slowdown in inventory investment, decrease in government spending largely in federal as well as downturns in housing investments. This is offset by acceleration in business investment mainly in equipment and software. It should be noted that in July 2013, the BEA issued a comprehensive revision of GDP figures for 1929 through the first quarter of 2013. Revisions included a change in the reference year from 2005 to 2009, an upward revision of current-dollar GDP for all years, and the revision of 2012 from 2.2% to 2.8%.

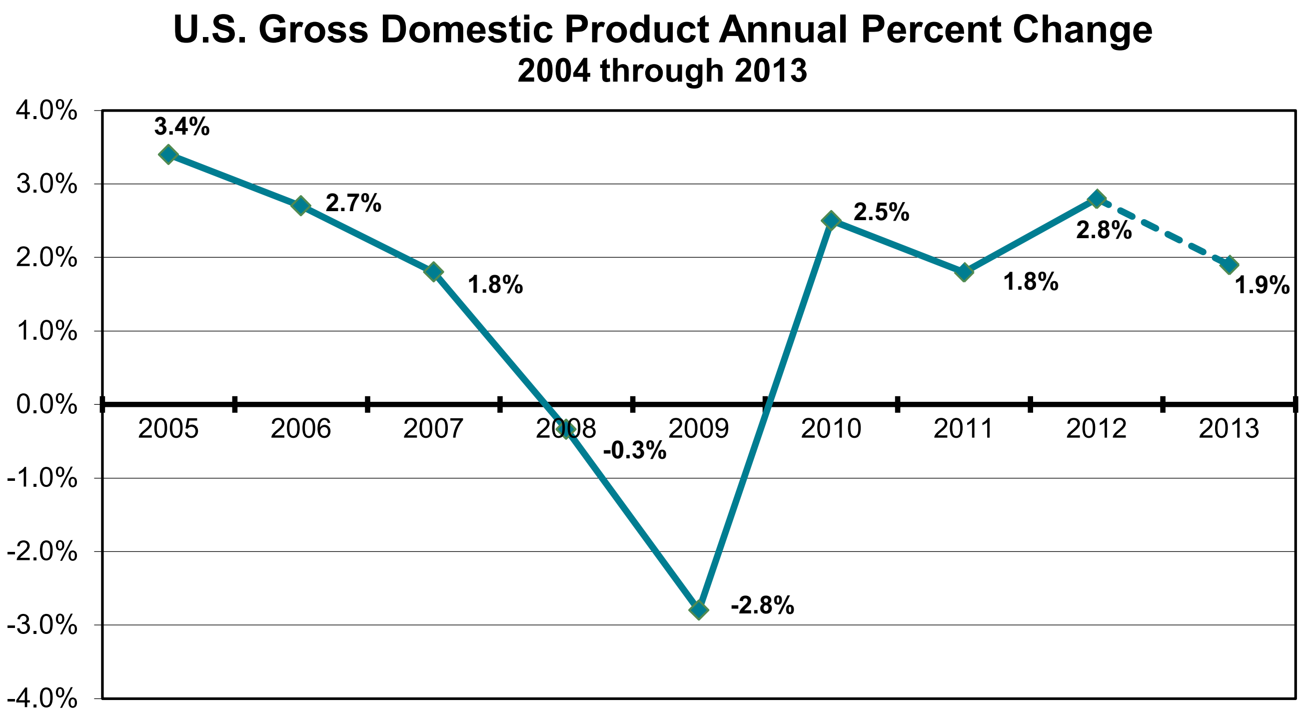
According to the minutes of the Federal Open Market Committee on its January 28–29, 2014 meeting, the staff continued to anticipate that real GDP would expand more quickly and would rise faster over the next few years. Factors contributing to the acceleration includes: accommodative monetary policy, easing in the effects of fiscal policy restraint on economic growth, increases in consumer and business confidence, and continued gains in foreign economic growth. Unemployment is expected to gradually decline. Participants of the meeting projected that economy would improve in a moderate pace in coming quarters due to highly accommodative monetary policy; further easing of fiscal restraint; a modest additional pickup in global economic growth and a strong advancement in consumer spending.

In the housing sector, although conditions had slowed down in recent months, stronger growth is expected as supported by favorable housing affordability, low mortgage rates and demographic trends. There are still reasons to remain cautious such as low permits for new construction and diminishing interest of investors in purchasing properties for rental market. Broader indicators were generally consistent with further modest gains in factory output in the near term. Household spending has been more positive in the third quarter of 2013 in part due to equity value in home prices.

According to the UCLA Anderson Forecast, December 2013, factors such as strength in housing and car sales partnered with an uptick in business spending and end of dramatic drop in federal purchases, should put the economy on track to a 3% growth path by mid-2014 and will pull the unemployment rate down to about 6% by end of 2015. It should also be noted that according to U.S. Office of



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: CA Department of Finance E-6 Report: Population Estimates and Components of Change by County—July 1, 2010–2013



Notes: The percent change in Gross Domestic Product (GDP) is measured by calendar year based on chained 2009 dollars. The annual GDP percent change is projected for calendar year 2013. The 1.9% 2013 forecast does not consider adjustments to methodology made by the BEA in July 2013.
Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce Gross Domestic Product, Fourth quarter and Annual 2013 (second estimate) February 28, 2014

Travel and Tourism Industries, spending of international visitors in the United States continues to ascend showing a jump of more than 9% over 2012. This is another example of continuing growth after the Great Recession.

California Economy

Now, after more than four years of recovery, California is on a more solid footing and is back on track to reclaim its status as the Golden State according to Kyser Center for Economic Research. The recovery is accelerating in just about every part of the State. Despite the recovery being slow, more people are finding jobs, there is improvement in housing and the State budget situation is improving. In 2013, California had regained about 70% of jobs lost during the recession. The steep decline of the California economy during the recession was worsened by the fiscal challenges that began well before the downturn. Although the recovery continues to be very slow, the unemployment rate is falling, more people are finding jobs, the housing market is improving and for the first time in years, budget surpluses are in sight. (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2014–2015 Economic Forecast and Industry Outlook, February 2014). The State unemployment rate continued to improve and fell modestly from 10.5% in 2012 to 8.9% in calendar year 2013. The December 2013 unemployment rate showed continued improvement to 8.3% (seasonally adjusted rate). Nonfarm payroll employment in California during the month of December 2013 increased by 13,600 for a total gain of 922,500 jobs since the recovery began in February 2010 (Source: California Employment Development Department, News Release, January 24, 2014).

The average monthly employment in California's Aerospace and Technology sector in 2013 was 1.03 million workers, an increase of 23,400 or 2.3% compared with 2012. Agriculture jobs had an increase of 11,900 workers or 3.1% in 2013 compared with a year earlier. The health care industry in California has been a steady source of employment, adding jobs even during the recession, with year-over-year gains averaging 2.1% from 2009 through the first half of 2013. The second half of 2013 however had a slowdown in hiring due to federal government sequestration and *Patient Protection and Affordable Care Act* limitations on Medicare reimbursement to providers. International trade continues to play an important role in the State's economy. California ranks as the second largest exporting State in the country, with imports outweighing exports by a two-to-one margin. Tourism and hospitality jobs increased as all of the major California metropolitan areas experienced gains in both occupancy rates and average daily rates due to rising demand for hotel rooms. Construction activity and employment have both experienced noteworthy gains in 2013 after struggling for several years. New home permits are expected to show significant gains of 41.4% in 2014 and 35.0% in 2015 (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2014–2015 Economic Forecast and Industry Outlook, February 2014).

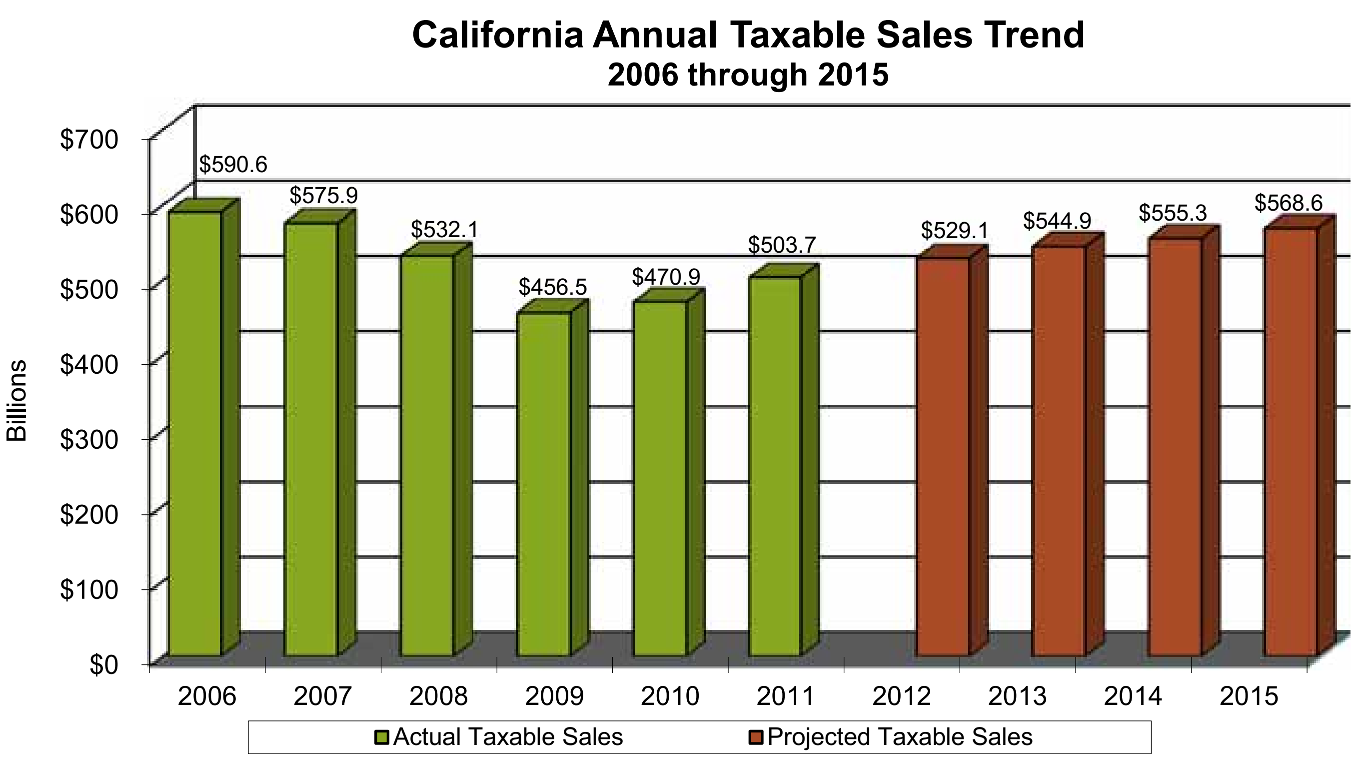
In 2009, real personal income declined 5.9%, but since that time real personal income grew by 1.6% in 2010, 3.1% in 2011 and 1.9% in 2012. It is forecasted to grow by 0.6% in 2013, 3.2% in 2014 and 3.1% in 2015. Taxable sales declined 14.2% in 2009, and then grew by 3.2% in 2010, by 7.0% in 2011 and are estimated to grow by 5% in 2012, by 3% in 2013, by 1.9% in 2014 and by 2.4% in 2015. These numbers are based on 2009 dollars, different from what was used in the 2013–15 Adopted Operational Plan which were based on 2005 dollars. See the chart below for detail.

California's economy is expected to have a continued slow to no-growth in inland areas and above average growth for coastal areas. Nonfarm employment grew by 2.1% in 2012, by 1.7% in 2013 and is projected to grow by 1.8% in 2014 and 2.2% in 2015. (Source: UCLA Anderson Forecast, March 2014).

San Diego Economy

San Diego's economic outlook continues to be moderately positive. The region's economic stability is based on federal spending, innovation clusters, tourism and real estate. Government operations account for 18% of the region's GDP. 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 is a thriving hub for the technology-oriented industries and an important manufacturing center as well as a popular travel destination. The quality of life attracts a well-educated, talented workforce and well-off retirees which contribute to a positive outlook in consumer spending.

Another indicator of economic health is county taxable sales. Taxable sales began to decline overall in the county in 2007 that continued through 2009. In 2010, taxable sales showed moderate growth which continued in 2011. 2012



Note: Taxable sales are stated in calendar year 2009 dollars.
Source: UCLA Anderson Forecast, March 2014

has shown continued improvement although not as great as 2011. Moderate growth in taxable sales is expected to continue in 2013 and 2014 in the region.

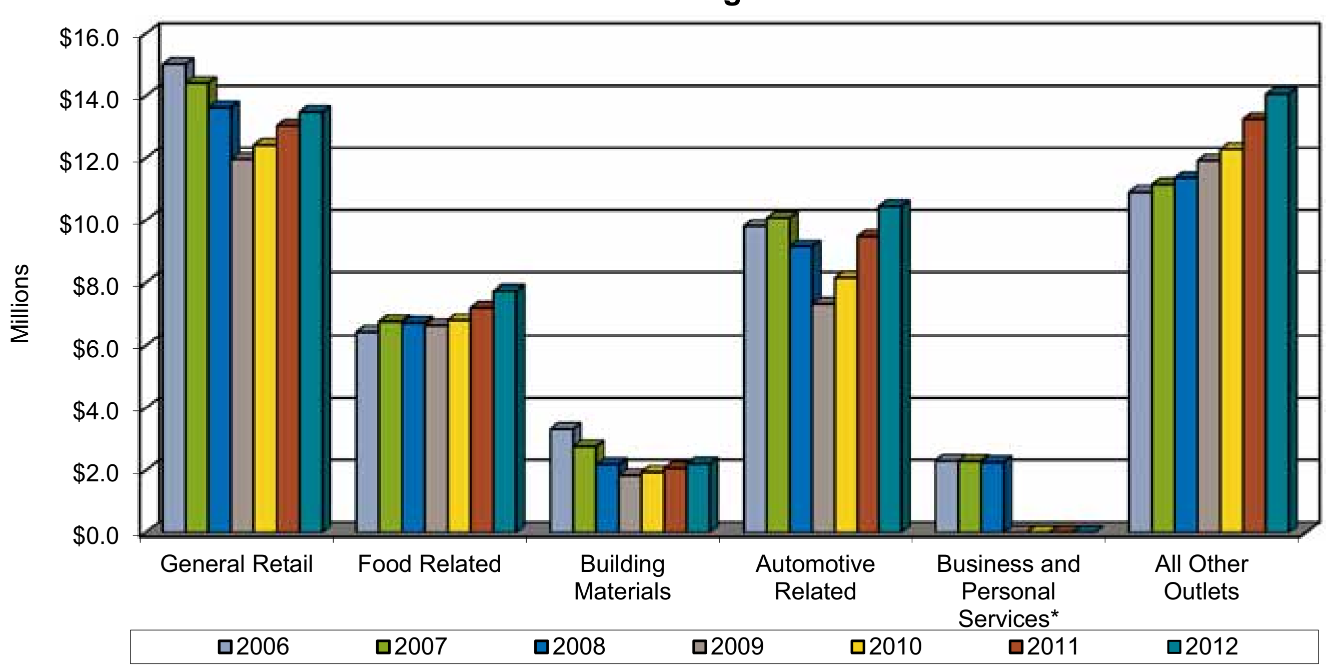
Unemployment in the San Diego region continues to improve. Preliminary February 2014 unemployment figures indicated a rate of 7.0%, compared to a rate of 8.1% in February 2013. Compared to other Southern California counties, San Diego compares favorably with only Orange County experiencing a lower unemployment rate. For the calendar year 2013, the average unemployment rate for San Diego County was 7.4%, the same as the U.S. national average, compared to an average rate of 8.6% for the 10 largest counties in California (Source: California Employment Development Department). San Diego County is forecasted to post an average annual unemployment rate of 6.4% for 2014 and 5.6% in 2015 (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2014–2015 Economic Forecast and Industry Outlook, February 2014).

Inflation, as measured by the Bureau of Labor Statistics consumer price index for all urban consumers (CPI-U), showed the cost of living increased 1.2% in 2013 compared to 1.6% in 2012, 3.0% in 2011 and 1.3% in 2010. For 2014, inflation is projected to rise to 2.1% (Source: National University System Institute for Policy Research Economic Ledger, February 2014).

Approximately half of San Diego County's population is part of the civilian labor force (1,592,700 in February 2014; Source: California Employment Development Department, Labor Market Information Division, March 21, 2014 news release.) The region is also home to one of the largest military complexes in the world. San Diego's annual average unemployment rate continues to compare favorably to the State rate, and it is expected to be marginally higher than the U.S. rate.

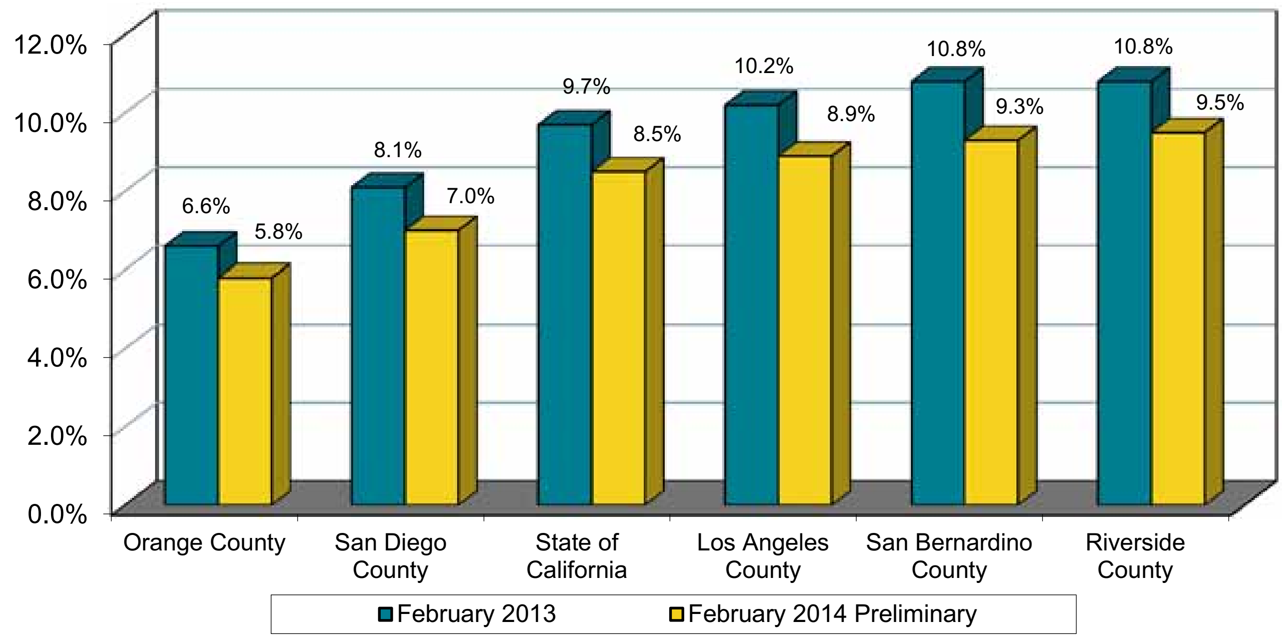
San Diego's median household income has remained relatively flat in recent years, after declines in 2009 and 2010 due to high unemployment and constrained consumer spending. Median household income for 2012 is estimated to be 0.6% lower than 2011. See the chart on page 24 for details.

San Diego County Taxable Sales by Category
2006 through 2012



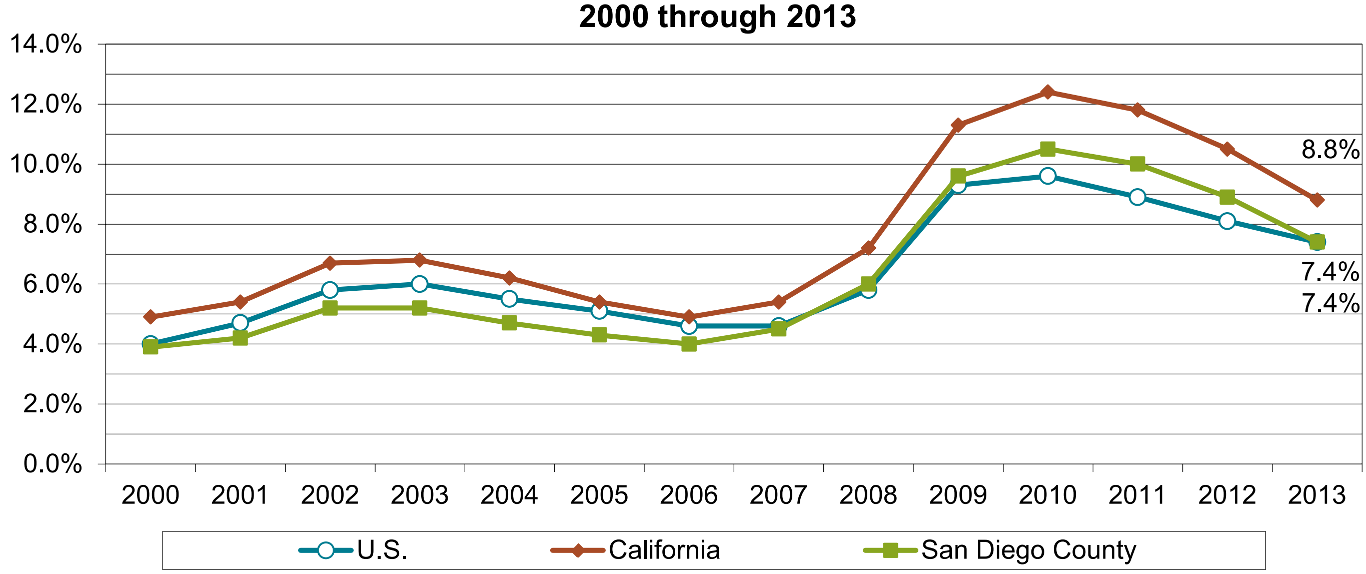
Note: In 2009, the State Board of Equalization began summarizing taxable sales using the North American Industry Classification System (NAICS) codes. As a result, industry-level data for 2009 are not comparable to that of prior years.
*Due to the coding changes described above, this category no longer exists. For calendar year 2009 and following years, taxable sales in the Business and Personal Services category have been absorbed and redistributed to the remaining categories.
Source: State Board of Equalization

Unemployment Rate Comparison by Select California Regions
February 2013 and February 2014

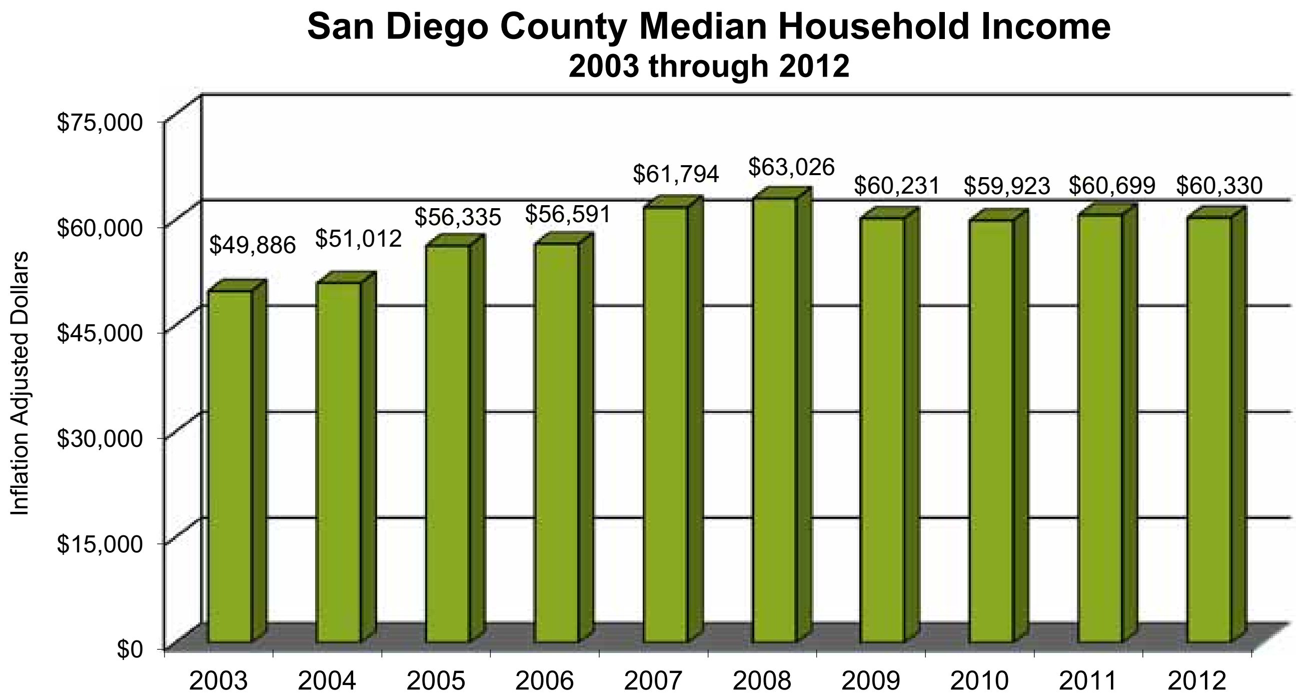


Source: California Employment Development Department, (February 2013; February 2014 Preliminary)

Annual Average Unemployment Rate Comparison
U.S., California and San Diego County
2000 through 2013



Notes: Unemployment rates are measured by calendar year.
Source: California Employment Development Department; Bureau of Labor Statistics, U.S. Department of Labor



Note: Median Household Income is measured by calendar year.
Source: U.S. Census Bureau, American Community Survey

San Diego County's residential real estate market is on the mend. Over the year, the median price for an existing single-family home rose significantly (see the chart on the following page) and the number of foreclosures on the market has declined.

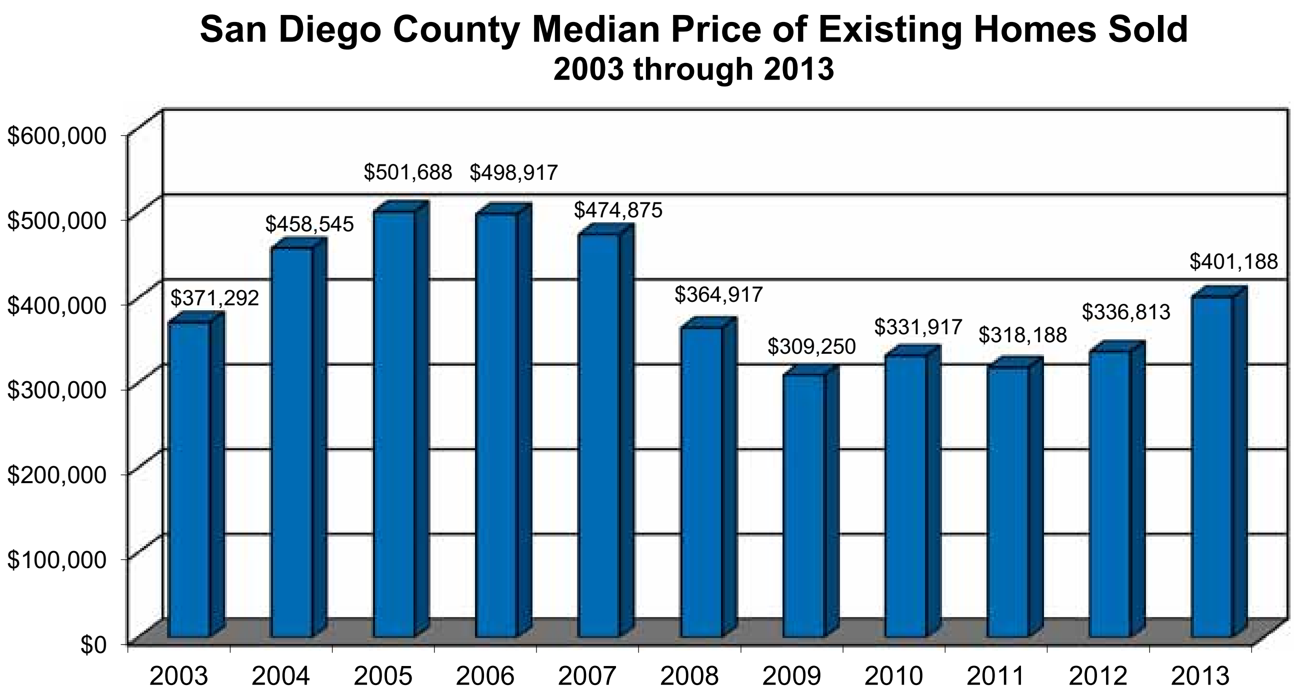
The median home price of existing homes sold also fluctuated with the housing related turmoil. During 2009 and 2010, median home sales started to rebound from the low experienced at the end of 2008 and early 2009. Median home prices declined marginally in 2011 but show significant improvement in January 2014 ($405,000) compared to January 2013 ($350,000), a 15.7% increase.

Another measure of the recovery in housing is the rate of foreclosures, as well as the companion indices of notices of loan default and deeds recorded (changes in ownership). 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 and declining to 2.3% in 2013. The number of total deeds recorded has fallen significantly since 2003 from 223,087 to a low 115,540 in 2008. Total deeds have started to improve, with a total of 146,829 through December 2012 from 119,933 the year prior. Although the number declined slightly to 139,496 through December 2013, this is still an improvement compared to the 2008 low of 115,540.

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. 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 42.5% in 2013.

San Diego's travel and tourism industry is growing with demand for hotel rooms outpacing new supply. Occupancy rates hit 80.4% in the third quarter of 2013 compared with 79.4% during the same period in 2012. Average daily room rates have also accelerated, rising to $150.89 and surpassing the previous peak set in 2008 (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2014–2015 Economic Forecast and Industry Outlook, February 2014).

Tourism is San Diego's second largest industry, generating $18.3 billion in economic impact. It is a top industry and

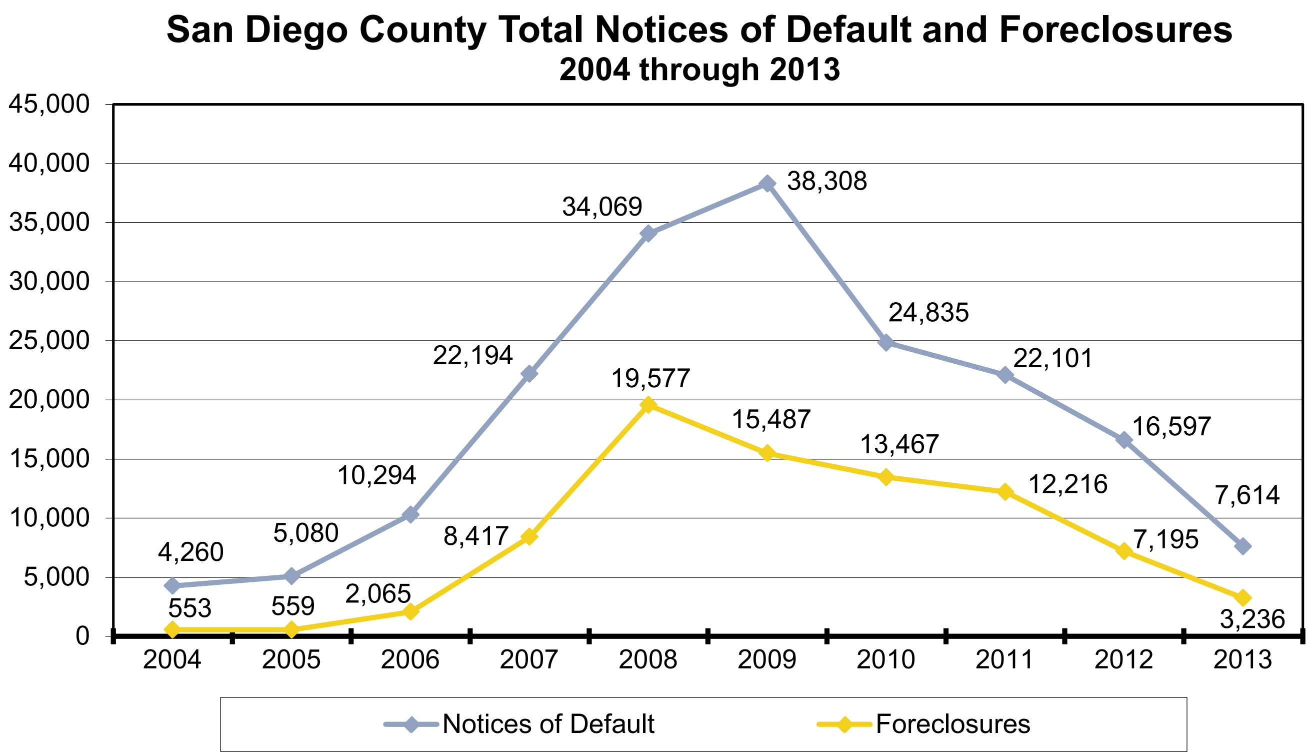


Note: Median home price of all existing homes sold in December of each year.
Source: California Association of Realtors/DataQuick Information System

revenue generator contributing to the $185.8 billion Gross Regional Product (GRP). For the year-to-date through December 2013, San Diego occupancy rates (73.6%) remain higher than both California (72.3%) and the U.S. (64.0%) rates. Visitor hotel expenditures were stronger, advancing 5.5% to $2.6 billion (as of the third quarter of 2013). Average daily hotel expenditures increased across all visitor segments (Source: San Diego Tourism Marketing District 2013 Annual Report). The number of San Diego visitors (day and overnight) rose by 2.2% in 2013 to 33 million.

