

County Of San Diego



CAO Proposed Operational Plan Fiscal Years 2001-2002 And 2002-2003

Walter F. Ekard, Chief Administrative Officer



District One
Supervisor Greg Cox

District Two
Supervisor Dianne Jacob

District Three
Supervisor Pam Slater

District Four
Supervisor Ron Roberts

District Five
Supervisor Bill Horn



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Contents 1

Message from the Chief Administrative Officer 5

Organizational Chart 6

Understanding the Operational Plan 8

Summary of Appropriations & Revenues – All Funds 12

Staffing Trends 16

Projected County Reserves and Resources 17

Summary of Total Revenues - All Funds 18

Summary of General Fund Revenues 19

Capital Projects 22

Long & Short Term Financial Obligations 23

Credit Rating & Bonding Program 24

Financial Planning Calendar 25

Summary Of Related Laws, Policies & Procedures 26

Public Safety Group

Public Safety Group Summary & Executive Office 31

District Attorney 37

Sheriff 45

Alternate Public Defender 53

Child Support Services 57

Citizens' Law Enforcement Review Board 61

Office Of Disaster Preparedness 65

Medical Examiner 69

Probation 73

Public Defender 79

San Diego County Grand Jury 83

Health and Human Services Agency

Health and Human Services Agency Summary 87

Illness Prevention and Independence 91

Self Sufficiency and Personal Responsibility 97

Safe Communities 103

Healthy Communities 109

Healthy Behavior and Lifestyles 115

Administrative Support 121

Land Use & Environment Group

Land Use & Environment Group Summary/Executive Office 127

San Diego Geographic Information Source (SanGIS) 133

Trade and Business Development 137



Agriculture, Weights & Measures	141
Air Pollution Control District	145
Environmental Health	151
Farm and Home Advisor	155
Parks and Recreation	159
Planning & Land Use	165
Public Works	171
Community Services Group	
Community Services Group Summary & Executive Office	181
Animal Control	187
County Library	191
General Services	197
Housing and Community Development	203
Purchasing and Contracting	207
San Diego County Redevelopment Agency	211
Registrar of Voters	215
Finance and General Government Group	
Finance and General Government Group Summary	221
Board of Supervisors	227
Assessor/Recorder/County Clerk	231
Treasurer-Tax Collector	235
Chief Administrative Office	239
Auditor and Controller	245
County Technology Office	249
Civil Service Commission	253
Clerk of the Board of Supervisors	257
County Counsel	261
Human Resources	265
Media and Public Relations	269
County Administration Center Major Maintenance	273
Capital Program	
Capital Program	277
Finance-Other	
Finance/Other	295
Appendix	
Appropriations by Fund	301
Glossary of Budget Terms	307



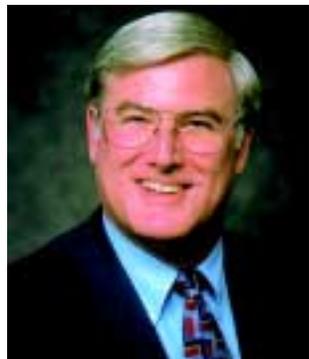
Board of Supervisors



Bill Horn District 5
Chairman



Ron Roberts District 4



Greg Cox District 1



Pam Slater District 3



Dianne Jacob District 2





County of San Diego Proposed Operational Plan 2001-2003

Here at the County of San Diego, we know where we're going.

Thanks to the leadership and vision of the Board of Supervisors, and the County's Strategic Plan, we have a clear idea of what we want to accomplish. Our proposed operational plan for the next two fiscal years is a road map for achieving the County's strategic goals.

Every penny in our budget will be spent to advance these goals. Major projects are planned for each of the nine initiatives laid out in the Strategic Plan: Fiscal Stability, Crime Prevention, Environment, Technology, Self Sufficiency, Health & Wellness, Human Resource Modernization, Regional Leadership and Workplace Improvement.

These objectives are much more than words on paper. They identify what we are as an organization, and what we stand for. They give us our guiding principles as we seek to improve the quality of life for San Diego County residents.

As you thumb through this document, keep these subjects in mind, and you'll see the County's strategic vision winding through the landscape of our spending plan for the next two years.

Of course, none of this would be possible without fiscal stability, the foundation of our strategic plan. We must maintain prudent reserves, work to improve the County's bond rating and cut overhead costs, shifting the savings into front-line services.

Crime prevention remains a key goal of the Board of Supervisors. We want San Diego County to stand out as a safe place for residents and visitors. Over the next two years, we'll expand the successful Drug Court program, and add drug and alcohol treatment slots under Proposition 36. We'll also begin construction of a new Juvenile Hall, expand domestic violence response teams and assist victims of elder abuse through emergency call centers.

Under self-sufficiency, we will open the San Pasqual Academy for foster youth, expand services for working families who are making the transition from welfare to work and promote Internet access through the San Diego Futures Foundation and supervised programs at County libraries.

We are working on a regional clean water strategy and will continue acquiring property for the preserve laid out in the Multiple Species Conservation Plan. We are streamlining the application process for Medi-Cal and Healthy Families, to provide health insurance for San Diego children and families who need it. And our technology initiative will continue to blossom with new Web-based services, such as on-line surplus property auctions, eBay style.

