



COUNTY OF SAN DIEGO

Credit Overview

2014 Refunding Certificates of Participation
(Edgemoor Skilled Nursing Facility & Regional Communications System)

July 30, 2014



Finance Team

County Presenters

- Don Steuer, *Assistant Chief Administrative Officer / Chief Operating Officer*
- Tracy Sandoval, *Deputy Chief Administrative Officer / Auditor & Controller*
- Dan McAllister, *Treasurer-Tax Collector*
- Ernie Dronenburg, *Assessor / Recorder / County Clerk*
- Andy Pease, *Group Finance Director*
- Joan Pan, *Debt Finance Manager*

Additional County Resources

- Tracy Drager, *Assistant Auditor & Controller*
- Antoinette Chandler, *Chief Deputy Treasurer*
- Jeff Olson, *Assessor / Recorder / County Clerk Division Chief*
- Brian Ruehle, *Deputy Controller*
- Ebony Shelton, *Financial Policy and Planning Director*
- Brian Hagerty, *Group Finance Director*
- Damien Quinn, *Group Program Manager*
- Rob Castetter, *Chief Investment Officer*
- Grace Chang, *Investment Officer*
- Dianson Wong, *Financial Policy and Planning Officer*



Table of Contents

1. Strong Fiscal Management at the County of San Diego

2. Diverse and Stable Regional Economy

3. Large Tax Base and Growing Real Estate Market

4. Fiscal Year 2013-14 Projected Financial Results

5. Fiscal Year 2014-15 Revised Recommended Operational Plan

6. 2014 Refunding Certificates of Participation

7. County Credit Supports an Upgrade to Aaa



Strong Fiscal Management is a Fundamental Credit Strength of San Diego County

- Through the recent recession, financial crisis and State budget pressures, the County has maintained operational excellence while remaining committed to fiscal discipline
- Maintained very strong reserves and cash balances
- Financially prudent approach to meeting the County's healthcare obligations – well-positioned for the Affordable Care Act environment
- Active approach to addressing pension liabilities and small OPEB liability
- Capital projects funded through pay-go and limited debt issuance
- County's credit metrics compare favorably to the other Aaa-rated counties nationally with a population over one million
- Strong institutionalized financial management practices ensure ongoing fiscal stability and reflect the County's commitment to maintaining its "legacy of fiscal stability"

County of San Diego's Credit Profile Supports an Upgrade to Aaa



Disciplined Financial Practices

Ongoing financial planning procedures promote long-term credit strength

- Five-Year Financial Forecast
- Five-Year Capital Improvement Needs Assessment
- Two-Year Operational Plan
- Quarterly Status Reports

Outstanding financial reporting

- State Controller's Award for Achieving Excellence in Financial Reporting
- GFOA Certificate of Achievement for Excellence in Financial Reporting for both County and Investment Pool CAFR
- GFOA Distinguished Budget Presentation Award
- Cash flows and quarterly status reports posted on County website



Institutionalized Financial Policies

County has institutionalized financial management policies

- Fund balance and reserves
- Use of one-time revenues for one-time purposes only
- Capital Facilities and Space Planning, Use of Capital Program Funds
- Long-term Obligation Management, Debt Advisory Committee
- Post-issuance compliance, refunding, and swap policies
- Risk Overview Committee, Disclosure controls and procedures
- Treasury Oversight Committee, Investment Policy, Investment Manual



Structurally Balanced and Conservative Budget

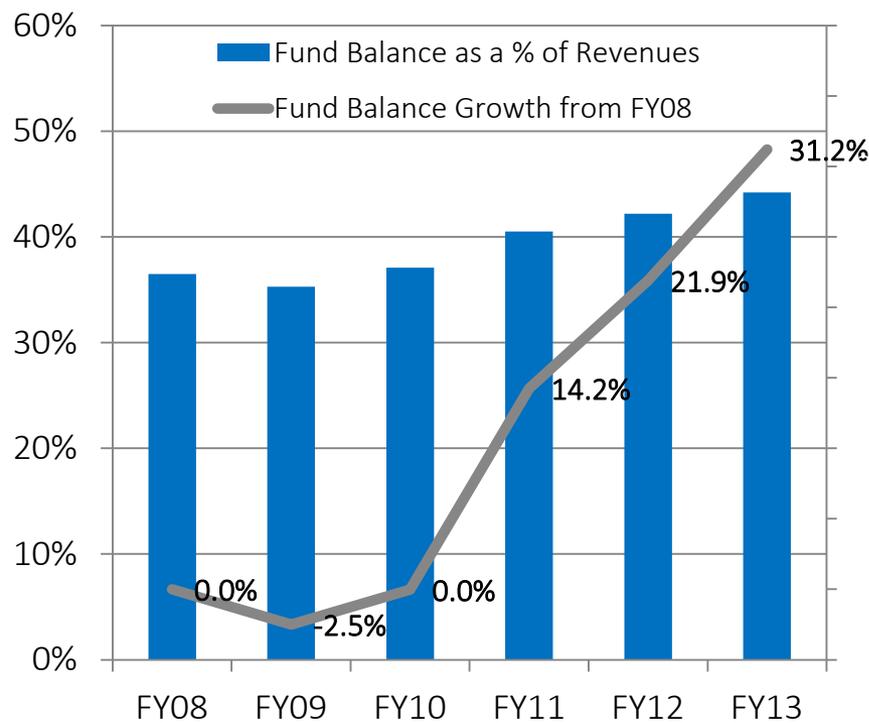
- Balanced budgets achieved by:
 - Actively managing cost structure
 - No back-filling of State budget cuts
 - Using one-time revenues for one-time expenditures only
 - Using ongoing revenues for one-time projects also
 - Maintaining a pension stabilization strategy
 - Managing future requirements by cash funding capital projects and repaying debt early
- County continues to conservatively budget for expenditures based on a protracted economic recovery that assumes modest local revenue growth
- As a result of conservative budgeting, the County's financial results consistently outperform budgeted amounts



Reserve Levels are Consistently High and Compare Favorably to Peers

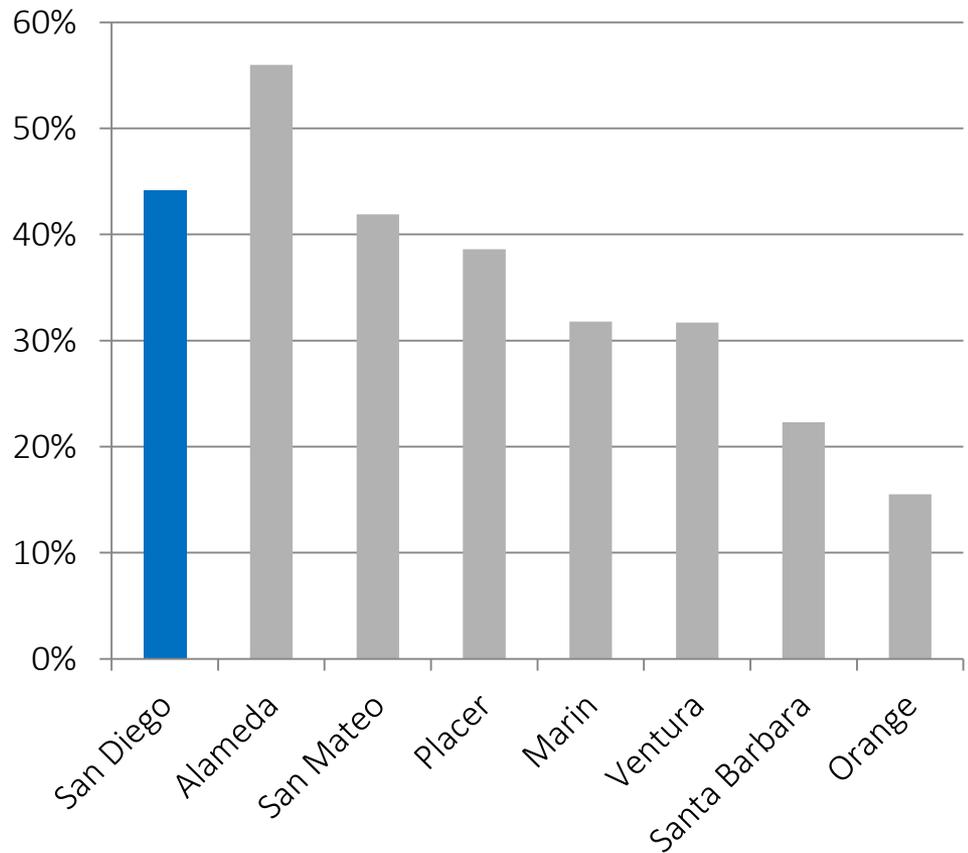
- Since 2008, the 31.2% of growth in fund balance has outpaced the 2.4% growth in budget

**County of San Diego
Fund Balance as a % of Revenues**



Source: County Auditor and Controller

**FY2013 Peer Group Analysis (Aaa and Aa1 CA Counties)
Fund Balance as a % of Revenues**



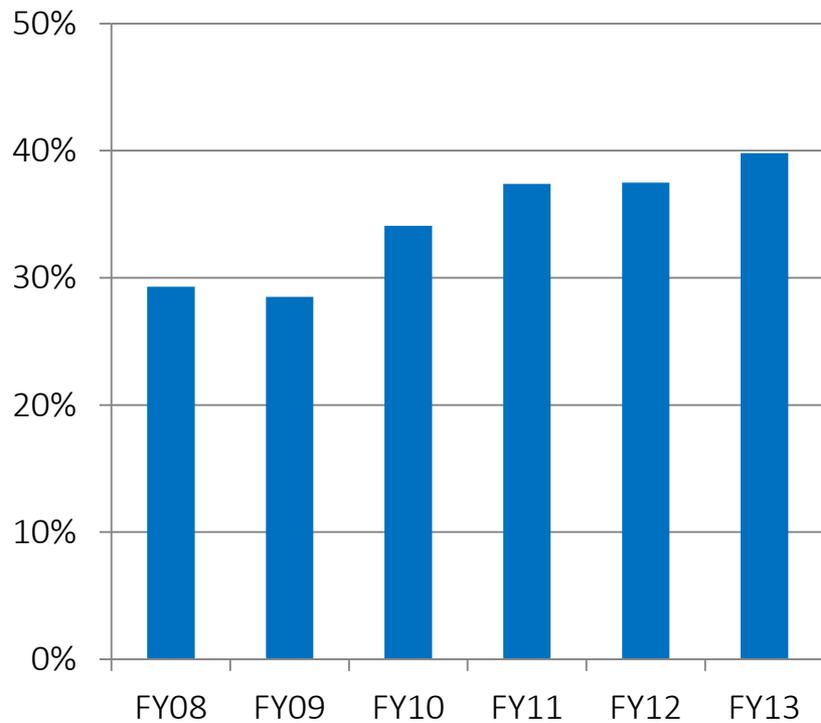
Source: Analyst adjusted values from Moody's Municipal Financial Ratio Analysis database.



