



County of San Diego

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To the honorable members of the Board of Supervisors and the Citizens of San Diego County:

The Comprehensive Annual Financial Report (CAFR) of the County of San Diego (County) for the fiscal year ended June 30, 2009, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Macias Gini & O'Connell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

COUNTY PROFILE

San Diego County is the southernmost major metropolitan area in the State of California and covers 4,261 square miles, extending 75 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most

of the population and resources are located. The average annual rainfall in the coastal areas is 10 inches, so the County is highly dependent on imported water.

The County population in January 2009 was estimated to be 3,173,407, an increase of 1.3% over the January 2008 revised estimated figure of 3,131,552, and it is the second largest county by population in California behind Los Angeles County. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with a population of approximately 1.354 million, and Del Mar is the smallest, with a population of approximately 4.6 thousand. In addition, Tijuana, Mexico, with a population of approximately 1.5 million, is a substantial urban neighbor with a shared border, workforce, and economy.

The racial and ethnic composition of the County is as diverse as its geography. The regional population for 2030 is forecasted to be 4.0 million according to the San Diego Association of Governments (SANDAG). In its 2030 Regional Growth Forecast Update, SANDAG projects the county will continue to see significant growth in the Hispanic population, with the share of Hispanic population (38.1%) approximately equaling the share of White population (38.1%) by 2030. The balance of the population make-up is expected to be as follows: Asian and Pacific Islander (13.2%), African American (4.8%), two or more races (5.0%), and all other groups (0.8%). While the County's racial and ethnic diversity is expected to change dramatically, SANDAG also projects a dramatic shift in the age structure of the county. SANDAG is projecting that the population of residents 65 years and older will more than double by 2030.



COUNTY GOVERNMENT, ECONOMY AND OUTLOOK

County Government

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. A five-member Board of Supervisors elected to four-year terms in district nonpartisan elections governs the County. Each board member must reside in the district from which he or she is elected. The Board of Supervisors sets priorities for the County and oversees most County departments and programs and approves their budgets. Per California Government Code 23005, the County may exercise its powers only through the Board of Supervisors or through agents and officers acting under the authority of the Board or authority conferred by law. The Board of Supervisors appoints the following officers: the Chief Administrative Officer (CAO), the County Counsel, the Probation Officer and the Clerk of the Board of Supervisors. The Chief Administrative Officer appoints the Chief Financial Officer, the Auditor and Controller and all other appointive officers. The CAO assists the Board of Supervisors in coordinating the function and operations of the County; is responsible for carrying out all of the Board's policy decisions that pertain to the functions assigned to that officers; and supervises the expenditures of all departments. Elected officials head the offices of the Assessor/ Recorder/ County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. The County provides a full range of public services to residents, including law enforcement, detention and correction, emergency response services, health and sanitation, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, such as foster care, public health care and elections. These services are provided by five business Groups (Public Safety, the Health and Human Services Agency, Land Use and Environment, Community Services and Finance and General Government), each headed by a General Manager [Deputy Chief Administrative Officer (DCAO)] who reports to the CAO. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, with eligible costs subject to reimbursement according to specific guidelines; however, not all mandated costs are reimbursed.

Economy and Outlook

The economic events of September and October, 2008, have had far reaching and long-term impacts on the financial markets in the U.S and around the world.

A series of federal fiscal and monetary policy actions have been initiated to address the credit crisis and economic volatility. The Federal Reserve has engaged in an extraordinary policy of monetary easing by expanding its balance sheet, purchasing

private assets and bringing the Federal Funds rate down to near zero. In addition, the Treasury has \$700 billion in budget authority under the Troubled Assets Relief Program (TARP) for capital infusions to banks, term securities lending facilities, auto loans, and a housing plan. Moreover, on February 17, 2009, the President signed into law the American Recovery and Reinvestment Act (ARRA) of 2009 designed to stimulate the nation's sputtering economy.

The global decline in economic activity necessitated a coordinated international response for a recovery in economic output and revival in world trade. Actions in April 2009 by the G-20 produced a global plan for recovery and reform.

