

County of San Diego

Adopted Operational Plan Fiscal Years 2007-2008 & 2008-2009

Walter F. Ekard
Chief Administrative Officer

Donald F. Steuer
Chief Financial Officer

Board of Supervisors

First District	Greg Cox
Second District	Dianne Jacob
Third District	Pam Slater-Price
Fourth District	Ron Roberts
Fifth District	Bill Horn



Performance with Distinction





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**San Diego County
California**

For the Fiscal Year Beginning

July 1, 2006

A handwritten signature in cursive script, likely belonging to the President of the GFOA.

President

A handwritten signature in cursive script, likely belonging to the Executive Director of the GFOA.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Diego County, California** for its annual budget for the fiscal year beginning **July 1, 2006**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Contents



County of San Diego	Board of Supervisors	3
	Organizational Chart	4
	Message from the Chief Administrative Officer	5
	Fiscal Year 2007-08 Adopted Budget Summary	7
	San Diego County Profile and Economic Indicators	8
	Understanding the Adopted Operational Plan	12
	All Funds: Total Appropriations	16
	All Funds: Total Staffing	27
	All Funds: Total Funding Sources	31
	Summary of General Fund Financing Sources	35
	General Purpose Revenues	41
	Capital Projects	47
	Reserves and Resources	48
	Long- and Short-Term Financial Obligations	51
	Credit Rating and Long-Term Obligation Policy	54
	Financial Planning Calendar	60
	Summary of Related Laws, Policies, and Procedures	61
	Excellence in Governing	67
Public Safety Group	Public Safety Group Summary & Executive Office	77
	District Attorney	87
	Sheriff	95
	Alternate Public Defender	103
	Child Support Services	109
	Citizens' Law Enforcement Review Board	115
	Office of Emergency Services	119
	Medical Examiner	129
	Probation	137
	Public Defender	149
Health and Human Services Agency	Health and Human Services Agency Summary	157
	Regional Operations	161
	Strategic Planning & Operational Support	173
	Aging & Independence Services	181
	Behavioral Health Services	185
	Child Welfare Services	195
	Public Health Services	201
	Public Administrator / Public Guardian	207
	Administrative Support	213



Land Use and Environment Group

Land Use and Environment Group Summary 221
 San Diego Geographic Information Source (SanGIS) 227
 Agriculture, Weights & Measures 231
 Air Pollution Control District 239
 Environmental Health 247
 Farm and Home Advisor 257
 Parks and Recreation 263
 Planning and Land Use 271
 Public Works 281

Community Services Group

Community Services Group Summary & Executive Office 295
 Animal Services 301
 County Library 309
 General Services 317
 Housing and Community Development 325
 Purchasing and Contracting 333
 County of San Diego Redevelopment Agency 341
 Registrar of Voters 349

Finance and General Government Group

Finance and General Government Group & Executive Office 359
 Board of Supervisors 367
 Assessor/Recorder/County Clerk 373
 Treasurer-Tax Collector 379
 Chief Administrative Office 389
 Auditor and Controller 393
 County Technology Office 401
 Civil Service Commission 407
 Clerk of the Board of Supervisors 411
 County Counsel 417
 San Diego County Grand Jury 425
 Human Resources 429
 Media and Public Relations 437
 County Administration Center Major Maintenance 443



Capital Program	Capital Program	447
	2007-08 Adopted Capital Appropriations	450
	Operating Impact of Capital Program	453
	Major Project Highlights	455
	Capital Program Summary	457
	Capital Outlay Fund	461
	County Health Complex Fund	489
	Justice Facility Construction Fund	491
	Library Projects Fund	496
	4-S Ranch Assessment District 89-1 Fund	500
	Edgemoor Development Fund	501
	Lease Payments	503
	Outstanding Capital Projects By Group/Agency	508
Finance-Other	Finance-Other	517
Appendices	Appendix A: Budget by Group/Agency	525
	Appendix B: Budget Summary and Changes in Fund Balance	539
	Appendix C: General Fund Budget Summary	557
	Appendix D: Health & Human Services - Regional Operations	563
	Appendix E: Glossary of Operational Plan Terms	565



