
County of San Diego Rating Agency Presentation



September 9, 2008



Introductions - Participants

County of San Diego Presenters

Donald F. Steuer, *Chief Financial Officer*

Dan McAllister, *Treasurer-Tax Collector*

Gregory J. Smith, *Assessor/Recorder/County Clerk*

April Heinze, *Director of General Services*

Christine Fay, *Debt Finance Manager*

Finance Team

Tim Romer, *Goldman Sachs*



Additional Resources

Additional County Resources

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

Lisa Marie Harris, *Chief Deputy Treasurer*

Janel Pehau, *Director, Office of Financial Planning*

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

Joan Pan, *Debt Finance Manager*

Rob Castetter, *Chief Investment Officer*

Dave Butler, *Assistant Assessor/Recorder/County Clerk*

Jeff Olson, *Division Chief of Assessment Services*

Additional Finance Team Resources

Gardner Underwood & Bacon, *Financial Advisor*

Goldman Sachs, *Senior Manager*

Citi, *Co-Senior Manager*

Loop Capital Markets, *Co-Manager*



Table of Contents

	Tab
Overview	I
Economic and Demographic Overview	II
Real Estate Market Analysis	III
Financial Performance	IV
Financial Management Strength	V
County Operations Center Overview	VI
Concluding Remarks	VII

I. Overview





Executive summary

- Economic and Demographic Highlights
 - Top-tier economy
 - Diverse, stable and growing economic base
 - Positive employment trends
- Real Estate Market
 - Continued growth of tax base
 - Significant AV “cushion” relative to market value
- Financial Strength and Flexibility
 - Excellent fund balances and strong reserve policies
 - Low debt ratios
- Management’s Strong Track Record of Discipline and Performance
 - Conservative and prudent policies
 - Track record of success
- Overview of the County Operations Center Project

II. Economic and Demographic Overview





San Diego is a place people want to go!

- Holiday Magazine voted San Diego as “the only area in the United States with perfect weather”
- Tourism is an \$18 billion industry with over 25 million visitors on average per year^(a)
- Population growth has averaged approximately 44,000 per year over the past few years^(b)
- San Diego enjoys a strong, diverse economy with key industries including: manufacturing, defense, high tech, and tourism
- In 2007 114 of every 1,000 private sector job is in the high-tech industry (the state-wide ratio is 103 of every 1,000)^(c)
- Milken Institute report has named San Diego the Nation’s Top Biotech Center
- Named “Wireless Capital of the World” by NewScientist.com, reflecting the highest concentration of wireless employment
- On September 2nd Scripps received an \$80 million grant, its largest ever, and on September 3rd the Burnham Institute for Medical Research received a \$98 million grant from the National Institutes of Health^(d)

Source:

(a) San Diego Convention & Visitors Bureau

(b) State of California Department of Finance

(c) Employment Development Department, Labor Market Division, April 2008

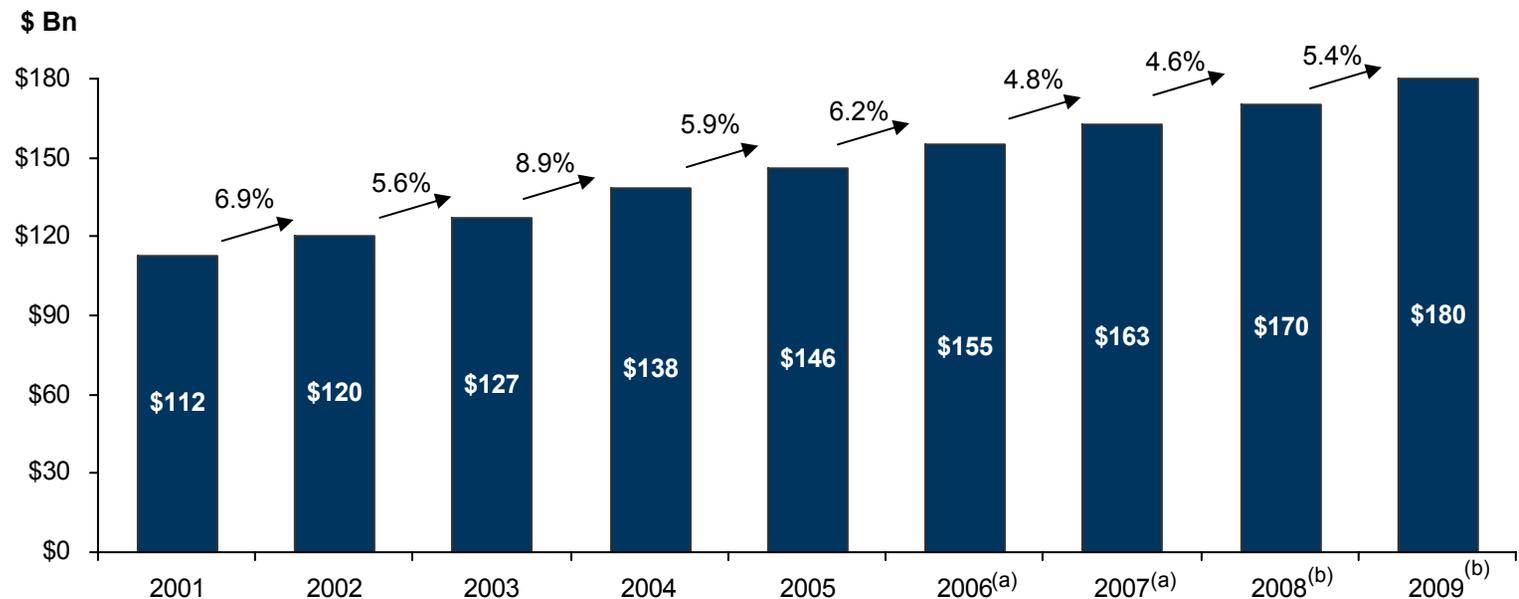
(d) The San Diego Union-Tribune



The County's economy is in the top-tier of counties in California and across the country

- With a population of over 3.1 million, the County is the second largest county in California and sixth in the nation
- The County has experienced significant long-term economic growth, which is projected to continue in the foreseeable future

San Diego Gross Metropolitan Product



(a) Estimated

(b) Projected

Source: San Diego Institute for Policy Research from Nov. 2007



San Diego County has an incredibly diverse and stable economic base

- The County's diverse economy has 11 major industry segments with a concentration in the government, trade, transportation, utilities, and professional and business services sectors
- The sizeable governmental and institutional employer presence bolsters long-term stability
- Large private sector employers from a multitude of industries including healthcare and technology also are a critical component of the employer base

**Largest Employers in the County
April 1, 2008**

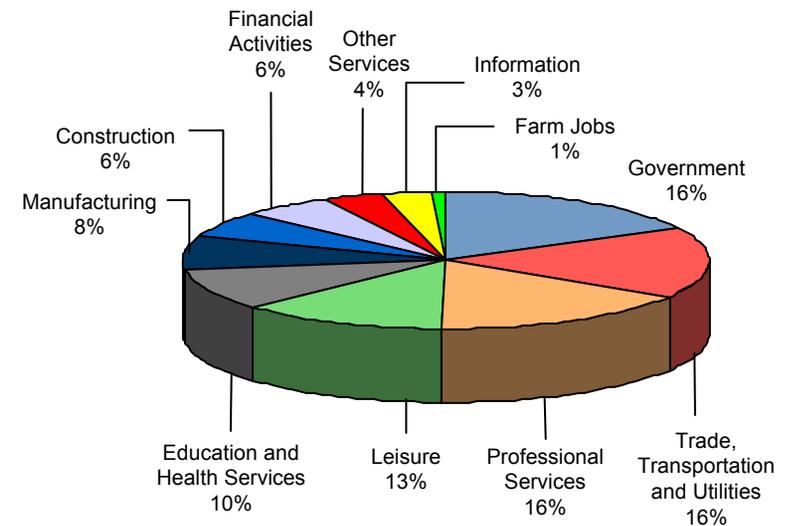
	Employer	Employees
1	State of California	41,400
2	Federal Government	40,800 ⁽¹⁾
3	University of California, San Diego	30,078
4	County of San Diego	16,303
5	San Diego Unified School District	15,800 ⁽²⁾
6	Sharp HealthCare	14,390
7	Scripps Health	11,690
8	City of San Diego	11,054
9	Qualcomm	9,444
10	Kaiser Permanente	7,608
	Total	198,567

