

COUNTY OF SAN DIEGO



RATING AGENCY PRESENTATION

SEPTEMBER 2009

Introductions - Participants



County of San Diego Presenters

Donald F. Steuer, *Chief Financial Officer*

Dan McAllister, *Treasurer-Tax Collector*

Dave Butler, *Assessor/Recorder/County Clerk*

Joan Pan, *Debt Finance Manager*

Additional County Resources

Tracy Sandoval, *Auditor and Controller/Assistant Chief Financial Officer*

Lisa Marie Harris, *Chief Deputy Treasurer*

Jeff Olson, *Division Chief, Assessment Services*

Manuel Serrano, *Chief Deputy, Property Valuation*

Janel Pehau, *Director, Office of Financial Planning*

Ebony Shelton, *Group Finance Director, Finance and General Government*

Rob Castetter, *Chief Investment Officer*

Michelle Durgy, *Investment Officer*

Financing Team

Mark Young, Gardner, Underwood & Bacon LLC

Celeste Davis, RBC Capital Markets



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OVERVIEW



Executive Summary



- **Economic highlights:**
 - Regional economic indicators up four months in a row
 - Bottom of regional economy expected in first half of 2010
 - \$1.77 billion of federal stimulus monies coming to the region
- **Real estate market:**
 - Median home prices are up 6% since 2008
 - Aggressive processing of reassessments
 - 2009 construction activity has decreased for both residential and commercial properties
- **Financial strength and flexibility:**
 - Maintenance of high fund balances and strong reserve balances
 - Board continues policy of not backfilling state revenues
 - Low debt ratios - \$100 million prepayment of POBs
 - Ongoing revenue dedicated to capital projects
- **Overview of Refunding:**
 - Current refunding of 1997 Central Jail COPs and 1998 Downtown Courthouse COPs
 - \$6.4 million net p.v. savings and \$830,000 in annual cashflow savings



ECONOMIC OVERVIEW



Economic Highlights



- The estimated total population of San Diego County as of January 1, 2009 was 3,173,407. The County experienced a year-over-year gain of 1.3%, making it the second most populous county in the State. ¹
- Median household income is \$63,300, \$2,000 higher than the State median. ²
- An estimated 14.7 million tourists visited San Diego County in 2008, resulting in a total economic impact of \$7.5 billion. ³
- Gross Metropolitan Product (GMP) of San Diego County was estimated to be \$171.2 billion in 2008 and forecasted to grow to \$176.2 billion in 2009. ⁴
- Under the American Recovery and Reinvestment Act of 2009 (ARRA), the County will be receiving \$196.3 million and could potentially receive an additional \$27 million. ⁵

¹ State of California, Department of Finance, May 2009

² UCLA Anderson Forecast, May 2009

³ San Diego County Visitors and Convention Bureau, May 2009

⁴ National University System Institute for Policy Research, February 2009

⁵ County of San Diego, Office of Strategy and Intergovernmental Affairs. Data current as of September 9, 2009

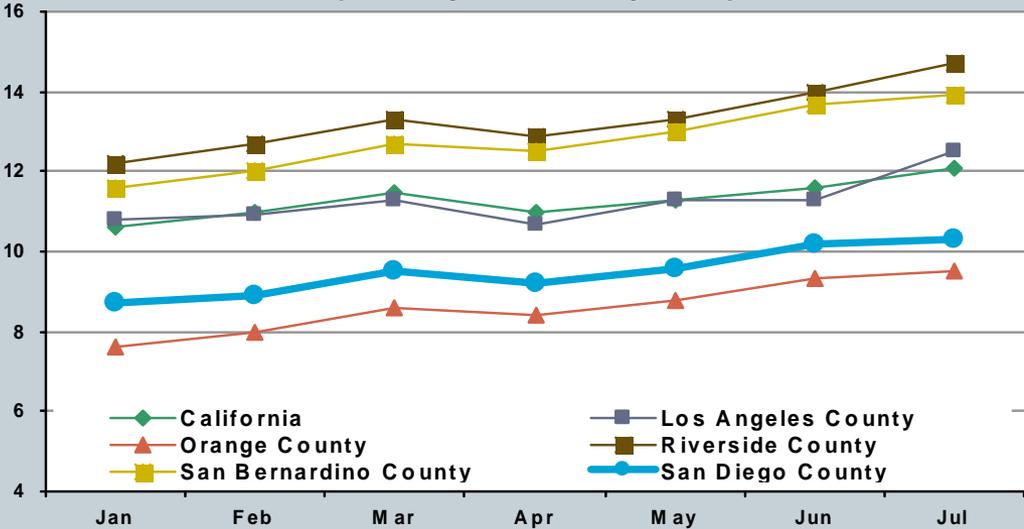


Diverse Economy and Employment Base



- At 10.3%, the County’s unemployment rate for July 2009 is the second lowest among Southern California counties and significantly lower than the State’s rate of 12.1%.

Unemployment Rates in Southern California Counties
(January 2009 – July 2009)



	2009 YTD Average	July 2009
California	11.3%	12.1%
Riverside County	13.3%	14.7%
San Bernardino County	12.8%	13.9%
Los Angeles County	11.3%	12.5%
San Diego County	9.5%	10.3%
Orange County	8.6%	9.5%

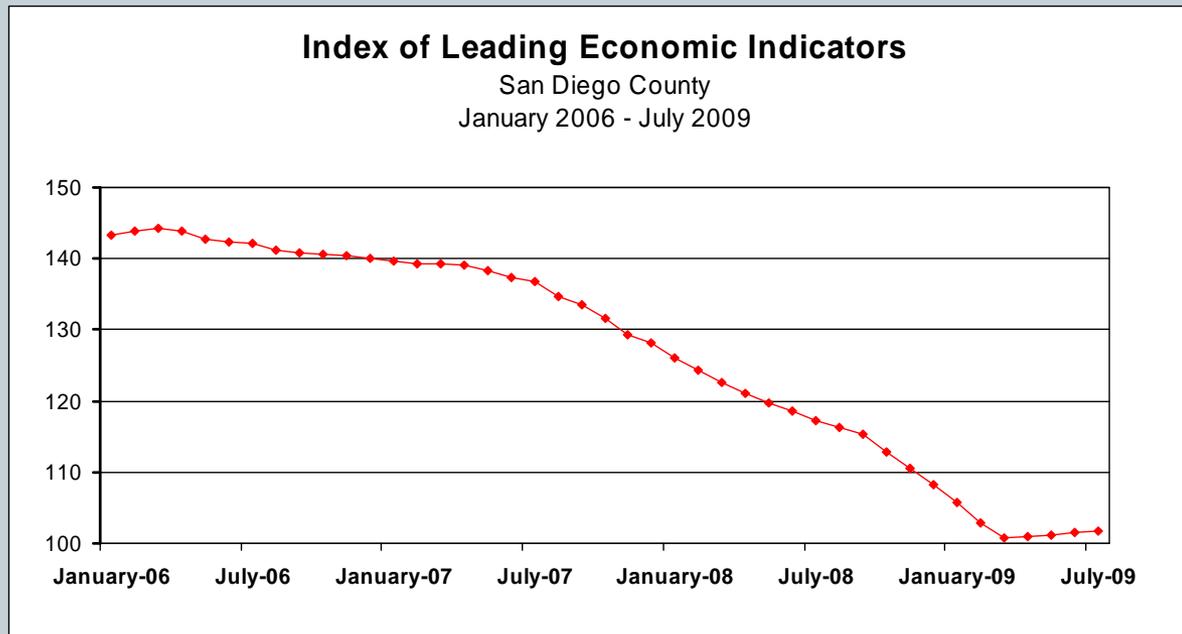
Source: California Employment Development Department



County's Economy Continues to Improve



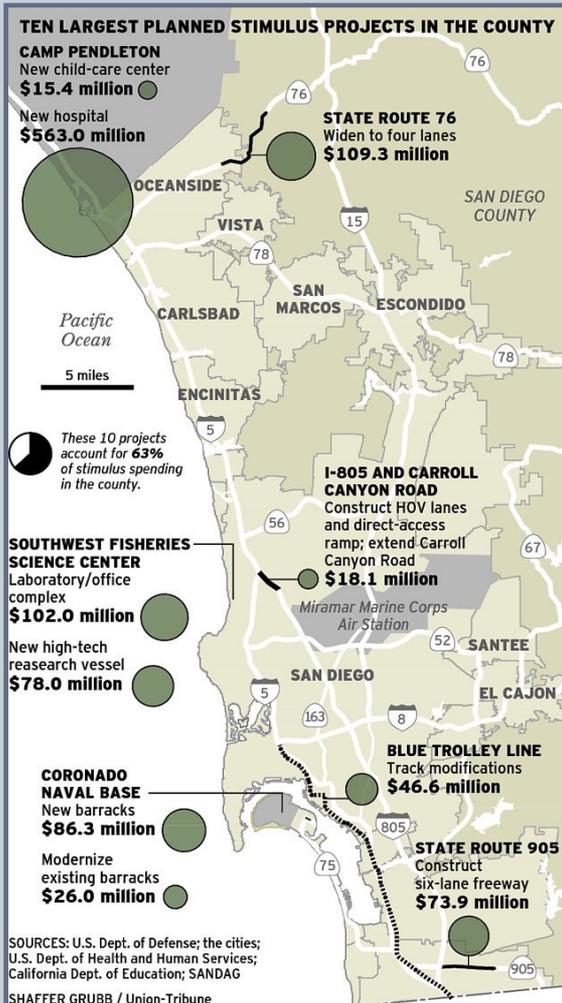
- The University of San Diego Index of Leading Economic Indicators shows a slightly positive outlook for the region based on gains in the stock prices of local companies, local consumer confidence and the national economic outlook.
- Looking into 2010, local economist Alan Gin anticipates “a bottom in the regional economy in the first half of the year, led by consumer spending and more growth in real estate.”



