

**County of San Diego**

Finance Other

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# Finance Other

## Description

*Finance Other 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 funding levels for these programs are explained below and shown in the table that follows.

## 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). Typically, they are issued at the beginning of the fiscal year and mature at the end of that fiscal year. The TRANs amount for Fiscal Year will be determined subsequent to the printing of this document. See, also, the section on Debt Management Policies and Obligations on page 64.

## Community Enhancement

The Community Enhancement program provides grant funding for 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 available for the Community Enhancement program approximately equals the amount of Transient Occupancy Tax (TOT) revenues estimated to be collected each fiscal year. Applications for grants are submitted to the Board of Supervisors by March 1 for the upcoming fiscal year, with approval of projects given through the budget adoption process. The Community Enhancement program funding level for Fiscal Year 2009-10 is \$3.5 million, \$3.3 million of which reflects anticipated TOT revenues. The additional \$0.2 million



is a one-time appropriation based on actual TOT revenues exceeding budgeted levels in past years. The funding level for Fiscal Year 2010-11 is also proposed to be \$3.5 million.

## Community Projects

The Community Projects program provides grants to community organizations for the 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 General Fund 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 of Supervisors as a whole.

## Contributions to the County Library System

These General Fund appropriations are provided to augment the resources of the County Library Fund. The amount increased from \$3.6 million in Fiscal Year 2006-07 to \$5.1 million in Fiscal Year 2007-08 to support the addition of new branch libraries. The augmentation in Fiscal Year 2007-08 also included one-time funding of \$0.4 million for enhancements to branch libraries. For Fiscal Year 2008-09, the General Fund contribution was \$5.5 million, and it included one-time funding of \$0.7 million in order to augment the Cardiff Branch improvement project. For Fiscal Year 2009-10, the General Fund contribution is proposed to be \$2.3 million, a decrease of \$3.2 million. These appropriations reflect a \$2.5 million reduction due to the overall decline in the County's General Purpose Revenues, and a \$0.7 million decrease attributed to the non-recurrence of the one-time project funded in Fiscal Year 2008-09. For Fiscal Year 2010-11, the General Fund contribution is projected to be \$2.3 million.

### Contingency Reserve-General Fund

A Contingency Reserve of \$20.0 million is proposed for Fiscal Years 2009-10 and 2010-11. These appropriations comply with the 2% of General Purpose Revenues target set for the Contingency Reserve in Board Policy B-71, *Fund Balance and Reserves*. At \$20.0 million, the Contingency Reserve represents 2.1% of the Fiscal Years 2009-10 and 2010-11 estimated general purpose revenues (\$950.7 million and \$952.9 million, respectively). 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 Program

These appropriations represent the General Fund cost for new or augmented capital development or land acquisition projects. For Fiscal Year 2009-10, \$85.0 million is budgeted. Of this total, \$75.0 million is seed money for the replacement of the Las Colinas Women's Detention Facility and \$10.0 million is for land acquisition under the Multiple Species Conservation Program (MSCP). The funding source for the Women's Detention Facility project is general purpose revenues. The MSCP land acquisition project is funded by \$2.5 million of general purpose revenues and \$7.5 million of General Fund fund balance. For Fiscal Year 2010-11, \$77.5 million is proposed, consisting of an additional \$75.0 million for the new Women's Detention Facility and \$2.5 million for continued MSCP land acquisition, both funded with general purpose revenues. See the Capital Program section on page 395 for more information on these 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 County Capital Asset Leasing Corporation (SANCAL) and the San Diego Regional Building Authority (SDRBA) on the County's outstanding Certificates of Participation (COPs) used to finance various capital projects. There is a net increase of \$4.6 million in Fiscal Year 2009-10 as a result of the reduction in certain scheduled payments and payments increasing for the Edgemoor Skilled Nursing Facility. Funding from the Edgemoor Development Fund will be transferred to the General Fund to offset these new payments. The Fiscal Year 2010-11 payments are expected to increase by a net of \$0.9 million. 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 \$6.7 million lease payment to SANCAL for the COPs issued in May 2000 to finance the County's new Enterprise Resource Planning (ERP) System. The final payment will be made in Fiscal Year 2009-10, and consequently no appropriations are planned for this purpose in Fiscal Year 2010-11.