County of San Diego

County of San Diego

Board of Supervisors

Organizational Chart

Message from the Chief Administrative Officer

Fiscal Year 2007-08 Adopted Budget Summary

San Diego County Profile and Economic Indicators

Understanding the Adopted Operational Plan

All Funds: Total Appropriations

All Funds: Total Staffing

All Funds: Total Funding Sources

Summary of General Fund Financing Sources

General Purpose Revenues

Capital Projects

Reserves and Resources

Long- and Short-Term Financial Obligations

Credit Rating and Long-Term Obligation Policy

Financial Planning Calendar

Summary Of Related Laws, Policies, and Procedures

Excellence in Governing

Board of Supervisors

Ron Roberts
District 4
Chair



Greg Cox
District 1
Vice Chair



Dianne Jacob District 2



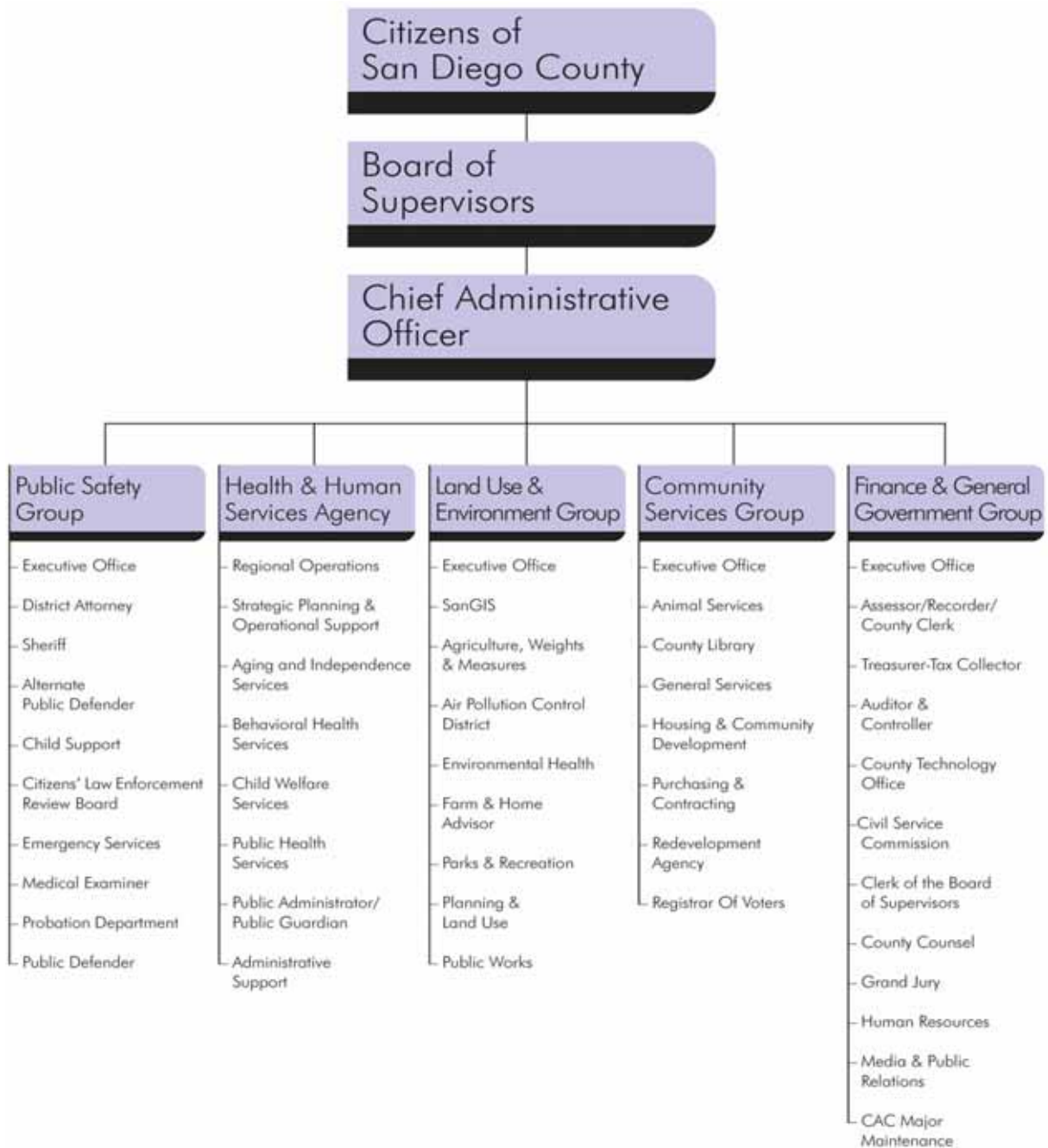
Pam Slater-Price District 3



Bill Horn District 5



Organizational Chart



Message from the Chief Administrative Officer



As Chief Administrative Officer for the County of San Diego, I am pleased to present this Operational Plan for Fiscal Years 2007-2009 on behalf of the Board of Supervisors to the residents of San Diego County. This document describes a \$4.73 billion spending plan in Fiscal Year 2007-2008, which is an 8.2% increase over the previous fiscal year and provides a preliminary look at plans for Fiscal Year 2008-2009.

What is more significant, however, is how this spending plan compares with the same document adopted by the County a decade ago. In 1997, San Diego County began an ambitious effort to improve the way it served the public. The budget adopted that year addressed the County's need to structurally balance its budget, called for an end to short-term, single-year budgeting and pledged to develop performance measures to hold government accountable to the public for results. That year, San Diego County's leaders pledged to create a smaller, more efficient organization; to better identify and manage risks; and to improve the County's credit rating -- which Moody's had downgraded from "A" to "Baa1."

In the decade that has passed, San Diego County achieved and exceeded each of the goals set in 1997. The Operational Plan contained in this document is structurally-balanced, with one-time money spent on one-time expenses, and covers spending for a two-year period. It also requires every department to measure and report on performance.

During the past ten years, we improved the County's credit rating and are now one of the highest-rated government agencies in California. This means we can finance public improvements at better rates and stretch tax dollars farther.

We've also met the challenge to become a smaller, more efficient organization. In 1997, the County budget contained 18,046 staff years. This budget contains 17,041 staff years - over 1,000 less than in 1997 despite the fact that the region has grown by half a million people.

By using the discipline of our General Management System, our County has gone from an organization that made short-term decisions and lived beyond its means to being recognized as one of the most well-run local governments in the nation.

Which brings us to the present. The budget adopted by the Board of Supervisors allows our organization to build on past achievements and current strengths to meet the present and future needs of San Diego County residents. This document is the blueprint we will use to meet the policy goals of the Board, while striving for excellence and adhering to the fiscal and business disciplines that have been the hallmark of San Diego County government since 1997.

This budget focuses County resources on our key priorities, which are to improve opportunities for kids, preserve and protect the environment, and promote safe and livable communities. As an organization, we know what our priorities are; we have a plan to achieve them and we have systems in place to measure our progress and hold us accountable.



This budget anticipates modest growth in County revenues. In keeping with our commitment to manage the public's business responsibly, funds are included in this budget to maintain and expand public facilities to keep pace with population growth, enhance public safety, work to improve health care in the region and to reduce long term Pension Obligation Bond debt.

Finally, we will continue to improve our region's ability to respond to and recover from emergencies of all types, from avian flu or fire to an earthquake or explosion. We have strengthened our own Continuity of Operation Plans to ensure that we can resume vital County services within 48 hours of an emergency and have trained County staff for disaster service duties. In Fiscal Years 2007-2009, we will continue our work with businesses, community groups and other government agencies to make sure our region is as prepared as possible for emergencies.

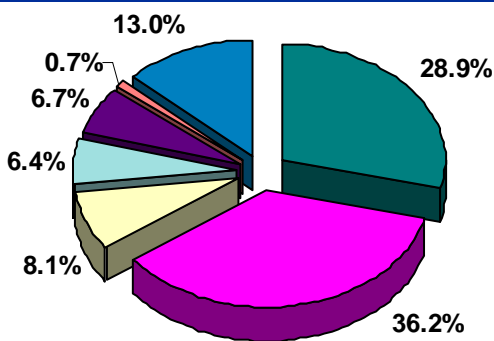
As always, we will continue to diligently represent the interests of San Diego County residents in the many areas where our region is impacted by the decisions of federal and State law makers. Whether the topic is housing, elections, health care, prison reform or protection of our region's valuable agricultural industry, our County is and continues to be affected by State and federal budget cuts and policy decisions. Regardless of these challenges, we will continue to work aggressively to protect San Diego County's interests and meet the needs of San Diego County residents.

While the coming years are not without challenges, I am confident that our organization is strong and that our team will continue to be responsive to the public and committed to excellence as we meet these challenges and serve the residents of San Diego County.

A handwritten signature in black ink that reads "Walter Ekard".

Walter F. Ekard, Chief Administrative Officer

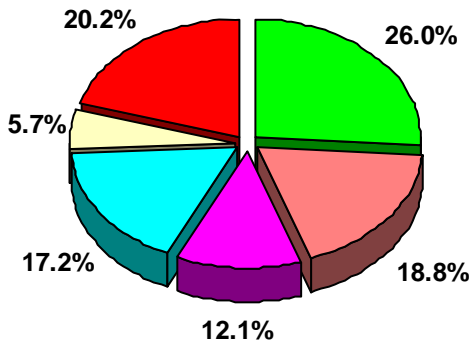
Fiscal Year 2007-08 Adopted Budget Summary



- Public Safety
- Health & Human Services
- Land Use & Environment
- Community Services
- Finance & General Government
- Capital Program
- Finance Other

Budget by Functional Area

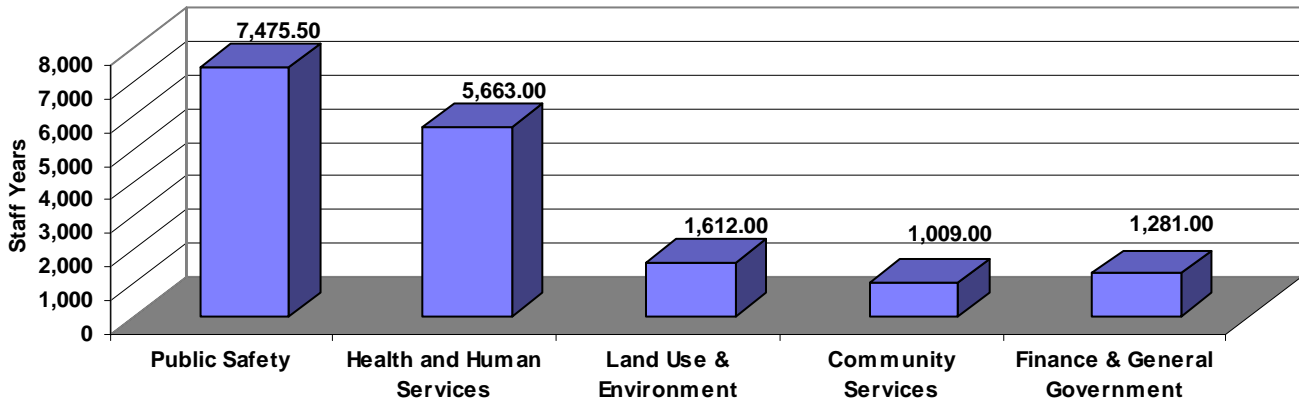
Total Adopted Budget
\$4,731,704,174
 (8.2% increase)



- State Aid
- Federal & Other Intergovernmental Revenue
- Interest, Miscellaneous, & Other Revenues
- Charges for Services, Fees, & Fines
- Fund Balance / Designations
- Property & Other Taxes

Budget by Funding Source

Countywide Staffing by Group
 17,040.50 Staff Years (1.2% increase)



San Diego County Profile and Economic Indicators

County History & Geography

San Diego County became the first 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, including subsequent amendments. At the time of its creation, San Diego County comprised much of the southern section of California. The original County boundaries included San Diego, along with portions of what are now Imperial, Riverside, San Bernardino, and Inyo counties.