Source: Alan Gin, Burnham-Moore Center for Real Estate, University of San Diego



Impact of Federal Stimulus Funds



Categories of Stimulus Spending in San Diego County

Military	\$850.4 million
Education	\$281.1 million
Roads	\$243.3 million
Scientific Research	\$214.7 million
Transit	\$85.7 million
Employment	\$24.7 million
Health	\$21.7 million
Energy	\$19.7 million
Environment	\$13.4 million
Law Enforcement	\$7.0 million
Aviation	\$6.3 million
Community Development	\$5.2 million
Total	\$1.77 billion

Source: U.S. Dept. of Defense; U.S. Dept. of Health and Human Services; California Dept. of Education; SANDAG



County Receipt of Federal Stimulus Funds



County ARRA Funding Highlights

Health and Human Services	\$168.1 million
Infrastructure and Technology	\$11.5 million
Energy and Environment	\$6.9 million
Public Safety	\$6.4 million
Housing and Communities	\$3.4 million
Total	\$196.3 million

(As of September 9, 2009)	Funds	# ARRA programs	# Projects (initial estimate)
Confirmed Awards	\$148,557,848	13	21
Pending Formula Distributions	\$47,783,648	4	30
Total Known Awards	\$196,341,496	17	51
Competitive Funds Seeking	\$27,336,217	10	20
TOTAL	\$223,677,713	27	71

Source: County of San Diego Office of Strategy and Intergovernmental Affairs



Property Tax Collections as of August 5, 2009



	FY2007/08	FY2008/09
Number of bills sent ¹	974,516	981,621
Amount billed ¹	\$4,372,367,895	\$4,557,064,303
Amount received ¹	\$4,203,774,140	\$4,388,622,937
Percentage of delinquencies ²	3.86%	3.70%
Number of delinquencies ²	50,509	46,751
Amount outstanding ²	(\$168,593,755)	(\$168,441,365)

¹ Includes both 1st and 2nd installments on secured tax roll/real estate

² Delinquent collections for payments due on December 10, 2008 (1st installment) and April 10, 2009 (2nd installment)

Source: San Diego County Treasurer-Tax Collector



REAL ESTATE MARKET UPDATE



Real Estate Market Review and Update



- In Spring 2009 the County processed 216,456 Prop. 8 reductions totaling \$23.85 billion, representing 6% of the 2009-10 assessment roll.
- County is currently processing the unworked 2008 assessment appeals (began year with 40,000 outstanding appeals).
- 2009 YTD residential change of ownership reassessments are averaging +\$31,000 in increased AV per event. 2008 averaged +\$16,000 per event. Residential sales activity is tracking close to 2008 levels.
- 2009 YTD new construction activity has decreased for both residential and commercial.
- 2009 YTD Trustees Deeds have decreased while Notices of Default have increased.
- San Diego County residential real estate market is improving.

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



Assessment Review Statistics



2009 Prop. 8 Reductions

2009 new applications received (less duplicates):	32,000
2008 Prop. 8 rollovers for 2009:	79,100
2008 Assessment Appeals Board (AAB) Cases reviewed for 2009:	33,000
Proactive Reviews for 2009 (parcels w/o applications that sold between 2003 and 2008):	<u>72,356</u>
Total 2009 Reductions:	<u>216,456</u>

Total Taxable Parcels in the County:	978,011
% of Total Parcels Reduced:	22.2%
% of Residential Parcels Reduced:	28.9%

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



Progress on 2008 Assessment Appeals



- Began the 2009-10 year with 40,000 2008 Assessment Appeal cases still outstanding, including residential, commercial and business cases.
- County just mailed the first 10,000 residential stipulations. The reduction in 2008 AV from these stipulations (assuming 100% acceptance) is estimated at \$1.38 billion.
- In the following weeks, County will be processing an additional 8,500 stipulations. The reduction in 2008 AV from these stipulations (assuming 50% acceptance) is estimated at \$300 million.
- It is expected that by the end of calendar 2009 50% of the outstanding 2008 cases will have been resolved and 20,000 cases will still remain.
- Estimating an average reduction of \$100,000 per residential parcel and a stipulation rate of 75%, the total reduction in 2008 AV is estimated to be \$3.0 billion (residential only).
- There are approximately 2,600 commercial AAB cases for 2008.

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



Residential and Commercial Activity



- Total value added by all changes in ownership or new construction reassessments for 2009-10 was \$5.3 billion, down from \$20.2 billion in 2008-09.
- While residential sales are tracking close to 2008 levels, commercial sales and all permit activities have decreased. Therefore, the total value added by change in ownership and new construction will likely be less than last year's number.

Real Estate Parcel Activity

Calendar Year	Residential		Commercial	
	Change in Ownership	New Construction	Change in Ownership	New Construction
2004	103,128	39,541	2,940	1,547
2005	93,529	38,302	3,015	1,602
2006	71,705	30,468	2,828	1,912
2007	60,312	24,384	2,994	2,335
2008	60,876	15,419	1,760	1,501
2009 YTD	34,937	11,306	1,052	773
09 Est. Total	59,000	12,500	1,300	1,200

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



Notices of Default and Foreclosures



2008 by Month

	Notices of Default	Foreclosures
January	3,299	1,461
February	3,212	1,398
March	3,284	1,161
April	3,601	1,512
May	3,422	1,762
June	3,430	1,981
July	3,206	2,285
August	<u>3,176</u>	<u>2,197</u>
2008 YTD	26,630	13,757
September	1,360 *	1,981
October	1,269 *	1,293
November	1,495 *	1,144
December	<u>3,191</u>	<u>1,351</u>
Annual Total	33,945	19,526

2009 by Month

	Notices of Default	Foreclosures
January	3,055	1,325
February	3,705	1,365
March	4,260	844
April	3,673	988
May	3,292	1,007
June	3,715	1,799
July	3,543	1,607
August	<u>2,906</u>	<u>1,358</u>
2009 YTD	28,149	10,294

* Senate Bill 1137 passed in September requiring lenders to physically contact borrowers prior to filing a NOD. The backlog reduced NODs through November 2008.

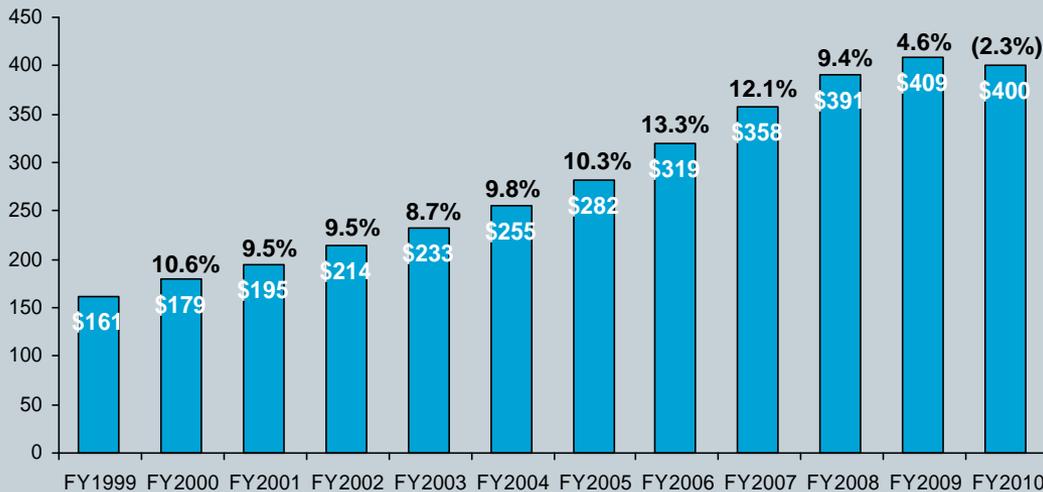
Source: County of San Diego Assessor / Recorder / County Clerk



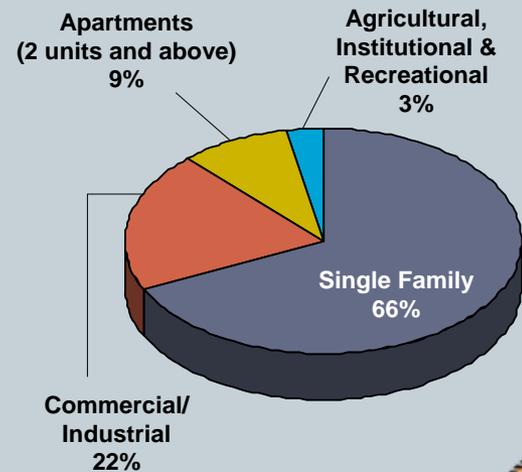
Assessed Valuations

- Property tax base has increased on average 8.7% annually since 1998-99.
- 2009-10 AV declined by only -2.3%, despite double digit decreases in the housing market.
- Prop. 13 provides a stabilizing factor for AV growth:
 - Real property assessments are subject to a 2% maximum annual inflation adjustment unless there is a change in ownership, new construction, or a reduction. 65% of all properties received the inflation adjustment for 2009-2010. However, for 2010-2011 the CPI is currently tracking -0.7% through 8 months of the study period. If the CPI remains negative these properties may be subject to a CPI reduction.