Cash Position Maintained at Strong Levels

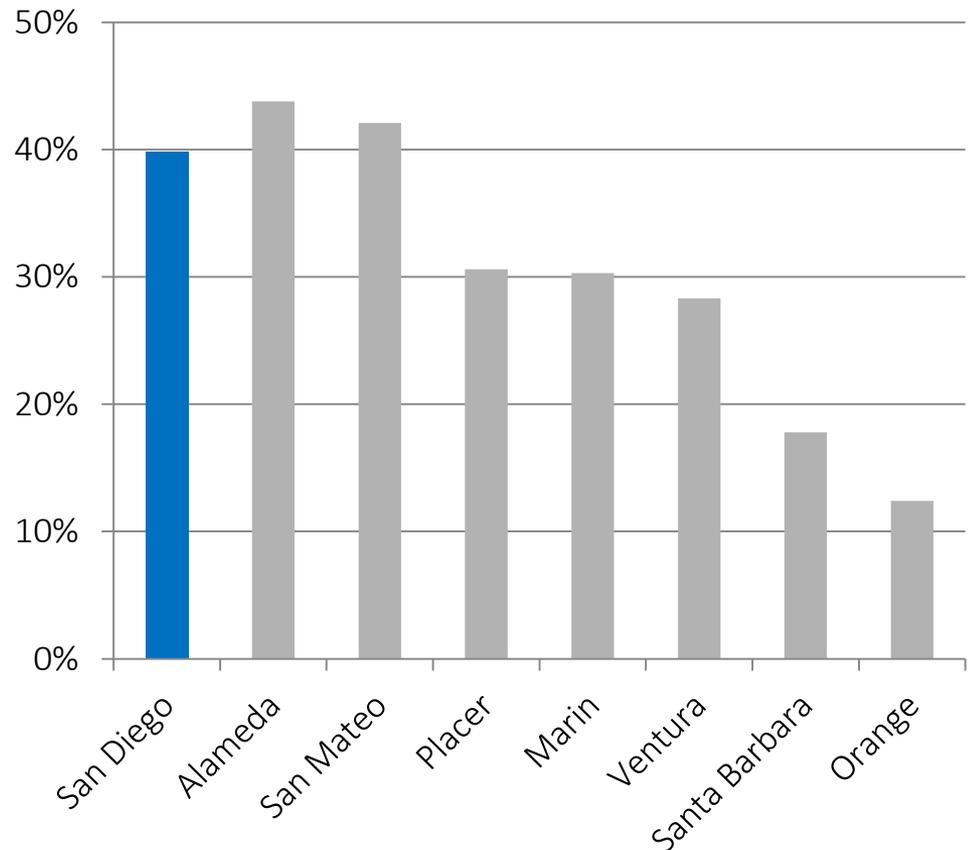
- County has cash funded projects, repaid debt early and paid above the ARC and its cash position has continued to improve

County of San Diego
General Net Cash as a % of Revenues



Source: County Auditor and Controller

FY2013 Peer Group Analysis (Aaa and Aa1 CA Counties)
General Net Cash as a % of Revenues



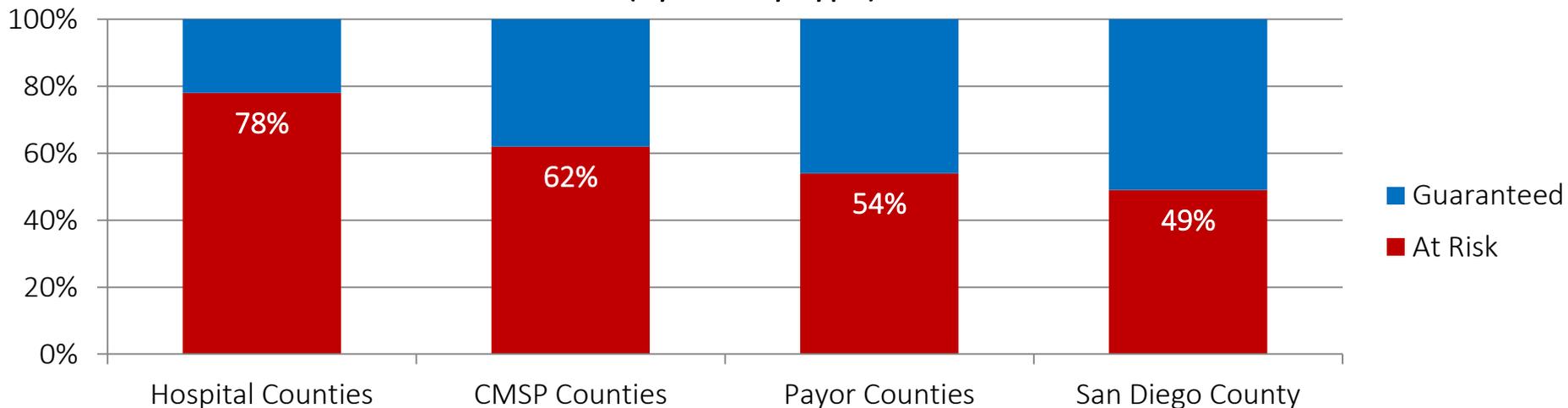
Source: Analyst adjusted values from Moody's Municipal Financial Ratio Analysis database.



Financially Prudent Approach to Meeting Healthcare Obligations

- ACA has shifted the majority of San Diego's low-income/indigent health care clients from County programs to Covered California and Expanded Medi-Cal
- As a Payor County, the County enters into individual contracts with various hospitals and clinics throughout the County, which provide services to residents
- The County's approach to providing indigent health care services is financially prudent and minimizes risk and financial exposure

Health Realignment Aggregate Revenue at Risk for Redirection to the State
(by County Type)





County's Fundamentals Compare Favorably or Exceed Highly Rated Peers

- San Diego County's credit metrics compare favorably to the other Aaa-rated counties within the US with a population greater than one million

	Credit Rating	Population (2010 Census)		Full Value Per Capita		Median Household Income ⁽¹⁾		Median Home Value ⁽²⁾		Overall Net Debt Per Capita		Available GF Balance as % of Revenue	
		Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
San Diego County, CA	Aa1	3,095,313	3	124,742	3	63,373	4	419,400	2	3,653	10	35.7	1

"Aaa" National Counties with Population over 1,000,000													
Harris County, TX	Aaa	4,092,459		68,294		53,160		132,200		5,599		11.5	
Maricopa County, AZ	Aaa	3,817,117		81,846		54,385		193,900		1,713		24.2	
Dallas County, TX	Aaa	2,368,139		64,265		49,159		129,100		2,783		19.7	
King County, WA	Aaa	1,931,249		156,790		71,175		388,700		3,313		20.4	
Broward County, FL	Aaa	1,748,066		99,593		51,603		199,900		2,225		31.8	
Bexar County, TX	Aaa	1,714,773		54,423		49,141		122,600		4,976		19.8	
Palm Beach County, FL	Aaa	1,320,134		121,323		52,806		216,200		2,856		17.5	
Hillsborough County, FL	Aaa	1,229,226		68,964		49,450		170,000		1,945		21.1	
Hennepin County, MN	Aaa	1,152,425		102,723		63,559		238,300		2,527		25.6	
Fairfax County, VA	Aaa	1,081,726		179,813		109,383		480,200		2,683		9.4	
Salt Lake County, UT	Aaa	1,029,655		98,849		59,626		237,500		1,264		15.8	
Travis County, TX	Aaa	1,024,266		90,813		56,403		215,900		4,683		32.8	

Source: Moody's MFRA, unless otherwise noted.

(1) Source: American Community Survey ("ACS"). Reflects Median Household Income in the past 12 months (in 2012 inflation-adjusted dollars) from the 2008-2012 ACS 5-year Estimates.

(2) Source: American Community Survey ("ACS"). Reflects owner-occupied units sourced from 2008-2012 ACS 5-year Estimates.



DIVERSE AND STABLE REGIONAL ECONOMY





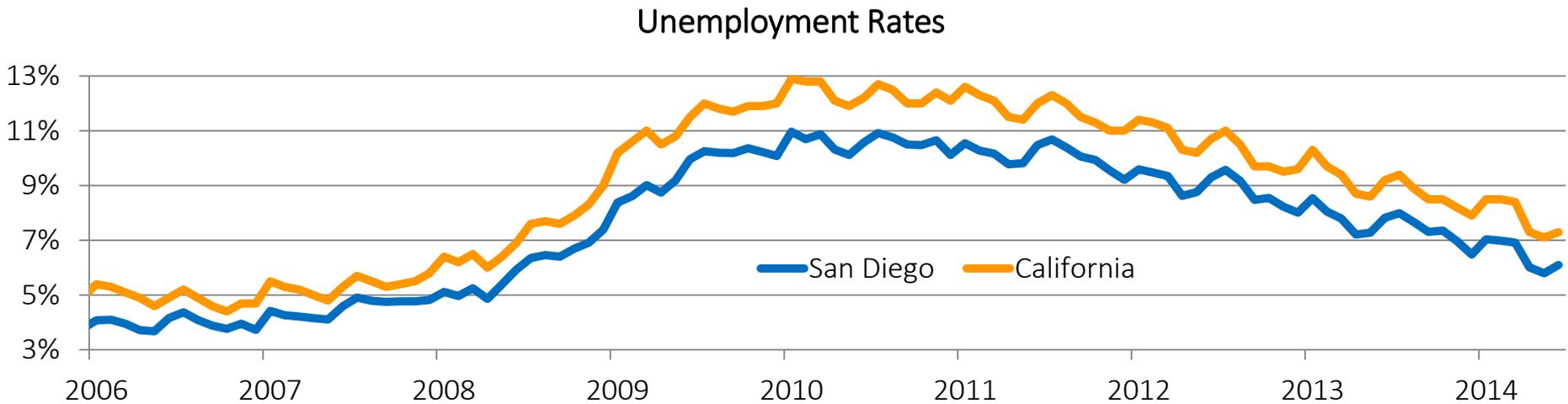
Large and Diverse Economy Continues to Grow

- Large and Diverse Economy ⁽¹⁾
 - With a population of 3.2 million, San Diego County has the second most residents in the State and the fifth most in the nation
 - Annual Gross Domestic Product (GDP) of \$177.4 billion based on a diversity of historically stable industries
 - Since 2009, GDP has grown steadily, on average 2.8% annually
- Continued positive and steady growth in San Diego through 2013 and into 2014
 - Construction industry rebounds: residential building permits increased 46% during 2013, the highest increase since 2006 ⁽²⁾
 - Taxable sales have grown 5.1% on average each year since 2009 ⁽³⁾
 - Strong property tax collections with delinquencies continuing to decline as the economy improves



Employment Trends are Positive

- In June 2014, San Diego's unemployment rate at 6.1% continues to be well below the State's rate of 7.3% and below the National rate of 6.3% ⁽¹⁾
 - Unemployment rate would be about 0.5% lower if Navy and Marine personnel were included ⁽²⁾
 - County's unemployment rate is 20% lower than last year's rate
- 34,600 jobs added during the 12 months leading through June 2014 ⁽³⁾
- County's 25 largest employers include government, military and defense, healthcare, manufacturing, and leisure and hospitality entities ⁽³⁾



Note: Data not seasonally adjusted

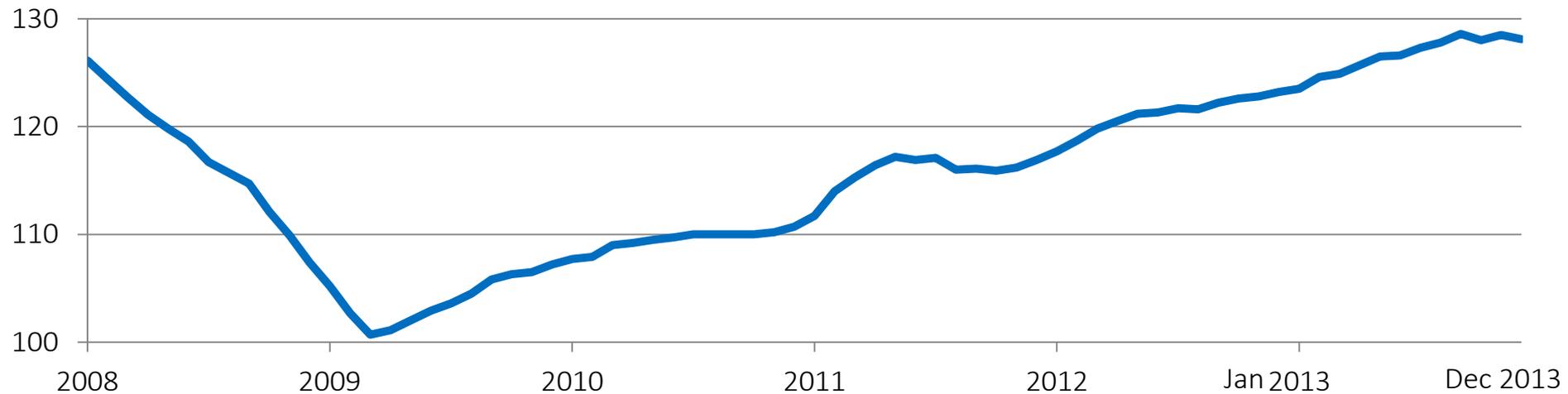
Sources: (1) US Bureau of Labor Statistics; (2) San Diego Military Advisory Council Impact Study, September 2013; (3) California Employment Development Department



