

**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 available cash 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 TRAN amount for Fiscal Year 2011-12 will be determined subsequent to the printing of this document. See also the section on Debt Management Policies and Obligations on page 83.

### 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 2011-12 is proposed to be \$2.5 million, down \$0.2 million from the Fiscal Year 2010-11 Adopted Budget amount. The additional \$0.2 million in Fiscal Year 2010-11 was a one-time appropriation based on fund balance resulting from the return of previously awarded



grant funds and from the cancellation of previous years' grant awards. TOT revenues started to slow in the first quarter of Fiscal Year 2008-09, but receipts declined dramatically in the quarter ending March 2009. The funding level for Fiscal Year 2012-13 is projected to be \$2.5 million.

### Neighborhood Reinvestment Program

The Neighborhood Reinvestment Program (formerly Community Projects) is governed by Board of Supervisors Policy B-72, *Neighborhood Reinvestment Program*, and provides grant funds to County departments, public agencies, and to nonprofit community organizations for one-time community, social, environmental, educational, cultural or recreational needs. Resources available for the program are subject to budget priorities as established by the Board of Supervisors. The funding source is General Fund fund balance. The proposed funding level for each of the two years of this Operational Plan is \$5.0 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

Historically, contributions from the General Fund have been provided to augment the resources of the County Library Fund. In Fiscal Year 2009-10, the General Fund contribution was \$2.3 million. In Fiscal Year 2010-11, \$2.3 million of ongoing General Purpose Revenue (GPR) support was eliminated. However, in Fiscal Year 2010-11 a one-time appropriation of \$0.4 million was established based on a contribution from General Fund fund balance attributable to the Community Services Group to match donations for library materials expected to be received from the Friends

of the Library for the new Ramona and Fallbrook branches. No appropriations are projected for Fiscal Years 2011-12 and 2012-13.

### Contingency Reserve - General Fund

A Contingency Reserve of \$20.0 million is proposed for both Fiscal Years 2011-12 and 2012-13. These appropriations comply with the target of 2% of GPR for the Contingency Reserve as outlined in Board Policy B-71, Fund Balance and Reserves. At \$20.0 million, the Contingency Reserve represents 2.1% of the Fiscal Year 2011-12 proposed GPR and Fiscal Year 2012-13 estimated GPR (\$964.4 million and \$965.6 million, respectively). These appropriations are a source of funding for unanticipated needs, events, or for various uncertainties that may occur during the fiscal year. It also provides a cushion in the event of 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 2011-12, \$81.0 million is proposed in the Contributions to Capital Program. Of this total, \$70.0 million is final funding for the replacement of the existing Las Colinas Women's Detention Facility. Amounts appropriated in Fiscal Years 2009-10 (\$75.0 million) and 2010-11 (\$55.0 million) and the proposed \$70.0 million in Fiscal Year 2010-11 brings total funding for the Women's Detention Facility to \$200.0 million. The remaining appropriations proposed in the Contributions to Capital Program include \$10.0 million to acquire land under the Multiple Species Conservation Program (MSCP), \$0.5 million is for the Agua Caliente Park Cabins project and \$0.5 million for the Long-Term Animal Care Facility. The funding source for the proposed Women's Detention Facility project is GPR. The MSCP land acquisition project is proposed to be funded by \$2.5 million of GPR and \$7.5 million of General Fund fund balance. The Agua Caliente Park Cabins project and the Long-Term Animal Care Facility are proposed to be funded by General Fund fund balance.

For Fiscal Year 2012-13, \$46.5 million is proposed consisting of \$44.0 million for future capital needs and \$2.5 million for MSCP land acquisition.

### Lease Payments - Capital Projects

The appropriations for this program are for 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) and Lease Revenue Bonds, the proceeds of which were used to finance various capital projects. There is a net decrease of \$0.2 million in Fiscal Year 2011-12 as a result of the final maturity of and the reduction in certain scheduled lease payments offset by the start of lease payments for the 2009 County Operation Center Phase 1A and an increase in the County's share of the scheduled 2005 North and East Justice Facility Financing lease payments. The Fiscal Year 2012-13 payments are expected to increase by a net of \$2.6 million. See the Capital Program section for the detail on the lease purchase payments.

