



County of San Diego: *Confronting the New Economic Reality*

Economic Roundtable
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Overview

1. County Overview
2. Effects of Economic Downturn
3. The Way Ahead



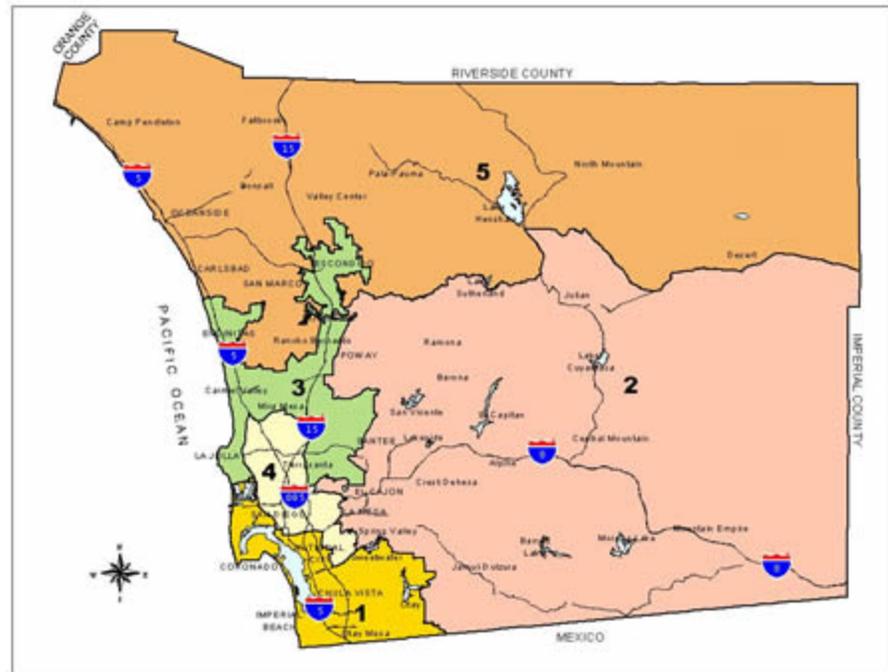


Section I: County Overview



San Diego County Overview

- \$5.0 billion budget
FY 2009-10
- Approximately
16,000 employees
- 4,261 square miles
- Serves over 3 million
people in the region



San Diego County: What We Do

- **State Programs**

- Examples: social service assistance, health programs, foster care, adult protective services

- **Regional Services**

- Examples: detention facilities for kids and adults, criminal prosecution, elections, tax assessment and collection, air quality monitoring, food and restaurant inspections, beach water monitoring, public swimming pools regulation, hazardous materials response