### Debt Reduction

Appropriations in this program reflect amounts allocated for the early retirement of debt. A General Fund contribution of \$24.1 million to the Pension Obligation Bond fund is proposed in Fiscal Year 2009-10 to be used towards the pay-off of the Series B (variable rate) portion of the County's 2008 Pension Obligation Bonds refunding. See also the discussion below on Pension Obligation Bonds.

### Contribution to the General Reserve

No changes are proposed to the amount set aside for the General Reserve. Government Code §§29085-29086 allow the creation of a general reserve and restrict increasing or decreasing the amount to the time of budget adoption. Subsequent to budget adoption, the General Reserve may only be used for legally declared emergencies as defined in Government Code §29127. The County's General Reserve of \$55.5 million equates to 5.8% of the Fiscal Year 2009-10 estimated general purpose revenues of \$950.7 million and therefore exceeds the 5% target established by Board Policy B-71, *Fund Balance and Reserves*. No additional contributions to the General Reserve are projected for Fiscal Year 2010-11 because the reserve will still be in excess of the 5% target.

### Designation - Economic Uncertainty

Board Policy B-71, *Fund Balance and Reserves*, requires that the County maintain prudent levels of fund balance and reserves to help ensure fiscal stability and establishes target levels for the Contingency Reserve, the General Reserve and for unreserved, undesignated fund balance. The first two of these three components are discussed above. For the third component, the target requires that an amount of fund balance equivalent to 10% of the budgeted general purpose revenues remain unappropriated. For Fiscal Year 2009-10, the 10% target level would be \$95.1 million. It is proposed to



instead create a fund balance designation to represent this target. The designation would be set at \$100.0 million, slightly above the 10% level.

### 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 in Fiscal Year 2009-10 are:

- Contribution to the Information Technology (IT) Internal Service Fund to support the Countywide component of the IT outsourcing contract.
- 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.
- A one-time appropriation of \$4.0 million for an operating transfer to the Edgemoor Development Fund to augment the resources being accumulated in that fund to make future debt service payments on the new Edgemoor Hospital Distinct Part Skilled Nursing Facility. The current recession has slowed the expected rate of leasing and sale of property in the surrounding Edgemoor property that were planned as partial funding sources for the debt service payments.
- A Pension Stabilization Fund in anticipation of significantly higher County payments to the retirement fund in future years as a result of the negative impact of the current recession on the assets of the fund.

### Countywide Shared Major Maintenance

In Fiscal Year 2009-10, appropriations totaling \$2.0 million are budgeted for major maintenance projects at County facilities that are shared by departments from multiple groups. The funding level for Fiscal Year 2010-11 is projected to be \$2.0 million. Appropriations for major maintenance projects are otherwise budgeted by the department/group that directly benefits from the improvements.

### Employee Benefits Internal Service Fund

In Fiscal Year 1994-95, 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 and Unemployment Expenses.

The rates charged to individual departments for Workers' Compensation costs are based 80% on the last ten years' actual claims experience and 20% on risk factors determined by the Workers' Compensation Insurance Rating Bureau (WCIRB) of California. An annual actuarial assessment is done to estimate the liability and to ensure that the County is maintaining sufficient reserves for current and future claims. As of June 30, 2008, the estimated liability was \$86.8 million and the cash balance as of June 30, 2008 was \$82.9 million. The estimated liability as of June 30, 2009 is \$88.6 million and the cash balance as of June 30, 2009 is anticipated to be \$84.8 million. The proposed budget for fiscal year 2009-10 includes a \$1.35 million contingency reserve, and the proposed budget for fiscal year 2010-11 includes a \$3.4 million contingency reserve. The fund's cash balance is expected to improve if the contingency appropriations are not required to be spent during the year. As a result of the County's Work Safe/Stay Healthy program, claims expenses have been reduced in past years and the current proposed increase has been moderated, 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 amounts reflect a marginal increase for inter-departmental costs and a 1.3% increase in Workers' Compensation claims. Interest earnings are budgeted to decrease due to interest rate declines.

### Local Agency Formation Commission Administration

These appropriations reflect the County's contribution to the San Diego Local Agency Formation Commission (LAFCo) in accordance with provisions in State Law (Government Code §56381). LAFCo is a state chartered regulatory 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 63 independent special districts in San Diego County.