Economy Has Grown Steadily Since 2009

- University of San Diego's Index of Leading Economic Indicators (LEI) incorporates the national economy and the following in San Diego County: building permits, initial unemployment claims, the San Diego Stock Exchange Index, consumer confidence, help wanted advertising
- The LEI rose 3.7% in 2013
 - Increase was led by job growth, declining unemployment, and solid growth in the areas of construction, leisure and hospitality and health care

University of San Diego
Index of Leading Economic Indicators





Economy is Underpinned by Diverse and Stable Industries

Defense

- In 2013, the military and related companies contributed 302,000 jobs and \$24.6 billion of direct spending in the County ⁽¹⁾

Education and Research

- Home to world class research institutes and six universities providing 37,339 jobs and serving 105,909 students

Travel and Tourism

- Leading tourism and business destination, employing over 165,000 San Diegans
- In 2013, 33.1 million visitors spent \$8.4 billion in San Diego County
- As of April 2014, 4% annual visitor growth and 9.2% annual visitor spending growth ⁽²⁾
- San Diego has been home to Comic-Con for over 40 years; in 2013, Comic-Con brought in an estimated \$175 million to the regional economy ⁽³⁾

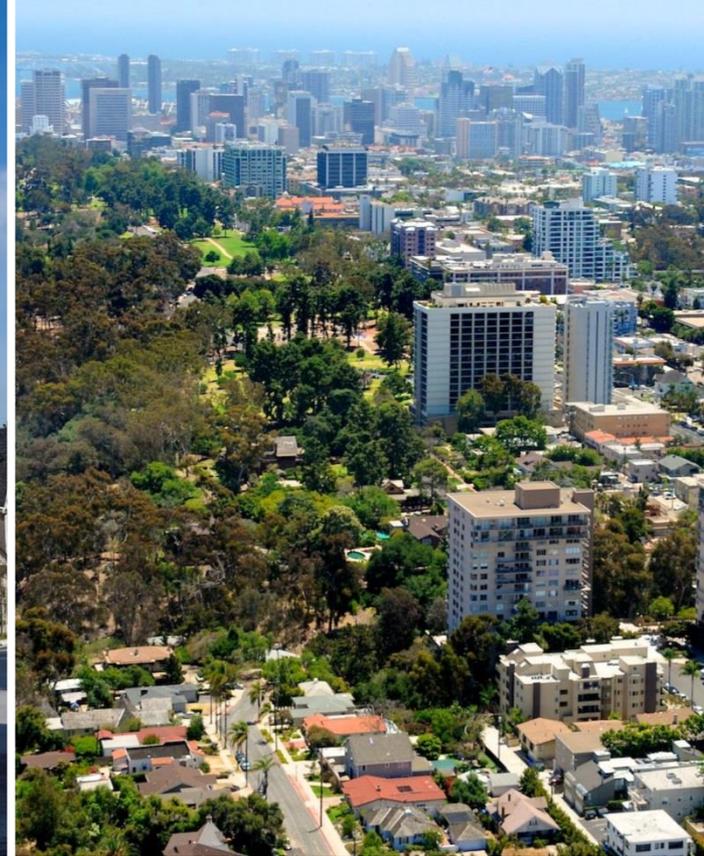
Technology and Biotech

- Information and communications technology companies employ more than 72,000 people
- San Diego is one of the three large life science clusters in the United States – over 59,000 employees with a direct economic impact of \$14.3 billion in 2012 ⁽³⁾
- Convergence of health and biotech industries leading development in personal digital health tools
- Hosted BIOCOM 2014, the largest global biotech conference



San Diego is Home to a Diverse Group of World Class Institutions, Corporations, and Recreational Facilities





LARGE AND GROWING TAX BASE





Real Estate Market Overview for FY 2014-15

Real Estate Market Component

Median Home Prices



Sales Activity



Construction Activity



Mapping Activity



Defaults and Foreclosures

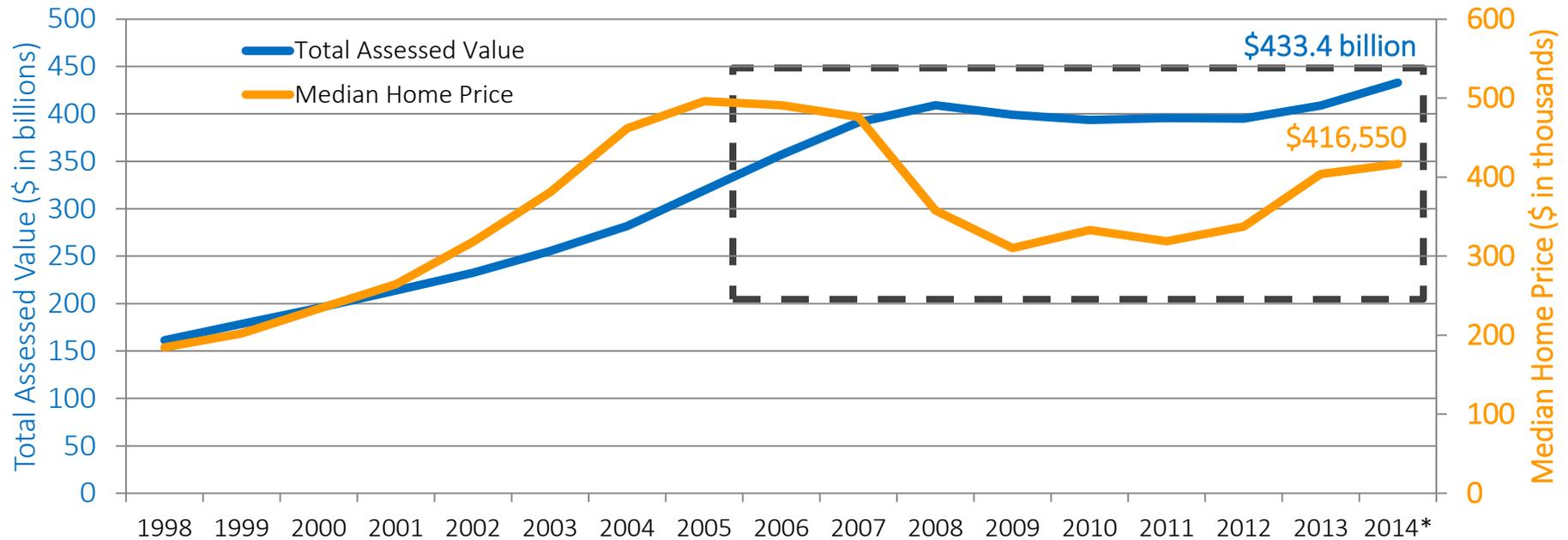




Large, Secure, and Growing Tax Base

- Property tax base is insulated from short term downturns in the real estate market due to the provisions of Proposition 13
- As of January 2014, while the median home price is down 16% from its 2005 peak, total assessed value for the same period has increased over 35%

Total Assessed Value and Median Home Price



*2014 Assessed Value is the actual total (gross) assessed value for San Diego County for 2014-15; 2014 Median Home Price is as of January 2014 for new and existing, detached and attached homes, per DataQuick Information Systems.

Source: County of San Diego Assessor / Recorder / County Clerk



Real Estate Activity Continues to Improve

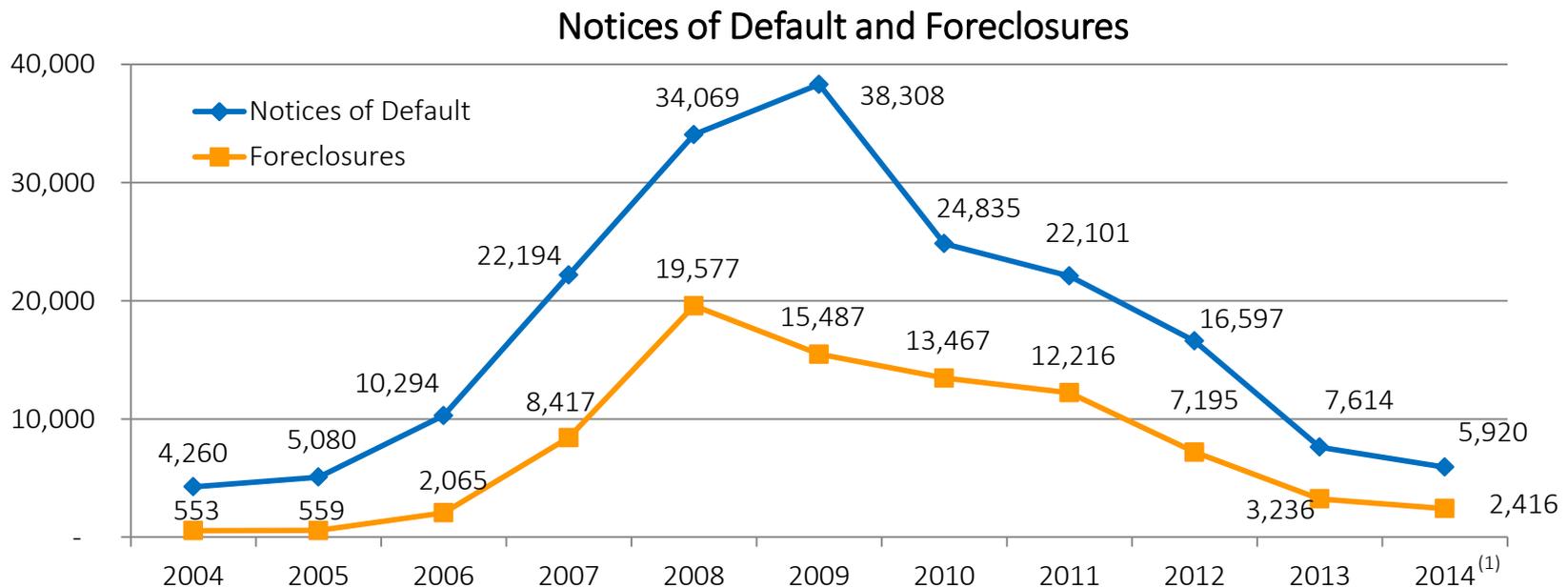
Real Estate Parcel Activity						
Calendar Year	2009	2010	2011	2012	2013	
Sales	58,858	58,170	53,601	57,276	60,308	
New Construction	8,842	8,347	8,768	9,233	10,601	

Real Estate Mapping Activity (Residential)						
Calendar Year	2009	2010	2011	2012	2013	
New Subdivision Lots Created	206	320	1,034	965	2,354	
New Condominiums Mapped	800	692	873	852	662	



Defaults and Foreclosures at Pre-2006 Levels

- 2013 Defaults were down 80% from their peak in 2009
- 2013 Foreclosures were down 83% from their peak in 2008
- Both Defaults and Foreclosures are projected to decrease further in 2014



(1) Projected Total Defaults and Foreclosures for 2014 (YTD through May 2014 - 2,467 and 1,007 respectively)

