



County of San Diego

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GRAND JURY
HUMAN RESOURCES
RETIREMENT ASSOCIATION
TREASURER-TAX COLLECTOR

November 15, 2013

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, 2013, 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, 2013. 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.

In March 2011, the U.S. Census Bureau estimated the County's population for 2010 to be 3,095,313, an increase of 10.0% from the 2000 figure of 2,813,833. The State of California Department of Finance released population data incorporating the 2010 Census counts as the benchmark showing the County's revised population estimate for January 1, 2012 was 3,128,734 and the County's population estimated for January 1, 2013 was 3,150,178. San Diego is the second largest county by population in California and the fifth largest county by population in the nation, as measured by the U.S. Census Bureau. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with a population of approximately 1,321,315; and Del Mar is the smallest, with a population of approximately 4,194.

The racial and ethnic composition of the County is as diverse as its geography. The regional population for 2030 is forecasted to be 3.9 million according to the San Diego Association of Governments' (SANDAG's) 2050 Regional Growth Forecast final series as of October 2011. SANDAG projects that in 2030 San Diego's population breakdown will be 41.9% White, 37.0% Hispanic, 11.4% Asian and Pacific Islander, 5.4% African American, and 4.3% all other groups. A significant growth in the Hispanic population is seen in this projection.

County Government, Economy and Outlook

County Government

San Diego became one of California's original 27 counties on February 18, 1850, shortly after California became the 31st State in the Union. The County 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 is limited to no more than two terms and 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 Section 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 Assistant CAO/Chief Operating 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 officer; 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 who reports to the CAO.

Economy and Outlook

The 2007-2009 recession and the sluggish growth thereafter have caused the US economy to continue to perform at a level below that which existed prior to the recession. In 2012, real gross domestic product (GDP) increased by 2.8% compared to a 1.8% increase for 2011. According to the United States Department of Commerce Bureau of Economic Analysis (BEA), the acceleration in real GDP in 2012 primarily reflected a deceleration in imports, upturns in residential fixed investment and in private inventory investment, and smaller decreases in state and local government spending and in federal government spending that were partly offset by decelerations in personal consumption expenditures (PCE) and in exports. For the second quarter of 2013, the U.S. economy increased at an annual rate of 2.5% compared to an increase of 1.1% in the first quarter of 2013. The increase in real GDP in the second quarter primarily reflected positive contributions from PCE, nonresidential fixed investment, private inventory investment, and residential investment that were partly offset by negative contributions from federal government spending. Imports, which are a subtraction in the calculation of GDP, increased.

It should be noted that in July 2013, the BEA issued a comprehensive revision of GDP figures for 1929 through the first quarter 2013. Revisions included a change in the reference year from 2005 to 2009, current-dollar GDP revised up for all years, and 2012 revised up from 2.2 percent to 2.8 percent.

Minutes from the Federal Open Market Committee meeting on July 30 and 31, 2013, indicated that economic activity expanded at a modest pace during the first half of the year. Tighter federal fiscal policy, including cuts in government purchases and grants,

restrained economic activity. While the Revised GDP numbers in the first half of 2013 are lower than expected and lower than the 2012 annual rate, the Committee expects that real GDP will accelerate in the second half of the year and continue to strengthen in 2014 and 2015. However, state and local government purchases and construction expenditures continued to decrease and uncertainty remains about the effects of the federal spending sequestration.

In the first half of 2013, conditions in the housing market continued to improve, as indicated by increases in home prices, low inventories of homes for sale, and strong demand for construction. Nationally, sales of both new and existing homes increased in May and June. Consumer price inflation slowed markedly and measures of longer-term inflation expectations remained stable. Unemployment was 7.6% nationally in June, with little overall change in the unemployment rate or gross private-sector hiring from the prior few months. Manufacturing production expanded in June, led by auto production with sales near pre-recession levels. Broader indicators were generally consistent with further modest gains in factory output in the near term. Household spending has been more positive in the third quarter of 2013, in part due to equity value in home prices.

According to Moody's Analytics, economic data show the U.S. economy moving in the right direction, with employment reports pointing to a recovering labor market, housing prices heading higher and GDP surprises to the upside. Increased housing demand and high sales are expected in the coming months, with incomes rising and homebuyer confidence on the upswing (Source: Moody's Analytics: U.S. Chartbook: Upward momentum, August 5, 2013).

However, the UCLA Anderson Forecast warns that the current recovery is not the high-growth recovery period that typically follows a recession, or at the levels needed to regain a normal longer term 3% growth trend. To get back to the previous growth trend, GDP would need to exceed 3% for an extended period of time. GDP is growing, but not growing rapidly enough to produce the additional jobs and governmental revenues needed for a high-growth recovery (Source: UCLA Anderson Forecast, June 2013).

Having suffered a deeper recession than that of the nation, California has faced a longer road to full recovery. California's Gross State Product (GSP) fell more steeply than U.S. GDP during the recession, but

outpaced the nation as a whole over each of the last two years. Since mid-2012, California has also outpaced the nation in year-over-year job growth. Over the next two years, California's overall economy should outpace the U.S., with a growth rate of about three percent this year, accelerating to just under four percent next year (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2013-2014 Economic Forecast and Industry Outlook, February 2013 and Mid-Year Forecast, July 2013). The State unemployment rate continued to improve and fell modestly from a revised 11.8% in 2011 to 10.5% in 2012. The July 2013 unemployment rate showed continued improvement to 8.9%. Comparing July 2012 to July 2013, nonfarm payroll employment in California increased by 236,400, a 1.6% increase. Four categories (mining and logging; manufacturing; other services; and government) reported job declines (Source: California Employment Development Department, News Release, August 16, 2013).