Although nationally there has been modest improvements in recent economic data and a general easing in financial conditions, the economic outlook for a strong and sustainable recovery is uncertain at best. Housing and vehicle demand remains unclear following the expiration of the "first-time" homebuyer tax credit and "cash-for-clunkers" program. With unemployment still rising and income growth weak, consumer spending strength is also in doubt. Additionally, contributions to growth from capital expenditures, net exports and the government are uncertain. Finally, there are also significant uncertainties concerning the inflation outlook. Specifically, while economic slack is severe, the monetary stimulus, rising commodity prices and a weaker dollar may boost inflation expectations and inflation.

San Diego County was one of the first areas in California and the nation to experience the housing price meltdown, feel the financial impacts from the credit crisis, and experience a jump in loss of jobs. The unemployment rate for the County has been lower than that of the State for the last 9 years. While the unemployment rate has remained lower than the State rate, the County's unemployment rate has jumped from 6.3% at June 30, 2008 to 10.2% at June 30, 2009. The State unemployment rate increased from 7.6% to 11.4% during the same period.

The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. For example, there is an increased demand for public assistance, while at the same time the State and local resources available to fund those services are shrinking. Fewer customers are seeking land development or building permit services, making it difficult to maintain core services for these fee-based programs. The real estate market slump affects the County's general purpose revenue, which is expected to decline in Fiscal Year 2009-10 from Fiscal Year 2008-09. General purpose revenue is relied upon to fund local discretionary services, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government. The State of California's budget has been severely impacted by the recession and consequently has had to cut funding to local governments in many program areas, including grants for certain public safety services.



County management continues to evaluate and respond to the changing economic environment and its impact on the cost and the demand for County services. Specific actions are detailed in the 2010 Adopted Operational Plan which can be accessed at <http://www.sdcountry.ca.gov/auditor/budinfo.html>.

County's Economic Base

The County's economic base consists of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence. Highlights of County employment as of July 2009 are listed below:

- ◆ Non-agricultural employment totaled 1,240,200 jobs. This represents a loss of 62,600 jobs from the unadjusted July 2008 employment figures.
- ◆ The services industry constitutes the largest employment sector and accounted for approximately 47.0% of non-agricultural employment, with a total of 582,600 employed.
- ◆ The wholesale and retail trade industries were the second largest, with the non-government sector, comprising approximately 14.2% of non-agricultural employment totaling 175,600 jobs.
- ◆ Government accounted for approximately 17.5% of non-agricultural employment. San Diego's military presence contributes to this significant component.
- ◆ Manufacturing accounted for an additional 7.7% of non-agricultural employment.
- ◆ The construction sector is greatly influenced by the general health of the economy, and in particular, population and housing growth. Construction employment, which accounted for 5.4% of total non-agricultural employment or 67,000 jobs, was down 14,300 jobs from the unadjusted July 2008 employment figures. The continued low level of residential building permits, sustained high level of foreclosures, and year over year decline in median home prices are all expected to continue to negatively impact construction jobs through the end of 2009 and into 2010.
- ◆ The financial sector, including finance, insurance, real estate and related employment, represents 6.0% of non-agriculture employment. Financial activities experienced a reduction of 1,600 jobs from the unadjusted employment figures for July 2008.
- ◆ Agriculture accounted for approximately 0.8% of total employment.
- ◆ As noted above, from July 2008 unadjusted employment figures to July 2009, the San Diego County region experienced a net job loss of 61,700. This compares to a decrease of 4,500 jobs the previous year. The County is in the midst of significant volatility. San Diego's index of leading economic indicators, however, has been up slightly

over the last few months. While a full economic recovery is not expected for some time, 2010 should see continued signs of improvement for the region.

County revenues that are affected by the state of the local economies include property taxes, sales taxes, and charges for services. Key factors impacting these revenues include real estate activity and consumer spending which are in turn greatly influenced by interest rates and the general economy. Although short and long-term interest rates are low by historical standards, there is continued uncertainty regarding the pace of economic recovery at the national, state and local levels.

An impact of the overall housing market decline is an improvement in the California Association of Realtors index for first-time buyers throughout California. Based on the California Association of Realtors' First Time Buyer Housing Affordability Index, San Diego's housing affordability index, (the percentage of households that can afford to purchase an entry-level home) increased to 59% in June 2009, up from 56% in December 2008, up from 31% in December 2007, and up from 23% in December 2006. This index is based on an adjustable rate mortgage and assumes a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price. The improvement in the percentage of households that could afford to buy an entry-level home in San Diego was based on the market driven drop in entry-level priced homes and the corresponding adjustment to the monthly payment needed (including taxes and insurance) and an adjustment to the qualifying income level for the lower priced entry-level homes.