Source: County of San Diego Assessor / Recorder / County Clerk



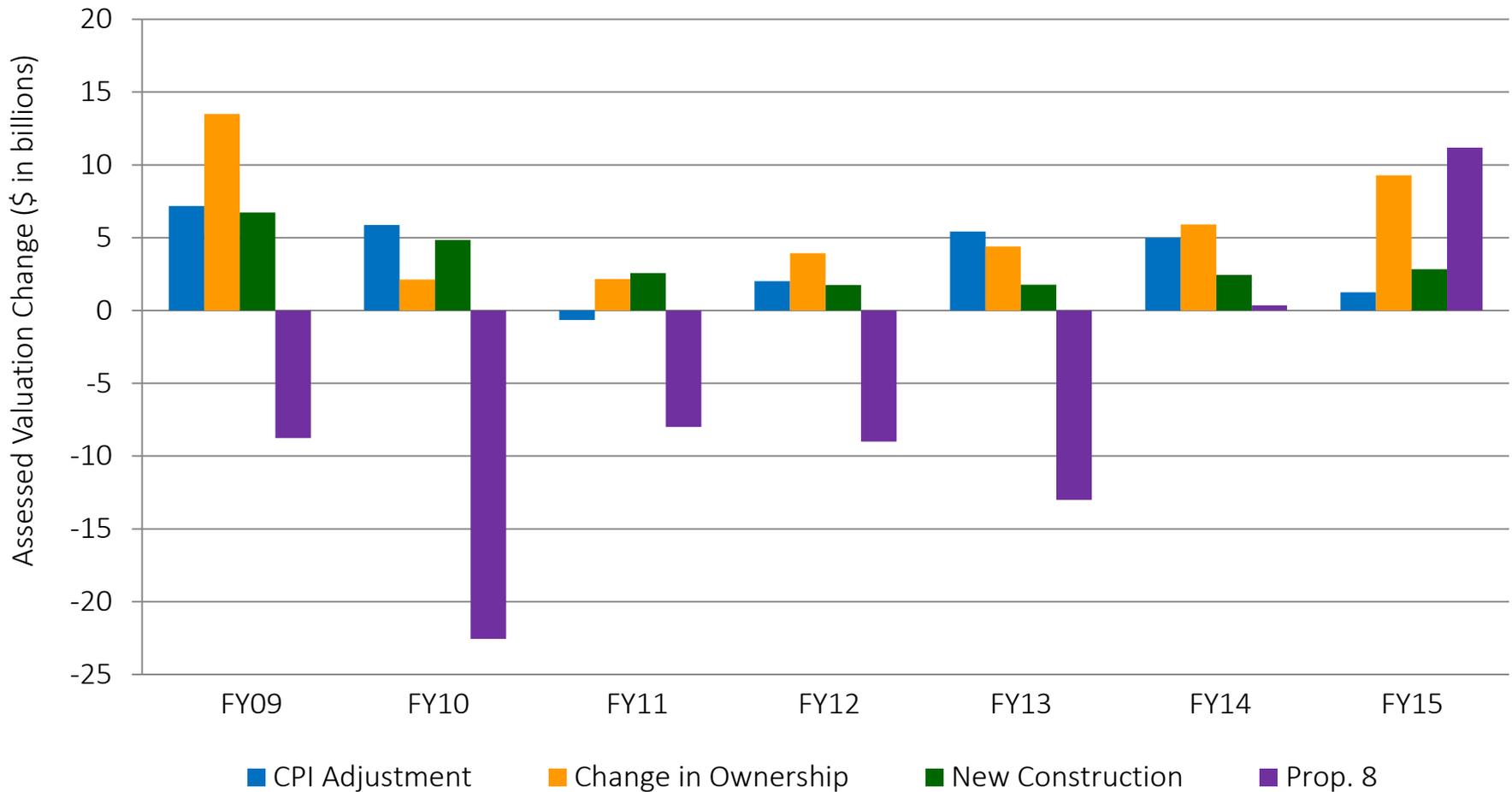
FY 2014-15 Assessed Value Changes

- Prop 8 value increases included 123,438 partial restorations and 57,056 full restorations
- The 57,056 full restorations are now no longer under Prop 8, and therefore will be subject to the annual CPI adjustment for Fiscal Year 2015-16

Key Contributors to Assessed Value Change	FY 2014-15 AV Changes (Billions)
Prop 8 Increases and Reductions including assessment appeals	\$11.194
Change in Ownership (\$134,000 average increase per residential sale)	\$9.278
Completed and Unfinished New Construction	\$2.825
Prop. 13 Base CPI Adjustment (+0.454%)	\$1.241
Personal Property	\$0.825
Other Property Adjustments	(\$0.748)
TOTAL	\$24.613 (+6%)



Historical View of Key Contributors to AV Change





Looking Forward to FY 2015-16

Projecting assessed value growth of +3% for Fiscal Year 2015-16

- Continued increases to median home prices
- Stable to slight increases in sales and new construction activity
- Continued partial and full Prop 8 restorations
- Estimated CPI adjustment of +1.35% applied to 70% of all San Diego County properties

Prop 8 restorations / recapture of previous reductions

- For 2014 there are 155,000 properties that are being assessed below their Prop 13 indexed base year value; these properties are not subject to the annual 2% limit
- As real estate values continue to increase, an estimated \$25 billion in previous reductions are still eligible to be recaptured



FISCAL YEAR 2013-14 PROJECTED FINANCIAL RESULTS





FY 2013-14 Financial Highlights

- Successful labor negotiations with nine unions
 - 2% One-Time Lump Sum Payments, Phased Offset Elimination/Exchange, Flex Credit
 - Agreements through Fiscal Year 2016-17 for Deputy Sheriffs' Association, Service Employees International Union, Association of San Diego County Employees
 - Agreements through Fiscal Year 2014-15 for remaining six unions
- Preparing for implementation of Affordable Care Act by increasing staff to assist with the transition to Covered California and Medi-Cal
- Completion and operation of East Mesa Rehabilitation and Reentry Facility (AB109)
- Phase I of expanded Women's Detention Facility – secured Phase II funding (AB900)
- Grand opening of the County Administration Center Waterfront Park
- Replacement of Alpine and Imperial Beach libraries
- Sale of County Operations Center Annex for \$57.2 million
- Reserves remain unused and in excess of required levels



General Fund

Fiscal Year 2013-14 Expected Results

Third Quarter Projections (millions)	
Unassigned Fund Balance as of June 30, 2013 ⁽¹⁾	\$644.5
Less: Subsequent Uses Approved by Board of Supervisors	(33.0)
Third Quarter Projection of FY 2013-14 Budgetary Fund Balance	296.4
Subtotal – Gross Unassigned Fund Balance	907.9
Less: Assigned to Subsequent One-time Expenditures in FY 2014-15 ⁽¹⁾	(167.1)
Less: Committed COC Sale Proceeds for Future Capital Use	(57.2)
Total Projected Unassigned Fund Balance at June 30, 2014⁽²⁾	\$683.6

(1) This balance excludes Assigned to Subsequent One-time Expenditures of \$132.5 million. The General Fund's fund balance classification of Assigned to Subsequent One-time Expenditures represents a GASB Statement 54 recommended classification of fund balance in circumstances in which a portion of existing fund balance is included as a budgetary resource in the subsequent year's budget to eliminate a projected excess of expected expenditures over expected revenues. For the County of San Diego, this amount represents Board of Supervisors approved one-time uses of fund balance.

(2) The economic uncertainty reserve of \$100 million is considered unassigned fund balance.



General Fund Balance Continues to Grow

Fund Balance	FY 2010-11		FY 2011-12		FY 2012-13		FY 2013-14 ⁽¹⁾	
	\$ million	% of FB	\$ million	% of FB	\$ million	% of FB	\$ million	% of FB
Nonspendable	\$11.3	0.8%	\$12.5	0.8%	\$12.3	0.8%	\$11.9	0.7%
Restricted	215.0	15.4%	245.7	16.5%	295.3	18.4%	336.8	19.0%
Committed	514.7	36.9%	515.2	34.6%	464.8	29.0%	518.9	29.3%
Assigned ⁽²⁾	40.6	2.9%	51.3	3.5%	184.5	11.5%	219.0	12.4%
Unassigned ⁽³⁾	612.8	44.0%	663.1	44.6%	644.5	40.3%	683.6	38.6%
TOTAL	\$1,394.4		\$1,487.8		\$1,601.4		\$1,770.2	

(1) Fiscal Year 2013-14 Third Quarter Projections, unaudited

(2) GASB classification of fund balance included as a budgetary resource in the subsequent year's budget reflected as Assigned Fund Balance beginning in 2013. For fiscal years ended 2011 and 2012, the amounts of fund balance to be used for subsequent one-time expenditures were \$210,065 and \$112,912, respectively, and are included in Unassigned fund balance.

(3) The economic uncertainty reserve of \$100 million is considered unassigned fund balance.



FISCAL YEAR 2014-15 REVISED RECOMMENDED OPERATIONAL PLAN





Fiscal Year 2014-15 Highlights

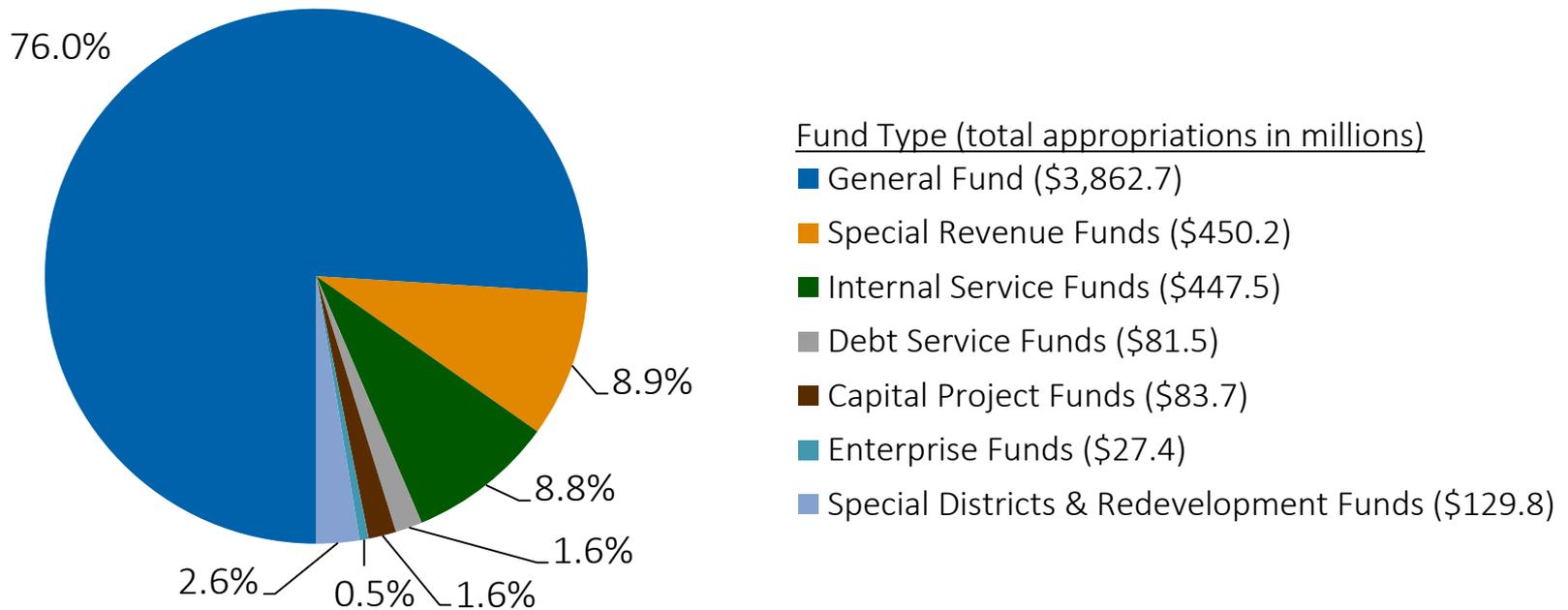
- Total budget \$5.08 billion; increase of 2.1% or \$106.7 million
 - Staffing Increase/Retirement Contributions/Negotiated Labor Agreements
 - Implementation of the Affordable Care Act (ACA)
 - Capital Program
- Staffing increase of 417 FTE's
 - Primarily related to ACA (351 FTE's)
 - Adoptions Program and Long-term Care Ombudsman
 - Contract Law Enforcement Services & other public safety programs
 - Various Land Use including increased permit processing
- Capital Program (combination of one-time and ongoing revenues)
 - \$50.0 million for the Sheriff's Crime Lab
 - \$10.0 million for the Multiple Species Conservation Program (MSCP)
 - \$9.7 million for the Borrego Springs Community Library
 - \$4.1 million for various County park improvements
- \$1.03 billion General Purpose Revenue, increase of 5.7% or \$55.5 million
- \$168.6 million of fund balance to fund one-time projects
 - Management Reserves
 - Negotiated one-time Salaries and Benefits payments
 - Information Technology projects
 - Capital projects
- General fund reserve levels exceed targeted levels (17.4% vs. 17% target)