In the first five months of 2013, Aerospace and Technology employment added 34,700 jobs. Agriculture jobs remained relatively unchanged from a year earlier. International trade continues to play an important role in the State's economy. California ranks as the second largest exporting State in the country, with imports outweighing exports by a two-to-one margin. Tourism and hospitality jobs increased as all of the major California metropolitan areas experienced gains in both occupancy rates and average daily rates. Construction activity and employment have both experienced noteworthy gains in 2013 after struggling for several years. New home permits are expected to show gains of 37.5% in 2013 from weak 2012 levels (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2013-2014 Mid-Year Economic Forecast and Industry Outlook, July 2013).

In 2009, real personal income declined 5.9%, but since that time real personal income grew by 1.6% in 2010, 3.1% in 2011 and 1.9% in 2012. Taxable sales declined 14.3% in 2009, grew by 2.9% in 2010, by 6.9% in 2011 and are estimated to grow by 4.9% in 2012 (final taxable sales figures will not be available until early 2014). California's economy continues to recover from the steep recession. Nonfarm employment grew by 1.2% in 2011, by 2.1% in 2012 and is projected to grow by 2.0% in 2013 and 2.0% in 2014. In 2013, real personal

income is expected to grow by 2.3% and improve further in 2014 by 3.5%. Taxable sales are predicted to increase by 0.3% in 2013 and 1.9% in 2014 (Source: UCLA Anderson Forecast, June 2013).

San Diego certainly shared the pain of the recession along with the rest of Southern California. However, San Diego's economy is moving in the right direction. Job creation in San Diego will occur in 2013 across all private industry sectors (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2013-2014 Economic Forecast and Industry Outlook, July 2013). Federal defense budget cuts are a cause for concern for San Diego's defense and military sectors. The loss of government jobs is expected to continue this year and next. Unemployment in the San Diego region continues to improve. Preliminary July 2013 unemployment figures indicated a rate of 7.8%, compared to a rate of 9.5% in July 2012. As of July 2013, San Diego County's unemployment level is near the U.S. national average of 7.6% and continues to compare favorably to other Southern California counties, with only Orange County experiencing lower unemployment. For the first seven months of 2013, the average unemployment rate for San Diego County was 7.6% compared to an average rate of 8.5% for the 10 largest counties in California (Source: California Employment Development Department). San Diego County is forecasted to post an average annual unemployment rate of 6.5% for 2013 and 6.2% in 2014 (Source: Los Angeles County Economic Development Corporation, The Kyser Center for Economic Research: 2013-2014 Economic Forecast and Industry Outlook, July 2013).

Another indicator of economic health is county taxable sales. Taxable sales began to decline overall in the county in 2007 and that trend continued in 2008 and 2009. In 2010, taxable sales showed moderate growth which continued in 2011. Sales tax revenues for the region in 2012 have shown continued improvement. Growth in taxable sales is expected to continue in 2013 and 2014.

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. The real estate market slump has impacted the County's general purpose revenue (GPR), although GPR is expected to increase marginally in fiscal year 2014 from fiscal year

2013. General purpose revenue is relied upon to fund local services where no other funding is available, 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 County is continuing to adjust to new roles and responsibilities in the areas of health, public safety, and redevelopment.

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 fiscal year 2013 Adopted Operational Plan which can be accessed at <http://www.sdcounty.ca.gov/auditor/opplan/adoptedlist.html>.

County's Economic Base

The County's economic base consists of a significant manufacturing presence (e.g. energy storage, cyber-security, and clean tech), a large tourist industry attracted by the favorable climate of the region, a considerable defense-related presence, and the region is a thriving hub for biotech and telecommunications industries. Highlights of County employment as of July 2013 are listed below:

- Non-agricultural, industry employment totaled 1,276,800 jobs. This represents a gain of 22,100 jobs from the unadjusted July 2011 employment figures.
- The services industry, including information, professional and business services, education and health services, leisure and hospitality, and other services, constitutes the largest employment sector and accounted for approximately 49.0% of non-agricultural employment, with a total of 625,100 employed.
- The wholesale and retail trade industries were the second largest non-government sector, comprising approximately 14.17% of non-agricultural employment totaling 180,900 jobs.
- Government accounted for approximately 17.1% of non-agricultural employment (218,200). San Diego's military presence contributes to this significant component.
- Manufacturing accounted for an additional 7.2% of non-agricultural employment (91,700), down 900 jobs from the unadjusted employment figures for July 2012.
- 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 4.7% of total

non-agricultural employment of 60,200 jobs, was up 1,800 from the unadjusted July 2012 employment figures.