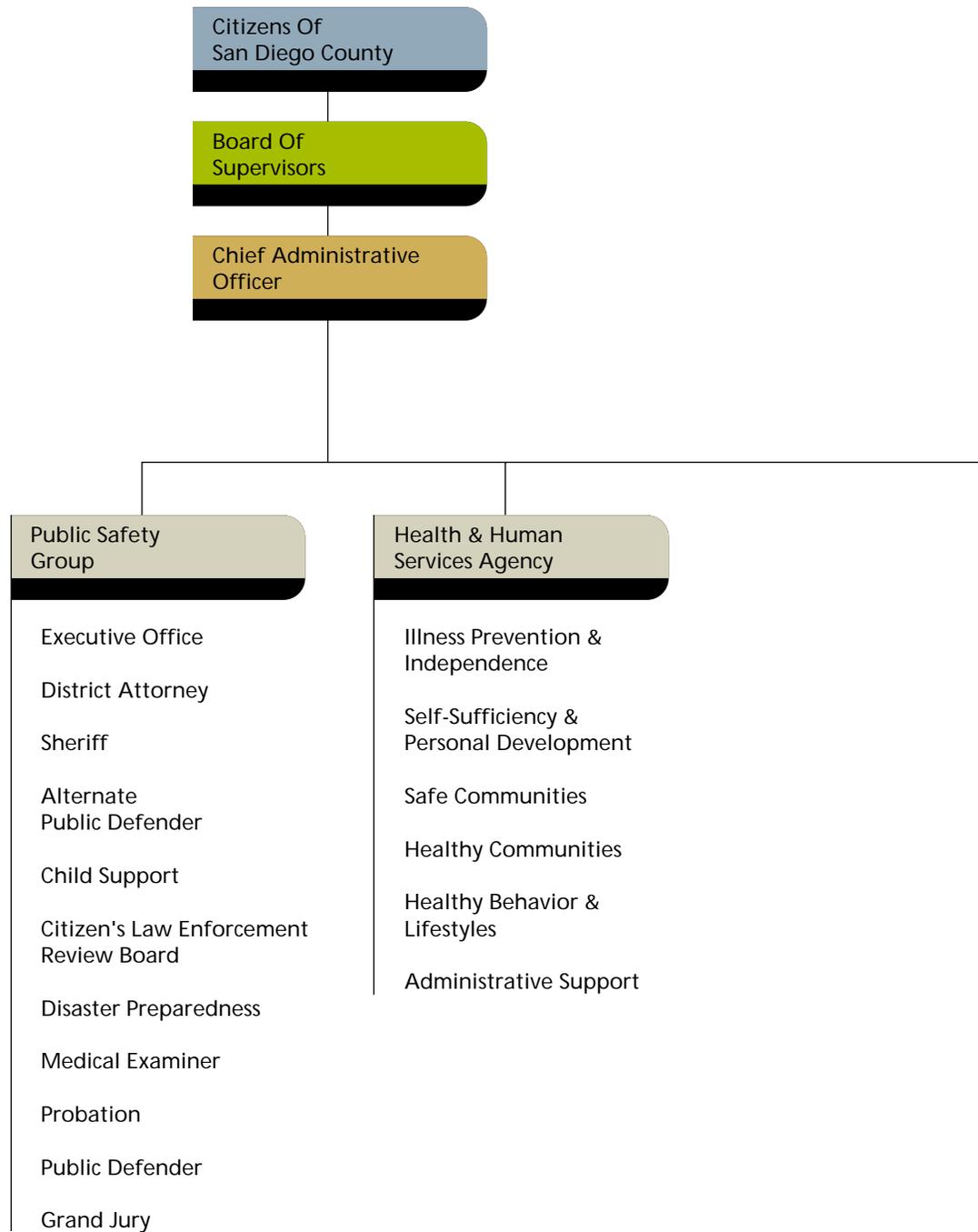
The programs contained in this proposed operational plan are far too numerous to detail here. But I urge you to look closely at our fiscal road map. I think you'll be impressed.

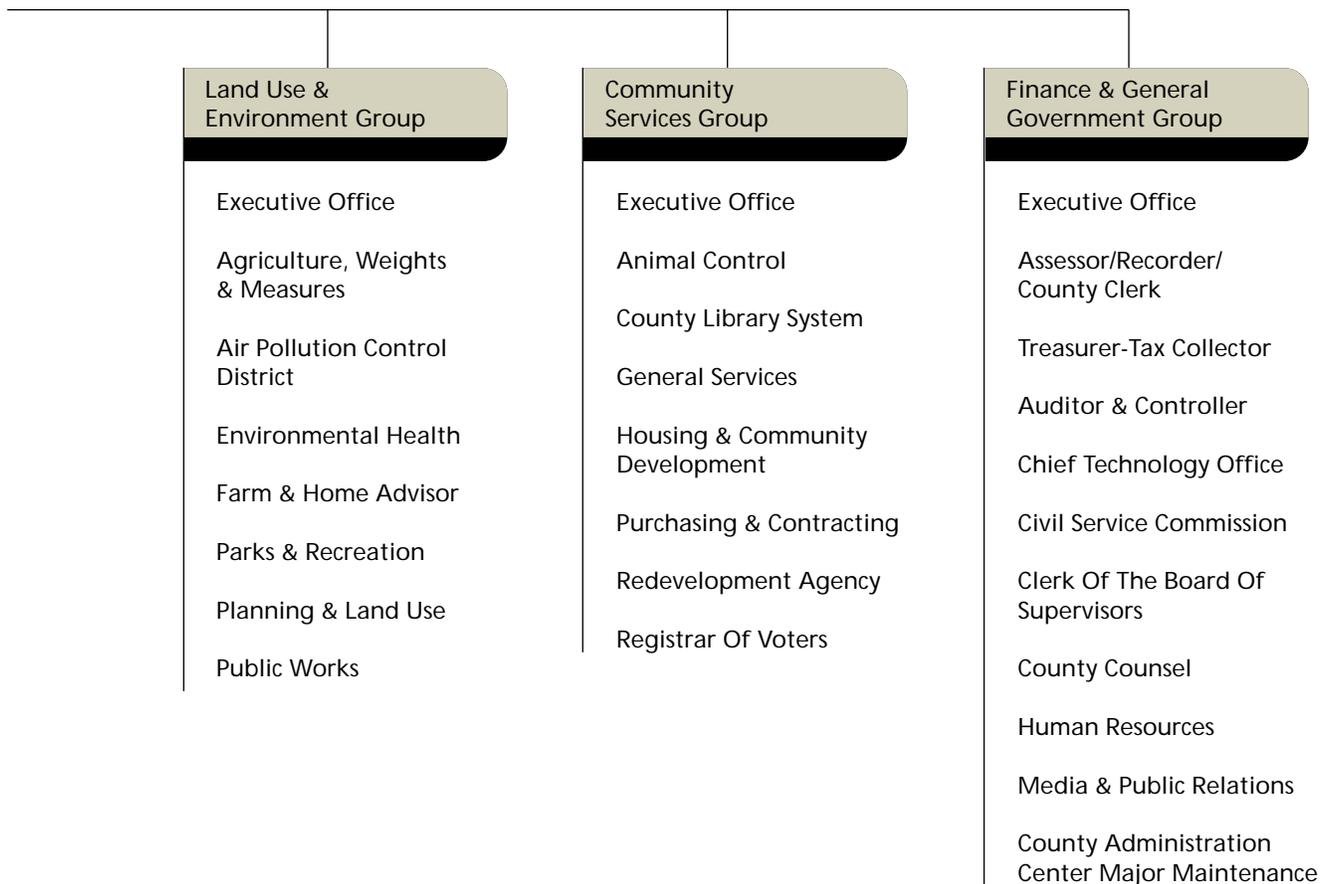
Here at the County of San Diego, we really do know where we're headed. With the leadership of our elected officials and the support of the community, we're confident we can undertake a successful and productive journey.

Walter Eland



Organizational Chart







The CAO's Proposed Operational Plan provides the County's financial plan for the next two fiscal years (July 1, 2001 through June 30, 2003). Pursuant to Government Code §29000 et al., the Board of Supervisors may only formally accept the first year of the Operational Plan by adopting a prescribed Line Item Budget. The Board approves the second year of the plan in principle for planning purposes. The Operational Plan document includes a list of major accomplishments achieved during the past year, discusses the planned expenditures, and projects the resources that will be used to finance these activities.

The following information is provided to assist the reader in understanding the Operational Plan's data and narrative.

Governmental Structure

The County was incorporated February 18, 1850, and functions under a Charter adopted in 1933, as subsequently amended. A five-member Board of Supervisors elected to four-year terms in district nonpartisan elections governs the County. There are 18 incorporated cities in the County and a large number of unincorporated communities. The County provides a full range of public services including public assistance, police protection, detention and correction, health and sanitation, recreation and others. These services are provided by five Agency/Groups, that are headed by General Managers [Deputy Chief Administrative Officers (DCAO)], who report to the Chief Administrative Officer (CAO). Within the Groups, there are four departments that are headed by elected officials-District Attorney and Sheriff (Public Safety Group); Assessor/Recorder/County Clerk and Treasurer-Tax Collector (Finance and General Government Group).