### Lease Payments - Certificates of Participation - Enterprise Resource Planning System

The appropriations for this program were used to make the annual \$6.7 million lease payment to SANCAL for the COPs issued in May 2000 to finance the County's Enterprise Resource Planning (ERP) System. The final payment was made in Fiscal Year 2009-10. No further appropriations are required for this purpose.

### Debt Reduction

Appropriations in this program reflect amounts allocated for the early retirement of debt. No appropriations are proposed for this program in Fiscal Year 2011-12 and no appropriations are projected for Fiscal Year 2012-13.

### Commitment for Unforeseen Catastrophic Events

In Fiscal Year 2007-08, the Board of Supervisors established a Commitment for Unforeseen Catastrophic Events, previously identified as a General Reserve, for \$55.5 million. Once established, only changes to the commitment are shown in subsequent budgets. Government Code §§29085-29086 allows for the creation of this commitment and restricts decreasing the amount to the time of budget adoption. Subsequent to budget adoption, the commitment may be increased, but amounts may only be used for legally declared emergencies as defined in Government Code §29127. The amount of the County's Commitment for Unforeseen Catastrophic Events is governed by Board Policy B-71, Fund Balance and Reserves, which sets a target amount that is equivalent to 5% of budgeted GPR. At \$55.5 million, it equates to 5.8% of the proposed Fiscal Years 2011-12 GPR of \$964.4 million and therefore exceeds the 5% target level. No additional

contributions to the General Reserve are projected for Fiscal Year 2012-13 because the reserve balance will still be in excess of the 5% target.

### General Fund Minimum Fund Balance for 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 Commitment for Unforeseen Catastrophic Events and a General Fund Minimum Fund Balance for Economic Uncertainty. The first two of these three components are discussed above. For the third component, the target requires that a minimum amount of unassigned fund balance equivalent to 10% of the budgeted GPR be available for economic uncertainty. In Fiscal Year 2009-10, the Board of Supervisors established a General Fund Minimum Fund Balance for Economic Uncertainty, previously identified as a Designation, at \$100.0 million, slightly above the 10% level. In accordance with GASB 54, the amount representing the Minimum Fund Balance for Economic Uncertainty will be reported in annual financial reports as unassigned fund balance starting in Fiscal Year 2010-11. For Fiscal Year 2011-12, the 10% target level is \$96.4 million, but the original \$100.0 million amount will remain in place. For Fiscal Year 2012-13, the 10% target level is projected to be \$96.6 million, under the \$100.0 million which will remain in place.

### 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 program in Fiscal Year 2011-12 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 Pension Stabilization Fund in anticipation of significantly higher payments to the retirement fund in future years.
- Pension payments required by the County Employees Retirement Law that must be paid by the County in accordance with to Internal Revenue Code section 415(m).

- Miscellaneous appropriations for unanticipated programs needs.

### Countywide Shared Major Maintenance

In Fiscal Year 2011-12, appropriations totaling \$2.0 million are proposed for major maintenance projects at County facilities that are shared by departments from multiple groups. The funding level for Fiscal Year 2012-13 is also 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 Insurance program expenses.

Workers' Compensation rates (premiums) are charged to individual departments based on that department's ten-year experience (claim history) and the department's risk factor based on its blend of occupational groups as established by the Workers' Compensation Insurance Rating Bureau (WCIRB) of California. WCIRB has developed a classification system based on potential risk of injury. An annual actuarial assessment is prepared by an actuary to estimate the liability and capture the costs associated with all reported and unreported claims. As of June 30, 2010, the estimated liability was \$95.0 million and the cash balance as of June 30, 2010 was \$98.7 million. The estimated liability as of June 30, 2011 increased to \$106.5 million and the cash balance as of June 30, 2011 is proposed to be \$96.0 million. A \$1.7 million Contingency Reserve is included in the proposed budget for Fiscal Year 2011-12 and planned for Fiscal Year 2012-13 as well. Appropriations for Fiscal Year 2011-12 reflect a \$1.8 million increase in the Workers' Compensation proposed budget from the Fiscal Year 2010-11 adopted budget.