AV 1999 – 2009 and % Change



2009 Distribution of Roll Values



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

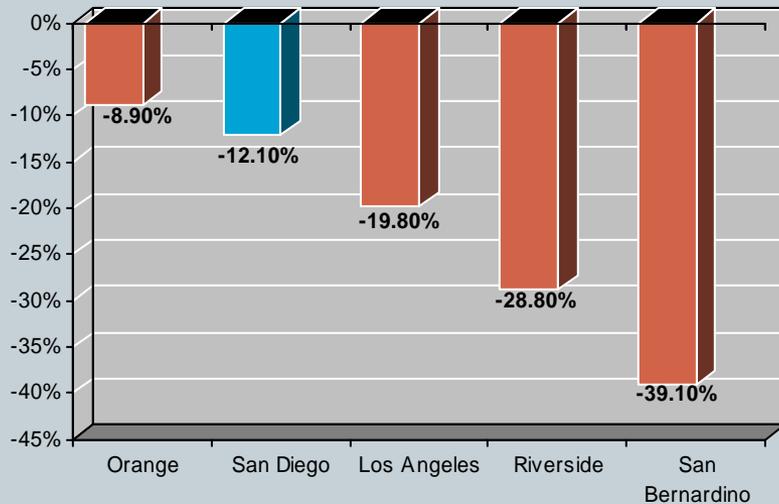


Housing Prices

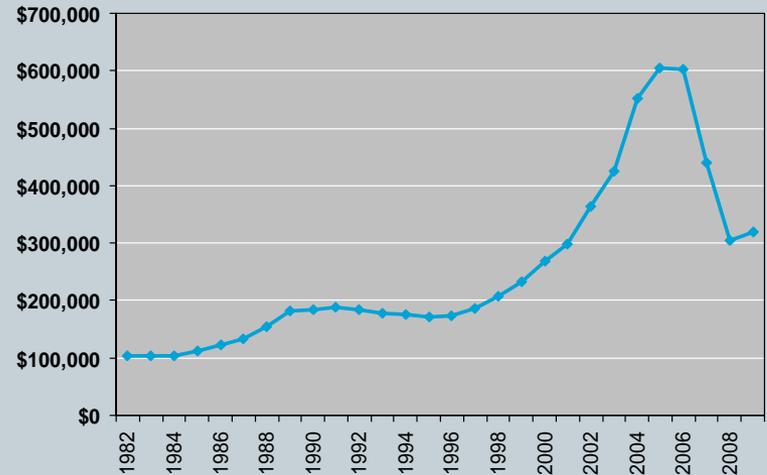


- With the second lowest decline in year-over-year median home prices, San Diego's residential market has held up better than neighboring counties. Median Home Prices are up 6% since 2008.

YOY Change in Median Home Prices
(July 2008 - July 2009)



San Diego County Median Home Prices
(1982 - 2009)



Source: DataQuick



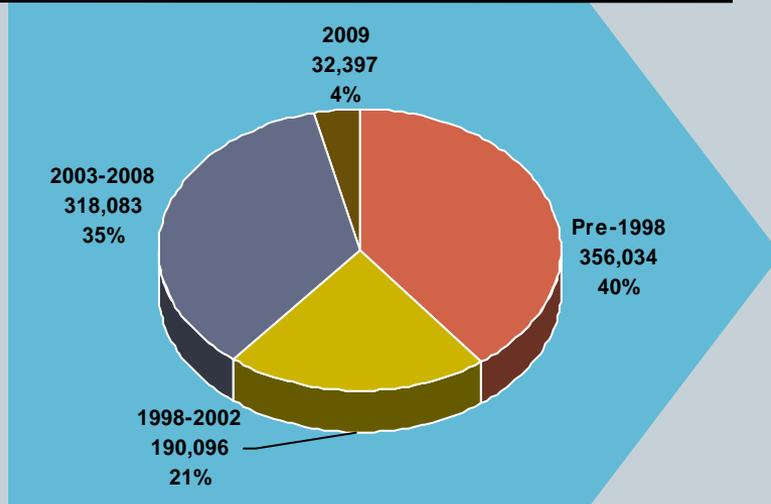
AV Rolls have Cushion to Absorb Decreases



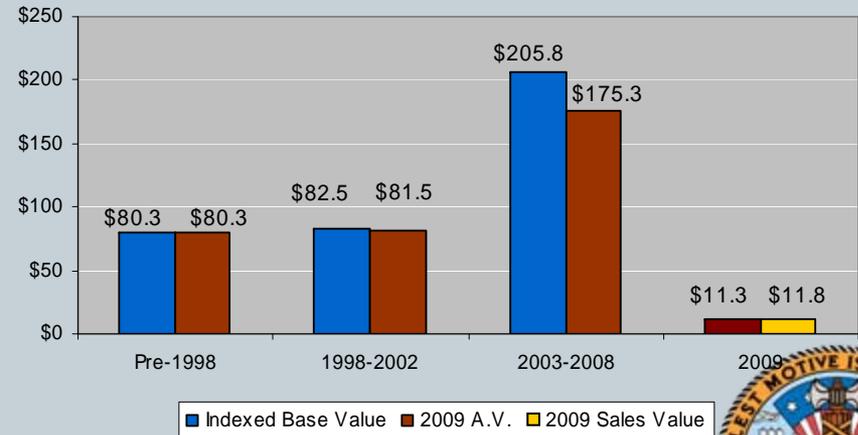
- Approximately 35% of County properties last sold in the local real estate market's peak years (2003-2008). Approximately 94% of these properties are single family residences or condos and were likely candidates for reduction. Of those, 72% have had their AV reduced for 2009-10.
- The remaining 65% of properties are not likely candidates for a downward reassessment as their base assessment was established in 2009 or prior to 2003. If a property with a pre-2003 base was reassessed today, it would still reflect some appreciation since the time that the base value was established.

Historic AV Reassessments

Base Year Value Established upon Last Change of Ownership
(Number of Parcels – As of August 31, 2009)



Indexed Base Year Value / 2009 AV (\$ in billions)



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



Property Assessments - To Date and Future



- Change of ownership reassessments processed in 2009 YTD have netted an AV increase of \$500 million. This represents only 17% of residential sales and 23% of commercial sales requiring reassessment for 2010-11.
- New construction reassessments processed in 2009 YTD have resulted in an AV increase of \$187.8 million. This represents only 7% of residential and commercial permits requiring reassessment.
- Based on reassessments worked to date, total value added by all changes in ownership or new construction reassessments for 2010-11 is estimated at \$5.1 billion.
- If the California CPI adjustment remains negative (currently -0.7%), the resulting decrease in 2010-11 is estimated at \$2.1 billion.
- Reductions due to a decline in market value for 2010-11 will result in a projected AV decrease of \$6 billion.
- Based on these factors, total AV growth for 2010-11 is estimated at -1.0%.
- The County believes the reductions made for 2009-10 captured most eligible residential properties and that the County is at or very near the bottom of the residential market. The commercial market has shown significant weakness in vacancies, sales activity and prices, and office and retail properties are expected to suffer declines in the next year.

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



CREDIT HIGHLIGHTS



Credit Highlights



- Disciplined financial management to weather current economic conditions and the State's fiscal crisis.
- County proactively manages its cost structure.
- County is allocating ongoing General Purpose Revenue to support one-time capital needs.
- County has low and manageable debt levels, and has a practice of prepaying debt.
- County adheres to a fund balance and reserves policy that will ensure County's fiscal health and stability.