Tourism in the San Diego region last peaked in 2006, with the number of visitors reaching approximately 32.2 million. Total number of visitors declined through 2009; however, tourism improved gradually in 2010 increasing by 0.9%; improving by 4.3% in 2011 and 3.6% in 2012. Visitor expenditures exceeded $8.3 billion last year. Visitor counts are expected to increase by 1.6% to 33.5 million in 2014 and total expenditures by 5.4% to approximately $8.8 billion according to the Kyser Center. Longer term, visitor growth is forecast to rise above two percent in 2015 before settling down to an average growth rate of 1.8%. Spending growth will slow after 2014, but remain stable through 2016 (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2014–2015 Economic Forecast and Industry Outlook, February 2014).

San Diego's economy is moderately accelerating, although still at the pre-Great Recession level, while the after-effects of the recent recession continue to linger. The State's financial outlook is improving as budget surpluses are expected. The strategies being employed by the County and its individual Groups and departments to manage the public's resources are described in the following pages that summarize the expenditures, revenues and staffing levels for Fiscal Years 2014–15 and 2015–16.



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

Governmental Structure and General Management System

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/she is elected. The Board of Supervisors sets priorities for the County and oversees most County departments and programs and approves their budgets. 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 San Diego County 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 human services, 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 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 General Management System (GMS) is the County's strategic framework that guides 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 collaboration and recognizes accomplishments in a structured, coordinated way. By communicating and adhering to this strategic framework, the County of San Diego is able to create and maintain an organizational culture that values transparency, accountability, innovation, and fiscal discipline and that provides focused, meaningful public services.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions, as well as completes required deliverables.

- Strategic Planning
- Operational Planning
- Monitoring and Control
- Functional Threading
- Motivation, Rewards and Recognition

These 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. More information about the GMS and the Strategic Plan is available online at: www.sdcounty.ca.gov/cao/.

Context for Strategic and Operational Planning

To be effective, the goals that the County sets and the resources that are allocated must be consistent with the purpose of the organization. The context for all strategic and operational planning is provided by the County's Vision:

A county that is safe, healthy and thriving

By establishing a clear Vision, the County can articulate the strategies it will take to carry out its Mission. The Mission reflects the County's commitment to understand and respond to the critical issues that affect county residents:

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 to uphold basic standards as we conduct operations. The County embraces the following values and guiding principles:

- 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 Planning

The County ensures operations are strategically aligned across the organization by developing a five-year Strategic Plan that sets forth its priorities and what it will accomplish with its resources. The Strategic Plan is developed by the Chief Administrative Officer and the County Executive Team, based on the policies and initiatives set by the Board of Supervisors and an enterprise review of the issues, risks and opportunities facing the region. All County programs support at least one of these three Strategic Initiatives or the Required Disciplines for Excellence through objectives that make achievement of the initiatives possible. The Strategic Initiatives and their supporting objectives include:

- Safe Communities: Promote safe communities
  - Protect residents from crime and abuse
  - Provide for a strong, collaborative criminal justice system that holds offenders accountable and protects victims' rights
  - Reduce recidivism and help offenders successfully reenter society
  - Make neighborhoods safe to live, work and play
  - Help communities prepare, respond, and recover from natural disasters, public health threats, environmental hazards and other emergencies
- Sustainable Environments: Support environments that foster viable, livable communities while bolstering economic growth)
  - Provide for planning, development, infrastructure and services that support the local economy and are fundamental to a strong, vibrant region
  - Implement strategies that protect our natural and agricultural resources, diverse habitats and sensitive species, and promote energy efficiency and conservation
  - Promote an environment where communities can prosper and residents can enjoy parks, open spaces, clean air and water, and outdoor experiences
  - Encourage residents to engage in community life, civic activities, volunteering, and recreational interests
- Healthy Families: Make it easier for residents to lead healthy lives while improving opportunities for children and adults
  - Help residents adopt a healthy lifestyle

- Make neighborhoods healthy places to live, work and play
- Improve access to high-quality and efficient health care that leads to improved physical and behavioral health
- Assist families in achieving and maintaining self-sufficiency and promote the future well-being and prospects of residents

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

- Accountability, Transparency and Ethical Conduct: Ensure accountability to ourselves and the public by upholding the highest ethical, financial and legal standards in addition to requiring that County business be conducted as openly as possible
- Customer Satisfaction: Ensure customers are provided with superior services, while continually seeking opportunities for an improved experience
- Fiscal Stability: Maintain fiscal stability through key management practices, including financial planning and forecasting, to ensure a structurally balanced budget and the availability of services for customers
- Regional Leadership: The County forges cooperative partnerships, educates, and leverages resources to optimize services for residents
- Skilled, Adaptable and Diverse Workforce: Develop and maintain a skilled, adaptable and diverse workforce that turns plans and resources into success while providing opportunities for well-being
- Continuous Improvement and Innovation: Achieve operational efficiency through continuous efforts to improve and innovate, thereby maximizing value for taxpayers
- Essential Infrastructure: Provide the facilities and structures to ensure superior service delivery to our residents
- Information Services: The County 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, ACAO/Chief Operating 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.The complete Strategic Plan is available online at: www.sdcounty.ca.gov/cao/.

Operational Planning

The Operational Plan provides the County's financial plan for the next two fiscal years (e.g., July 1, 2014 through June 30, 2016). 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 residents, customers and stakeholders because of County services. This effort remains a priority and each department is required to measure performance in terms of outcomes, or 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.

Enterprise Initiatives

Enterprise initiatives emphasize that everyone in the County workforce shares responsibility for helping the organization adapt to change and move forward in this fast-paced world. Past enterprise initiatives challenged County employees to identify and prepare for the significant changes taking place in their workplace, community, economy and world using the GMS framework. The Knowledge Worker initiative 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. Additionally, the Government without Walls (GWOW) initiative built 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. The most recent enterprise initiative is the Leadership Development Model which outlines six competencies that exemplify the outstanding leadership that executives and managers across the organization hold as a standard to model and receive feedback on their performance.

Examples of how County employees are embracing these enterprise initiatives 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.

Monitoring and Control

Monitoring and Control is the portion of the GMS that requires the County to track, report and adjust, as necessary, the operations underway to ensure services are delivered and goals are accomplished as planned. A number of processes and activities have been established over the years for accountability. There are monthly department reviews of programs and finances, quarterly business group reviews to the CAO, a quarterly Risk Oversight Committee to address significant legal, financial, contractual and operational risks to the County and a quarterly Audit Committee that advises the CAO on internal and external audits, risk assessments, as well as internal controls and governance matters. This level of accountability extends to employee performance reviews where performance expectations and goals for the rating period are outlined and reviewed on an annual basis.

Functional Threading

Functional threading is the process of collaboration throughout the organization to pursue goals, solve problems, share information, and leverage resources. It can be as simple as a monthly leadership meeting held by the CAO to cross functional collaboration on grants to briefings on agenda items to Board aides to implementing shared initiatives with multiple stakeholders both internal and external to the County.

Motivation, Rewards and Recognition

This final component of the GMS ensures our employees are engaged and striving for excellence across the organization. One way the County recognizes, rewards and motivates employees is by offering opportunities for training and continued education that support and encourage their professional growth, development and career success. Examples include leadership academies and seminars, mentor programs and a tuition reimbursement program. This investment in our workforce ensures they are skilled and engaged to provide the best customer service and delivery for our residents. Please see the following Awards and Recognition section for the honors County programs have received.

Awards and Recognition

The County of San Diego is always looking for ways to improve the lives of residents and save taxpayer dollars by cutting costs, streamlining processes, incorporating the latest technology and expanding services. We do it to improve communities, but it's an added bonus when people take notice!

Here's a look at the recognition the County received during the past fiscal year for its leadership and excellence in operations.

National Association of Counties (NACo)

The National Association of Counties recognizes innovative county government programs from across the nation each year. In 2013, the County of San Diego received 24 NACo awards—the second highest number of awards behind Los Angeles County, which had 25. See below for highlights and learn more about the awards on County News Center at www.sdcountynews.org/home/2013/6/10/county-wins-24-naco-awards-for-outstanding-programs.html.

- Establishing Local Assistance Centers *(Office of Emergency Services)*: The Advanced Recovery Initiative was developed to improve the County's work during the recovery phase of a disaster by pre-designating and training County staff members to work at Local Assistance Centers. The centers provide a one-stop shop location for assistance from local, State and federal agencies and departments.
- San Diego Emergency Smart Phone Application *(Office of Emergency Services)*: An application that allows mobile phone users to access information to prepare for, respond to and recover from local disasters. Learn more at http://countynewscenter.com/news/resolve-be-ready-sd-emergency-mobile-app-gets-major-upgrade.
- Forensic Pathology Residency Training and Autopsy Orientation Program *(Medical Examiner)*: The Medical Examiner's Office provides two opportunities for local medical students and pathology residents to learn the value of the autopsy and autopsy technique in the practice of clinical medicine, regardless of their ultimate area of specialty. For more information see http://countynewscenter.com/news/medical-examiner-team-recognized-teaching.
- Graffiti Tracker *(Board of Supervisors Offices/Sheriff)*: A web-based program using Global Positioning System (GPS)-enabled cameras to document graffiti and identify and convict the most prolific vandals in partnership with 13 public agencies representing the region's unincorporated areas, mass transit systems and 18 cities. Learn more at http://countynewscenter.com/video?v=130204.
- Sheriff's Analysis Driven Law Enforcement (SADLE) *(Sheriff)*: The SADLE Team employs predictive policing techniques to make the streets safer in unincorporated San Diego County. Rather than addressing crimes on a case by case basis, SADLE uses “hotspot” analysis to put deputies in the right place, at the right time. For more information see http://countynewscenter.com/news/new-sheriff%E2%80%99s-team-homes-crime.
- JFAST: Juvenile Forensic Assistance for Stabilization and Treatment Program *(Public Defender)*: JFAST is a collaborative program to address the needs of juvenile offenders with a history of delinquency who haven't responded well to traditional probation because of unresolved mental health issues.
- San Diego Clean Slate Expungement Clinic *(Public Defender)*: The Public Defender along with community and County partners created a self-help clinic held monthly on a Saturday to provide information and assistance to residents who want to expunge their criminal records. Doing this is important step toward rehabilitation and successful reentry into the community.
- Child Support Customer E-Message *(Department of Child Support Services)*: The quarterly E-message provides people with information to make them feel more connected with what's going on with their child support case.
- Responsible Parenting Initiative *(Department of Child Support Services)*: A program to work with local community-based organizations and fatherhood networks to identify non-custodial parents who need to resolve their child support payment issues to become financially self-sufficient.
- Neighborhoods for Kids—Bella Vista Community Engagement Project *(East Region Child Welfare Services)*: This creative team field internship was designed to reduce child abuse, increase safety and family well-being, and build a stronger sense of community among residents in a 150-unit apartment complex. Social work interns work with local police, community agencies, schools and businesses along with existing Child Welfare Services data and resident input to identify concerns and formulate initial engagement efforts within the complex.

- A Look at Poverty—Making a Difference Training *(Health and Human Services Agency [HHSA] Human Resources)*: The training program is the result of recommendations from HHSA's Social Services Advisory Board (SSAB) on ways to improve efficiency and increase participation in CalFresh, California's name for the federal Supplemental Nutrition Assistance Program, formerly known as food stamps. The training was provided to staff at the County's Family Resource Centers, and focused on issues related to poverty.
- HHSA Long-Term Leaves Program—Process and Tracking *(HHSA Human Resources)*: The program is a proactive and interactive method to simplify and standardize the process of employees who are out on long-term unpaid leaves of absence.
- Lean Six Sigma Capacity Building Initiative *(HHSA Human Resources)*: HHSA launched a Lean Six Sigma initiative to eliminate waste in services and improve quality and results. Lean Six Sigma is a managerial method widely used in the private sector to improve efficiency and performance.
- iCARE: Integrated Physical Health Care Resources for Mental Health Clients *(Behavioral Health Services)*: The pilot project created person-centered medical homes in primary care settings for individuals with serious mental illness. The project enhances overall mental and physical wellness for individuals with serious mental illness by increasing access to physical health care and reducing the stigma often associated with seeking mental health treatment.
- School-Based Mental Health Worker Career Pathway Program *(Behavioral Health Services)*: The County partnered with a local charter school to provide workforce development aimed at recruiting culturally and linguistically diverse students while they are in high school for future careers as mental health workers.
- Low Income Health Program Pay-For-Performance *(Health Care Policy Administration)*: The County created a pay-for-performance value-based payment model in an effort to improve the overall quality of health and health care for enrollees in San Diego County's Low Income Health Program. The program encourages providers to meet established goals for health care delivery, and compensates them for meeting specific measurements.
- More on the Menu (MOM)—Fresh Produce for Homebound Seniors *(Aging & Independence Services)*: The More On the Menu (MOM) program provides a weekly delivery of fresh fruits and vegetables to low-income older adults who receive home-delivered meals from contractors funded by the Older Americans Act. Learn more at http://countynewscenter.com/news/helping-seniors-put-more-menu.
- New Homeowners Property Tax Guide—English/Spanish *(Treasurer-Tax Collector)*: The guide was designed to assist English and Spanish speaking new homeowners on the property tax process, including important topics such as how the property tax system works, property tax bill deadlines, how a property tax bill is calculated, where property tax dollars go, and information on the different types of property tax bills.
- San Diego Investment Pool Temporary Transfer Fund Program *(Treasurer-Tax Collector)*: The San Diego County Treasurer's office provided financial relief to eligible school districts and other entities for operational needs by clarifying the process around Temporary Transfer of Funds (TTF). These funds are available for eligible school districts and other entities pursuant to the California Constitution art. 16, §6, Education Code §42620, and Government Code §25209, allowing the entities to request a loan from the Investment Pool, a so-called TTF. It provides an option for temporary financing due to ongoing State budgetary issues.
- Treasurer-Tax Collector Property Tax Checks Only Process *(Treasurer-Tax Collector)*: The County implemented a "Checks Only" program to more efficiently identify and apply property tax payments submitted without a payment stub from more than 50,000 taxpayers who use their online banking service to pay bills.
- Mentor Partnership Program *(Human Resources)*: The mentoring program pairs an experienced County manager/leader with an aspiring employee who desires to achieve their individual career goals.
- Design-Build Project Development *(General Services)*: General Services implemented an improved Design-Build (D-B) Project Development program in response to building industry concerns over the cost and complexities of D-B proposals.
- 1st Grade @ the Library *(Library)*: The program offered at two branches puts a library card in the hand of every first grader at participating elementary schools. It encourages first graders and their families to read together and become lifelong library users.
- Putting the "WOW" factor into Educational Outreach *(Department of Environmental Health)*: Environmental Health provides educational outreach to elementary, middle and high school age students, emphasizing the "WOW" factor in science and demonstrating how department employees use science during their daily activities on the job.

California State Association of Counties (CSAC)

CSAC honors the most innovative programs developed and implemented by California counties each year. CSAC recognized the County of San Diego with three Merit Awards.

- Live Well San Diego *(Health and Human Services Agency)*: The program is a long-term initiative of the County to improve health, safety and well-being for all residents. The focus is collaboration with local organizations in the community and also provides resources to individuals to build better health, live safely and thrive. More information is available at www.livewellsd.org.
- Blueprint: Comprehensive Services for Homeless Mentally Ill *(Behavioral Health Services)*: The program's goal is to reduce homelessness in the mentally ill by providing a combination of services, housing and community support. It uses a team approach to stabilize a mentally ill person and help him or her to develop independent living skills such as cooking, cleaning, grocery shopping and money management.
- Technology and Aging Coalition *(Aging and Independence Services)*: The coalition was created to help educate older adults about technology so they won't become isolated as technology is absorbed more and more into society. It includes nonprofit and for-profit organizations and provides events and materials to help senior citizens get on email and the internet.

Additional Honors

- First 5 San Diego received a Bronze award in the Campaign-Not-for-Profit category of the **Telly Awards**. The Telly Awards honor outstanding local, regional, and cable TV commercials and programs, video and film productions, web commercials, videos and films. First 5 won for its Early Childhood Health and Education Campaign.
- The SD Emergency mobile app available at www.sdcounty.ca.gov/appcenter received the International Association of Emergency Managers' **2013 Global Technology and Innovation Award** for a local government.
- The Department of Purchasing and Contracting received an **Achievement of Excellence in Procurement Award** for the 13th year in a row from the National Procurement Institute. The department was among 179 agencies to win the award, which recognizes organizational excellence in procurement by measuring innovation, professionalism, e-procurement, productivity and leadership attributes.
- The Auditor and Controller earned the **Popular Annual Financial Report (PAFR) Award**. The Government Finance Officers Association created the PAFR Awards Program to encourage and help state and local governments extract information from their comprehensive annual financial report to produce high quality popular annual financial reports. The County's PAFR is available at www.sdcounty.ca.gov/auditor/cafr.html.
- Aging and Independence Services received two **Achievement Awards from the National Association for Area Agencies on Aging** for the More on the Menu (MOM) program and the Peer Educator Development and Leadership (PEDAL) program. MOM provides fresh produce to homebound older adults. Learn more at http://countynewscenter.com/news/helping-seniors-put-more-menu. PEDAL is an innovative program designed to support chronic disease self-management.
- Supervising Environmental Health Specialist, Nick Vent, was given a **Fire and Life Safety Educator of the Year** award from the Fire Prevention Officer's Section of the San Diego County Fire Chief's Association. The award is presented to a public educator, fire inspector or firefighter who is selflessly dedicated to public fire safety education. Vent was nominated because of the extensive hazardous materials response and terrorism awareness training he has provided over the years in his role with the Department of Environmental Health.
- Two County projects won the **Center for Digital California Best of California Awards**. The Department of Child Support Services won for its Legal Paperless System in the "Best Application Serving an Agency's Business Needs" category. Learn more about the app at http://countynewscenter.com/video?v=152554. The Office of Emergency Services won for its SD Emergency mobile app (available at www.sdcounty.ca.gov/appcenter) in the "Best Mobile/Wireless Project" category.
- The San Diego County Investment Pool has once again received the **Certificate of Achievement for Excellence in Financial Reporting**. The award, given by the Government Finance Officers Association, represents the highest form of recognition in governmental accounting and financial reporting.
- The Edgemoor Skilled Nursing Facility in Santee was honored by the American Health Care Association/National Center for Assisted Living with the **2013 Not-**

for-Profit Program of the Year award for the Sierra Stroll Program. The program helps patients who suffer from dementia, mental illness and aggression by allowing them to engage in social and physical activities to improve their physical and mental health.

- The Help and Outreach to Protect the Elderly (HOPE) Team received one of 10 prestigious national **Community Partnership Awards** from Mutual of America. The team is a partnership of health, social service and law enforcement agencies focused on helping the most vulnerable victims of elder abuse get back on their feet and avoid being re-victimized.
- County News Center (http://countynewscenter.com/) was named the best in the nation in local government multimedia. It was honored by the National Association of Telecommunications Officers and Advisor with the distinction of **First Place for Overall Excellence**.
- The County earned two **Gold Beacon Spotlight awards** from the California State Association of Counties for its efforts to reduce energy consumption and practice sustainability. The first award was for "Sustainability Best Practice Activities" after the County implemented 20 best practices in 10 different areas. The second was for "Energy Savings at Facilities" for reducing electricity and natural gas use in County buildings by more than 10 percent between 2006 and 2012. The Beacon Awards recognize cities and counties for reducing greenhouse emissions, saving energy and adopting policies and programs that promote sustainability.
- A project to update the County Transportation Impact Fee (TIF) won a **Small Firm Merit Award** in the 2014 Engineering Excellence Awards competition, sponsored by the American Counsel of Engineering Companies. A TIF is a fee that developers pay to mitigate the cumulative impacts of development.
- The California Park and Recreation Society presented the **Creating Community Award of Excellence for Environmental Stewardship** to the County for its efforts in involving the community in beautification projects, community cleanups and environmental education. Learn more at http://countynewscenter.com/news/celebrating-milestone-regional-park.

Budget Process

CAO Recommended Operational Plan

The budget process begins annually with submittal of the CAO Recommended Operational Plan, which was referred to as the CAO Proposed Operational Plan prior to Fiscal Year 2013–14. This document is a comprehensive overview of the Chief Administrative Officer's (CAO) recommended plan for the County's operations for the next two fiscal years. It is submitted to the Board of Supervisors in 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, performance measures; and budget tables for staffing by program, expenditures by category, and revenue amounts and sources;
- An explanation of the capital program planning process along with a description of the capital projects with new appropriations recommended, the operating impact of the capital projects scheduled for completion during the next two fiscal years, and budget summaries for capital projects by fund; and
- 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 revisions to the CAO Recommended Operational Plan, whether from members of the Board of Supervisors, 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. These may include:

Change Letter

Change Letters are recommended changes to the CAO Recommended Operational Plan submitted by the CAO and/or members of the Board of Supervisors. The CAO Change Letter updates the CAO Recommended 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 Recommended Operational Plan or as a result of 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

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. Each business group tracks their 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 review and action during Budget Deliberations.

Citizen Advisory Board Statements

Citizen Advisory Board Statements are the comments of citizen committees on the CAO Recommended Operational Plan.

Budget Deliberations

Budget Deliberations occur after the conclusion of public hearings when the Board of Supervisors discusses the CAO Recommended Operational Plan, any 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 final operational plan. Once Budget Deliberations conclude, the Board gives approval, by majority vote, to operate pending the formal adoption of the budget for the coming fiscal year. Board of Supervisors Budget Deliberations are usually completed by the end of June.

Referrals from Budget

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 the requested information to the Board of Supervisors. Any changes to the approved budget prior to adoption require a four-fifths vote of approval by the Board.

Budget Adoption

Budget Adoption occurs at a separate public hearing following the Board's Budget Deliberations. The budget, as finally determined, is adopted by resolution requiring a majority vote of the Board of Supervisors. Any changes to the adopted budget require a four-fifths vote of approval by the Board. Budget adoption typically occurs in August.

Adopted Operational Plan

The Adopted Operational Plan shows the Board of Supervisors' adopted budget for the immediate fiscal year and the plan approved in principle for the following year. The Adopted Operational Plan is an update of the CAO Recommended Operational Plan reflecting revisions made by the Board of Supervisors during Budget Deliberations. Unlike the CAO Recommended Operational Plan, which displays the two prior fiscal years' adopted budgets and the recommended 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.

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 mid-year budget adjustment from the Board of Supervisors:

Board of Supervisors Regular Agenda Process

Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote of approval 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 Deputy Chief Administrative Officer/Auditor & Controller. Contract modifications also require the approval of the Purchasing Agent. County Counsel reviews and approves all Board agenda items.

Quarterly Status Reports

The CAO provides a quarterly budget status report to the Board of Supervisors that may also recommend changes to appropriations 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: 2014 Target Dates

Calendar Year 2014

Feb 10	Instructions for Operational Plan issued by the Office of Financial Planning (OFP) Budget database opens for Operational Plan development
Mar 14	Deadline for departments to submit draft Anticipated Accomplishments, Objectives and Performance Measures sections to OFP Budget database closed to departments for review by business groups (groups) review
Mar 25	Deadline for departments to submit all sections of narratives to their Group Finance Director
Mar 28	Budget database closed to groups Deadline for groups to submit all department and group narratives to OFP
Apr 21	Draft copy of balanced CAO Recommended Operational Plan sent to the Chief Administrative Officer (CAO), Assistant CAO/Chief Operating Officer (COO) and General Managers
Apr 28	CAO Recommended Operational Plan docketed and released to the Board of Supervisors and public
May 6	Board of Supervisors accepts CAO Recommended Operational Plan
May 7	Budget database opens for modifications
May 14	Budget Change Letter database closed to departments for review by groups
May 16	Department Change Letter narratives due to groups
May 21	Budget Change Letter database closed to groups
May 29	Deadline for groups to submit all department and group Change Letter narratives to OFP
Jun 9–18	Public hearings on CAO Recommended Operational Plan (ten calendar days)
Jun 18	Last day for Citizen Advisory Committees to submit budget statements to the Clerk of the Board All other proposals for budget changes from the Board of Supervisors and public due to the Clerk of the Board CAO Change Letter filed with the Clerk of the Board
Jun 24–25	Board of Supervisors budget deliberations Board of Supervisors approves Fiscal Year 2014–16 Operational Plan
Aug 5	Board of Supervisors adopts Fiscal Year 2014–15 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, 2014 through June 30, 2016. The introductory portion of the document highlights the following:

- Board of Supervisors and Organizational Chart
- Message from the Chief Administrative Officer
- Fiscal Year 2014–15 Recommended Budget at a Glance
- County Profile, County History and Economic Indicators
- Governmental Structure and General Management System
- Awards and Recognition of County Performance
- Budget Process, Budget Documents and Financial Planning Calendar
- Appropriations and Funding Sources for all funds and the General Fund
- Staffing
- Financial Policies
- Reserves and Resources
- Financial Obligations and Debt Service

Note on Rounding in All Charts and Tables

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

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.

2013–14 Anticipated Accomplishments

Brief descriptions of the group's/department's accomplishments for Fiscal Year 2013–14. The discussions address the progress made on the 2013–15 Objectives reported in the prior fiscal year and include the final results based on the actual work completed. Anticipated Accomplishments are categorized by the County's Strategic Initiatives or Required Disciplines for Excellence.

2014–16 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 recommended targets for the next two fiscal years.

Performance Measures	2012–13 Actuals	2013–14 Adopted	2013–14 Estimated Actuals	2014–15 Recommended	2015–16 Recommended
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.

Budget Changes and Operational Impact: 2013–14 to 2014–15

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

Budget Changes and Operational Impact: 2014–15 to 2015–16

A brief narrative description of significant changes in staffing, expenditures and revenues from the first year of the CAO Recommended 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 page provides an example of the table format which includes the Adopted Budget for Fiscal Years 2012–13 and 2013–14; the Recommended Budget for Fiscal Year 2014–15; the percentage change from the Fiscal Year 2013–14 Adopted Budget to the Fiscal Year 2014–15 Recommended Budget; and the Fiscal Year 2015–16 Recommended Budget.

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.

Sample Budget Tables

Staffing by Program

	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Name of Program					
Name of Program					
Total					

Budget by Program

	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Name of Program					
Name of Program					
Total					

Budget by Categories of Expenditures

	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Salaries & Benefits					
Services & Supplies					
Other Charges					
Capital Assets Equipment					
Total					

Budget by Categories of Revenues

	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Intergovernmental Revenues					
Charges For Current Services					
Miscellaneous Revenues					
Other Financing Sources					
Use of Fund Balance					
General Purpose Revenue Allocation					
Total					

Capital Program

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

- Capital Improvement Needs Assessment (CINA): The CINA is the County's five-year Capital Improvement Plan (CIP). This section details the policies and procedures for funding and selection of capital projects. Tables are presented for the CIP prioritization score sheet as well as the major and minor capital projects listed on the CINA for Fiscal Years 2014–19.
- Operating Impact of Capital Program: A summary of the potential impact on the operating budget is presented for major capital projects that are scheduled for completion during Fiscal Years 2014–16.
- Capital Appropriations: Discusses new appropriations to the capital budget for Fiscal Years 2014–16, including the amount and purpose of each capital item.
- Capital Program Summary: Tables summarizing the Capital Program budget, including the budget by fund, by categories of expenditure and revenue, and revenue detail.
- Summary of Capital Program Funds: 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. The information in the tables presents, for each fund, the capital budget by categories of expenditure and by categories of revenue.
- Outstanding Capital Projects by Fund: Tables for each Capital Program fund are arranged by groups within the fund and by project name. Included for each project is the scope/description of the project; project number; Fiscal Year project was established; the total appropriations through Fiscal Year 2013–14; Adopted Budget for Fiscal Year 2013–14; the Fiscal Year 2014–15 Recommended Budget; the percent change from the Fiscal Year 2013–14 Adopted Budget to the Fiscal Year 2014–15 Recommended Budget; the 2015–16 Recommended Budget; and the total expenditures through February 2014.

Finance Other

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

- Lease Payments: Details lease payments budget by expenditures, revenues and funding sources.

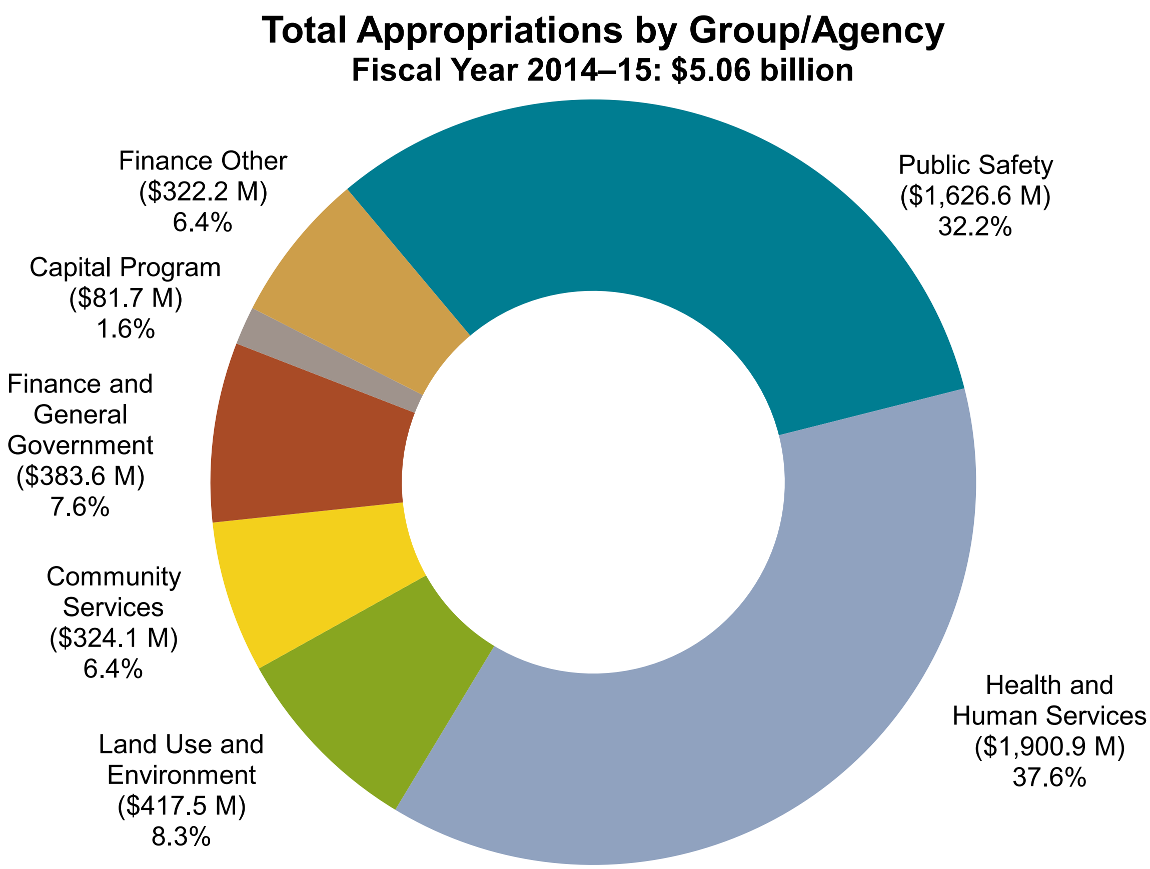
Appendices

- Appendices A, B and C present tables of data which include the Adopted Budget for Fiscal Years 2012–13 and 2013–14; the Fiscal Year 2014–15 Recommended Budget; the percent change from the Fiscal Year 2013–14 Adopted Budget to the Fiscal Year 2014–15 Recommended Budget; and the 2015–16 Recommended Budget.
  - Appendix A: All Funds Budget Summary: Tables outline staff years; and expenditures and revenues by category for the total County and by each business group, the Capital Program and Finance Other.
  - Appendix B: Budget Summary by Fund: 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 General Fund.
- Appendix D: Health and Human Services Agency (HHSA): General Fund: Tables present staff years and summarize HHSA's General Fund budget by operations and assistance payments.
- 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.