- The financial sector, including finance, insurance, real estate, and related employment, represents 5.6% of non-agriculture employment (71,500). Financial activities experienced an increase of 1,900 jobs from the unadjusted employment figures for July 2012.
- Transportation, Warehousing and Public Utilities accounts for 2.3% of non-agricultural employment (28,800).
- Agriculture (10,000) and mining (400) accounted for approximately 0.7% of total employment (1,490,100).
- Self-employed, household domestic workers and miscellaneous other categories not captured in industry employment represents approximately 13.6% or 203,300 of total employment. This category experienced an increase of 1,700 jobs from the unadjusted employment figures for July 2012.
- The San Diego County region experienced a net job gain of 24,400 from the July 2012 unadjusted employment figure of 1,465,700 (representing civilian labor force data by place of residence including self-employed, household domestic workers, unpaid family workers and workers on strike) to the July 2013 level of 1,490,100. This compares to an increase of 53,600 jobs the previous year. The County has been in the midst of significant volatility. San Diego's index of leading economic indicators has trended higher since April 2009. More current indicators show that the economy continued to gradually improve during 2013.

County revenues that are affected by the state of the local economy 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 employment levels. Short and long-term interest rates are low by historical standards. Overall, there seems to be a general view that the pace of economic recovery at the national, state and local levels will continue to be gradual.

An unintended consequence of the housing market's turmoil and past recession has been the improvement in housing affordability during this period. However, with the recent rebound in home prices, the percentage of home buyers who could afford to

purchase a median-priced, existing single-family home in San Diego dropped to 32% in the second quarter of 2013, from 44% in second quarter of 2012. (Source: California Association of Realtors affordability index). The rate of first-time buyers in March 2013 was 57% compared to 67% in December 2011. Despite these decreases, the percentage of households that can afford to buy an entry-level home in San Diego is still up significantly from 27% in December 2006. The median home price of existing homes sold also fluctuated with the housing related turmoil. During 2009 and 2010, median home sales started to rebound from the low experienced at the end of 2008 and early 2009. Median home prices declined marginally in 2011 but are showing significant improvement in June 2013 compared to June 2012.

Sources: State of California Department of Finance, U.S. Census Bureau, U.S. Department of Commerce Bureau of Economic Analysis, 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 County's General Management System (GMS) is the framework that guides the management of County operations and service delivery to residents, businesses and visitors. The GMS identifies how the County sets goals, prioritizes the use of resources, evaluates performance, ensures cooperation and recognizes accomplishments in a structured, coordinated way. By developing and adhering to a written operations manual, the County of San Diego is able to create and maintain an organizational culture that values efficiency, innovation, and fiscal discipline and that provides focused, meaningful public services that improve lives and benefit the community.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions:

Strategic Planning asks: Where do we want to go? The Strategic Plan looks ahead five years to anticipate significant needs, challenges, risks and opportunities that are likely to develop and sets goals for the future. Long-range strategic planning activities require us to assess where the County is and where it wants to be.

Operational Planning asks: How do we get there from here? Operational Planning allocates resources over

the next two fiscal years to specific programs and services that support the County's long-term goals as articulated in the Strategic Plan. This includes adoption of an annual budget and approval in principle of a second year spending plan.

Monitoring and Control asks: How is our performance? Monitoring and Control shows whether the County is on track to achieve its goals. The County evaluates its progress frequently, including structured monthly, quarterly, and annual reviews so that necessary adjustments may be made without delay.

Functional Threading asks: Are we working together? Although the County is divided into groups, departments and divisions for operational purposes, the County has many critical functions and goals that cross these organizational lines. Functional threading ensures that information and resources are coordinated and shared throughout the organization to achieve common goals, solve problems and maximize efficiency.

Motivation, Rewards and Recognition asks: Are we encouraging excellence? County employees must embrace the GMS disciplines and understand how this system guides the success of County operations and contributes to their success on the job. To encourage excellence, managers must set clear expectations, provide incentives, evaluate performance, and reward those who meet or exceed goals. And County employees meet the challenge by becoming Knowledge Workers who are comfortable with changing technology and who prepare themselves and their departments for changes expected in the future.

The five GMS components form an annual cycle that is renewed each fiscal year with review of the Strategic Plan and development of a new Operational Plan.

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. The Strategic Plan is developed by the Chief Administrative Officer and the County Executive Team, based on the policies and priorities set by the Board of Supervisors and an enterprise-wide review of the issues, risks and opportunities facing the region and the County organization. All County programs support at least one of the following three

Strategic Initiatives:

- **Safe Communities** – Promote safe communities,
- **Sustainable Environments** – Support environments that foster viable, livable communities while bolstering economic growth, and
- **Healthy Families** – Make it easier for residents to lead healthy lives while improving opportunities for children and adults.

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. Pursuant to Government Code 29000 et seq., State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as the County's budget. State law permits modifications to the adopted budget during the year with approval by the Board of Supervisors, or in certain instances, by the Deputy Chief Administrative Officer/Auditor and Controller. The Chief Administrative Officer reviews the status of the County's performance against the budget in a quarterly status report to the Board of Supervisors.

Financial (Budgetary) Policies

Government Code (GC) Sections 29000 through 29144 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 "funding sources shall equal the financing uses".

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 Contracts – Department Responsibility for Cost Recovery: 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.

Administrative Manual

0030-01 Procedure for Fees, Grants and Revenue Contracts for Services Provided to Agencies or Individuals Outside the County of San Diego Organization: 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.