Source: California State Employment Development Department

(1) Employment figures as of January 1, 2008

(2) Employment figures provided by San Diego Unified School District website

San Diego County Jobs By Industry Sector



As of June 2008

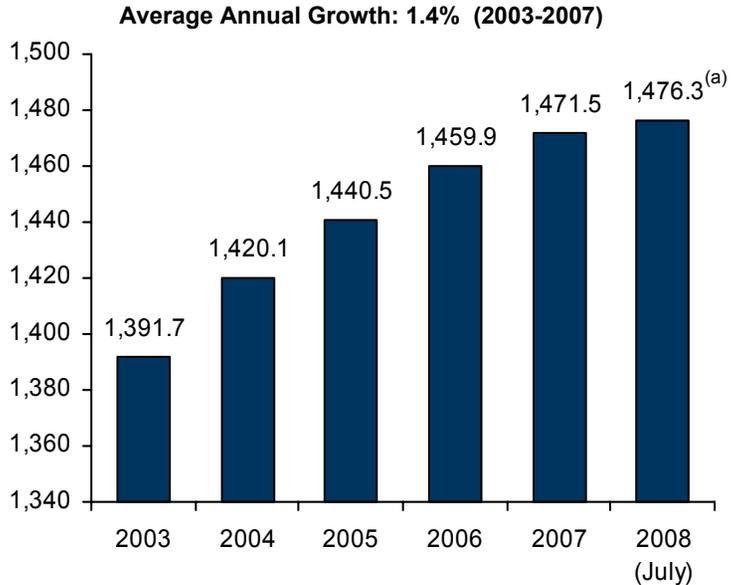
Source: California Employment Development Department



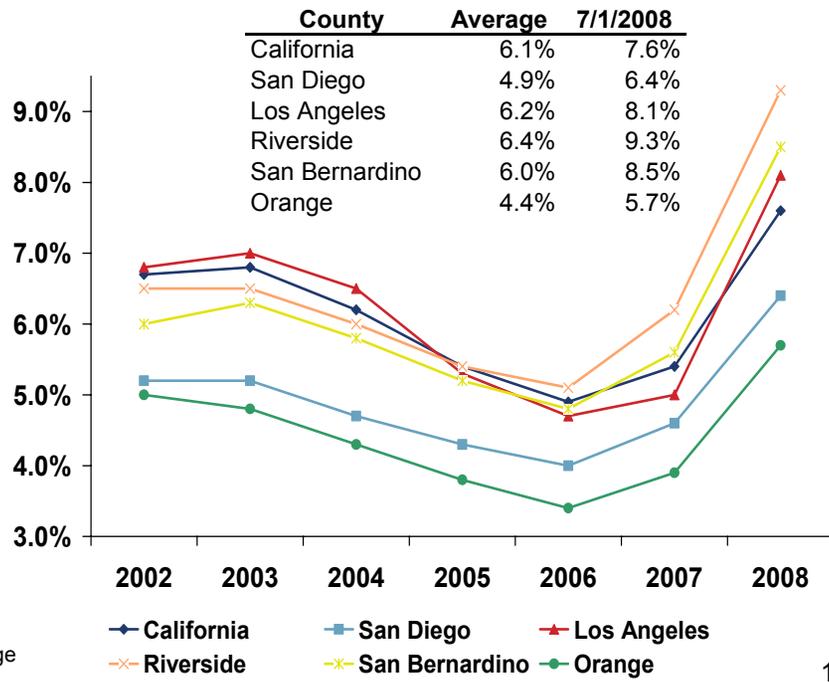
Despite the recent slowdown, long-term employment trends remain positive

- Job growth has exceeded 5.7% over the last 5 years
- San Diego County added more than 11,000 civilian jobs in 2007 and is projected to add 121,400 jobs by 2014 (8.2% from 2008)
- Leisure and hospitality added the most jobs in 2007, along with professional services, health care and government
- The County has consistently posted lower unemployment rates than the State and most other nearby counties

**Civilian Employment Annual Averages
Jobs (000s)**



**Unemployment Rates In Southern California Counties
(2002 – July 2008)**



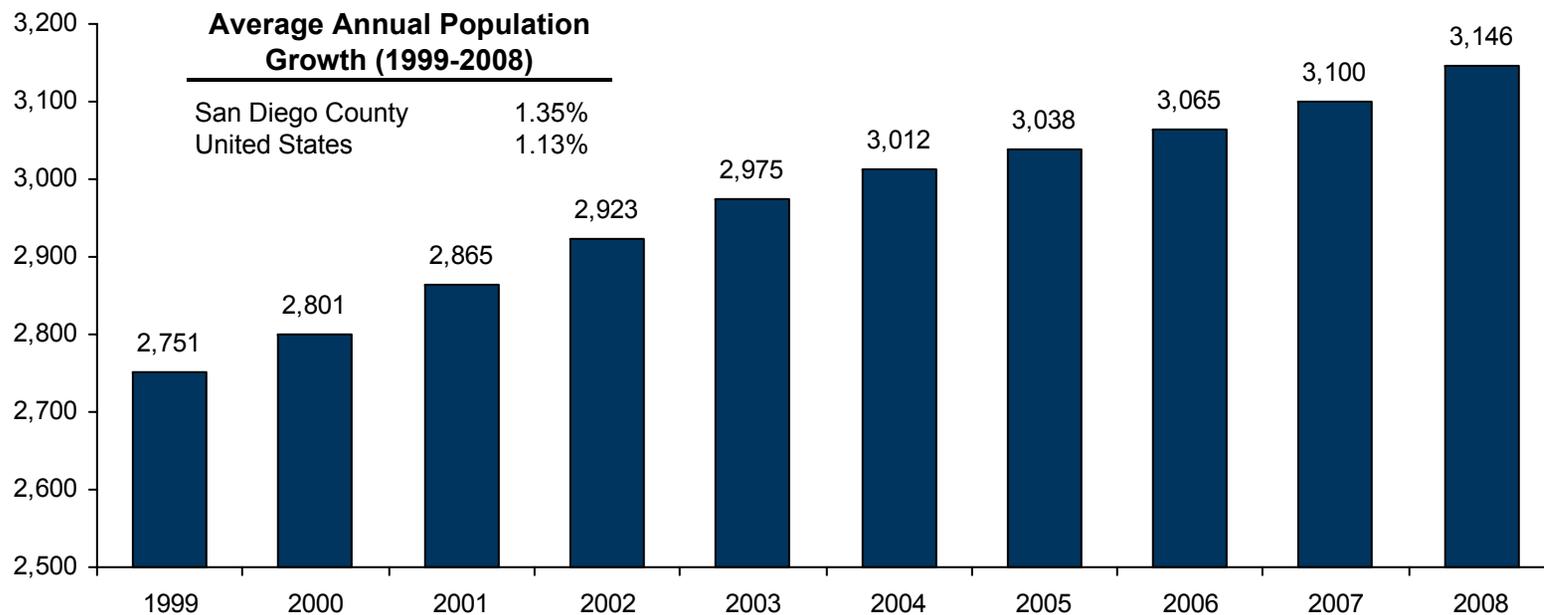
(a) 2008 Statistic represents the employment number as of July, 2008 and is not an average
Source: California Employment Development Department



