

County of San Diego California



Popular Annual
Financial Report
Fiscal year ended June 30, 2014

About This Report



A handwritten signature in black ink that reads "Donald F. Steuer".

Donald F. Steuer

Assistant Chief Administrative Officer
Chief Operating Officer

Citizens of San Diego County:

Our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2014 was prepared by the Auditor and Controller's office to provide readers of interest an easy to understand summary of our financial activities. The data from this report was taken from our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. Both reports are available online at www.sdcounty.ca.gov/auditor/cafr.html.

The information included in this report contains an overview of the County's economy and outlook, an analysis of the County's financial position and key financial information concerning the County's investments, capital assets and debt. It also includes a summary of our General Management System, around which we have built a culture of operational excellence, and highlights the five County business groups. It also provides summaries of how the County's monies were received and spent and includes significant statistical and demographic data.

It is important to note that the financial data in this report is unaudited, includes information exclusively on primary government funds and is presented on a non-GAAP (Generally Accepted Accounting Principles) basis. This means that it excludes discrete component unit and fiduciary fund information, contains condensed financial information and does not provide all of the necessary financial statements and note disclosures required by GAAP.

We hope you enjoy reading this report and invite you to access our audited CAFR online for more detailed information on your County finances. We welcome your questions, comments and suggestions regarding the information in this report. You can contact our office at (619) 531-5413.

County Mission

"To efficiently provide public services that build strong and sustainable communities"



A handwritten signature in black ink that reads "Tracy M. Sandoval".

Tracy M. Sandoval

Deputy Chief Administrative Officer
Auditor and Controller



About San Diego County

Board of Supervisors



Greg Cox
District 1



Dianne Jacob
District 2
Chair



Dave Roberts
District 3



Ron Roberts
District 4



Bill Horn
District 5
Vice-Chair

The County was incorporated on February 18, 1850, and functions under a charter adopted in July 1933. A five-member Board of Supervisors elected to four-year terms in district nonpartisan elections governs the County. 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 Chief Administrative Officer/Chief Operating Officer, the Deputy Chief Administrative Officer/Auditor and Controller and all other appointive officers. Elected officials head the offices of the Assessor/Recorder/County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

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 and Del Mar is the smallest. Tijuana, Mexico is a substantial urban neighbor with a shared border, workforce, and economy.

Statistics

Personal Income Per Capita \$53,313

\$4.98 Billion Adopted Annual Budget

School Enrollment 503,096

6.1% Unemployment Rate

Sources: 2014 CAFR Statistical Table 13 and Adopted Operational Plan Fiscal Years 2013-14 & 2014-15

San Diego County Population

| | | | | | |
|-------------|---------|----------------|-----------|----------------|-----------|
| Carlsbad | 110,169 | Imperial Beach | 26,675 | San Marcos | 90,179 |
| Chula Vista | 256,139 | La Mesa | 58,769 | Santee | 55,806 |
| Coronado | 23,419 | Lemon Grove | 25,928 | Solana Beach | 13,099 |
| Del Mar | 4,234 | National City | 59,381 | Vista | 96,122 |
| El Cajon | 101,256 | Oceanside | 171,183 | Unincorporated | 498,823 |
| Encinitas | 61,204 | Poway | 48,979 | Total | 3,194,362 |
| Escondido | 147,102 | San Diego | 1,345,895 | | |



Source: Adopted Operational Plan Fiscal Years 2014-15 & 2015-16

About San Diego County

County Economy and Outlook

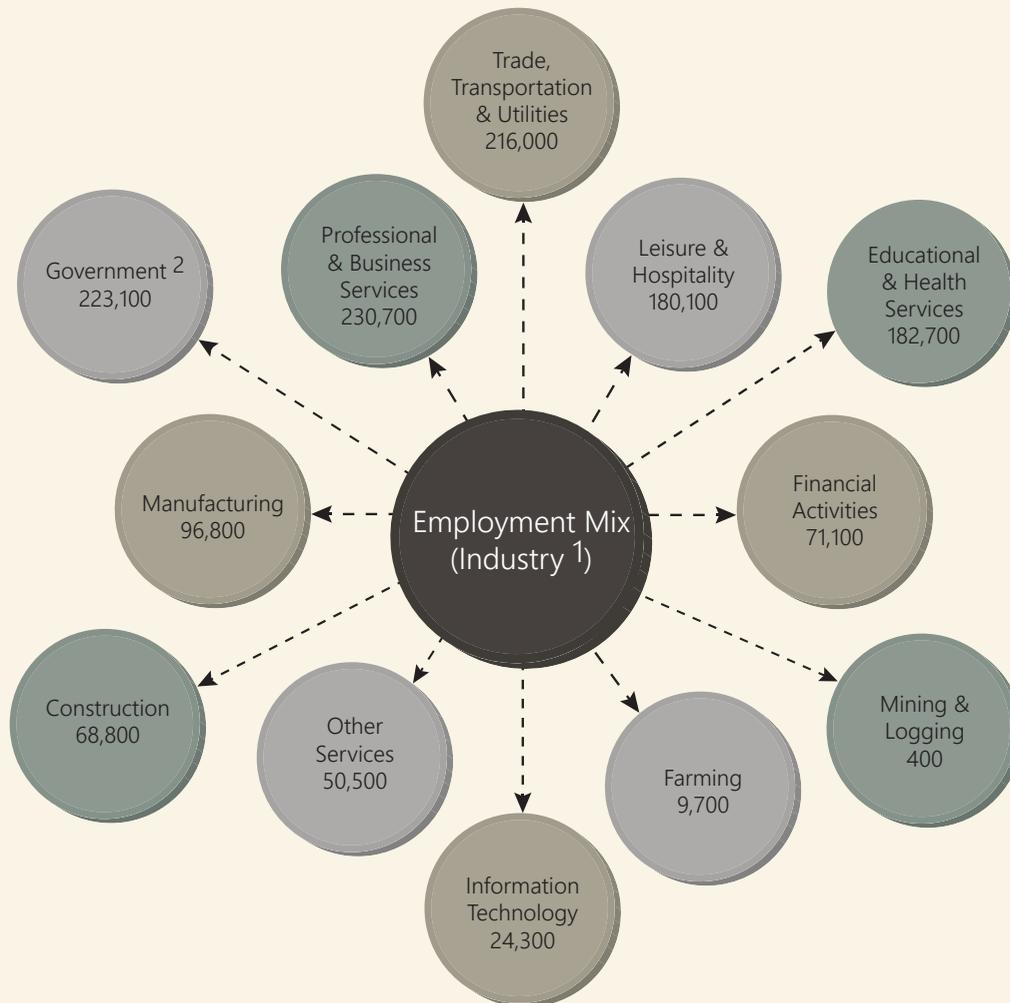
San Diego's economic outlook continues to be moderately positive. The region's economic stability is based on federal spending, innovation clusters, tourism and real estate. San Diego is a thriving hub for technology-oriented industries and an important manufacturing center as well as a popular travel destination. The quality of life attracts a well-educated, talented workforce and well-off retirees which contributes to a positive outlook in consumer spending.