The General Management System

The County's General Management System (GMS) is a

complete guide for planning, implementing, monitoring, and rewarding all functions and processes that affect the delivery of services to our customers. It links planning, execution, value management, goal attainment, and compensation. The GMS consists of a closed-loop of overlapping and related components, beginning with Strategic Planning followed by Operational Planning. Monitoring & Control takes place continuously to ensure risks are identified, plans are followed, and adjustments are made as necessary. The networking of professional staff in operating departments with those in support departments occurs throughout these processes. Motivation, Rewards, & Recognition completes the loop by rewarding those who have met their planning goals.

Strategic Plan

The Strategic Plan provides the long-term direction for the County. A Five-Year Financial Forecast provides a long-range financial view of the County's Strategic Plan. The Strategic Plan is reflected in the program objectives in the County's Operational Plan, in the performance plans for managers, and in each department's Quality First Program goals. The Strategic Plan sets the course for accomplishing our mission: *To provide the residents of San Diego County with superior County services in terms of quality, timeliness and value... in order to improve the region's Quality of Life.*

This mission reflects our commitment to anticipating, understanding, and responding to the critical issues that affect our residents. The Strategic Plan also recognizes that our employees will continue to be our most important asset. The Strategic Plan is built around four strategic intents that will allow us to achieve our mission:

- Provide for the safety and well-being of those San Diego communities, families, individuals, and other organizations we serve



- Preserve and enhance the environment in San Diego County
- Ensure the County's fiscal stability through periods of economic fluctuations and changing priorities and service demands
- Promote a culture that values our employees, partners and customers and institutionalizes continuous improvement and innovation

The current Strategic Plan articulates nine major, inter-related initiatives through which these intents will be accomplished. The safety and well being of our residents and environment is addressed in the Crime Prevention, Environment, Self Sufficiency, and Health & Wellness initiatives. To accomplish these core service initiatives, our ongoing core values of customer service, continuous improvement, innovation, and fiscal discipline are addressed in the Fiscal Stability, Technology, Human Resources Modernization, Workplace Improvement, and Regional Leadership initiatives.

By accomplishing our strategic intents and initiatives, we will successfully realize the County's vision: *"A County Government that has earned the respect and support of its residents."*

Operational Plan

The Operational Plan details each Department's strategic objectives for the next two years and the resources required to achieve them. Operational planning in the County's GMS builds from the Strategic Plan and the Five-Year Financial Forecast. The first two fiscal years of the financial forecast form the basis for the Operational Plan. The Operational Plan is monitored regularly and is linked to the rewards and recognition phase of the GMS.

Monitoring & Control

An executive level monitoring and control process provides an on-going formal evaluation of the

Operational Plan. This includes an exchange of communication between the General Managers and Group Department Heads on a monthly basis, and between the General Managers and the Chief Administrative Officer once each quarter. The monitoring and control process utilizes a structured written format which is supplemented by personal meetings between the Group teams and Department Teams.

County Funds

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 certain purposes that require those funds to be accounted for separately. Accordingly, the following funds provide the basic structure for the Operational Plan.

Governmental Fund Types

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

Special Revenue Funds-account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds-account for the accumulation of resources for the payment of principal and interest on general long-term debt.

Capital Project Funds-account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types.)

Proprietary Fund Types

Enterprise Funds-account for operations that are



financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds—account for the financing of goods or services provided by one department to other departments of the County, or to other governments, on a cost-reimbursement basis.

(See also Accounting Procedures and Practices in Summary of Related Laws, Policies, and Procedures.)

County Organizational Changes

Establishment of Department of Purchasing & Contracting

On December 12, 2000, (#15), the Board of Supervisors, approved the separation of the Division of Purchasing & Contracting from the Department of General Services. This separation occurred in February 2001. The staff, expenditures, and revenues included in the Department of General Services for purchasing and contracting functions in the Fiscal Years 2000-2002 Adopted Operational Plan have been moved to the Department of Purchasing & Contracting in the Fiscal Years 2001-2003 Operational Plan.

Establishment of Department of Child Support Services

In 1999, the State Legislature mandated that Child Support Enforcement be established as a Department-level organization in County government. It is anticipated that the new Department of Child Support Services will transition from the District Attorney's

Office to an independent department within County government on July 1, 2001.

In this Operational Plan, Child Support Enforcement staff, expenditures, and revenues for Fiscal Years 2001-2003 no longer appear under the Office of the District Attorney, but rather are presented as the Department of Child Support Services. Fiscal Year 2000-2001 information is presented in the Office of the District Attorney.

Operational Plan Documents

Several documents are compiled before the Operational Plan is adopted and approved:

CAO Proposed Operational Plan—provides a comprehensive overview of the County's operations for the next two fiscal years, including summary tables showing the balance of revenues and expenditures for all County funds; a review of planned capital projects; a summary of the County's short- and long-term debt; a detailed section by Agency/Group and department/program that describes their missions, prior year accomplishments, operating objectives, revenue amounts and sources, expenditures by category, staffing by program, and performance measures; a section on the County's Capital Program; and other supporting material including a glossary.

Change Letters—Recommendations proposing changes to the CAO's Proposed Operational Plan are customarily submitted by the CAO and Board members. The purpose of the CAO's Change Letter is to update the Proposed Operational Plan with information that becomes available after the document is presented to the Board of Supervisors. Such modifications may be due to Board actions that have occurred subsequent to the submission of the Proposed Operational Plan or recent changes in State or federal funding. The CAO Change Letter typically contains a schedule of Revisions; a Summary of Agency/Group Adjustments; and



highlights of significant changes to the Proposed Operational Plan. Additionally, Change Letters may be submitted directly by Board members.

Referrals To Budget –Throughout the previous fiscal year, the Board may choose to postpone action on various items, referring them to the subsequent year's budget process. The Clerk of the Board tracks referrals to budget. As Budget Deliberations approach, the status of each referral is updated and included in a compilation of all the referrals made throughout the year. This document is submitted to the Board for its review and subsequent discussion with concerned departments during Budget Deliberations.

Referrals From Budget –During Budget Deliberations, the Board of Supervisors may request additional information to assist them in making their decisions during the fiscal year. The Agency/Groups are responsible for providing requested information to the Board. The status of each referral from budget is tracked by the Clerk of the Board to ensure that all of the Board's requests for information are met.

Citizen Committee Operational Plan Statements – Compiles comments of citizen committees on Proposed Operational Plan allocations for the Agency/Groups and County departments within their designated area of concern.

Post Adoption

Budget Modifications –State Law provides for modifications to the first year of the Operational Plan throughout the year. These changes require Board approval. There are two options for accomplishing a mid-year budget adjustment:

Board Of Supervisors Weekly Regular Agenda Process –Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote by the Board after the first year of the Operational Plan Line-Item Budget is adopted.