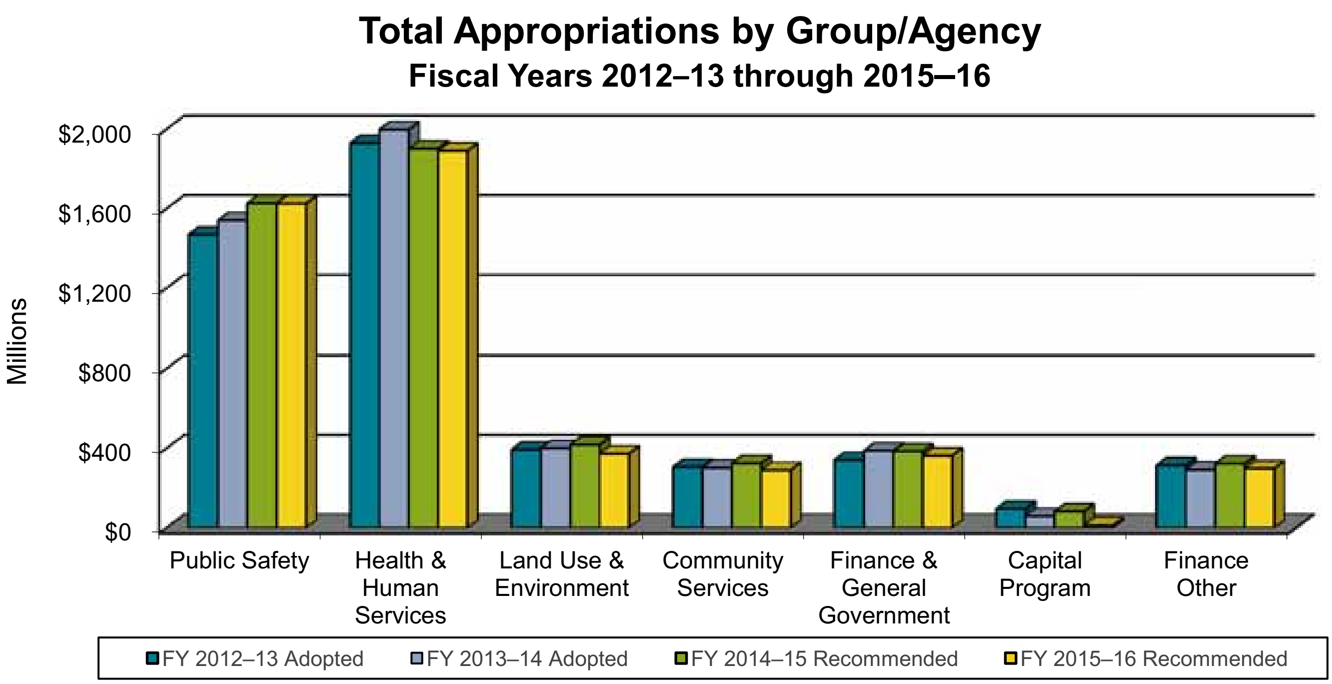
All Funds: Total Appropriations

Total Appropriations by Group/Agency

Appropriations total **$5.06 billion in the Recommended Budget for Fiscal Year 2014–15** and $4.85 billion for Fiscal Year 2015–16. This is an increase of $80.5 million or 1.6% for Fiscal Year 2014–15 from the Fiscal Year 2013–14 Adopted Budget. Looking at the Operational Plan by Group/Agency, appropriations decrease in Health and Human Services and Finance and General Government, while there are increases in Public Safety, Land Use and Environment, Community Services, the Capital Program and Finance Other.



The chart above shows each Group/Agency's share of the Fiscal Year 2014–15 Recommended Budget, while the bar chart and table on the following page compare the Fiscal Years 2014–15 and 2015–16 appropriations to the two prior fiscal years. The percentage change is also calculated for the variance between the Fiscal Year 2014–15 Recommended Budget and the Fiscal Year 2013–14 Adopted Budget. An overview of the County's Operational Plan for Fiscal Year 2014–15 is presented on the following page 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/Agency. More detail by department begins on page 113.



Total Appropriations by Group/Agency (in millions)	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Public Safety	$ 1,469.4	$ 1,540.8	$ 1,626.6	5.6	$ 1,624.4
Health & Human Services	1,928.9	1,997.4	1,900.9	(4.8)	1,890.3
Land Use & Environment	392.9	399.8	417.5	4.4	372.6
Community Services	305.5	300.9	324.1	7.7	289.4
Finance & General Government	340.8	386.8	383.6	(0.8)	362.2
Capital Program	94.2	58.5	81.7	39.7	12.4
Finance Other	313.5	291.9	322.2	10.4	297.4
Total	**$ 4,845.2**	**$ 4,976.1**	**$ 5,056.6**	**1.6**	**$ 4,848.7**

Public Safety Group (PSG)

A **net increase of 5.6% or $85.8 million** from the Fiscal Year 2013–14 Adopted Budget. The increase primarily relates to increased costs as a result of negotiated labor agreements and increases in County retirement contributions, growth in Proposition 172, the *Local Public Safety Protection and Improvement Act of 1993* funding, reclassification of penalty assessment funds, increased law enforcement staffing in the Sheriff's Department, decreased staffing levels in the Probation Department and the planned use of one-time resources. All mandated services are maintained.

Major changes include:

- Costs associated with the San Diego County Women's Detention and Reentry Facility and the East Mesa Reentry Facility.
- Increases in staff in the Law Enforcement Services Bureau, Detention Services Bureau, and for management and executive support.

- Increases in amounts allocated for one-time expenditures to support one-time negotiated salary and benefit payments; and various bridge funding for statutory State payments, pre-placement candidacy activities related to juvenile offenders, contracted services for high-risk offenders, fire protection and emergency response services, and the Sheriff's Transfer Assessment and Release Unit.
- The reclassification of Penalty Assessment agency trust funds to special revenue funds. These resources were previously appropriated through a stand-alone resolution during the annual budget adoption process. For budgetary purposes, these funds have been reclassified to further promote transparency in the budget development process.
- A reduction in staff to support the Youthful Offender Block Grant program and the California Community Corrections Performance Incentive Act due to decreases in juvenile detention populations and offenders under community supervision, which will not impact services.

The Public Safety Group will continue to provide core services, supporting the County's strategic initiatives and operating an efficient and responsive criminal justice system.

Key areas of focus include:

- Promoting and implementing strategies that protect residents from crime and abuse.
- Providing a strong, collaborative criminal justice system that holds offenders accountable and protects victims' rights.
- Reducing recidivism by implementing strategies and providing services to help offenders successfully reenter society.
- Promoting strategies that prevent crime and make neighborhoods safe to live, work and play, including the expansion of data-driven crime prevention and information-led policing strategies.
- Continuing to strengthen the County's and communities' ability to prepare for, respond to and recover from natural disasters, public health threats, environmental hazards and other emergencies.
- Leveraging technology innovations and best practices to improve service delivery and operational efficiency.

Health and Human Services Agency (HHSA)

A recommended **net decrease of 4.8% or $96.5 million** from the Fiscal Year 2013–14 Adopted Budget. The decrease is associated with the transition of the Low Income Health Program (LIHP) to the expanded Medi-Cal program offset by an increase in staff years, an increase due to negotiated labor agreements, increased County retirement contributions, and costs associated with contracted services and client payments. Adjustments to funding and caseloads are also recognized.

Major changes include:

- Decrease with the transition of LIHP to the expanded Medi-Cal program.
- Increase for modernization of service delivery through information technology and consultant contracts that advance *Live Well San Diego,* a countywide initiative to improve health, safety and well-being for all residents.
- Increase for Long Term Care (LTC) for increased capacity for residents with severe mental disease.
- Increase for a state settlement agreement which seeks to accomplish a systematic change of mental health services for children and youth in foster care.
- Expand the In-Home Outreach Team (IHOT) countywide.
- Increase for General Relief assistance payments to align with projected caseload.

A major goal in the development of HHSA's operational plan is to advance the *Live Well San Diego* initiative. As in the past, HHSA continues to work with advisory boards and other key stakeholders in these efforts.

Key areas of focus include:

- Restoring staff for the Long Term Care Ombudsman Program to promote safety of vulnerable adults in long-term care residential facilities.
- Enrolling newly eligible Medi-Cal recipients as part of the *Patient Protection and Affordable Care Act* (ACA) of 2010 to increase the number of Americans with insurance and cut the overall costs of health care to families and individuals.
- Expanding the IHOT program services countywide to link treatment resistant individuals to services.
- Implementing a system change between Behavioral Health Services and Child Welfare Services to connect children to needed mental health services.
- Implementing strategies to streamline the Child Welfare Services Adoption Program.
- Facilitating the processing of compensation and pension claims for veterans and their dependents access to needed benefits.
- Continuing to advance against the 3 behaviors (no physical activity, poor diet, and tobacco use) that result in 4 diseases (cancer, heart disease and stroke, type 2

diabetes, and lung disease) that result in over 50 percent of deaths in San Diego by creating new partnerships through *Live Well San Diego*.

- Implementing a “trauma informed” model to recognize the impact trauma has in the overall wellness of clients and staff.
- Implementing recommendations to update and modernize facilities in response to changes in program and customer needs.

Land Use and Environment Group (LUEG)

A recommended **net increase of 4.4% or $17.7 million** from the Fiscal Year 2013–14 Adopted Budget. Significant increases are in: negotiated labor agreement costs and County retirement contributions; the mobile incentives grant award program; information technology projects; various County roads, airports and San Diego County Sanitation District capital improvement projects; business process reengineering projects; and the addition of staff years.

Major changes include:

- Reduction in one-time funding for inactive waste projects.
- Increased County road, airport and San Diego County Sanitation District capital improvement and maintenance projects.
- Increased one-time funding for major maintenance projects at County parks and facilities identified in the facilities conditions assessment program.
- One-time information technology projects including a new Asset Management System application, development of new online web and mobile applications and paperless conversion projects that will increase customer service, and efficiency in business operations.
- Additional staff years for: operational needs pertaining to Agriculture, Weights and Measures Pest Detection and the Integrated Pest Control programs; Parks and Recreations for the management of the new County Administration Center Waterfront Park; and in Planning and Development Services for a Building Inspector due to increased permit activity and increased workload.

Key areas of focus include:

- Protecting San Diego County's $1.75 billion agricultural industry from damaging pests, noxious non-native weeds and diseases.
- Protecting people and the environment from the harmful effects of air pollution.
- Continuing to work with the Farm and Home Advisor/University of California Cooperative Extension to bring together education and research resources of the University of California, the U.S. Department of Agriculture and the County in order to help individuals, families, businesses and communities address agricultural, environmental, horticultural and public health issues.
- Protecting public health and helping to prevent disease through education and awareness of vector-borne diseases and proper disposal of household hazardous, electronic and universal waste.
- Expanding and protecting park resources, improving infrastructure and acquiring additional parkland throughout the county.
- Improving the overall land development process, 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.
- Awarding and managing construction contracts for road improvement projects in various county communities to enhance safety and improve traffic flow.
- Protecting and preserving the county's water quality and watersheds.

Community Services Group (CSG)

A recommended **net increase of 7.7% or $23.2 million** from the Fiscal Year 2013–14 Adopted Budget. The increase is due to increased salaries and benefits for existing employees and for 11.0 new positions, one-time projects for energy efficiency and major maintenance projects, library books and materials, vehicle fuel, operating transfers between internal service funds, and fund balance component increase for the Registrar of Voters. Partially offsetting decreases include payments for contracted facilities services and one-time capital equipment expenditures.

Major changes include:

- Negotiated one-time and ongoing salary and benefits increases for existing employees and for 11.0 new positions.
- One-time projects for energy efficiency in County facilities, including the third year of funding for Building Automation Systems technology.
- Consultant study to assess accessibility in County facilities and identify projects; funding for projects to improve accessibility.

- Major maintenance projects and capital improvement planning to improve and extend the utility of County animal shelters to provide safe places for animals and attractive environments for adoptions.
- Additional books and materials for library branches.
- Technical adjustments to transfer funds between internal service funds.

Key areas of focus include:

- Support of the *Live Well San Diego* community wellness and safety engagement efforts through a variety of programs relating to housing, animal safety, library services, and federally-funded projects for parks, firefighting equipment, health clinics, and other community resources.
- Maintaining library hours to provide patron access to library materials and services.
- The third 24/7 Library-To-Go kiosk automated book delivery technology.
- Planning and design activities for a new library in Borrego Springs.
- Construction of new libraries in Alpine and Imperial Beach. The Alpine Library is planned to be the first Zero Net Energy County facility.
- Demolition of the existing Las Colinas Women's Detention Facility and Phase 2 construction of the new Women's Detention and Reentry Facility.
- Providing resources to homeless families and veterans exiting from transitional housing.
- Transparency in County procurement through online publishing of contracts.
- Increasing the number of permanent vote-by-mail voters.
- Conducting the November 2014 Gubernatorial General Election.

Finance and General Government Group (FGG)

A recommended **net decrease of 0.8% or $3.2 million** from the Fiscal Year 2013–14 Adopted Budget. The decrease is due primarily to a reduction in one-time Countywide information technology (IT) projects and support, partially offset by negotiated labor agreements and increased County retirement contributions.

Major changes include:

- A change in planned IT services for a number of County departments through the County's information technology outsourcing contract, including:
  - Upgrade of Kronos, the County's personnel timekeeping system.
  - Upgrades and licensing of multiple IT systems, including the Enterprise Document Processing Platform (EDPP).
  - Continued development of the County's new Integrated Property Tax System (IPTS), to reflect planned Fiscal Year 2015–16 implementation.
- Major maintenance projects for the County Administration Center.
- An increase in staff years for administration of employee benefits, workers' compensation, departmental legal support services, and tax collection services.

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 State and federal funds.
- Aggressively pursuing opportunities to restructure the County's debt portfolio to maximize taxpayer savings.
- Maintaining a strong Treasurer's Investment Pool.
- Maintaining an investment in modern information technology.
  - Improving the County's Active Directory (AD) structure for information system access and moving toward an even more secure data environment.
  - Completing upgrades to the County's key information technology systems, including the personnel timekeeping system.

Capital Program

A recommended **net increase of 39.7% or $23.2 million** from the Fiscal Year 2013–14 Adopted Budget. The amount budgeted in the Capital Program for Capital Projects can vary significantly from year to year based on the size and scope of capital needs in the coming years. The Fiscal Year 2014–15 Capital Program includes $81.7 million for the following capital projects:

- $50.0 million of initial funding for the Sheriff’s Crime Lab, with an estimated total project cost of $104.8 million;
- $10.0 million for the Multiple Species Conservation Program (MSCP);
- $9.7 million for the Borrego Springs Community Library;
- $1.5 million for Guajome Regional Park Electrical, Water and Sewer; and
- $0.6 million for Sweetwater Regional Park Photovoltaic Phase II.

The Capital Program also includes $9.9 million for the Edgemoor Development Fund to pay debt service on the 2005 and 2006 Edgemoor Certificates of Participation and other costs to improve the Edgemoor property.

In Fiscal Year 2015–16, appropriations decrease by $69.3 million from Fiscal Year 2014–15 and the program includes funding of $2.5 million for the MSCP and $9.9 million for the Edgemoor Development Fund.

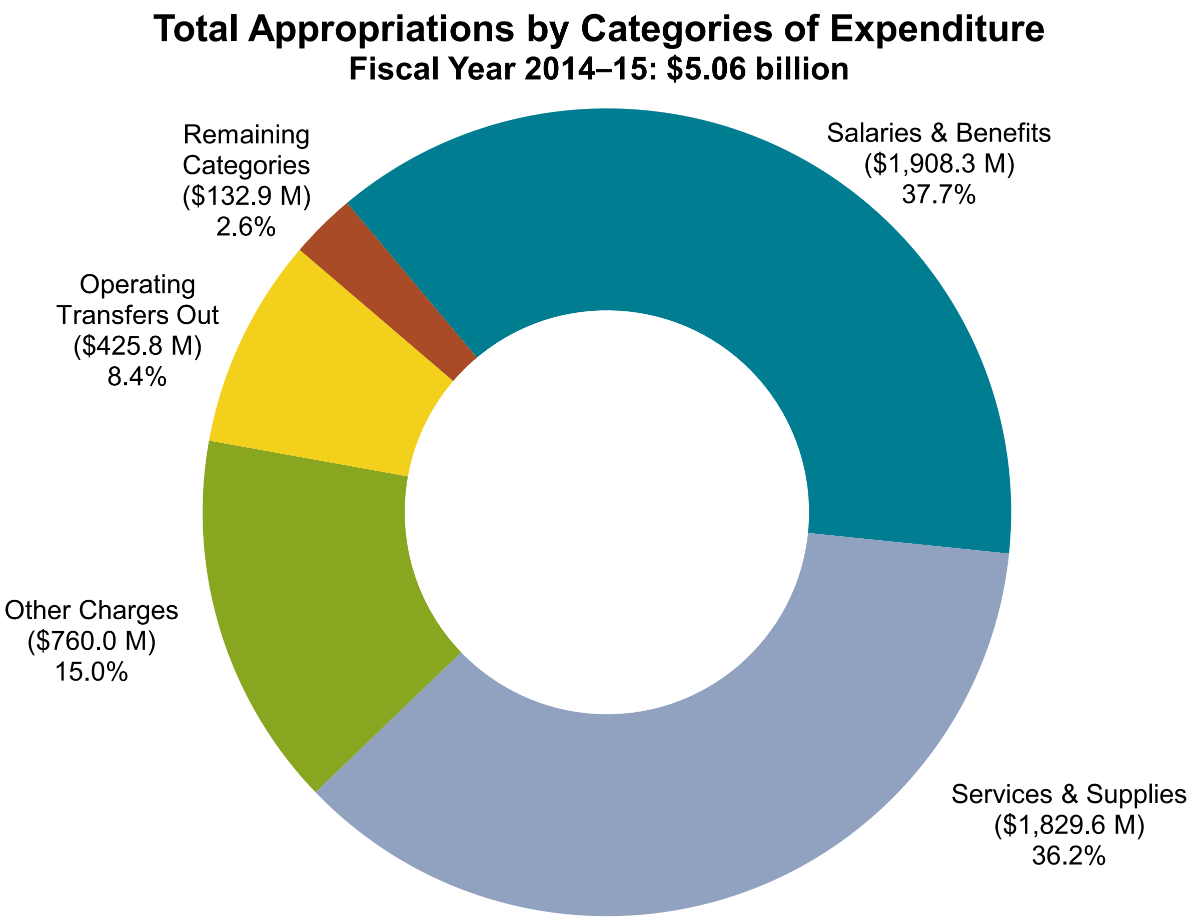
Finance Other

Recommended **net increase of 10.4% or $30.3 million** from the Fiscal Year 2013–14 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.

The majority of the increase in the Fiscal Year 2014–15 budget supports capital projects, as described beginning on the previous page.

Total Appropriations by Categories of Expenditure

The chart below shows the Recommended Budget detailed by categories of expenditure. As noted previously, the **Fiscal Year 2014–15** Recommended Budget is **increasing overall by $80.5 million** from the Fiscal Year 2013–14 Adopted Budget and decreasing by $207.9 million in Fiscal Year 2015–16.

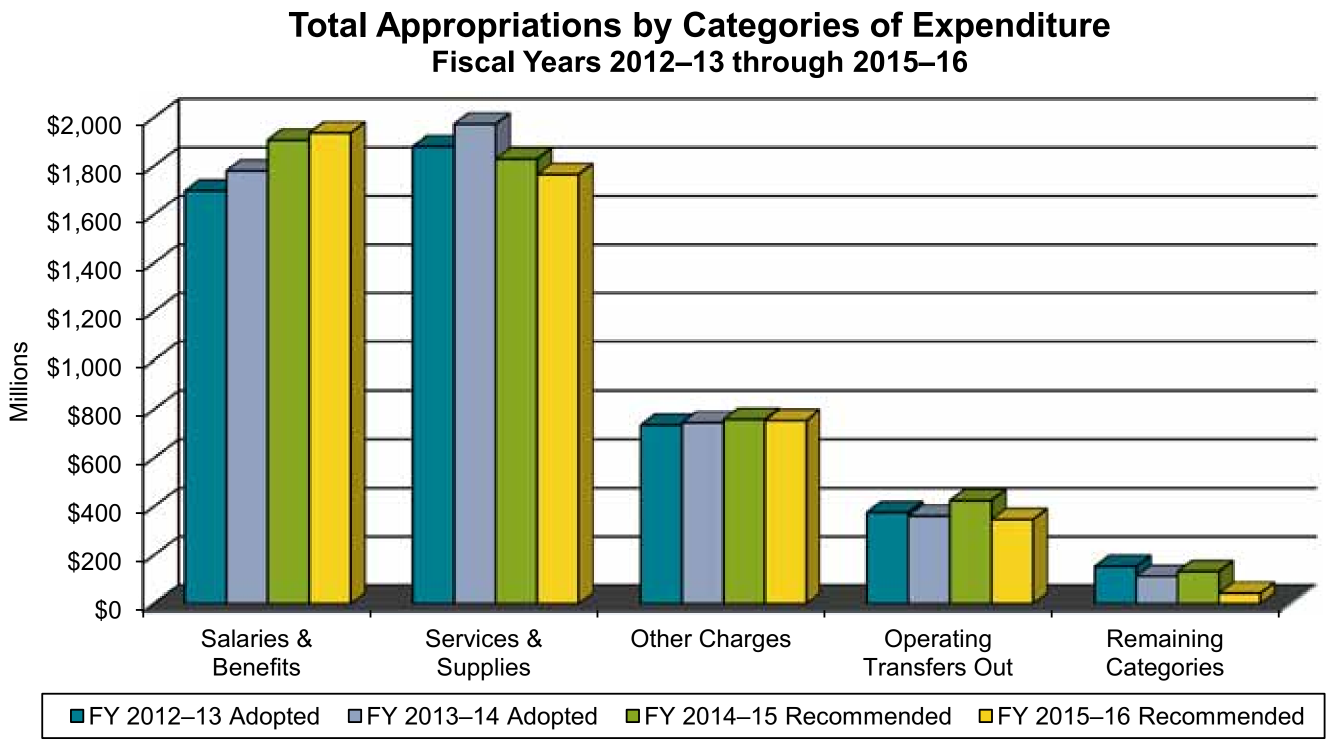


The changes by category are summarized as follows:

Salaries & Benefits

Salaries & Benefits are **increasing overall by a net $128.0 million or 7.2%** in Fiscal Year 2014–15. This change reflects negotiated salary and benefit costs and retirement contributions, offset by a reduction in the County funding of the employee share, and a net staffing increase of 410.00 staff years. Staffing changes include additions in the Health and Human Services Agency, Sheriff's Department, District Attorney, and other various departments, and reductions in the Probation Department. All existing labor agreements include increases in flexible benefit credits.

In Fiscal Year 2015–16, Salaries and Benefits are increasing by a net of $28.5 million or 1.5%, which reflects negotiated salary and benefit costs and retirement contribution



Total Appropriations by Categories of Expenditure (in millions)					
	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Salaries & Employee Benefits	$ 1,697.3	$ 1,780.3	$ 1,908.3	7.2	$ 1,936.8
Services & Supplies	1,881.0	1,973.9	1,829.6	(7.3)	1,766.0
Other Charges	736.4	746.8	760.0	1.8	755.2
Operating Transfers Out	376.4	362.1	425.8	17.6	347.0
Remaining Categories:					
Capital Assets/Land Acquisition	93.0	59.1	83.0	40.4	5.5
Capital Assets Equipment	24.8	23.6	20.7	(12.4)	13.3
Expenditure Transfer & Reimbursements	(29.7)	(30.2)	(30.3)	0.2	(30.6)
Contingency Reserves	22.1	23.1	24.6	6.5	25.1
Fund Balance Component Increases	13.7	0.6	2.6	314.5	0.2
Management Reserves	30.3	36.8	32.2	(12.3)	30.3
Total	**$ 4,845.2**	**$ 4,976.1**	**$ 5,056.6**	**1.6**	**$ 4,848.7**

requirements, an increase in flexible benefit credits and a net increase of 2.00 staff years. See Total Staffing on page 59 for a summary of staffing changes by business group.

Services & Supplies

Services & Supplies are **decreasing by a net of $144.3 million or 7.3%**. 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 decrease of $143.7 million in contracted services associated with the end of the Low Income Health Program (LIHP), a decrease of $7.6 million in eligibility program contracts including the one-time cost for the California Healthcare Eligibility Enrollment and Retention System (CalHEERS) in CalWIN, a decrease of $6.2 million in grant funds that support State and federal homeland security initiatives, a decrease of $5.9 million in facility management costs and contract costs in landfill management for the Department of Public Works, a decrease of $5.3 million in contracts for the San Diego County Fire Authority due to the expiration of the Dead, Dying and Diseased Tree Removal grant, a decrease of $4.8 million due to reduction in one-time expenditures appropriated for major information technology system upgrades in the Finance and General Government Group, an increase of $11.9 million in contract services for various capital improvement projects including retrofitting of street lights to energy saving Light Emitting Diode (LED), and an increase of $11.2 million due to a one-time technical adjustment required to clear an outstanding loan payable and receivable resulting from inter-fund cash borrowing between the internal service funds (ISFs) (Fleet ISF: $9.7 million and Major Maintenance ISF: $1.5 million).

A decrease of $63.6 million or 3.5% in Fiscal Year 2015–16, is primarily due to completion of one-time initiatives in Fiscal Year 2014–15.

Other Charges

Other Charges are **increasing by $13.2 million or 1.8%**. This category includes items such as aid payments, debt service payments, interest expenses, right-of-way easement purchases and various other payments including contributions to trial courts and grants to organizations participating in the Community Enhancement and Neighborhood Reinvestment Programs. The increase is primarily due to transfer of a portion of the Tobacco Settlement payments between Operating Transfers and Other Charges to be used for contingencies for various health and human services programs, increase in General Relief assistance payments, increase for Penalty Assessment distribution dedicated to Emergency Medical Services, increased inmate medical costs due to full year operations at the San Diego County Women's Detention and Reentry Facility and the East Mesa Reentry Facility, increase due to the mobile incentives program in Air Pollution Control District, increase for housing assistance for families with special needs, and decrease related to one-time funding received in Fiscal Year 2013–14 for projects in the Environment Trust Fund.

A net decrease of $4.8 million or 0.6% is projected in Fiscal Year 2015–16 due to non-recurrence of one-time items from prior year.

Operating Transfers Out

Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, is **increasing by $63.7 million or 17.6%**. The most significant increases are in the Public Safety Group due to increased revenues from Proposition 172 and distribution of Penalty Assessment revenue; in the Community Services Group from a technical adjustment between the ISFs; and in Finance Other to support recommended capital initiatives in Fiscal Year 2014–15 including new projects included in the capital program described in the Capital Assets/Land Acquisition below, while Operating Transfers decrease in the Health and Human Services Agency.

A decrease of $78.8 million or 18.5% is projected for Fiscal Year 2015–16, and is primarily due to the nonrecurrence of one-time items from the prior year, including a $69.3 million decrease for funding future capital projects.

Capital Assets/Land Acquisition

Capital Assets/Land Acquisition, which includes capital improvement projects and property acquisitions, is **increasing by $23.9 million or 40.4%** from Fiscal Year 2013–14. Appropriations vary from year to year depending upon the cost of the projects being funded. Of the $83.0 million budgeted for Fiscal Year 2014–15, $71.8 million is for projects in the Capital Program, with the remainder for projects in the Airport Enterprise Fund and in the San Diego County Sanitation District. The Fiscal Year 2014–15 Capital Program of $71.8 million includes $50.0 million for the Sheriff's Crime Lab, $10.0 million for land acquisition for the Multiple Species Conservation Program (MSCP), $9.7 million for the Borrego Springs Branch Library, $1.5 million for Guajome Regional Park Electrical, Water and Sewer upgrades, and $0.6 million for the Sweetwater Regional Park Photovoltaic Phase II project.

A decrease of $77.5 million or 93.4% is projected for Fiscal Year 2015–16 due to the removal of appropriations to support the one-time projects above. Amounts included in Fiscal Year 2015–16 reflect planned for MSCP land acquisition and projects in the San Diego County Sanitation District.

Capital Assets Equipment

Capital Assets Equipment is **decreasing by $2.9 million or 12.4%** from last year. This account primarily includes routine ISF 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. A decrease of $7.4 million is expected for Fiscal Year 2015–16.

Expenditure Transfers & Reimbursements

Expenditure Transfers and Reimbursements are **increasing by $0.1 million or 0.2%**. Activity in this account reflects the transfer of expenses to another department within the same fund for services provided. A transfer can occur because a department's funding source requires the expenses to be recorded in that department for revenue claiming purposes, although the actual services are being provided by another department.

The Expenditure Transfers and Reimbursement accounts are negative amounts to avoid the duplication of expenditures. One 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.

Contingency Reserves

Contingency Reserves are appropriations that are set aside for unanticipated needs during the year. In Fiscal Year 2014–15, three funds have a contingency reserve. The General Fund contingency reserve increased to $20.5 million from $20.0 million. The Employee Benefits ISF contingency reserve increased to $4.0 million from $3.0 million. The Fleet ISF contingency reserve is budgeted at $0.1 million, which is unchanged from Fiscal Year 2013–14. In Fiscal Year 2015–16, the General Fund contingency reserve increased to $20.9 million. See the discussion of the General Fund Contingency Reserve in the Finance Other section on page 457.

Fund Balance Component Increases

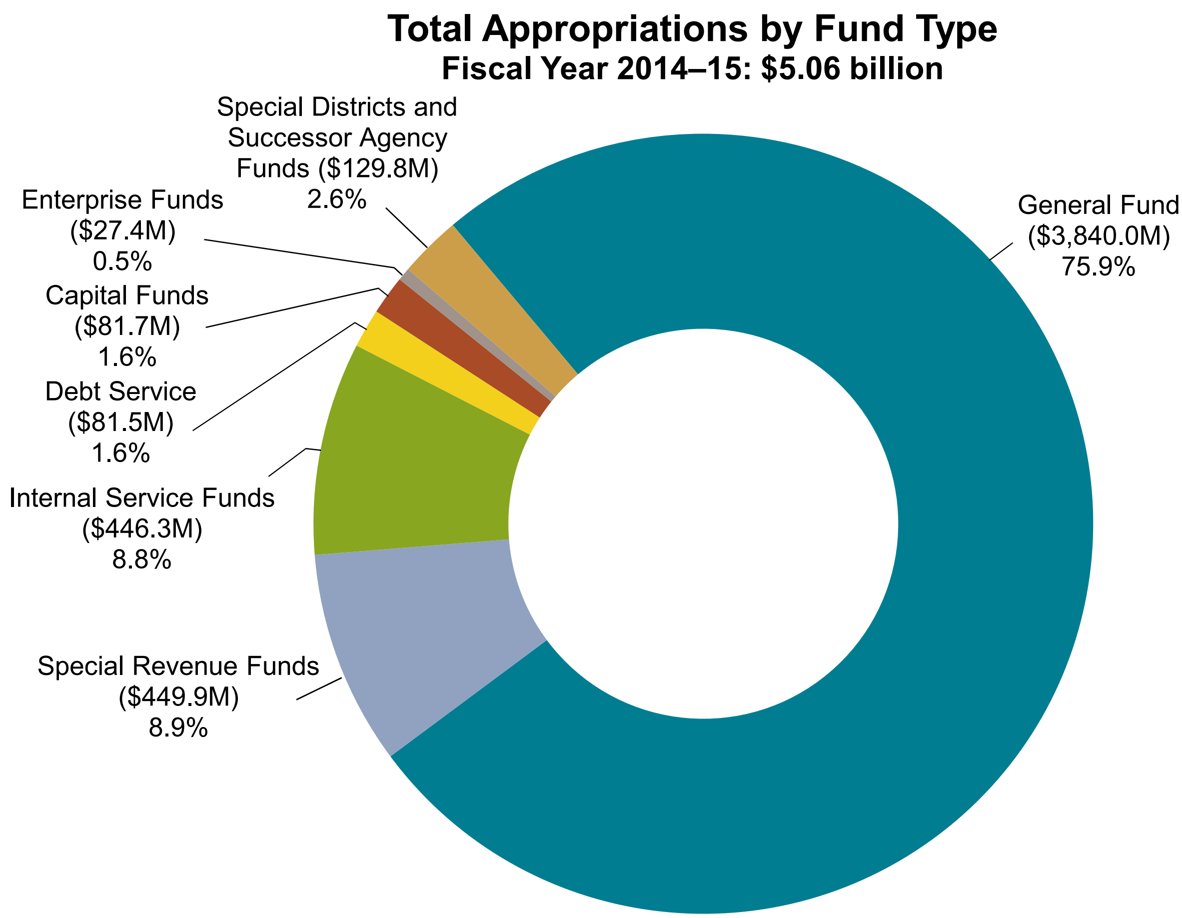
Fund Balance Component Increases can vary from year to year depending upon the need to set aside fund balance for specific future uses. In Fiscal Year 2014–15, fund balance has been committed for the principal and interest received from the February 2011 sale of the Grand Avenue clinic ($1.1 million), for the 2016 Presidential Primary Election for the Registrar of Voters ($1.0 million), for reserves for building maintenance and replacement for the Air Pollution Control District ($0.3 million), toward the replacement/upgrade of fire apparatus and equipment for regional support for the San Diego County Fire Authority ($0.1 million), and for replacement reserves for equipment and infrastructure in the San Diego County Sanitation District for the Pine Valley Service Area ($0.1 million).

Management Reserves

Management Reserves are **decreasing by $4.6 million or 12.3%**. The level of Management Reserves can vary from year to year. They are used to fund one-time projects or to serve as a prudent mitigation for revenue and economic uncertainties at the 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 96.)



Governmental Fund Types

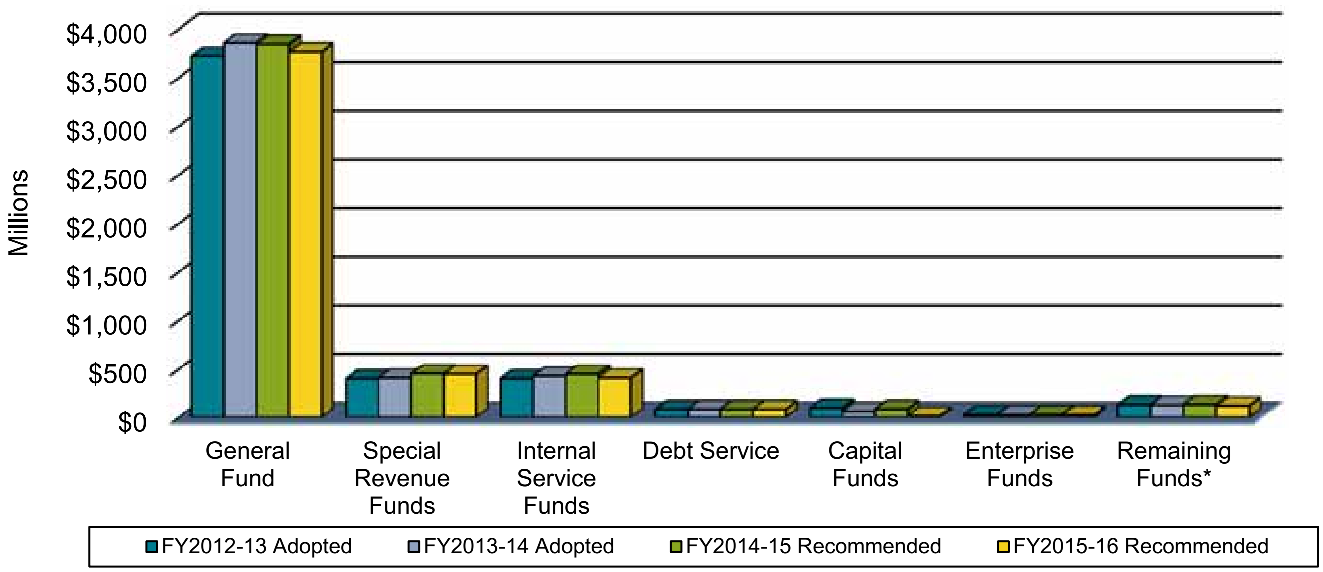
The **General Fund** accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the County's primary operating fund.

