

Finance-Other

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Description

This group of programs includes miscellaneous funds and programs that are predominantly Countywide in nature, have no staffing associated with them, or exist for proper budgetary accounting purposes. Responsibility for these funds and programs rests primarily with departments in the Finance and General Government Group.

The following provides a brief description of the purpose of these organizational units along with supporting and explanatory information:

Cash Borrowing

These appropriations fund the cost of financing the County's short-term cash borrowing program. During the course of the fiscal year, the County could experience temporary shortfalls in its cash flow due to the timing of expenditures and receipt of revenues. To meet these cash flow needs, the County issues Tax and Revenue Anticipation Notes (TRANS). Based on current projections, the County has estimated its overall cash borrowing needs at \$240.0 million for 2006-07. The County's Fiscal Year 2005-06 TRANS amount was \$250.0 million. Previously, the County has also borrowed cash to support the Teeter Plan. Under this plan, the County has agreements with a number of taxing entities in the region whereby the County apportions to those entities the total amount of property tax due even though some taxpayers may not pay timely. In return, the County receives all of the delinquent taxes and the penalties and interest due. Property tax revenues have historically been subject to delinquency rates of between 1.5 to 4.5 percent. No separate borrowing to support the Teeter Plan will be necessary in Fiscal Year 2006-07. See the short-term obligation summary in the front section for more historical detail.

Community Enhancement

Community Enhancement funds are appropriated to fund cultural activities, museums, visitor and convention bureaus, economic development councils, and other similar institutions that promote and generate tourism and/or economic development at the regional and community levels throughout San Diego County. Per Board of Supervisors Policy B-58, Funding of the Community Enhancement Program, the amount of funding proposed by the CAO for Community Enhancement approximately equals the amount of Transient Occupancy Tax (TOT) revenues estimated to be collected each year. Applications for funding are submitted to the Board of Supervisors by March 1 preceding the new fiscal year, with approval of projects given through the budget adoption process. TOT Revenues for Fiscal Year 2006-07 are projected to be \$3.0 million, providing the same level of funding for this program as the adopted budget for Fiscal Year 2005-06.

Community Projects

The Community Projects program provides grants to community organizations for furtherance of public purposes at the regional and community levels throughout San Diego County. The funding level is reviewed each year by the Chief Administrative Officer and is contingent on the availability of fund balance. The proposed funding level for each of the two years of this Operational Plan is \$10.0 million. Recommendations for grant awards are made throughout the year by individual Board members subject to approval by the Board as a whole.



Contributions to the County Library System

These General Fund appropriations are provided to augment the County Library Fund. The amounts proposed for Fiscal Years 2006-07 and 2007-08 are the same as for the Fiscal Year 2005-06 Adopted budget.

Contingency Reserve-General Fund

A Contingency Reserve of \$20.0 million is proposed for Fiscal Years 2006-07 and 2007-08. The Fiscal Year 2006-07 appropriation is an increase of \$4.4 million or 28% above Fiscal Year 2005-06. As the size of the General Fund grows, so should the Contingency Reserve. These appropriations are a source of funding for unanticipated needs, events, or for various uncertainties that may occur during the fiscal year. Examples of potential needs include emergency repairs, one-time projects, or Countywide appropriation and revenue shortfalls.

Contributions to Capital Outlay Fund

These appropriations represent the General Fund cost for Capital development or land acquisition projects. For Fiscal Year 2006-07, appropriations are proposed for continued land acquisition under the Multiple Species Conservation Program (MSCP), construction of a new Medical Examiner/County Veterinarian Building, and set asides for various projects in developmental stages including Otay River Park Trails, Sweetwater Loop Trail, Lakeside Sports Park II, Escondido Creek Acquisition, and San Luis Rey River Park land acquisition. See the Capital Program for more information on these projects as well as a list of open capital projects.