Such changes could include requests for additional appropriations as a result of additional revenues for specific programs or a contract modification. Items placed on the agenda that have a fiscal or budgetary impact are reviewed and approved by the Chief Financial Officer and County Counsel. Contract modifications also require the approval of the Purchasing Agent. Staffing changes require the approval of the Human Resources Director.

Quarterly Status Reports –On a quarterly basis, each Agency/Group may recommend appropriation transfers, management reserve and/or Contingency Reserve usage through the CAO to address unanticipated needs.



Summary of Appropriations & Revenues – All Funds

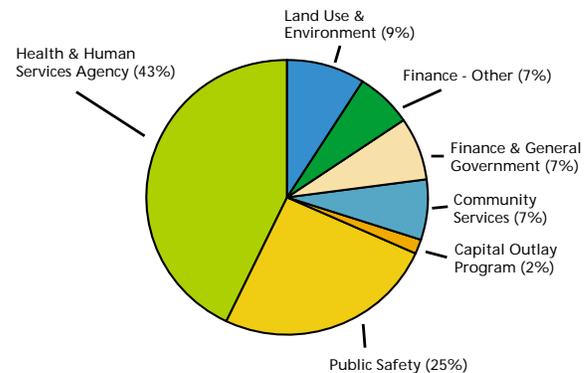
Total Appropriations by Agency/Group

For Fiscal Years 2001-2002 and 2002-2003, appropriations included in the Proposed Operational Plan total \$3,720.5 million and \$3,699.3 million, respectively. This is an increase of \$684.9 million (22.6%) in Fiscal Year 2001-2002. However, the majority of this increase is due to accounting changes related to the establishment of special revenue funds for Health and Human Services Realignment and Prop 172 Public Safety Sales Tax revenues, which represent approximately \$448.7 million. Excluding this accounting change, the overall increase is 7.8%. A summary of the Proposed Operational Plan by fund type and funds by Group is provided in the *Appropriations by Fund* Appendix.

The Plan reflects a “structurally balanced budget” wherein ongoing expenditures are matched with ongoing revenues and one-time revenues are spent on one-time projects. During the past three years, the strong State and local economies have allowed the County to enhance existing programs, add new programs, construct new facilities, and complete deferred major maintenance projects. This proposed Operational Plan focuses on nine initiatives which seek to advance the efforts of the past three years and provide a strategic

road map for service delivery over the next several years. As part of the budget presentation for each Agency/Group and Department/Program, objectives for the next two years are linked to one or more of the nine initiatives and give a clear picture of what the County intends to accomplish.

The table below presents a summary of the Proposed Operational Plan by Agency/Group and compares it to the Fiscal Year 2000-2001 Adopted Operational Plan. The pie chart below illustrates each Agency's/Group's relative share of the 2001-2002 proposed budget.



Total Appropriations by Agency/Group (in millions)

	2000-2001 Adopted Budget	2001-2002 Proposed Budget	% Change	2002-2003 Proposed Budget	% Change
Public Safety	\$ 719.8	\$ 946.1	31	\$ 973.0	3
Health & Human Services	1,210.8	1,595.6	32	1,593.3	0
Land Use & Environment	304.8	334.7	10	351.2	5
Community Services	243.2	263.6	8	261.7	(1)
Finance & General Government	248.8	277.3	11	241.4	(13)
Capital	90.0	61.7	(31)	63.3	3
Finance-Other	218.2	241.5	11	215.4	(11)
Total	\$ 3,035.6	\$ 3,720.5	23	\$ 3,699.3	(1)



The discussion below describes by Agency/Group some of the Fiscal Year 2001-2002 highlights and the more significant changes from the Fiscal Year 2000-2001 Adopted Budget.

Public Safety Group-increase of 31% or \$226.3 million. The majority of this increase (\$185.2 million) is attributable to accounting changes related to the creation of a special revenue fund for Prop 172 Public Safety Sales Tax revenues. Excluding this accounting change, the overall increase is 6.3%. Key factors are:

- Commitment to continuing the decline in crime in the unincorporated areas and contract cities by: 1) developing proactive community-based crime prevention strategies; and, 2) enhancing programs such as Computer and Technology Crime High Tech Response Team (CATCH), and Community Orientated Policing (COPS).
- Commitment to fully implement Prop 36 drug and alcohol treatment programs.
- Implementing the Crime Prevention Act of 2000.
- Establishment of a separate Department of Child Support Services to strengthen parental responsibility and enhance the lives of San Diego's children.
- Begin construction of the new East Mesa Juvenile Hall.
- Replacing an outdated caseload management system in the Probation Department with a LAN/WAN PC based system to improve efficiency of operations.

Health & Human Services Agency-increase of 32% or \$384.8 million. The majority of this increase (\$263.5 million) is attributable to accounting changes related to the creation of a special revenue fund for Health and Social Services Realignment revenues. Excluding this accounting change, the overall increase is 10.0%. Key factors are:

- Open and operate San Pasqual Academy as a stable environment for foster youth in September 2001.

- Expansion of services in Children's Mental Health Services by 15%, with emphasis on school-based services through the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program.
- Expansion of availability of services in Adult Mental Health, including those to older adults and homeless.
- Increases in In-Home Support Services for elderly and disabled, and provider payments due to minimum wage increases.
- Increases in welfare-to-work employment and child care support programs.
- Expansion of the Alcohol and Drug Program for first time offenders as required by the passage of Prop 36, the Substance Abuse and Crime Prevention Act of 2000.

Land Use & Environment Group-increase of 10% or \$30.0 million. Key factors are:

- Park improvements with emphasis in crime prevention and security.
- Development of a regional clean water strategy.
- Stormwater management leadership & efforts.
- Work toward completion of General Plan 2020 and a new Zoning Ordinance.
- Coordination of the Transportation Strategy with General Plan 2020.
- Customer service efforts such as online technology applications, park reservations, and self sufficiency.

Community Services Group-increase of 8% or \$20.4 million. Key factors are:

- Completing construction of six new libraries.
- Automate data entry of voter registration information.
- Develop/manage replacement of aging public safety facilities.
- Stabilize the major maintenance program at \$11.0 million.
- Expand public access to libraries.



- Develop reporting system for veterinarians to record vaccination and licensing information directly into Animal Control's Chameleon database.
- Expand availability of bilingual poll workers.
- Establish partnerships with private, non-profit, and community groups to increase animal adoptions and spay/neuter activities.
- Secure funding for North County Coastal Animal Shelter.
- Successfully complete the Redistricting process for the County.

Finance and General Government Group-increase of 11% or \$28.5 million. Key factors are:

- Enhance the management of County assets and liabilities to strengthen the County's ability to provide public services in a sustainable fashion regardless of economic fluctuations.
- Implement Enterprise Resource Planning (ERP) communication plan to promote upcoming technology improvements.
- Implement ERP applications to enhance strategic planning efforts and promote well-informed decision making at all levels of County government.
- Continue with Business Process Reengineering (BPR) efforts to more efficiently utilize County resources.