The County's population and income growth continues to meet or exceed national averages

- Median household income was \$61,794 in 2007, which was up 4% from \$59,591 in 2006^(a)
 - Median household income for the US was \$50,740 in 2007 and \$48,451 in 2006^(b)
- 18.7% of households had annual incomes of at least \$100,000 in 2007 (net change of +33.6% from 2000)^(a)
- The net population growth rate between 1999 and 2008 averaged 1.35% annually for total growth of 14%

San Diego County Population Estimates (000s)



Source: State of California Department of Finance; U.S. Bureau of the Census

Source:
 (a) San Diego Association of Governments
 (b) U.S. Bureau of the Census



Unsurpassed climate and world class attractions make San Diego a premier tourist and convention destination

- The County had over 31 million visitors in 2007
 - Over 15 million overnight visitors in 2007
 - Visitor spending was an estimated \$7.9 billion in 2007 with a total economic impact of \$18.1 billion

- Over 59% of visitors arrived by car, making County tourism less dependent on air travel relative to other popular destinations

- Visitor Industry is third largest revenue generator after manufacturing and the military

- San Diego Convention Center hosted 66 events in 2007 with nearly 1 million attendees



- San Diego Comic Con
 - Annual comic book convention
 - Over 125,000 attendees



- Annual Buick Invitational
 - PGA tour stop



- 2008 US Open
 - Over 250,000 attendees
 - Economic impact over \$100 million





The San Diego Convention Center shattered attendance records in FY2008

Benefits Generated by San Diego Convention Center

Benefit	FY2007 (\$Mn)	FY2008 (\$Mn)	Increase
Economic Impact	\$1,560.0	1,800.0	15.4%
Direct Attendee Spending	650.3	751.8	15.6%
Tax Revenues for San Diego	25.1	31.9	27.0%
Out-of-town Attendees	617,089	648,159	5.0%
Total Attendees	983,706	996,226	1.3%

Upcoming Conventions



- Golf Course Superintendents
 - February 2013, 2018 and 2022
 - 25,000 Attendees



- American College of Surgeons
 - October 2017, 2022 and 2027
 - 25,000 Attendees



- American Thoracic Society
 - May 2014
 - 16,000 Attendees



- National Association of Realtors
 - November 2015
 - 20,000 Attendees



- Society for Neuroscience
 - November 2013 and 2019
 - 35,000 Attendees



- American Academy of Orthopedic Surgeons
 - February 2011
 - 21,000 Attendees

Source: San Diego Convention & Visitors Bureau

III. Real Estate Market Analysis

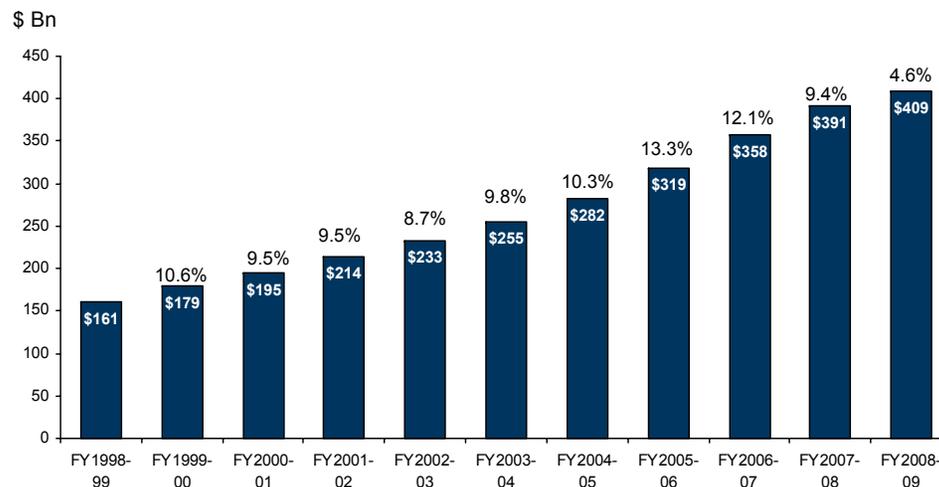




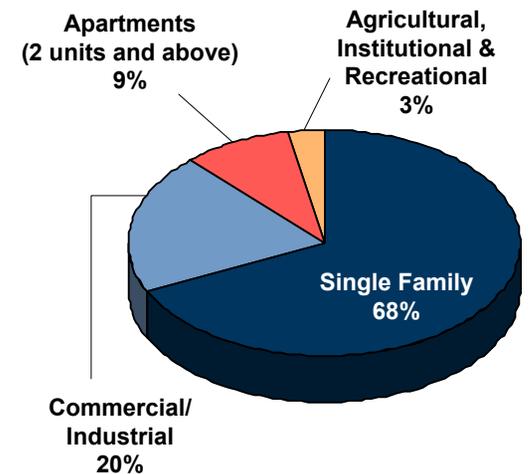
The tax base remains strong as Assessed Value (AV) continues to grow

- The property tax base has increased on average 9.8% annually since 1998-99
- The FY2008-09 AV was 4.6% higher than FY2007-08 despite the housing downturn
- Prop 13, passed by voters in 1978, provides a stabilizing factor for AV growth
 - Real property assessments are subject to a 2% maximum annual inflation adjustment unless there is a reassessment due to a change in ownership or new construction

AV FY1999 – FY2009 and % Change



FY2008-09 Distribution of Roll Values



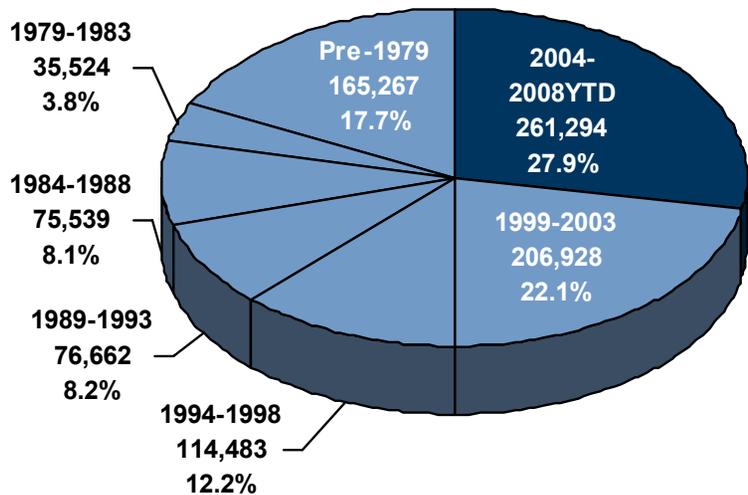
Source: County of San Diego Assessor/Recorder/County Clerk



The County's AV rolls have significant cushion to absorb decreases in market value

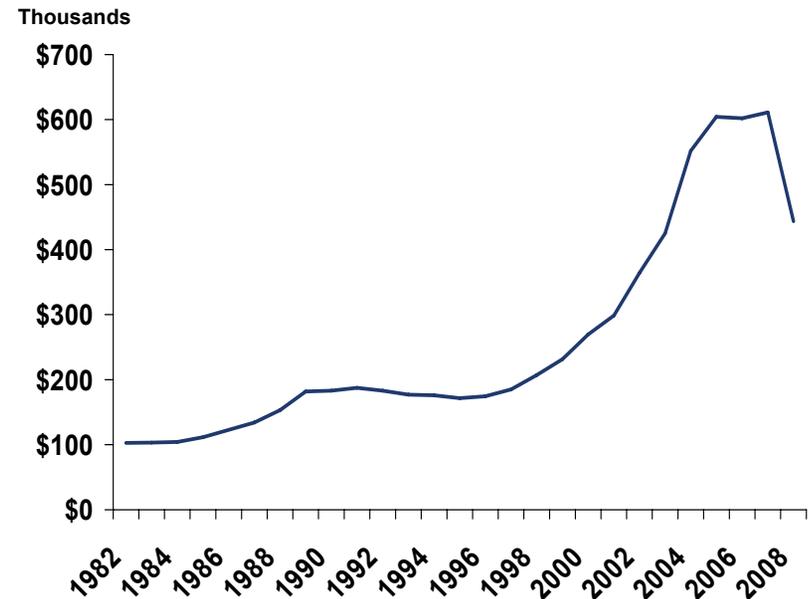
- More than 72% of the properties on the County rolls have not been reassessed in the last 4 years
 - Less than 28% of parcels would likely be subject to reassessment given current market conditions