Another indicator of economic health is county taxable sales. Taxable sales began to decline overall in the county in 2007 and continued through 2009. In 2010, taxable sales showed moderate growth which continued in 2011. 2012 has shown continued improvement although not as great as 2011. Moderate growth in taxable sales is expected to continue in 2013 and 2014 in the region.

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 has impacted the County's general purpose revenue (GPR), although GPR is expected to increase in fiscal year 2015 from fiscal year 2014. 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 continuously evaluates and responds to the changing economic environment and its impact on the cost and the demand for County services.

Source: 2014 CAFR Letter of Transmittal

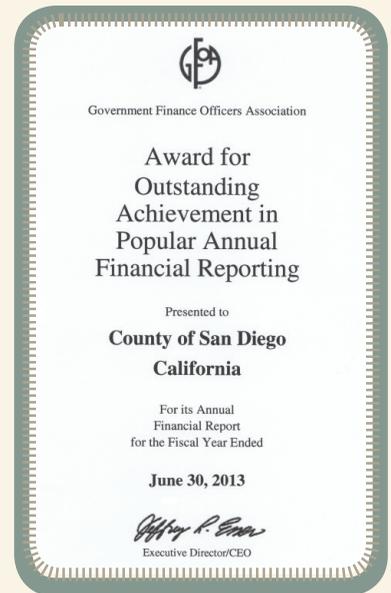


(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, and household domestic workers.
 (2) Excludes the U.S. Department of Defense.

Source: Adopted Operational Plan Fiscal Years 2014-15 & 2015-16

Outstanding Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the County of San Diego for its Popular Annual Financial Report for the fiscal year ended June 30, 2013. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



Other Awards and Recognitions

During fiscal year 2014 the County received awards for its leadership and excellence in operations.

- The Edgemoor Skilled Nursing Facility in Santee was honored by the American Health Care Association/National Center for Assisted Living with the 2013 Not-for-Profit Program of the Year award for the Sierra Stroll Program. The program helps patients who suffer from dementia, mental illness and aggression by allowing them to engage in social and physical activities to improve their physical and mental health.
- The Department of Purchasing and Contracting received an Achievement of Excellence in Procurement Award for the 13th year in a row from the National Procurement Institute. The department was among 179 agencies to win the award, which recognizes organizational excellence in procurement by measuring innovation, professionalism, e-procurement, productivity and leadership attributes.
- Examples of the 2014 National Association of Counties Awards received included:
 - Property Tax Drive-Thru "Drop-n-Go" Payment Program (Treasurer-Tax Collector): Property tax payments made by vehicle drive-through during peak periods.
 - Beach and Bay Mobile Website (Department of Environmental Health): To meet growing demands in the use of mobile devices and provide timely public health protection information, the Department of Environmental Health launched its Beach Water Quality Monitoring Mobile Website. The site provides up-to-date beach water quality information to protect public health.
 - DNA CODIS Hit/CMS Integration Program (District Attorney): This program is an innovative effort to enhance public safety by making DNA data automatically accessible for prosecutors. The real-time notifications allow the deputy district attorneys to connect a defendant to a new crime scene, even if it is someone they have prosecuted in the past.

Note: Other Awards and Recognitions are listed in the 2014 CAFR Letter of Transmittal.



General Management System

The General Management System (GMS) is the County's strategic framework that guides 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 collaboration, and recognizes accomplishments in a structured, coordinated way. By communicating and adhering to this strategic framework, the County of San Diego is able to create and maintain an organizational culture that values transparency, accountability, innovation, and fiscal discipline and that provides focused, meaningful public services.

Strategic Planning

Where do we want to go?

Our Strategic Plan looks ahead five years to anticipate significant needs, challenges, and risks that are likely to develop. Long-range planning requires assessing both where we are and where we want to be.

Operational Planning

How do we get there from here?

Operational planning allocates resources to specific programs and services that support our long-term goals over the next two fiscal years. This includes adoption of an annual budget and approval in principle of a second year spending plan.

Monitoring & Control

How is our performance?

Monitoring and control shows us whether we are on track to achieve our goals. We evaluate progress at regular intervals and make necessary adjustments. Progress is evaluated monthly, quarterly, and annually.

Functional Threading

Are we working together?

Although the County is divided into distinct groups, departments and divisions for operational purposes, the County has many critical functions and goals that cross these organizational lines. Functional threading ensures coordination throughout the organization to pursue shared goals, solve problems, and exchange information.

Motivation, Rewards & Recognition

Are we encouraging excellence?

County employees must embrace the GMS and understand how the process applies to their individual job. This requires setting clear expectations, providing incentives, evaluating performance, and rewarding those who meet or exceed expectations. Motivation, Rewards and Recognition encourages individual and group excellence.



Strategic Initiatives

County Strategic Initiatives and Objectives

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. All County programs support at least one of the following County Strategic Initiatives and objectives:

Safe Communities

Promote safe communities

Objectives:

- Protect residents from crime and abuse
- Provide for a strong, collaborative criminal justice system that holds offenders accountable and protects victims' rights
- Reduce recidivism and help offenders successfully reenter society
- Make neighborhoods safe to live, work and play
- Help communities prepare, respond, and recover from natural disasters, public health threats, environmental hazards and other emergencies

Sustainable Environments

Support environments that foster viable, livable communities while bolstering economic growth

Objectives:

- Provide for planning, development, infrastructure and services that support the local economy and are fundamental to a strong, vibrant region
- Implement strategies that protect our natural and agricultural resources, diverse habitats and sensitive species, and promote energy efficiency and conservation
- Promote an environment where communities can prosper and residents can enjoy parks, open spaces, clean air and water, and outdoor experiences
- Encourage residents to engage in community life, civic activities, volunteering and recreational interests

Healthy Families

Make it easier for residents to lead healthy lives while improving opportunities for children and adults

Objectives:

- Help residents adopt a healthy lifestyle
- Make neighborhoods healthy places to live, work and play
- Improve access to high-quality and efficient care that leads to improved physical and behavioral health
- Assist families in achieving and maintaining self-sufficiency and promote the future well-being and prospects of all residents

Source: County of San Diego Strategic Plan for Fiscal Years 2014–2019



County Financials

Government-wide Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by \$4.59 billion at the close of fiscal year 2014, an increase of \$348.1 million or 8.2% over fiscal year 2013. This included an increase of approximately \$189.3 million in the County's restricted and unrestricted net position (a 16% increase over fiscal year 2013) and an increase of \$158.8 million in net investment in capital assets (a 5% increase over fiscal year 2013).

The largest portion of the County's net position (69%) reflects its investment of \$3.19 billion in capital assets, net of related debt (which includes: land, easements, buildings and improvements, equipment, software and infrastructure; less any related outstanding debt used to acquire those assets). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net position (restricted net position), equaled \$670 million and represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws and/or regulations of other governments. The remaining portion of the County's net position includes \$734 million in unrestricted net position.