FY 2014-15 Revised Recommended Operational Plan: All Funds

- Revised Recommended Budget for all funds of \$5.08 billion, 2.1% increase from Fiscal Year 2013-14 Adopted Budget

Total Appropriations by Fund Type Fiscal Year 2014-15: \$5.08 billion

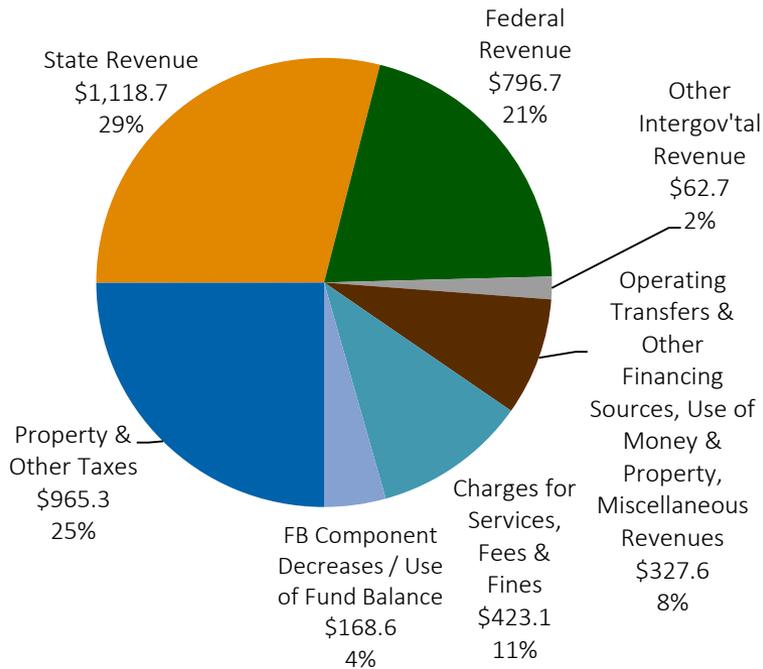




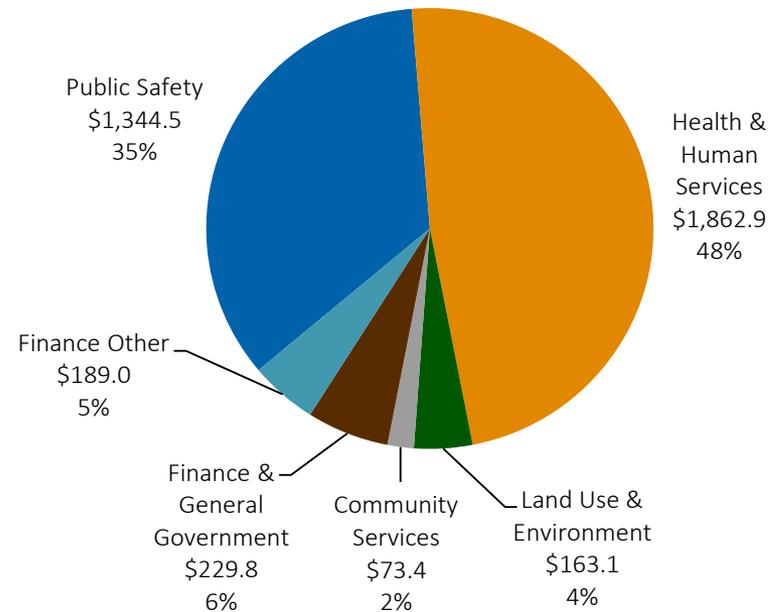
FY 2014-15 Revised Recommended Operational Plan: General Fund Revenues

- Revised Recommended Budget for the General Fund of \$3.86 billion, 0.25% increase from Fiscal Year 2013-14 Adopted Budget

General Fund Financing Sources
Fiscal Year 2014-15: \$3.86 billion
(in millions)



Appropriations by Group / Agency
Fiscal Year 2014-15: \$3.86 billion
(in millions)

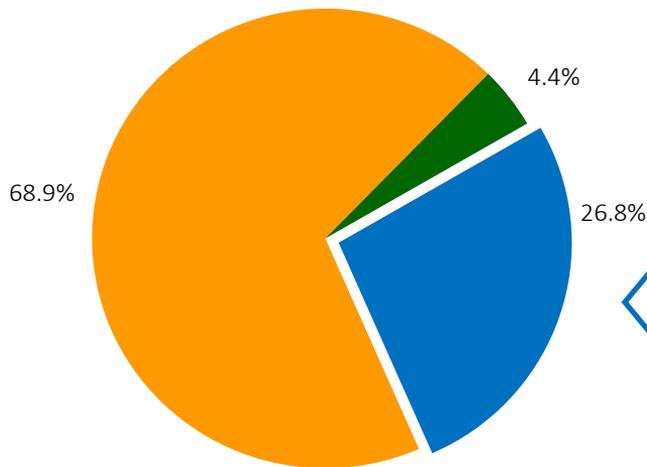




FY 2014-15 Revised Recommended Operational Plan: General Fund Revenues

- General Purpose Revenue is 26.8% of the total funding sources of the General Fund, 5.7% increase in GPR from Fiscal Year 2013-14 Adopted Budget
- Assumes 4% growth in assessed value and does not assume increases in revenue due to redevelopment dissolution

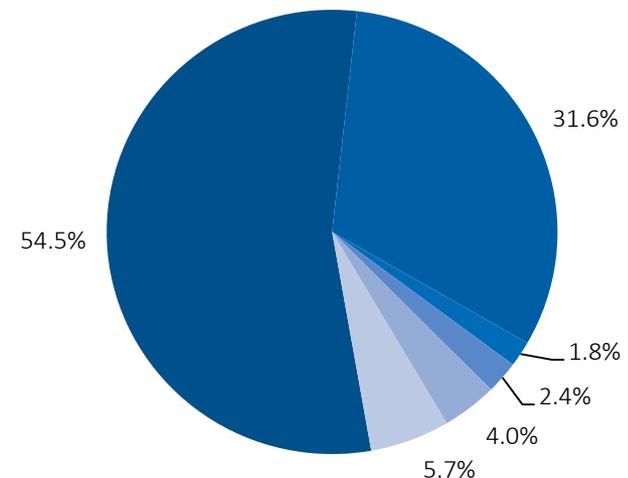
General Fund Financing Sources by Category
Fiscal Year 2014-15: \$3.86 billion



General Fund Financing Source Category (total appropriations in millions)

- General Purpose Revenues (\$1,033.5)
- Program Revenues (\$2,660.6)
- Fund Balance Component Decreases / Use of Fund Balance (\$168.6)

General Purpose Revenue by Source
Fiscal Year 2014-15: \$1.03 billion



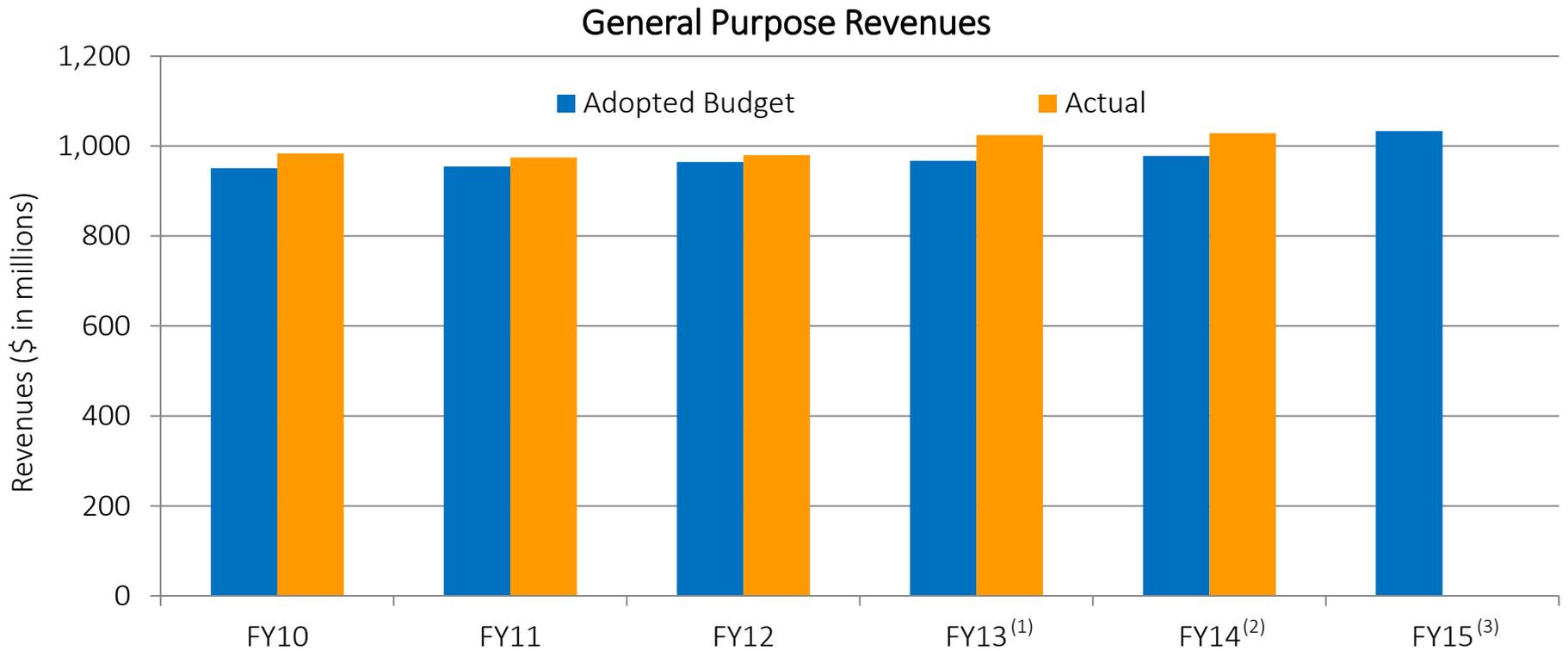
GPR by Source (total appropriations in millions)

- Property Tax Revenue (\$563.6)
- Property Tax in Lieu of VLF (\$326.3)
- Teeter Revenue (\$19.1)
- Sales & Use Tax / In Lieu of Sales (\$24.4)
- Intergovernmental Revenue (\$40.9)
- Other Revenues including RPTT (\$59.1)



Actual General Purpose Revenues Have Exceeded Budgeted Levels

- General Purpose Revenues have historically been budgeted conservatively and have been growing since 2010
- Actuals have exceeded budget by 2% - 6% over the last five years



(1) FY12-13 Actuals includes one-time redevelopment dissolution revenue and unanticipated AV Growth

(2) FY13-14 Actuals amount is projected as of March 31, 2014 – reflects one-time sources, including COC sale proceeds, redevelopment dissolution revenue, and unanticipated AV Growth