Historic AV Reassessments
Base year Value Established upon Last Change of Ownership
(Number of Parcels)



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

Historical Median Home Sale Prices
County of San Diego



Source: California Association of Realtors



Residential assessments continue to increase in a declining residential market

- The Residential sales from January 1, 2008 to June 30, 2008 have netted an AV increase of \$1.24 billion
 - There were 14,987 residential sales (SFRs, Condominiums, and Multi-family properties) from January 1, 2008 to June 30, 2008
 - 8,921 of these sales resulted in an AV increase of \$1.88 billion
 - 6,066 of these sales resulted in an AV decrease of \$636 million

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



Although reductions have increased, the total impact on AV and resulting taxes is relatively small

- The County Assessor has been very proactive in reducing property values as the residential real estate market has slowed down
 - 40,000 new applications were received, and there were 68,000 new reductions including 28,000 unsolicited

- Despite the fact that there have been nearly 80,000 total reductions over the previous two years (representing 8% of total parcels), the impact on AV has been minimal at less than 2%

Largest Historical Reductions

FY	New Prop 8 Reductions	Assessment Appeal Applications
1994-95	40,252	32,158
1995-96	55,627	30,818
1996-97	52,928	24,242
1997-98	46,517	25,788
2007-08	11,500	13,088
2008-09	67,964	25,000 ^(a)

(a) Estimate for period July 2- December 1

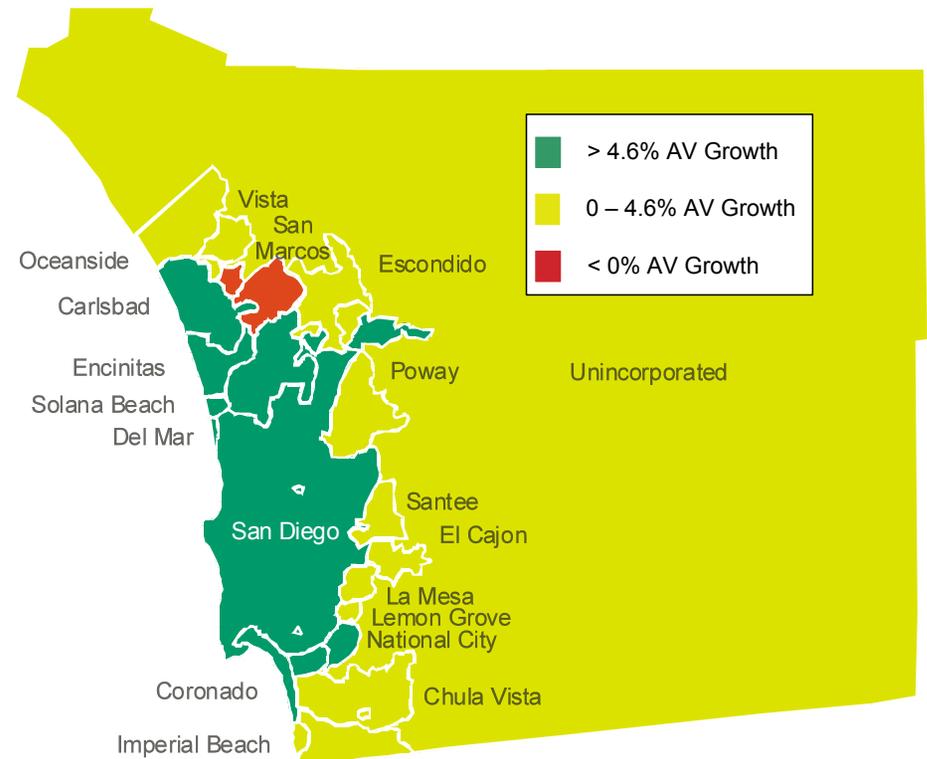
Many regions in the County have experienced continued AV growth

- AV in coastal cities has continued to increase at significant rates
- Inland areas within the County have experienced slower growth

Total Assessed Value by City

City	2007-08 (\$Bn)	2008-09 (\$Bn)	% Change
Del Mar	\$2.1	\$2.3	9.96%
Coronado	5.6	6.1	8.74
Carlsbad	23.1	24.8	7.57
Solana Beach	3.2	3.4	6.37
National City	3.0	3.2	5.90
San Diego	178.9	189.2	5.73
Encinitas	10.9	11.4	5.38
La Mesa	5.3	5.5	4.01
Santee	4.5	4.7	3.76
Imperial Beach	1.5	1.5	2.75
Vista	8.9	9.1	2.73
Oceanside	18.4	18.9	2.52
Lemon Grove	1.7	1.7	2.47
El Cajon	7.5	7.7	2.38
Chula Vista	24.8	25.4	2.21
Poway	8.2	8.3	1.99
Escondido	13.0	13.2	1.46
San Marcos	10.0	9.9	-0.73
Total Incorporated Cities	\$331.2	\$347.0	4.79%
Total Unincorporated Area	\$60.1	\$62.2	3.48%
County Total	\$391.4	\$409.3	4.59%

San Diego County
AV Growth by City- FY 2008-09



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



Average mortgage rates have begun to decline

		<h3>Weekly Primary Mortgage Market Survey</h3>			
September 4, 2008		30-yr	15-yr	5/ 1-yr ARM	1-yr ARM
Average Rates:		6.35%	5.90%	5.97%	5.15%
Fees & Points:		0.7	0.6	0.6	0.6
August 28, 2008		30-yr	15-yr	5/ 1-yr ARM	1-yr ARM
Average Rates:		6.40%	5.93%	6.03%	5.33%
Fees & Points:		0.6	0.6	0.6	0.7
August 21, 2008		30-yr	15-yr	5/ 1-yr ARM	1-yr ARM
Average Rates:		6.47%	6%	5.99%	5.29%
Fees & Points:		0.7	0.7	0.6	0.5
August 14, 2008		30-yr	15-yr	5/ 1-yr ARM	1-yr ARM
Average Rates:		6.52%	6.07%	6.02%	5.18%
Fees & Points:		0.7	0.7	0.6	0.5
August 7, 2008		30-yr	15-yr	5/ 1-yr ARM	1-yr ARM
Average Rates:		6.52%	6.10%	6.05%	5.22%
Fees & Points:		0.7	0.7	0.6	0.6
July 31, 2008		30-yr	15-yr	5/ 1-yr ARM	1-yr ARM
Average Rates:		6.52%	6.07%	6.07%	5.27%
Fees & Points:		0.7	0.6	0.6	0.6
July 24, 2008		30-yr	15-yr	5/ 1-yr ARM	1-yr ARM
Average Rates:		6.63%	6.18%	6.16%	5.49%
Fees & Points:		0.6	0.6	0.7	0.5