June 30, 2014 and 2013 (In thousands)

| | Total Primary Government | |
|---------------------------------------|--------------------------|------------------|
| | 2014 | 2013 |
| Assets | | |
| Current and other assets | \$ 3,531,893 | 3,366,027 |
| Capital assets | 3,537,393 | 3,381,573 |
| Total assets | 7,069,286 | 6,747,600 |
| Deferred Outflows of Resources | | |
| Total deferred outflows of resources | 4,883 | |
| Liabilities | | |
| Long-term liabilities | 1,992,123 | 2,025,912 |
| Other liabilities | 481,054 | 478,142 |
| Total liabilities | 2,473,177 | 2,504,054 |
| Deferred Inflows of Resources | | |
| Total deferred inflows of resources | 9,343 | |
| Net Position | | |
| Net investment in capital assets | 3,187,316 | 3,028,491 |
| Restricted | 669,832 | 619,855 |
| Unrestricted | 734,501 | 595,200 |
| Total net position | \$ 4,591,649 | 4,243,546 |

(Note that the 2013 column has not been restated)

Source: 2014 CAFR Management's Discussion and Analysis Table 1

Key Terms

Here are some definitions that will take the mystery out of the accounting terms you will find throughout the financial sections of this report.

Government-wide: This PAFR presents the balance sheet (statement of net position) which includes assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It also presents the income statement (statement of changes in net position) which includes revenue and expense information.

Governmental Funds: The County maintains various governmental funds that are used to account for tax, program and other miscellaneous revenues.

Business-type Funds: The County maintains various business-type funds that are used to account for activities for which a fee is charged to external users for goods or services.

Primary Government: Includes all of the governmental and business-type activities belonging to the County but excludes the discrete component unit and fiduciary funds.

Assets: What is owned by the County.

Deferred outflows of resources: Use of net assets (assets minus liabilities) applicable to a future year.

Liabilities: What the County owes.

Deferred inflows of resources: Net assets (assets minus liabilities) received applicable to a future year.

Net position: The difference between: assets plus deferred outflows of resources; minus liabilities and deferred inflows of resources. It's the County's net worth.

Current and other assets: Includes such items as pooled cash and investments, cash and investments with fiscal agents, receivables, internal balances, inventories, deposits with others, and prepaid items.

Capital assets: Includes such items as County land, easements, construction in progress, buildings and improvements, software, equipment, infrastructure, and accumulated depreciation/amortization, if applicable.

Long-term liabilities: Includes such items as bonds, loans, compensated absences, and other County obligations.

Other liabilities: Includes such items as payables, payroll, accrued interest and unearned revenue.

Net investment in capital assets: Represents amounts invested in capital assets less accumulated depreciation/amortization and any outstanding debt used to acquire these assets.

Restricted: What is not available for use by the County because it is set aside for a particular use.

Unrestricted: One-time funds available for the County to use for operations.

*Total Net Position
Fiscal Years 2010-2014
(In billions)*



The 2014 CAFR is available at: www.sdcounty.ca.gov/auditor/cafr.html

County Financials

*Government-wide
Statement of
Changes in
Net Position*

Program revenues are those that derive directly from the program itself or from other parties, not the taxpayers; while general revenues are those not required to be reported as program revenues. All expenses are reported under a specific function - a group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible.

Notable changes in revenues between fiscal years 2013 and 2014 are attributable in part to: increases in revenue consisting of \$86 million in state aid for corrections, \$43.6 million one-time payment from the Successor Agency of the City of San Diego, \$20 million in Assembly Bill 109 realignment revenues, \$17 million in CalWORKs assistance, \$15 million in Proposition 172 revenues, \$44 million gain on disposal of capital assets, \$23 million in current secured property taxes, \$13 million in investment earnings principally from Tobacco Securitization Joint Special Revenue Fund investments, \$11 million in current secured unitary – qualified electric attributable to the Sunrise Power Link, coupled with decreases of \$25 million in behavioral and mental health revenues, \$3 million in delinquent Teeter property taxes and \$1 million in unsecured property taxes.



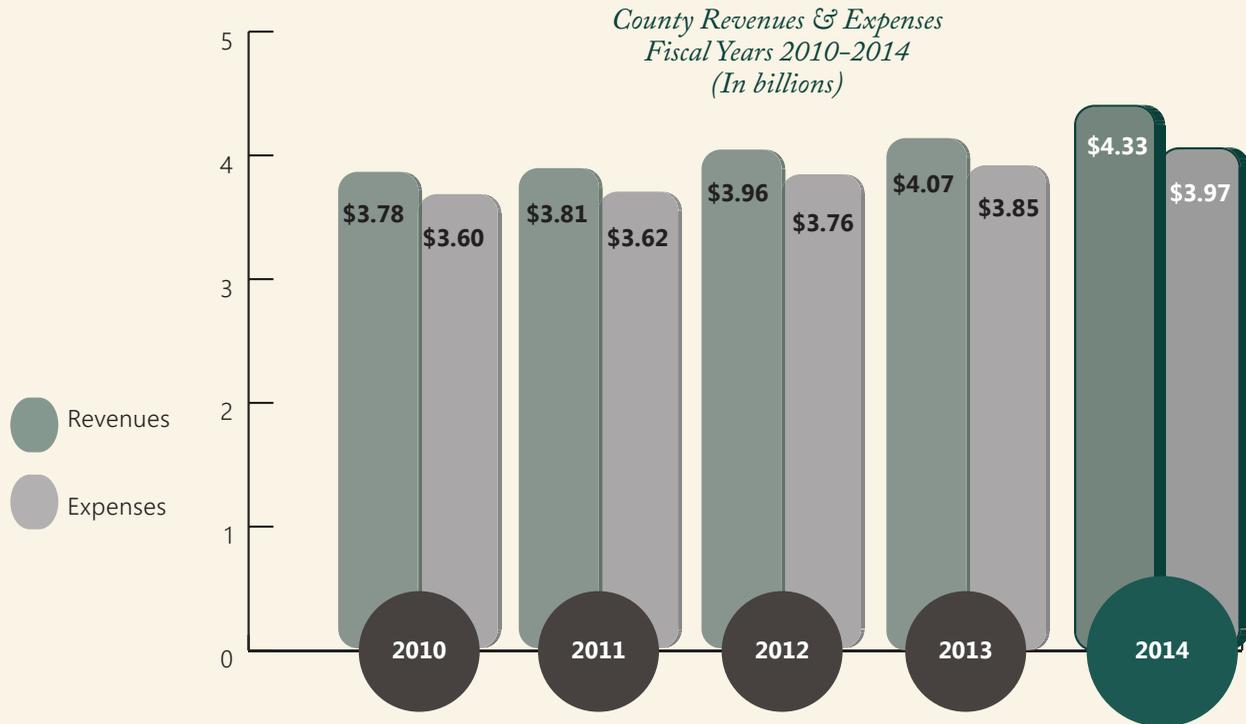
Source: 2014 CAFR Management's Discussion and Analysis Table 2