(3) Revised Recommended Budget – 4% AV Growth Assumed



Operational Impacts of the State: Public Safety Realignment

- Actively meeting the needs created by Public Safety Realignment
 - As of June 30, 2014
 - 5,859 realigned individuals have been supervised by San Diego County
 - 2,242 individuals under supervision
 - Daily average of 2,100 realigned offenders serving terms in custody in County jails
 - Almost 400 additional offenders are in alternate custody programs in the community and monitored by the Sheriff's Department
- Increased County capacity to house, supervise and provide rehabilitative services to offenders
 - East Mesa Rehabilitation and Reentry Facility, with capacity for 400 additional offenders, opened in June 2014
 - Working to expand access to services for offenders in the community by assisting with Medi-Cal outreach and enrollment
- Local Revenue Fund 2011 has provided funding for certain identified needs
 - Monitoring required costs for intervention and treatment and medical care for offenders in custody
 - County-by-county allocation formula under development and effective for Fiscal Year 2014-15



Other Operational Impacts of the State

- Redevelopment Dissolution
 - \$296.6 million received to date (includes \$131.2 million of pass-through distributions)
 - Residual and one-time distributions are not included in Operational Plan
- Water Quality Requirements
 - Bacterial Total Maximum Daily Load Resolution (TMDL Resolution) impacts six watersheds for which the County shares responsibility
 - \$3.9 million one-time funding included in Fiscal Year 2014-15 for anticipated increased costs related to TMDL Resolution
- State pre-2004 Mandate Reimbursement
 - County expects to receive \$4.5 million (out of the \$34.0 million the State owes) in Fiscal Year 2014-15



Affordable Care Act

Low Income and Indigent Healthcare

Pre-ACA

- Implemented the Low Income Health Program (LIHP) to prepare for Medi-Cal expansion and maintained the County Medical Services (CMS) program
- Enrolled uninsured adult County residents
 - <133% Federal Poverty Level (FPL) under LIHP
 - 0 – 350% FPL for CMS who do not qualify for LIHP
- Contracted with a network of local health service providers
 - 22 hospital sites (13 hospital organizations)
 - 58 community health clinic sites (16 parent organizations)
 - 20 mental health clinics
 - 122 specialty groups, including more than 345 individual providers
- LIHP and CMS had over 40,000 clients by the end of 2013

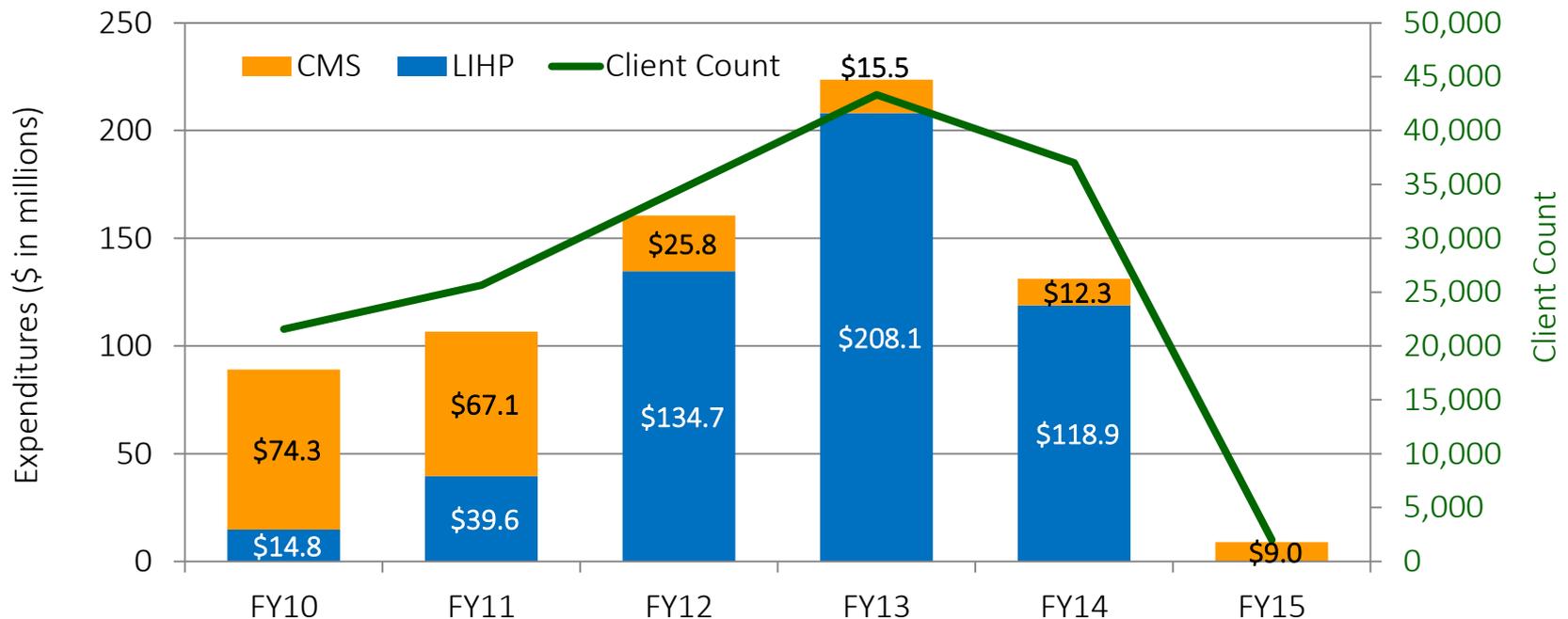
Post-ACA

- All LIHP enrollees transitioned to Medi-Cal on January 1, 2014
- CMS will continue to use network of local health service providers
- As of June 2014, there are less than 500 CMS enrollees



Historical LHP and CMS Provider Expenditures

- Expenditures include payments to providers for care and treatment of eligible LHP and CMS patients
- Providers include Hospitals, Clinics, Specialty Providers and Pharmacy
- FY 13-14 and 14-15 are projections



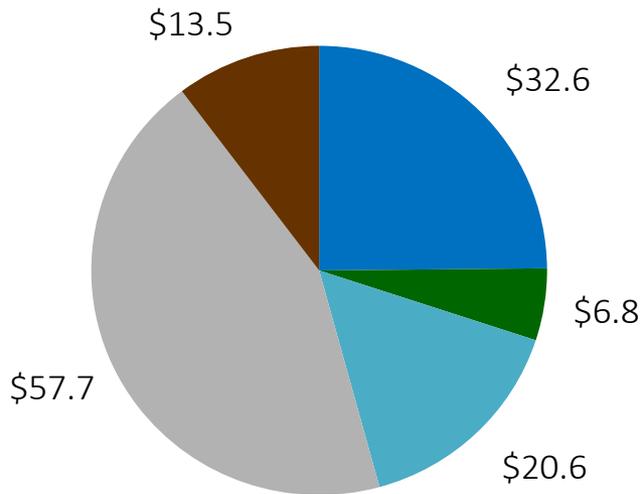


LIHP/CMS Revenues

FY 13-14

Pre-ACA Implementation

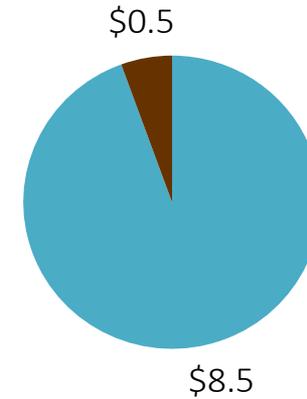
Total: \$131.2 million



FY 14-15

Post-ACA Implementation

Total: \$9.0 million



- Health Realignment
- Tobacco Endowment Fund
- Other (2)
- General Purpose Revenue
- Federal (1)

- Tobacco Endowment Fund
- Other (2)

(1) Federal revenue is 50% match for Low Income Health Program (LIHP) expenditures

(2) Other revenue is third-party reimbursement and Medi-Cal recovery

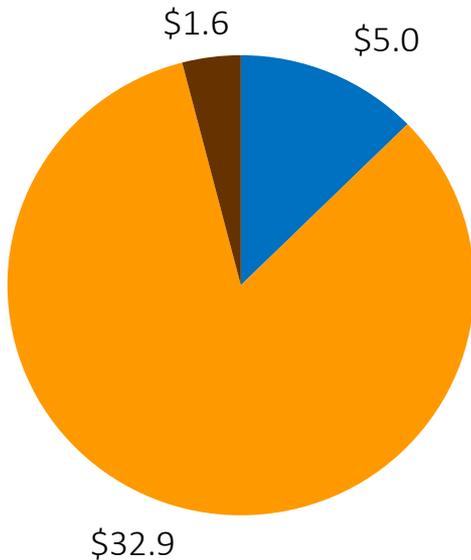


Edgemoor Skilled Nursing Facility Revenues

FY 13-14

Pre-ACA Implementation

Total: \$39.5 million

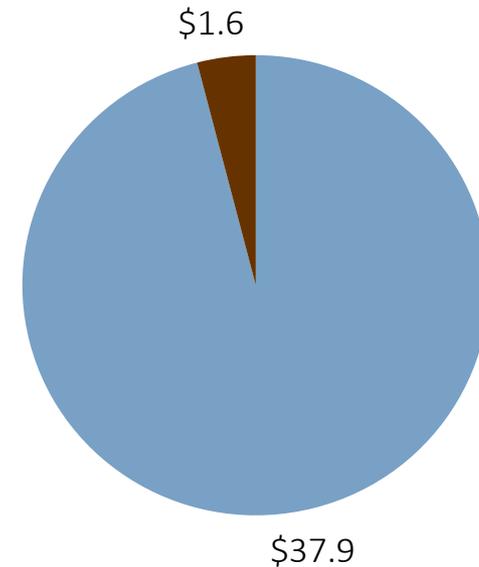


■ Health Realignment ■ Institutional Care ■ Other⁽¹⁾

FY 14-15

Post-ACA Implementation

Total: \$39.5 million



■ Health Plans ■ Other⁽¹⁾

(1) Other revenue is grants and third-party reimbursement



Other ACA Impacts

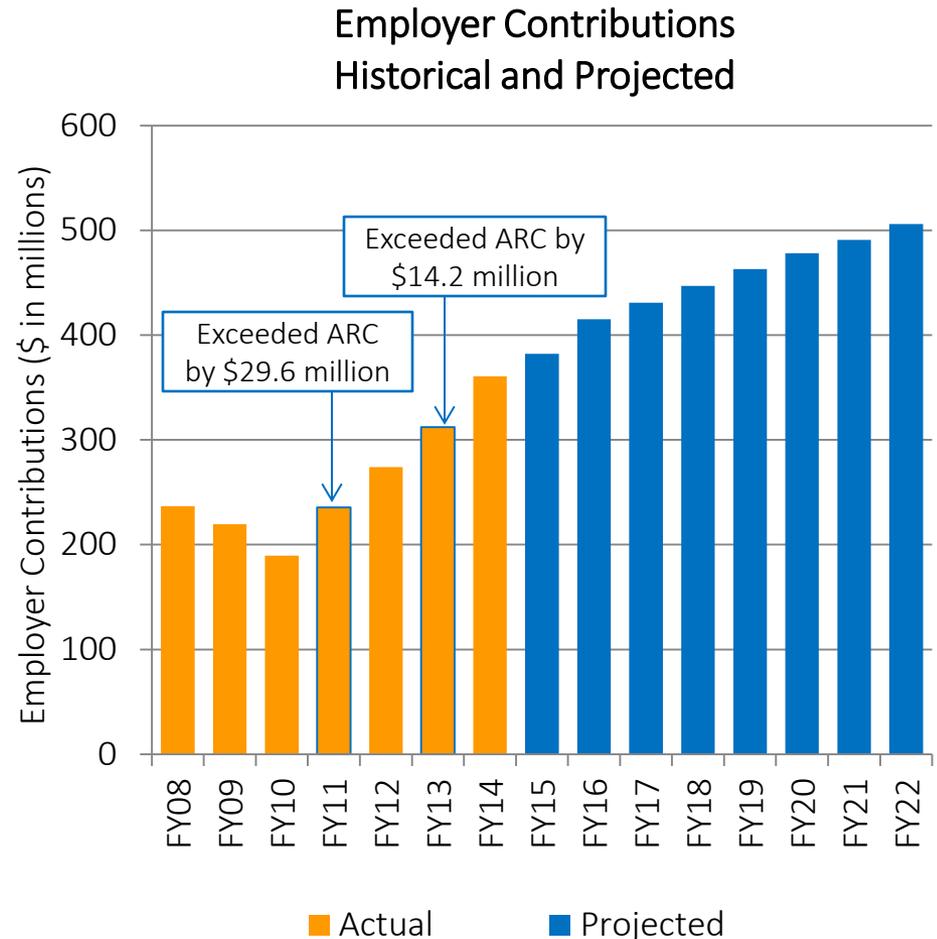
- **Opportunities**
 - San Diego County Psychiatric Hospital (SDCPH)
 - Jail Medi-Cal
 - Mental Health Services increased Medi-Cal funding
 - Public Health Services
- **Considerations**
 - Changes in roles/responsibilities between HHSA and Health Plans
 - Mental Health Services and Federally Qualified Health Centers (FQHC's)
 - Medi-Cal eligibility administrative responsibilities
- **Strategies**
 - Intergovernmental Transfers (IGT)
 - Service delivery changes