Strong Financial Management Practices



- **County Budget is structurally balanced:**
 - Conservative budgeting consistently produces net operating surplus
 - Long-term capital planning policy and five-year capital needs assessment program coincide with Five-year Financial Forecast
 - One-time revenues only used for one-time expenditures. Ongoing revenues are also used for one-time projects
 - GFOA Distinguished Budget Presentation Award
- **County has institutionalized financial management policies:**
 - Fund Balance and Reserves Policy
 - Strong investment pool management policy
 - Oversight of the County's long-term obligations provided by the Debt Advisory Committee and institutionalized via the County's Long-term Obligation, Refunding and Swap Policies
- **Comprehensive financial reporting and forecasting:**
 - Risk Overview Committee / Disclosure Controls and Procedures
 - Two-year Operational Plan and five-year financial forecast
 - Quarterly Variance Reports posted on County website
 - 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



COUNTY FINANCES



County Maintains Strong Fund Balances



- The County spends one-time resources on one-time items, not ongoing operational needs, which bolsters fund balances.

Historic General Fund Balances

	FY 2005-06		FY 2006-07		FY 2007-08		FY 2008-09 Unaudited	
	\$ Millions	% of FB	\$ Millions	% of FB	\$ Millions	% of FB	\$ Millions	% of FB
Total Reserved Fund Balance	\$272.9	30.4%	\$410.2	35.5%	\$273.2	22.4%	\$291.1 ¹	24.5%
Total Unreserved / Designated Fund Balance	190.5	21.2%	183.4	15.9%	375.9	30.8%	347.6 ¹	29.2%
Total Unreserved / Undesignated Fund Balance	435.5	48.4%	561.4	48.6%	571.4	46.8%	550.3	46.3%
Total General Fund Balance	\$898.9		\$1,155.0		\$1,220.5		\$1,189.0	

1) Total Reserved Fund Balance includes the general reserve and reserves for loans, inventory, landfill maintenance and other purposes. Total Unreserved / Designated Fund Balance includes various designations for subsequent years' expenditures, landfill post-closure expenditures, and for encumbrances.



Reserves and Resources



Projected Additional Reserves and Resources as of June 30, 2009 (in millions)

Authority to Release Funds

Debt Service Reserves	\$31.5	Rating Agency, Insurer and Bondholder Consent; Four Votes
Workers' Compensation Reserve	92.1	Four Votes
Public Liability Reserve	27.0	Four Votes
Environmental Trust Fund Reserve	57.1	Existing Ordinance would need to be amended; Four Votes
Tobacco Securitization Special Revenue Endowment Fund	427.0	Existing Board Policy would need to be amended; Four Votes
Total	\$634.7	



FY 2009-10 Operational Plan Highlights



- Assumes General Purpose Revenue (GPR) decline of 6.3% and program revenue growth of 0.5%.
- No wage increase and a 5% flex benefit increase effective January 1, 2010:
 - Reflects labor agreements County has with all unions effective through June 16, 2011
- Cuts have been made across the organization in order to maintain structural balance, including reduction of 774 full time equivalent positions (FTEs), a 4.5% decrease.
- Reserve target levels are exceeded.
- Uses \$336.6 million of fund balance for one-time projects, including \$100 million that converts the unappropriated fund balance target amount in the reserve policy to a designation (net use is \$236.6 million).
- Appropriates \$75 million of ongoing GPR for the Women's Detention Facility.
- Appropriates \$100 million for early payment of outstanding 2008B Pension Obligation Bonds (POBs).
- Increases GPR (net cost) allocation to Public Safety by \$1.5 million to help mitigate drop in Proposition 172 sales tax revenues and provide probation support; all other groups are seeing a real decrease in GPR allocation of 4 to 9%.
- Includes \$26.3 million of stimulus funding which benefits the Community Services Group (\$8.3 million) and the Health and Human Services Agency (\$18.0 million).



County has Budgeted to Exceed Reserve Targets



- Effective FY 2009-10, the 10% unappropriated Fund Balance has been replaced by a 10% GPR Economic Uncertainty Designation, specifically reserving money for challenging economic times.

Reserve Targets and Balances

FY 2009-10 budgeted General Purpose Revenues (GPR): \$950.7 million

(in millions)		Target	FY 09-10
General Reserve	5%	\$47.5	\$55.5
Contingency Reserve	2%	\$19.0	\$20.0
Economic Uncertainty Designation	10%	\$95.1	\$100.0

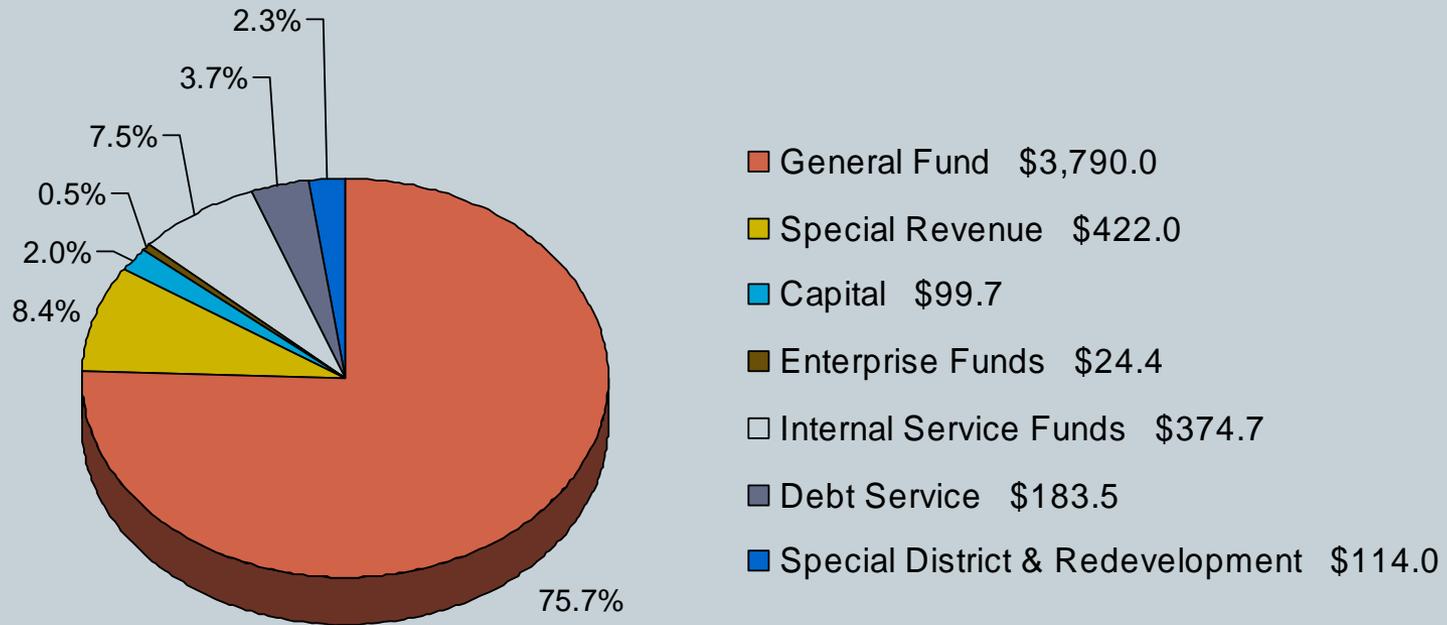


FY 2009-10 Adopted Budget – All Funds



- Adopted budget for all funds of \$5.01 Billion (decrease of 3.5% from prior FY)

Appropriations by Fund (in millions)

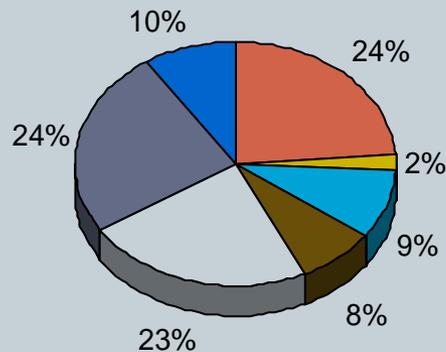


FY 2009-10 Adopted General Fund Budget



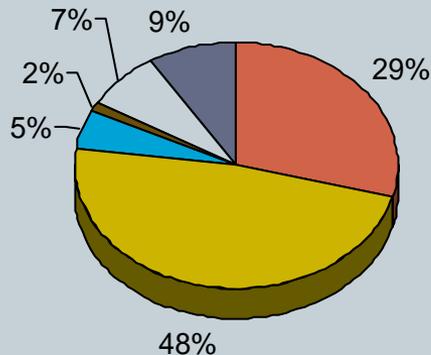
- Adopted budget of \$3.79 Billion (increase of 3.0% from prior FY)

Revenues by Category (in millions)



- Property and Other Taxes \$900.8
- Other Intergovernmental \$81.7
- Fund Balance/Reserve Designation \$343.7
- Use of Money & Property and Other \$290.2
- Federal \$876.1
- State Aid \$936.0
- Charges for Services, Fees & Fines \$361.5

Appropriations by Group/Agency (in millions)