The County is self-insured for unemployment benefit costs and therefore must reimburse the State for any unemployment benefit payments that are attributed to a claimant's previous employment with the County. County departments provide the funding source for these payments. Beginning in Fiscal Year 2010-11, unemployment insurance rates (premiums) are charged to departments based 70% on each department's five-year

claims experience and 30% on budgeted staffing levels. Appropriations for Fiscal Year 2011-12 reflect a \$1.1 million decrease over the Fiscal Year 2010-11 adopted budget primarily due to the reduction of the Contingency Reserve from \$1.0 million to zero.

### 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, 61 independent special districts in San Diego County as well as user fees.

### 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, 2010 was \$23.1 million. As of June 30, 2010, the fund had a cash balance of \$34.2 million. The estimated liability for June 30, 2011 increased to \$29.0 million and the cash balance as of June 30, 2011 is proposed to be \$32.6 million. The proposed appropriations of \$16.5 million in Fiscal Year 2011-12 are offset by \$14.8 million in charges to departments, \$1.5 million of available fund balance to mitigate unanticipated expenses and \$0.2 million in interest earnings of the fund.

### Pension Obligation Bonds

The appropriations for this debt service fund reflect the scheduled principal and interest payments and related administrative expenses for the 2002, 2004, and the 2008 Taxable Pension Obligation Bonds (POBs). With the final prepayment of eligible Taxable Pension Obligation Bonds, the remaining principal and interest payments are structured as level debt service in the amount of \$81 million annually. See the Debt Management Policies and Obligations section on page 83 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.

Finance Other Appropriations/Expenditures					
	Fiscal Year 2009-10 Adopted Budget	Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2011-12 Proposed Budget	% Change	Fiscal Year 2012-13 Proposed Budget
Cash Borrowing	\$ 7,700,000	\$ 7,700,000	\$ 7,700,000	0.00	\$ 7,700,000
Community Enhancement	3,500,000	2,746,500	2,500,000	(8.98)	2,500,000
Neighborhood Reinvestment Program	10,000,000	5,000,000	5,000,000	0.00	5,000,000
Contributions to County Library System	2,250,000	350,000	—	(100.00)	—
Contingency Reserve - General Fund	20,000,000	20,000,000	20,000,000	0.00	20,000,000
Contributions to Capital Program	86,800,000	191,985,000	80,960,000	(57.83)	46,500,000
Lease Payments - Capital Projects	39,824,151	39,051,094	38,895,327	(0.40)	41,504,229
Lease Payments - Certificates of Participation - ERPs	6,700,000	—	—	—	—
Debt Reduction	24,096,328	—	—	—	—
Commitment for Unforeseen Catastrophic Events	—	—	—	—	—
General Fund Minimum Fund Balance for Economic Uncertainty	100,000,000	—	—	—	—
Countywide General Expenses	33,759,222	46,282,008	41,327,025	(10.71)	44,166,013
Countywide Shared Major Maintenance	2,000,000	2,000,000	2,000,000	0.00	2,000,000
Employee Benefits ISF					
<i>Workers' Compensation Employee Benefits ISF</i>	31,963,107	29,736,033	31,574,879	6.18	31,574,879
<i>Unemployment Insurance Employee Benefits ISF</i>	1,586,608	3,901,526	2,762,748	(29.19)	2,762,748
Local Agency Formation Commission Administration	342,880	342,061	342,061	0.00	342,061
Public Liability ISF	15,400,000	14,475,000	16,542,649	14.28	16,542,649
Pension Obligation Bonds	183,480,131	81,430,375	81,354,997	(0.09)	81,438,216
Debt Service Local Boards	23,250	26,250	26,250	0.00	—
<b>Total</b>	<b>\$ 569,425,677</b>	<b>\$ 445,025,847</b>	<b>\$ 330,985,936</b>	<b>(25.63)</b>	<b>\$ 302,030,795</b>