The County has the ability and resources to manage ACA with no adverse impact to the General Fund



Active Management of Pension Requirements

- Excess contributions to San Diego County Employees Retirement Association (SDCERA)
 - \$135.6 million the past ten years
 - Prepayment of \$264 million of POBs; eliminated variable rate debt
- Pension Stabilization Fund
- Two new retirement tiers established in the past five years
- Ongoing monitoring of the impact of market rates, assumed rate of return
- Small OPEB liability: closed group of 5,883 employees
 - OPEB contributions will be funded at the full ARC (\$20.4 million)
 - OPEB UAAL \$180.2 million or 7% of the County's \$2.4 billion pension UAAL



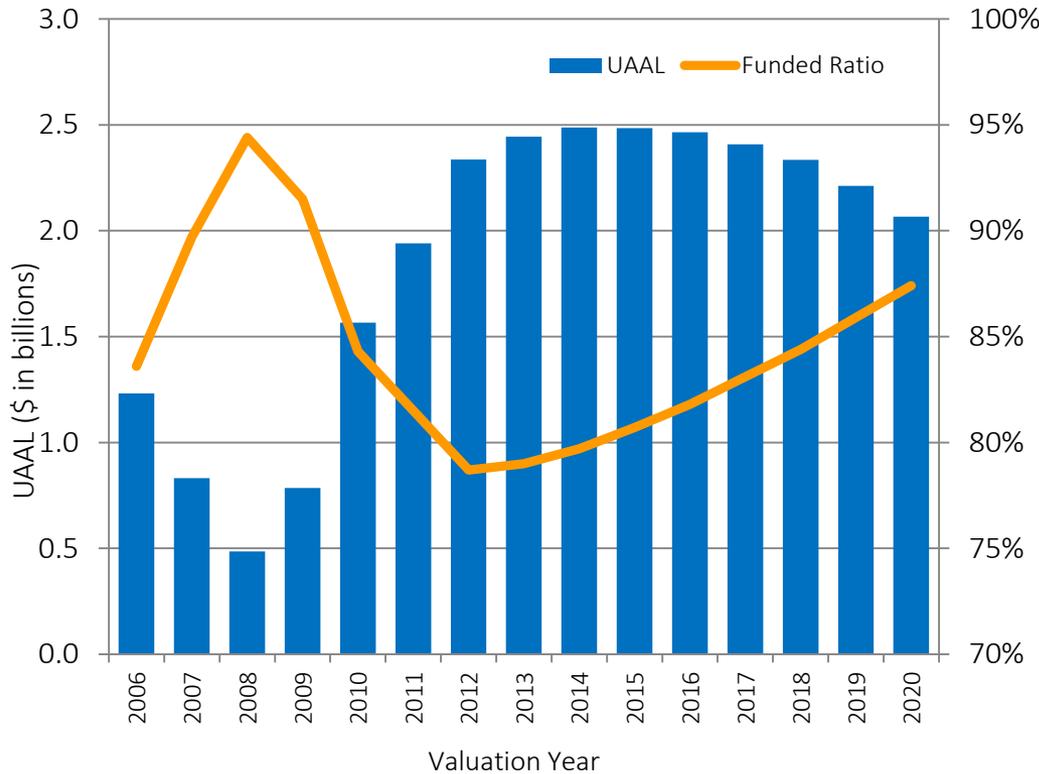
Source: Segal Consulting, SDCERA Actuary



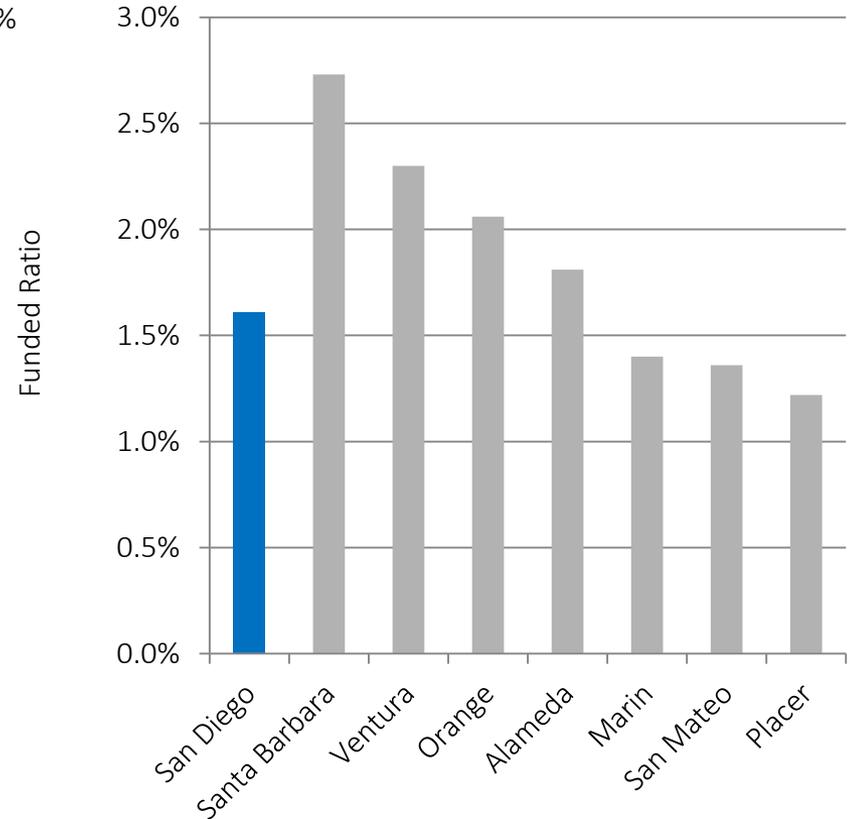
SDCERA Funding Status: Peer Group Analysis

- The County's net pension liabilities compare favorably to peer counties

SDCERA Historical/Projected Funding Status



FY2013 Peer Group Analysis (Aaa and Aa1 Counties)
Net Pension Liability as a % of Full Value



Sources: Segal Consulting 2013, SDCERA Comprehensive Annual Financial Report

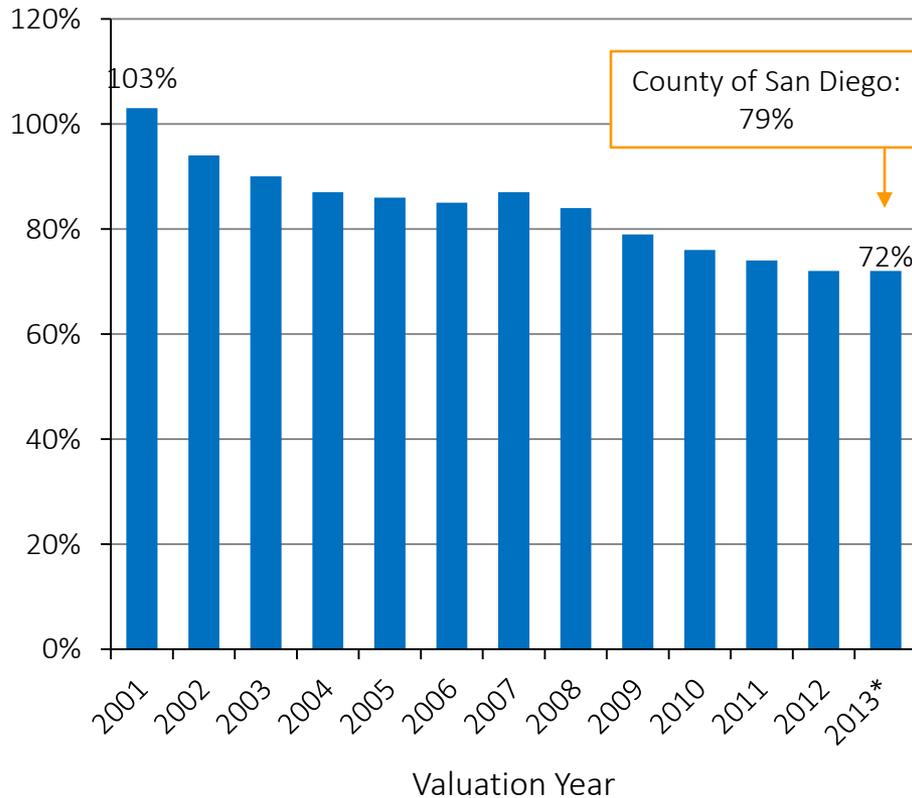
Source: Analyst adjusted values from Moody's Municipal Financial Ratio Analysis database.



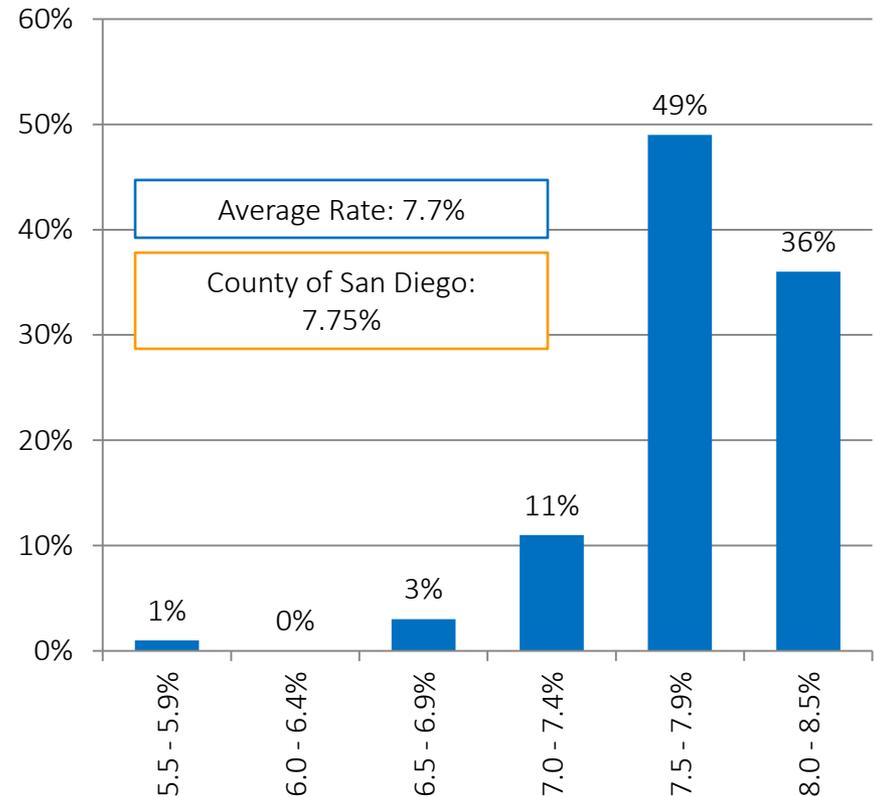
Funding of State and Local Pensions

- The County's funding compares favorably to other state and local pension systems