Source: FreddieMac.com



Recent Large Commercial Property Sales and New Construction

Property	Type	Construction/ Sale	Location	Estimated Value (\$Mn)	Current Value (\$Mn)	Increase (\$Mn)
2008YTD						
Hilton Convention Center Hotel	Hotel	New Construction	Downtown	\$600.0	\$356.0	\$244.0
Sea World	Theme Park	Sale	San Diego	TBD	--(a)	TBD
Pacific Beacon	Military Housing	New Construction	San Diego	175.0	66.0	109.0
Paseo Del Mar	Office Complex	Sale	Carmel Valley	147.9	129.3	18.6
Pacific Center	Office	Sale	UTC	121.0	97.0	24.0
Summit at Rancho Bernardo	Office	New Construction	Rancho Bernardo	85.0	17.6	67.4
La Jolla Commons	Mixed Office	New Construction	UTC	80.0	48.0	32.0
Sunroad KM	Office	New Construction	Kearny Mesa	70.0	68.7	1.3
Diegan Hotel	Hotel	New Construction	Downtown	70.0	21.6	48.4
Waterleaf Apartments	Apartments	Sale	Vista	69.0	28.8	40.2
Kilroy Sabre Springs	Office	New Construction	San Diego	64.8	39.5	25.3
Genesee Executive Plaza	Office	Sale	UTC	56.0	42.2	13.8
Grossmont Trolley Station	Mixed Use	New Construction	La Mesa	55.0	24.6	30.4
Scripps Clinic	Medical Office	New Construction	Carmel Mountain Ranch	53.0	2.1	50.9
Linda Vista Rd	Apartment Land	Sale	San Diego	50.0	4.1	45.9
Longs Drugs (multiple locations)	Drug Stores	Sale	Multiple	TBD	TBD	TBD
Total:				\$1,696.7	\$945.5	\$751.2
Top 10-2007						
State Route 125	Toll Road	Sale/Lease	Chula Vista	\$600.0	\$0.0	\$600.0
Las Americas Premium Outlets	Retail	Sale/Lease	San Ysidro	283.0	156.8	126.2
Advanced Equities Building	Office/Retail	Sale/Lease	Downtown	210.0	124.1	85.9
The Grand Del Mar Hotel	Hotel	New Construction	Carmel Valley	206.9	83.4	123.5
Pacific Center I & II	Office/Retail	Sale/Lease	Mission Valley	200.1	152.9	47.2
Archstone Mission Valley	Apartments	Sale/Lease	Mission Valley	192.7	122.4	70.3
Santa Fe Summit	Office	New Construction	Rho Penasquitos	192.0	105.0	87.0
Bridge Pointe Corp Center	Office	Sale/Lease	Miramar	185.2	124.0	61.2
401 A St.	Office	Sale/Lease	Downtown	181.0	171.4	9.6
Regents Square I&II	Office	Sale/Lease	UTC	170.0	93.6	76.4
Total:				\$2,420.9	\$1,133.7	\$1,287.2

(a) SeaWorld is currently valued at \$395.5 million, however, the reassessment is not complete.
Source: County of San Diego Assessor/Recorder/County Clerk



The County's property tax base is very diverse

- The ten largest taxpayers in the County represent approximately 3.4% of the total property taxes

Ten Largest Property Taxpayers Fiscal Year 2007-08

Property Owners	Business Area	Approximate Tax (\$Mn)
San Diego Gas & Electric Company	Gas and Electric Utility	\$47.5
Southern California Edison	Electric Utility	19.7
Irvine Co.	Real Estate	17.2
Qualcomm	Telecommunications	13.0
Kilroy Realty	Real Estate	10.2
Pacific Bell Telephone Company	Telecommunications	9.3
Host San Diego Hotel	Real Estate	7.4
San Diego Family Housing	Real Estate	5.7
Camp Pendleton & Quantico Housing	Real Estate	5.6
Genentech	Biotechnology	5.5
Total		141.1



While foreclosures have increased, property tax collection rates remained strong

- The County has historically recovered over 97% of the delinquencies within 5 years

Historical Foreclosure Activity
CY1990 – CY2008

Calendar Year	Total Deeds Recorded ^(b)	Notices of Default	Foreclosures
1990	123,396	8,005	1,078
1991	111,155	10,927	2,113
1992	124,461	12,059	3,827
1993	128,765	12,521	5,110
1994	113,656	10,754	5,338
1995	95,661	11,251	5,267
1996	106,125	12,037	5,994
1997	116,883	10,085	5,136
1998	145,064	7,766	3,345
1999	148,250	5,962	1,989
1900	141,139	5,472	1,380
2001	158,717	5,726	826
2002	191,329	5,986	909
2003	223,088	5,167	566
2004	209,891	4,260	553
2005	201,230	5,080	554
2006	164,946	10,294	2,065
2007	133,359	22,194	8,417
2008 ^(a)	78,799	26,630	13,757

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

(a) Information is through August 2008.

(b) 'Total Deeds' include all deeds including QuitClaim Deeds and Tax Deeds, but exclude Foreclosures.

Historical Delinquency Rate
FY1990 – FY2008

Fiscal Year	Delinquency Rate	Delinquent
1989-90	3.09%	\$37,140,353
1990-91	4.25%	57,719,696
1991-92	4.71%	69,804,493
1992-93	5.18%	81,358,923
1993-94	4.34%	69,067,255
1994-95	3.51%	56,388,665
1995-96	2.84%	46,043,506
1996-97	2.21%	36,247,745
1997-98	1.77%	29,803,269
1998-99	1.56%	27,977,628
1999-00	1.69%	33,111,770
2000-01	1.53%	32,517,488
2001-02	1.50%	35,118,828
2002-03	1.35%	34,425,254
2003-04	1.22%	34,465,949
2004-05	1.61%	50,794,789
2005-06	2.00%	71,313,281
2006-07	2.83%	112,901,094
2007-08	3.86%	168,593,756

Source: County of San Diego Treasurer-Tax Collector

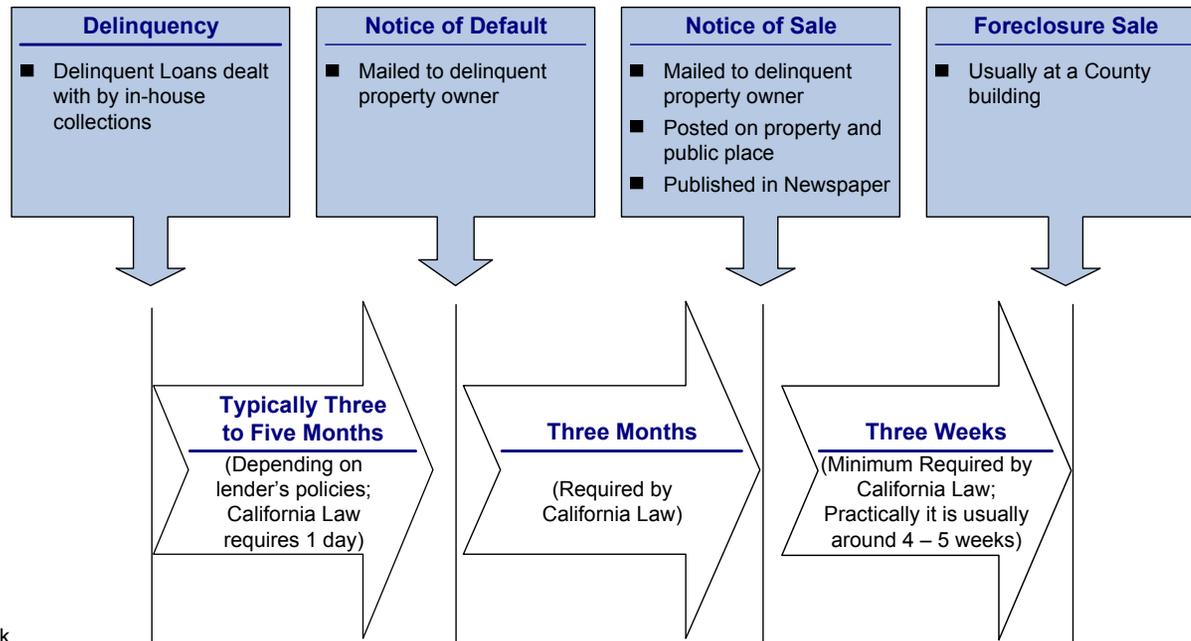


The County has begun to see a decrease in Notices of Default

2008 Foreclosures by Month

Month	Notices of Default	Trustee's Deeds
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	3,176	2,197