The original territory of nearly 40,000 square miles was gradually reduced until 1907, when the present boundaries were established. Today, San Diego County covers 4,261 square miles, extending 70 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 border.

Juan Rodriguez Cabrillo discovered the region that eventually became San Diego on September 20, 1542. Although he named the area San Miguel, it was renamed 60 years later by Spaniard Don Sebastian Vizcaino. He chose the name San Diego in honor of his flagship and his favorite saint, San Diego de Alcalá.

San Diego 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 resources and population are located. The average annual rainfall is only 10 inches, so the county is highly reliant on imported water.

County Population

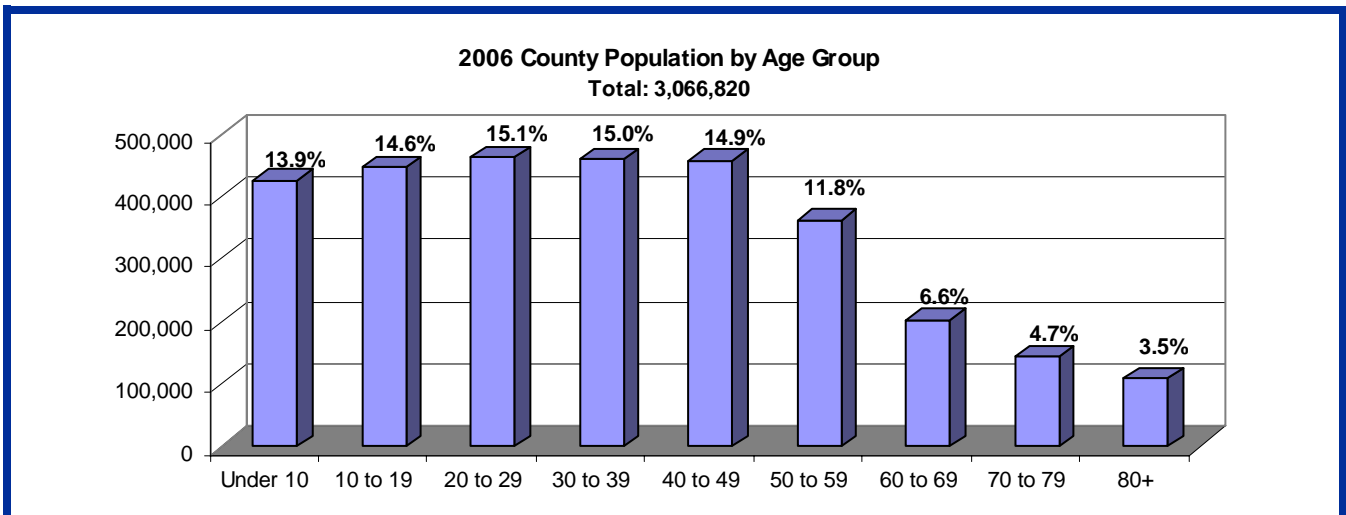
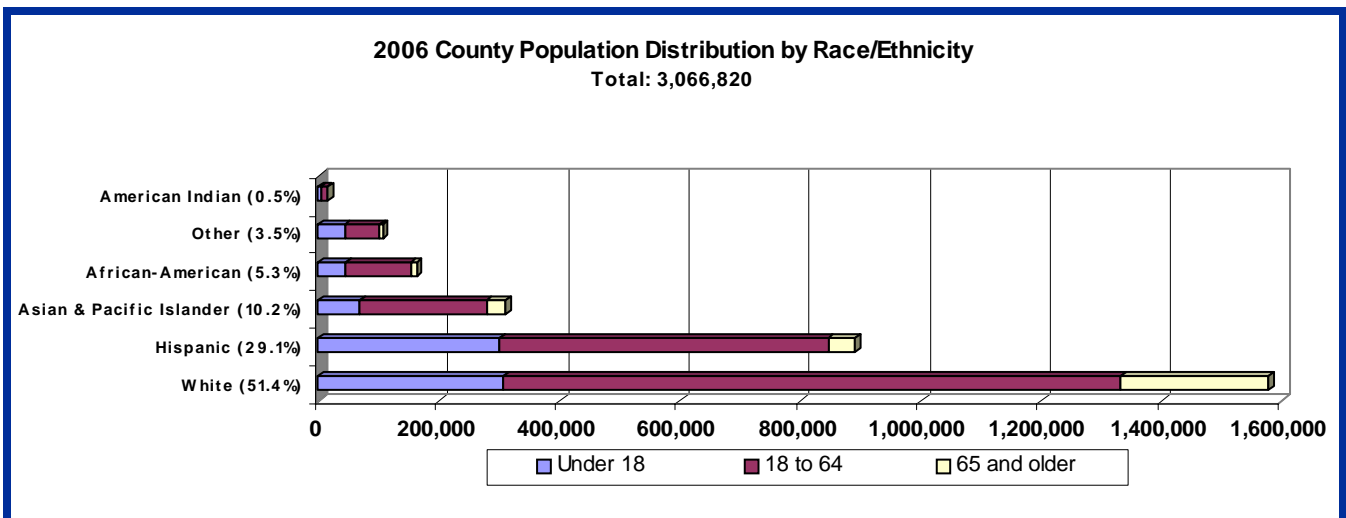
San Diego County is the southernmost major metropolitan area in the State of California. The State of California Department of Finance estimates the County's population

to be 3,098,269 as of January 2007, an increase of approximately 1.0% over the estimated January 2006 total of 3,066,820. The County of San Diego is the third largest county by population in California. Total population of the county has grown 10.1% since 2000. A breakdown by city is shown in the table below.

City	2000	2006	2007
Carlsbad	78,306	98,607	101,337
Chula Vista	173,543	223,423	227,723
Coronado	24,100	26,248	22,957
Del Mar	4,389	4,524	4,548
El Cajon	94,869	96,867	97,255
Encinitas	57,955	62,815	63,259
Escondido	133,663	140,766	141,788
Imperial Beach	26,992	27,563	27,709
La Mesa	54,749	55,724	56,250
Lemon Grove	24,918	25,363	25,451
National City	54,260	63,537	61,115
Oceanside	161,039	174,925	176,644
Poway	48,044	50,542	50,830
San Diego	1,223,415	1,311,162	1,316,837
San Marcos	54,977	76,725	79,812
Santee	52,946	54,709	55,158
Solana Beach	12,979	13,327	13,418
Vista	89,857	94,440	94,962
Unincorporated	442,832	465,553	481,216
Total	2,813,833	3,066,820	3,098,269



The regional population forecast for 2030 is estimated at 3.9 million according to the San Diego Association of Governments (SANDAG). San Diego County's racial and ethnic composition is as diverse as its geography. According to a projection by the State Department of Finance (May 2004), San Diego's population breakdown in 2010 will be 46% White; 34% Hispanic; 11% Asian and Pacific Islander; 6% Black; and 3% all other groups. The County's 2006 estimated population distribution and population by age group, according to SANDAG's latest available data, is highlighted in the charts below.