0030-22 Revenue Management – Auditor and

Controller Responsibilities: The Auditor and Controller is 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 County of San Diego continually looks to improve by streamlining operations, leveraging technology, maximizing efficiency and expanding the public services and information available online and through social media, among many other innovations. The County remains dedicated to maintaining its standing as a best practices organization, offering programs that improve the lives of residents in ways that are relevant and measurable.

During Fiscal Year 2012-13, all County programs supported at least one of the three Strategic Initiatives of the County of San Diego's Fiscal Years 2012-17 Strategic Plan.

- **Safe Communities** – Promote safe and liveable communities,
- **Sustainable Environments** – Support environments that foster viable, livable communities while bolstering economic growth, and
- **Healthy Families** – Make it easier for residents to lead healthy lives while improving opportunities for children and adults.

The Strategic Plan also commits the organization to adhere to eight key internal organizational disciplines that are necessary to maintain a high level of operational excellence and accomplish the Strategic Initiatives. These Required Disciplines for Excellence are:

- **Fiscal Stability** – Maintain fiscal stability to ensure services that customers rely on, in good times and in bad.
- **Customer Satisfaction** – Ensure customers are provided with superior services.
- **Regional Leadership** – As a regional leader, the County forges cooperative partnerships and leverages additional resources for residents.
- **Skilled, Adaptable and Diverse Workforce** – Develop a committed, skilled, adaptable and diverse workforce that turns plans and resources in to achievement and success.
- **Essential Infrastructure** – Provide the essential infrastructure to ensure superior service delivery to our residents.

- **Accountability, Transparency & Ethical Conduct** – Ensure accountability to ourselves and the public by requiring that County business be conducted as openly as possible, resulting in the efficient and ethical use of public funds.
- **Continuous Improvement and Innovation** – Achieve operational efficiency through continuous efforts to improve and innovate, thereby maximizing value for taxpayers.
- **Information Services** – The County of San Diego will be the center of Information Services innovation for advancing the delivery of County services, anytime and anywhere.

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 highlights over the last year were:

Strategic Initiative - Safe Communities

- Promoted strategies that made neighborhoods safe places to live, work and play.
 - Provided early intervention with at-risk youth in the crime-prone years by implementing community oriented policing strategies, stressing prevention, early identification and timely intervention. This included a multidisciplinary advisory committee comprised of representatives from the Superior Court, Probation Department and local law enforcement that developed alternative placements for first-time juvenile offenders who have committed violence against family members.
 - Educated residents through community outreach and employed prevention and safety programs, including Office of Emergency Services' (OES) "OES for Kids" personal preparedness sessions at five elementary schools and Boys and Girls Clubs and through communication to businesses.
 - Provided safe and accessible parks and preserves, fostered innovative programs and initiatives that promoted government agency partnerships and community involvement and enhanced emergency communications and preparedness.
 - Repainted and re-marked crosswalks and roadway legends adjacent to all 121 public school and 12 private school locations in the unincorporated areas of the county. This kept children safe from traffic and provided safe routes to and from school. This activity is conducted annually to ensure markings are fresh and visible for maximum benefit.
- Promoted and implemented strategies that protect residents from crime.
 - Continued proactive law enforcement activities in the unincorporated area and cities that contract with the Sheriff's Department for law enforcement services, with deputies initiating more than 309,000 actions while on patrols.
 - Monitored offenders subject to community supervision to mitigate new crime offenses, resulting in 64% of supervised adult offenders completing their term of supervision with no convictions for a new crime.
 - Employed intelligence-led policing strategies to crime problems at the local and regional level, including expanding the Tracking Known Offender program to all Sheriff stations.
 - Provided for a strong, collaborative criminal justice system that holds offenders accountable.
 - Collaborated with the local courts to ensure offenders were appropriately detained or sanctioned, including participation in Offender Reentry Court, Adult and Juvenile Drug Court, and Homeless Court.
 - Employed appropriate punitive measures that were balanced with rehabilitation opportunities, where appropriate. Introduced a Residential Reentry Center to provide work readiness training to certain in-custody offenders.
 - Provided quality investigation and crime analysis that led to successful identification and prosecution of offenders. Deployed the San Diego Regional Sex Offender Management System as an investigative tool available to the Sexual Assault Felony Enforcement (S.A.F.E) Task Force to 100% of local law enforcement agencies.
 - Reduced recidivism by implementing treatment strategies that help offenders successfully reenter society.
 - Advanced the provision of treatment and diversion programs while adult offenders are in jail, addressing both health and behavioral health needs with the creation of the Reentry Services Division within the Sheriff's Detention Services Bureau.