Lease Payments-Certificates of Participation - Capital Projects

The appropriations for this program are related to the annual lease payments due to the San Diego Asset Leasing Corporation (SANCAL) on the County's outstanding Certificates of Participation (COPs) for various capital

projects. Lease purchase payments show a net decrease in Fiscal Year 2006-07 due to the scheduled completion of payments. See the Capital Program for the detail on the lease purchase payments.

Lease Payments-Certificates of Participation - Enterprise Resource Planning System

The appropriations for this program are used to make the annual payments to SANCAL for the COPs issued in May, 2000 to finance the County's new Enterprise Resource Planning System. The final payment will be made in Fiscal Year 2009-10.

Contribution to Capital/Debt Reduction

Appropriations in Fiscal Years 2006-07 and 2007-08 are proposed to be earmarked for pending capital projects or debt reduction opportunities. Candidates include various projects identified via the capital improvements needs assessment process as well as the early redemption of certain of the County's pension obligation bonds. The relative merits of these opportunities will be weighed and specific recommendations will be brought to the Board for action.

Countywide General Expenses

The primary objective of these appropriations is to fund Countywide projects and other Countywide needs. The major components of the Countywide General Expenses are:

- Reserve for periods of recession and fiscal uncertainty,
- Contribution to the Information Technology (IT) Internal Service Fund to support the Countywide component of the IT outsourcing contract, and
- Contribution to the Employee Benefits Internal Service Fund to support workers' compensation costs based on the transfer settlement between the County and the State for pre-calendar year 2000 workers' compensation cases for Court employees.



Countywide Shared Major Maintenance

In Fiscal Years 2006-07 and 2007-08, appropriations totaling \$2.0 million are proposed for major maintenance projects at County facilities that are shared by departments from multiple groups. Appropriations for major maintenance projects are otherwise budgeted by the department/group that directly benefits from the improvements.

Employee Benefits Internal Service Fund (ISF)

In Fiscal Year 1994-1995, the County established an Employee Benefits Internal Service Fund (ISF) to report all of its employee-risk management activities. The appropriations for this fund support claim payments and administrative costs of the County's self-insured Workers' Compensation program, Unemployment, and Medical and Dental benefit reserves.

The rates charged to individual departments for workers' compensation costs are based 70% on the last five years' actual claims experience and 30% based on rates determined by the Workers' Compensation Insurance Rating Bureau (WCIRB) of California. A reserve for Workers' Compensation Claims liability has been established with a current level of \$37.4 million. For each of the two years of this Operational Plan, \$4.0 million is proposed to be added to the Workers' Compensation Reserve, which would result in a reserve balance of \$45.4 million by Fiscal Year 2007-08. As a result of the County's Work Safe, Stay Healthy program, claims expenses have somewhat declined, enabling the County to redirect resources to building a prudent reserve as required of a self-insured program and determined by an actuarial analysis.

Unemployment insurance rates are determined based on historical costs and apportioned based on departmental staff hours.

The Medical and Dental reserves are held as required of a self-insured program.

Local Agency Formation Commission Administration

These appropriations are allocated to the San Diego Local Agency Formation Commission (LAFCo) in accordance with provisions in State Law (Government Code Section 56381). LAFCo is an independent government agency with countywide authority. LAFCo performs studies and renders jurisdictional decisions affecting the boundaries and government structure of cities and special districts. Through Fiscal Year 2000-01, LAFCo was funded exclusively by the County and user fees. Beginning with Fiscal Year 2001-02, funding for LAFCo is shared by the County, the 18 cities, and 65 independent special districts in San Diego County.

Public Liability Insurance Internal Service Fund (ISF)

In Fiscal Year 1994-1995, the County established the Public Liability Insurance Internal Service Fund (ISF) to report all of its public-risk management activities. The County is self-insured through this ISF for premise liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, and general liability. The cost of insurance to General Fund departments, other funds, and special districts is distributed based on a weighted risk factor: 90% allocated based on the last five years' loss experience, and 10% based on staff hours of exposure. The County contracts with an actuary to annually assess the long-term liability of the fund to determine an adequate level of reserves. The most current analysis estimates a long-term liability of \$17.5 million, thus the current reserve of \$19.5 million is deemed adequate for this fund. Due to relatively low levels of claims expense over the past few years compared to budget, the Public Liability Insurance ISF's fund balance (over and above the reserve) has grown and will be used in the amounts of \$11.7 million in Fiscal Year 2006-07 and \$11.7 million in Fiscal Year 2007-08 in lieu of charges to departments. Departments will collectively pay \$4.0 million annually of the anticipated costs.