Economic Indicators

The U.S. economy's Gross Domestic Product (GDP) growth for 2006 was a revised 2.9%, versus an adjusted 3.1% growth in 2005 and 3.6% in 2004. A GDP growth rate of 1.9% is forecasted for 2007. First quarter 2007 growth of 0.6% was followed by 3.8% in the second quarter of 2007. The second quarter increase in GDP reflected a positive contribution from personal consumption expenditures for services, exports, governmental spending and equipment and software spending. This was partially offset by a negative contribution from residential fixed investment. Projected growth for the final two quarters of 2007 is 2.0% in the third quarter and 1.3% in the fourth quarter. The downturn in the housing market is a significant drag for 2007. Although equipment spending is improving, softness in business equipment spending is also contributing to lower GDP growth. Some significant risks facing the U.S. economy include the slowing housing market (including turmoil in the sub-prime mortgage market), the federal budget deficit, relatively high core inflation, and continued volatility in oil prices.

California's economy, like the U.S. economy, grew at a healthy rate in 2006. California payroll jobs experienced growth of 1.9%; the job growth also contributed to real personal income growth of 2.9%; and adjusted taxable sales grew 1.9%. The unemployment rate has continued to decline, dropping down to 4.9% in 2006, versus 5.4% in 2005, 6.2% in 2004, and 6.8% in 2003.

The housing boom, which has been a major driver of both the California and U.S. economies, has faded, and the housing construction/real estate slowing is contributing to overall slowing in the growth of the State economy in 2007. The gross state product projected growth in 2007 is 3.4%,

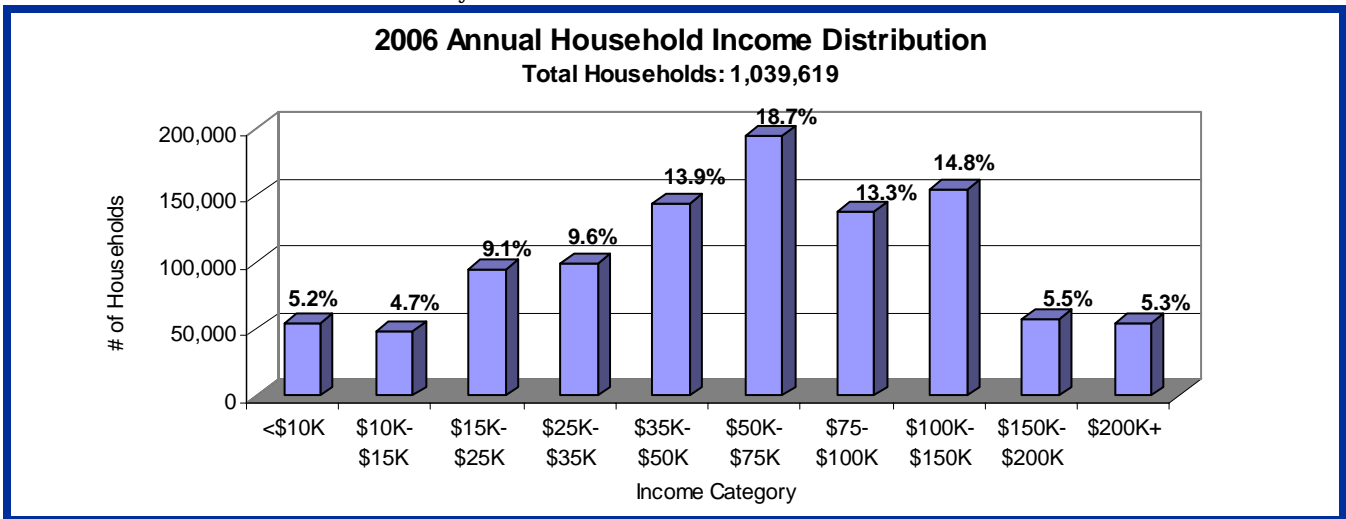
down from 4.2% in 2006, 3.8% 2005 and 4.9% in 2004. While wholesale and retail trade, finance, professional and technical services, and administrative support contributed to overall job growth in 2006, the slowing in the housing market is impacting construction and finance jobs in 2007. For 2007, slower growth rates are estimated - job growth is projected at 1.3%, taxable sales will grow at 1.1%, and personal income is anticipated to grow at 2.6%.

San Diego's economy has continued to enjoy economic stability in recent years. Much of San Diego's economic strength is derived from employment gains, commercial and industrial development and population growth. San Diego County has also seen an increasing diversification of economic activity and has matured as a hub for research and development (R&D) and product manufacturing in telecommunications, biotechnology, military products, electronics, and information technology. International trade and implementation of the North American Free Trade Agreement (NAFTA) continue to be an economic strength for the county.

Approximately one-half of San Diego County's population is part of the civilian labor force (1,538,400 in August 2007). The region is also home to perhaps the largest military complex in the world. The County's positive job growth has prompted migration to San Diego by prospective employees in search of work through 2004. More recent data is presently not available from the Department of Finance. The annual unemployment rate was estimated at 4.2% for the 12-month period of September 2006 through August 2007. This remains lower than the State rate for 2006 of 4.9%, the 2007 projected State rate of 5.2%, the national rate for 2006 of 4.6%, and the 2007 projected national rate of 4.6%.



San Diego's median household income was \$50,384 in 2002, \$49,886 in 2003, \$51,012 in 2004, \$56,335 in 2005, and \$59,591 in 2006 as measured by the U.S. Census Bureau. The chart below illustrates the 2006 income distribution for more than one million households in the County.



An ongoing troubling aspect of the local economy is San Diego's housing affordability. The California Association of Realtors has established a new index for first-time buyers throughout California. The percentage of households that could afford to buy an entry-level home in San Diego stood at 23% in June 2007, unchanged from December 2006, but up from 21% in June 2006, while previously at 23% in June 2005. This index is based on an adjustable rate mortgage assuming a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price. Another trend the County is watching closely is the Trustee's Deeds foreclosures compared to notices of loan default and also compared to deeds recorded. Trustee's Deeds foreclosures compared to notices of loan default averaged approximately 11.6% in 2003, 2004 and 2005.

However, this percentage jumped to 20.0% in 2006 and is at 36.4% through August 2007. Trustee's Deeds foreclosures compared to total deeds recorded averaged 0.3% over the three-year period 2003, 2004 and 2005. This percentage increased to 1.3% in 2006 and it is at 5.1% through August 2007.

Tourism continued to be a boon to the local economy in 2006 despite record-high gasoline prices and soaring airfares. Revised 2006 figures show an increase in visitors of 1.3%, and visitor spending increased 6.8%. The "Tourism Outlook" for San Diego County tourism in 2007 is for continued moderate growth, with a 1.8% increase in the number of visitors and a 6.0% increase in visitor spending.

Sources: San Diego Association of Governments (SANDAG) - San Diego's Regional Planning Agency, State of California Department of Finance, San Diego Regional Chamber of Commerce, the UCLA Anderson Forecast, the State of California Employment Development Department, the California Association of Realtors, the San Diego Convention and Visitors Bureau, Global Insight, U.S. Census Bureau, and U.S. Department of Commerce - Bureau of Economic Analysis.