**For the Years Ended
June 30, 2014 and 2013
(In thousands)**

| | <u>Total Primary Government</u> | |
|--|---------------------------------|------------------|
| | 2014 | 2013 |
| Revenues: | | |
| Program revenues | | |
| Charges for services | \$ 553,795 | 532,977 |
| Operating grants and contributions | 2,523,412 | 2,472,899 |
| Capital grants and contributions | 114,310 | 32,728 |
| General revenues | | |
| Property taxes | 627,709 | 587,145 |
| Other taxes | | 20,912 |
| Transient occupancy tax | 3,404 | |
| Real property transfer tax | 20,074 | |
| Miscellaneous taxes | 14 | |
| Property taxes in lieu of vehicle license fees | 313,844 | 303,646 |
| Sales and use taxes | 24,871 | 24,809 |
| Investment earnings | 17,137 | 3,550 |
| Other | 135,177 | 90,912 |
| Total revenues | 4,333,747 | 4,069,578 |
| Expenses: | | |
| Governmental Activities: | | |
| General government | 249,066 | 240,409 |
| Public protection | 1,312,074 | 1,236,708 |
| Public ways and facilities | 148,209 | 135,432 |
| Health and sanitation | 631,543 | 851,246 |
| Public assistance | 1,418,703 | 1,183,923 |
| Education | 35,647 | 34,104 |
| Recreation and cultural | 38,903 | 34,204 |
| Interest | 92,709 | 95,801 |
| Business-type Activities: | | |
| Airport | 14,118 | 14,107 |
| Jail stores commissary | 4,816 | |
| Sanitation district | 28,291 | 22,936 |
| Wastewater management | | 5,754 |
| Total expenses | 3,974,079 | 3,854,624 |
| Change in net position | 359,668 | 214,954 |
| Net position at beginning of year (restated) | 4,231,981 | 4,028,592 |
| Net position at end of year | \$ 4,591,649 | 4,243,546 |

(Note that the 2013 column has not been restated)

County Financials



REVENUES:

Charges for services: Fees charged for licenses, permits and franchises, fines, forfeitures, penalties and other fees.

Operating grants and contributions: Aid from local, state and federal agencies.

Capital grants and contributions: Federal and state grants for capital activities and donations made from external entities, e.g. developers.

Property taxes: County property taxes levied.

Other taxes (2013 only): Other taxes levied such as transient occupancy tax and real property transfer tax.

Transient occupancy tax: A tax levied by the County on rental receipts for temporary lodging in a hotel or other similar facility doing business in the unincorporated area.

Real property transfer tax: A tax assessed on property when ownership is transferred.

Miscellaneous taxes: Various other taxes levied.

Property taxes in lieu of vehicle license fees: Property taxes collected in lieu of vehicle license fees.

Sales and use taxes: A consumption tax charged at the point of purchase for certain goods and services.

Investment earnings: Earnings on County investments.

Other: Includes various miscellaneous revenue types that are not reported in aforementioned categories.

EXPENSES:

General government: Services provided by support departments such as the Assessor/Recorder/County Clerk, Auditor & Controller, Treasurer-Tax Collector, County Counsel, Board of Supervisors and the County Technology Office.

Public protection: Services provided by departments such as Agriculture Weights and Measures, District Attorney, Department of Animal Services, Office of Emergency Services, fire protection Permanent Road Divisions, Medical Examiner, Probation, and Sheriff.

Public ways and facilities: Services provided by departments such as Permanent Road Divisions, Public Works, Aviation and the San Diego Lighting Maintenance District.

Health and sanitation: Services provided by departments such as Air Pollution Control, ambulance and paramedic County Service Areas, Environmental Health, Health and Human Services Agency, Public Works, Inactive Waste Site Management and certain permanent road divisions.

Public assistance: Services provided by departments such as Health and Human Services, Housing Authority, Probation and In Home Supportive Services Public Authority.

Education: Services provided by departments such as the County Library, and Farm & Home Advisor.

Recreation and cultural: Services provided by departments such as park County Service Areas, Local Park Planning Areas and Parks and Recreation.

Interest: Expenses associated with County debt.

Airport: Expenses related to the maintenance, operations and development of County airports. A major objective of the airport program is to develop airport property utilizing federal and state grants in order to enhance the value of public assets, generate new revenues and be a catalyst for aviation and business development.

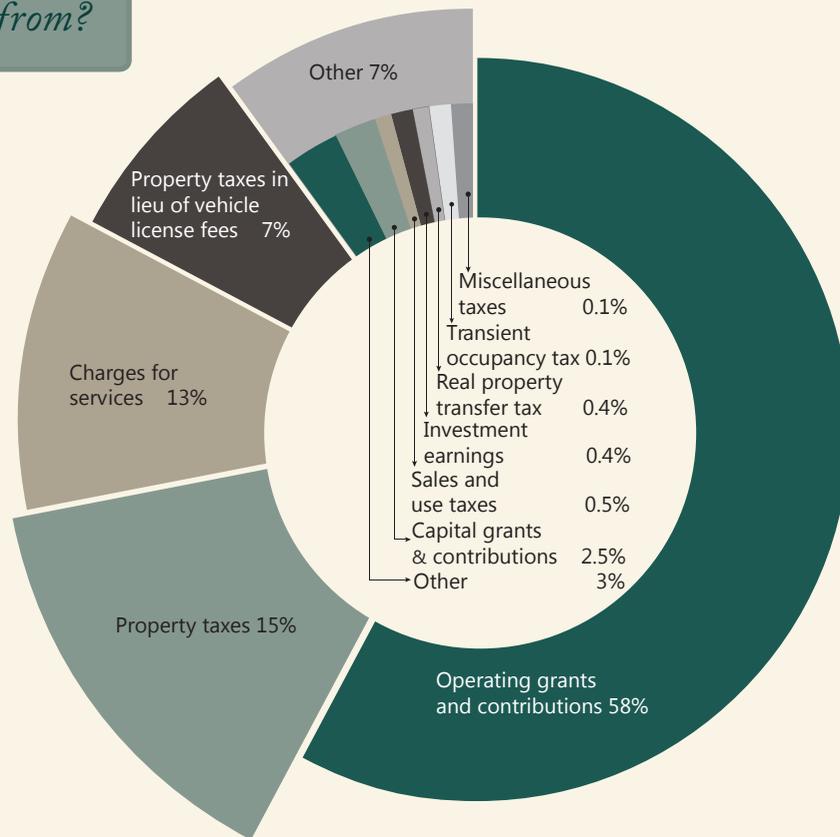
Jail stores commissary: Expenses related to the financing of a Sheriff's commissary store allowing persons incarcerated at various County detention facilities to purchase a variety of goods, including food, snacks, stationery, personal care items and telephone time.

Sanitation district: Expenses related to the operations of the sanitation district governed under the Board of Supervisors.