- Continue to develop web-based service delivery channels for County services.
- Develop a Countywide set of standards and facility plan that modernizes and maintains all facilities and promotes clean, safe, and effective/supportive workplaces.

Finance -Other Group-increase of 11% or \$23.3 million. Key factors are:

- Maintain a reliable contingency reserve.
- Contribute necessary funds to capital debt payments.
- Contribute funds to Library operations.
- Appropriate adequate funding for ERP lease payments.

Total Appropriations by Category of Expenditures

The table below shows the Proposed Operational Plan broken down by category of expenditures. Overall the Fiscal Year 2001-2002 Operational Plan is increasing by \$684.9 million. The primary component of the increase is in the Operating Transfers category which is largely the result of creating new special revenue funds for handling revenues from the Proposition 172 Public Safety Sales Tax and from the Health and Social Services State Realignment program.



Total Appropriations by Category (in millions)

	2000-2001 Adopted Budget	2001-2002 Proposed Budget	% Change	2002-2003 Proposed Budget	% Change
Salary & Employee Benefits	\$ 969.6	\$ 1,075.3	11	\$ 1,130.0	5
Services & Supplies	1203.1	1,341.5	12	1,302.5	(3)
Other Charges	667.7	717.8	7	707.8	(1)
Capital Projects / Land Acquisition	33.7	27.5	(18)	18.3	(34)
Fixed Assets- Equipment	23.5	22.0	(6)	18.6	(15)
Expenditure Transfers & Reimbursement	(18.8)	(18.8)	0	(19.1)	1
Reserves	11.9	11.9	0	11.9	0
Reserve / Designation Increase	15.8	26.0	65	10.8	(59)
Operating Transfers	102.6	503.2	390	504.0	0
Management Reserves	26.4	14.2	(46)	14.3	1
Total	\$ 3,035.6	\$ 3,720.5	23	\$ 3,699.3	(1)
Numbers may not total due to rounding					

Other significant changes include:

- Salaries and Benefits are increasing by 10.9% in Fiscal Year 2001-2002 due to negotiated or anticipated cost of living adjustments and a proposed increase of 845 staff years (full time equivalents). The smaller increase in Fiscal Year 2002-2003 is due to negotiated or anticipated cost of living adjustments and an additional 13 staff years.
- Services and Supplies are increasing by 11.5%. Over half of this increase is related to the Health and Human Services Agency with increases in CalWORKs, Drug and Alcohol, and Children's Mental Health programs. Additional cost increases

include information technology enhancements, utility costs, and cost of living adjustments for various contracts.

- The Capital Projects category is decreasing by \$6.2 million. The amount of money budgeted for new projects varies year to year.
- The Other Charges category is increasing by \$50.0 million in Fiscal Year 2001-2002 due to growth in the Foster Care and Child Care programs, and additional funding for Capital Debt reduction.
- Management Reserves are decreasing by \$12.2 million. The level of Management Reserves can vary from year to year depending upon the use of these funds for one-time projects.

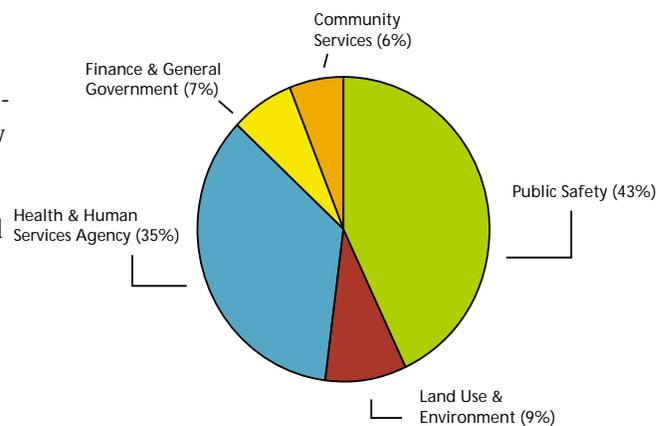


Staffing Trends

Staffing Trends

As noted above, the Proposed staffing level for Fiscal Year 2001-2002 is 845 greater than in the Adopted Fiscal Year 2000-2001 budget. The table below presents by Group, adopted staffing for Fiscal Year 2000-2001, and the proposed staffing for Fiscal Years 2001-2002 and 2002-2003. The services to be provided by the additional staff are described in the Agency/Group sections of this Operational Plan.

The pie chart to the right shows the relative share of staffing by Agency/Group proposed for Fiscal Year 2001-2002.



Staffing - Full Time Equivalents

	2000-2001 Staff Years	2001-2002 Staff years	% Change	2002-2003 Staff Years	% Change
Community Services	959	1,059	10.4	1,063	0.4
Finance and General Government	1,264	1,292	2.2	1,287	(0.4)
Health & Human Services	5,918	6,232	5.3	6,232	0.0
Land Use & Environment	1,396	1,549	11.0	1,559	0.6
Public Safety	7,303	7,552	3.4	7,556	0.0
Total	16,840	17,685	5.0	17,698	0.1
Numbers may not total due to rounding					



Projected County Reserves and Resources

Projected County Reserves and Resources

The County maintains a prudent level of reserves for various purposes. Planned reserves and other available County resources as of July 1, 2001, assuming adoption of this Proposed Operational Plan, will be:

Projected County Reserves and Resources (in millions)

General Reserve	\$	53.0
General Fund Contingency Reserve-FY 02 Operations	\$	11.0
Agency/Group and General Fund Reserves	\$	14.2
Debt Service Reserves	\$	31.7
Environmental Trust Fund Reserve	\$	87.4
Workers Compensation Reserve	\$	28.0
Public Liability Reserve	\$	19.5
Total County Reserves and Resources	\$	244.8

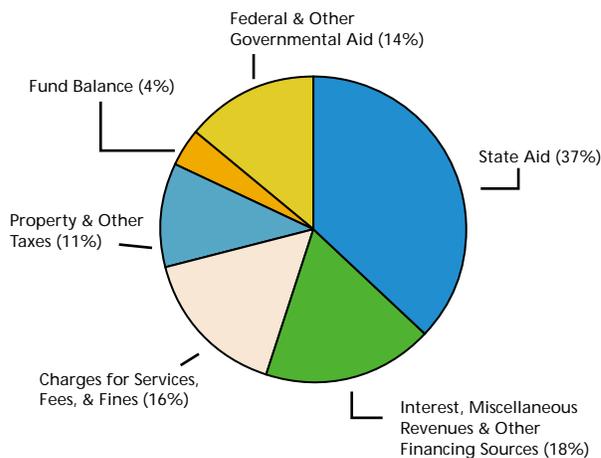


Summary of Total Revenues - All Funds

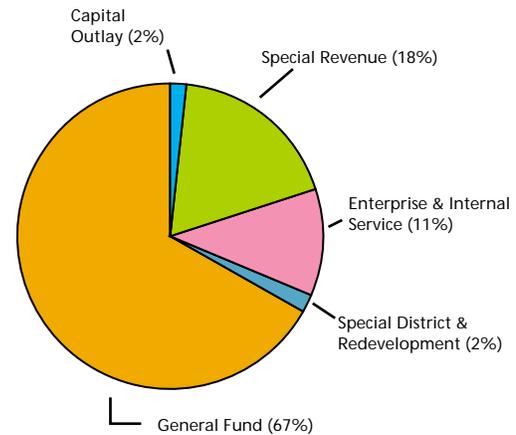
Summary of Total Revenues - All Funds

Total resources available to support County services for Fiscal Year 2001-2002 are \$3,720.5 million. This is an increase of 22.6% over the Fiscal Year 2000-2001 Adopted Budget. However, when the accounting changes due to conversion of the Health and Social Services Realignment and Prop 172 Public Safety revenues to special revenue Funds is taken into consideration, the net increase is 7.8%. The following charts summarize the major sources of revenues that fund County operations. A more detailed listing of revenue sources and general revenue allocations are discussed in the Agency/Group sections of the Operational Plan.