Understanding the Adopted Operational Plan

Governmental Structure

A five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections governs the County. There are 18 incorporated cities in the County and a large number of unincorporated communities. The County provides a full range of public services, including public assistance, law enforcement, detention and correction, health and sanitation, recreation, and others. These services are provided by five Groups and the Agency, each headed by General Managers [Deputy Chief Administrative Officers (DCAOs)], who report to the Chief Administrative Officer (CAO). Within the Groups, there are four departments that are headed by elected officials - District Attorney and Sheriff (Public Safety Group) and the Assessor/Recorder/County Clerk and Treasurer-Tax Collector (Finance and General Government Group).

The General Management System

The County's General Management System (GMS) is the framework that establishes and guides County operations and service delivery to residents, businesses and visitors. Using the GMS for the last 10 years the County has moved from near bankruptcy to fiscal stability by using basic business principles. The County sets goals, prioritizes resources, evaluates performance, ensures cooperation and rewards accomplishments in a structured and coordinated way. By doing so, we move San Diego County away from the negative image of "red tape" and "government bureaucracy" into an organization that values and implements efficiency, innovation and fiscal discipline and one that provides focused, meaningful services to improve lives and benefit the community.

The years from 1997 to 2007 are referred to as our "Decade of Excellence." During those years the County saved \$380 million dollars through managed competitions and reengineering. The goal was to cut bureaucracy, improve public service and manage funds to give the best rate of

return to citizens. All this was accomplished by using the GMS to set sound goals and apply sound management principles to achieve those goals.

At the heart of the GMS are five overlapping components that help make sure that the County asks and answers crucial questions:

Strategic Planning asks: *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 strategic planning requires assessing both where we are, and where we want to be.

Operational Planning asks: *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 and Control asks: *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 asks: *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, and Recognition asks: *Are we encouraging excellence?* County employees must embrace the GMS disciplines. 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. The Operational Incentive Plans, Quality First Program, the Do-It-Better-By-



Suggestion (DIBBS) program, and department recognition programs are the primary ways the County recognizes and rewards employees for excellent performance.

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 Plan

The General Management System provides the County with a set of operating rules and guidelines. The Strategic Plan identifies key goals and disciplines, outlining the County's priorities for accomplishing our mission over a five-year period. The County's Strategic Plan tells us where we should be going and our General Management System helps make sure we get there.

The County's 2007-12 Strategic Plan defines broad, organization-wide goals, known as Strategic Initiatives, which help prioritize specific County efforts and programs and form the basis for allocating resources. Everything the County does supports at least one of these three Strategic Initiatives:

- Kids (Improve opportunities for children),
- Environment (Manage resources to ensure environmental preservation, quality of life, and economic development), and
- Safe and Livable Communities (Promote safe and livable communities).

The Strategic Plan also sets forth key organizational disciplines necessary to maintain a high level of operational excellence and accomplish our Strategic Initiatives. The Required Disciplines serve as enablers to the Strategic Initiatives. These Required Disciplines are: Fiscal Stability; Customer Satisfaction; Regional Leadership; Skilled, Competent and Diverse Workforce; Essential Infrastructure; Accountability/Transparency; Continuous Improvement; and Information Technology.

To connect our Strategic Plan goals with the resources necessary to achieve them, a Five-Year Financial Forecast evaluates our available resources. To further align our goal setting process with resource allocation, the Strategic Plan is reflected in the program objectives in the Operational Plan, in the performance plans for managers, and in each department's Quality First Program goals.

Context for Strategic and Operational Planning

To be effective, the goals we set and resources we allocate should be consistent with our purpose as an organization. The context for all strategic and operational planning is provided by the County's Mission, Guiding Principles, and Vision. First and foremost, the Strategic Plan sets the course for accomplishing the County's mission:

To provide the residents of San Diego County with superior County services in terms of quality, timeliness, and value in order to improve the region's Quality of Life.

This mission reflects our commitment to anticipating, understanding, and responding to the critical issues that affect residents. The Strategic Plan also upholds the County's Guiding Principles, the core values that articulate our organization's ethical obligations to County residents and basic standards to which County employees must adhere. These four Guiding Principles are:

- Provide for the safety and well-being of those San Diego communities, families, individuals, and other organizations we serve.
- Preserve and enhance the environment in San Diego County.
- Ensure the County's fiscal stability through periods of economic fluctuations and changing priorities and service demands.
- Promote a culture that values our customers, employees, and partners and institutionalizes continuous improvement and innovation.



Achieving our Strategic Initiatives and maintaining operational excellence allows the County to realize its Vision:

A County Government that has earned the respect and support of its residents.

Operational Plan Process

This Operational Plan provides the County's financial plan for the next two fiscal years (July 1, 2007 through June 30, 2009). Pursuant to Government Code §29000 et al., however, State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as the County's Budget. The Board approves the second year of the plan in principle for planning purposes.

The Operational Plan details each department's major accomplishments during the past fiscal year as related to achievement of the goals laid out in the County's five-year Strategic Plan. The Operational Plan also discusses high-level objectives of each department's operations for the next two years, projects the resources required to achieve them, and identifies and tracks outcome-based performance measures.

During Fiscal Year 2005-06, the County launched an extensive effort to demonstrate performance to citizens through meaningful and uncomplicated performance measures. The focus was shifted from reporting on what was happening to the organization, to what is happening in the lives of citizens, customers, and stakeholders because of County services. Each department is now required to measure performance in terms of outcomes - how they affect peoples' lives - not just a count of the activities they perform. Inclusion of performance outcomes continued in 2006-07, and it remains a priority for Fiscal Years 2007-08 and 2008-09.

Operational Plan Documents

Several documents are produced to aid in budget development and deliberations:

The CAO Proposed Operational Plan is a comprehensive overview of the Chief Administrative Officer's (CAO) proposed plan for the County's operations for the next two fiscal years, including:

- Summary tables showing financing sources and expenditures for all County funds;
- A summary of the County's short- and long-term debt;
- A detailed section by Group/Agency and Department/Program describing their missions, prior year accomplishments, operating objectives, staffing by program, expenditures by category, revenue amounts and sources, and performance measures;
- A listing of planned capital projects and discussion of capital projects included in the proposed budget and the operating impact of the capital projects scheduled for completion during the next two fiscal years; and
- Other supporting material including a glossary.

Change Letters are proposed changes to the CAO Proposed Operational Plan submitted by the CAO and members of the Board of Supervisors. The CAO Change Letter updates the CAO Proposed Operational Plan with information that becomes available after the document is presented to the Board of Supervisors. Such modifications may be due to Board actions that occurred subsequent to the submission of the CAO Proposed Operational Plan or recent changes in State or federal funding. The CAO Change Letter typically contains a schedule of revisions by department along with explanatory text.

Referrals To Budget are status updates on items on which the Board of Supervisors has deferred action during the current fiscal year so that they may be considered in the context of the overall budget. The Clerk of the Board tracks referrals to budget. As Budget Deliberations approach, the status of each referral is updated and included in a compilation of all the referrals made throughout the year.



This document is submitted to the Board for its review and for discussion with affected departments during Budget Deliberations.

Citizen Advisory Board Statements are comments of citizen committees on the CAO Proposed Operational Plan.