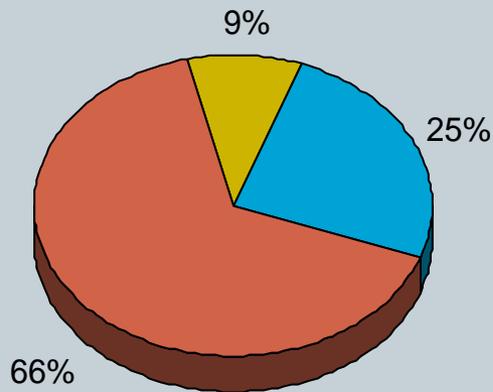


- Public Safety \$1,105.6
- Health & Human Services \$1,825.2
- Land Use & Environment \$184.8
- Community Services \$58.2
- Finance & General Government \$279.3
- Finance Other \$337.0



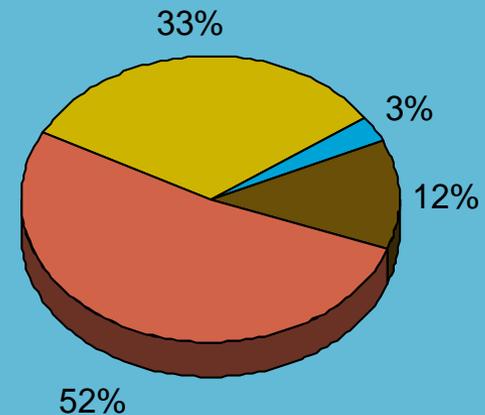
FY 2009-10 General Fund Revenue Composition

General Fund Revenue
\$3,790 million



- Program Revenues \$2,495.6
- Fund Balance/Designations \$343.7
- General Purpose Revenues \$950.7

General Purpose Revenue
\$950.7 million
6.3% decrease from prior FY



- Property Taxes \$496.3
- Property Tax in Lieu of VLF \$309.3
- Sales Tax & Real Property Transfer Tax \$29.3
- Other \$115.9

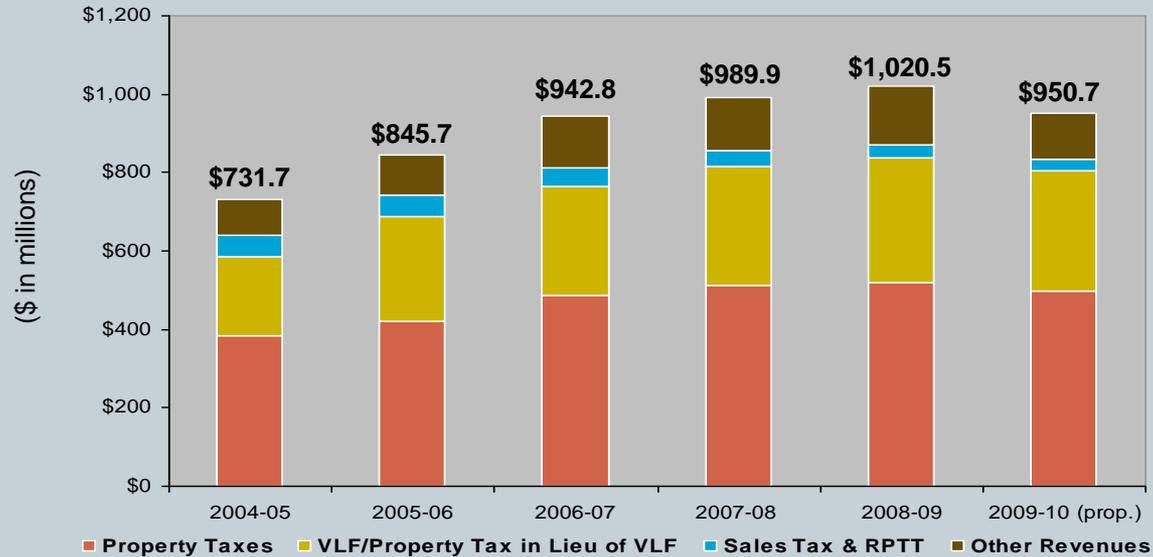


Historical General Purpose Revenue Composition



	Actuals 2004-05	Actuals 2005-06	Actuals 2006-07	Actuals 2007-08	Adopted 2008-09	Actuals (Unaudited) 2008-09	Adopted 2009-10
Property Taxes	384.20	421.71	484.92	510.82	543.06	519.84	496.28
VLF/Property Tax in Lieu of VLF	200.52	264.96	277.93	303.35	320.95	316.93	309.26
Sales Tax & RPTT	55.25	54.21	47.94	41.28	42.50	34.76	29.29
Other Revenues*	91.73	104.76	132.02	134.46	108.19	148.93	115.87
	731.70	845.65	942.81	989.91	1,014.70	1,020.46	950.71

* 'Other Revenues' is comprised of Teeter Property Tax, Interest Earnings, Redevelopment Agency Tax Increment, Fines, Forfeitures & Penalties, Prior Year Taxes and other miscellaneous revenues.



Totals may not add up due to rounding.



Impact of the State Budget



Areas of Impact or Potential Impact	Mitigation Strategies
Suspension of Prop 1A (GF): \$68 million	Securitize payment or use reserves
Health and Human Services Programs (Child Welfare, Public Health, Aging Services): \$8.3 million	Reduce County staffing levels and contracted services
Substance Abuse Treatment and Crime Prevention: \$2.0 million	Reduce County staffing levels
Multi-Family Housing Recycling Grant: \$0.2 million	Discontinue staff and contracted outreach/education services
Court Security Services: \$1.5 million	Reduce services to court and freeze positions
CalWORKS: \$TBD	Reduce County staffing levels and contracted services
Redevelopment Shift (GF): \$0 to \$5 million	Conservative revenue estimates/trust fund balances

The Board is committed to not backfilling State Revenues.



Next Steps



- Ongoing and Future Challenges:
 - Property tax base
 - Sales tax/vehicle license fees revenue shortfalls
 - State structural budget issues
 - Retirement
- Responses to these challenges.
 - Sequence of strategies to develop balanced 5-year budget included in annual Five-Year Forecast:
 - ✦ Program cuts
 - ✦ Future compensation packages
 - ✦ Review of commitment to capital



COUNTY RETIREMENT SYSTEM



Pension Cost Management



- SDCERA's AAA rating and stable outlook reaffirmed in January 2009.
- County has prepaid \$264 million of its taxable POBs over the past two years.
- County has contributed \$91.8 million over and above its pension Annual Required Contribution (ARC) since FY 2004-05.
- Estimated total market value of assets:
 - June 30, 2009: \$6.2 billion, a 26.4% loss from July 1, 2008
 - July 31, 2009: \$6.5 billion, a 5.1% gain from July 1, 2009

Historical and Projected Funding Status (millions)

Fiscal Year	Employer Contributions	UAAL	Funded Ratio
2006	\$ 243	\$ 1,232	83.6%
2007	258	832	89.7
2008	236	485	94.4
2009 (a)	234	902	90.3
2010 (a)	216	1,681	83.2
2011 (a)	258	2,516	76.5
2012 (a)	329	3,391	70.3
2013 (a)	407	4,154	66.0
2014 (a)	492	4,188	67.9
2015 (a)	572	4,150	70.2

(a) Projections based on a 27% loss for FY 2008-09 and the Assumed Rate of Return of 8.25% for the subsequent years



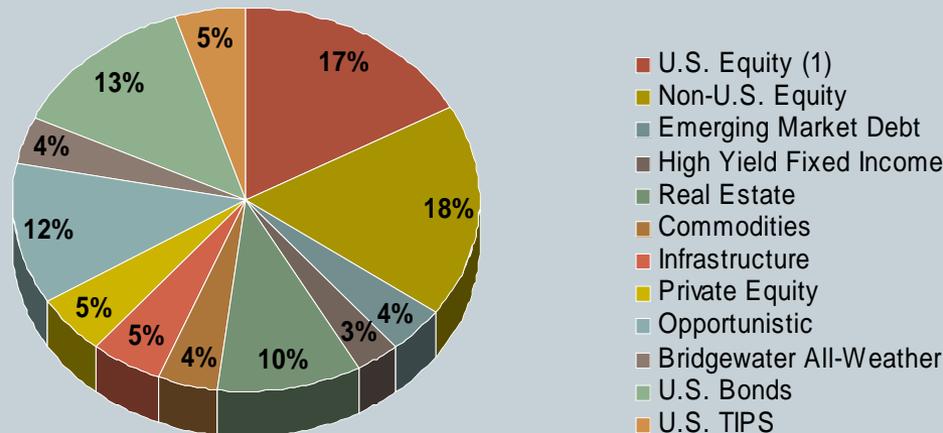
SDCERA Investment Strategy



- As of July 31, 2009, SDCERA replaced its Alpha Engine investment strategy with a large capital diversified equity strategy.
- The nine remaining hedge funds comprise 6.8% of the total market value of the portfolio.
- As of September 3, 2009, a contract has been finalized with Integrity Capital to provide portfolio strategy services for up to 39 months with two options for two-year extensions.