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 the payment of principal and interest on general long-term debt. The Debt Service Funds include bond principal and interest payments and administrative expenses for Pension Obligation Bonds. A discussion of long and short-term financial obligations can be found on page 106.

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).

Total Appropriations by Fund Type
Fiscal Years 2012–13 through 2015–16



*Remaining Funds include Special Districts and Miscellaneous Local Agencies

Total Appropriations by Fund Type (in millions)

	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
General Fund	$ 3,718.9	$ 3,853.1	$ 3,840.0	(0.3)	$ 3,762.6
Special Revenue Funds	398.2	406.9	449.9	10.6	444.5
Internal Service Funds	399.4	425.7	446.3	4.9	406.7
Debt Service Funds	81.5	81.5	81.5	0.0	81.5
Capital Project Funds	94.2	58.5	81.7	39.7	12.4
Enterprise Funds	25.0	24.8	27.4	10.3	24.1
Special Districts and Successor Agency Funds	128.1	125.7	129.8	3.2	116.9
Total	**$ 4,845.2**	**$ 4,976.1**	**$ 5,056.6**	**1.6**	**$ 4,848.7**

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 and Successor Agency 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.

Successor Agency Funds are used to pay the outstanding obligations of the dissolved Redevelopment Agencies and taxing entities where the County is the Successor Agency. Redevelopment Agencies 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, *Community Redevelopment Dissolution*, 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.

County Budgetary Fund Structure

- County of San Diego
  - Governmental Funds
    - General Fund (Major)
    - Special Revenue Funds
      - Asset Forfeiture
      - County Library
      - Housing
      - Inactive Waste Site Program
      - Inmate Welfare
      - Parkland Dedication
      - Penalty Assessment
      - Proposition 172
      - Public Works Roads
      - Special Districts
        - Air Pollution Control District
        - Aviation
        - County Service Areas
        - Grazing Fish and Game
        - Lighting Maintenance
        - Permanent Road Divisions
      - Tobacco Settlement
    - Debt Service Funds
      - Pension Obligation Bonds
    - Capital Project Funds
      - MSCP Acquisition
      - Capital Outlay
      - County Health Complex
      - Edgemoor Development
      - Justice Facility Construction
      - Library Projects
  - Proprietary Funds
    - Enterprise Funds
      - Airport
      - Liquid Waste
      - Sanitation District
    - Internal Service Funds
      - Facilities Management
      - Fleet Services
      - Information Technology
      - Jail Stores
      - Road and Communication Equipment
      - Purchasing
      - Risk Management Programs
  - Fiduciary Funds
    - County of San Diego Successor Agency

Department Fund Relationship

The table on the following pages summarizes the relationship between County funds and each of the County's business groups. Funds are summarized by fund type and categorized as governmental, proprietary or fiduciary.

Department Fund Relationship							
	GOVERNMENTAL				PROPRIETARY		FIDUCIARY
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Successor Agency Funds
Community Services Group (CSG)							
Animal Services	✓						
County Library		✓					
County of San Diego Successor Agency							✓
CSG Executive Office	✓						
General Services						✓	
Housing and Community Development	✓	✓					
Purchasing and Contracting						✓	
Registrar of Voters	✓						
Finance and General Government (FGG) Group							
Assessor/Recorder/County Clerk	✓						
Auditor and Controller	✓						
Board of Supervisors	✓						
Clerk of the Board of Supervisors	✓						
Chief Administrative Office	✓						
Civil Service Commission	✓						
County Counsel	✓					✓	
County Communications Office	✓						
County Technology Office	✓					✓	
FGG Group Executive Office	✓						
Grand Jury	✓						
Human Resources	✓					✓	
Treasurer-Tax Collector	✓						
Health and Human Services Agency							
Administrative Support	✓						
Aging and Independence Services	✓						
Behavioral Health Services	✓						
Child Welfare Services	✓						
Public Health Services	✓	✓					
Regional Operations	✓						

	GOVERNMENTAL				PROPRIETARY		FIDUCIARY
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Successor Agency Funds
Land Use and Environment Group (LUEG)							
Agriculture, Weights & Measures	✓	✓					
Air Pollution Control District		✓					
Environmental Health	✓						
Farm and Home Advisor	✓						
LUEG Executive Office	✓						
Parks and Recreation	✓	✓					
Planning and Development Services	✓						
Public Works	✓	✓			✓	✓	
Public Safety Group (PSG)							
Child Support Services	✓						
Citizens' Law Enforcement Review Board	✓						
District Attorney	✓	✓					
Medical Examiner	✓						
Office of Emergency Services	✓						
Probation	✓	✓					
Public Defender	✓						
PSG Executive Office	✓	✓					
San Diego County Fire Authority	✓	✓					
Sheriff	✓	✓				✓	
Capital Program	✓			✓			
Finance Other	✓		✓			✓	

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 Appropriations Limit (in millions)

	Fiscal Year 2007–08	Fiscal Year 2008–09	Fiscal Year 2009–10	Fiscal Year 2010–11	Fiscal Year 2011–12	Fiscal Year 2012–13	Fiscal Year 2013–14	Fiscal Year 2014–15
Gann Limit	$ 3,619	$ 3,825	$ 3,897	$ 3,852	$ 3,977	$ 4,164	$ 4,465	$ 4,465
Appropriations subject to the limit	$ 1,287	$ 1,340	$ 1,309	$ 1,264	$ 1,255	$ 1,527	$ 1,683	$ 1,683

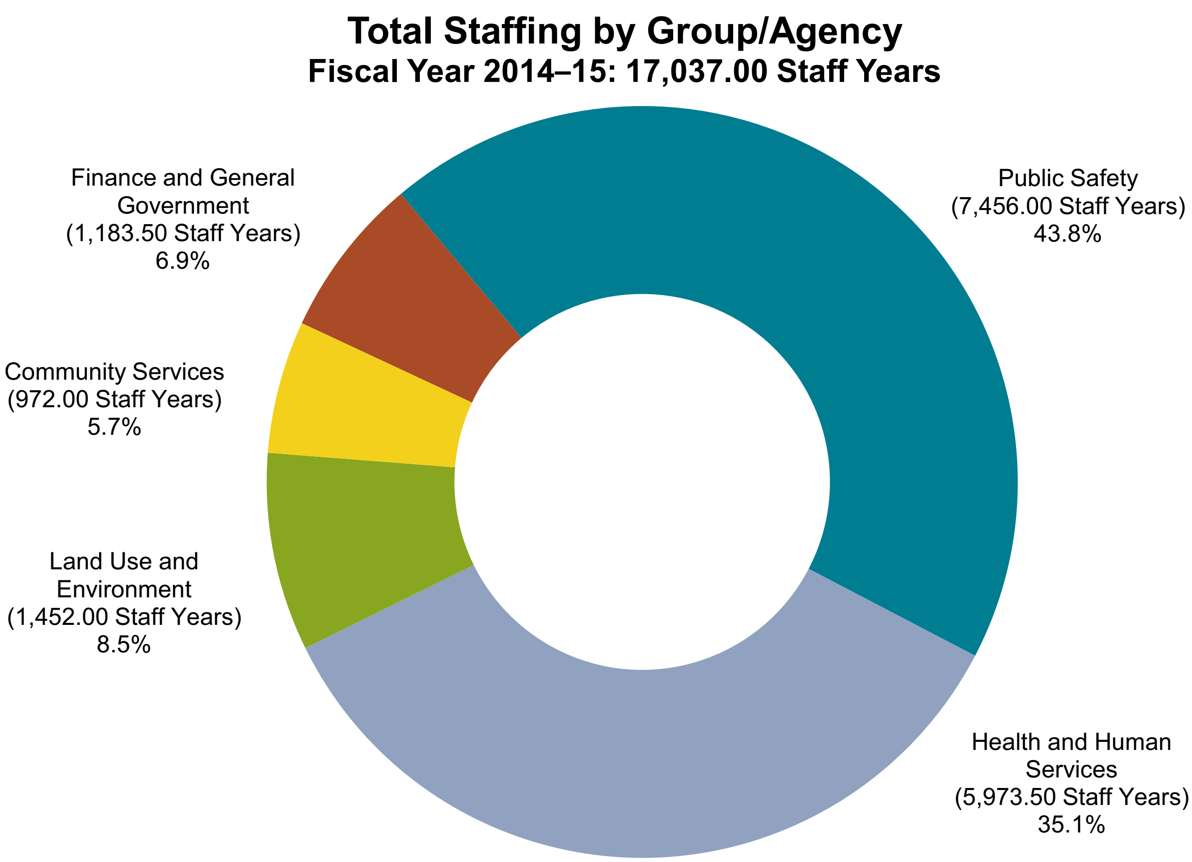
All Funds: Total Staffing

Total Staffing by Group/Agency

Recommended staff years for **Fiscal Year 2014–15 increase by 410.00** from the Adopted Budget for Fiscal Year 2013–14, **an increase of 2.5% to a total of 17,037.00 staff years**. One staff year equates to one permanent employee working full-time for one year.

This net increase is primarily attributable to increased staffing in the Health and Human Services Agency. While overall staffing levels are increasing, there are some departments and programs in which staffing levels are decreasing. The staffing changes are summarized by business group in the chart below.

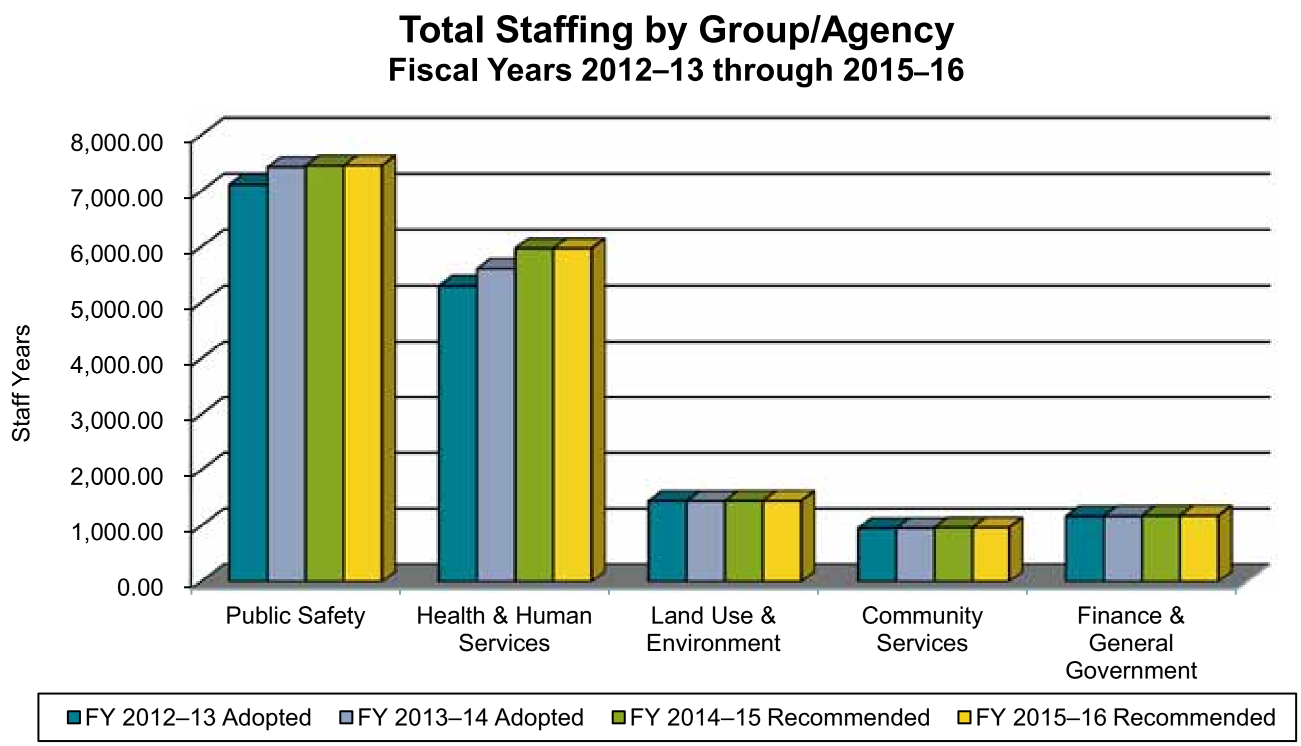
Total staff years in Fiscal Year 2015–16 are expected to remain relatively constant at 17,039.00.



Public Safety Group (PSG)

PSG has a **net increase of 27.00 staff years, or 0.4%**, to align staffing with available revenues and to address key operational requirements.

- District Attorney: increases by 11.00 staff years. This includes an increase of 7.00 staff years associated with projected increases in caseload; 2.00 staff years associated with fulfilling additional responsibilities to victims of crime; and 2.00 staff years to develop and imple-



Total Staffing by Group/Agency (staff years)					
	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Public Safety	7,120.00	7,429.00	7,456.00	0.4	7,458.00
Health and Human Services	5,306.25	5,613.50	5,973.50	6.4	5,973.50
Land Use and Environment	1,451.00	1,446.00	1,452.00	0.4	1,452.00
Community Services	959.00	961.00	972.00	1.1	972.00
Finance and General Government	1,174.50	1,177.50	1,183.50	0.5	1,183.50
Total	**16,010.75**	**16,627.00**	**17,037.00**	**2.5**	**17,039.00**

ment new and innovative information technology projects.

- Sheriff's Department: increases by a net of 32.00 staff years. This includes an increase of 21.00 staff years in the Law Enforcement Services Bureau (of these, 8.00 staff years and 5.00 staff years were approved by the Board of Supervisors on August 6, 2013 and February 4, 2014, respectively), increase of 4.00 staff years in the Detention Services Bureau, and increase of 7.00 staff years for management and executive support.
- Medical Examiner: increases by 2.00 staff years to provide laboratory support for Toxicology and Human Resources support.
- Probation Department: decreases by a net of 23.00 staff years. This includes a decrease of 4.00 staff years due to a reduction in Senate Bill (SB) 678, *The California Community Corrections Performance Incentive Act of 2009* revenue and a decrease of 19.00 staff years as a result of a reduction in the Youthful Offender Block Grant program due to decreases in juvenile detention populations and offenders under community supervision.
- San Diego County Fire Authority: increases by 5.00 staff years. This includes an increase of 4.00 staff years to support expanding administrative and fiscal responsibilities with the implementation of the Fire Master Plan as approved by the Board of Supervisors on July

30, 2013, and an increase of 1.00 staff year to support fire prevention activities as approved by the Board of Supervisors on October 22, 2013.

In Fiscal Year 2015–16, the Public Safety Group anticipates increasing by 2.00 staff years in the Sheriff's Department to support the increased workload for the Special Enforcement Detail.

Health and Human Services Agency (HHSA)

HHSA has an **increase of 360.00 staff years or 6.4%**. The increase includes the addition of 351.00 staff years as approved by the Board of Supervisors on September 24, 2013 to implement the new responsibilities associated with the federal *Patient Protection and Affordable Care Act* (ACA) of 2010; the addition of 3.00 staff years as approved by the Board of Supervisors on November 5, 2013 to support the streamlining of the Child Welfare Services Adoption Program; and the addition of 6.00 staff years in response to direction by the Board of Supervisors on March 11, 2014 to identify funding to fully offset the 2009 cuts in the Long-Term Care Ombudsman program.

- Regional Operations: increases by 345.75 staff years to support the implementation of ACA, and includes interdepartmental transfers.
- Administrative Support: increases by 8.00 staff years in Human Resources, Financial Services Division–Facilities Management, Information Technology, and Office of Strategy and Innovation to support the implementation of ACA.
- Aging and Independence Services: increases by 6.00 staff years in the Long-Term Care Ombudsman program.
- Child Welfare Services: increases by 5.00 staff years to support streamlining of the Adoptions Program, and includes interdepartmental transfers.
- Behavioral Health Services: decreases by 4.75 staff years due to interdepartmental transfers.

In Fiscal Year 2015–16, no change in staffing is recommended.

Land Use and Environment Group (LUEG)

LUEG has an **increase of 6.00 staff years or 0.4%**.

- Agriculture, Weights and Measures: increases by 2.00 staff years. This includes an increase of 1.00 staff year in the Pest Detection program to survey Huonglongbing disease, a vector of the Asian Citrus Psyllid pest, to prevent the spread of the deadly disease to citrus trees in the county and an increase of 1.00 staff year in the Integrated Pest Control program for increased invasive weed abatement work.
- Parks and Recreation: increases by 3.00 staff years in the Operations Division for the management of the new County Administration Center Waterfront Park.
- Planning and Development Services: increases by a net of 1.00 staff year for a Building Inspector due to increased permit activity and increased workload.
- Public Works (DPW): No net change in staffing.
  - Increase of 3.00 staff years departmentwide includes 1.00 new staff year in the Wastewater Enterprise Fund to provide mandated level of service for the Harmony Grove Service District area in the San Diego County Sanitation District, and 2.00 new staff years in DPW General Fund Watershed Protection Program to meet operational needs and additional regulatory responsibilities due to new Municipal Storm Water permit requirements, and oversee a new residential compliance program.
  - Decrease in the Road Fund of 3.00 staff years (2.00 in the Capital Improvement Program and 1.00 in Environmental Services) as a result of decreased workload for capital improvement projects funded by Highway Users Tax.
  - Transfer of 4.00 staff years from Inactive Waste fund into the newly created Waste Planning and Recycling fund. This action will separate State grant-funded recycling operations and related staff in the Waste Planning fund from the Inactive Waste fund activities related to maintenance of inactive landfills funded by the Environmental Trust Fund.

In Fiscal Year 2015–16, no change in staffing is recommended.

Community Services Group (CSG)

CSG has an **increase of 11.00 staff years or 1.1%**.

- General Services: increases by 10.00 staff years to support expanding facilities and operational needs, primarily for the new San Diego County Women's Detention and Reentry Facility.
- Department of Animal Services: increases by 1.00 staff year for a human resource management position.

In Fiscal Year 2015–16, no change in staffing is recommended.

Finance and General Government Group (FGG)

FGG has an **increase of 6.00 staff years or 0.5%**.

- County Counsel: increases by 2.00 staff years. The staffing increase results from the addition of a Senior

Deputy County Counsel position to address an increase in public works and planning project workloads, and the addition of a Senior Deputy County Counsel position to address an increase in demand for workers' compensation legal support services. The first position was approved by the Board of Supervisors on December 3, 2013.

- Department of Human Resources: increases by 2.00 staff years. The staffing increase results from the addition of a Human Resource Analyst position in the Employee Benefits Division to address increasing workloads and ensure compliance with ACA mandates, and the addition of a Workers' Compensation Adjuster to keep pace with current claims workloads.
- Treasurer-Tax Collector: increases by 2.00 staff years. The staffing increase results from the reinstatement of two previously defunded positions in the Tax Collector division (an Administrative Secretary II and a Tax Payment Enforcement Officer) to address increasing workloads in tax collection activities and administrative support.

In Fiscal Year 2015–16, no change in staffing is recommended.

Changes by department are summarized in the table on the following pages. Additional detail on staff year changes can be found in the Group/Agency section that begins on page 113.

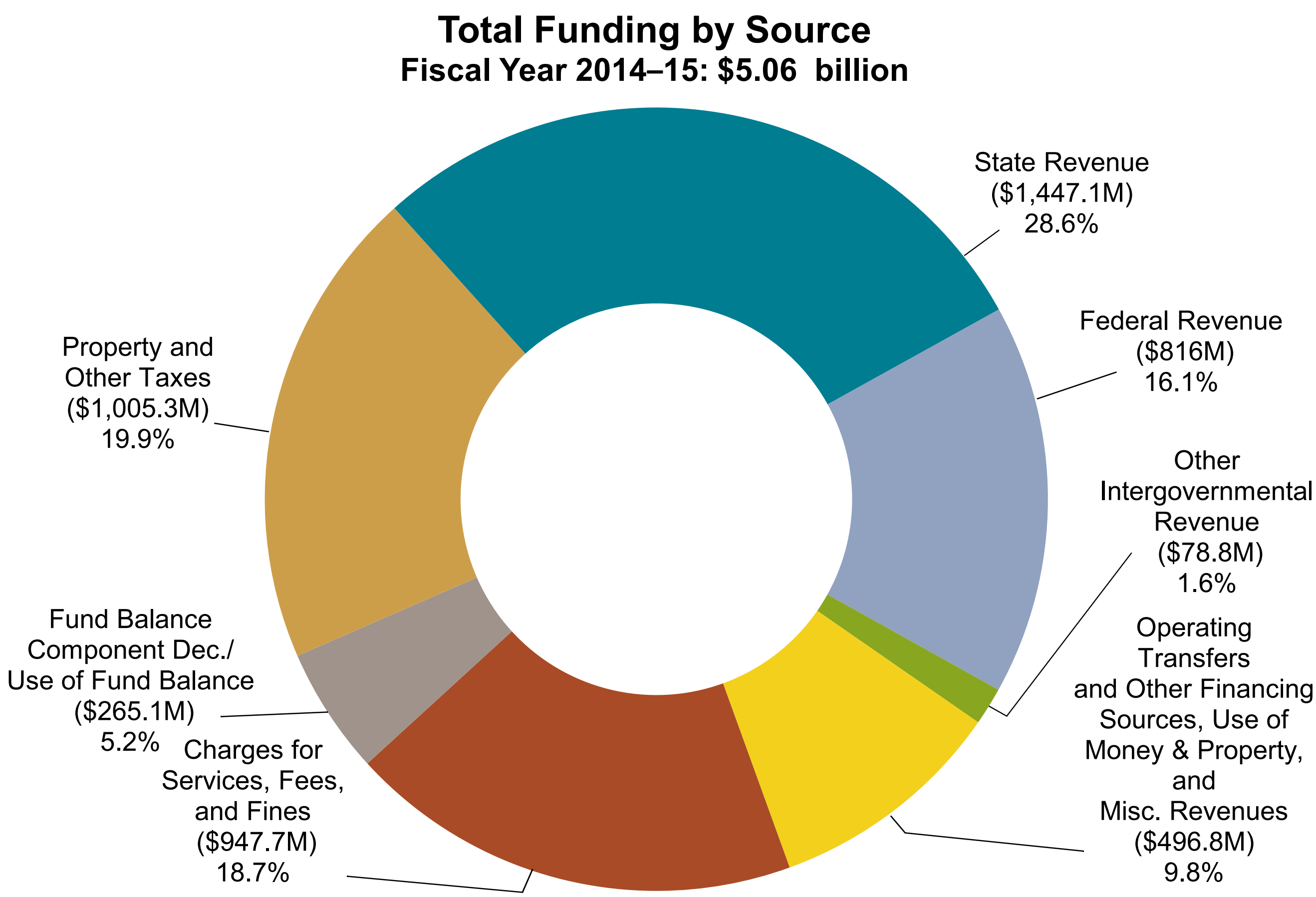
Total Staffing by Department within Group/Agency (staff years)					
	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Public Safety	**7,120.00**	**7,429.00**	**7,456.00**	**0.4**	**7,458.00**
Public Safety Executive Office	11.00	11.00	11.00	0.0	11.00
District Attorney	978.00	985.00	996.00	1.1	996.00
Sheriff	3,896.00	4,178.00	4,210.00	0.8	4,212.00
Child Support Services	472.00	471.00	471.00	0.0	471.00
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	52.00	54.00	56.00	3.7	56.00
Probation	1,331.00	1,339.00	1,316.00	(1.7)	1,316.00
Public Defender	346.00	357.00	357.00	0.0	357.00
San Diego County Fire Authority	13.00	13.00	18.00	38.5	18.00
Health and Human Services	**5,306.25**	**5,613.50**	**5,973.50**	**6.4**	**5,973.50**
Regional Operations	2,432.00	2,838.00	3,183.75	12.2	3,183.75
Strategic Planning and Operational Support	211.00	0.00	0.00	—	0.00
Aging and Independence Services	291.50	379.00	385.00	1.6	385.00
Behavioral Health Services	829.50	791.00	786.25	(0.6)	786.25
Child Welfare Services	717.50	752.00	757.00	0.7	757.00
Public Health Services	483.75	484.50	484.50	0.0	484.50
Public Administrator/Public Guardian	34.00	0.00	0.00	—	0.00
Administrative Support	307.00	369.00	377.00	2.2	377.00
Land Use and Environment	**1,451.00**	**1,446.00**	**1,452.00**	**0.4**	**1,452.00**
Land Use and Environment Executive Office	10.00	10.00	10.00	0.0	10.00
Agriculture, Weights and Measures	153.00	160.00	162.00	1.3	162.00
Air Pollution Control District	146.00	146.00	146.00	0.0	146.00
Environmental Health	281.00	280.00	280.00	0.0	280.00
Farm and Home Advisor	2.00	0.00	0.00	—	0.00
Parks and Recreation	175.00	175.00	178.00	1.7	178.00
Planning and Land Use	160.00	0.00	0.00	—	0.00
Planning and Development Services	0.00	175.00	176.00	0.6	176.00
Public Works	524.00	500.00	500.00	0.0	500.00

Total Staffing by Department within Group/Agency (staff years)	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Community Services	**959.00**	**961.00**	**972.00**	**1.1**	**972.00**
Community Services Executive Office	8.00	8.00	8.00	0.0	8.00
Animal Services	123.00	123.00	124.00	0.8	124.00
County Library	270.00	270.00	270.00	0.0	270.00
General Services	336.00	338.00	348.00	3.0	348.00
Housing and Community Development	102.00	102.00	102.00	0.0	102.00
Purchasing and Contracting	56.00	56.00	56.00	0.0	56.00
Registrar of Voters	64.00	64.00	64.00	0.0	64.00
Finance and General Government	**1,174.50**	**1,177.50**	**1,183.50**	**0.5**	**1,183.50**
Finance and General Government Executive Office	7.00	21.00	21.00	0.0	21.00
Board of Supervisors	56.00	56.00	56.00	0.0	56.00
Assessor/Recorder/County Clerk	410.50	410.50	410.50	0.0	410.50
Treasurer-Tax Collector	121.00	121.00	123.00	1.7	123.00
Chief Administrative Office	14.50	14.50	14.50	0.0	14.50
Auditor and Controller	246.50	232.50	232.50	0.0	232.50
County Technology Office	16.00	17.00	17.00	0.0	17.00
Civil Service Commission	4.00	4.00	4.00	0.0	4.00
Clerk of the Board of Supervisors	27.00	27.00	27.00	0.0	27.00
County Counsel	135.00	136.00	138.00	1.5	138.00
Grand Jury	1.00	1.00	1.00	0.0	1.00
Human Resources	114.00	115.00	117.00	1.7	117.00
County Communications Office	22.00	22.00	22.00	0.0	22.00
County Total	**16,010.75**	**16,627.00**	**17,037.00**	**2.5**	**17,039.00**

All Funds: Total Funding Sources

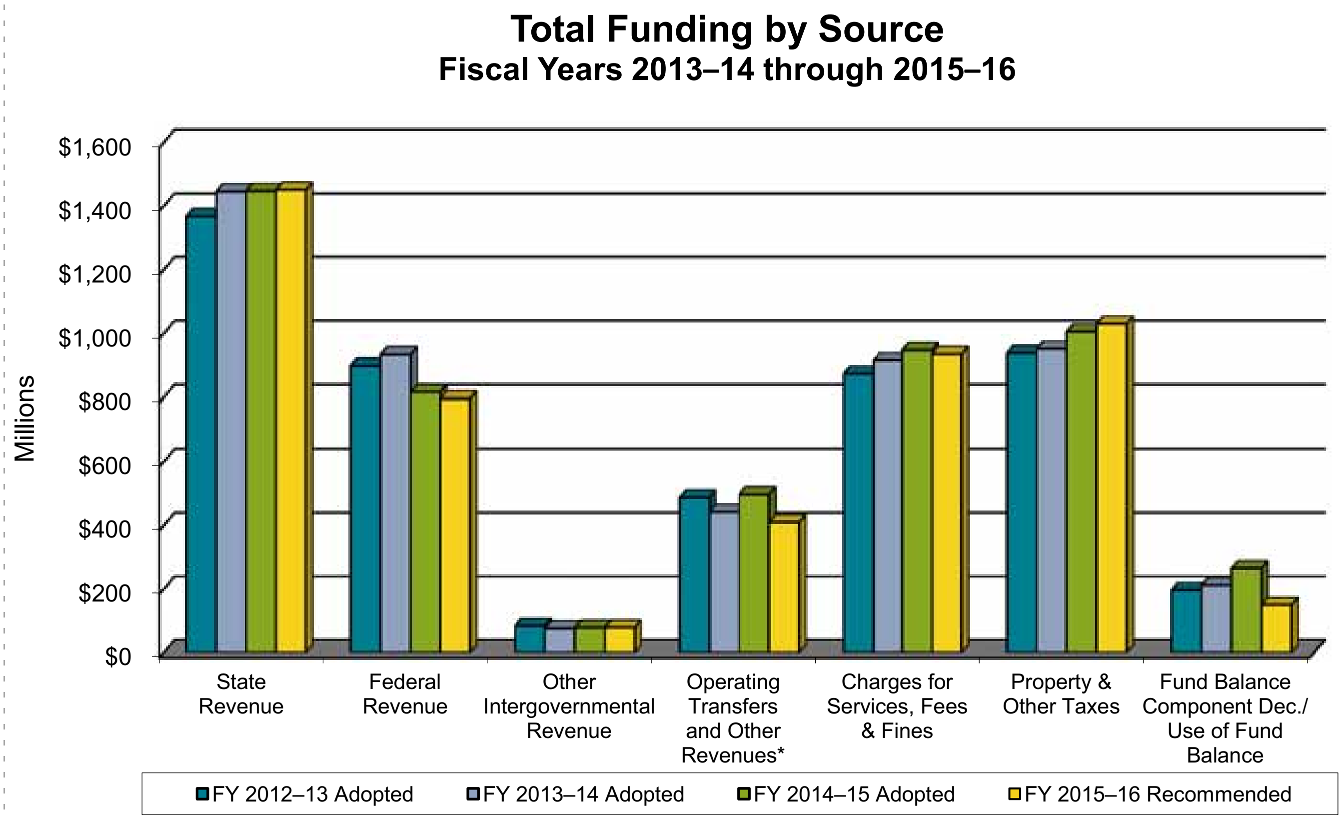
Total Funding by Source

Total resources recommended to support County services for **Fiscal Year 2014–15 are $5.06 billion, an increase of $80.5 million or 1.6%** from the Fiscal Year 2013–14 Adopted Budget. Total resources are recommended to decrease by $207.9 million or 4.1% to $4.85 billion in Fiscal Year 2015–16. For Fiscal Year 2014–15, the combination of State Revenue ($1.4 billion), Federal Revenue ($816.0 million) and Other Intergovernmental Revenue ($78.8 million) supplies 46.3% of the funding sources for the County's budget. Interfund Operating Transfers, Use of Money & Property, Miscellaneous Revenues and Other Financing Sources make up 9.8% of the funding sources ($496.8 million). Another 18.7% ($947.7 million) comes from Charges for Current Services, Fees and Fines. Use of Fund Balance and Fund Balance Component Decreases supply 5.2% ($265.1 million) of the funding sources.



Finally, recommended 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 19.9% ($1.0 billion) of the financing sources for the County's budget. The majority of the recommended revenues in this category (95.2%) are in the General Fund with the balance in the Library Fund, the Road Fund and miscellaneous other funds.