- Employed transitional services for offenders as they exited out of detention facilities. Established a Community Transition Center to engage returning post release community supervision offenders to treatment and services.
- Integrated evidence-based practices and principles in collaboration with community and justice partners, including training 741 Deputy Probation Officers in research-supported methods of offender case planning and intervention strategies.
- Continued to strengthen the County's and communities' ability to prepare for, respond to and recover from disasters.
 - Collaborated with regional fire service agencies to improve fire protection and emergency response services, including the introduction of additional training opportunities for volunteer firefighters.
 - Engaged residents, the private sector and local jurisdictions through community outreach events and emergency readiness planning, including training for 100 regional partners on the proper use of the AlertSanDiego mass notification system.
 - Completed a new Geographic Information System (GIS) application for damage assessment reporting during disasters. The new application increased reporting frequency and thus reduced the time the County must wait for information on disaster impacts.
- Implemented a new countywide Eye Gnat program by completing an environmental analysis and amending County codes.
 - Ensured food quality safety and integrity, and verified that produce advertised as "organic" was registered and certified as organic by increasing organic spot inspections by 33% to 40 inspections.
 - Inspected 23 miles of targeted sewer mains within the sanitary sewer system, exceeding the goal of 390 miles, to identify sewer defects and facilitate proactive facility repairs to reduce the risk of sewer spills.
- Initiated work on the Property Specific Request General Plan Amendment. This project will modify the County's General Plan land use designations to resolve private property owner concerns with the recently adopted General Plan, while ensuring the requested changes are consistent with the General Plan Guiding Principles and that they consider community planning group and other public input.
- Improved County operations through sustainability efforts in alternative energy systems, energy conservation, recycling, and green building design.
- Protected a sustainable watershed via outreach, education, inspections and developed plans to meet bacteria levels in accordance with the San Diego Regional Water Quality Control Board.
- Protected water quality and promoted water conservation by conducting 16 agricultural water workshops for 497 agricultural and other water users and deployed 2 additional water quality kiosks, bringing the total to 6 kiosks.
- Acquired, developed and maintained facilities that support and promote park stewardship and environmental sustainability and efficiency.
- Designed and initiated construction on 24 and completed construction on 21 road and road-related infrastructure improvement projects that enhance the long-term sustainability of the transportation network, exceeding the goal of 7 projects.
- Promoted increased civic engagement by increasing the number of permanent vote-by-mail voters by 15.6% and completing the addition of Chinese language to voting and election materials. This represents a 10.6% increase over the goal of a 5% increase in permanent vote-by-mail voters.
- Protected residential gardens and commercial produce from insidious pest infestations and avoided the widespread use of pesticides against new pests by placing and maintaining traps designed for early pest detection.
- Maintained the planned schedule of library operations and current level of services, including an average of 200 after-school programs each month, at the County's 33 branch libraries and 2 mobile libraries.

Strategic Initiative - Sustainable Environments

- Promoted green building, including sustainable building practices, renewable energy and energy efficiency through economic incentives including issuing 2,365 photovoltaic permits for solar power systems under an expedited fee waiver program.

Strategic Initiative - Healthy Families

Continued implementation of Live Well, San Diego! strategies to provide the right services, to the right people, at the right time by:

Letter of Transmittal

- Built a better service delivery system that is innovative and outcome-driven.
 - Implemented year one of the Community Transformation Grant (CTG) supported public health efforts to reduce chronic diseases, promote healthier lifestyles, reduce health disparities, and decrease health care costs.
 - Implemented the first phase of the multi-year Community Based Care Transitions Program (CCTP) to reduce readmissions to hospitals by Medicare recipients. Public Health Nurses at Aging and Independence Services are receiving referrals from 13 participating private and public hospitals throughout the county. CCTP improves the quality of care for over 21,000 high-risk, high-cost, fee-for-service Medicare patients as they transition from the acute care hospital to other care providers in the community, and reduces the risk of an avoidable hospital readmission which results in improved quality of life for the participants and reduced costs to taxpayers.
 - Evaluated data from the two pilot programs integrating physical and behavioral health services. Two programs established with one providing comprehensive counseling and mental health services for children and adults (ICARE), and the second program adding psychiatric consultations to support primary care providers (SmartCare).
 - Established Extended Foster Care program, an outcome from Assembly Bill (AB) 12, the California Fostering Connections to Success Act, to extend foster care to 21 years of age. Over 500 youth received transitional services in the first year, assisting them to become self-sufficient adults.
 - Ensured that more than 70% of the dogs and cats in County Animal Shelters were reunited with their owner or adopted into a new home.
- Supported positive choices that empowered residents to take responsibility for their own health and well-being.
 - Implemented the multi-year Community Nutrition Education Program grant to provide nutrition education and promote access to healthy foods to 3,432 at-risk, low-income individuals who receive or are potentially eligible to receive CalFresh nutrition assistance. Implemented the multi-year Community Transformation Grant (CTG) in support of public health efforts to reduce chronic diseases, promote healthier lifestyles, reduce health disparities, and decrease health care costs for the region. Key accomplishments to date include procurements for tobacco-free living activities, promotion of active modes of transportation including walking and bicycling, and services that increase access to healthy food and beverages.
- Provided nutrition education for 670 low-income families with children, which represent 3,262 people, emphasizing healthful nutrition practices, food resource management and food safety, exceeding the goal of 400 families. A total of 55 teachers were trained in nutrition curricula who then provided education to 3,452 youth.
- Piloted a program, which received 576 referrals, for high-risk individuals with severe mental illness to help them take required medication and participate in treatment.
- Pursued policy and environmental changes that made it easier for people to engage in healthy and safe behaviors.
 - Developed and enhanced the experiences of park patrons and promoted healthy lifestyles by increasing recreational opportunities and educational programs.
 - Developed six regional Live Well, San Diego! neighborhood-based plans by using a standardized process for engaging community partners and aligning efforts in advancing a public-private partnership.
 - Implemented second phase of the succession plan to advance Live Well, San Diego!
 - Partnered with the Escondido Union School District on a successful proposal for the Paving the Way for Safe Routes to School State grant that will invest \$375,000 over two years to improve the safety of walking and bicycling by school-aged children and their families in the neighborhoods surrounding several Escondido schools.
 - Partnered with the San Diego Association of Governments (SANDAG) and San Diego State University on a project to install bicycle counters in streets and along bike paths throughout the county to encourage healthy lifestyles and activities to prevent obesity.
 - Began improvements to Family Resource Centers and ACCESS (a public benefits transaction call center), including increasing accuracy of payment, and technological enhancements to improve customer service.