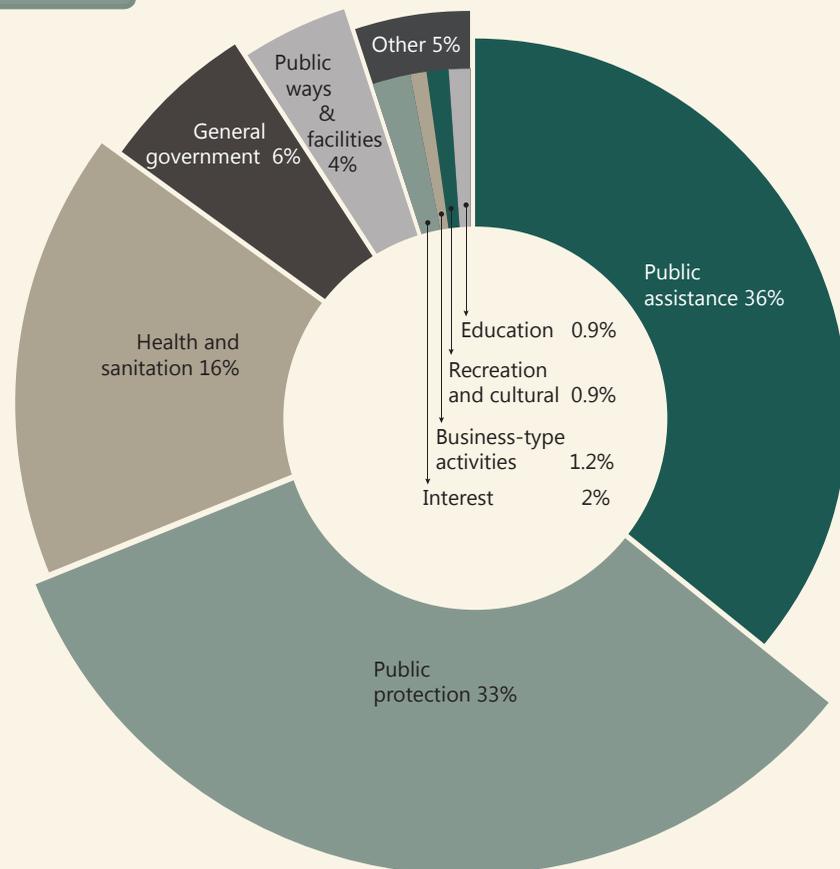
Wastewater management (2013 only): Expenses related to the operations and support provided to the sanitation district governed by the Board of Supervisors.

County Financials

Where does the money come from?



Where does the money go?



Key Financial Data

County Pooled Investments

The County investment practices and policies are based upon state law and prudent money management. The objectives of the Pooled Investment Policy are:

- To safeguard the principal of the funds under the County Treasurer's control.
- To meet the liquidity needs of the participants.
- To achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management.

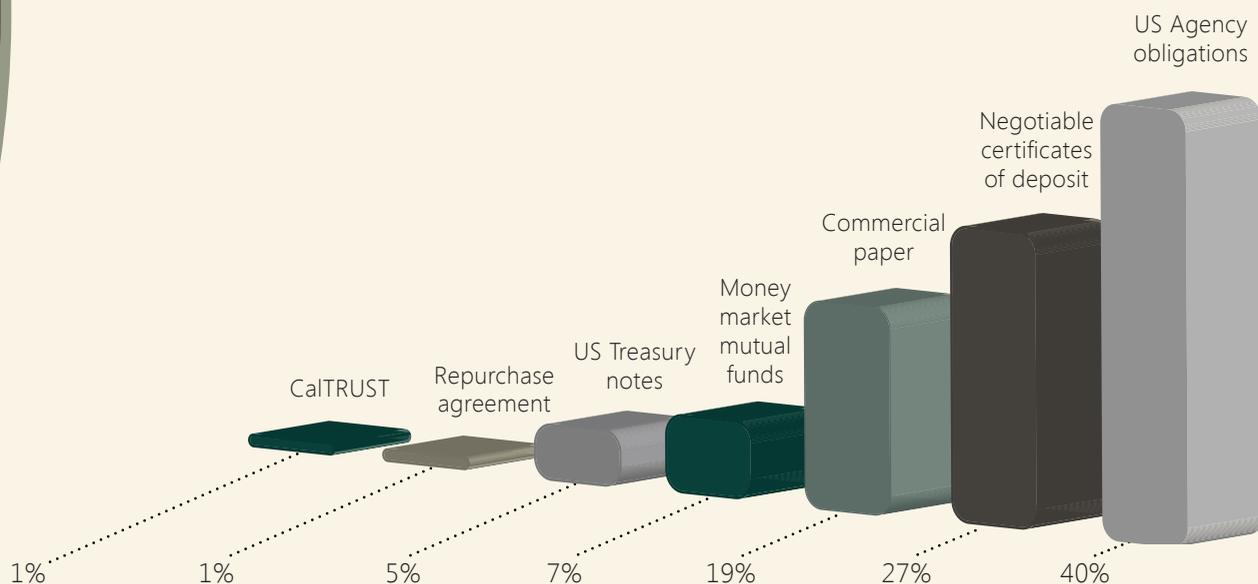
| Pooled Investments (In thousands) | | |
|--------------------------------------|---------------------|--------------------------|
| Investment | Fair Value | Standard & Poor's Rating |
| US Agency obligations | \$ 2,879,158 | A-1+/AA+ |
| US Treasury notes | 430,300 | A-1+/AA+ |
| Repurchase agreement | 807 | A-1 |
| Commercial paper | 1,371,990 | A-1/A-1+ |
| Money market mutual funds | 516,600 | A-1+/AAA |
| Negotiable certificates of deposit | 1,964,007 | A-1/A-1+ |
| CalTRUST | 35,140 | AA |
| Total investments | \$ 7,198,002 | |

Note: Data presented in this chart excludes investments with fiscal agents.

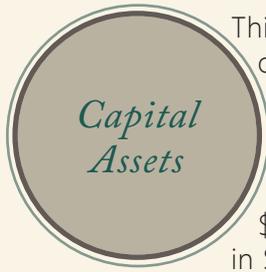
Source: 2014 CAFR Notes to the Financial Statements Table 7

Credit ratings are forward-looking opinions about credit risk. This year the County pool (Pool) remained rated AAAf/S1 by Standard & Poor's (S&P). The 'AAAf' rating indicates the highest level of protection against losses from credit defaults, whereas the 'S1' volatility rating indicates that the Pool possesses low sensitivity to changing market conditions.

The County's Pooled Money Fund Investment Policy and California State Law set minimum credit ratings for each type of investment held by the Pool. AAA is the highest quality S&P rating an investment can receive.



Key Financial Data



This chart depicts the outstanding capital assets, net of depreciation/amortization, as of June 30, 2014 for both Business-type and Governmental funds.

At June 30, 2014, the County's capital assets, net of depreciation/amortization totaled \$3.54 billion. Capital assets are used to provide services to county residents. Some of the significant capital asset activity in fiscal year 2014 was as follows:

\$98.5 million towards construction of the Las Colinas Detention and Reentry Facility in Santee.

\$30.1 million towards construction of the East Mesa Detention Facility.

\$28.9 million towards construction of the County Administration Center Waterfront Park.

\$27.5 million towards the construction and improvement of County maintained roads, bridges and other road related infrastructure.

\$25.8 million towards acquisition of equipment.