All Funds: Total Funding Sources



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

Total Funding by Source (in millions)

	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
State Revenue	$ 1,367.7	$ 1,445.6	$ 1,447.1	0.1	$ 1,450.5
Federal Revenue	898.1	934.0	816.0	(12.6)	795.8
Other Intergovernmental Revenue	84.1	76.5	78.8	3.0	78.9
Operating Transfers and Other Financing Sources, Use of Money & Property, and Misc. Revenues	487.3	442.0	496.8	12.4	409.5
Charges for Services, Fees, and Fines	873.2	914.9	947.7	3.6	934.6
Property and Other Taxes	938.3	951.4	1,005.3	5.7	1,029.6
Fund Balance Component Decrease	0.5	3.4	4.8	42.2	20.2
Use of Fund Balance	196.1	208.4	260.3	24.9	129.5
Total	**$ 4,845.2**	**$ 4,976.1**	**$ 5,056.6**	**1.6**	**$ 4,848.7**

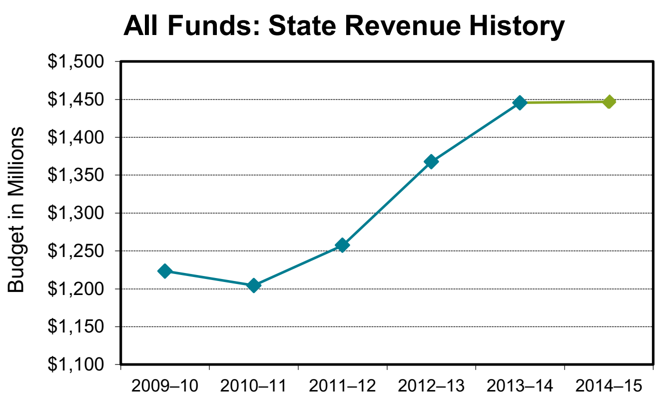
Overall Change

The recommended $80.5 million increase in the Fiscal Year 2014–15 Recommended Budget is the net of increases in some funding sources and decreases in others. In the table on the previous page, all revenue categories with the exception of Federal Revenue increase by a net of $198.5 million overall. Federal Revenues decrease by $118.0 million. The General Fund section 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

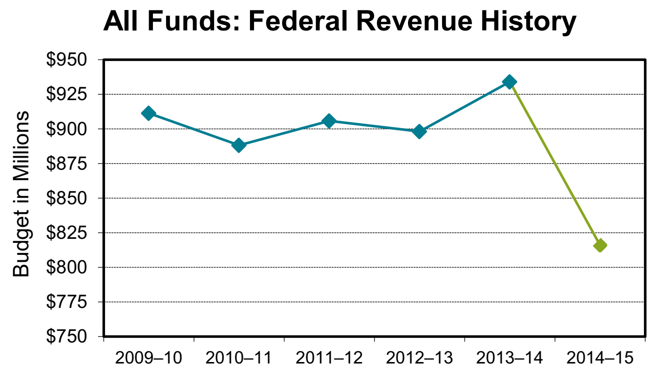
State Revenue is recommended to **increase by $1.5 million or 0.1%** overall in Fiscal Year 2014–15.



The recommended increases in State Revenue are in the Health and Human Services Agency (HHSA) of $17.4 million, in the Land Use and Environment Group (LUEG) of $1.6 million and in the Community Services Group (CSG) of $0.1 million. These are offset by a decrease in the Public Safety Group (PSG) of $17.5 million and in Finance Other of $0.1 million. A recommended decrease of $15.6 million in the General Fund is described in the next section. State revenues outside of the General Fund are recommended to increase by $17.0 million primarily in PSG due to an increase of $15.0 million in the Proposition 172 Special Revenue Fund which supports regional law enforcement services and in LUEG due to increased funding of $3.5 million in Air Pollution and Control District (APCD) for the mobile source incentives program and decreases in the Department of Public Works (DPW) of $0.5 million in State Construction Other revenue for capital improvement projects and $1.1 million in State Aid Other State Grants for inactive waste landfills and recycling programs.

Federal Revenue

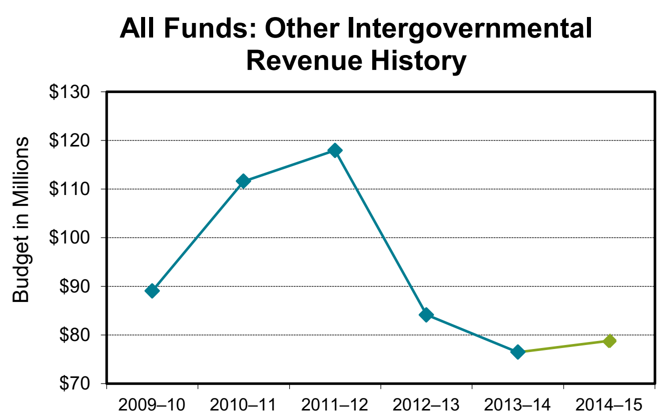
Federal Revenue is recommended to **decrease by $118.0 million or 12.6%** overall in Fiscal Year 2014–15.



Of the recommended decreases in Federal Revenue, $116.2 million are in the General Fund which is explained in the next section. The decrease of $1.8 million outside of General Fund is primarily in LUEG due to a decrease in DPW of $1.7 million in Federal Emergency Management Assistance Homeland Security grants supporting one time capital projects.

Other Intergovernmental Revenue

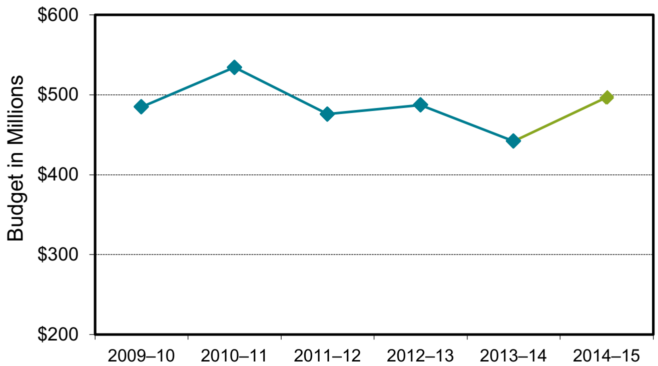
Other Intergovernmental Revenue is recommended to **increase by a net of $2.3 million or 3.1%** overall in Fiscal Year 2014–15.



The recommended increase in Other Intergovernmental Revenue of $0.7 million outside the General Fund is primarily in CSG in Housing and Community Development. This increase is primarily due to a $0.8 million increase in Aid from the Housing Authority revenue which is offset by a decrease of $0.1 million in the Emergency Shelter Grant (ESG) and Housing Assistance for Persons with Aids (HOPWA) revenue.

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

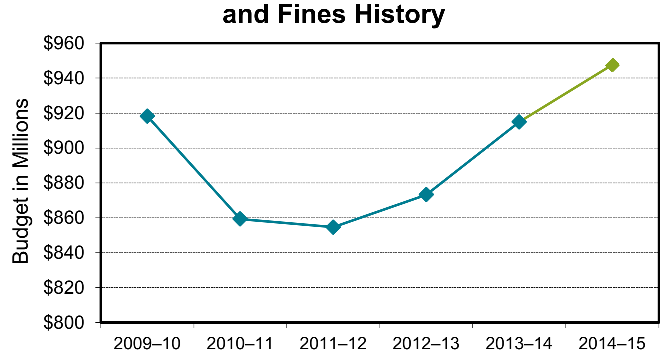
All Funds: Operating Transfers and Other Financing Sources, Use of Money & Property, and Misc. Revenues History



- Other Financing Sources (primarily Operating Transfers between funds) is recommended to **increase by a net of $68.6 million or 19.5%** of which $19.7 million is in the General Fund. The most significant changes outside of the General Fund include increases of $31.6 million in the Capital Program, $9.0 million in CSG, $4.8 million in PSG and $3.7 in LUEG offset by a decrease of $0.2 million in FGG. The $31.6 million recommended increase in the Capital Program is due to increases in various capital projects. In CSG, the $9.0 million increase is due to a technical adjustment to clear the loan payable and receivable between Internal Service Funds (ISFs). The $4.8 million increase in PSG is primarily due to the reclassification of amounts previously budgeted in Agency Funds to Special Revenue Funds. In LUEG, the $3.7 million increase is in DPW from the California Energy Resource Conservation and Development Commission and other one-time maintenance projects, and in APCD to support the mobile source incentives program. The decrease of $0.2 million in FGG is due to a decrease in costs for Enterprise Resource Planning system licenses and related expenditures.
- Revenue from Use of Money & Property **decreases by a net of $6.9 million or 13.7%** in Fiscal Year 2014–15. Of the $6.9 million decrease, $1.0 million is in the General Fund. Outside of the General Fund, decreases include:
  - $3.9 million in the Capital Program in Edgemoor Development due to a decrease in lease revenue of properties.
  - $1.7 million in LUEG due to a decrease of $1.8 million in declining interest earnings on investments and deposits in all DPW funds and a decrease in equipment rental operating fee and equipment depreciation due to reduction in DPW's fleet.
  - A $0.2 million increase is due primarily to rental properties owned by County airports.
  - $0.1 million in PSG due to the termination of lease revenue pursuant to the terms of court facility transfer agreements
  - Decrease of $0.1 million in CSG due to the loss of lease revenue.
- Miscellaneous Revenues **decrease by $7.0 million or 17.7%.**
  - Decrease of $4.4 million in the Capital Program due to decreases in funding for one time prior year capital projects.
  - Decrease of $2.0 million in PSG Sheriff's Department due to a decrease in planned expenditures to be reimbursed from the Regional Communication System, a decrease due to the completion of a one-time purchase from the Fire Safety Trust Fund and the Cal-ID Equipment Replacement System Enhancement Trust Fund and an increase in sales of commissary goods to inmates.

Charges for Services, Fees and Fines

All Funds: Charges for Services, Fees and Fines History



- Charges for Current Services are recommended to **increase by $36.7 million or 4.5%** in Fiscal Year 2014–15. There is a decrease of $2.1 million primarily due to a decrease of $5.6 million in CSG due to a reduction in the Department of General Services of $5.8 million due to a decrease in the cost of services provided to client departments and increases in collections from the department for Worker's Compensation of $2.9 million and Public Liability $1.5 million.
- Licenses, Permits & Franchises are recommended to **increase by $2.2 million or 4.2%** in Fiscal Year 2014–

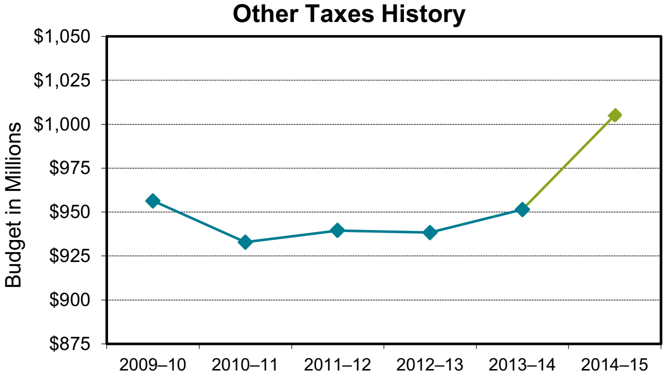
15. Of this increase, $1.8 million is in the General Fund. There is a $0.4 million increase in the LUEG outside the General Fund due to an increase of $0.9 million in APCD generated by current year growth in fees and an anticipated mid-year fee increase. The increase was offset by a decrease of $0.6 million in Parks & Recreation's Park Land Dedication Ordinance Fund.

- Fines, Forfeitures & Penalties are projected to **decrease overall by $6.1 million or 11.7%**. There is an overall $15.8 million decrease in General Fund primarily in PSG and Finance Other which is described in the next section. A $9.7 million increase outside of the General Fund is primarily due to funds reclassified from Agency Trust Funds to Special Revenue Funds in the PSG Executive Office.

Property and Other Taxes

Property and Other Taxes are recommended to **increase by $53.8 million or 5.7%** in Fiscal Year 2014–15.

All Funds: Property and Other Taxes History



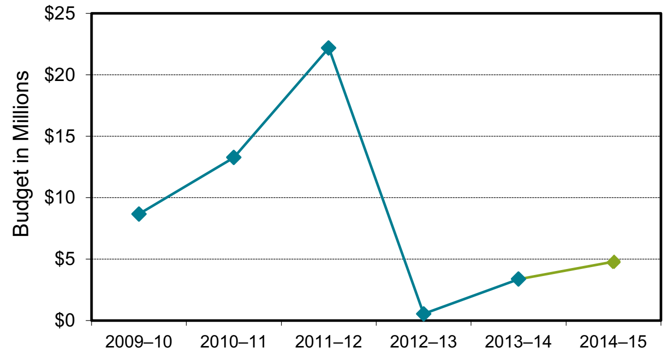
The overall recommended increase of $50.5 million is primarily in the General Fund. Outside of the General Fund, a recommended increase of $3.5 million is primarily in LUEG, $1.5 million in the Department of Public Works' TransNet sales tax revenue and CSG, $1.6 million in the Library due to increases in secured and unsecured property taxes.

Fund Balance Component Decreases

The use of Fund Balance Component Decreases is recommended to **increase by $1.4 million or 42.2%** in Fiscal Year 2014–15 compared to Fiscal Year 2013–14.

The recommended increases in this category are $0.6 million in the General Fund and $0.8 million outside of the General Fund primarily in DPW for capital improvement projects in the San Diego County Sanitation District for the Lakeside, Julian and Wintergarden Service Areas.

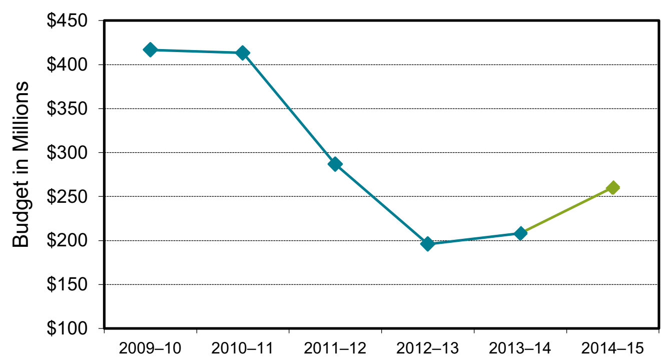
All Funds: Fund Balance Component Decreases History



Use of Fund Balance

Finally, the Use of Fund Balance is recommended to **increase by $51.9 million or 24.9%** in Fiscal Year 2014–15. Of this amount, $26.4 million is in the General Fund and described in the next section.

All Funds: Use of Fund Balance History

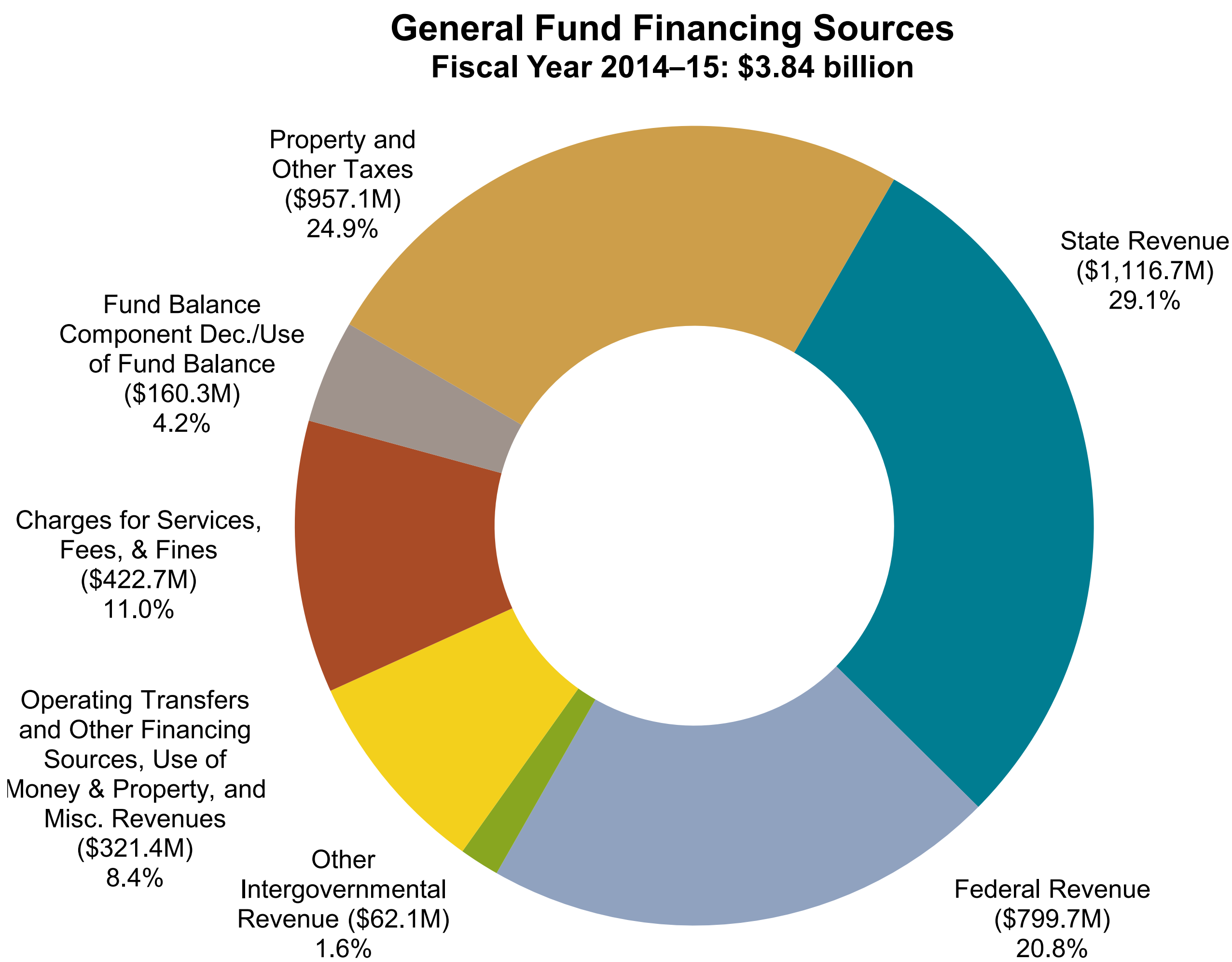


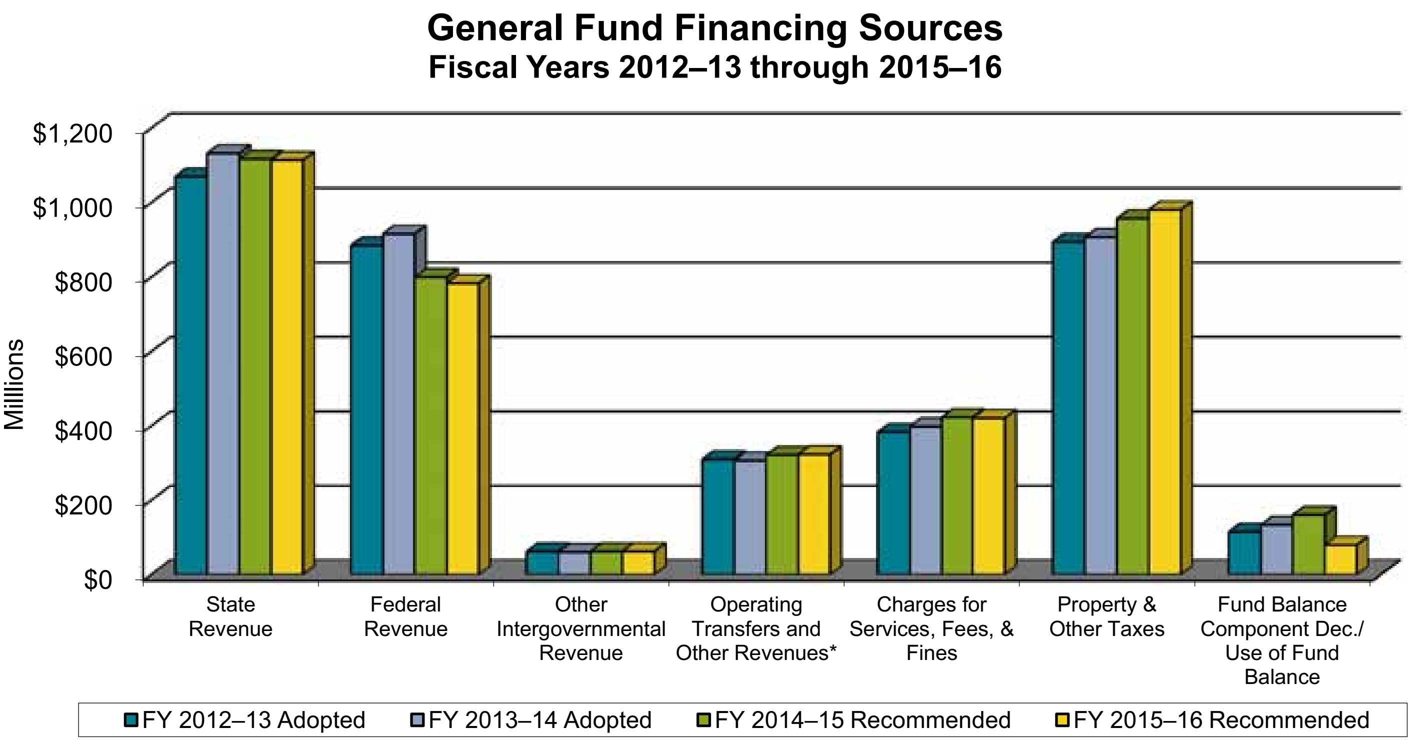
Outside of the General Fund, there is a $12.4 million recommended increase in CSG, a $5.7 million, recommended increase in PSG and a $7.1 million increase in LUEG which contribute to the overall non-General Fund increase of $25.5 million. The increase in CSG is primarily due to loan repayment of interfund borrowing between the Fleet ISF and Major Maintenance ISF. The increase in LUEG is primarily due to increases in APCD to support the mobile source incentives program and for purchasing replacement or new equipment in DPW. The increase in PSG is primarily due to increases in one-time expenditures in the PSG Executive Office.

General Fund

Overview of General Fund Financing Sources

The General Fund is the County's largest single and primary operating fund. It is used to account for all financial resources of the County except those required to be accounted for in other funds. In this Recommended Operational Plan, General Fund Financing Sources **total $3.84 billion for Fiscal Year 2014–15, a $13.1 million or 0.3% decrease** from the Fiscal Year 2013–14 Adopted Budget. In comparison, the ten year average annual growth rate through Fiscal Year 2013–14 was 3.4%. General Fund Financing Sources decrease by $77.4 million or 2.0% in Fiscal Year 2015–16 primarily due to a reduction in the use of one-time resources.



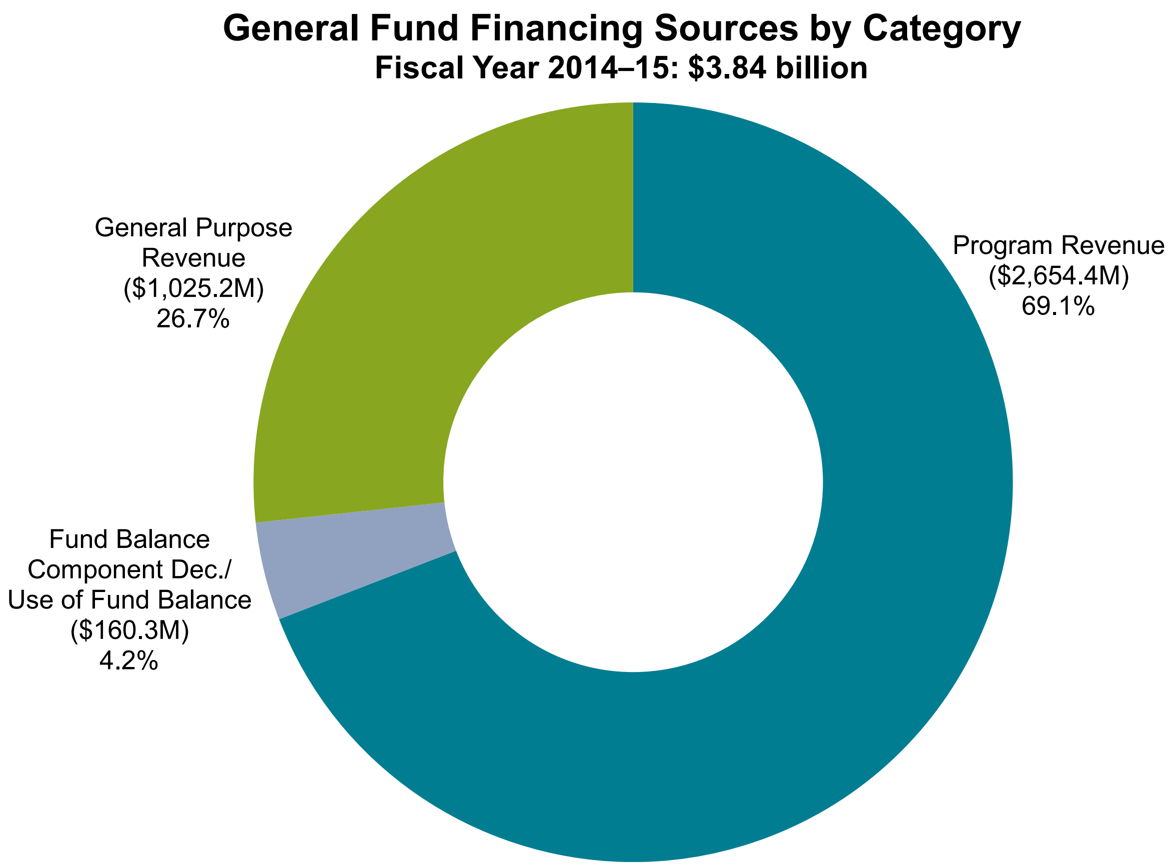


*Other Revenues include Other Financing Sources, Use of Money & Property and Miscellaneous Revenues.

General Fund Financing Sources (in millions)					
	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
State Revenue	$ 1,069.7	$ 1,132.2	$ 1,116.7	(1.4)	$ 1,113.7
Federal Revenue	884.5	915.9	799.7	(12.7)	783.0
Other Intergovernmental Revenue	61.9	60.5	62.1	2.5	62.2
Operating Transfers and Other Financing Sources, Use of Money & Property, and Misc. Revenues	310.0	306.5	321.4	4.8	323.0
Charges for Services, Fees, and Fines	383.5	398.0	422.7	6.2	420.5
Property and Other Taxes	894.3	906.6	957.1	5.6	980.7
Fund Balance Component Decreases	0.5	0.8	1.4	75.4	17.7
Use of Fund Balance	114.5	132.5	158.9	19.9	61.8
Total	**$ 3,718.9**	**$ 3,853.1**	**$ 3,840.0**	**(0.3)**	**$ 3,762.6**

General Fund Financing Sources by Category

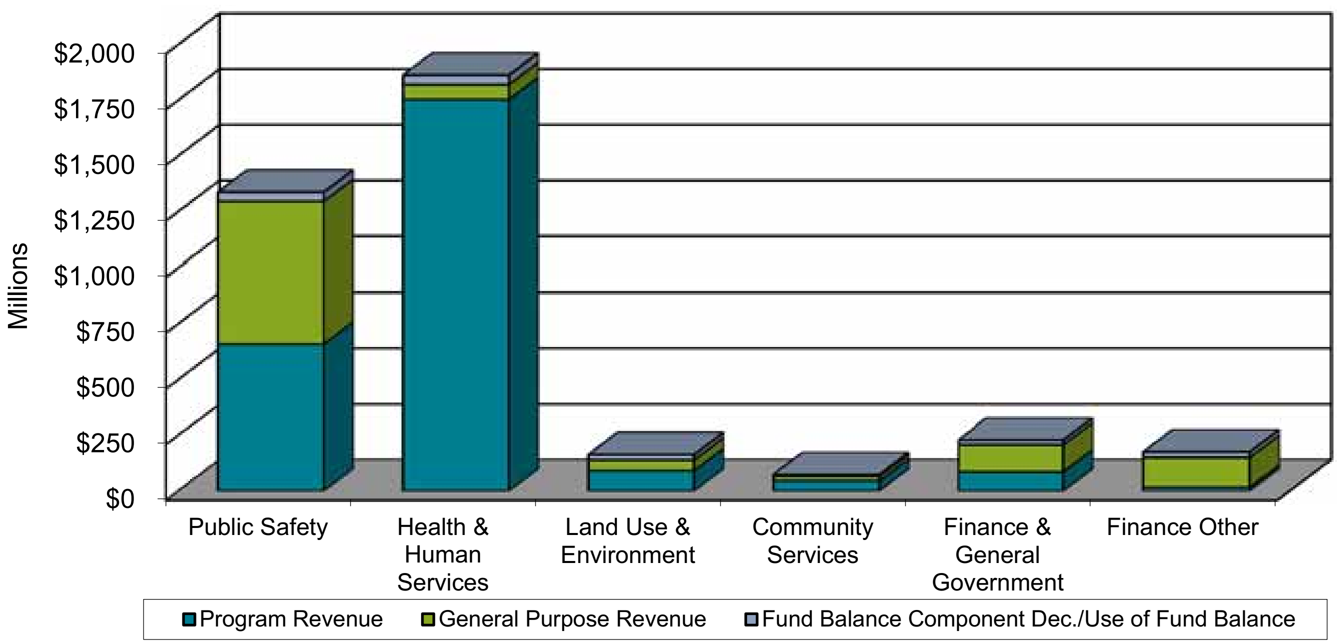
The preceding section presented General Fund financing sources by account type. This section looks at General Fund financing sources according to how they are generated. From that perspective, these financing sources can be categorized as one of three funding types: Program Revenue, General Purpose Revenue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



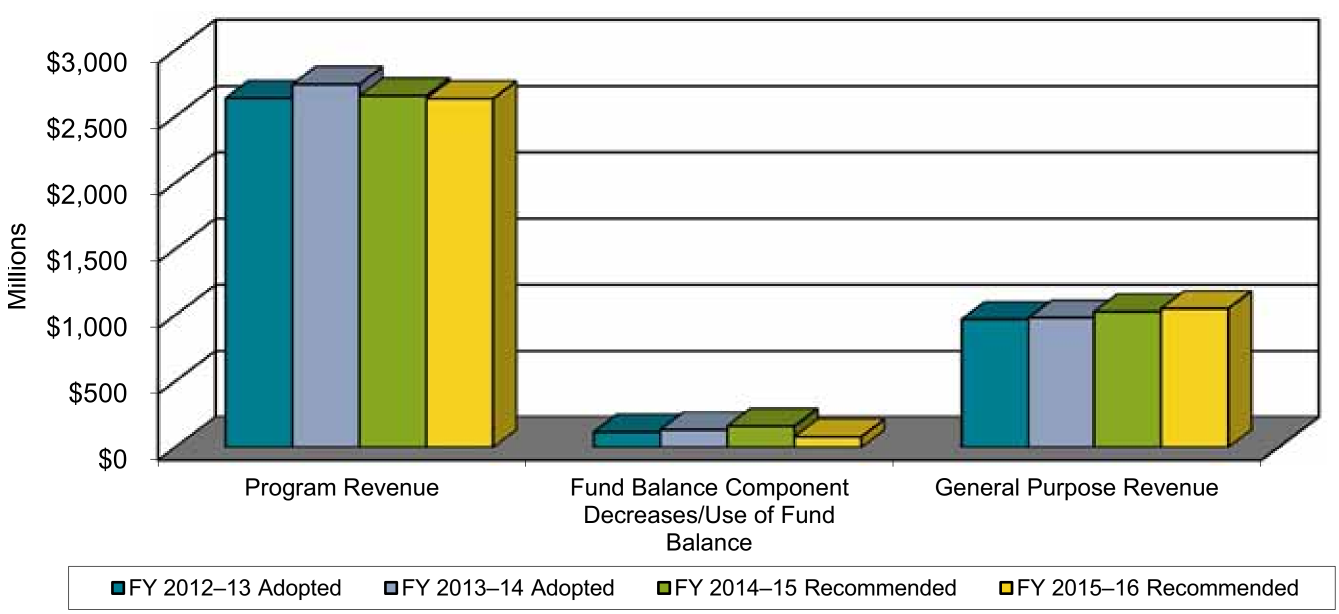
In Fiscal Year 2014–15, Program Revenue decreases by 3.2% ($87.3 million), the Fund Balance Component Decreases/Use of Fund Balance increases by 20.2% ($26.9 million) and General Purpose Revenue (GPR) increases by 4.8% ($47.2 million) from the Fiscal Year 2013–14 Adopted Budget.

In Fiscal Year 2015–16, GPR increases by 2.3% ($23.9 million), Program Revenue decreases by 0.8% ($20.6 million) and the planned use of fund balance declines by 50.4% ($80.8 million). Uses of fund balance in Fiscal Year 2015–16 are tentative and subject to revision during the next Operational Plan development cycle.

General Fund Financing by Group and Category
Fiscal Year 2014–15: $3.84 billion



General Fund Financing Sources by Category
Fiscal Years 2012–13 through 2015–16

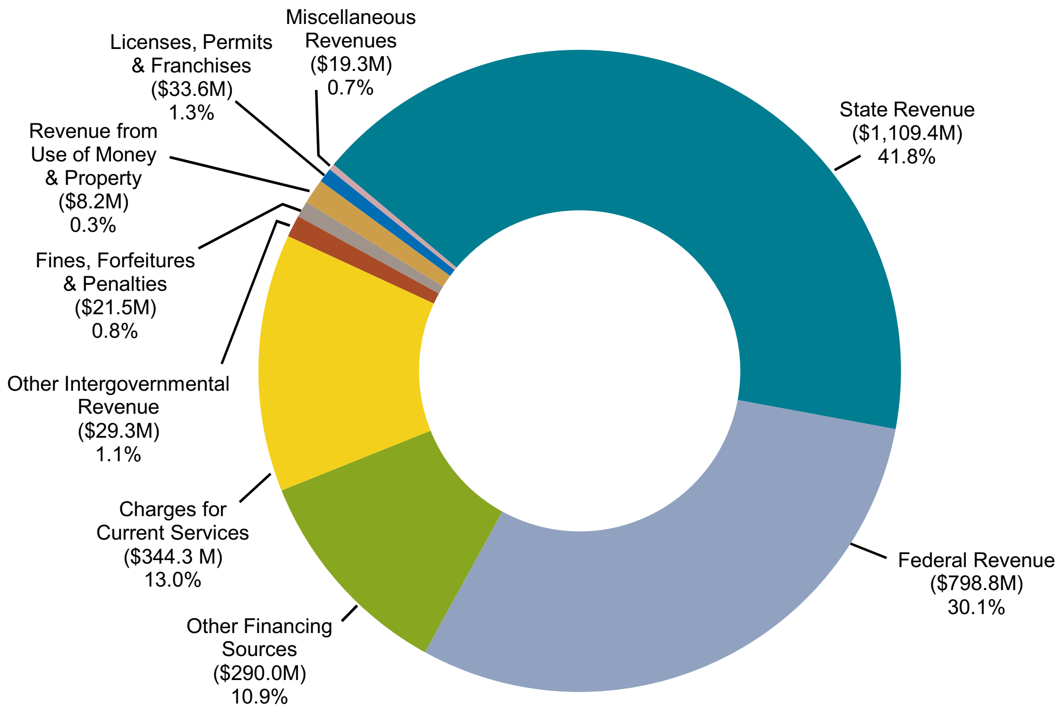


General Fund Financing Sources by Category (in millions)									
	Fiscal Year 2012–13 Adopted Budget		Fiscal Year 2013–14 Adopted Budget		Fiscal Year 2014–15 Recommended Budget		% Change	Fiscal Year 2015–16 Recommended Budget	
Program Revenue	$	2,636.8	$	2,741.7	$	2,654.4	(3.2)	$	2,633.8
Fund Balance Component Decreases/Use of Fund Balance		115.0		133.4		160.3	20.2		79.6
General Purpose Revenue		967.1		978.0		1,025.2	4.8		1,049.2
Total	**$**	**3,718.9**	**$**	**3,853.1**	**$**	**3,840.0**	**(0.3)**	**$**	**3,762.6**

General Fund Program Revenue

Program Revenue, as the name implies, is dedicated to and can be used only for the specific programs with which it is associated. This revenue makes up 69.1% of General Fund financing sources in Fiscal Year 2014–15, and is derived primarily from State and federal subventions and grants, and from charges and fees earned by specific programs. Of the County's Program Revenue, the Health and Human Services Agency manages 66.1%, the Public Safety Group manages 24.8% and the balance is managed across the County's other business groups. Program Revenue is expected to decrease by 3.2% ($87.3 million) from the Fiscal Year 2013–14 Adopted Budget compared to an average annual growth for the last ten years of 3.1%.