State and Local Pension
Funded Ratios FY 2001–2013



Distribution of Discount Rates
for Public Plans FY 2013



* Estimated

Source: Issue Brief *The Funding of State and Local Pensions 2013-2017*, Center for State & Local Government Excellence June 2014



GASB 68 Implementation

- Multi-employer Cost Sharing Plan
- No anticipated need for blended rate
- Government-wide financial statements will report a negative Unrestricted Net Position balance caused by reporting a net pension liability (NPL)
- Although large, the NPL and subsequent additions and reductions will have no effect on the County's ability to continue its practice of meeting or exceeding annual contribution funding requirements
- Reporting the NPL and the related negative Unrestricted Net Position balance will not decrement the County's fiscal health, and will have no impact on the County's ability to make debt service payments



Conservative Management of Capital Program and Long-Term Obligations

Capital Program

- Active monitoring of capital needs with the annual five-year Capital Improvement Needs Assessment (CINA)
 - CINA includes \$1.2 billion in active and priority projects; no additional debt financing planned
- Capital projects are funded through a prudent combination of pay-go funding and lease obligations
 - Over the last five years, the County has included \$517 million in its Operational Plan for 47 capital projects
 - Capital projects funded with lease obligations are also partially funded with County equity

Long-Term Obligations

- \$379.8 million of lease obligations outstanding
- \$732.3 million of pension obligation bonds outstanding
- No variable rate or derivatives
- 100% of annual lease payments and debt service deposited with the trustee in July
- Oversight of obligations by the County Debt Advisory Committee
- Policies regarding continuing disclosure, post-issuance tax compliance, refundings, swaps
- Rapid retirement of debt

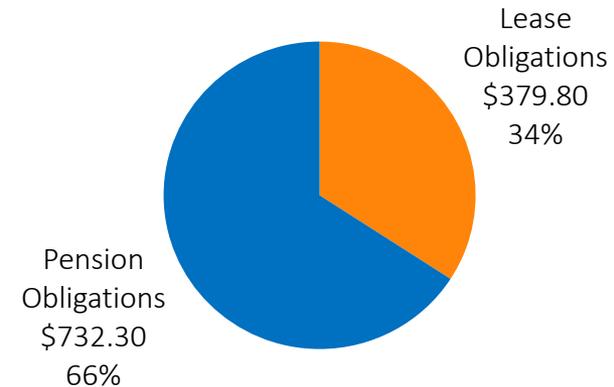
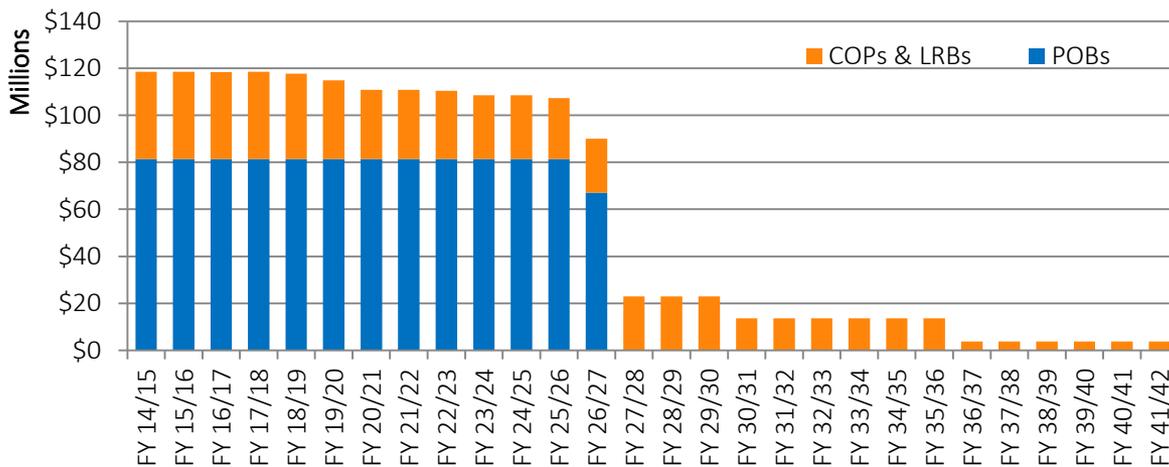


FY 2014-15 Debt Service Represents 3.1 % of General Fund Revenues

- Board Policy that debt service requirements cannot exceed 5% of General Fund Revenue
- Principal and interest payments on General Fund-secured obligations are offset by various revenue sources

	% of GF Revenue	% of GF Revenue Net of Offsets
Lease Obligations	1.0%	0.5%
Pension Obligation Bonds	2.1%	1.0%
TOTAL	3.1%	1.5%

General Fund Principal and Interest Payments





2014 REFUNDING CERTIFICATES OF PARTICIPATION





2014 Refunding Certificates of Participation Refunding Plan

Certificates to Refund

Refunding Certificates*

Outstanding Par:	<p>2005 COPs, 2006 COPs \$108.2 million</p> <ul style="list-style-type: none"> \$102.0 million Edgemoor \$6.2 million RCS Refunding
Coupon Structure:	100% fixed rate
Final Maturity:	February 1, 2030
Annual Lease Payment:	<ul style="list-style-type: none"> Made by July 5th of each fiscal year (for upcoming August 1 and February 1 payment dates) 48% Offset by MediCal reimbursement
Reserve Fund:	<ul style="list-style-type: none"> Funded with a combination of cash and surety Requirement based on standard IRS three-part test

Estimated Par:	<p>2014 COPs \$94.8 million</p> <ul style="list-style-type: none"> \$92.7 million tax-exempt \$2.1 million taxable
Coupon Structure:	100% fixed rate
Final Maturity:	October 15, 2029
Annual Lease Payment:	<ul style="list-style-type: none"> Made by July 5th of each fiscal year (for upcoming October 15 and April 15 payment dates) Offset by MediCal reimbursement expected to continue
Reserve Fund:	<ul style="list-style-type: none"> Cash-funded Equal to 50% of Maximum Annual Debt Service

* Preliminary, subject to change



2014 Refunding Certificates of Participation

Sources & Uses *

Sources	Series A (Tax-Exempt)	Series B (Taxable)	TOTAL
Par Amount	\$ 92,710,000	\$ 2,080,000	\$ 94,790,000
Premium	14,107,272	-	14,107,272
Prior Reserve Fund Release	-	3,093,262	3,093,262
FY14-15 Funds with Trustee	6,819,941	1,279,150	8,099,091
TOTAL	\$ 113,637,213	\$ 6,452,412	\$ 120,089,625

Uses	Series A (Tax-Exempt)	Series B (Taxable)	TOTAL
Refunding Escrow	\$ 105,881,139	\$ 6,333,893	\$ 112,215,032
FY14-15 Interest	2,804,292	18,847	2,823,139
Reserve Fund	4,570,893	89,007	4,659,900
Delivery Date Expenses	380,889	10,665	391,554
TOTAL	\$ 113,637,213	\$ 6,452,412	\$ 120,089,625

* Preliminary, subject to change

2014 Refunding Certificates of Participation Annual Base Rental Payment Comparison *

Date	Prior Net COP Payments	Refunding Net COP Payments	Savings
6/30/2015 ⁽¹⁾	\$ -	\$ -	\$ -
6/30/2016	10,701,183	9,315,208	1,385,975
6/30/2017	10,698,433	9,314,663	1,383,770
6/30/2018	10,701,433	9,316,369	1,385,063
6/30/2019	10,694,183	9,047,344	1,646,838
6/30/2020	9,271,433	8,773,500	497,933
6/30/2021	9,272,933	8,777,250	495,683
6/30/2022	9,272,233	8,772,375	499,858
6/30/2023	9,273,533	8,778,125	495,408
6/30/2024	9,271,008	8,773,750	497,258
6/30/2025	9,274,195	8,778,500	495,695
6/30/2026	9,272,133	8,776,500	495,633
6/30/2027	9,274,320	8,777,000	497,320
6/30/2028	9,269,563	8,774,125	495,438
6/30/2029	9,277,188	8,777,875	499,313
6/30/2030	6,177,488	4,387,000	1,790,488
TOTAL	\$ 141,701,253	\$ 129,139,584	\$ 12,561,669

Net Present Value Savings	\$ 9,718,812
Percentage Savings of Refunded COPs	9.0%

* Preliminary, subject to change

(1) Net of debt service funds on hand and prior DSRF release



2014 Refunding Certificates of Participation Leased Asset: Edgemoor Skilled Nursing Facility



- Operated by the County of San Diego
- 24-hour skilled nursing care located in the City of Santee
- Two-story, 180,300-square foot complex providing 192 beds in three residential community wings
- Constructed to replace an existing skilled nursing facility on another portion of the Edgemoor property
- Earned 2014 Silver Achievement in Quality Award by the American Health Care Association & the National Center for Assisted Living



2014 Refunding Certificates of Participation Financing Schedule *

Tuesday, July 8

County Board of Supervisors approved Refunding

Tuesday, July 15

SANCAL Board approved Refunding

Thursday, August 7

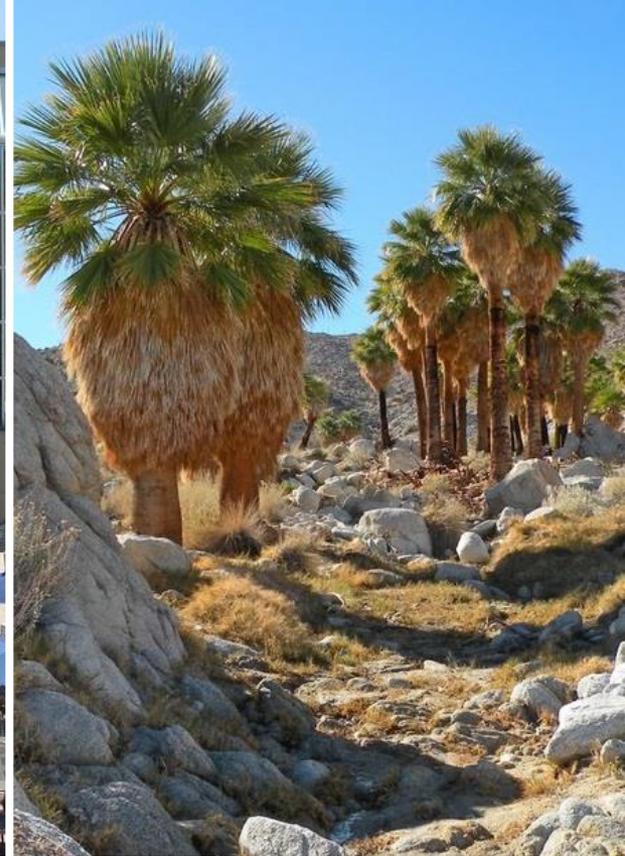
Receive credit ratings
Post Preliminary Official Statement

Week of August 18

Sale of 2014 Refunding COPs

Week of September 1

Closing



CONCLUSION





County Credit Supports an Upgrade to Aaa

- Strong fiscal management is a fundamental credit strength of San Diego County
- Demonstrated commitment to fiscal discipline while maintaining operational excellence
- Consistently high reserves and cash balances throughout economic cycles
- Financially prudent approach to meeting the County's healthcare obligations – well-positioned for ACA
- Capital projects funded through pay-go and limited debt issuance
- Active approach to managing pension liabilities and small OPEB liability
- 5th largest county in the nation characterized by a large and diverse tax base and economy
- Credit metrics compare favorably to the other Aaa counties with populations over one million
- Strong institutionalized financial management practices ensure ongoing fiscal stability and reflect the County's commitment to maintaining its "legacy of fiscal stability"