Sources: State of California Department of Finance, San Diego Association of Governments (SANDAG) - San Diego's Regional Planning Agency, the State of California Employment Development Department, and the California Association of Realtors.

GENERAL MANAGEMENT SYSTEM

The General Management System (GMS) is the formal comprehensive guide for planning, implementing, monitoring and rewarding all functions and processes of County Government. The GMS establishes good business practices and fiscal discipline, both of which are essential to achieve the County of San Diego's vision, "A County Government that has earned the respect and support of its residents." The purpose of the GMS is to optimize the efficient application of resources in the delivery of services to our residents. These resources include not just taxpayer dollars, but all San Diego County assets, including our unique natural and cultural resources, the expertise and creativity of County employees, and the informed interest of County residents. The idea behind the GMS is straightforward: County government will be able to provide superior services if it sets sound goals and applies strong management principles to achieve those goals.

The County had an adopted annual budget of \$5.19 billion and about seventeen thousand employees (staff years) who serve



about three million residents spread over more than 4,000 square miles. Coordination, fiscal and operational discipline, and shared commitment are vital. The GMS facilitates and organizes the goal setting process. The GMS then links goal setting and long-range planning and resource allocation to goal attainment, which includes monitoring, evaluation, cooperation, motivation, and recognition. The GMS helps ensure that County employees adhere to core principles, promoting a culture that values our employees, partners, and customers and institutionalizes continuous improvement and innovation.

The GMS process begins with a long-range, five-year strategic planning process. This is followed by the short-term, two-year operational planning process, which encompasses the budget process, wherein each department's strategic objectives and resources allocated to achieving them are detailed. Monitoring and control take place throughout the year. Evaluation mechanisms are used to ensure that goals are tracked, plans followed, and risks identified. Functional threading maximizes efficient use of personnel and material resources by coordinating staff and linking the functions they perform. Motivation, rewards, and recognition encourage continuing progress by rewarding those who meet and exceed goals. The system completes a full circle in a fiscal year and begins again with a review of the Strategic Plan and development of a new Operational Plan.

County management defines and communicates GMS objectives. Lines of authority flow from the Board of Supervisors to the Chief Administrative Officer (CAO), Assistant CAO (ACAO), and the five Group General Managers/Deputy CAOs. These senior managers supervise appointed department heads, from whom authority flows down to line staff. Despite the crucial role of management, the success of the GMS depends on strong and effective leadership at all levels of County service. Every County employee is expected to help set goals, strive to achieve them, and be recognized for achievement.

The GMS helps ensure that sound planning, preparedness, and improvement become permanent organizational ethics. With the GMS as a guide, the County continues to use strong fiscal management practices, while remaining focused on providing superior services to County residents. The principles and procedures outlined by the GMS are meant to apply to every County function on an ongoing basis.

STRATEGIC AND OPERATIONAL PLANNING (BUDGETARY) PROCESS

As noted above, a five-year Strategic Plan is updated annually to provide long-term direction to County managers and staff. Each fiscal year a two-year Operational Plan is prepared and details each department's strategic objectives and the resources required to achieve them. The Operational Plan is monitored regularly and is linked to the GMS system of rewards

and recognition. The annual Line-Item Budget incorporates the first year of the Operational Plan and is formally adopted by the Board of Supervisors pursuant to Government Code 29000 et seq. During the year, departments may request budget adjustments for new and existing programs. In addition, the Chief Administrative Officer reviews the status of the County's performance against budget in a quarterly status report to the Board of Supervisors.

FINANCIAL (BUDGETARY) POLICIES

Government Code Sections 29000 through 30200 provide the statutory requirements pertaining to the form and content of the County's Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing".

County Charter Section 703 establishes the Chief Administrative Officer as responsible for all Group/Agencies and their departments (except departments with elected officials as department heads) and for supervising the expenditures of all departments and reporting to the Board of Supervisors on whether specific expenditures are necessary.

County Administrative Code Article VII establishes the components and timeline for the budget process and establishes the Chief Administrative Officer as responsible for budget estimates and submitting recommendations to the Board of Supervisors.