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, 2012. 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 that 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

The County of San Diego works hard to maintain its standing as a best practices organization, offering programs that improve the lives of San Diego County residents in ways that are relevant and measurable.

The County is proud that its leadership and operational excellence continue to be recognized. Awards received from the State and national organizations representing county governments are highlighted below:

- The County of San Diego received Statewide recognition from the California State Association of Counties (CSAC) in 2012. Two programs, described in the following section, were honored with Challenge Awards and two with Merit Awards. CSAC awards highlight creative programs of California's counties, recognizing leadership and results that improve service to residents and save time and money.
- In 2013, the County again earned recognition from the National Association of Counties (NACo). Twenty-four programs received Achievement Awards for excellence. Nationwide, only one other county received more awards. These awards in 21 categories recognize innovative programs that modernize county government and increase services to residents. The award-winning programs operate within all five County business groups and include programs that serve youth and seniors, promote environmental protection, enhance public safety and reflect efficient, effective county administration.

Descriptions of these awards and additional recognitions of excellence that honor the County's progress in meeting its strategic goals are included below.

Strategic Initiative: Safe Communities

- The San Diego County Taxpayers Association recognized the County with its highest honor as the winner of the 2013 Grand Golden Watchdog Award for the Sheriff's Department Multi-Discipline Graffiti Abatement Program. This innovative and collaborative program allows law enforcement or public works staff of partnering agencies to centralize graffiti "tags" in a single database in order to link various graffiti throughout the county to specific individuals.
- The County's Juvenile Forensic Assistance for Stabilization and Treatment Program (JFAST), a collaborative court program to help juvenile offenders with mental health needs, was awarded the 2012 Juvenile Justice "At Large" Award by the County Juvenile Justice Commission.
- The Medical Examiner's Office was recognized by the San Diego Police Department (SDPD) and Lifesharing, a federally-designated organ and tissue recovery organization, for efforts to support crime victims. The office was instrumental in helping slain SDPD Officer Jeremy Henwood fulfill his wish to donate his organs after death, despite an ongoing homicide investigation. The organizations recognized the contributions of the Medical Examiner's Office toward making Henwood a hero in death as in life.
- The Office of Emergency Services (OES) received a 2012 Digital Government Achievement Award from the Center for Digital Government for the County's Web portal to access emergency information at www.sdcountyemergency.com.
- The California Emergency Services Association selected two communications programs of OES for their Gold Award for outstanding service in emergency management. Programs honored include the Accessible AlertSanDiego mass notification system which delivers emergency messages to the hearing and visually-impaired, and the ReadySanDiego Partner Connection, a social network that helps improve emergency preparedness in the business community.
- The Department of Parks and Recreation (DPR) earned the 2012 Recreation Facility/Park Design Achievement Award from the California Park and Recreation Society District 12 for the Sellers-Keever Educational Activity Center in Imperial Beach.

Named for Charlie Keever and Jonathan Sellers, two boys who were killed in the area in 1993, the center was designed with help from the boys' mothers and was honored for excellence in design of facilities that promote recreation and strengthen community, safety and security.

- NACo 2013 Achievement Awards
 - Establishing Local Assistance Centers-improved the County's planning to help the region recover from a disaster by pre-designating and training staff.
 - Graffiti Tracker - increased graffiti tracking, prosecution and cost recovery using a web-based program and GPS-enabled cameras coordinated among 13 participating public agencies.
 - Forensic Pathology Residency Training and Autopsy Orientation Program - an effort to train medical students and pathology residents in the value of the autopsy and autopsy technique in the practice of clinical medicine.
 - JFAST: Juvenile Forensic Assistance for Stabilization and Treatment Program - a program for juvenile offenders with mental health needs that helps young people manage their mental health, end delinquent behaviors and engage in positive activities with plans for a positive future.
 - San Diego Clean Slate Expungement Clinic - a monthly Saturday self-help clinic that offers information and assistance from the Public Defender to residents who want to expunge their criminal records, an important step toward rehabilitation and successful reentry into the local community.
 - San Diego Emergency Smart Phone Application - enables residents to receive emergency notifications on their mobile phones, access disaster information during a fire or other event and prepare for a disaster.
 - Sheriff's Analysis-Driven Law Enforcement - employs predictive policing techniques and analysis for more effective and efficient crime fighting in unincorporated San Diego County.

Strategic Initiative: Sustainable Environments

- San Diego County Library was honored as the 2012 Library of the Year by the educational publishing company Gale and Library Journal magazine, recognizing outstanding service to the community, creativity and leadership. The County Library's

unprecedented growth in recent years, strategic budget allocation and innovative programming all helped to earn the award.