General Fund Program Revenue by Source
Fiscal Year 2014–15: $2.65 billion



General Fund Program Revenue by Source (in millions)

	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
State Revenue	$ 1,062.0	$ 1,124.9	$ 1,109.4	(1.4)	$ 1,106.4
Federal Revenue	883.4	914.8	798.8	(12.7)	782.0
Other Financing Sources	264.6	270.3	290.0	7.3	293.1
Charges For Current Services	289.9	305.4	344.3	12.7	341.7
Other Intergovernmental Revenue	29.8	27.8	29.3	5.5	29.4
Fines, Forfeitures & Penalties	35.1	34.4	21.5	(37.4)	19.0
Licenses, Permits & Franchises	31.1	31.9	33.6	5.6	36.2
Miscellaneous Revenues	30.5	23.2	19.3	(16.7)	17.8
Revenue From Use of Money & Property	10.5	9.2	8.2	(11.1)	8.1
Total	**$ 2,636.8**	**$ 2,741.7**	**$ 2,654.4**	**(3.2)**	**$ 2,633.8**

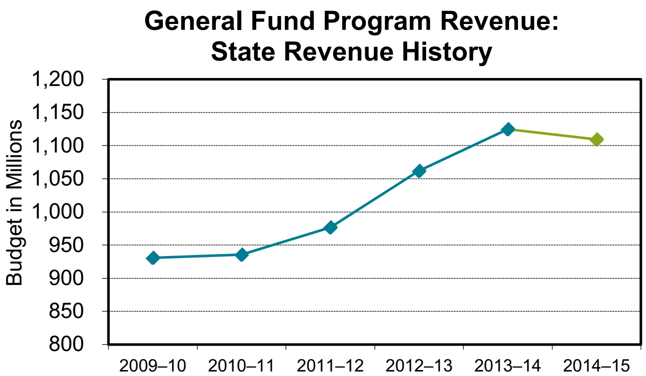
General Fund Change in Program Revenue

The $87.3 million decrease in Program Revenue in the Fiscal Year 2014–15 Recommended budget is the net of increases and decreases in various funding sources. As indicated in the table on the previous page, State Revenue, Federal Revenue, Fines, Forfeitures & Penalties, Miscellaneous Revenues and Revenue from Use of Money & Property decrease a combined $149.3 million. The decrease in State revenue is primarily due to a reclassification of revenue in PSG to Charges for Current Services, and is detailed below. Increases totaling $61.8 million are in the categories of Other Financing Sources, Charges for Current Services, Other Intergovernmental Revenue, and Licenses, Permits & Franchises.

General Fund Change in Program Revenue by Source

State Revenue

State Revenue **decreases by $15.5 million or 1.4%** in Fiscal Year 2014–15.

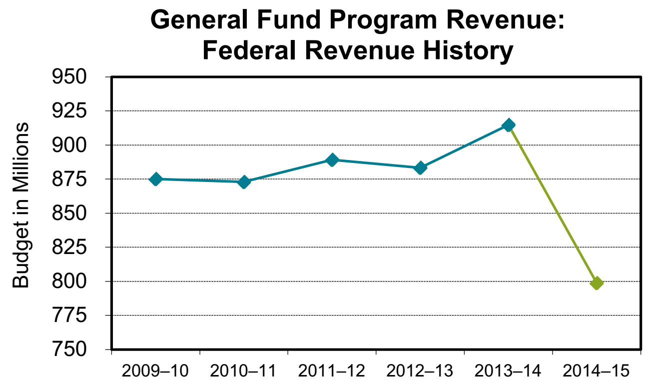


There is an overall decrease of $32.5 million in the Public Safety Group (PSG), primarily in the Sheriff's Department to realign revenue allocated from the Local Revenue Fund 2011 Trial Court Security to the appropriate subaccount, which will be reflected as an increase in Charges for Current Services. This decrease is partially offset by an increase of $17.4 million in the Health and Human Services Agency (HHSA) realignment revenue and Social Services Administrative revenue to support Health Care reform.

There is an overall decrease in the Land Use and Environment Group (LUEG) of $0.4 million. A $0.2 million decrease in the Department of Public Works (DPW) is mainly due to reduced State revenue for construction projects, and a $0.2 million decrease in Department of Environmental Health (DEH) primarily due to fringe benefit and indirect cost limitations in the State Radiological Health Program Revenue Agreement.

Federal Revenue

Federal Revenue **decreases by a net of $116.0 million or 12.7%**.



Federal Revenue decreases in HHSA by $99.9 million, in PSG by $17.8 million and in LUEG by $0.4 million, partially offset by an increase in CSG of $2.1 million.

The net decrease of $99.9 million in HHSA is predominantly related to the transition of the Low Income Health Program (LIHP) to the expanded Medi-Cal program as part of the *Patient Protection and Affordable Care Act* (ACA) of 2010.

The net decrease in PSG of $17.8 million includes $6.3 million in the San Diego County Fire Authority mainly due to expiration of the Dead, Dying and Diseased Tree Removal grant as well as the Community Development Block Grant (CDBG), a decrease of $5.8 million in the Sheriff's Department primarily due to decreases in various grant programs, and a decrease of $3.8 million in the Probation Department mainly due to a decrease in Title IV-E revenue for the estimated impact of federal guidelines for pre-replacement candidacy activities related juvenile offenders.

The decrease of $0.4 million in LUEG is largely in Agriculture, Weights and Measures (AWM) related to a decrease in contract funding for Sudden Oak Death as well as in DPW for Federal Emergency Management Assistance Homeland Security grant.

The $2.1 million net increase in CSG is in Housing and Community Development (HCD) and is associated with carryover of remaining prior year HOME grant and CDBG revenue.

Other Financing Sources

Other Financing Sources (including Operating Transfers from Other Funds) **increases by a net of $19.7 million or 7.3%**. This is a result of an increase of $28.2 million in PSG and $2.2 million in Contributions to Capital Outlay, offset by $10.7 million decrease in HHSA.

The $28.2 million increase in PSG is primarily due to funding from Proposition 172 and realigning revenue to the proper account. More information about Proposition 172 funding appears in the following section. The $2.2 million in Capital Outlay Fund is related to an increase in revenue for capital projects. The $10.7 million overall decrease in HHSA is a primarily related to the transition of the LIHP to the expanded Medi-Cal program as part of ACA.

Charges For Current Services

Charges For Current Services increase by $38.9 million or 12.7%. Revenues increase by $38.8 million in PSG, $3.2 million in CSG, $2.3 million in LUEG, and $2.1 million in the Finance and General Government Group (FGG), offset by a decrease of $7.6 million in HHSA.

- In PSG, the increase includes reclassification of Trial Court Security revenue to the proper account, and an increase in revenue for contracted law enforcement services to cities, transit entities and tribes in the Sheriff's Department.
- In CSG, the increase is largely in the Registrar of Voters as a result of a greater number of billable jurisdictions that participate in the Gubernatorial General Election as compared to the Gubernatorial Primary Election.
- In LUEG, increases include $1.0 million in the Department of Environmental Health (DEH) for the Vector Control Benefit Assessment associated with the Vector Control program, and $1.3 million in Planning and Development Services (PDS) related to increased work on various land development projects.
- In FGG, increases include $1.2 million in County Counsel related to Internal Service Fund areas and Public Administrator/Public Guardian estates, $0.6 million in the Assessor/Recorder/County Clerk for marriage, duplicating and filing fees, $0.4 million in Treasurer-Tax Collector for Assembly Bill (AB) 2890 supplemental property tax revenue, $0.1 million in the FGG Executive Office for external department overhead (A-87) revenues, partially offset by a decrease of $0.2 million in the Department of Human Resources for a decrease in A-87 revenue.
- In HHSA, the $7.6 million decrease is primarily due to decreased third party reimbursement associated with the transition of the LIHP to ACA and healthcare reform.

Other Intergovernmental Revenue

Other Intergovernmental Revenue **increases by $1.5 million or 5.5%**. An increase of $1.2 million in LUEG is largely related to the Department of Public Works from co-permitees for new Total Maximum Daily Load (TMDL) and stormwater permit requirements. There is also an increase in CSG of $0.7 million in HCD due to increased funding allocation in Aid from the Housing Authority for program administration, partially offset by a decrease of $0.4 million in PSG primarily due to expiration of Indian Gaming Local Benefit Grant projects in the San Diego County Fire Authority.

Fines, Forfeitures & Penalties

Fines, Forfeitures & Penalties **decrease by $12.9 million or 37.4%**, primarily in PSG due to a reduction in AB 189 Criminal Justice Facility Penalty revenue, realignment of revenue to proper accounts in the Sheriff and Probation Departments and in Contributions to Trial Courts due to decline in court revenues.

Licenses, Permits & Franchises

Licenses, Permits & Franchises i**ncrease by $1.7 million or 5.6%**, primarily in LUEG, for increased building permits in PDS and for Food and Housing Division and Hazardous Materials Management Division permit revenues in DEH.

Miscellaneous Revenues

Miscellaneous Revenues **decrease by $3.9 million or 16.7%**. Decreases include: $2.7 million in PSG in the Sheriff's Department based on revenue from the Regional Communications System (RCS) Trust Fund to replace the conventional radio system; $0.5 million in LUEG to realign revenue in the proper account in DEH, and a delay in citrus grove abatement activities in AWM; $0.3 million in HHSA due to the elimination of a one-time donation and transfers from Community Service Areas to Administrative Support; $0.2 million in CSG for prior year loan reconveyances in HCD; and $0.2 million in FGG due to decreased cost reimbursement from the Employee Benefits Internal Service Fund and decreased proceeds from property sales in the Treasurer-Tax Collector.

Revenue from Use of Money & Property

Revenue from Use of Money & Property **decreases by $1.0 million or 11.1%**. The primary source of the decrease is in HHSA associated with a termination of a lease agreement for a program contractor.

Select General Fund Program Revenues

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 and 2011 Health and Human Services Realignment Revenues

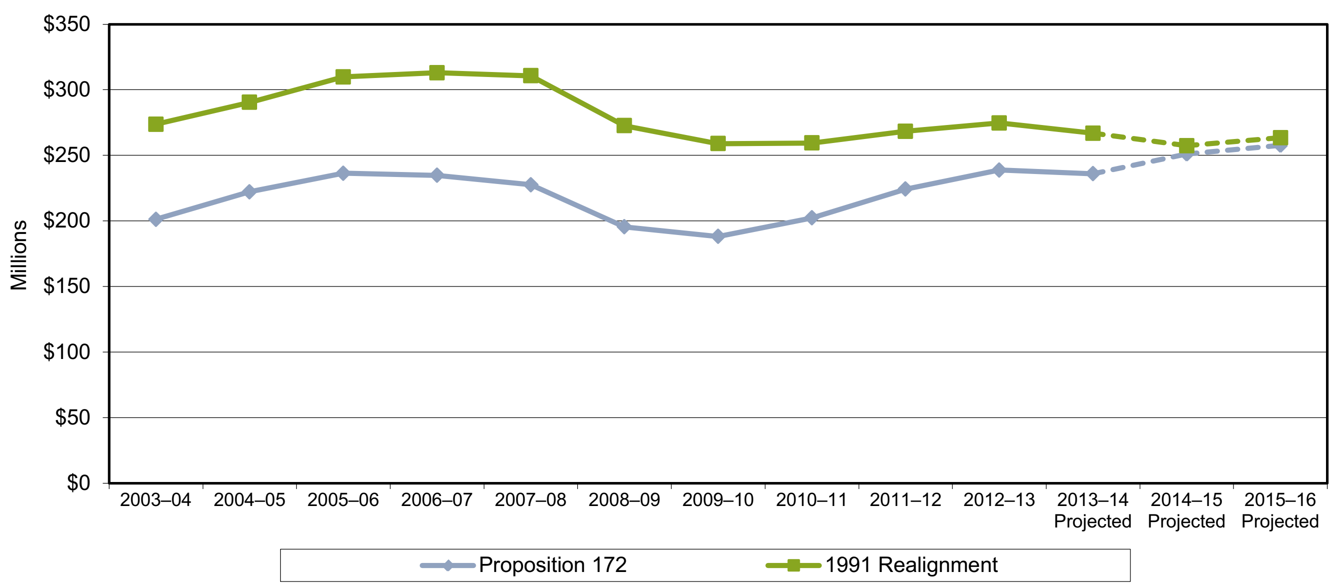
1991 and 2011 Health and Human Services Realignment Revenues (**$518.7 million in Fiscal Year 2014–15 and $525.2 million in Fiscal Year 2015–16**) are projected to be received from the State to support health and social services programs.

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. In Fiscal Year 2011–12 the State further realigned an additional amount of social services and behavioral health services over a two-year period (some additional mental health programs were realigned in Fiscal Year 2012–13) and as in 1991, the State dedicated additional sales tax revenues to support them.

For Fiscal Year 2014–15, it is projected that 27.8% of the HHSA's General Fund budget is funded with Realignment Revenues as compared to only 13.6% in Fiscal Year 2010–11, the last year prior to the implementation of 2011 Realignment. These revenues are projected to decrease by 1.4% ($7.4 million) compared to Fiscal Year 2013–14, primarily due to the requirement under Assembly Bill (AB) 85 *Redirection of 1991 State Health Realignment* (2013), that a portion of 1991 State Health Realignment funds be redirected to the State for implementation of the ACA. The redirection of funds is offset somewhat by growth in other realignment subaccounts. A modest growth of 4.0% is anticipated for Fiscal Year 2015–16.

The chart below shows the realized revenues for 1991 Health and Social Services Realignment for Fiscal Years 2003–04 through 2012–13 and projected levels for Fiscal Years 2013–14 through 2015–16.

Proposition 172 and 1991 Realignment Sales Tax Revenue
Fiscal Year 2003–04 to Fiscal Year 2015–16



Note: 2003–04 to 2012–13 figures represent actual revenues. Fiscal Year 2013–14 through Fiscal Year 2015–16 figures represent projected revenue as included in the Fiscal Years 2014–16 Adopted 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.

2011 Public Safety Realignment Revenues

2011 Public Safety Realignment Revenues (**$134.1 million in Fiscal Year 2014–15 and $134.8 million in Fiscal Year 2015–16**) are projected to be received from the State to support criminal justice programs. The revenue source is a dedicated portion of State sales tax and State and local Vehicle License Fees (VLF). The revenues provided for realignment are deposited into the Local Revenue Fund 2011 and allocated to specific accounts and subaccounts by statute. Funds allocated to the Community Corrections Subaccount will 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 equipment, and resources for services including mental health treatment, substance abuse treatment, and vocational and behavioral services. These revenues are projected to increase by 2.2% ($2.8 million) compared to Fiscal Year 2013–14. An increase of 0.5% ($0.6 million) is anticipated for Fiscal Year 2015–16.

2011 Realignment for Public Safety includes the following subaccounts: Enhancing Law Enforcement Activities (various programs), Trial Court Security, Community Corrections (AB 109), District Attorney and Public Defender (AB 109) and Juvenile Justice (Youthful Offender Block Grant and Juvenile Reentry).

Proposition 172, Public Safety Sales Tax Revenues

Proposition 172, Public Safety Sales Tax Revenues (**$251.0 million in Fiscal Year 2014–15 and $257.6 million in Fiscal Year 2015–16**) support regional 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 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. In turn, counties distribute a portion of the Proposition 172 receipts to local cities according to ratios established pursuant to the Government Code.

Between Fiscal Years 2005–06 and 2009–10, revenues fell by 20.4% ($48.2 million). For Fiscal Year 2014–15, these revenues are 6.4% ($15.0 million) above the Fiscal Year 2013–14 budgeted amount, exceeding the level received in Fiscal Year 2005–06. It is anticipated that these revenues will grow modestly in Fiscal Year 2015–16. The chart on the preceding page shows the realized revenues for Proposition 172 for Fiscal Years 2003–04 through 2012–13 and projected levels for Fiscal Years 2013–14 through 2015–16.

Tobacco Settlement Revenues

Tobacco Settlement Revenues (**$21.5 million in Fiscal Year 2014–15 and $13.5 million in Fiscal Year 2015–16)** by Board of Supervisors Policy E-14, *Expenditure of Tobacco Settlement Revenue in San Diego County*, are dedicated to healthcare-based programs. These revenues are the result of the historic Master Settlement Agreement in 1998 between the California Attorney General and several other states and the four major tobacco companies. The agreement provided more than $206 billion in Tobacco Settlement Payments over 25 years in exchange for the release of all past, present and future claims related to the use of tobacco products. California agreed to distribute its share of the settlement to its counties based on population.

To reduce the risk of non-receipt of the Tobacco Settlement Payments, some counties and states opted to securitize these payments. Securitization is a process whereby the owner of the receivable sells the right to that income stream to a third party in exchange for an up-front payment. The County of San Diego helped to pioneer this process and deposited the net proceeds of $412.0 million into the Tobacco Securitization Endowment Fund on a total securitization of $466.8 million in January 2002 in exchange for its Tobacco Settlement Payments. These funds 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 were intended to enable the County to fund health care programs annually through approximately year 2034.

The $21.5 million budgeted in Fiscal Year 2014–15 reflects $8.0 million in one-time, non-securitized Tobacco Settlement funds and $13.5 million in Securitized Tobacco funds. This is a reduction in Securitized Tobacco Funds support to the General Fund of $10.7 million from Fiscal Year 2013–14 as a result of savings related to the elimination of the Low Income Health Program, offset by an increase to support the expansion of mental health services for children and youth in foster care. Another $14.0 million is budgeted and retained in the Tobacco Securitization Special Revenue Fund which includes $13.8 million set aside as an unallocated reserve (an increase of $10.7 million from Fiscal Year 2013–14) and $0.2 million is budgeted for processing costs in Fiscal Year 2014–15. A request will be submitted to the Board of Supervisors if additional resources are needed.

General Fund General Purpose Revenue

General Purpose Revenue (GPR) makes up 26.7% of the General Fund Financing Sources. Please see the separate discussion of GPR in the following section.

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

Use of Fund Balance, including Fund Balance Component Decreases, (**$160.3 million in Fiscal Year 2014–15 and $79.6 million in Fiscal Year 2015–16**), represents 4.2% of General Fund Financing Sources in Fiscal Year 2014–15. 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/Fund Balance Component Decreases budgeted for Fiscal Year 2014–15:

- Management reserves.
- Labor costs due to negotiated one-time salary and benefit payments.
- One-time major maintenance.
- One-time funding for County Administration Center Waterfront Park security.
- One-time funding for Pre-Arraignment Release program, Sheriff's Transfer, Assessment and Release Unit implementation.
- San Diego County Fire Authority one-time funding for volunteer station equipment, fuel costs, and contract costs.
- One-time training, recruitment and retention for the volunteer firefighter program.
- Aerial Fire Suppression “Call When Needed” support.
- Bridge funding to support the Probation Department due to the loss of Senate Bill 678 and Title IV-E Foster Care funding.
- One-time contracted vocational, educational, and life skills services for high-risk offenders.
- Juvenile Diversion program support in the Probation Department.
- Bridge funding for Contribution to Trial Courts to support the statutory payments to the State.
- One-time administrative and logistical support needs for the San Diego County Fire Authority.
- Bridge funding for costs associated with fire protection and emergency medical services.
- Support costs for Probation dispatch services.
- Health and Human Services continuous improvement and integration projects.
- Grand Avenue clinic sale proceeds commitment for Public Health.
- One year extension of the cultural broker consultant services for a pilot program to enhance child safety and family stability in the Child Welfare system and to allow for a more accurate evaluation of the outcomes.
- Agriculture, Weights and Measures Red Imported Fire Ant (RIFA) survey.
- Parks and Recreation Lindo Lake study/basin environmental documents and permitting.
- Green Building Program and Homeowner Relief Act fee waivers.
- Planning and Development Services Transportation Impact Fee (TIF) update.
- Zoning ordinance revisions to encourage composting activities.
- Road maintenance projects.
- Design of the San Diego River flood forecast model.
- Purchase of Agriculture Conservation Easements (PACE) program support.
- LUEG business process reengineering projects.
- Watershed Protection Program to fund Total Maximum Daily Load and Water Improvement projects necessary to comply with new Stormwater Permit requirements.
- One-time funding to continue the SMART building program aka Building Automation System (BAS).
- County Administration Center maintenance projects including electrical, and heating, ventilation, and air conditioning (HVAC) system.
- Training certifications for employee development
- Internship programs.
- Workforce Academy for Youth (WAY) program.
- Grants provided to community organizations.
- Public Works school safety enhancement.
- Various information technology (IT) projects, including:
  - Digitizing records and one-time IT projects in the District Attorney's Office.

- San Diego County Fire Authority Advanced Situational Awareness for Public Safety Network.
- Public Defender software and programming changes associated with receiving discovery electronically.
- Health and Human Services technological improvements to support *Live Well San Diego* and the delivery of integrated services.
- Emergency Medical Services pre-hospital patient records scanning project.
- Testing and remediation costs related to Microsoft Office 2013 upgrade.
- IT applications in Agriculture, Weights and Measures such as the Trapping iPad application and the Pierce's Disease (PDCP) iPad application.
- Agriculture, Weights and Measures business registration and investigative process through Accela.
- Documentum upgrade and recording.
- Air Pollution Control District paperless project.
- Business Case Management System infrastructure upgrades.
- New civic engagement webpage.
- Open Data Platform project to deploy a public-facing dashboard for LUEG.
- Application discretionary work for LUEG.
- Development of public website with historical and real-time automated flood warning data (ALERT).
- Justice Electronic Library System (JELS), T360 and Case Management System development and enhancement.
- External webpage enhancement for the Auditor and Controller.
- Adobe FrameMaker publishing software upgrade for the Comprehensive Annual Financial Report (CAFR).
- TeamMate suite upgrade.
- Oracle Fusion Middleware upgrade.
- Emergent and/or unanticipated County Technology Office platform needs.
- Planned enhancements and upgrades to the Electronic Approval (EA) system, SharePoint, JELS, MyRequests, DocVault systems and non-discretionary work request for break/fixes.
- SharePoint platform upgrade.
- Enterprise Document Processing Platform (EDPP) licenses during migration (Reveille, Adobe CQ & Forms, LiveCycle, Captiva, SharePoint Connector) and upgrade documentation.
- Automated Runbooks.
- Application Rationalization and Roadmapping Tool.
- Adobe upgrades for Board of Supervisors Districts Two, Three, and Four websites.
- Data Loss Prevention.
- *Affordable Care Act* compliance module.
- NeoGov online testing.
- AS400 hardware and operating system upgrade.
- SQL database environment upgrade.
- Digital signage pilot project.
- Kronos application upgrade including workforce scheduler.
- Electronic hand held devices for recording polling place accessibility and survey data in the field.
- Online campaign financial disclosure filing system.
- Wellness portal.
- Enterprise Resource Planning (ERP) data services.
- One-time enterprise IT contracts.
- Various mobile applications to improve the efficiency of Probation case management and supervision, and for complaints and service request in LUEG departments using the Accela Automation platform.

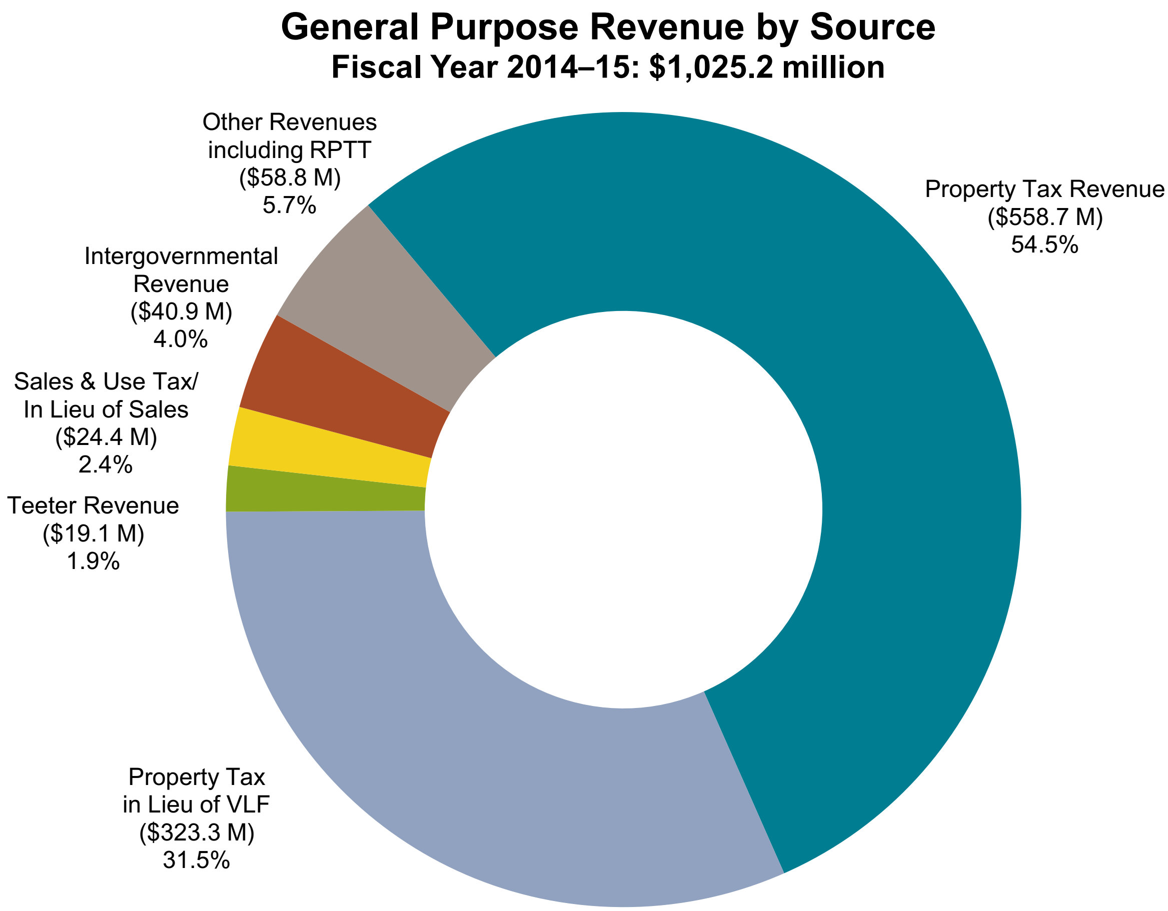
- Various one-time facility maintenance and upgrades which include:
  - Renovation and remodel of the Emergency Operations Center.
  - Construction of the San Diego County Real-time Network Base Station in the Lakeside/Santee area.
  - Assessment of accessibility in key public facilities.
  - American with Disabilities (ADA) accessibility projects.
  - Energy projects.
- Various equipment purchase/replacement including:
  - San Diego County Fire Authority rescue and safety equipment.
  - San Diego County Fire Authority fire apparatus and apparatus replacement commitment.
  - Training equipment for the Public Defender Vista and South Bay branches.
  - Weco Electric Meter Tester.
  - Medical Examiner equipment replacement.
  - Vehicle purchase for Integrated Pest Control (IPC) and Huonglongbing (HLB) staff.
  - Traffic safety enhancement equipment.
  - Accident scan equipment for County litigation.
  - Webcams at Low Water Crossings.
  - Preservation of standard and safe roadway maintenance levels: Closed Circuit Television Video (CCTV) for video within County culverts.
  - Library 24/7 machines.
  - Image scanning equipment.
  - Fingerprinting equipment for background investigations.
  - Other minor equipment to support volunteers and employee development.

- Rebudgets:
  - Defense of special circumstance cases.
  - Vehicle purchases to meet Agricultural Water Quality inspection requirements.
  - Documentum Record Manager integration.
  - Documentum upgrade for Environmental Health.
  - Tribal liaison consultant and support.
  - Fire victim permit fee waiver.
  - Land Use Data imaging project.
  - Development of an onsite wastewater treatment program in compliance with AB 885, *Onsite Sewage Treatment Systems* (2000).
  - Accela upgrade for Environmental Health.
  - Environmental Health support for beach water quality monitoring.
  - Asset Management application.
  - Business process reengineering for LUEG departments.
  - Business Case Management System rebudget (various underground utility one-time projects and purchase of commercial off the shelf software to allow display and markup of Capital Improvement Program design drawings for electronic review).
  - Mobile applications and web portal design.
  - Geographic Information Systems (GIS) infrastructure upgrade, Parcel Genealogy, Business Intelligence contract Phase III.
  - Q-matic system upgrade, Customer Routing in Land Development Process.
  - Electronic document review/submittal automation.
  - PACE program support and zoning ordinance update.
  - Multiple Species Conservation Program (MSCP) (North) Resource Management Plans to protect biological and cultural resources.
  - Planning and Development Services continuous improvement program customer service and cultural awareness training.
  - Firestorm 2007 rebuilding permit fee waiver.
  - Comprehensive Renewable Energy Plan.
  - Planning and Development Services General Plan amendments for property-specific requests.
  - Code enforcement abatements.
  - San Diego Association of Governments Quality of Life to fund water quality projects and programs.
  - Integrated Regional Water Management data management system grant match, and Proctor Valley Road closure.
  - Warehouse Asset Tracking system.
  - Poll worker internet site.
- Temporary help for contract monitoring and other functions in various departments.