### Public Liability Internal Service Fund

In Fiscal Year 1994-1995, the County established the Public Liability Internal Service Fund (ISF) to report all of its public-risk management activities. The County is self-insured through the ISF for premises liability at medical facilities, medical malpractice, errors and omissions, false arrest, forgery, automobile and general liability. The cost 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 estimated liability for June 30, 2008 was \$19.4 million. As of June 30, 2008, the fund had a cash balance of \$26.6 million. The estimated liability for June 30, 2009 increased to \$20.0 million and the cash balance as of June 30, 2009 is anticipated to be \$26.4 million. The proposed appropriations of \$15.4 million in Fiscal Year 2009-10 are offset by \$15.0 million in charges to departments and by \$0.4 million in interest earnings of the fund.

### Pension Obligation Bonds

The budgeted appropriations for this debt service fund for Fiscal Year 2009-10 allow the County to make the scheduled principal and interest payments and related administrative expenses for the 2002, 2004 and the 2008 taxable Pension Obligation Bonds (POBs) and to pay down the \$100.0 million

of outstanding principal of the 2008 POBs, Series B, resulting in approximately \$4.5 million of annual debt service savings and a shortening of the County's final maturity for its taxable POBs to Fiscal Year 2026-27. The sources of funds for the early pay down of these bonds include: 1) POB fund balance of \$12.0 million; 2) a contribution from the General Fund of \$24.1 million; and 3) charges to departments of \$63.9 million made possible by a reduction in the required retirement system contribution rates for Fiscal Year 2009-10. The approved budget for Fiscal Year 2010-11 reflects the scheduled principal and interest payments and related administrative expenses for the remaining 2002, 2004 and 2008 POBs. With the early pay down of the \$100.0 million of POBs in Fiscal Year 2009-10, the County will have no outstanding variable rate debt. See the Debt Management Policies and Obligations section on page 64 for more information on the POBs, including the history, outstanding principal and scheduled payments.

### 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 in the Julian area. The debt will be paid off in January 2012. The cost is offset by a special assessment on properties located within the service area. The amount budgeted for Fiscal Year 2009-10 reflects the normal debt service payment.

#### Expenditures

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	% Change	Fiscal Year 2010-11 Proposed Budget
Cash Borrowing Program	\$ 12,700,000	\$ 12,700,000	\$ 7,700,000	(39.4%)	\$ 7,700,000
Community Enhancement	3,203,000	3,350,000	3,500,000	4.5%	3,500,000
Community Projects	10,000,000	10,000,000	10,000,000	0.0%	10,000,000
Contributions to County Library	5,077,000	5,500,000	2,250,000	(59.1%)	2,250,000
Contingency Reserve - General Fund	20,000,000	20,294,000	20,000,000	(1.4%)	20,000,000
Contributions to Capital Program	28,120,000	167,700,000	85,000,000	(49.3%)	77,500,000
Lease Payments - Certificates of Participation - Capital Projects	38,773,718	35,263,304	39,824,151	12.9%	40,700,129
Lease Payments - Certificates of Participation - ERPs	6,700,000	6,700,000	6,700,000	0.0%	—
Debt Reduction	95,000,000	—	24,096,328	—	—

Expenditures

	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget	% Change	Fiscal Year 2010-11 Proposed Budget
Contribution to General Reserve	55,500,000	—	—	—	—
Designation-Economic Uncertainty	—	—	100,000,000	—	—
Countywide General Expenses	58,085,957	76,183,084	34,359,222	(54.9%)	23,408,024
Countywide Shared Major Maintenance	2,000,000	2,000,000	2,000,000	0.0%	2,000,000
Employee Benefits ISF	33,322,822	35,908,123	33,549,715	(6.6%)	36,579,389
Local Agency Formation Commission Administration	341,986	343,581	342,880	(0.2%)	353,166
Public Liability ISF	13,274,140	13,000,000	15,400,000	18.5%	15,400,000
Pension Obligation Bonds	234,451,889	152,259,915	183,480,131	20.5%	81,460,374
Debt Service Local Boards	26,750	47,500	23,250	(51.1%)	26,250
<b>Total</b>	<b>\$ 616,577,262</b>	<b>\$ 541,249,507</b>	<b>\$ 568,225,677</b>	<b>5.0%</b>	<b>\$ 320,877,332</b>