Current Asset Allocation

July 31, 2009



(1) As of July 31, 2009, this target portfolio allocation was split between small capitalization stocks which represented 1.7% of the target portfolio allocation, and large capitalization stocks, which represented 15.3% of the target portfolio allocation



Policy Objectives for Pension System



- Ensure that the County Retirement System is appropriately funded.
- Pay the full annual retirement contribution as calculated by the SDCERA Actuary.
- Maintain strong, pro-active relationship with SDCERA.
- Pay in full the Other Post Employment Benefits (OPEB) ARC as determined by the SDCERA Actuary.



COUNTY INVESTMENT POOL



Investment Pool – Strength & Stability



- Our Investment Team has over 60 years of combined investment experience, which has resulted in a sound investment philosophy to consistently meet the liquidity needs of Pool participants while effectively managing risk.
- Pool Characteristics and Composition:
 - Sustained track record of exceptional Pool management
 - Pool's holdings are of the highest credit quality and lowest volatility, with a healthy liquidity cushion
- Pool confidence results in record high balance of \$6.38 billion in April 2009.
- Diversification of security types, issuers and Pool participants reduces the Pool's potential for loss.
- Superior pool management during volatile markets and credit crisis.



Pool Characteristics and Composition

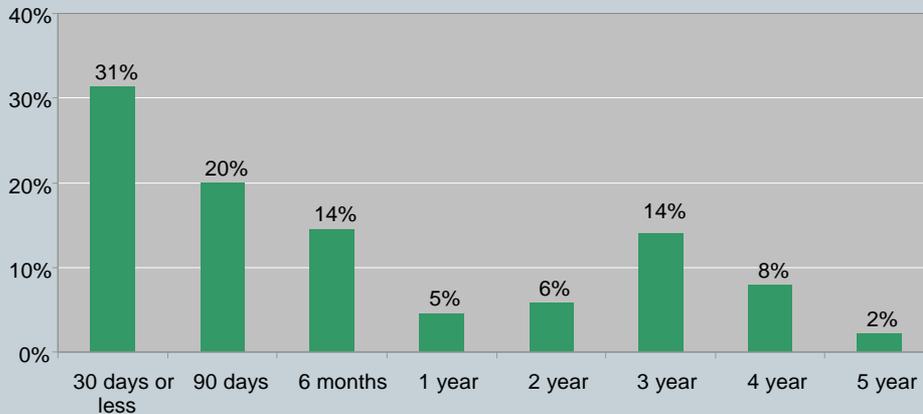


- The Pool has received the highest credit rating over the past **ten** consecutive years. Accordingly, the Pool is heavily invested in securities of the highest credit quality.
- The Pool has a substantial liquidity cushion with 70% of the investments maturing within one year.

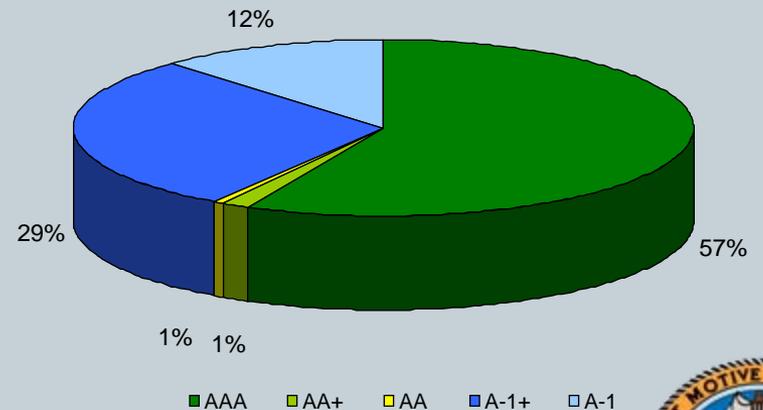
San Diego County Pooled Money Fund

As of July 31, 2009

Maturity Distribution



Credit Quality



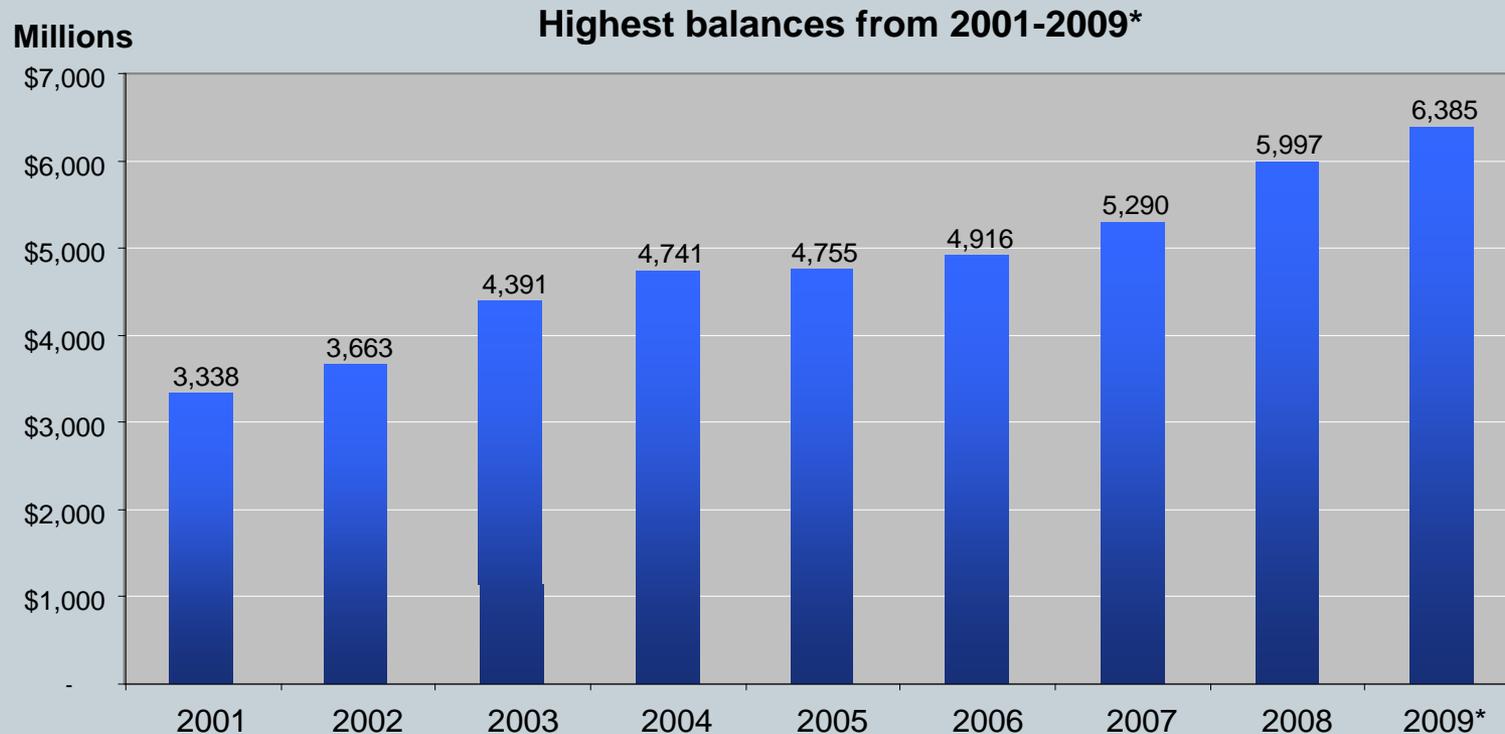
Source: San Diego County Treasurer-Tax Collector



Pool Confidence Results in 2009 Record High



- The Pool reached a record high balance of \$6.385 billion in April due to increased revenues from taxes and new voluntary participants.



*2009 balance reflects highest balance reached between January 1, 2009 through April 30, 2009.

Source: San Diego County Treasurer-Tax Collector



Diversification Lowers Pool's Risk

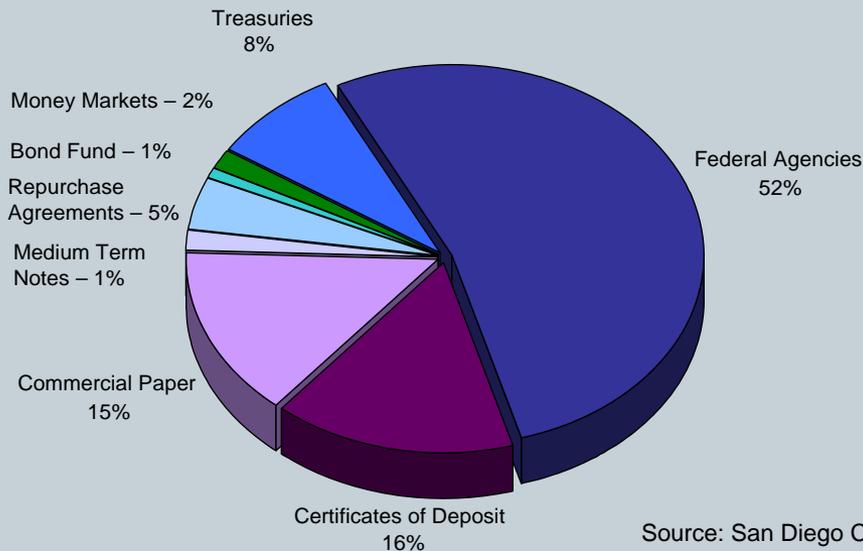


- The Pool is diversified by security type, issuers and participants.
- The Pool's diversification reduces exposure to credit risk and impact of unexpected withdrawals.