- **Municipal Services in Non-City Communities**

- Examples: law enforcement, libraries, parks, roads, land use zoning



A Balanced Budget

Revenues = Expenditures



San Diego County Revenue

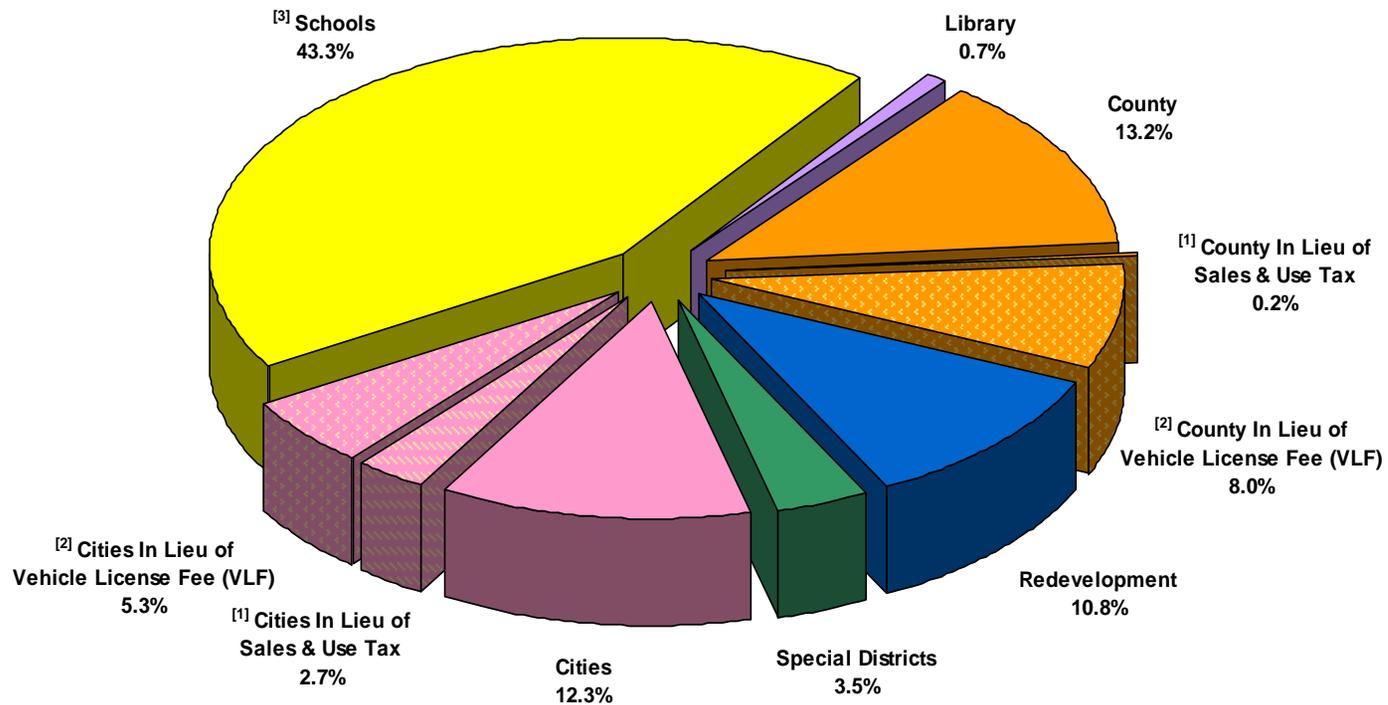
- **Program Revenue Funds Specific Programs**
 - State and federal funding for entitlement and other mandated programs
 - Restricted in use
 - Makes up the bulk of County's revenue
- **General Purpose Revenue Funds Most Regional Law Enforcement, and General Government Services**
 - Primary source of discretionary funding
 - Property tax makes up the bulk
 - Other sources include unincorporated area sales tax, vehicle license fees, transient occupancy tax, real property transfer tax, and other miscellaneous revenues



Property Tax Allocation

1% PROPERTY TAX REVENUE ALLOCATION
FY 2008-2009

TOTAL REVENUE \$3,986,630,682



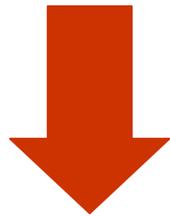
- [1] Represents the exchange of Property Tax for Cities and County Sales and Use Tax as authorized under Assembly Bill 1766, chaptered August 2, 2003.
[2] Represents the exchange of Property Tax for Cities and County Vehicle License Fees as authorized under Senate Bill 1096, chaptered August 5, 2004.
[3] Revenue for Schools has been reduced by the ERAF deficit as authorized under Senate Bill 1096, chaptered August 5, 2004.