The County has the following financial policies that serve as guidelines for the budget process:

Board of Supervisors Policies

A-136 Use of County of San Diego General Management System for Administration of County Operations: Establishes the General Management System (GMS) as the formal guide for the administration of County departments, programs and services, and ensures that all County departments and offices operate in compliance with the GMS.

B-29 Fees, Grants, Revenue Contract: Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-71 Fund Balance and Reserves: Establishes guidelines regarding the use of fund balance and the maintenance of reserves in order to protect the fiscal health and stability of the County. Expenditures for services are subject to fluctuations in demand and revenues are influenced by changes in the economy and by State and federal regulations. This policy ensures the County is prepared for unforeseen events by establishing and maintaining prudent levels of fund balance and reserves.

M-13 Legislative Policy: State-Mandated Local Program Costs: Calls on the State and Federal Legislature to encourage equitable reimbursement of mandated local program costs.



M-26 Legislative Policy: Long-Term Financing of Local Agencies: Calls on the Legislature to redress inequitable State funding formulas.

Administrative Manual

0030-01 Full Cost Recovery of Services: Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as guidance in the process of recovering full costs for services provided to agencies or individuals outside the County of San Diego organization under grants or contracts or for which fees may be charged.

0030-06 State Mandated Cost Recovery: Establishes guidelines to attempt full recovery of all State mandated costs resulting from chaptered legislation and executive orders.

0030-14 Use Of One-Time Revenues: One-time revenue will be appropriated only for one-time expenditures such as capital projects or equipment, not to ongoing programs.

0030-18 Transfers Of Excess Cash Balances To General Fund: Provides for transfer of excess cash balances to the General Fund from funds within the County's area of financial and cash management which contain earnings or moneys in excess of those funds' requirements.

0030-19 Revenue Match Limitation: Revenue matches will be limited to the mandated level unless clear justification is provided which results in a waiver of this policy by the Board of Supervisors.

0030-22 Revenue Management - Auditor and Controller & Chief Administrative Responsibilities: Chief Financial Officer/Auditor and Controller and Chief Administrative Officer are responsible for reviewing and evaluating revenues from all sources in order to maximize these revenues within legal provisions and to institute internal controls and systems to be used by departments to estimate, claim, and collect revenues.

STRATEGIC INITIATIVES AND ACHIEVEMENTS

The inability of State government to develop a viable long-term solution to its budget imbalance remains a risk to funding and stability of County programs, since State aid is the primary source of County revenues. The widening gap between state funding and the cost of administering services is coupled with a slow economy. The County has lost significant funding from the State, which is grappling with the economic downturn in the context of its lack of financial solvency and discipline while at the same time, revenues the County receives directly, such as property and sales taxes, have flattened or decreased and the cost of fuel, building materials and other materials needed to provide services to the public continues to rise.

Notwithstanding, County government continues to follow the map of the Strategic Plan developed within the discipline of the GMS. The County's Strategic Plan clearly identifies the organization's priorities, so that both the public and employees can better understand how the County will use its resources

during the next five years and what to expect as a result. Consistent with the County's General Management System, activities undertaken to achieve these goals will be tracked and reported throughout the year, to ensure accountability and results. The Strategic Initiatives focus on what the County will do to serve the public and change over time as public needs, desires and priorities change. The County's strategic Initiatives are:

- ◆ **Kids** - Improve opportunities for children and families.
- ◆ **The Environment** - Manage the region's natural resources to protect quality of life and support economic development.
- ◆ **Safe and livable Communities** - Promote safe and livable communities.

The Strategic Plan also includes Required Disciplines that address the County's internal priorities. The Required Disciplines are the foundation the County organization must establish to accomplish our public service goals efficiently and effectively. They set the standards for continued operational excellence the County is committed to achieving. These Required Disciplines are:

- ◆ Fiscal Stability
- ◆ Customer Satisfaction
- ◆ Regional Leadership
- ◆ Skilled, Adaptable and Diverse Workforce
- ◆ Essential Infrastructure
- ◆ Accountability/Transparency
- ◆ Continuous Improvement
- ◆ Information Technology

Within the structure of the two-year operational planning process, the County plans for and attains interim progress toward achievement of the Strategic Initiatives. Some of the significant steps of the last year were:

Kids

- ◆ The Health and Human Services Agency focused on children under 10 years of age, both through the current child welfare system and through other strategies which included the Nurse Family Partnership (NFP), an evidence-based, nurse-home visiting program that helped first-time, low-income, high-risk mothers raise healthy children. In the East Region, 96% (47 of 49) of children of NFP graduates received all their immunizations and in the South Region, 97% (59 of 61) of clients initiated breastfeeding. The Agency also collaborated with the County Office of Education on School Success, a program designed to help foster children tackle the difficulties they face at home and school. This program ensures that the educational needs of foster care children and youth are identified early and offers them a full array of academic support services and research. With the early implementation of the partnership (which incorporates education liaison services with social worker placement



services at each of the Agency's six regions), 675 foster children were referred for services January through June 2009.

- ◆ The Probation Department successfully reduced the total number of violent incidents in juvenile institutions by 11%. The department has been successful in reducing violent incidents over the past two years due to changes in training and operational policy.
- ◆ The District Attorney increased the prosecution of Internet crimes against children by 45%.
- ◆ The Parks and Recreation Department promoted recreational opportunities and environmental awareness for 9,000 youth by conducting formal and informal environmental education programs in 12 park facilities with an emphasis on water quality, watershed awareness and natural and cultural resources and by providing 39 outdoor adventure and education activities throughout the parks system and region. The department increased recreational activities for youth by providing 102 health-related events and classes, including a wide variety of environmental education and teen programs for 6,816 youth in the San Diego region, in support of the County's Childhood Obesity Action Plan and the Greater San Diego Recreation and Parks Coalition for Health and Wellness. The department also increased community involvement for young people by overseeing 3,657 youth and adult volunteers through 113 total community volunteer work events in 36 park facilities.
- ◆ The Parks and Recreation Department completed construction and improvements at Hilton Head Park in Rancho San Diego. The first-of-its-kind aquatic playground incorporates innovative design ideas with state-of-the-art computer and filtration system technology that kills bacteria. In addition, they completed improvements to shade structures and playground equipment at Fallbrook and Collier Parks, which make the equipment more usable by keeping it cooler in the hot summer months and keeping direct sunlight off the children.
- ◆ The Department of Environment Health conducted 18 outreach presentations regarding household hazardous waste to 2,500 students, 5 school presentations regarding vector control and awareness to approximately 3,200 students and 16 presentations to over 2,000 primary and secondary school children regarding hazardous materials and careers in environmental health. This was accomplished through class presentations and attendance at school science and technology fairs and exceeded the goal to conduct 35 outreach programs to approximately 2,000 students.
- ◆ The Department of Public Works enhanced school children's safety by working with school administrators to analyze, identify and implement school zone improvements for pedestrians, bicyclists, buses and automobiles at 13 schools. The department also initiated installation of flashing

beacons at the entrance to 25 MPH school zones on roads with prevailing speeds of 40 MPH or greater by identifying 6 candidate locations eligible for flashing beacons and are seeking grant funding through application to the California Office of Traffic Safety and other funding resources.

- ◆ The Department of Public Works repainted and re-marked crosswalks and roadway legends adjacent to all 116 public school locations throughout the unincorporated areas of the County. The department also completed construction or awarded construction contracts for five projects that improved traffic flow around schools and provided safe routes to schools. Projects included Grove Street in Lincoln Acres, Ashwood Street and Parkside Street East Sidewalks in Lakeside, Tavern Road Intersection Improvements in Alpine and a contract to replace curb, gutter and sidewalks at various locations throughout the County.

The Environment

- ◆ The Parks and Recreation Department expanded and protected park resources by adding 4,143 acres of parkland throughout the County over two years and initiated biological and cultural surveys in five County preserves and completed resource management plans (RMP) in 8 preserves.
- ◆ The Parks and Recreation Department completed construction and opened the San Elijo Lagoon Nature Center in January 2009. Exhibits feature recycled materials, solar panels, irrigated roof plants and recycled water that educate the public about Green Building concepts. The Nature Center was designed and built to attain LEED Platinum Certification.
- ◆ The Parks and Recreation Department received the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Silver Status certification for the Goodan Ranch Center. LEED Certification is the recognized standard for measuring building sustainability. The Goodan Ranch Center is the first County building to attain LEED Silver Status certification.
- ◆ The Department of Environmental Health developed an annual inspection schedule for each recycled water producer and an inventory of recycled water use sites that are due for a four-year shutdown test inspection through the expansion and improvement to the County's permit tracking database inspection module. This will help protect the public from the potential negative health affects of recycled water misuse.
- ◆ The Department of Public Works protected and preserved environmental resources by instituting a policy that all new landscaping installed by the department be Xeriscape to save water and decrease green waste. The department also improved energy efficiencies by changing first generation Light Emitting Diode (LED) lamps that have higher rate of burnouts with energy efficient LEDs that have a longer service life span at traffic signalized intersections. In