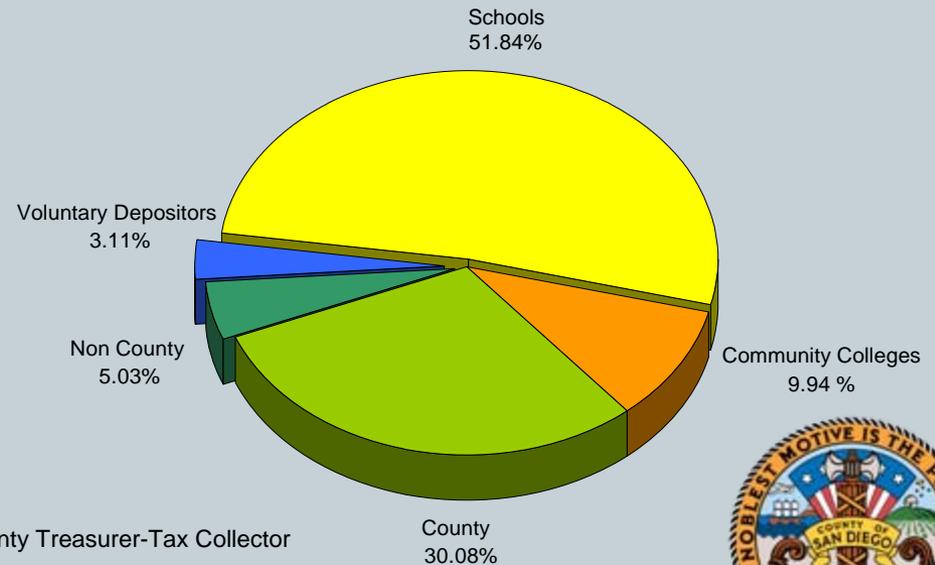
San Diego County Pooled Money Fund

As of July 31, 2009

Breakdown by Security Type



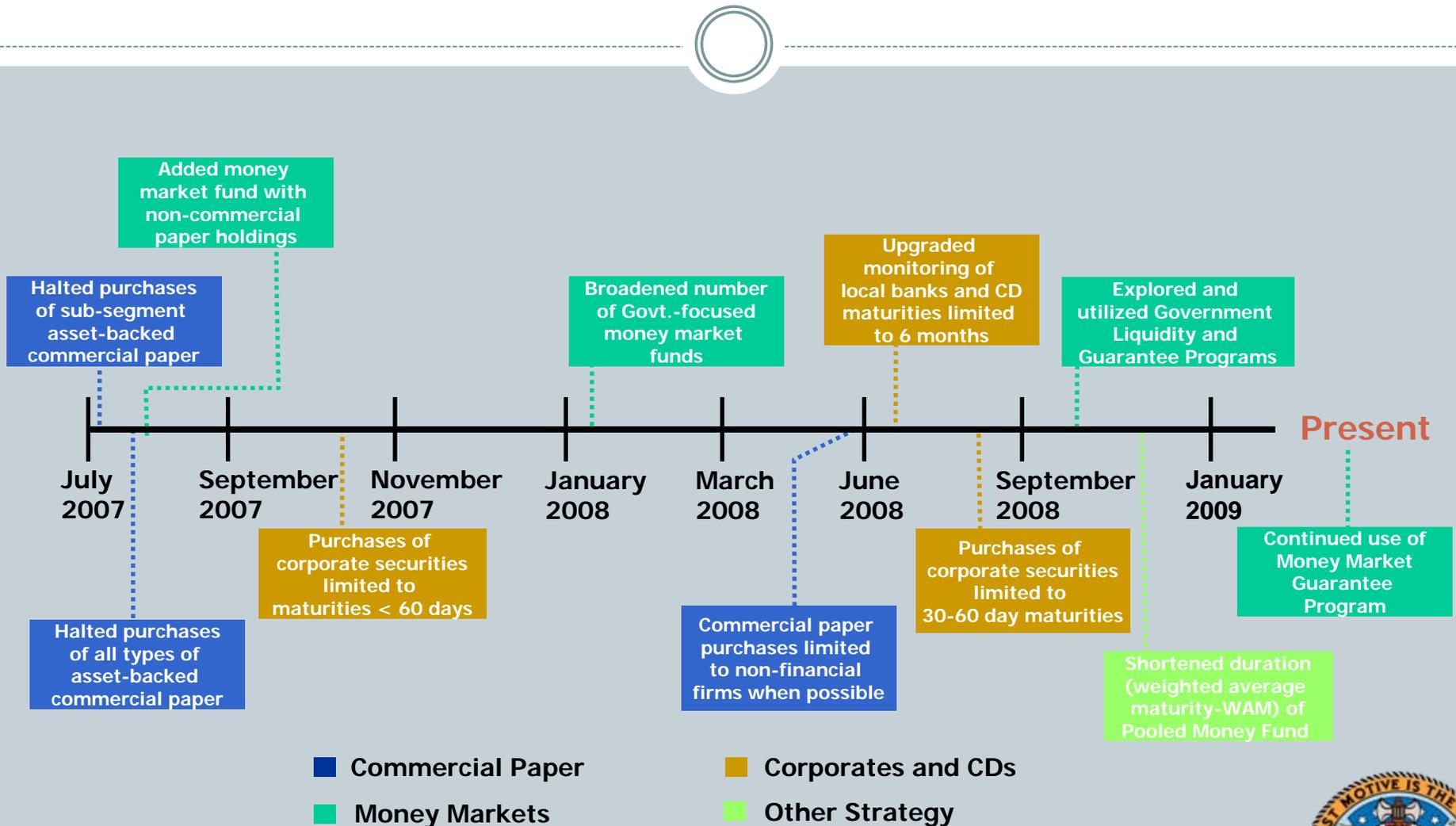
Breakdown of Participants



Source: San Diego County Treasurer-Tax Collector



Successful Management During Volatile Markets



Source: San Diego County Treasurer-Tax Collector



2009 COPs (JUSTICE FACILITIES REFUNDING) & COUNTY DEBT PROFILE



Updates on County's Debt Program



- Prepayment of \$100 million 2008B POBs on July 1, 2009:
 - Reduced County's annual debt service by \$4.5 million
 - Shortened final maturity of County's POBs to FY 2026-27
 - County has no outstanding variable-rate debt and no derivatives
- Refunding 1997 Central Jail COPs and 1998 Downtown Courthouse COPs for annual cashflow savings:
 - Over \$830,000* annual cashflow savings (reduced amount in final four years)
 - ✦ Over \$380,000 of annual savings related to 1997 COPs
 - ✦ Over \$450,000 of annual savings related to 1998 COPs
 - \$6.4* million net p.v. savings (6.56% of refunded bonds)
 - ✦ \$4.3 million of net p.v. savings related to 1997 COPs (7.75% of refunded bonds)
 - ✦ \$2.1 million of net p.v. savings related to 1998 COPs (5.03% of refunded bonds)

* Preliminary, subject to change



2009 Refunding COPs*



- \$82.5 million – estimated par amount.
- 100% fixed rate bonds.
- Two distinct leases.
- 100% of annual lease payment made by July 5th of each fiscal year.
- Final maturity:
 - 1998 (Courthouse) COPs refunding portion – 10/1/2022
 - 1997 (Central Jail) COPs refunding portion – 10/1/2025
- Debt service reserve fund:
 - Initially equal to ½ of MADS, amount held constant until 2022 when reduced to approximately \$2.9 million, a pro-rata share of the original requirement
 - DSRF is sufficient to fund final debt service payments in 2022 and 2025

* Preliminary, subject to change



Sources & Uses*



Total Issue Sources And Uses

Dated 10/14/2009 | Delivered 10/14/2009

	1997 Central Jail Ref	1998 Courthouse Ref	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$49,350,000.00	\$33,105,000.00	\$82,455,000.00
Transfers from Prior Issue DSRF	5,499,930.01	5,429,797.51	10,929,727.52
Reoffering Premium	4,123,482.80	2,740,572.00	6,864,054.80
Transfer from Prior Lease Fund	336,000.00	4,844,000.00	5,180,000.00
Total Sources	\$59,309,412.81	\$46,119,369.51	\$105,428,782.32
Uses Of Funds			
Deposit to Current Refunding Fund	55,798,604.17	43,762,192.00	99,560,796.17
Deposit to Debt Service Reserve Fund (DSRF)	2,951,992.45	1,980,257.55	4,932,250.00
Total Underwriter's Discount (0.641%)	316,566.16	212,359.16	528,925.32
Costs of Issuance	241,214.21	161,811.49	403,025.70
Rounding Amount	1,035.82	2,749.31	3,785.13
Total Uses	\$59,309,412.81	\$46,119,369.51	\$105,428,782.32