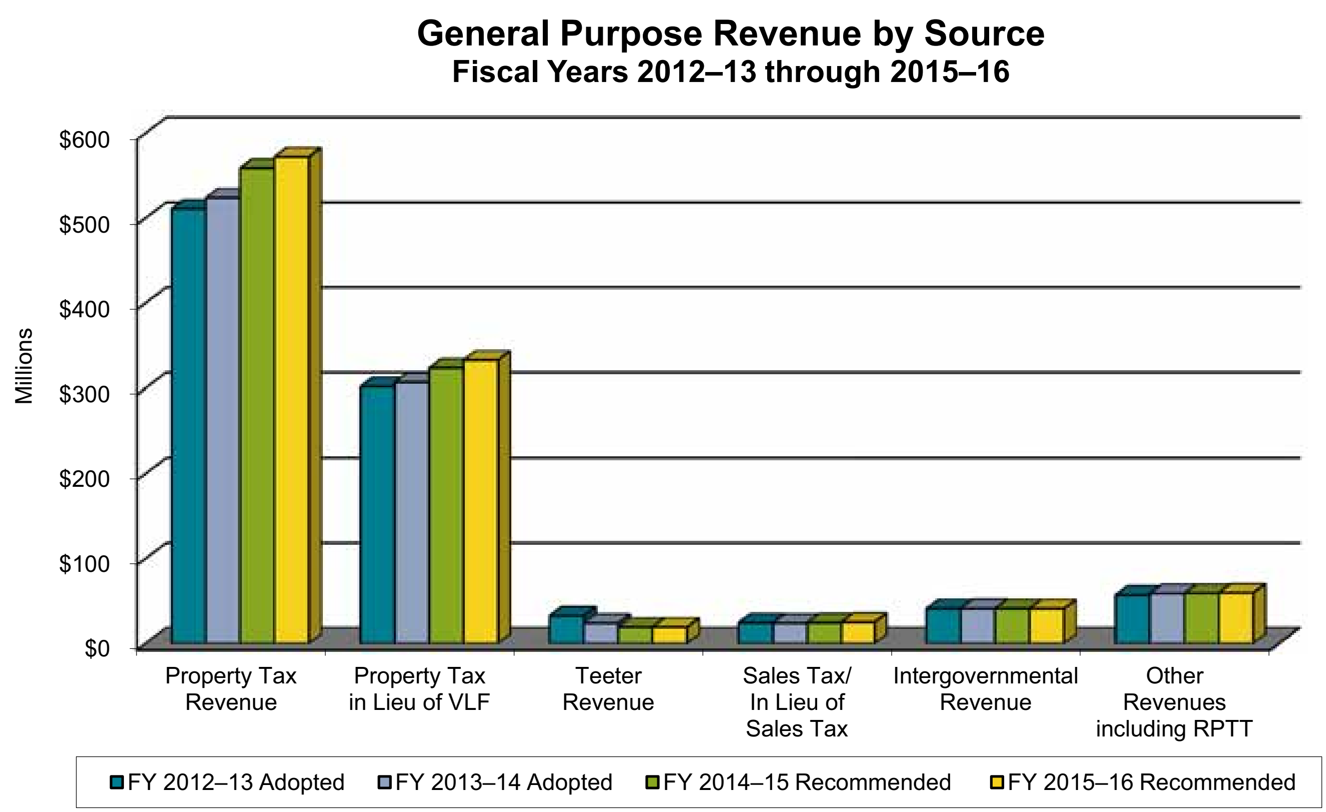
General Purpose Revenue

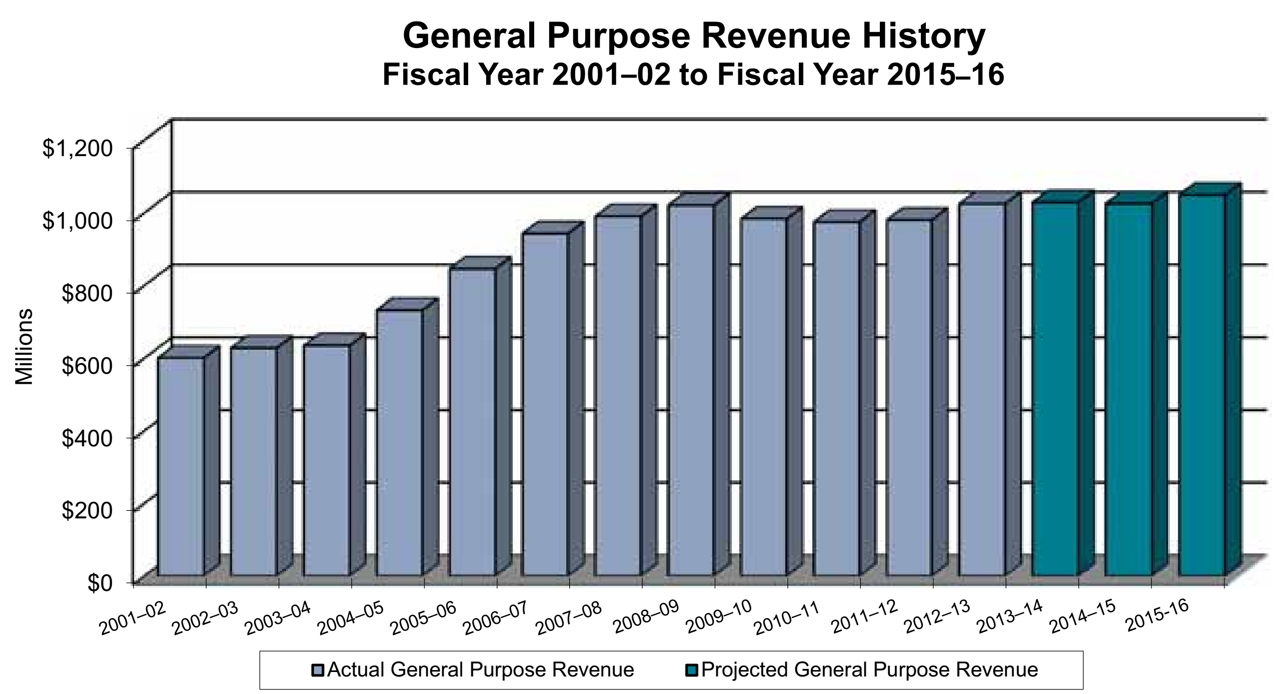
General Purpose Revenue by Source

General Purpose Revenue (GPR) represents approximately 26.7% 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. Therefore the Board of Supervisors has the greatest flexibility in allocating this revenue. The following section presents details of the major components of General Purpose Revenue.



The national recession from December 2007 through June 2009, and the corresponding State and local economic downturn, have had a significant impact on GPR. The U.S. economy is making a continued slow progress and is projected to have an improved outlook in 2014. For Fiscal Year 2014–15, the $1,025.2 million budgeted for GPR is an increase of $47.3 million or 4.8% from the Fiscal Year 2013–14 budgeted amount of $978.0 million. These resources are projected to increase to $1,049.2 million in Fiscal Year 2015–16. The charts on the following page present GPR by source and a historical view of GPR. The accompanying table includes a summary by account of historical and projected GPR.



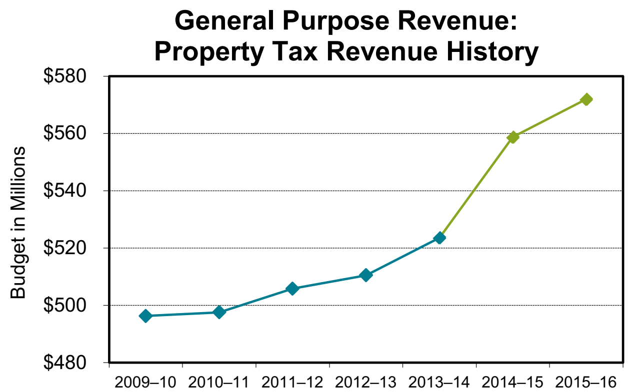


Notes: General Purpose Revenue (GPR) for Fiscal Years 2001–02 through 2012–13 represents actual revenue. Fiscal Year 2013–14 represents the 2nd Quarter estimate produced in December 2013. GPR projections for Fiscal Years 2014–15 and 2015–16 are included in the Fiscal Years 2014–16 CAO Recommended Operational Plan.

General Purpose Revenue					
	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Property Taxes Current Secured	$ 490,625,867	$ 503,560,241	$ 538,961,960	7.0	$ 552,201,072
Property Taxes Current Supplemental	3,291,750	3,490,901	2,552,267	(26.9)	2,595,796
Property Taxes Current Unsecured	16,522,894	16,512,624	17,128,637	3.7	17,062,911
Property Taxes Current Unsecured Supplemental	50,000	50,750	51,511	1.5	52,284
Total Property Tax Revenue	**$ 510,490,511**	**$ 523,614,516**	**$ 558,694,375**	**6.7**	**$ 571,912,063**
Total Property Tax In Lieu of VLF	**$ 301,668,991**	**$ 306,580,585**	**$ 323,296,493**	**5.5**	**$ 332,678,280**
Teeter Tax Reserve Excess	$ 21,000,000	$ 15,100,000	$ 13,100,000	(13.2)	$ 13,100,000
Teeter Property Tax All Prior Years	11,526,506	8,783,594	6,003,200	(31.7)	6,003,200
Total Teeter Revenue	**$ 32,526,506**	**$ 23,883,594**	**$ 19,103,200**	**(20.0)**	**$ 19,103,200**
Sales & Use Taxes	$ 18,406,197	$ 18,106,197	$ 18,443,383	1.9	$ 18,996,684
In Lieu Local Sales & Use Tax	5,999,874	5,800,000	5,974,000	3.0	6,153,220
Total Sales & Use Tax/In Lieu of Sales Tax	**$ 24,406,071**	**$ 23,906,197**	**$ 24,417,383**	**2.1**	**$ 25,149,904**
State Aid Homeowner's Property Tax Relief (HOPTR)	$ 4,882,356	$ 4,890,644	$ 4,795,214	(2.0)	$ 4,795,214
Federal In-Lieu Taxes	1,081,818	1,127,720	922,549	(18.2)	922,549
Local Detention Facility Revenue/State Aid Booking Fees	2,850,953	2,450,380	2,450,380	0.0	2,450,380
Aid From City of San Diego	2,371,600	2,772,173	2,772,173	0.0	2,772,173
Aid from Redevelopment Agencies/Aid from Redevelopment Successor Agencies	29,772,755	29,971,545	29,971,545	0.0	29,971,545
Total Intergovernmental Revenue	**$ 40,959,482**	**$ 41,212,462**	**$ 40,911,861**	**(0.7)**	**$ 40,911,861**
Property Taxes Prior Secured	$ 400,000	$ 400,000	$ 400,000	0.0	$ 400,000
Property Taxes Prior Secured Supplemental	4,914,113	5,211,938	5,685,976	9.1	5,742,562
Property Taxes Prior Unsecured	250,000	450,000	450,000	0.0	450,000
Property Taxes Prior Unsecured Supplemental	400,000	400,000	400,000	0.0	400,000
Other Tax Aircraft Unsecured	2,609,264	2,648,403	2,635,824	(0.5)	2,675,362
Transient Occupancy Tax	2,500,000	2,600,000	2,850,000	9.6	2,850,000
Real Property Transfer Taxes (RPTT)	14,097,121	16,875,633	19,175,936	13.6	19,367,696
Franchises, Licenses, Permits	10,513,537	10,438,344	10,441,416	0.0	10,491,137
Fees, Fines & Forfeitures	2,221,017	2,198,207	1,939,135	(11.8)	1,939,135
Penalties & Cost Delinquency Taxes	14,693,668	13,637,044	10,936,000	(19.8)	11,194,473
Interest On Deposits & Investments	3,437,944	2,867,302	2,867,302	0.0	2,867,302
Interfund Charges/Miscellaneous Revenues	1,027,775	1,027,775	1,036,334	0.8	1,036,334
Total Other Revenues including RPTT	**$ 57,064,439**	**$ 58,754,646**	**$ 58,817,923**	**0.1**	**$ 59,414,001**
Total General Purpose Revenue	**$ 967,116,000**	**$ 977,952,000**	**$ 1,025,241,235**	**4.8**	**$ 1,049,169,309**

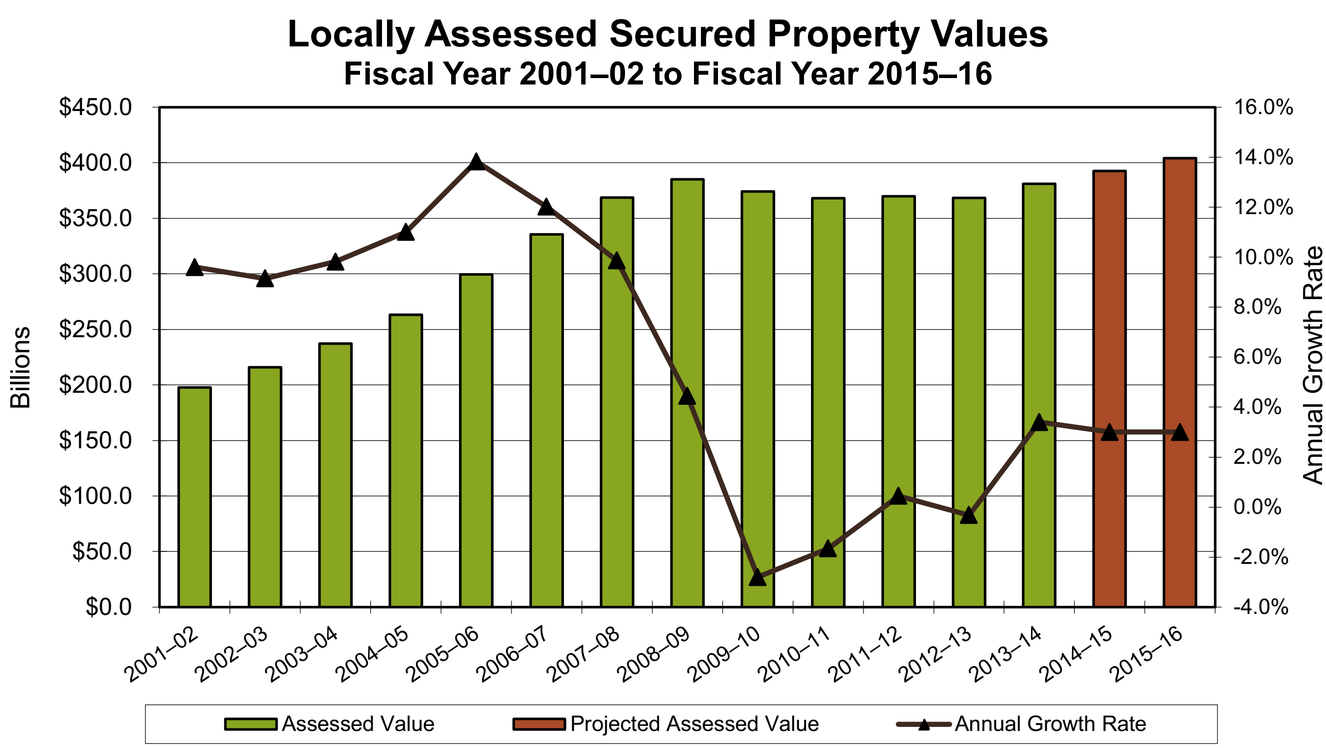
Property Tax Revenue

Property Tax Revenue, (**$558.7 million in Fiscal Year 2014–15 and $571.9 million in Fiscal Year 2015–16**), including current secured, current supplemental, current unsecured and current unsecured supplemental, represents 54.5% of the total General Purpose Revenue in Fiscal Year 2014–15 and 54.5% of the projected amount in Fiscal Year 2015–16.



The term "current" refers to those taxes that are due and expected to be paid in the referenced budget year. For Fiscal Year 2014–15, property tax revenue is budgeted to be $35.1 million or 6.7% higher than the budget for Fiscal Year 2013–14. Property tax revenue is projected to increase 2.4% or $13.2 million for Fiscal Year 2015–16. 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 counties are then distributed to the various taxing entities.

The decline of the assessed value of real property in 2009 and 2010 is an aftereffect of the credit crisis and economic downturn that began in 2007. In 2011 the assessed value of real property grew marginally while in 2012, weakness in residential markets contributed to 0.3% decline. In 2013, improvement in the residential market and positive change in both ownership and new construction activity resulted in an increase of 3.4%. For 2014, an improvement of 3.0% is projected in assessed value of real property overall.



Note: The projected locally assessed secured values assume a 3.0% growth rate for Fiscal Year 2014–15 and Fiscal Year 2015–16.
Source: San Diego County Auditor and Controller

Current Secured Property Tax Revenue

Current Secured property tax revenue (**$539.0 million in Fiscal Year 2014–15 and $552.2 million in Fiscal Year 2015–16**) is expected to increase by $35.4 million in Fiscal Year 2014–15 from the adopted level for Fiscal Year 2013–14.

This revenue is generated from the secured tax roll, that part of the roll containing real property, including residential and commercial property as well as State-assessed public utilities. The Fiscal Year 2014–15 revenue amount assumes an increase of 3.0% in the local secured assessed value compared to the actual current local secured assessed value amount for 2013–14 (which was an approximate 3.4% 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 2014–15, refunds and corrections combined are projected at $7.2 million compared to the Fiscal Year 2010–11 actual level of $19.4 million.

The expected increase in current secured revenue of $35.4 million or 7.0% is the result of the increase in the budgeted current local secured assessed value amount, an improvement in the delinquency rate and the higher assessed value assumption used to develop this budget compared to what was used in the adopted budget in Fiscal Year 2013–14. The Fiscal Year 2013–14 current secured revenue assumed a 1.0% increase in the local secured assessed value over the actual local secured assessed value amount for Fiscal Year 2012–13. However, the actual current local secured assessed value increased by 3.4% (gross less regular exemptions) in Fiscal Year 2013–14. Further, as noted above, for Fiscal Year 2014–15, local secured assessed value is budgeted to increase by 3.0%. For Fiscal Year 2015–16, local secured assessed value is assumed to grow by 3.0% and the County's share of total property tax revenues is expected to increase based on this anticipated growth.

Current Supplemental Property Tax Revenue

Current Supplemental property tax revenue (**$2.6 million in Fiscal Year 2014–15 and $2.6 million in Fiscal Year 2015–16**) is budgeted to decrease by $0.9 million in Fiscal Year 2014–15 from the adopted level in Fiscal Year 2013–14. This revenue is derived from net increases to the secured tax roll from either new construction or changes in ownership that occur subsequent to the January 1 lien date and are therefore more difficult to predict. These actions are captured on the supplemental tax roll. The slowdown in new construction and the decline in real estate prices have been acutely felt in supplemental property tax revenues. In many change of ownership transactions, a refund was due to the owner since the value of the property is lower than it was on the lien date instead of a bill for an additional amount of property tax because the property value is higher than the value as of the lien date.

Refunds on current supplemental property tax totaled $4.0 million in Fiscal Year 2005–06 and began increasing in Fiscal Year 2006–07 to $6.2 million until it reached $38.3 million in Fiscal Year 2008–09. In Fiscal Year 2009–10, supplemental refunds decreased to $21.6 million then to $15.3 million in Fiscal Year 2010–11. In Fiscal Year 2011–12, they increased to $18.3 million and went back down to $13.9 million in Fiscal Year 2012–13. They are anticipated to continue to decline gradually over time as residential and commercial assessed values improve.

Current supplemental property tax revenues reached a low of $1.9 million in Fiscal Year 2009–10. In Fiscal Year 2010–11, current supplemental property tax revenues started to improve to $3.9 million and increased to $4.4 million in Fiscal Year 2012–13. The budget assumes a decline in real property activities through the next two fiscal years.

Current Unsecured Property Tax Revenue

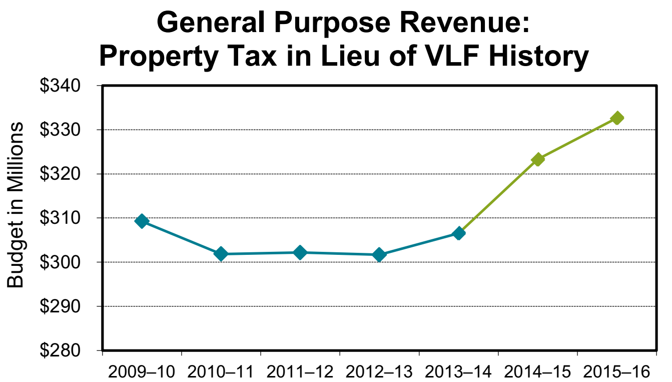
Current Unsecured property tax revenue (**$17.1 million in Fiscal Year 2014–15 and $17.1 million in Fiscal Year 2015–16**) is not based on a lien on real property. The unsecured tax roll is that part of the assessment roll consisting largely of business personal property owned by tenants. Based on trends and most up-to-date information, a conservative projection is used for the next two fiscal years.

Current Unsecured Supplemental Property Tax Revenue

Current Unsecured Supplemental property tax revenue (**$0.1 million in Fiscal Year 2014–15 and $0.1 million in Fiscal Year 2015–16**) is derived from supplemental bills that are transferred to the unsecured tax roll when a change in ownership occurs and a tax payment is due from the prior owner. Or, there may be a subsequent change in ownership following the initial change in ownership 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.

Property Tax in Lieu of Vehicle License Fees (VLF)

Property Tax in Lieu of Vehicle License Fees (VLF) comprises 31.5% **($323.3 million)** of the General Purpose Revenue amount **in Fiscal Year 2014–15** and 31.7% of the projected amount **($332.7 million) in Fiscal Year 2015–16**.



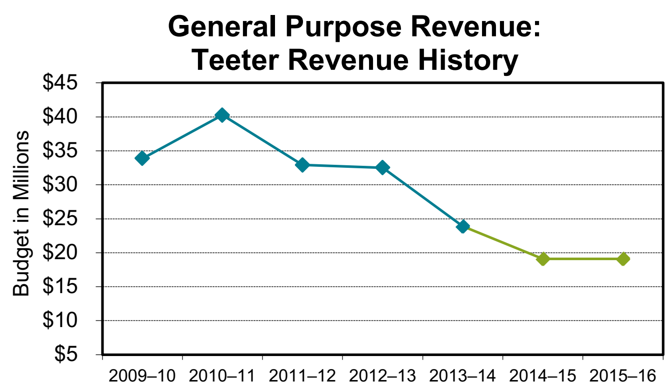
Beginning in Fiscal Year 2004–05, this revenue source replaced the previous distribution of vehicle license fees to local governments. Per the implementing legislation, revenue levels for this funding source are based on the growth or reduction in net taxable unsecured and local secured assessed value. With a projected and budgeted 3.0% increase in the combined taxable unsecured and local secured assessed value in Fiscal Year 2014–15, revenues are anticipated to be $16.7 million higher than budgeted for Fiscal Year 2013–14. The increase is partially associated with the change in actual assessed value in Fiscal Year 2013–14 which increased by 3.4% compared to a budgeted increase of 1.0%. The Fiscal Year 2015–16 revenue is estimated using a 3.0% assessed value growth.

Teeter Revenue

Teeter Revenue (**$19.1 million in Fiscal Year 2014–15 and $19.1 million in Fiscal Year 2015–16**) represents approximately 1.9% of General Purpose Revenue in Fiscal Year 2014–15 and 1.8% of the projected amount in Fiscal Year 2015–16. For Fiscal Year 2014–15, Teeter Revenue is $4.8 million or 20.0% less than the budget for Fiscal Year 2013–14.

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," named after its author.) This alternative method provides for funding each taxing entity included in the Teeter Plan 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 taxing 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 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 all 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 85 for the amount of revenue pertaining to these 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 amount of 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 2014–15, collections from previous years' receivables are budgeted to decrease by $2.8 million based on the size of the outstanding annual receivables, anticipated collection trends and market conditions.

In Fiscal Year 2014–15, excess amounts from the Teeter Tax Loss Reserve Fund are budgeted to decrease from $15.1 million in the Fiscal Year 2013–14 budget to $13.1 million due to the size of the outstanding annual receivables and market conditions. Excess amounts from the Teeter Tax Loss Reserve Fund are projected at $13.1 million in Fiscal Year 2015–16.

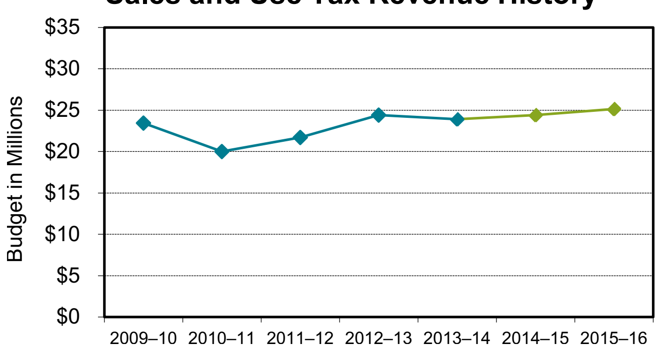
Sales and Use Tax Revenue

Sales and Use Tax Revenue (**$24.4 million in Fiscal Year 2014–15 and $25.1 million in Fiscal Year 2015–16**) represents approximately 2.4% of General Purpose Revenue in Fiscal Year 2014–15 as well as in Fiscal Year 2015–16. 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 85 reflect the combined Sales and Use Tax revenues and the In Lieu Local Sales and Use Tax replacement funding that will be transferred to the County from the Educational Revenue Augmentation Fund (ERAF).

The ERAF was established in Fiscal Years 1992–93 and 1993–94 in response to serious State budgetary shortfalls. The State legislature and administration permanently redirected more than $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 and 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.

General Purpose Revenue: Sales and Use Tax Revenue History

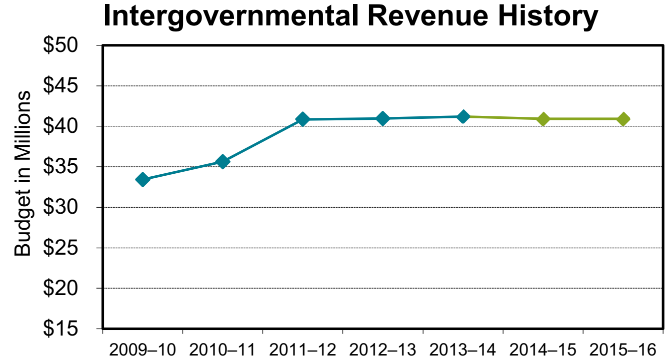


Sales and Use Tax revenue in the county had been growing moderately through Fiscal Year 2007–08 in concert with population growth and new retail business formation in the unincorporated areas of the county. The recent recession, housing market declines and unemployment trends negatively impacted taxable sales at the Statewide, Southern California and San Diego regional levels. Sales and Use Tax revenue began to improve in calendar years 2010 and 2011 and increased slightly in 2012. Fiscal Year 2013–14 Sales and Use Tax revenue is projected to decrease by $0.2 million or 1.1% compared to budget and $0.5 million or 2.8% compared to Fiscal Year 2012–13 actuals. For Fiscal Year 2014–15, the amount is budgeted to increase by $0.5 million or 2.1% above the Fiscal Year 2013–14 Adopted Operational Plan. Sales and Use Tax revenue growth in Fiscal Year 2015–16 is anticipated to be $0.7 million or 3.0% over Fiscal Year 2014–15.

Intergovernmental Revenue

Intergovernmental Revenue (**$40.9 million in Fiscal Year 2014–15 and $40.9 million in Fiscal Year 2015–16**) comprises 4.0% of the General Purpose Revenue amount in Fiscal Year 2014–15 and 3.9% of the projected amount in Fiscal Year 2015–16. For Fiscal Year 2014–15, the amount budgeted is $0.3 million or 0.7% lower than the Fiscal Year 2013–14 Adopted Operational Plan.

General Purpose Revenue: Intergovernmental Revenue History



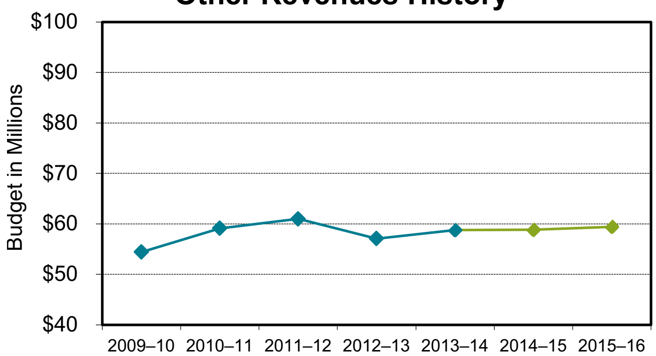
Funding for this revenue source comes from various intergovernmental sources including Redevelopment Successor Agencies, the City of San Diego (pursuant to a Memorandum of Understanding [MOU] related to the County's Central Jail), the federal government (Payments in Lieu of Taxes [PILT] for tax-exempt 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 and 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 affected taxing agency 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 affected taxing agencies under Section 34183 of the Health and Safety Code. The County General Fund and Library Fund, as affected taxing entities, receive a share of this tax distribution, but this has not been included in the Fiscal Year 2014–15 Adopted Operational Plan.

Other Revenues

Other Revenues for **Fiscal Year 2014–15 total $58.8 million and increase to $59.4 million in Fiscal Year 2015–16**, and are approximately 5.7% of the total General Purpose Revenue amount in Fiscal Year 2014–15 and Fiscal Year 2015–16. The Fiscal Year 2014–15 amount represents a 0.1% or $0.1 million increase from the Fiscal Year 2013–14 Adopted Operational Plan.

General Purpose Revenue: Other Revenues History



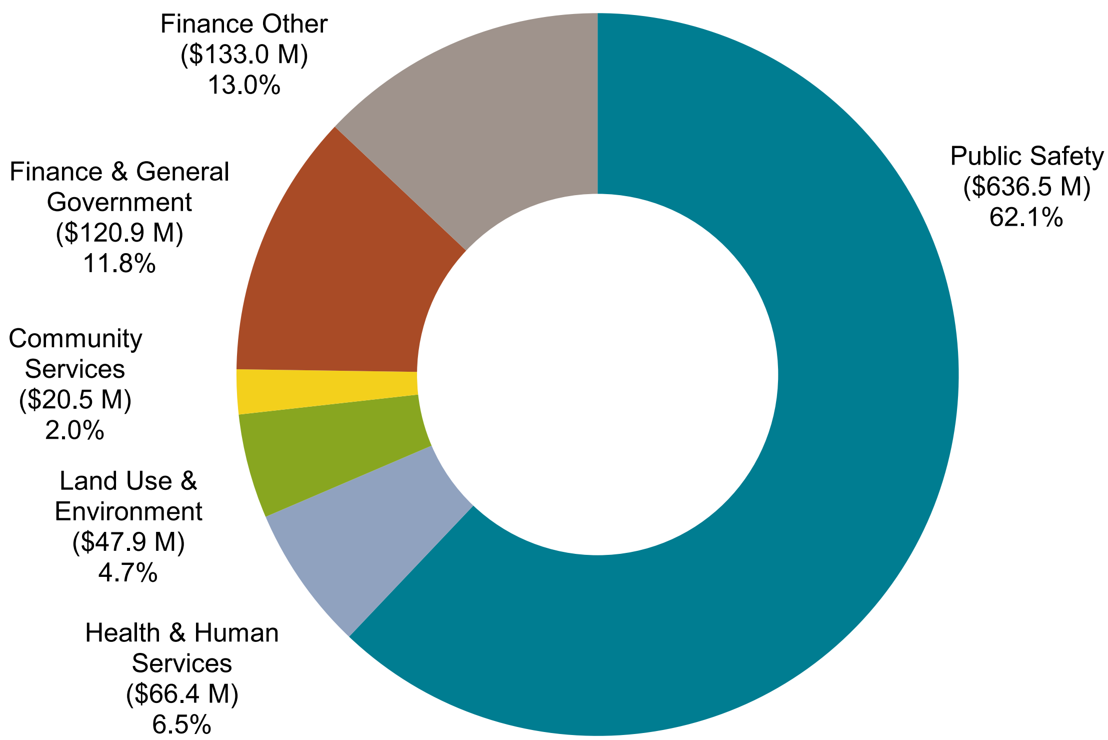
Various revenue sources make up this category including Real Property Transfer Tax (RPTT), interest on deposits, fees, fines, forfeitures, prior year property taxes, penalties, cost delinquency taxes, franchise fee revenue, cable and video licenses and other miscellaneous revenues.

One large component of this revenue category for Fiscal Year 2014–15 is RPTT, a leading indicator of local economic strength. RPTT revenue for Fiscal Year 2014–15 is budgeted at $19.2 million, a 13.6% ($2.3 million) increase from the Fiscal Year 2013–14 Adopted Operational Plan, reflecting a continued improvement in receipts in Fiscal Year 2013–14 compared to substantial slowing and overall volatility that began in fall 2008. Revenues are projected to improve by $0.2 million or 1.0% in Fiscal Year 2015–16 with an assumption that property resales will slightly improve. 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% from transactions in the incorporated areas. Another large component, $10.9 million, is Penalties and Cost on Delinquency Taxes. These revenues are received from penalties assessed on late payment of current year taxes (those taxes paid late, but before the end of the fiscal year). These revenues are projected to decrease in Fiscal Year 2014–15 due to improvement in collections and are projected to slightly increase in Fiscal Year 2015–16 ($11.2 million or 2.4%).

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 or State service delivery obligations and the priorities and strategic direction set by the Board of Supervisors. While the Fiscal Year 2014–15 budget for the Public Safety Group represents 32.2% of total County expenditures, the allocation of GPR for services in that Group equals 62.1% of the total GPR. By contrast, the Health and Human Services Agency's budget represents 37.6% of total County expenditures but, because of significant amounts of funding from program revenues, it is allocated only about 6.5% of the total GPR.

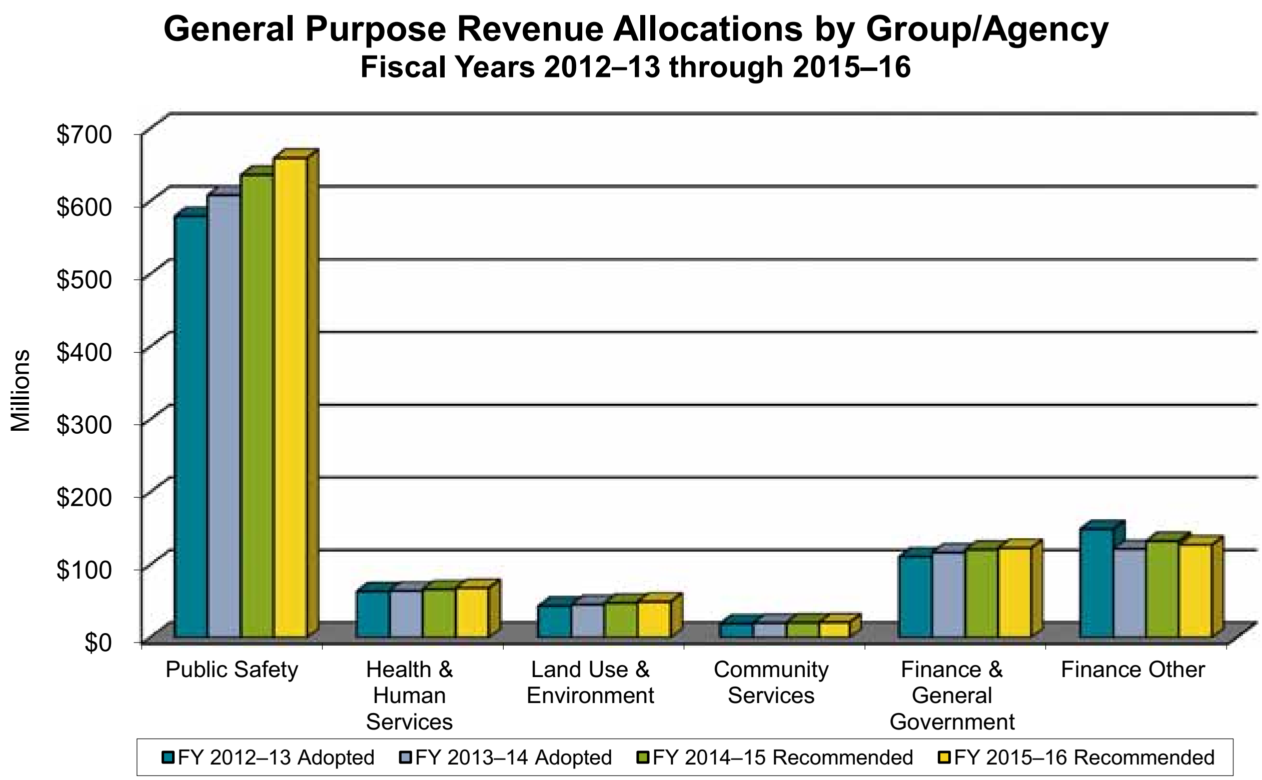
General Purpose Revenue Allocations by Group/Agency
Fiscal Year 2014–15: $ 1,025.2 million



The allocation of GPR for Fiscal Years 2014–15 and 2015–16 reflects a multi-year strategy to manage County resources within the recovering economic environment, which began to show signs of gradual recovery in Fiscal Year 2010–11, and continued to Fiscal Year 2012–13. Further improvement is anticipated through Fiscal Year 2013–14 as projected in the Fiscal Year 2013–14 Second Quarter Operational Plan Status Report and Budget Adjustments letter. The primary goals of this strategy are to preserve core services to the public, 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 in Fiscal Years 2009–10 and 2010–11, grew marginally in Fiscal Year 2011–12, declined marginally in Fiscal Year 2012–13 and grew moderately in Fiscal Year 2013–14. For Fiscal Year 2014–15, an improvement in total assessed value of 3.0% is projected.