California Non-Judicial Foreclosure Timeline



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

IV. Financial Performance





The County has maintained strong historical fund balances and has prudently used surpluses

- County maintains healthy Unreserved/Undesignated General Fund balances as a percentage of both total General Fund balances and General Fund revenues
- Policy of not spending one-time resources on on-going operational needs bolsters fund balances

Historic General Fund Balances

	FY 2004-05		FY 2005-06		FY 2006-07		FY 2007-08 Unaudited	
	\$ Millions	% of FB	\$ Millions	% of FB	\$ Millions	% of FB	\$ Millions	% of FB
Total Reserved Fund Balance	\$291.8	43.7%	\$272.9	30.4%	\$410.2	35.5%	\$503.0	41.0%
Total Unreserved / Designated Fund Balance	111.5	16.7%	190.5	21.2%	183.4	15.9%	139.6	11.4%
Total Unreserved / Undesignated Fund Balance	264.2	39.6%	435.5	48.4%	561.4	48.6%	584.3	47.6%
Total General Fund Balance	\$667.5		\$898.9		\$1,155.0		\$1,226.9	



Comparison of Peer Southern California Counties

- The County's Total Fund Balances and Unreserved Fund Balances are well above most of its peers

Comparative Financial Statistics

County	Total General Fund Balance as % of Revenues			Unreserved General Fund Balance as % of Revenues		
	FY 2005	FY 2006	FY 2007	FY 2005	FY 2006	FY 2007
San Diego	29.4%	35.3%	39.4%	16.6%	24.6%	25.4%
Los Angeles	20.2	22.2	23.9	16.8	18.8	20.2
Orange	13.9	15.6	16	7.1	12.7	12.3
Riverside	19.3	22.1	25.5	12.7	17.4	21.5
San Bernardino	23	21.6	23.5	20.7	19.1	20.7
Ventura	21	22.6	23.7	15.6	13.5	13.6
Averages:	21.1%	23.20%	25.3%	14.9%	17.7%	19.0%
S.D. / Average (%)	139.2%	151.9%	155.5%	111.4%	139.3%	134.0%



The County maintains low debt levels

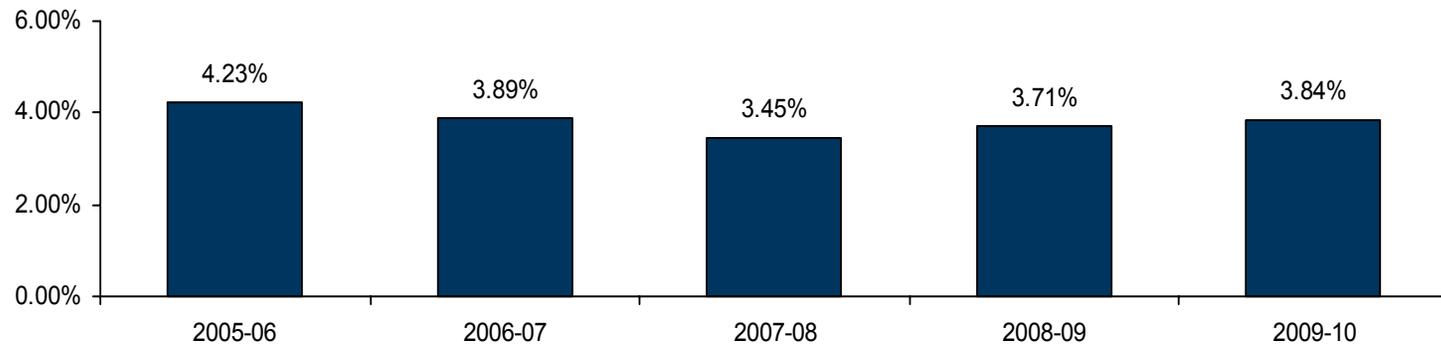
- Small percentage of revenues required to pay debt service
- Conservative approach towards the use of TRAns using only \$75 million of a legal capacity of at least \$220 million available in 2008

Total Debt Outstanding

As of August 15, 2008 (in 000s)	Original Principal Amount	Principal Outstanding	Final Maturity Date
Certificates of Participation (COPs)	\$632,875	\$330,055	2030
Lease Revenue Bonds (LRBs)	36,960	27,590	2019
Pension Obligation Bonds (POBs)	1,029,843	1,002,223	2028
Total	\$1,699,678	\$1,352,268	
Series 2008 COC Lease Revenue Bonds (LRBs) ^(a)	\$292,530	\$292,530	2042
Total	\$1,992,208	\$1,644,798	

(a) Estimated

County Debt Ratio ^(b)



(b) Ratio of total debt service to General Fund revenues.
Source: County of San Diego FY2008-09 and FY2009-10 Adopted Operational Plan



The County has maintained fiscal discipline and used \$480 million of both ongoing revenues and surpluses to pay down debt early, fund Pay-go Projects, and make excess contributions to the pension system

- The County has maintained disciplined expenditure growth, with General Fund expenditures growing at only 4.35% annually over the past ten years
- Consistent history of early prepayment of debt has helped the County maintain relatively low debt levels
 - \$227.5 million prepaid in last five years
- Continued use of variable debt allows for prepayment flexibility in the future
 - Plan to use \$175 million over the next 5 years to prepay outstanding debt

Historic Debt Prepayments		Pay-go Spending on Capital Improvements		Excess Contribution to Pension System	
Series	Amount (\$Mn)	Fiscal Year	Amount (\$Mn)	FY	Amount (\$Mn)
1994 POBs	\$63.5 ^(a)	2005-06	\$10.8	2004-05	\$24.9
2002C PINES	100.0	2006-07	105.6	2005-06	40.0
2002B POBs	64.0	2007-08	44.3	2006-07	26.9
Total	\$227.5	Sub-total	\$160.7	Total	\$91.8
		2008-09 (projected)	\$151.2		
		Total	\$311.9		

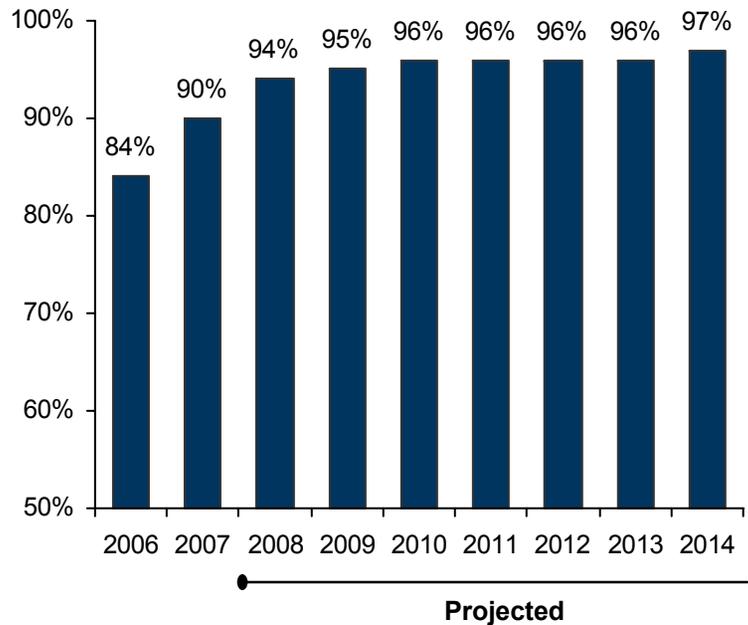
(a) Defeased to Maturity



Historical and Projected Pension Funding Status

- The County has over contributed \$91.8 million above its pension ARC
- The 2008 Funded Ratio assumes 0% annual investment return for FY2007-08
- Asset Smoothing Method: If the actual return on the market value of the assets differs from the expected return, the difference will be recognized over a five-year period
 - Projected funding status is expected to improve measurably due to over \$900 million of unrecognized gains yet to be included in the Actuarial Value