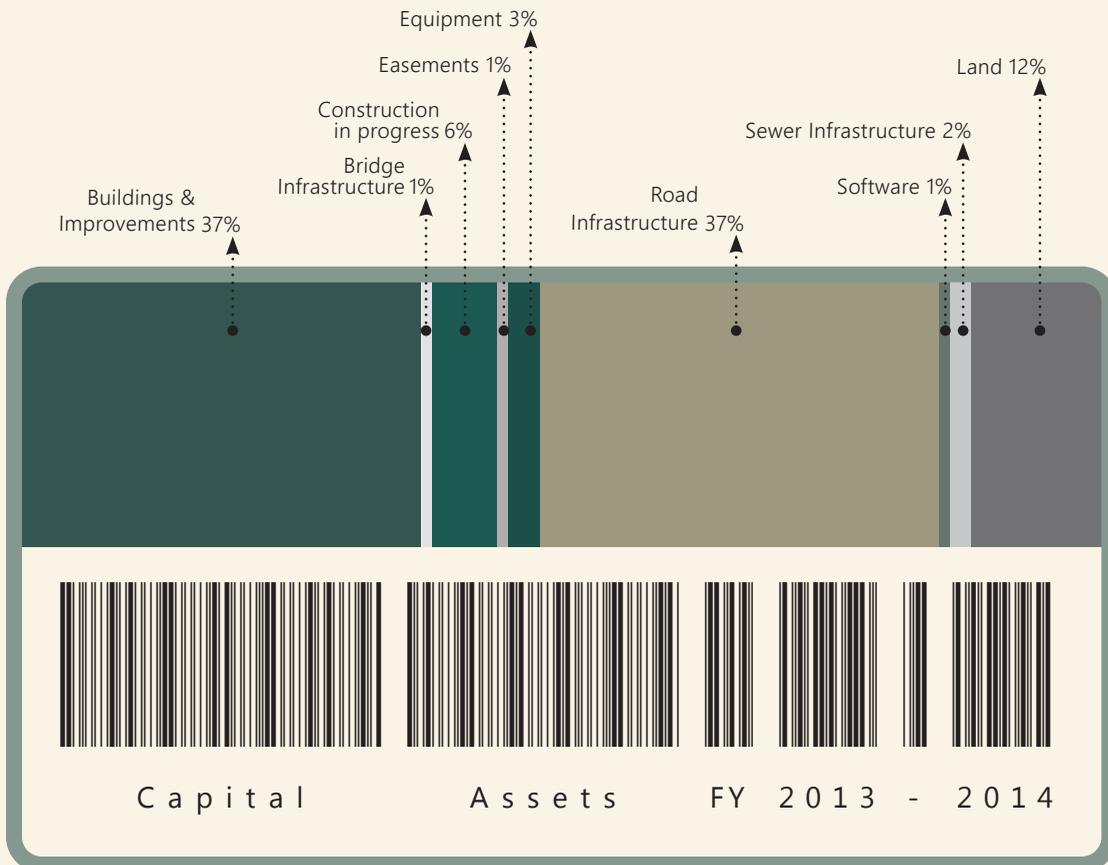
\$20.2 million towards construction of the Registrar of Voters building.

\$18.0 million in infrastructure donated by developers.

\$2.4 million towards improvements at the Jamacha pump station.

\$2.1 million towards improvements of sewer pipelines.

\$1.9 million towards improvements at Borrego Airport runway.



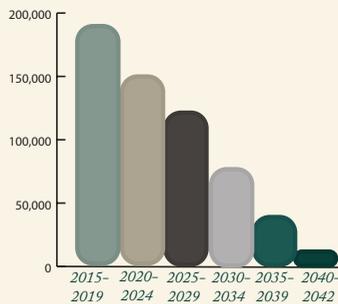
Capital Assets FY 2013 - 2014

Key Financial Data

Long-Term Liabilities

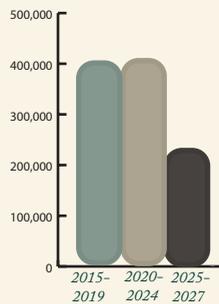
At June 30, 2014 the County's long-term liabilities totaled \$1.992 billion: \$1.686 billion in long-term debt principal of certificates of participation, bonds and loans; and \$306 million of other long-term liabilities including capital leases, claims and judgments, compensated absences, landfill postclosure, pollution remediation, and unamortized premiums and discounts.

County Debt Service Requirements to Maturity (In thousands)



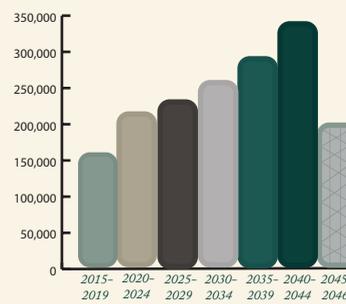
Certificates of Participation (COP) and Lease Revenue Bonds (LRB)

COP/LRB provide funds for the acquisition and construction of major capital facilities and equipment. The repayment of these COP/LRB is secured by a lease structure where the borrowing entity leases certain properties to another entity, a lessor, which in turn leases the properties back to the borrower. These lessors are the San Diego County Capital Asset Leasing Corporation (SANCAL), and the San Diego Regional Building Authority (SDRBA).



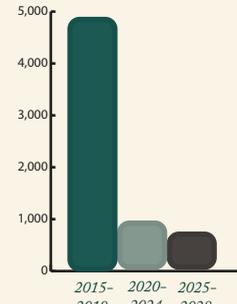
Taxable Pension Obligation Bonds (POB)

POB are issued by the County to reduce its pension unfunded actuarial accrued liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the San Diego County Employees Retirement Association's pension plan. They are also issued to refund previously issued Pension Obligation debt.



Tobacco Settlement Asset-Backed Bonds (TSAB)

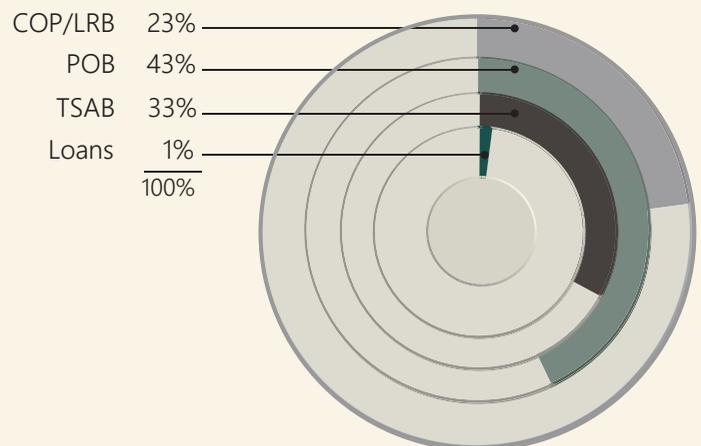
TSAB are issued by the Tobacco Securitization Joint Powers Authority of Southern California to securitize future revenue streams available to the County pursuant to various agreements.