In **Fiscal Year 2014–15, GPR is budgeted at $1,025.2 million**, an increase from Fiscal Year 2013–14, which was budgeted at $978.0 million. Also important are increases in



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

	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	% Change	Fiscal Year 2015–16 Recommended Budget
Public Safety	$ 579.9	$ 608.9	$ 636.5	4.5	$ 659.8
Health & Human Services	63.4	64.7	66.4	2.7	68.2
Land Use & Environment	43.6	45.5	47.9	5.2	49.5
Community Services	19.3	20.1	20.5	2.2	20.9
Finance & General Government	111.5	117.0	120.9	3.3	123.2
Finance Other	149.4	121.7	133.0	9.2	127.6
Total	**$ 967.1**	**$ 978.0**	**$ 1,025.2**	**4.8**	**$ 1,049.2**

the required contributions to the County's retirement fund driven by the 25.7% loss in the retirement fund's market value in Fiscal Year 2008–09. The annual retirement contributions are budgeted to increase in Fiscal Year 2014–15 by 8.4% and in Fiscal Year 2015–16 by 3.0%. The Fiscal Year 2014–15 employer contributions to the retirement fund are budgeted to increase by 3.3%. Future contribution rates will be driven by actual market performance of the retirement fund and actuarial assumptions.

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

- Fiscal Year 2014–15 reflects salary changes due to step or merit increases, previously negotiated changes in labor agreements and increases in retirement contributions.
- The Fiscal Year 2015–16 assumes salary changes due to step or merit increases and previously negotiated changes in labor agreements through June 30, 2016.

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 2014–15 and 2015–16 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 that guide the County's budgetary decision making process. The policies can be viewed online at: http://sdpublic.sdcounty.ca.gov/your-county-government/government-documents/.

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 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 of California, 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. Per the County of San Diego 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.
  - Develop annual revenue estimates for the development of the Operational Plan relating to revenues under control of the Chief Administrative Officer.
  - 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 per the County of San Diego Administrative Manual 0030–14, *Use of One-Time Revenues*.
- County departments will seek to recover the full cost of all services provided 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 as set forth

in 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.
- All proposed grant funding requests must be certified by the department head as being worthy of funding with County resources if external financing was 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 at regularly scheduled meetings of the Board of Supervisors. Fees are to be deposited or paid in advance of delivery or completion of services. All fee schedules will be reviewed annually or more frequently if warranted, to allow for full cost recovery.
- The 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. 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 as set forth in Board of Supervisors Policy B-63, *Competitive Determination of Optimum Service Delivery Method*.
- There are three basic categories of funding sources for County programs and services: Program Revenue, General Purpose Revenue and Fund Balance.
  - Program Revenue may be received in the form of fees paid by customers for a particular service or may be received as a subvention or grant from the State or federal government based on qualifying services being provided to local residents. For purposes of constructing the Operational Plan, Program Revenue is defined to also include all revenue received by special funds.
  - General Purpose Revenue may be used to provide for any service that is within the legal purview of the County. It is used to match federal or State program revenues where required and to fund mandated and discretionary services where either no program revenue or insufficient program revenue is received. General Purpose Revenue shall be budgeted only after all other funding sources for those services are taken into account.
  - Fund Balance results from an excess of revenues over expenditures in prior fiscal years. Fund balance is used to support one-time projects 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 supplement, but not replace, existing health care revenue pursuant to 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 of San Diego 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

- Pursuant to the Charter of the County of San Diego, Article VII, §703.4, the Chief Administrative Officer supervises the expenditures of all departments and reports to the Board of Supervisors whether those expenditures are necessary.
- 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, Road 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 pursuant to County of San Diego Administrative Manual 0030–10, *Transfers of Appropriations between Objects within a Budget Unit*.

- As a general practice, 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 the Charter of the County of San Diego §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 set forth in Board of Supervisors Policy A-81, *Procurement of Contract Services*.
- The County shall procure items or services on a competitive basis unless it is in the County's best interests not to use the competitive procurement process. The competitive procurement requirements may be satisfied through conducting either (a) formal bidding or (b) competitive negotiated procurement. Definitions and guidelines for exemptions and exceptions are outlined in Board of Supervisors Policy A-87, *Competitive Procurement*.
- The County will establish appropriations for the Community Enhancement Program at a level approximately equal to the amount of Transient Occupancy Tax revenues estimated to be collected each fiscal year. Each of the five Board of Supervisors office is allocated 20% of the total program amount for purposes of recommending grant awards to community organizations based on eligibility criteria and application guidelines included in 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, distributed evenly among the five Board of Supervisors districts, 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 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.
- 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 do so.
- In the event that the Fund Balance Committed 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.
- In addition, the policy authorizes the Chief Administrative Officer to assign fund balance for specific purposes.
- For additional details on County Reserves, refer to the section on 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 the Debt Management Policies and Obligations section.

Investments

- The San Diego County Treasurer-Tax Collector is responsible for the collection, banking, investment, disbursement and accountability of public funds, excluding pension funds. Accordingly, the County Treasurer shall annually prepare an Investment Policy that will be reviewed and monitored by the County Treasury Oversight Committee, established by the Board of Supervisors pursuant to California Government Code §§27130–27137.
- The monies entrusted to the County Treasurer (the Fund) will comprise an actively managed portfolio. This means that the Treasurer and his staff will observe, review and react to changing conditions that affect the Fund.
- The *San Diego County Treasurer's Pooled Money Fund Investment Policy* shall be annually reviewed and approved at a public hearing by the Board of Supervisors. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds:
  - The primary objective shall be to safeguard the principal of the funds under the 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.
- More information about the Fund and the policy is available at: www.sdtreastax.com/treasury.html.
- The Treasurer shall prepare a monthly investment report to be posted on the Treasurer-Tax Collector's website (www.sdtreastax.com/treasury.html).
- The Treasurer shall provide to the Treasury Oversight Committee an annual independent review by an external auditor to assure compliance with policies and procedures set forth by the California Government Code.

Capital Improvements

- The County Board of Supervisors has jurisdiction over the acquisition, use and disposal of County-owned real property and County-leased property under the authority of California Government Code §23004.
- The need for capital improvements is assessed annually. Board of Supervisors Policy B-37, *Use of the Capital Program Funds*, establishes funding methods, administration and control, and allowable uses of the Capital Program Funds.
- The physical assets of the County are extensive; thus it is essential that the County follows an effective strategy to manage and plan for current and long-term capital and space needs. The Department of General Services shall be the responsible agency to manage the capital facilities planning and space needs of the County. The department is responsible for establishing the general objectives and standards for the location, design and occupancy of County-owned or leased facilities, as well as serving as the steward of a Countywide master plan and individual campus plans per Board of Supervisors Policy G-16, *Capital Facilities and Space Planning*.
- Additional details on the County's Capital Program can be found in the Capital Program section.

Measurement Focus and Basis of Accounting

Governmentwide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales taxes, investment income, State and federal grants and charges for services are accrued at the end of the fiscal year if their receipt is anticipated within 180 days. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. General capital asset acquisitions and general principal payments are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For governmentwide (governmental and business-type activities) and proprietary fund activities, the County applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as any applicable pronouncement of the Financial Accounting Standards Board (FASB), the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The County has elected not to apply the FASB standards issued subsequent to November 30, 1989, in reporting business-type activities and proprietary funds. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes Generally Accepted Accounting Principles (GAAP) for government agencies.

Financial Statement Presentation

For governmental funds only, current assets, current liabilities and fund balances are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances - governmental funds present increases (i.e., revenues and other financing sources), decreases (i.e., expenditures and other financing uses) and the net change in fund balances.

For proprietary funds and fiduciary funds, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets for the proprietary funds are segregated into “invested in capital assets, net of related debt” and “unrestricted net assets” in the County's Comprehensive Annual Financial Report (CAFR). The net assets for the fiduciary funds are described as “held in trust for other pool participants” and “held in trust for individual investment accounts” in the CAFR. Proprietary funds statement of revenues, expenses and changes in fund net assets present increases (i.e., operating revenues and non-operating revenue), decreases (i.e., operating expenses and non-operating expenses), income/ loss before capital contributions and transfers, and the change in net assets.

Differences Between Budgetary and Financial Reports

Governmental Funds

An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditure within departments and authorizes the carry forward of appropriations and related funding for prior year encumbrances. Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors. Any budget amendments are approved by the Group and department managers or the Board of Supervisors.

The schedule of revenues, expenditures and changes in fund balance—budget and actual—is presented as Required Supplementary Information in the CAFR and is prepared in accordance with GAAP. This statement includes the following columns:

- The Original Budget column consists of the adopted budget plus the encumbrances carried forward from the prior fiscal year. The County adopts its budget subsequent to the start of the new fiscal year.
- The Final Budget column consists of the Original Budget column plus amendments to the budget occurring during the fiscal year.
- The Actual column represents the actual amounts of revenues and expenditures reported on a GAAP basis which is the same basis that is used to present the aforementioned original and final budget.

Proprietary Funds

The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriations, their budgetary controls are the same as those of the govern-mental 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.

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 recurring capital or 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 2014–15 capital projects budget for the County is $71.8 million and $2.5 million for Fiscal Year 2015–16. This excludes the $9.9 million appropriated in Fiscal Year 2014–15 and 2015–16 in the Edgemoor Development Fund to support the costs associated with the Edgemoor Skilled Nursing Facility, including the lease payments related to the long-term financings executed to help fund construction.

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 and Existing Capital Projects (Fiscal Year 2014–15)		
Capital Outlay Fund	$ 2,100,000	2
Justice Facility Construction Fund	49,940,000	1
Library Construction Fund	9,750,000	1
Multiple Species Conservation Program Fund*	10,000,000	1
Total Appropriation Increases for New and Existing Capital Projects (Fiscal Year 2014–15)	**$ 71,790,000**	**5**
Capital Project Remaining Appropriations by Group		
	Dollar Amount	Number of Projects
Projects Underway		
Public Safety Group	$ 207,954,129	16
Health and Human Services Agency	1,065,596	4
Land Use and Environment Group	64,548,793	71
Community Services Group	36,949,515	13
Finance and General Government Group	55,955,478	3
Total Projects Underway	**$ 366,473,511**	**107**
Grand Total	**$ 438,263,511**	**111***

*Grand total number of projects may not equal the sum of both project totals due to existing projects with new appropriations.

The Capital Program section of this Operational Plan beginning on page 421 highlights major projects and provides project details on all outstanding capital projects. The Finance Other section on page 457 includes a schedule of lease-purchase payments related to previously debt-financed projects.

Reserves and Resources

Reserves and Resources

The County maintains a prudent level of resources to help protect fiscal health and stability. The following tables include frequently referenced budgetary reserves and resources but do not include the reserves and resources of all funds as reported in the County's Comprehensive Annual Financial Report (CAFR). The figures in the tables reflect budgeted and/or estimated amounts for the items listed. The 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 www.sdcounty.ca.gov/auditor/cafr.html.

Reserves and Resources (in millions)	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget
General Fund Minimum Fund Balance for Economic Uncertainty	$ 100.0	$ 102.5
Group/Agency Management Reserves	36.8	29.8
General Fund Contingency Reserve: Operations	20.0	20.5
Committed Fund Balance: Unforeseen Catastrophic Events	55.5	55.5
Total	**$ 212.3**	**$ 208.3**

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*, sets a target amount that equates to 10% of General Purpose Revenue. The $102.5 million set aside of General Fund unassigned fund balance for Fiscal Year 2014–15 equates to 10% of General Purpose Revenue and is in compliance with the 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 $20.5 million budgeted for Fiscal Year 2014–15 equates to 2% of General Purpose Revenue and is in compliance with the 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 Supervisors. It may be increased at any time during the year with a four-fifths vote of the Board. 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 in Fiscal Year 2014–15 equates to 5.4% of Fiscal Year 2014–15 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 (in millions)				
	Fiscal Year 2013–14 Adopted Budget		Fiscal Year 2014–15 Recommended Budget	
Tobacco Securitization Endowment Fund	$	347.4	$	325.9
Workers' Compensation Fund		108.0		103.5
Environmental Trust Fund		50.4		51.2
Public Liability Fund		40.5		38.3
Restricted: Debt Service		25.9		26.0
Total	**$**	**572.2**	**$**	**544.9**

Additional Reserves and Resources

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 Securitization Endowment Fund

The County established the Tobacco Securitization Endowment Fund in January 2002. In lieu of receiving the Tobacco Settlement revenue on an annual basis, the County securitized the payment stream and deposited the net proceeds of $412.0 million into the Tobacco Securitization Endowment Fund. Based on certain interest rate assumptions, these proceeds would have enabled the County to fund approximately $24.2 million of health care programs annually through approximately year 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 was estimated that this would extend the life of the endowment fund through year 2034.

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 $153.8 million, which includes $28.2 million in expected costs for Fiscal Year 2014–15. The cash balance in the fund is projected to be $103.5 million at July 1, 2014.

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.

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 $30.9 million, which includes $13.2 million in expected costs for Fiscal Year 2014–15. The cash balance in the fund is projected to be $38.3 million at July 1, 2014.

Restricted: Debt Service

A portion of bond proceeds from various County Certificates of Participation and Lease Revenue Bonds is set aside to provide assurance to 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)

The Board of Supervisors has determined periodically 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 on the following page do not reflect all General Fund commitments, but rather those with a year-over-year increase or decrease. Totals for these items may vary from those in the CAFR since the CAFR reflects final audited fiscal year end balances.

Committed: Registrar of Voters

Established in Fiscal Year 2003–04 to provide sustained funding for those election years with few billable participating jurisdictions.

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 Environmental Health (DEH) to set aside any excess revenue over cost that may occur in some fiscal years for use in a subsequent fiscal year when costs exceed revenue. This ensures that excess revenue over cost paid by DEH customers is used only to fund expenses in DEH.

Committed Fund Balance (General Fund only, in millions)	Fiscal Year 2013–14 Adopted Budget Increase/(Decrease) From Prior Year	Fiscal Year 2014–15 Recommended Budget Increase/(Decrease) From Prior Year
Committed: Registrar of Voters	$ 0.0	$ 1.0
Committed: Sale Proceeds Grand Avenue Clinic	0.1	1.1
Committed: SDCFA Equipment Replacement	0.3	0.1
Committed: Environmental Health	(0.8)	(1.4)
Total	**$ (0.5)**	**$ 0.8**

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 existing financial obligations through refinancing; and (iii) manage short-term cash flow requirements. The decision to use debt financing is governed by several factors including the nature of the project to be financed, availability of other financing, and debt affordability. The County enters into both long-term and short-term financings, which undergo the scrutiny of the credit rating agencies. The County's long-term financings adhere to a Board of Supervisors approved policy. This policy, the County's current credit ratings and the various forms of debt financing used 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 includes a comprehensive and fiscally prudent policy that sets forth 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 has been the foundation for managing 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 currently composed of the Assistant Chief Administrative Officer/Chief Operating Officer, 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 first should have been identified and prioritized during the development of the County's multi-year Capital Improvement Needs Assessment. If the Debt Advisory Committee deems that the financing is feasible, financially and economically prudent, coincides with the County's objectives and does not impair the County's creditworthiness, then it will be forwarded to the Board of Supervisors for consideration.

Structuring Practices

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

Management Practices

- The County shall encourage and maintain good relations with credit rating agencies, investors in the County's long-term financial obligations, and those in the financial community who participate in the issuance or monitoring of the County's long-term obligations. A policy of full and open disclosure on every financial report and long-term obligation transaction will be enforced, an investor relations website will be maintained with current and accurate information, and a credit rating agency presentation/update shall be conducted annually.

- The County shall comply with all ongoing disclosure conditions and shall file such required documents in a timely manner.
- The County shall monitor earnings on bond proceeds and rebate excess earnings as required to the U.S. Treasury to avoid the loss of tax-exempt status.
- The County of San Diego will enforce filing notices of completion on all projects within five years of their financing. The County shall continually review outstanding obligations and aggressively initiate refinancings when economically feasible and advantageous.

Credit Ratings

The County of San Diego seeks ratings from three rating agencies, Moody's Investors Service, Standard and Poor's and Fitch Ratings, in order to provide an objective measure of the strength of the County's credit.

The most recent full credit review of the County by Moody's Investors Service was performed in February, 2013 in connection with a categorical action that the rating agency took reflecting the changed view of the distinction between the pledge supporting general obligation bonds and the pledge supporting unsecured general fund obligations, which includes pension obligation bonds. At this time, Moody's Investors Service lowered its ratings on the County's Pension Obligation Bonds from “Aa2” to “Aa3” while maintaining its view of the County's overall credit strength, affirming the County's issuer and lease financing ratings.

Fitch Ratings' most recent review of the County in May, 2013 affirmed the County's issuer and long-term obligation ratings.

In November, 2013, Standard and Poor's affirmed the County's issuer and long-term obligation ratings in connection with a review of the County's credit within the context of the rating agency's revised methodology and assumptions, effective as of September, 2013.

All three rating agencies cited the County's strong financial management, broad and diverse economy, and low to moderate debt burden in their rationale for the ratings they assigned. Moody's Investors Service stated that, “as expected, the county's solid and conservative fiscal management has produced another year of healthy operating results.” According to Fitch Ratings, “the county's strong financial results are supported by forward-looking management policies and practices which include clear reserve targets, disciplined funding of capital needs and long-term obligations, and conservative budgeting… the county has instituted numerous expenditure controls over the past several years, reducing both near-term and future cost pressures.” Standard and Poor's affirmed its ratings of the County and its obligations and maintained the stable outlook on the County's ratings because of strong economy, very strong budgetary flexibility, strong budgetary performance, very strong liquidity, very strong management conditions with strong financial policies, and a strong debt and contingent liabilities position.

The San Diego County Employees Retirement Association (SDCERA) had its “AAA” rating affirmed by Standard & Poor's in February, 2012. The rating reflects the organization's overall capacity to pay its financial obligations, and is based on SDCERA's strong fund management, good funded status despite a challenging fiscal year and continued strong credit quality of the pension system's sponsor, the County of San Diego.

Credit Ratings

	Moody’s Investors Service	Standard & Poor’s	Fitch Ratings
County of San Diego (Issuer Rating)	Aa1 (GSR)[1]	AAA	AAA
Certificates of Participation and Lease Revenue Bonds	Aa3 (GSR)	AA+	AA+
Pension Obligation Bonds	Aa3 (GSR)	AA+	AA+
San Diego County Employees Retirement Association	—	AAA	—
County Investment Pool	—	AAAf/S1	—
[1] *Global Scale Rating (GSR)*			

The San Diego County Investment Pool continues to hold an "AAAf/S1" rating from Standard & Poor's. The rating reflects the extremely strong protection that 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 presented in the table on the previous page.

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 that 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. These types of obligations are not considered indebtedness under the State constitution and are not subject to the limitations on general obligation debt. The reason these obligations are not subject to the debt limit are further discussed below.

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 Successor Agency	Health and Safety Code §34177.5 et seq.
Housing Authority	Health and Safety Code §34200 et seq. Multi-family Rental Housing 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
School District General Obligation Bonds	Education Code §15000 and following Government Code §53500 and following

Bond Ratios	Fiscal Year 2009–10	Fiscal Year 2010–11	Fiscal Year 2011–12	Fiscal Year 2012–13	Fiscal Year 2013–14	Fiscal Year 2014–15
Net Bonded Debt (in millions)[1]	$ 1,436.7	$ 1,265.5	$ 1,204.4	$ 1,177.0	$ 1,144.4	$ 1,086[2]
Net Bonded Debt per Capita[3]	$ 465	$ 406	$ 385	$ 373	$ 360	$ 340
Ratio of Net Bonded Debt to Assessed Value	0.36%	0.32%	0.31%	0.30%	0.28%	0.26%

[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, 2014.

[3]Based on the January 1st annual estimated population figures for San Diego County provided by the State of California Department of Finance (DOF) based on 2000 and 2010 Census counts and based on most current population figures.

Note: If the County were to issue General Obligation Bonds, the debt limit pursuant to Government Code §29909 would be 1.25% of the taxable property of the county. The estimated taxable assessed value in the county as of June 30, 2014 is $417.4 billion.

Bond and Debt Service Ratios

The table above presents bond ratios useful to County management, the general public and investors.

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 and the payments required for the Pension Obligation Bonds is provided in the Finance Other section beginning on page 457.

Components of General Fund Debt Service Ratio (in millions)	Fiscal Year 2011–12 Adopted Budget	Fiscal Year 2012–13 Adopted Budget	Fiscal Year 2013–14 Adopted Budget	Fiscal Year 2014–15 Recommended Budget	Fiscal Year 2015–16 Recommended Budget
General Fund Revenue[1]	$ 3,526.9	$ 3,603.9	$ 3,719.7	$ 3,679.7	$ 3,683.0
Total Debt Service	$ 120.5	$ 124.5	$ 120.0	$ 118.5	$ 118.5
Ratio of Total Debt Service to General Fund Revenue	3.42%	3.46%	3.23%	3.22%	3.22%
General Fund Share of Debt Service Cost[2]	$ 95.0	$ 97.2	$ 92.5	$ 90.9	$ 91.0
Ratio of General Fund Share of Debt Service to General Fund Revenue	2.69%	2.70%	2.49%	2.47%	2.47%

[1]General Fund Revenue excludes fund balance and fund balance component decreases.

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

Outstanding Principal Bonded Debt (in millions)	As of June 30, 2014	Projected as of June 30, 2015
Certificates of Participation	$ 252.6	$ 239.1
Lease Revenue Bonds	127.2	123.8
Pension Obligation Bonds	732.3	692.3
Redevelopment Successor Agency Bonds	13.1	12.7
Total	**$ 1,125.3**	**$ 1,067.8**

Long-Term Obligations

The County's outstanding long-term principal bonded debt as of June 30, 2014 and projected as of June 30, 2015 are presented in the table above.

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)

COPs and 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, the County Administration Center Waterfront Park, and the Cedar and Kettner Development Project Parking Structure.

Taxable Pension Obligation Bonds (POBs)

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 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, 2014, the County is anticipated to have $732.3 million of taxable POBs outstanding.

Redevelopment Successor Agency Tax Allocation Bonds (TABs)

TABs are limited obligations issued by the former Redevelopment Agency of the County of San Diego (Agency) to help pay for improvements related to projects within its redevelopment areas. The Agency was formed on October 14, 1974 pursuant to Redevelopment Law, and effective

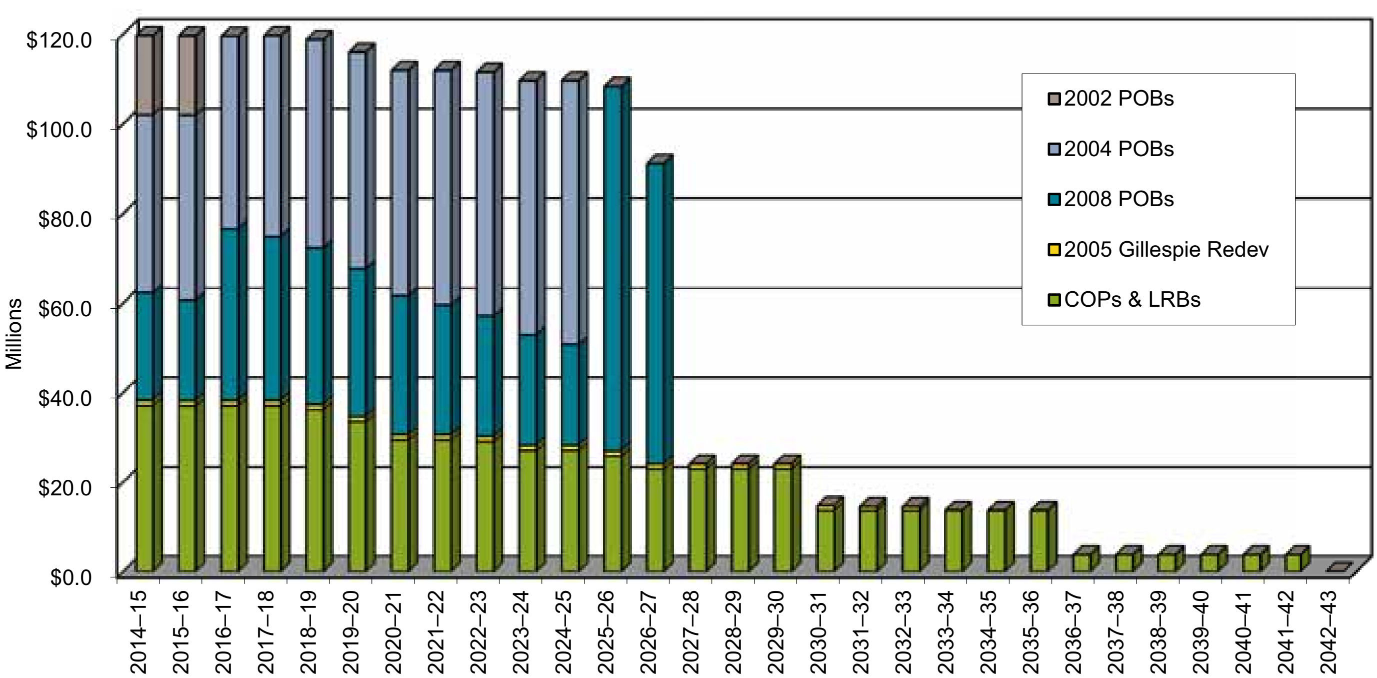
February 1, 2012 has been dissolved by the State legislature. Any outstanding TABs of the Agency are now limited obligations of the County of San Diego Successor Agency, which now manages the assets, repays the debts, and fulfills other obligations that were previously attributable to the Agency. An 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 Fund were used by the Agency to finance redevelopment activities in the Gillespie Field Redevelopment Project Area. In connection with the 2005 TABs, the County pledged to make limited payments to the Agency from the Airport Enterprise Fund. This pledge remains a limited obligation of the Successor Agency and is not secured by the County's General Fund. This pledge, along with certain Redevelopment Property Tax Trust Fund 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)

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 as the bonds are secured by 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 as of June 30, 2014, which include Certificates of Participation (COPs), Lease Revenue Bonds (LRBs), Taxable Pension Obligation Bonds (POBs) and Tax Allocation Bonds (TABs), and does not include any future debt issuances by the County. The table on the following page details 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[1]
Fiscal Years 2014–15 through 2042–43



[1]Represent principal and interest due until final maturity on outstanding obligations of the County as of June 30, 2014. Details of these obligations, issued from 2002 through 2012, are provided in the table on the following page.

Outstanding County Financings (in thousands)	Final Maturity Date	Original Principal Amount	Principal Amount Outstanding
Certificates of Participation & Lease Revenue Bonds			
2005 Edgemoor & RCS Refunding	2019	$ 112,395	$ 72,710
2005 North & East County Justice Facility Refunding	2019	28,210	14,130
2006 Edgemoor Completion Project	2030	42,390	35,495
2009 County Operations Center Phase 1A	2036	136,885	127,210
2009 Justice Facilities Refunding	2025	80,940	56,950
2011 MTS Tower Refunding	2019	19,260	13,090
2011 County Administration Center Waterfront Park	2042	32,665	31,500
2012 Cedar and Kettner Development Project	2042	29,335	28,750
Total Certificates of Participation and Lease Revenue Bonds		**$ 482,080**	**$ 379,835**
Taxable Pension Obligation Bonds			
Series 2002	2015	$ 132,215	$ 33,635
Series 2004[1]	2024	454,113	387,285
Series 2008	2027	343,515	311,410
Total Pension Obligation Bonds		**$ 929,843**	**$ 732,330**
Redevelopment Successor Agency Tax Allocation Bonds			
2005 Gillespie Field Refunding	2032	$ 16,000	$ 13,095
Total Tax Allocation Bonds		**$ 16,000**	**$ 13,095**

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

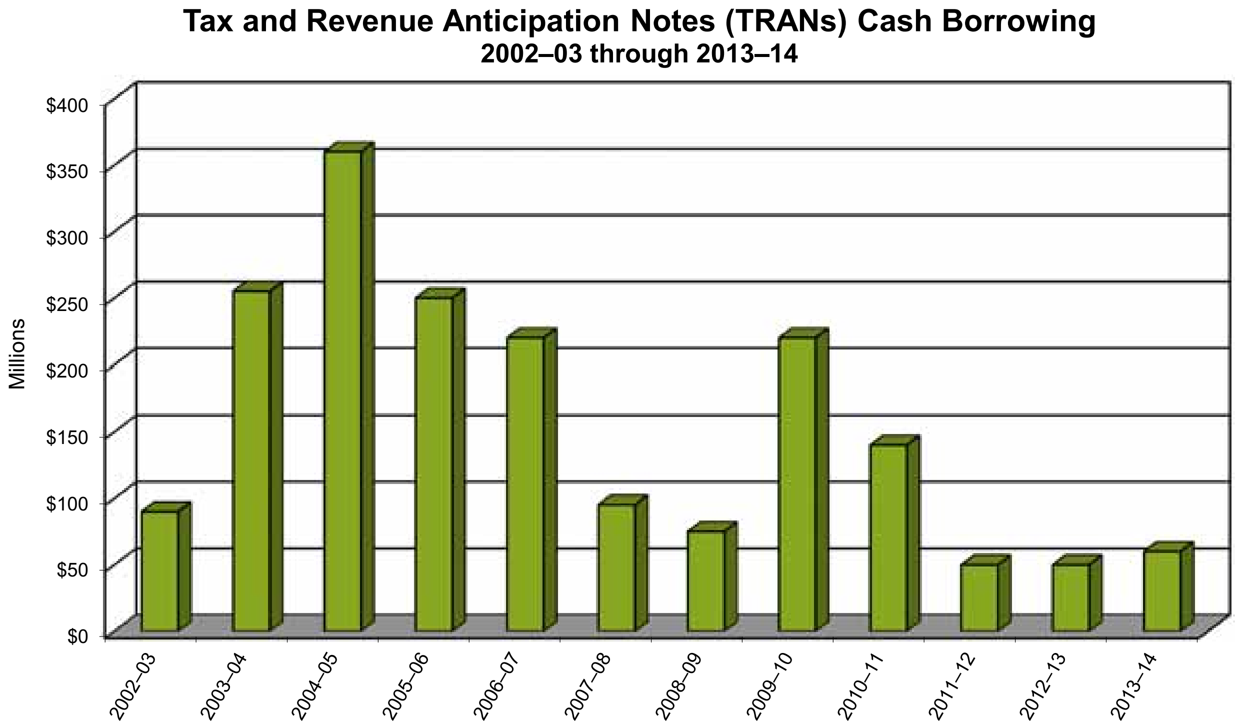
The table above reflects the County's outstanding financings as of June 30, 2014.

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 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 may borrow cash through the issuance of Tax and Revenue Anticipation Notes (TRANs). These notes mature within 12 to 13 months of the date of issuance and are, therefore, considered short-term obligations. The chart on the following page shows TRANs borrowing since 2002–03.

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 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. The Board of Supervisors may also consider assessment district and community facilities district financings to provide for public improvements and services, whether initiated by petition of the property owners, the County or a non-County agency.

All considerations for financing 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 table on the following page details the County's outstanding conduit issuances as of June 30, 2014.

Outstanding Conduit Issuances (in thousands)	Final Maturity Date	Original Principal Amount	Principal Amount Outstanding
Conduits			
1998 Sharp Healthcare	2028	$ 112,020	$ 27,590
2000 San Diego Museum of Art	2030	6,000	5,700
2003 Chabad	2023	11,700	6,650
2003 San Diego Jewish Academy	2023	13,325	8,510
2004 Museum of Contemporary Art	2034	13,000	5,350
2006 Burnham Institute for Medical Research	2034	59,405	50,420
2006 San Diego Foundation	2036	13,500	12,075
2008 The Arc of San Diego	2038	13,250	12,205
2010 Salk Institute for Biological Studies	2040	37,445	36,215
2012 Burnham Institute for Medical Research[1]	2030	18,885	18,190
Total Conduits		**$ 313,530**	**$ 182,905**
Housing			
1999 Laurel Village Apartments	2014	$ 1,670	$ 1,245
2002 Spring Valley	2032	3,250	1,725
Total Housing		**$ 9,358**	**$ 2,970**

[1]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. In 2012, these COPs were refunded with a direct loan.