Total Revenues by Source



Total Revenues by Funds





Summary of General Fund Revenues

Summary of General Fund Revenues

The largest single fund and the fund that is responsible for most County services is the General Fund. General Fund Revenues total \$2.4861 billion for Fiscal Year 2001-2002, a 7.8% increase over Fiscal Year 2000-2001. During the prior two Fiscal Years, County General Fund Revenues experienced a growth of 10.8%. This reflected the tremendously healthy local, State, and U.S. economies. However, since the last quarter of 2000, economic indicators have signaled that various sectors of the economy have started to slow down. For the planning period, the rate of economic growth is expected to weaken along with the business cycle, and growth in employment and income is expected to slow down. In addition, the most significant factor affecting San Diego and California economic prosperity is the soaring cost and uncertain supply of energy. The slow-down in revenues growth will challenge the manage-

ment of County initiatives and priorities.

General Fund Resources can be categorized as three types, Group Program Revenues (including Group Fund Balance), General Revenues, and General Revenues Fund Balance.

General Fund Revenues by Category

(in millions)	Fiscal Year 2001-02	Fiscal Year 2002-03
Program	\$ 1,869.5	\$ 1,850.8
General Revenue	573.8	603.5
General Revenues Fund Balance	42.8	—
Total Revenues	\$ 2,486.0	\$ 2,454.3

General Fund Revenues by Source (in millions)

	2000-2001 Adopted Budget	2001-2002 Proposed Budget	% Change	2002-2003 Proposed Budget	% Change
Property & Other Taxes	\$ 337.6	\$ 354.0	5	\$ 373.2	5
Charges for Services/Fees	235.2	240.1	2	244.8	2
Interest, Misc Revenues	69.2	481.8	597	495.8	3
State Aid	1,165.7	883.0	(24)	874.6	(1)
Federal & Other Government	425.4	455.5	7	454.3	0
Fund Balance/Reserves	72.4	72.0	(1)	11.0	(84)
Total	\$ 2,305.5	\$ 2,486.0	8	\$ 2,454.2	(1)

Group Program Revenues and Group Fund Balance are estimated to make up 75% of General Fund Revenues in Fiscal Year 2001-2002 and are derived from State and federal grants, charges, fees earned from specific programs, and Prop 172 Public Safety Sales Tax. Group Program Revenues, which are dedicated to and can be used only for specific programs, are expected to

increase by 7.8% over the Fiscal Year 2000-2001 Adopted Budget, noticeably lower than the 9.7% growth in the two prior years. Intergovernmental (State and federal) Revenues of \$1,768.5 million in Fiscal Year 2001-2002 comprise 95% of Group Program Revenues, principally funding the efforts and programs of the Health and Human Services Agency, which receives



approximately 70% of this revenue category. These revenues have seen a change in composition. State and federal welfare policies have changed significantly in the last four years, from a welfare mode (AFDC) to a more proactive preventative emphasis. As a result, welfare caseload decreases have yielded lower overall payments and decreases in the corresponding revenues. However, these decreases have been offset by increases in other health and social service programs such as CalWORKs Incentive payments; In-Home Supportive Services; mental health; childcare; Early Prevention, Screening, Diagnosis, and Treatment services; Medi-Cal; and Prop 36 implementation.

Significant Program Revenues in this category include:

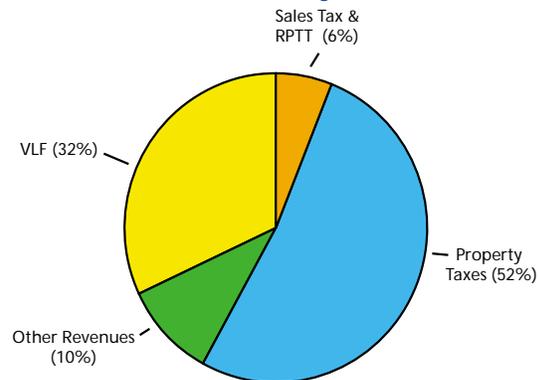
- **Tobacco Settlement Revenues**, which by Board policy are dedicated to health-based programs. The County received approximately \$38.0 million of these revenues annually.
- **Realignment Revenues** (\$263.5 million in Fiscal Year 2001-2002), received from the State, support health, mental health, and social services programs of the Health & Human Services Agency. Growth in this category is driven by the State economy. As a result, significant growth of approximately 9% was experienced in the prior two years, for Fiscal Year 2001-2002 6.7% growth is estimated. However, growth of Realignment Revenues depends partially on actual expenditures for each County.
- **Prop 172 Sales Tax Revenues** (\$185.2 million in Fiscal Year 2001-2002) support programs and services of the Public Safety Group. For the last two years, these revenues have had an average annual growth of over 11% due to the strong local economy. These revenues are expected to show slower growth of 5.3% for Fiscal Year 2001-2002, reflecting the State and local economic climate of 2001-2003.

Group Fund Balance is the result of prudent fiscal poli-

cies and resource management within the operations of each Agency/Group. This source of funding is used for one-time expenditures to be made over the next two years.

General Revenues, which make up 23% of General Fund Revenues, are derived from property taxes, sales taxes, vehicle license fees (VLF), real property transfer tax, and other sources. They may be used for any purpose that is a legal expenditure of County funds; therefore, the Board has the greatest flexibility in allocating these revenues. All of these revenues are directly affected by the local and State economic health. These revenues grew at an average annual rate of 7.6% during the prior three fiscal years as a result of strong local employment and rising income levels, which were reflected in the County's property values, and real estate and retail sales levels. The growth is expected to moderate over the next two years. For this planning period, a slower growth of 5.5%-6.0% is estimated due to the lower growth in employment and income, and rising energy prices.

General Revenues by Source



Allocation of General Revenues by Group

Property Tax Revenues, current and prior years, at



52% of total, are the most significant source of General Revenues. For the last three years local secured growth has been high (9.5% average annual growth) due to the County's healthy real estate markets. However, the State assessed Unitary Roll has decreased by 30%. At present, real estate activity is still strong, but given the projected slower employment and income levels, slower property tax revenue growth is expected during the next two Fiscal Years. Property tax assessments are based on the value of County real and personal property. Property tax revenues in Fiscal Year 2001-2002 are forecast to grow by \$19.9 million over the Fiscal Year 2000-2001 Adopted Budget, a growth rate of 7.5%. Growth in Fiscal Year 2002-2003 is expected to be 6% or \$18.0 million.