Pension Obligation Bonds

The San Diego County Employees Retirement Association (SDCERA) is a public employees retirement system that was established by the County of San Diego on July 1, 1939, and is administered by the Board of Retirement to provide service retirement, disability, death and survivor benefits for its members. The Retirement Fund is supported by member contributions, County contributions and investment income from the Retirement Association assets. The County's contribution consists of a normal component and an Unfunded Actuarial Accrued Liability (UAAL) component. On three occasions the County has found it financially advantageous to refinance a portion of the UAAL by issuing Pension Obligation Bonds. The County of San Diego issued \$430.4 million of taxable Pension Obligation Bonds (POBs) in February 1994, \$737.3 million of POBs in October 2002 (of which \$550.0 million was paid to the Retirement Fund and \$187.3 million was used to refinance a portion of the 1994 Taxable Bonds and pay costs of issuance) and \$454.1 million of POBs in June 2004. During Fiscal Year 2004-05, the remaining balance on the 1994

POBs was economically defeased by using one-time resources to purchase a guaranteed investment contract (GIC) that will be used to make the final three years' payments.

The appropriations for Fiscal Years 2006-07 and 2007-08 support bond principal and interest payments as well as administrative expenses for the 2002 and the 2004 POBs. They also provide for the annual payment for the 1994 POBs that, although economically defeased, must, for accounting reasons, still be reflected as annual expenditures in the County's budget until completely redeemed in Fiscal Year 2007-08.

Debt Service Local Boards

This cost represents the debt service cost for Majestic Pines, which was issued in January 1973 for the construction of a water distribution system. The debt will be paid off in January 2012. The cost is offset by a special assessment on property located within the service area.



Expenditures

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Proposed Budget	% Change	Fiscal Year 2007-08 Proposed Budget
Cash Borrowing Program	\$ 7,625,000	\$ 12,700,000	\$ 12,700,000	—	\$ 12,700,000
Community Enhancement	3,000,000	3,000,000	3,000,000	—	3,000,000
Community Projects	10,000,000	10,000,000	10,000,000	—	10,000,000
Contribution to County Library	3,550,000	3,550,000	3,550,000	—	3,550,000
Contingency Reserve General Fund	15,600,000	15,600,000	20,000,000	0.28	20,000,000
Contributions to Capital Outlay Funds	2,000,000	3,561,181	98,800,000	26.74	5,000,000
Lease Payments - COPs - Capital	46,779,800	46,165,969	43,456,832	(0.06)	39,225,555
Lease Payments - COPs - ERPS	9,200,000	6,700,000	6,700,000	—	6,700,000
Contribution to Capital/Debt Reduction	—	3,672,952	20,613,976	4.61	105,323,093
Countywide General Expense	67,500,945	36,454,886	47,860,217	0.31	69,951,517
Countywide Shared Major Maintenance	—	2,000,000	2,000,000	—	2,000,000
Employee Benefits Fund (ISF)	35,401,399	35,650,654	35,158,308	(0.01)	35,508,640
Local Agency Formation Commission Administration	225,647	243,000	294,000	0.21	308,700
Public Liability Insurance (ISF)	10,500,000	11,000,000	15,722,000	0.43	15,722,000
Pension Obligation Bonds	126,553,344	110,514,605	125,607,789	0.14	113,411,379
Debt Service Local Boards	29,750	31,375	27,750	(0.12)	26,750
Total	\$ 337,965,885	\$ 300,844,622	\$ 445,490,872	0.48	\$ 442,427,634