Referrals From Budget are requests made by the Board of Supervisors during Budget Deliberations for additional information to assist them in making decisions during the fiscal year. The applicable Group/Agency is responsible for providing requested information to the Board. The status of each referral from budget is tracked by the Clerk of the Board to ensure that the information is provided.

Post Adoption Documents

The Adopted Operational Plan is a comprehensive overview of the Board of Supervisors' adopted and approved plan for the County's operations for the next two fiscal years. The Adopted Operational Plan is an update of the CAO Proposed Operational Plan reflecting revisions made by the Board during Budget Deliberations. Unlike the CAO Proposed Operational Plan, which displays the two prior years' adopted budgets and the proposed amounts for the two upcoming years, the Adopted Operational Plan provides perspective by displaying actual expenditures and revenue at the Group/Agency and Department level for the two prior fiscal years, as well as the adopted and amended budget for the immediate prior fiscal year. The amended budget for each department is the budget at the end of the fiscal year. It reflects the adopted budget plus any amounts carried forward from the previous year through the encumbrance process and any changes that were authorized during the year. Any budget-to-actual comparisons are best made using the amended budget as a base.

Note on Actual General Purpose Revenues and Use of Fund Balance in departmental tables—Each department's budget table shows the funding sources for its programs for

the indicated budget years, including various categories of program revenue, fund balance, reserve/designation decreases, and general purpose revenue. For any given budget year, the amount of the general revenue allocation is fixed, meaning that the amount will be the same for the adopted budget, the amended budget and the actuals. In the case of the use of fund balance, the amount in the actual column may be either positive or negative. The sum of the actual fund balance, any reserve/designation decreases and the general revenue allocation equals the total amount of non-program revenue funding sources used to support the actual expenditures of the department.

Budget Modifications - State Law permits modifications to the first year of the Operational Plan during the year with approval by the Board of Supervisors. There are two options for accomplishing a mid-year budget adjustment:

- **Board of Supervisors Regular Agenda Process** - Budget modifications are generally made due to unforeseen and program-specific changes. In compliance with Government Code §29130, increases in appropriations require a four-fifths vote by the Board after the first year of the Operational Plan is adopted.

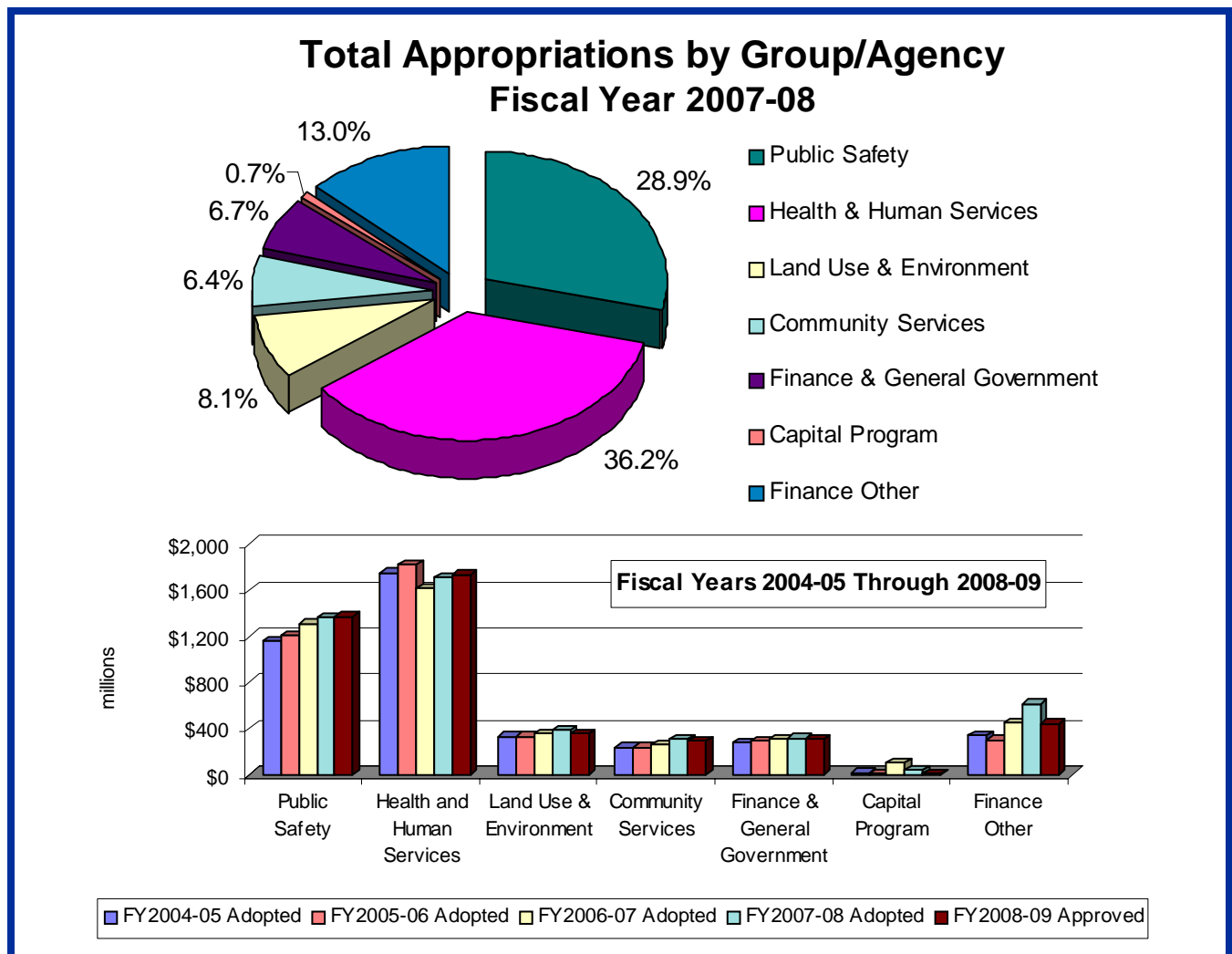
Such changes could include requests for additional appropriations as a result of additional revenues for specific programs or a contract modification. Items placed on the agenda that have a fiscal or budgetary impact are reviewed and approved by the Chief Financial Officer and County Counsel. Contract modifications also require the approval of the Purchasing Agent.

- **Quarterly Status Reports** - The Chief Administrative Officer provides a quarterly budget status report to the Board of Supervisors that may also recommend appropriation adjustments and Management Reserve and/or Contingency Reserve usage to address unanticipated needs.

All Funds: Total Appropriations

Total Appropriations by Group/Agency

Appropriations total \$4.73 billion in the Adopted Operational Plan for Fiscal Year 2007-08 and \$4.49 billion for Fiscal Year 2008-09. This is an increase of \$356.9 million or 8.2% for Fiscal Year 2007-08 from the Fiscal Year 2006-07 Adopted Operational Plan. Looking at the Operational Plan by Group/Agency, appropriations increase in Public Safety, Health and Human Services, Land Use and Environment, Community Services, Finance and General Government, and Finance-Other with the Capital Program decreasing appropriations.





Total Appropriations by Group/ Agency (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
Public Safety	\$ 1,158.6	\$ 1,203.9	\$ 1,304.5	\$ 1,366.0	\$ 1,368.6
Health and Human Services	1,751.0	1,821.2	1,613.8	1,712.1	1,730.3
Land Use & Environment	324.8	328.3	349.7	384.1	352.3
Community Services	231.2	236.5	255.2	303.3	287.6
Finance & General Government	276.5	289.1	303.6	315.6	302.7
Capital Program	8.2	7.0	102.4	34.1	5.8
Finance Other	338.0	300.8	445.5	616.6	439.9
Total	\$ 4,088.2	\$ 4,186.9	\$ 4,374.8	\$ 4,731.7	\$ 4,487.3

The pie chart on the previous page shows each Group/ Agency's share of the Fiscal Year 2007-08 Operational Plan, while the bar chart and table compare the Fiscal Years 2007-08 and 2008-09 appropriations to the three prior fiscal years. An overview of the County's Operational Plan is presented below by Group/Agency that highlights changes and key areas of emphasis. Appendix A: Budget by Group/ Agency provides a summary of expenditures and financing sources by account group for each Group and the Agency. More detail by department begins on page 77.