Real Property Transfer Tax Revenue (RPTT) for Fiscal Year 2001-2002 is projected to be \$15.6 million, a 4.7% increase over the Fiscal Year 2000-2001 Adopted budget. As with property taxes, RPTT reflects the widespread improvement in residential, office, industrial, and retail real estate activity as well as lower interest rates.

Vehicle License Fees Revenue (VLF) comprises 32% of projected General Revenues in Fiscal Year 2001-2002. VLF is a State subvention whose growth depends on the number and value of vehicles Statewide, influenced by the number and cost of new car purchases. It is distributed to local agencies on a per capita basis. VLF growth in recent years has accordingly reflected the robust State economy; the State reported a 14.4% growth in new vehicles registered in 1999-2000, the highest growth in 14 years. For the planning period a slower growth is expected. The last two years the average annual growth was over 10%. For Fiscal Year 2001-2002, 5.5% growth is estimated. It should be noted that as a result of its budget surplus, the State has lowered the VLF paid by the car owner, but has made up the revenues from general State revenues. This funding structure is expected to continue for both years.

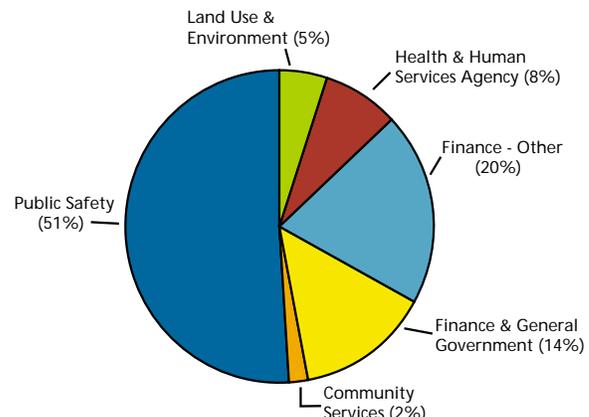
Sales Tax Revenue is derived from taxable sales of busi-

nesses located in the unincorporated County areas. Its growth is generally impacted by population and income but is primarily due to economic development and new business formation in the County. For the planning period a slower, 5% growth rate is estimated, down from the 7.5% annual growth realized the three prior years.

General Revenues Fund Balance, 2% of General Fund Revenues, is the result of careful management of resources Countywide in past years. General Revenues Fund Balance of \$42.8 million is projected to be used for one-time expenses in County operations in Fiscal Year 2001-2002.

Allocation of General Revenues by Group

General Revenues are allocated annually based on the strategic direction of the County as set by the Board of Supervisors. The Agency/Groups then combine their respective General Revenues allocations with Program Revenues, which often require a level of County Funding as a condition of receipt. The following chart shows the percentage of General Revenues proposed to be received by each Agency/Group for Fiscal Year 2001-2002.





Capital Projects

The Capital Projects Funds include appropriations for new projects as well as previously approved but not yet completed projects. The following chart depicts the distribution of those appropriations.

Capital Appropriations

Capital Appropriations New (2001-2002)	Dollar Amount	Number of Projects
Capital Outlay	\$ 2,700,000	1
Edgemoor Development	195,000	1
Total - New	2,895,000	2
Capital Appropriations - Projects Underway		
Capital Outlay	114,052,742	143
Total - Underway	114,052,742	143
Grand Total	\$ 116,947,742	145

The 2001-2002 Capital Budget for new projects is offset by Revenues from the following sources:

Capital Expenditures Offset Sources

	Dollar Amount
General Revenue Allocation	\$ 2,700,000
Interest	10,000
Rent	47,686
Fund Balance	137,314
Total Revenue	\$ 2,895,000

See the Capital Program section of this Operational Plan for detail on new projects and projects underway as well as a schedule of lease-purchase payments related to previously completed projects.



Long & Short Term Financial Obligations

The County has no outstanding general obligation bonds. The County's outstanding principal bonded debt as of January 2001 was the following:

Outstanding Principal Bonded Debt

	Dollar Amount
Proprietary Fund Revenue Bonds	\$ 25,000
Certificates of Participation	480,024,000
Pension Obligation Bonds	317,345,000
Redevelopment Agency Revenue Bonds	4,655,000
Total	\$ 802,049,000

Long-term Obligations

Proprietary Fund revenue bonds represent legal obligations of the Alpine sanitation district.

Certificates of Participation were first used in 1955 with the financing of the El Cajon Administrative Building. Since then, the County has made use of various lease arrangements with certain financing entities, such as joint powers authorities, the San Diego County Capital Asset Leasing Corporation or similar nonprofit corporations. Under these arrangements, the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds or certificates of participation and then leases the asset or assets to the County.

Pension Obligation Bonds were issued by the County in February 1994 to fund prior unfunded actuarial accrued liability of the San Diego County Employees Retirement Association (SDCERA) pension trust fund.

Redevelopment Agency revenue bonds are obligations of the Agency and are used to finance the Agency's capital improvements.

Short-term Obligations

The County's short-term financing obligations consist of two components:

- Tax and Revenue Anticipation Notes (TRANS) borrowing is intended to assist County operations with seasonal cash flow shortages during the year. For Fiscal Year 2001-2002, based on estimated budget resources, approximately \$100-\$125 million is proposed to be borrowed for this purpose.
- Short-term Teeter Obligation notes are secured by future collections of delinquent property taxes and are used to provide various taxing agencies the amount of their property taxes without regard to such delinquencies. In Fiscal Year 2001-2002, based on outstanding balances for current Teeter Obligation notes and projected tax revenues, an estimated amount of a approximately \$75 million will be borrowed for this purpose.



Credit Rating

On September 15, 1999 Standard & Poor's and Moody's, two major bond-rating agencies, upgraded the County of San Diego credit rating one notch to A+. On May 15, 2000, Fitch IBCA, another major bond rating agency upgraded the County of San Diego credit rating one notch to AA-. The County now is at the top of the A category with all three rating agencies. Ratings in this category indicate a strong capacity to pay interest and repay principal.

Also, on May 17, 1999, the San Diego County Investment Pool with over \$2 billion in assets was upgraded to AAA/V1+ from AA+/V1 by Fitch IBCA. Investment pools rated AAA meet the highest credit quality standard for underlying assets, diversification, management and operational capabilities. The pool's volatility rating of V1+ reflects low market risk and a strong capacity to return stable principal values to participants. The volatility rating scales ranges from V1 (least volatile) to V10 (most volatile), with V1+ reserved exclusively for stable value local government investment pools.

The rating upgrades were accomplished after the Chief Administrative Officer, Chief Financial Officer and the Treasurer-Tax Collector had their annual meeting with the rating agencies. Factors which contributed to the upgrades include:

- Solid financial position
- Solid fiscal policies

- Healthy financial reserves
- Manageable debt burden
- County's commitment to reinvestment in deferred major maintenance
- Salary increases for County employees
- County's diverse growing economy
- Pool's final derivative maturing in March of 1999
- Investment policy focusing on safety, liquidity and return

The County has been assigned the following underlying general obligation ratings, Aa2 by Moody's and AA by Standard & Poor's.