addition, the department identified 30 candidate intersections (goal was 25) with traffic signals eligible for LED lamp replacement and replaced over 500 LED units.

- ◆ The Department of Public Works protected and preserved the County's water quality and watersheds through the following:
 - ★ Converted concrete-bottomed segments of Ruxton Road Channel in the Sweetwater Watershed to natural, vegetated watercourses that provide natural filtration. This project won an American Public Works Association Project of the Year award.
 - ★ Conducted 385 watershed site investigations. These investigations provided crucial data for understanding the condition of receiving waters in all eight watersheds and how they are impacted by discharges from unincorporated communities.
 - ★ Removed 27,000 cubic yards of debris from culverts, drainage channels and roads through a systematic cleaning program to prevent pollution of the county's rivers, bays and ocean.
 - ★ Swept 16,193 lane-miles of roadway to clean debris from road surfaces and prevent pollution of the county's rivers, bays and ocean, meeting the goal.
 - ★ Cleaned 480 miles of sewer mains within the County's sanitary sewer system to protect public health and the environment by minimizing the risk of sanitary sewer overflows.

Safe and Livable Communities

- ◆ The Health and Human Services Agency opened a new state-of-the-art, skilled nursing facility to replace the existing Edgemoor facility. This is a 24-hour facility that provides long-term medical care to patients with complex medical needs. The new facility opened in early 2009 and accommodates up to 192 licensed beds, up from 175. Annual operational savings for the new facility is estimated at \$4.6 million. The energy-saving features that were incorporated will save approximately \$207,000 in utility bills every year for the next several years.
- ◆ The District Attorney, Sheriff, Probation and Public Defender collaborated with the Court, health treatment professionals and other criminal justice partners to develop a behavioral health court model that will reduce the recidivistic behavior of mentally ill offenders.
- ◆ The Sheriff's Department reduced the time for the Crime Lab to process and deliver DNA analysis for street crimes (robbery, burglary, auto theft) to area investigators from an average of 161 days to 52 days by creating a rapid response DNA Team.
- ◆ The Department of Child Support Services collaborated with the State and the Administrative Office of the Courts to design and develop a process involving collaborative negotiation with parents. Once implemented, this process will establish the baseline to measure whether

establishment or modifications of child support orders are processed more efficiently and whether this results in increased child support payment and increased parent satisfaction.

- ◆ The Office of Emergency Services, in partnership with the Land Use and Environment Group and the Forest Area Safety Task Force created a master fuel management plan to reduce the region's vulnerability to wildfires. This involved working with representatives from the 18 incorporated cities, other governmental jurisdictions and the private sector. They also developed a public education campaign and materials on reducing the risk of wildfires to reach three million residents.
- ◆ The Office of Emergency Services developed and implemented a public awareness campaign on the County's AlertSanDiego emergency notification system that directs residents to a Web link to register. This campaign provided information to the community about the difference between the system and Reverse 911, and the benefits of the notification system. There were 148,000 new registrants to AlertSanDiego.
- ◆ The Registrar of Voters conducted four elections that provide access for all voters and timely elections results, including the Presidential Election in November 2008, with a turnout of 83%, the highest percentage turnout since 1972.
- ◆ The Department of Planning and Land Use improved fire protection and emergency response by continuing to provide ongoing funding for existing contracts and much needed resources to rural communities, such as response apparatus. Additionally, the San Diego County fire services reorganization received final approval in 2009. Under the reorganization, fire agencies now provide 24-hour firefighting and emergency medical services for nearly 1 million acres in the unincorporated areas of the County.
- ◆ The Parks and Recreation Department expended \$13.7 million on non-acquisition park improvement projects of which approximately 16% was funded by grants. Projects included trail restoration and construction, improvements to community centers and campgrounds, design and development of sports fields, repairs to playgrounds and court surfaces, well replacements and habitat enhancement. They also enhanced 10 parks by completing 11 capital and major maintenance projects that improved recreational opportunities for the public. Projects included expanding the existing trail system, retrofitting lighting, repairs to aged playground and court surfaces, erosion mitigation and implementation of energy efficiency fixtures.
- ◆ The Parks and Recreation Department, in partnership with the San Diego County Farm Bureau, opened a new Farmers Market at Lindo Lake Park. The Farmers Market offers fresh foods and vegetables to approximately 200 shoppers each week. This Farmers Market is one of only a few in the County that accepts food stamps. The department also reopened Jess Martin Park, the only community park in Julian. The