Loans

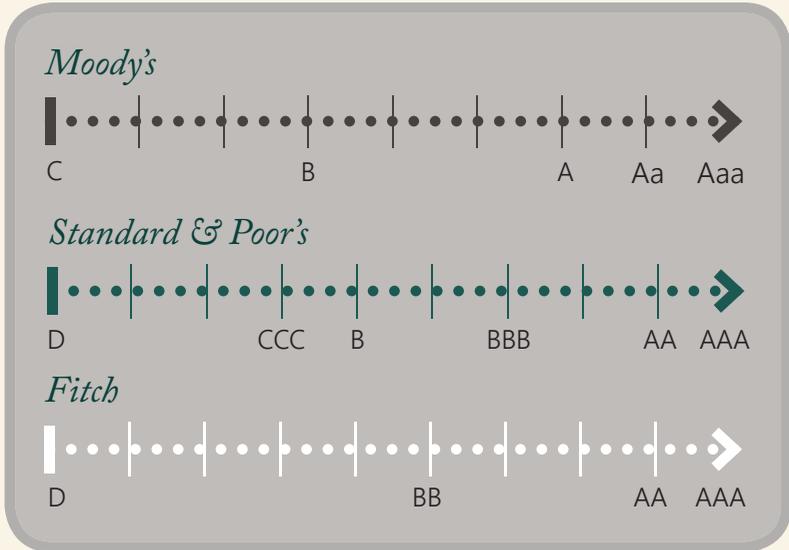
Loans provide funds for the construction of low income housing; for various projects in County facilities to increase energy efficiency; for the construction of a sewer line and installation of a control tower, at the Ramona Airport; and for lighting improvements at various facilities.

County Principal Debt Outstanding (In thousands)



Note: The charts above include debt principal, unaccrued appreciation and interest, whereas the chart on the right includes debt principal only.

Key Financial Data



Note: S&P and Fitch use a plus (+) or minus (-) to show relative standing within its major rating categories. Moody's applies numerical modifiers 1, 2 and 3 to each generic rating classification from Aa to Caa where 1 indicates ranking at the higher end, 2 is mid-range and 3 ranks at the lower end of its category.

Sources:

- <http://www.moodys.com/ratings-process/Ratings-Definitions/002002>
- <http://www.standardandpoors.com/ratings/definitions-and-faqs/en/us>
- https://www.fitchratings.com/web_content/ratings/fitch_ratings_definitions_and_scales.pdf

Credit Ratings

As of June 30, 2014

| | Moody's | Standard & Poor's | Fitch |
|--|-----------|-------------------|-----------|
| Issuer Rating | Aa1 | AAA | AAA |
| Certificates of Participation San Diego County Capital Asset Leasing Corporation (SANCAL) | Aa3 | AA+ | AA+ |
| Certificates of Participation San Diego Regional Building Authority (SDRBA) Metropolitan Transit System Towers | Aa3 | AA+ | AA+ |
| Lease Revenue Bonds SDRBA County Operations Center 1A | Aa3 | AA+ | AA+ |
| Refunding Lease Revenue Bonds SDRBA San Miguel | A2 | AA+ | not rated |
| Pension Obligation Bonds | Aa3 | AA+ | AA+ |
| Tobacco Settlement Asset-Backed Bonds - Series 2006A1 (Senior) | Ba3 | BBB | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006A2 (Senior) | B2 | BB+ | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006A3 (Senior) | B2 | B+ | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006B (First Subordinate) | not rated | CCC+ | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006C (Second Subordinate) | not rated | CCC | not rated |
| Tobacco Settlement Asset-Backed Bonds - Series 2006D (Third Subordinate) | not rated | CCC | not rated |
| San Diego County Redevelopment Agency Bonds | not rated | not rated | not rated |

Source: 2014 CAFR Management's Discussion and Analysis Table 3



Financial Triple Crown

"San Diego County is the highest rated urban county in California with a triple A issuer credit rating from all three financial rating agencies"

Source: Adopted Operational Plan Fiscal Years 2014-15 and 2015-16

Effective August, 2014, the County of San Diego's issuer rating was upgraded to Aaa from Aa1 by Moody's.

Property Tax

Inventory of Parcels and Assessed Valuations

The County Assessor prepares the local roll which includes the values of real & personal property located throughout the County. The first step in the assessment process is to locate and identify all parcels of property. This is done through the use of assessor's parcel maps. There are currently approximately 28,600 assessor's maps (taxable and non taxable) for 981,829 taxable parcels of land, showing the assessor's parcel numbers, recorded dimensions, acreage, street widths, parcel and lot boundaries, adjoining parcels and recorded map information. The information found on these maps is obtained from government maps, recorded maps, subdivision maps, record of surveys and road surveys. The table below shows the inventory of parcels and assessed valuations for fiscal year 2013-2014. For more information regarding maps and how to obtain a copy, visit <https://arcc.sdcounty.ca.gov/Pages/maps-about.aspx>.

Inventory of Parcels and Assessed Valuations Fiscal Year 2013-2014

| Real Property | Total Taxable Parcels | Assessed Valuations |
|------------------------------|--------------------------|--------------------------|
| Residential | 914,562 | \$294,969,421,495 |
| Industrial | 11,389 | 22,180,234,182 |
| Commercial | 26,613 | 60,922,517,339 |
| Irrigated Farm | 3,537 | 1,156,335,625 |
| Rural Land (Non-irrigated) | 9,060 | 1,579,484,363 |
| Institutional | 2,191 | 6,981,526,047 |
| Recreational | 14,005 | 2,779,693,537 |
| Miscellaneous | 472 | 36,672,861 |
| Total Taxable Parcels | 981,829 | \$390,605,885,449 |

Note: Data represents total assessed values of real property only, without exemptions.

Key Terms

Assessment Parcel: An area of land in one ownership and one general use that in the opinion of the Assessor should be included under one description for assessment purposes after consideration of all legal factors.

Assessed Value: One hundred percent of full value for the 1981/82 fiscal year and the following fiscal years. Prior to fiscal year 1981/82, the assessed value was 25% of the full value.

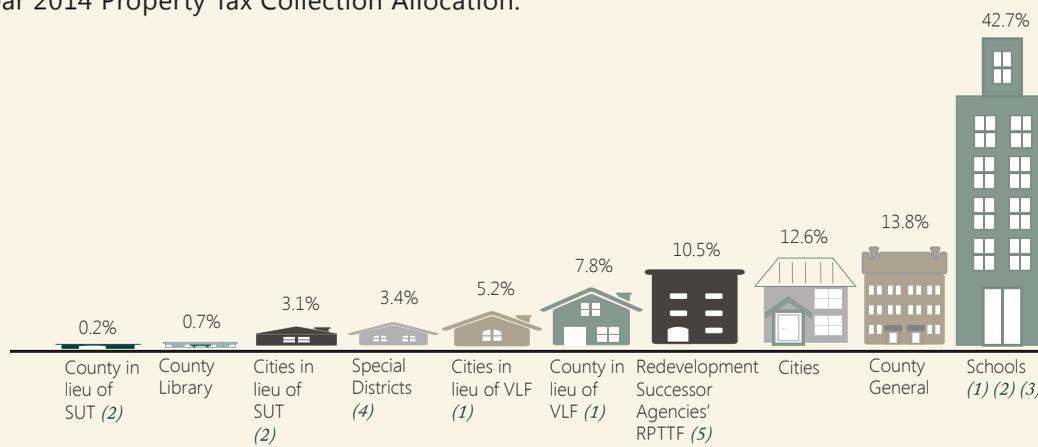
Assessor's maps: The foundation of the assessor's record system that provide the legal description for the assessment of all parcels of real property for taxation.