- The San Diego County Flood Control District received a 2012 Award for Excellence from the Floodplain Management Association for the San Luis Rey Flood Forecast Program, recognizing outstanding work developing this unique flood forecast tool to increase warning time and to minimize damage and risk to human life. Flood forecast information is available at http://www2.sdcountry.ca.gov/lu/flood_control/index.shtml.
- The completed Valley Center Road Bridge project received the 2012 Project of the Year Award from the American Public Works Association (APWA) and the 2012 Transportation Project Achievement Award from the Construction Management Association of America.
- The completed Black Canyon Road Bridge project received a 2012 Honor Award from APWA and a 2012 Outstanding Bridge Award from the American Society of Civil Engineers.
- The City of San Diego Environmental Services Department recognized the County as an environmental leader with its Director's Recycling Award for the County's food and waste recycling. The County recycles 18 tons of food waste per year at the Polinsky Children's Center and two employee cafeterias.
- Department of Parks and Recreation (DPR) earned a 2012 Award of Excellence from the California Park and Recreation Society for an innovative public service announcement video promoting camping and other recreational activities that aired in local movie theaters and on television.
- The County received a CSAC 2012 Challenge Award for DPR's volunteer program, which has allowed public services to continue despite diminished funding. Volunteers save the department an estimated \$2 million.
- NACo 2013 Achievement Awards
 - Putting the "WOW" factor into Educational Outreach - provides awe-inspiring interactive educational outreach to elementary, middle and high school age students that demonstrates how Environmental Health Specialists use science on the job to motivate students to continue their education and consider a career in environmental health.

- 1st Grade @ the Library - a program with participating elementary schools that encourages first graders and their families to read together and become lifelong library users.

Strategic Initiative: Healthy Families

- The Fallbrook Community Center received the Lights on Award from the San Diego County Office of Education for the After School Education and Safety Program which provides tutoring, nutrition education, mentoring and other positive activities for kindergarten through sixth grade students.
- The San Diego Hunger Coalition honored the Health and Human Services Agency's (HHS's) South Region Family Resource Center with two CalFresh Task Force awards. CalFresh is California's name for the federal Supplemental Nutrition Assistance Program, formerly known as food stamps.
 - The Liaison of the Year award recognized a partnership with the Chula Vista Community Collaborative to assist families with CalFresh and Medi-Cal enrollment.
 - The CalFresh Community & County Partnership of the Year award honored efforts to conduct interviews for CalFresh enrollment via Web cam.
- 2-1-1 San Diego and the HHS Central Region ACCESS Customer Service Center received a Community & County Partnership of the Year award from the San Diego Hunger Coalition honoring the creation of a 211-ACCESS email line. This service has allowed community partners to better determine the status of a client's case.
- The Developmental Screening and Enhancement Program supported by First 5 San Diego and provided by Rady Children's Hospital earned a Hospital Charitable Service Award from Jackson Healthcare honoring the program's efforts to provide developmental and social-emotional screenings for children under age five who enter foster care, and to offer follow-up support for foster children with special needs.
- The Department of Child Support Services (DCSS) earned recognition from peers with the Program Awareness Award at the Child Support Director's Association of California for two innovative programs that help explain the child support process, webinars for employers and a friendly and widely-emailed electronic newsletter for parents.

- NACo 2013 Achievement Awards
 - Child Support Customer E-Message - a quarterly e-message series that connects DCSS with case participants in order to better serve as a resource for parents in providing financial and medical support to their children.
 - ICARE: Integrated Physical Health Care Resources for Mental Health Clients - an innovative pilot project for individuals with serious mental illness to centralize care management, support self-management, increase access to physical health care and reduce the stigma associated with seeking mental health treatment.
 - A Look at Poverty - Making a Difference Training - an effort to remove perceived barriers that impede participation in CalFresh by training staff on issues related to poverty. The training helped add more than 50,000 children and seniors to the CalFresh program.
 - Low Income Health Program Pay-For-Performance - improves the overall quality of health and health care for enrollees in the Low Income Health Program using a pay-for-performance model that encourages providers to meet established goals for health care delivery and improve integration of mental health care at community health centers.
 - More on the Menu (MOM) - Fresh Produce for Homebound Seniors - provides a weekly delivery of fresh fruits and vegetables and nutrition education to low-income, homebound and frail older adults funded entirely by community donations.
 - Neighborhoods for Kids - Bella Vista Community Engagement Project - a creative team field internship for social workers to reduce child abuse, increase safety and family well-being, and build a stronger sense of community among residents in a 150-unit apartment complex.
 - Responsible Parenting Initiative - a partnership with local community-based organizations and fatherhood networks to identify non-custodial parents and help resolve child support payment issues to become financially self-sufficient.