park features a playground, three ball fields, skate park and on-site parking. A voter approved newly formed assessment district will fund ongoing operations and maintenance costs for the Park.

- ◆ The Department of Public Works negotiated an agreement with the Pauma Band of Mission Indians that set forth commitments of the Pauma Indians to provide mitigation necessitated by their development and operation of the expansion of their casino. This agreement provided a mechanism for the Pauma Indians to compensate the County for the costs of law enforcement and problem gambling programs.
- ◆ The Department of Public Works completed construction of the McClellan-Palomar Airport Terminal. This project won an American Public Works Association Project of the Year award

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER AWARDS AND RECOGNITIONS

Even with the financial and environmental challenges of Fiscal Year 2009, the County was recognized for many activities that highlight progress in the Strategic Plan Initiatives. County programs received awards for operational and service delivery achievements, technological innovations, and prudent fiscal management.

- ◆ San Diego County received 39 awards at the 2008 annual Achievement Awards competition sponsored by the National Association of Counties (NACo). This was the fourth year in a row that the County has received more awards than any other U.S. county. The winning programs, which span all five County business groups, were recognized for being innovative and successful, and for promoting quality, efficiency, and a responsive county government. The programs receiving awards included Students Taking Academic Responsibility (STAR), Independent Living Skills/ Foster Youth Workforce Services, Integrated Fire Suppression/Stormwater Compliance, Collaborative Citizenship Classes at Neighborhood Library Branches,

Crime Analysis Early Warning System, Health and Human Services Agency Contractor Financial Review, Medical Examiner Bereavement Center, Office of Emergency Services for Kids, Senior Expo: Protect Yourself and Your Wallet, Sheriff Mobile Photo Identification System and the Tweenie Kitten Foster Program.

- ◆ For the seventh consecutive year, the Government Finance Officers Association (GFOA) of the United States and Canada recognized the County with the Distinguished Budget Presentation Award for the Adopted Operational Plan: Fiscal Years 2008-09 & 2009-10.
- ◆ The Department of Media and Public Relations' County Television Network (CTN) received 9 awards at the National Association of Telecommunications Officers & Advisors conference in September 2008 for excellence in broadcast, cable, multimedia and electronic programming.
- ◆ The County Television Network (CTN) was honored in May 2009 with the large market Overall Excellence award by the Southern California and Nevada chapter of the national Association of Telecommunications Officers and Advisors.
- ◆ In 2009, the County of San Diego and Mental Health Systems, Inc. received the Public-Private Partnership Award from the San Diego Taxpayers Association for the Serial Inebriate Program - which offers treatment, shelter, and other supportive services to chronic public inebriates as an alternative to custody, saving San Diego County taxpayers more than \$800,000 a year. This program is made possible by the collaboration of a wide range of agencies and organizations including: San Diego County Alcohol and Drug Services, local law enforcement, hospitals and Mental Health Systems, Inc.
- ◆ The California State Association of Counties awarded the County a 2008 Challenge Award for its Rapid Response to Local Emergencies through the implementation of four Local Assistance Centers (LACs) opened to help fire victims within 72 hours of Firestorm 2007. During the wildfires, residents lost homes and cars, making it difficult to travel to locations from which they could receive aid. The LACs provided "one-stop-shops" for fire victims to apply for aid and to interface with local, state, federal and other agencies that provide services. Additionally, the LACs provided the County and other agencies with timely information about the needs of fire-affected communities.
- ◆ The County of San Diego took top honors in the 2008 Digital Counties Survey conducted by the Center for Digital Government. The Center for Digital Government recognizes counties using information technology in increasingly innovative ways and improving service to their citizens. The survey is an annual study by the Center and the NACo.
- ◆ The California State Association of Counties recognized three County programs with 2008 Merit Awards for innovation and excellence. The County programs selected include:



- * Food for Thought Partnership - a partnership between Aging and Independence Services and the County Library system to help older adults overcome isolation and poor nutrition through physical activity and a balanced meal in the supportive Library environment.
- * Serial Inebriate Program - offers treatment, shelter and other supportive services to chronic alcoholics to reduce their use of public safety and emergency medical care resources. The County's Alcohol and Drug Services united with the Police Department to develop a program for long-term homeless alcoholics that would slow their cycle of moving in and out of detoxification centers, jails and hospitals.
- * Workforce Academy for Youth - a comprehensive training program, which includes a six-month paid County internship, job coach, and life skills coach, to better prepare emancipating foster youth for jobs, encourage school education, and promote a successful transition to self-sufficiency.
- ◆ The California Department of Child Support Services (DCSS) honored the County's Department of Child Support Services with the coveted Large Caseload County Award for the Fiscal Year 2008. The State DCSS recognizes the top performing local child support agencies for their performance based on an average of their ranking in five federal performance measures. This was the first year the County has won the award.
- ◆ The Department of Planning and Land Use won the only two 2008 Best Practice Awards from the American Planning Association's San Diego Chapter for creating guidelines to evaluate environmental impacts and to reduce water pollution. The County was honored for its creation of the California Environmental Quality Act Guidelines for Determining Significance and the Low Impact Development.
- ◆ The National Association of County Park and Recreation Officials recognized the County with two awards. The book "Ranchos of San Diego County," co-authored by the County Parks Historian, was presented a 2009 Recognition of Outstanding Accomplishment award. Also, the Hilton Head Park Aquatic Playground, a central recreational feature at Hilton Head Park, received a 2009 Park and Recreation Facilities Award for Excellence in national park and recreation facility design; outstanding planning, construction and benefits to the community. The Department of Parks and Recreation was recognized by the California Parks and Recreation Society with a 2008 Achievement Award in Recreation Programs for outstanding achievement in development and implementation of the Movies in the Park series. The program was selected for its contribution to the mission of parks and recreation by strengthening community image,
- ◆ The California Counties Facilities Services Association named the Department of General Services as a recipient of the 2008 Award of Excellence for its exceptional dedication and continued efforts to advance the development of programs and processes that extend the life of public facilities.
- ◆ The Department of Human Resources received the Best Managed Implementation - 2008 award from NEOGOV for their conversion to the new online job application system. The award was based on several factors, including the speed of the implementation and thoroughness of the business process re-engineering, and was highlighted during a presentation at NEOGOV's annual conference.
- ◆ The San Diego County District Attorney's Office received a Workplace Excellence Award from the San Diego Society for Human Resource Management for recognition as an outstanding workplace, through implementation of professional and innovative human relations programs, such as the DA University program, which provides in-house continuing education for employees, and the "You Are a Star" recognition and reward program.
- ◆ The Department of Purchasing and Contracting received its eighth consecutive Achievement of Excellence in Procurement Award from the National Purchasing Institute for demonstrating excellence in innovation, professionalism, productivity, e-procurement and leadership.
- ◆ The Farm and Home Advisor's Office received two national awards for the "Money Talks for Teens," a program designed to teach teens about money management from the National Extension Consumer and Family Science Association and from the Association for Financial Counseling, Planning and Education.
- ◆ The Health and Human Services Agency's Children's Services program received a 2008 Adoption Excellence Award in the category "Support for Adoptive Families" from the U.S. Department of Health and Human Services for the extraordinary contributions the County has made in providing adoption and other permanency outcomes for children in foster care.



ACKNOWLEDGMENTS

We would like to express our appreciation to the accounting staff of County departments and the staff of the Auditor and Controller's department whose coordination, dedication and professionalism are responsible for the preparation of this report. We would also like to thank Macias Gini & O'Connell LLP for their professional support in the preparation of the CAFR.



DONALD F. STEUER
Chief Financial Officer



Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staff for using sound business practices while conducting the financial operations of the County.

Respectfully,



TRACY M. SANDOVAL
Auditor and Controller