Section 2: Effects of Economic Downturn



Economic Downturn Effects

Revenues



Expenditures



Exposure to Economic Downturn

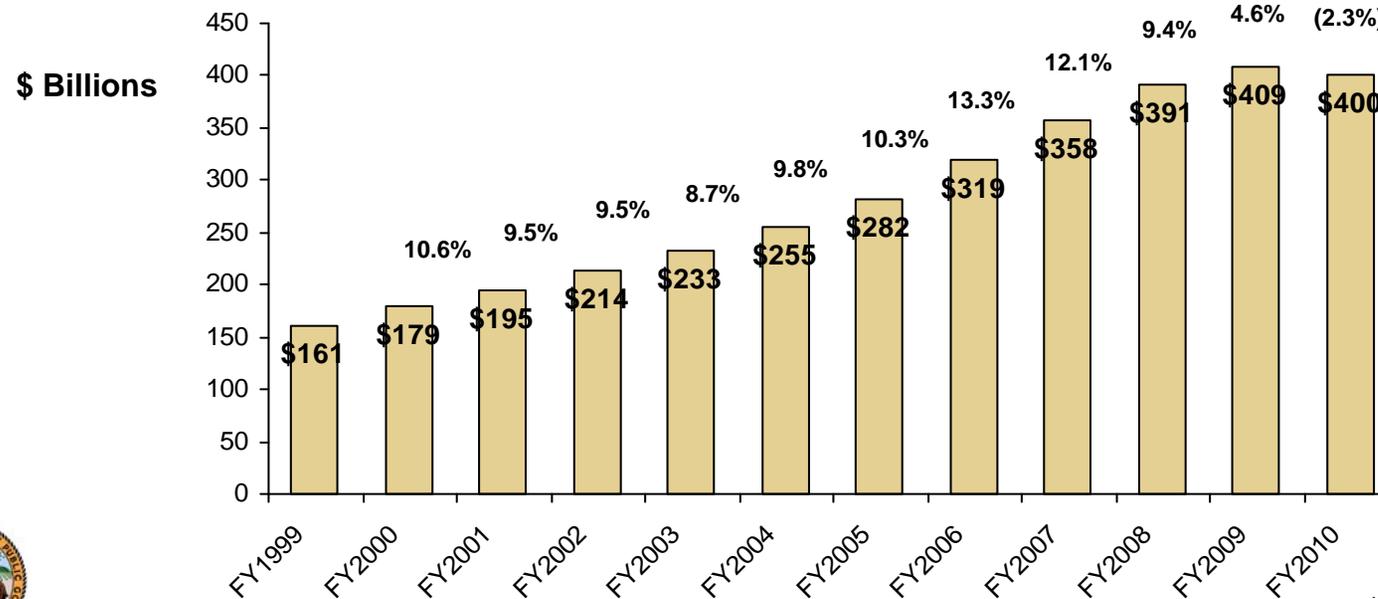
- **Weak Real Estate Market Impacts Property Tax Base**
 - Projecting a decline in assessed value for this year
 - Effects of reassessments and market slowdown
- **Continued Effects of Global Recession**
 - Sales Tax and Vehicle License Fee revenue slowdown
- **Expenditure Increases**
 - Economy-driven caseload growth in programs that support people in need
- **Continued State Uncertainty**



Property Tax Base

- Property tax base has increased on average 8.7% annually since 1998-99
- Proposition 13 impact on assessed value
 - 2% maximum annual inflation adjustment
 - CPI negative 0.2%

AV 1999 – 2010 and % Change



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

Property Taxes: Slow Rebound

- Because of Proposition 13's limits, property tax revenues will likely not recover for many years
- Property tax revenues will continue to lag any economic recovery
- Example from a recent San Francisco Chronicle article:

In 2005, a four-bedroom home sold for \$700,000. Annual property taxes were \$7000. If the home goes into foreclosure and now sells for \$400,000, the property taxes become \$4000. With Proposition 13's 2% cap on annual increases, it would take more than 25 years to make up that revenue loss, assuming the home is not resold.



\$700,000 home =
\$7,000 property taxes paid



Home sells for \$400,000 =
\$4,000 property taxes paid



Sales Tax

- Consumers reluctant to spend in current economic climate
- Sales tax revenue has declined considerably in recent years
- Sales tax revenue supports:
 - Realignment (health and social services programs)
 - Prop 172 (public safety programs)



American Recovery and Reinvestment Act of 2009 (ARRA)

- To Date the County Has Been Awarded Over \$68 Million in Federal Stimulus Dollars
 - Projects in specific areas such as health programs, housing assistance, crime prevention and energy conservation (Formulaic and Competitive)
 - One-time funds
 - Significant reporting and audit requirements
- Residents Can Track County Stimulus Spending
 - www.RecoverySDCounty.org





Section 3: The Way Ahead



New Economic Reality

- **Impacts of Economic Downturn**
 - Real estate market leading the economic slide
 - Record low consumer confidence stifling spending, restricting sales tax revenues
 - More people need help (foreclosures, layoffs) when local government can least afford it
- **State's Ongoing Budget Challenges**
- **Long-Term Challenge Facing Local Government Over Many Budget Cycles**



Prudent Financial Management

- Maintain a Long Range View
- Conservative Revenue Projections
- Maintain Prudent Fund Balances and Reserves
- Use of One-Time vs Ongoing Money
- Early Debt Repayment
- Cash Funding of Capital Projects
- Careful Consideration of Wage and Benefit Structure



Pursue Operational Efficiency

- Review Program Revenues for Full Cost Recovery
- Identify New Funding Sources
- Implement More Effective and Efficient Methods of Delivering Essential Services
 - Consolidate
 - Outsource
 - Re-engineer
 - Eliminate



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Thank you for your time.