* Preliminary, subject to change



Debt Service Comparison*



Debt Service Comparison

Date	Total P+I	DSR	Net New D/S	Old Net D/S	Savings
06/30/2010	1,704,223.40	(59,488.42)	1,640,949.85	1,645,498.67	4,548.82
06/30/2011	9,864,500.00	(128,238.50)	9,736,261.50	10,711,587.08	975,325.58
06/30/2012	9,848,325.00	(128,238.50)	9,720,086.50	10,697,349.58	977,263.08
06/30/2013	9,820,137.50	(128,238.50)	9,691,899.00	10,667,149.58	975,250.58
06/30/2014	7,606,050.00	(128,238.50)	7,477,811.50	8,453,312.08	975,500.58
06/30/2015	7,577,250.00	(187,425.50)	7,389,824.50	8,215,834.76	826,010.26
06/30/2016	7,570,875.00	(187,425.50)	7,383,449.50	8,210,424.76	826,975.26
06/30/2017	7,563,875.00	(187,425.50)	7,376,449.50	8,201,787.26	825,337.76
06/30/2018	7,559,000.00	(187,425.50)	7,371,574.50	8,198,587.26	827,012.76
06/30/2019	6,697,500.00	(187,425.50)	6,510,074.50	7,341,812.26	831,737.76
06/30/2020	6,704,500.00	(187,425.50)	6,517,074.50	7,343,762.26	826,687.76
06/30/2021	6,703,375.00	(187,425.50)	6,515,949.50	7,342,137.26	826,187.76
06/30/2022	6,698,750.00	(187,425.50)	6,511,324.50	7,336,462.26	825,137.76
06/30/2023	6,339,125.00	(2,130,058.16)	4,209,066.84	1,901,214.75	(2,307,852.09)
06/30/2024	4,316,000.00	(112,175.72)	4,203,824.28	4,584,628.14	380,803.86
06/30/2025	4,302,875.00	(112,175.72)	4,190,699.28	4,572,253.14	381,553.86
06/30/2026	3,003,250.00	(3,008,080.31)	(4,830.31)	(324,428.44)	(319,598.13)
Total	\$113,879,610.90	(7,434,336.33)	\$106,441,489.44	\$115,099,372.66	\$8,657,883.22

Note: Negative savings in 2023 and 2026 are a result of the reduction in the Reserve Requirement. For both refunding components (1998 Courthouse and 1997 Central Jail COPs) the new Reserve Requirement is sufficient to fund the final payment, resulting in no net debt service during that final period.

* Preliminary, subject to change



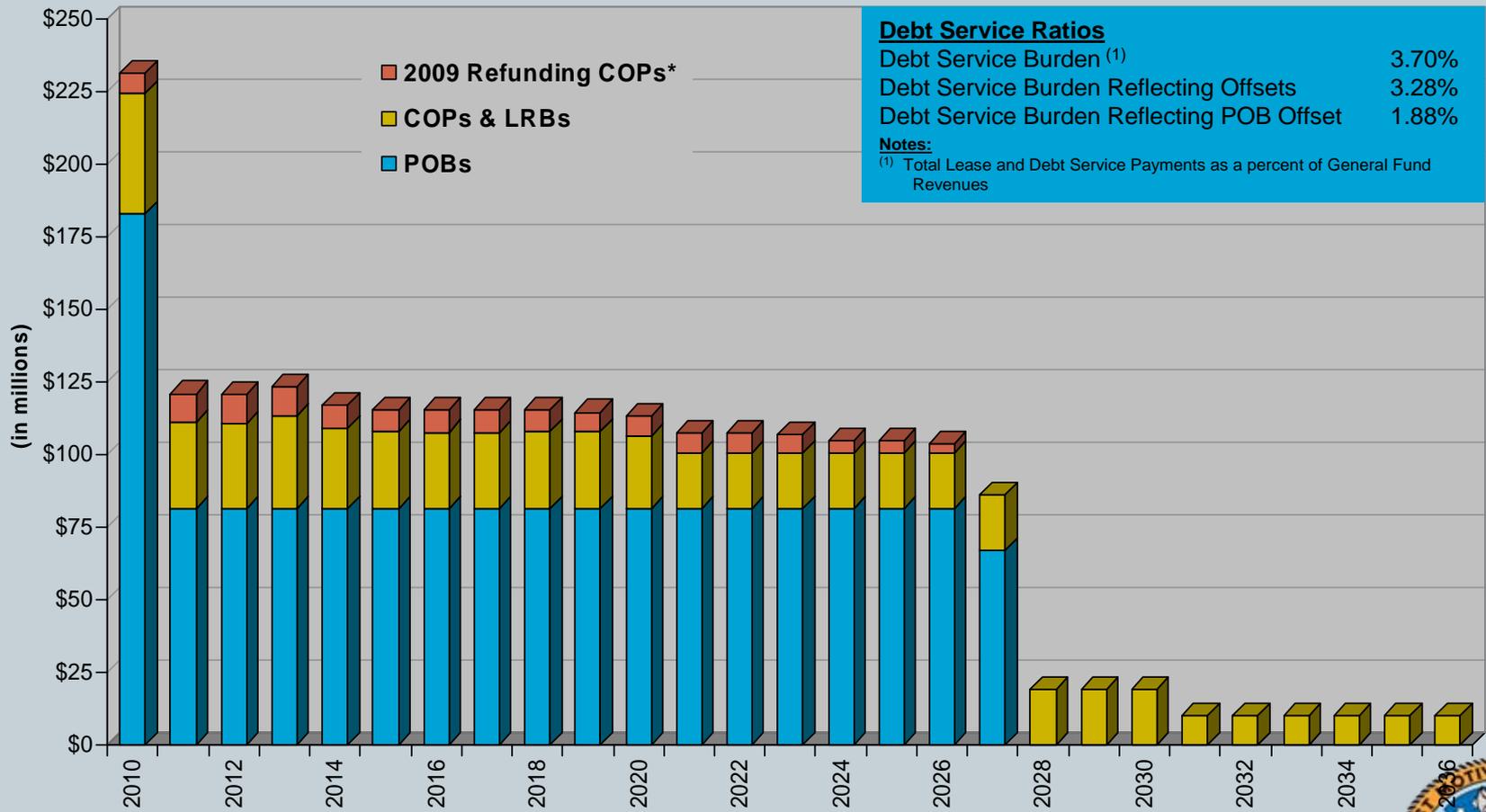
Leased Assets



- **Central Jail:**
 - 17-story, 940-beds
 - Part of Central Detention Center, which provides housing and support services for more than 2,800 inmates
 - Capable of processing over 265,000 arrests on an annual basis
 - Located in downtown of City of San Diego
 - Construction began in 1995 and completed in 1997
- **Downtown Courthouse (Hall of Justice):**
 - Approximately 362,000-square feet 13-story office building
 - 16 courtrooms for the Superior Court
 - Office space for County District Attorney and Superior Court administrative personnel
 - Provides 507 parking spaces for use by County staff and the public
 - Located in downtown of City of San Diego
 - Construction was completed in March 1996



General Fund Long-Term Obligations*



Debt Service Ratios	
Debt Service Burden ⁽¹⁾	3.70%
Debt Service Burden Reflecting Offsets	3.28%
Debt Service Burden Reflecting POB Offset	1.88%
Notes:	
⁽¹⁾ Total Lease and Debt Service Payments as a percent of General Fund Revenues	

Note: Debt service in FY 2010 includes the \$100 million prepayment of the County's 2008B variable rate POBs, on July 1, 2009.

* Preliminary, subject to change



Financing Schedule*



Date	Activity
September 22	<ul style="list-style-type: none">• County Board of Supervisors approves financing• SANCAL Board of Directors approves financing
September 23	<ul style="list-style-type: none">• Receive Ratings• Post Preliminary Official Statement
Week of September 28	<ul style="list-style-type: none">• Price Transaction
October 14	<ul style="list-style-type: none">• Close• Call Notice sent to DTC
November 13	<ul style="list-style-type: none">• Redeem 1997 COPs and 1998 COPs

* Preliminary, subject to change



CLOSING REMARKS



Conclusion



- County has maintained a structurally balanced budget through good times and bad, and will continue to do so.
- County is well-positioned to manage the challenges at hand, including the economic slowdown, impact of State budgetary actions, and changing needs of our residents:
 - County Board maintains its position of making necessary budget cuts given the economic situation
 - County Board is proactively managing its cost structure in the near-term and for the long-term, maintaining a balanced Operational Plan and approving a new Tier B for its retirement plan
- County has institutionalized and maintained conservative and prudent fiscal management practices:
 - Consistently strong fund balances and stable reserves
 - On-going assessment of current and future capital needs
- County has maintained fiscal stability in challenging market conditions.
- County operates within a diversified, resilient economy.
- Refunding will result in significant annual savings to the County.