Public Safety Group — A net increase of 4.7% or \$61.4 million over the Fiscal Year 2006-07 Adopted Operational Plan. Additional resources are budgeted to address the prosecution of crime and for community prosecution outreach programs, for enhanced capabilities in the Sheriff's Crime Lab to focus on DNA analysis to solve street crimes and to increase the County's readiness to respond in the case of a disaster. Increased resources are also budgeted for community based services to juvenile offenders on probation and for mental health case management and community services to adult and juvenile offenders supported with State grant funds, to address the toxicology testing caseload in the Medical Examiner's Office, to

address an increase in operating costs, including energy costs, in detention and court facilities and for negotiated Salaries and Benefits adjustments. Overall cost increases are partially offset by expenditure decreases due to the completion of certain grant funded Homeland Security activities and decreases to align expenditures with available revenues in the Department of Child Support Services.

Key areas of focus in the coming year include:

- Keeping communities safe through regional leadership and partnerships in public safety and criminal justice administration,
- Addressing critical shortages in sworn staffing through focused outreach and streamlined recruitment processes,
- Strengthening the County's ability to respond to an emergency,
- Reaching out to communities to engage residents in public safety strategies,
- Implementing offender re-entry programs to successfully transition both State prisoners and local detainees back to the community,



- Promoting the well-being of children and the self-sufficiency of families through the success of the child support program,
- Services to juvenile offenders, and
- Focusing on efficiency, performance results and evidence based practices to identify the most effective public safety strategies.

Health and Human Services Agency (HHSA) — A net increase of 6.1% or \$98.3 million from the Fiscal Year 2006-07 Adopted Operational Plan. Increases reflect negotiated labor agreements for Salaries and Benefits, enhancements in Child Welfare Services, costs related to caseload growth within the In-Home Supportive Services program, continued expansion in mental health associated with the Mental Health Services Act (Proposition 63), increased funding for Safety Net Access Program and the Health Care Safety Net, expansion of the San Diego County Psychiatric Hospital, and one-time funding for Edgemoor furniture and equipment needs.

Key areas of focus in the coming year include:

- Promoting preparedness in the community to respond to public health threats and other emergencies,
- Providing services to protect foster children from abuse and neglect and promoting permanency and stability in their living conditions to improve outcomes,
- Working with public and private partners to address issues related to the Healthcare Safety Net, and
- Keeping vulnerable adults safe, healthy and self-sufficient.

Land Use and Environment Group — A net expenditure increase of 9.8% or \$34.4 million from the Fiscal Year 2006-07 Adopted Operational Plan. The increases are to allow for negotiated Salaries and Benefits adjustments, and the addition of staff years for laboratory support, testing and inspection, standards enforcement, public health protection, parks development, renovation and maintenance,

recreational program coordination, additional support for the Multiple Species Conservation Program's implementation of the Area Specific Management Directives, construction projects for the Borrego Valley Airport and Gillespie Field, and a new terminal at the McClellan-Palomar Airport in Carlsbad.

Key areas of focus in the coming year include:

- Managing exotic pests through pest exclusion detection and eradication, thereby protecting the agricultural industry from economic loss and quarantine restrictions,
- Enhancing laboratory capabilities to improve the rapid and accurate detection of diseases harmful to animals, plants, people, and the environment,
- Expanding food safety monitoring,
- Replacing or retrofitting additional school buses to reduce emissions,
- Managing the Multiple Species Conservation Program (MSCP) in South, North, and East County,
- Expanding and protecting Park resources, improving infrastructure and adding 15 miles of trails to the County Trails System,
- Managing the more stringent and costly new National Pollutant Discharge Elimination System permit requirements,
- Continuing improvement of traffic safety and flow, and enhancing pedestrian safety at intersections and crosswalk,
- Enhancing safety and convenience for the flying public through construction of a new terminal, vehicle parking lot and runway safety area at McClellan-Palomar Airport in Carlsbad,
- Managing improvements/renovations of Gillespie, Fallbrook, Ramona, Borrego and Palomar Airports, and
- Continuing the Business Process Reengineering (BPR) program.



Community Services Group — A net increase of 18.8% or \$48.0 million from the Fiscal Year 2006-07 Adopted Operational Plan. The growth is due to costs for the February 2008 Presidential Primary, additional permanent staff, temporary elections workers, negotiated Salaries and Benefits adjustments for existing staff, equipment purchases, operation of new branch libraries, contract service payments, major maintenance projects, and for one-time projects. Offsetting decreases are related to changes in the accounting for parts and fuel in the Fleet Internal Service Fund.

Key areas of focus in the coming year include:

- Conducting the February 2008 Presidential Primary and June 2008 Statewide Primary Elections,
- Two new libraries, one in 4-S Ranch that opened in April 2007 and one replacement branch in Encinitas,
- Maintenance and repair of County facilities,
- Improving medical treatment of animals to make them adoptable sooner,
- Helping to provide safe and sanitary affordable housing, and
- Maintaining safe and secure County records in an efficient work environment, emphasizing electronic storage.

Finance and General Government Group — A net increase of 3.9% or \$11.9 million from the Fiscal Year 2006-07 Adopted Budget. Salaries and Benefits increases are due to negotiated cost of living adjustments, the addition of staff years to expand employee development opportunities, to address caseload growth associated with investigation of public liability claims, and to provide additional support resources to ensure accountability and transparency in financial management activities. Other changes include increases in management reserves to fund anticipated technology costs associated with the upgrade of core financial and human resource software applications and other related costs.

Key areas of focus in the coming year include:

- Maintaining the County's fiscal stability through sound accounting, auditing, budgetary practices, and management discipline,
- Maintaining a robust, diverse, and capable workforce,
- Improving the provision of vital records,
- Maintaining a high credit rating,
- Maintaining a strong Treasurer's Investment Pool,
- Developing a new Integrated Property Tax System,
- Providing the highest quality legal services to the Board and County departments,
- Maintaining the investment in modern information technology,
- Alignment of the County's long-term financial obligations and capital needs, and
- Continued development and implementation of the County's strategy to manage the reporting requirements and costs associated with Other Post Employment Benefits (OPEBs).

Capital — A net decrease of \$68.3 million from Fiscal Year 2006-07 or 66.7%. The decrease is due to a change in the mix and value of capital projects undertaken from year to year. In Fiscal Year 2006-07 the Capital Program included \$80.0 million to fund the construction of a new building to be shared by the Medical Examiner and County Veterinarian as well as other land acquisition and improvement projects. The Fiscal Year 2007-08 capital budget includes appropriations totaling \$10.9 million for land acquisition projects, including funds for the Multiple Species Conservation Program, trails, Lakeside soccer fields, open space, a new Sheriff's station in Ramona and in Rancho San Diego. Also included are appropriations of \$22.3 million for several development projects including the Rancho San Diego Sheriff's station, the County Administration Center Waterfront Park, Lakeside Baseball Park and various park projects located throughout the



All Funds: Total Appropriations

county which consist of the construction of trails and a pavilion, the renovation of restrooms, ranger housing, and Americans with Disabilities Act improvements. Appropriations of \$822,000 have been included in the Edgemoor Development Fund in Services and Supplies for the maintenance of the Edgemoor property.