Historical & Projected Funding Ratio^(a)



Fiscal Year	County Contribution (\$Mn)	UAAL (\$Mn)	Funded Ratio
2006	\$244	\$1,232	83.6%
2007	321	832	89.7
2008 ^(b)	247	563	93.5
2009 ^(b)	228	440	95.3
2010 ^(b)	218	382	96.2
2011 ^(b)	218	392	96.3
2012 ^(b)	224	486	95.7
2013 ^(b)	236	461	96.2
2014 ^(b)	255	422	96.8

(a) Source: The Segal Group, Inc. Actuarial Valuation and Review as of June 30, 2007. Projections based on the June 30, 2007 valuation.

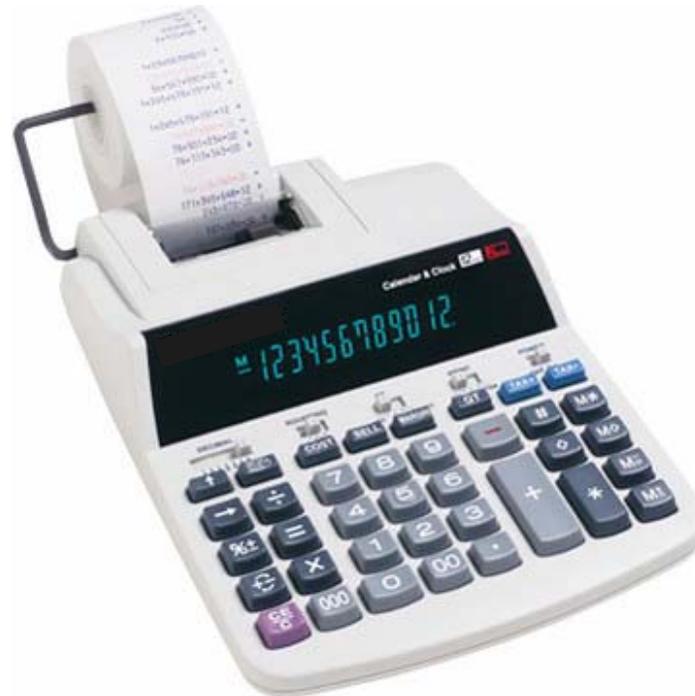
(b) Projected.



State Budget Impact on County

- County Board of Supervisors is firm on its position of not backfilling State cuts
- Seasoned and disciplined board committed to fiscal stability and has a history of making tough financial decisions to maintain structural balance
 - When the revenues go away, the expenditures go away

V. Financial Management Strengths





The County employs strong financial management practices

■ Fund balance and reserves policy/working capital reserves

- Fiscal Year 2007-08 unreserved/undesignated General Fund balance of \$584.3 million, of which \$351.7 million remains unappropriated
- Conservative budgeting consistently produces net operating surpluses

■ Pay-as-you-go capital funding policies

- History of cash financing of capital projects- \$160 million in the last three years

■ Debt affordability reviews and policies

- Completed debt capacity review and long-term financial planning model to support execution of the Capital Improvement Needs Assessment
- Debt Advisory Committee (DAC) oversees debt management

■ Rapid debt retirement policies

- Strong record of early debt repayment
- County has contributed \$319.3 million to pay down debt and over contribute to its pension fund

■ Multiyear financial/capital forecasting

- Two-year operational plan and five-year financial forecast
- Long term capital planning policy and five year capital needs assessment program

■ Strong, conservative investment policies and oversight

- County Investment Policy reviewed annually by the Board of Supervisors
- County Investment Pool rated 'AAA' last 9 years
- Treasury Oversight Committee audits investment pool and reviews policies every year



The County employs strong financial management practices (con't.)

- **Active and prudent management of OPEBs and Pension Obligations**
 - Excess Earnings Policy to use portion of excess earnings to fund pension liability
 - County plans to continue to fully fund pension and OPEB ARC
- **Policies regarding nonrecurring resources**
 - One-time resources only used for one-time expenditures
- **Quarterly financial reporting and monitoring**
 - Comprehensive financial disclosure in Appendix A
 - Quarterly Variance reports disclosed on County's website
- **Financial reporting and budgeting awards**
 - Received GFOA Distinguished Budget Presentation Award
 - Received GFOA Certificate of Achievement for Excellence in Financial Reporting for CAFR
 - Received State Controller's Award for Achievement Excellence in Financial Reporting
 - Received GFOA award for County Investment Pool CAFR

VI. County Operations Center Overview





The current County Operations Center is in need of replacement

- The current buildings are over 40 years old
- Capital renewal projected at over \$67 million within the first six years, and \$216 million over the next 20 years
- Other concerns include poor on-site public access, and operations that are inefficiently divided over two non-contiguous campuses





The new COC will consolidate and streamline County operations



Phasing	Construction Costs (\$Mn)	Start	Completion
Phase 1	\$308.4	Fall 2008	Spring 2012
Phase 2	\$150.0	Spring 2012	Winter 2013

- Series 2008 Bonds are being issued to fund a portion of Phase I of the project
- Some current occupants of the campuses will be relocated using one-time fund sources of \$56 million to acquire alternative space

- The COC and Annex are on nearly 57 acres of land centrally located about 10 miles north of downtown San Diego, and house 2,280 County employees from 26 County departments on two campuses
- Construction to replace the 40-year old facilities will take place over two phases and is scheduled to begin in late 2008 and to be completed in 2013
- Built to LEED Silver Standard with improved energy efficiency and sustainability
- Improvements will include:
 - 6 four-story buildings of 150,000 square feet each
 - A 20,000 square-foot conference center with food services
 - A new central plant
 - 2 multi-level parking structures



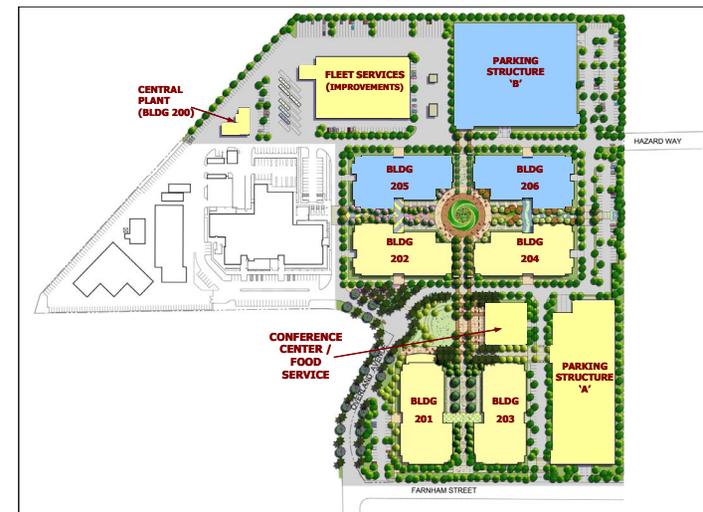
Overview – COC Components

2008 COC Capital Project - Phase I



- Phase I Improvements:
 - 4 office buildings
 - 1 parking garage
 - Conference center with food services
 - A new energy-efficient central plant
 - Off-site improvements to improve road access and mitigate additional traffic impacts
- Designed to stand-alone if Phase II is not implemented

Future COC Capital Project - Phase II



- Phase II Improvements (in blue):
 - 2 office buildings
 - 1 parking garage
- Results in additional consolidation of County operations and reduces rented office space



Key Milestones for COC Plan of Finance (Phase I)

Date	Activity
September 10 th	Rating Agency Presentations Completed
September 23 rd	County Board Approves Financing
September 24 th	Receive Long-term Ratings
September 25 th	Fixed Rate POS Posted
October 1 st	Price Fixed Rate Bonds
October 8 th	Receive Short-term Ratings
October 9 th	Variable Rate POS Posted
October 14 th	Price Variable Rate Bonds
October 15 th	Closing

Note: Preliminary, subject to change.