Bonding Program

Debt Management is an important component of the County's financial management practices. As the foundation for management of the County's long-term debt, the County Board of Supervisors adopted a Long-Term Obligations Management Policy on August 11, 1998. The Policy centralizes information concerning the issuance of long-term obligations, and also includes: a review outstanding obligations; an aggressive policy for initiating refinancing when economically feasible; guidelines for the administration and compliance with disclosures and covenants; directives for good relations with the rating agencies and the investors' of County of San Diego's long-term obligations; and restriction on the types of long-term issuance's and amount of risk the County of San Diego will accept.



On-Going

Organizational Goals – The Board of Supervisors provides on-going policy direction to the Chief Administrative Officer (CAO). The CAO, in conjunction with his Executive Team, reviews the County's mission, strengths, and risks to develop and refine the Strategic Plan which defines the County's long-term goals.

November–February

Five-Year Goals – The CAO, General Managers, and Chief Financial Officer (CFO) develop a five-year forecast of revenues and expenditures, and a preliminary analysis of key factors impacting this analysis. In coordination with the CFO, the Agency/Groups and their respective Departments develop preliminary short- and medium-term operational objectives that contribute to meeting the Strategic Plan goals, and allocate the necessary resources to accomplish the operational objectives.

March–April

Preparation of Proposed Operational Plan – Agency/Groups and Departments plan specific objectives as part of the preparation of the Operational Plan. Objectives are clear and include measurable targets for accomplishing specific goals. The Operational Plan includes discussion of the proposed resources necessary to meet those goals, as well as a report of the accomplishments of the prior year.

May

Submission of the Proposed Operational Plan – The CAO submits a two fiscal year Proposed Operational Plan to the Board. The Board accepts the CAO's Proposed Operational Plan for review, publishes required notices, and schedules public hearings.

June

Public Review And Hearings – The Board conducts public hearings on the Operational Plan for a maximum of ten days. This process commences with Community Enhancement Program presentations.

All requests for increases to the Proposed Operational Plan must be submitted to the Clerk of the Board in writing by the close of public hearings. Normally, the CAO submits a Proposed Change Letter recommending modifications to the Proposed Operational Plan. Additionally, Board members may submit Proposed Change Letters.

Deliberations – After the conclusion of public hearings, the Board discusses with the CAO and other County officials as necessary the Proposed Operational Plan, requested amendments, and public testimony. Based on these discussions, the Board may modify the CAO's Proposed Operational Plan. The Board's deliberations are scheduled for one week and are generally completed by the end of June.

August

Adoption of Budget – Subsequent to completing deliberations, all Board approved changes are incorporated into the Operational Plan and are included in a Line Item Budget format which contains the first year of the Plan for the Board's adoption. In addition to adopting the Line Item Budget, by accepting the Operational Plan the Board approves in concept the second year of the Plan. The Board may also approve a supplemental plan resolution, reflecting final estimates of fund balance, property taxes, and the setting of appropriation limits.



California Government Code

Government Code Sections §29000 through §30200 provide the statutory requirements pertaining to the form and content of the State Controller's prescribed Line-Item Budget.

Charter

Section 703.4–The Chief Administrative Officer (CAO) is responsible for all Agency/Groups and their departments and reports to the Board of Supervisors on whether specific expenditures are necessary.

Administrative Code

Sections 115-117–The CAO is responsible for budget estimates and submits recommendations to the Board of Supervisors.

Board Of Supervisors Policies

A-91 Allocations/Use Of Mid-Year Department Savings–restricts mid-year appropriations to responses to mandated or emergency issues only.

A-96 Economy & Efficiency Of Independent Contractors–Pursuant to Charter Section 703.1, the Chief Administrative Officer shall determine whether services proposed to be contracted with an independent contractor can be provided more economically and efficiently than by County staff.

B-29 Fees, Grants, Revenue Contracts–provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-51 Grants, Awards & Revenue Contracts–requires County departments to certify in writing that a proposed activity or project funded primarily by the State or federal Government would be worthy of expending County funds if that outside funding were not available.

M-26 Legislative Policy–Long-Term Financing of County Government–calls on the Legislature to redress inequitable State funding formulas.

Administrative Manual

0030-13 Budget Program/Project Follow-Up–Sunset dates will be placed on programs intended to have limited duration, and related staff and other resources will not be shifted to other activities without the Board of Supervisors' approval.

0030-14 Use Of One-Time Revenues–One-time revenue will be appropriated only for one-time expenditures such as capital projects or equipment, not to ongoing programs.

0030-17 General Fund Reserves–This reserve would provide a sound fiscal base for the County's budget to meet the emergency requirements of extraordinary events.

0030-18 Transfer Of Excess Cash Balances To General Fund–This provides for excess bond proceeds from Joint Powers Agency activities to be transferred to County use.

0030-19 Revenue Match Limitations–Revenue matches will be limited to the mandated level unless clear justification is provided which results in a waiver of this policy by the Board of Supervisors.

Accounting Procedures & Practices

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Trust and Agency funds are custodial



in nature. Additionally, they do not have operating budgets and do not involve measurement of results of operations.

All proprietary funds, the pension trust fund and the investment trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity for the proprietary funds (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Financial Accounting Standards Board Statements issued after November 30, 1989 are not applied in reporting proprietary fund operations.

Governmental and Agency fund types are accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Revenues that are accrued include property taxes, sales tax, interest, and State and federal grants and subventions.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: principal and interest on long-term debt is recognized when due; prepaid expenses are reported as current period expenditures, rather than allocated; and accumulated unpaid vacation, sick leave, and other employee benefits are reported in the period due and payable rather than in the period earned by employees.

Proprietary fund types, the pension trust fund and the investment trust fund are accounted for on the accrual

basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There are no unbilled utility service receivables for the proprietary fund types.

A Line-Item Budget is adopted each fiscal year for the governmental funds. Unencumbered appropriations for the governmental funds lapse at fiscal year-end. Encumbered appropriations are carried forward to the subsequent fiscal year. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental funds are adopted on a basis of accounting which is different from GAAP.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are reported as budgeted expenditures in the year the commitment to purchase is incurred. For GAAP purposes, encumbrances outstanding at fiscal year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities, because the appropriations for these commitments will be carried forward and the commitments honored in the subsequent fiscal year.

Long-term capital lease obligations are not budgeted as an expenditure and source of funds in the year the asset is acquired. Under a GAAP basis, such obligations are included as an expenditure and source of funds in the year the asset is acquired.

Loans and deposits to other agencies, if any, and their subsequent repayments are budgeted as expenditures and revenues, respectively. Under a GAAP basis, these items are not recognized as expenditures and revenues.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Expenditures may not legally exceed budgeted appro-



priations at the expenditure object level within each department. Notwithstanding, departmental intrafund expenditure transfers do not have the budgetary status of legal appropriations.