Current Roll: The roll containing the property on which current taxes are a lien. "Roll" means the entire assessment roll.

Sources: *Property Valuations, Tax Rates, Useful Information for Taxpayers Fiscal Year ending June 30, 2014, Table 23 & Glossary; California State Board of Equalization Assessors' Handbook Section 215*

Property Tax Collection Allocation

The County collected \$4.01 billion of the 1% property tax as of June 30, 2014. This chart shows the Fiscal Year 2014 Property Tax Collection Allocation.



Sources: 2014 CAFR Statistical Table 8; Details of the Property Tax Collection Allocation were provided by the County Auditor and Controller's Property Tax Services Division

(1) Represents the exchange of Property Tax for Cities and County Vehicle License Fee as authorized under Senate Bill 1096, chaptered August 5, 2004.

(2) Represents the exchange of Property Tax for Cities and County Sales and Use Tax as authorized under Assembly Bill 1766, chaptered August 2, 2003.

(3) The collection allocated to Educational Revenue Augmentation Fund (ERAF) was used to pay the in lieu of vehicle license fee (VLF) and in lieu of sales and use tax (SUT) to County and Cities.

(4) Districts under Board of Supervisors.

(5) The redevelopment agencies were dissolved in FY 2011-12 (ABx1 26). Their share of property taxes were deposited to the redevelopment successor agencies' Redevelopment Property Tax Trust Fund (RPTTF).

2014 Achievements of Note

By the Numbers

Health and Human Services Agency:

Continued implementation of the multi-year Supplemental Nutrition Assistance Program Education (SNAP-Ed) grant to promote nutrition education and obesity prevention services to 30,484 low-income families that are potentially eligible for the federally funded CalFresh food assistance program. This project is a continuation of the grant formerly known as the Community Nutrition Education program.

Treasurer-Tax Collector: Provided a learning platform and forum to address current government finance issues by facilitating four seminars including Fraud Prevention, Cash Handling, Debt Financing and Investment of Public Funds for local agencies.

Probation: Provided rehabilitative services to youth in custody to prepare them for success in the community through provision of employment readiness services to nearly 100% (469 of 471) of youth in custody who are over the age of 16, exceeding the goal of 85%.

Housing and Community Development: Promoted self sufficiency by providing permanent housing for 99 eligible homeless families graduating from transitional housing programs provided by 11 homeless service agencies through the County's Continuum of Care program. All eligible homeless families referred by the 11 agencies will be assisted until the housing funding allocation is fully expended.

Parks and Recreation: Saved 37 million gallons of water at 19 park facilities that have converted to smart irrigation controllers resulting in water conservation, exceeding the goal of 30 million.

Serving the Public

Assessor/Recorder/County Clerk:

Developed and implemented an external ARCC SharePoint site, a file sharing application where the public can review and obtain numerous forms and instructions online. This will provide a venue for all departmental services and information to the public.

Health and Human Services Agency: Built a better service delivery system that is innovative, impactful, and outcome driven – expanded trauma-informed practices among Child Welfare Services staff by including trauma information to help foster parents, relatives, non-relative extended family members, and group homes to build trust with the children who are leaving the Polinsky Children's Center to be in their care.

Registrar of Voters: Increased public access to the election process by having an open design in the new Registrar of Voters headquarters which includes an observation gallery where processing vote-by-mail ballots and tabulating ballots can be viewed by the public.

District Attorney: Expanded the District Attorney's Youth Advisory Board to two additional high schools to assist students in developing solutions for issues facing young people in their respective communities.

Planning and Development Services: Provided quality customer service to customers by deploying performance improvements, including permit templates that automatically populate required data entry fields such as stormwater fees, repeat customer information, and contractor licenses, as well as deployment of expanded online permit options to minimize Building and Zoning Counter wait times.

Sheriff: Built regional partnerships with other law enforcement agencies and the community to share information, including the creation of Community Advisory Groups to discuss crime trends and public safety concerns with residents and businesses.

Operational Excellence

Health and Human Services Agency:

Aging and Independence Services received two Achievement Awards from the National Association for Area Agencies on Aging for the More on the Menu (MOM) program and the Peer Educator Development and Leadership (PEDAL) program. MOM provides fresh produce to homebound older adults. PEDAL is an innovative program designed to support chronic disease self-management.

Child Support Services: National Association of Counties award – Legal Paperless System – an application that eliminated the need for paper files in court. The system reduced costs associated with generating paper files and increased the efficiency of the court hearing process.

General Services: Received the 2013 Public Facility Award of Excellence from the California Counties Facilities Services Association. General Services demonstrated exceptional dedication to facilities excellence through best practices, process innovation, staff development, department automation and energy program improvements.

Land Use Environment Group: California State Association of Counties 2014 Challenge Award – Accela Automation Implementation – a new website to streamline a wide variety of permitting operations and allows you to apply for and pay for certain permits online. People can submit plans, ask to schedule an inspection and conduct research on permits and property information on the new website.

Clerk of the Board of Supervisors: The top passport official in the United States presented the Clerk of the Board with a Leadership Award for his exceptional commitment to the passport program in San Diego County, outstanding customer service and adherence to rigorous standards.

Note: Other Awards and Recognitions are listed in the 2014 CAFR Letter of Transmittal and Adopted Operational Plan Fiscal Years 2014-15 & 2015-16

County Administration Center Waterfront Park

*2014 Orchid
for Urban
Planning*

Received from
the San Diego
Architectural
Foundation.



The May 10, 2014 inauguration of the County Administration Center (CAC) Waterfront Park marks the fulfillment of a vision first presented by John Nolen in the "1908 Nolen Plan" for the construction of a civic center. This vision and subsequent architectural concepts included a magnificent building and surrounding landscape that would be a true public realm on the waterfront. Built in 1938 the CAC has long been considered the "Jewel on the Bay", but the full potential of the CAC landscape had not been fully realized.

Then, in 1998 the North Embarcadero Alliance Visionary Plan was created as the result of a cooperative planning effort between the Centre City Development Corporation, the City of San Diego, the County of San Diego, the San Diego Unified Port District, and the United States Navy. The goals of the Visionary Plan included the establishment of an active, vibrant area, particularly along the bay front providing for uses and amenities that celebrate the San Diego community and to preserve, enhance and celebrate the area's marine uses, architecture, art and culture.

The County continued to pursue development of the CAC Waterfront Park for nearly 12 years. Finally, in May 2011 the construction plan for the Waterfront Park was approved by the Board of Supervisors. In October 2011, the Board of Supervisors kicked off the demolition of the Askew building on the north side of the CAC building making way for the expansive Waterfront Park. Construction of the Park began in the spring of 2012.

Today, the 12 acre Waterfront Park surrounding the historic CAC building displays intimate gardens with distinct themes, an 830 foot long fountain with 31 interactive water-jets, a children's play zone, several picnic areas and diverse spaces that can be reserved for special events. The Waterfront Park is a "must visit" destination for residents and visitors. For more information on the Waterfront Park, reservations and events, visit the County of San Diego's Parks and Recreation web site at <http://www.sandiegocounty.gov/parks/Waterfrontpark.html>.



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