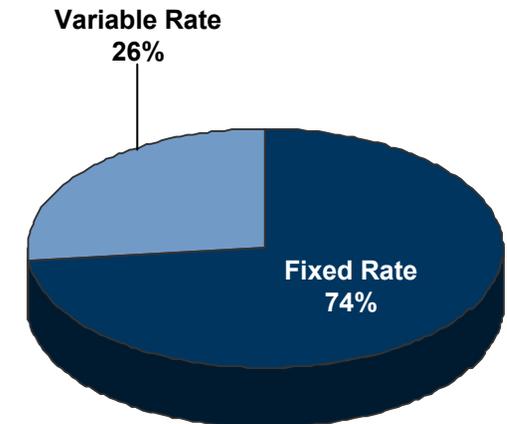
The COC Financing

- The 2008 COC Plan of Finance incorporates:
 - Fixed Rate debt for certainty in financing cost
 - Variable Rate debt for prepayment flexibility
- Wells Fargo will provide Letter of Credit for the VRDBs

Total Series 2008 COC Sources and Uses

	Fixed Rate	Variable Rate	Total
Sources Of Funds			
Par Amount of Bonds	\$217,530,000	\$75,000,000	\$292,530,000
Original Issue Discount	\$(2,352,141)	-	\$(2,352,141)
County Cash Contribution	\$75,000,000	-	\$75,000,000
Construction Fund Earnings ^(a)	\$12,390,272	\$2,903,021	\$15,293,293
Total Sources	\$302,568,131	\$77,903,021	\$380,471,152
Uses Of Funds			
Construction Costs	\$249,857,885	\$58,541,310	\$308,399,195
Capitalized Interest & Fee Fund	\$36,769,914	\$13,937,742	\$50,707,656
Debt Service Reserve Fund	\$14,335,058	\$4,983,025	\$19,318,083
Total Costs of Issuance	\$1,605,274	\$440,944	\$2,046,218
Total Uses	\$302,568,131	\$77,903,021	\$380,471,152

Series 2008 COC Financing Debt Profile



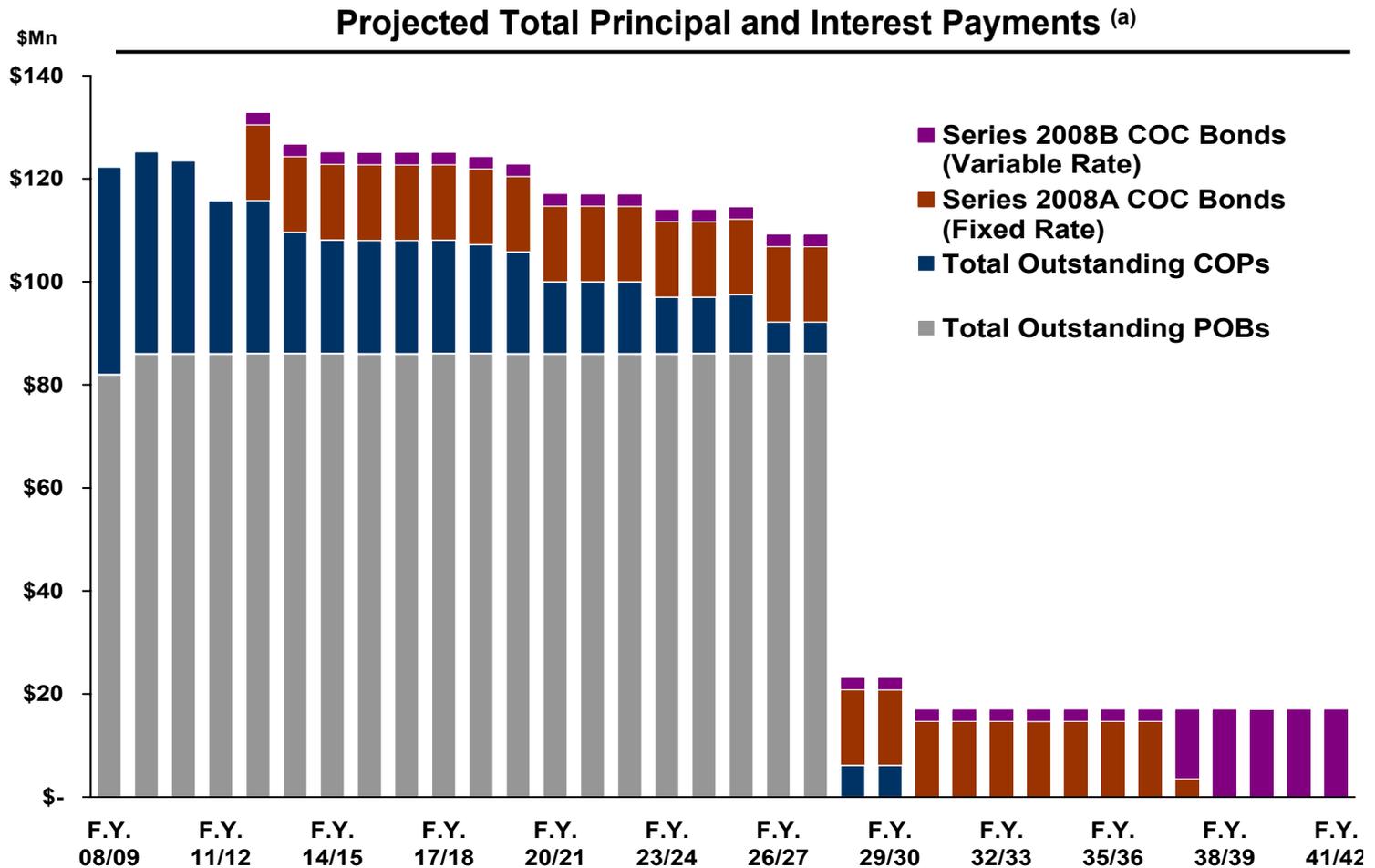
Note: Preliminary, subject to change.

(a) Construction Fund Earnings assume 3% interest rate.



General Fund Debt Profile

- Prudent debt mix with approximately 89% fixed-rate and 11% variable rate after the COC financing



Note: Series 2008 COC Bonds Preliminary, subject to change.

(a) The Series 2008B POBs bear interest at a variable rate; such interest rate is assumed to be 4.61% (10-yr. average of LIBOR). The Series 2008B COC Bonds bear interest at a variable interest rate; such interest is assumed to be 2.57% (10-yr. average of SIFMA). Series 2008 COC Bonds are shown net of capitalized interest.

VII. Closing Remarks





Conclusion

- **County's fiscal outlook is stable and projected to strengthen**
 - Strong history of population and employment growth

- **County's strategic plan and financial objectives position the County for the future**
 - Continued funding of ARC
 - Low levels of outstanding debt
 - Prudent and conservative debt mix

- **Strong stability and continued growth in challenging market conditions**
 - 4.6% AV growth for FY2008-09
 - Significant AV cushion provided by established real estate base

- **Conservative and strong budget and leadership**
 - Institutionalized prudent financial management practices and policies
 - Large and stable reserves

County's rating merits an upgrade