Operational Excellence Awards

The awards listed below recognize programs or accomplishments that support the County's Required Disciplines for Excellence outlined in the County's Strategic Plan:

Letter of Transmittal

- The County Communications Office (CCO) was honored with three regional Emmy awards from the National Academy of Television Arts & Sciences' Pacific Southwest region for video pieces including "The Eight Signs of Terrorism," produced in partnership with OES, the Sheriff's Department and local public safety agencies to educate the public about how to report suspicious behavior; "Safety Stickler," which focused on County regulation of tattoo parlors; and "Solar Cars," which followed middle school students as they competed in a solar car design competition.
- The County Communications Office's County News Center (CNC) received a STAR Award for Overall Excellence in government programming from the States of California and Nevada chapter of the National Association of Telecommunications Officers and Advisors. CNC earned four additional First Place STAR awards for best website, magazine show and two documentaries as well as Second Place STAR honors for an instructional video series and a public service announcement.
- The redevelopment of the County Operations Center garnered a 2012 People's Choice Orchid Award from the San Diego Architectural Foundation, a nonprofit organization dedicated to education and the promotion of outstanding architecture, planning and urban design throughout the San Diego region. This was the second consecutive year the County was recognized with this award, having earned one in 2011 for the Fallbrook Library.
- The County Operations Center was selected by the San Diego/Imperial Chapter of the APWA as the 2013 Outstanding Sustainable Project in the over \$75 million category.
- Department of Child Support Services (DCSS), received 2012's Most Improved County Program from the National Child Support Enforcement Association and the California Department of Child Support Services for improvements in collections resulting from process improvements and for developing relationships with participants.
- DCSS earned recognition from the California Department of Child Support Services in 2012 for Top Overall Performance among large California county child support services departments. This is the third time in four years that San Diego County had been the top performer among the State's large counties.
- The Justice Electronic Library System (JELS), a County Technology Office initiative in partnership with the Probation Department, District Attorney and Public Defender, earned a Digital Government Achievement Award from the Center for Digital Government chosen from many other outstanding programs submitted by international governments. JELS is used in Juvenile Court to improve electronic file sharing.
- Two programs of the Department of Housing and Community Development, serving as the Housing Authority of the County of San Diego, received Certificates of Excellence from the U.S. Department of Housing and Urban Development (HUD). The Section 8 program earned a High Performer designation for the 7th consecutive year for demonstrating a high level of competency in 14 areas including quality control. The Public Housing program earned High Performer status for the second consecutive year, recognizing excellence in facilities, financial condition and management.
- For the 12th consecutive year, the Department of Purchasing & Contracting received the Achievement in Excellence in Procurement from a group of organizations including the National Procurement Institute. The County was one of 40 government agencies in California and one of 41 counties in the U.S. to receive this award that recognizes innovation, professionalism, e-procurement, productivity and leadership attributes of the procurement function.
- For the sixth consecutive year the Department of General Services (DGS) was recognized by the California Counties Facilities Services Association with an Award of Excellence for exceptional dedication to facilities excellence and outstanding leadership in programs that extend the life of public facilities.
- Government Fleet Magazine named the Department of General Services' Fleet Management Division in the Top 20 Government Fleets of about 38,000 public sector fleet operations in North America, based on performance in 12 categories including accountability, technology use, resource stewardship and competitive pricing. The County operates a fleet of approximately 3,900 vehicles and mobile equipment.
- For the 11th consecutive year, the Government Finance Officers Association (GFOA) recognized the County with the Distinguished Budget Presentation Award for the Adopted Operational Plan Fiscal Years 2012-2013 & 2013-2014 and named the document Outstanding as an Operations Guide. This award is a significant achievement for the County, reflecting a

commitment to the highest standards of governmental budgeting.

- CSAC 2012 Challenge Award
 - Justice Electronic Library System (JELS) - eliminated paper files used by deputy district attorneys and support staff, saving \$360,000 worth of productivity.
- CSAC 2012 Merit Awards
 - Lean Six Sigma Capacity Building Initiative - developed competencies of Health and Human Services Agency (HHS) staff to improve complicated, inefficient processes by eliminating waste in services, boosting quality and results.
 - Public Administrator/Public Guardian E-Referral System - a secure, web-based system for public referrals to the Public Administrator/Public Guardian for estate administration or conservatorship.
- NACo 2013 Achievement Awards
 - Design-Build Project Development - improved the County's process for Design-Build proposals by reducing cost and complexity, in response to building industry concerns.
 - HHS Long-Term Leaves Program - Process and Tracking - streamlined the process used by HHS to manage employees on long-term unpaid

leaves of absence and improve compliance with Compensation Ordinances allowing more efficient use of budgeted positions.

- Lean Six Sigma Capacity Building Initiative - developed HHS staff expertise in the Lean Six Sigma managerial method to eliminate waste in services and improve quality and results.
- New Homeowners Property Tax Guide - English/Spanish - designed to assist English and Spanish speaking homeowners on the property tax process in order to empower and educate new homeowners on their real estate purchase.
- San Diego Investment Pool Temporary Transfer Fund Program - provided financial relief to eligible school districts and other entities by clarifying the process for the temporary transfer of funds from the Treasurer's Investment Pool.
- School-Based Mental Health Worker Career Pathway Program - an innovative approach to workforce development aimed at recruiting culturally and linguistically diverse high school students for future careers as mental health workers.
- Treasurer-Tax Collector Property Tax Checks Only Process - more efficiently identifies and applies property tax payments submitted without a payment stub from more than 50,000 taxpayers who use an online banking service.

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Respectfully,



DONALD F. STEUER
Assistant CAO/
Chief Operating Officer



TRACY M. SANDOVAL
Deputy CAO/
Auditor and Controller