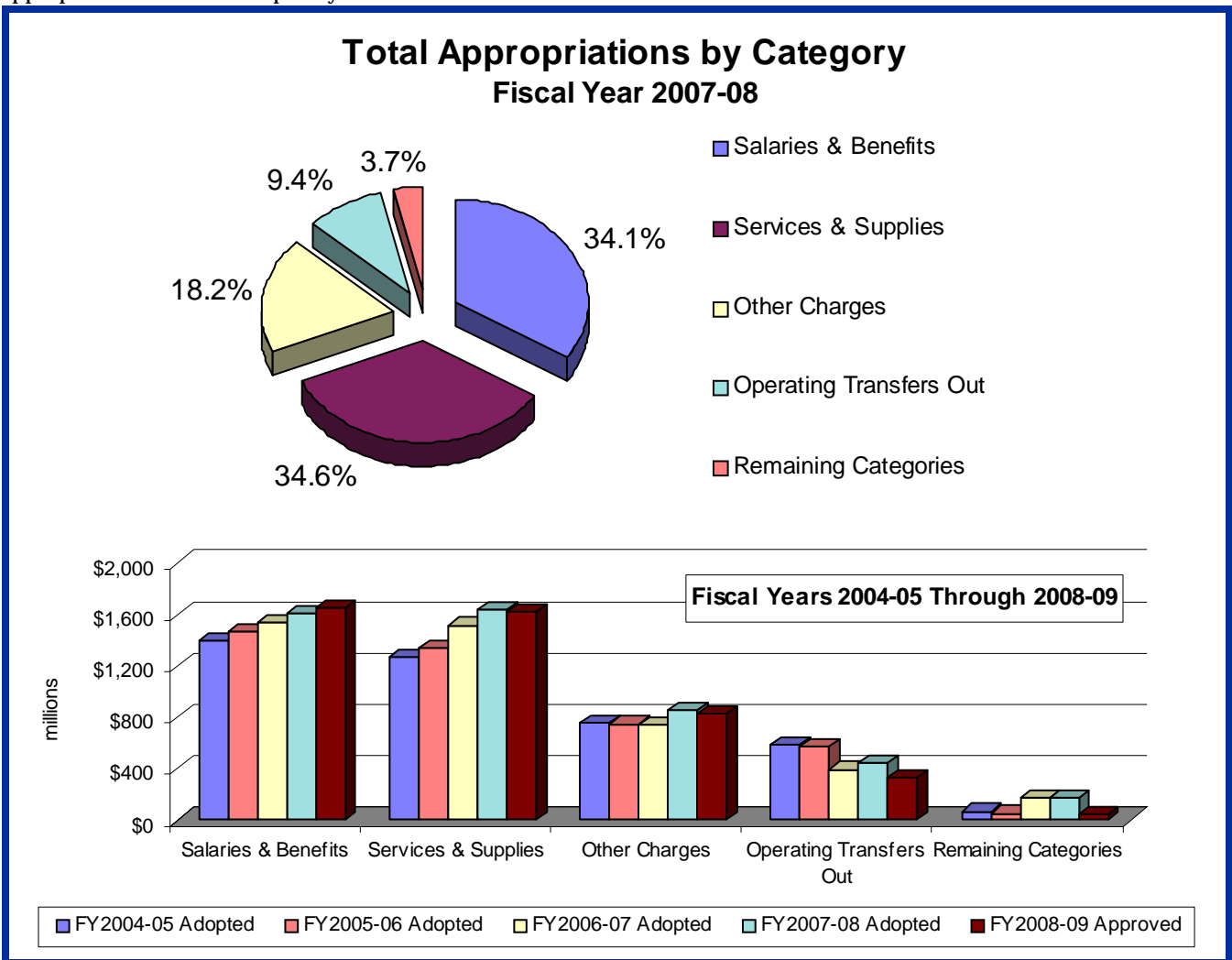
Finance-Other — An increase of \$171.1 million or 38.4% from Fiscal Year 2006-07. A significant portion of the increase pertains to appropriations established to pay off \$118.0 million of the County's long-term debt, specifically to pay in full the principal amount of \$100.0 million of the 2002 Pension Obligation Bonds (POBs), Series C, Public Income Notes, and the remaining \$18.0 million will pay off

a principal portion of the 2002 POBs, Series B-1. The remaining appropriation increases are for a technical adjustment to convert a \$55.5 million fund balance designation to a General Reserve, and a greater General Fund contribution to the County Library to support the operation of new libraries in 4-S Ranch and Encinitas. These increases are partially offset by scheduled lower lease payments on outstanding Certificates of Participation, and reduced requirements in the Employee Benefits Internal Service Fund (ISF) for Workers' Compensation and Unemployment Insurance claims and in the Public Liability ISF for projected settlements.



Total Appropriations by Category of Expenditures

The table and graph below show the Operational Plan broken down by category of expenditures. As noted previously, the Fiscal Year 2007-08 Operational Plan is increasing overall by \$356.9 million from the Fiscal Year 2006-07 Adopted Budget and decreasing by \$244.4 million in Fiscal Year 2008-09. The pie chart below shows the share of the Fiscal Year 2007-08 Operational Plan for each category of expenditures, while the bar chart and table compare the Fiscal Years 2007-08 and 2008-09 appropriations to the three prior years.





Total Appropriations by Category
(in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
Salaries & Employee Benefits	\$ 1,404.1	\$ 1,467.8	\$ 1,539.6	\$ 1,613.2	\$ 1,657.4
Services & Supplies	1,264.9	1,339.7	1,519.8	1,636.0	1,619.9
Other Charges	763.1	751.6	746.5	863.4	833.0
Capital Assets/Land Acquisition	11.4	18.3	106.5	49.4	9.7
Capital Assets Equipment	41.4	16.0	19.7	32.1	16.8
Exp Transfer & Reimbursements	(16.1)	(17.4)	(17.5)	(19.0)	(20.0)
Reserves	15.7	15.7	24.1	24.1	24.1
Reserve/Designation Increase	4.6	4.3	2.6	57.9	0.7
Operating Transfers Out	587.5	573.5	396.6	446.2	325.9
Management Reserves	11.7	17.3	36.8	28.5	19.8
Total	\$ 4,088.2	\$ 4,186.9	\$ 4,374.8	\$ 4,731.7	\$ 4,487.3

Changes include:

- Salaries and Benefits are increasing by a net \$73.5 million or 4.8%. The increase reflects an allowance for negotiated cost of living adjustments and the addition of 196.58 staff years. The smaller increase in Fiscal Year 2008-09 of \$44.3 million or 2.7% is due primarily to estimated negotiated labor cost increases. See "Total Staffing" on page 27 for a summary of staffing changes by functional area.
- Services and Supplies are increasing by \$116.2 million or 7.6%. Increases are budgeted in many accounts within Services and Supplies, most notably a \$23.4 million increase in costs related to the voter approved Mental Health Services Act (Proposition 63), a \$24.6 million increase for the In-Home Supportive Services (IHSS) program associated with case growth and Individual Provider payments, \$18.0 million for the Health Care Safety Net and \$11.3 million for the February 2008

Presidential Primary Election. Other increases include funds for contracted and consultant services, special departmental expenses, information technology costs, and internal service fund costs for major maintenance. A slight decrease of 1.0% is in Fiscal Year 2008-09.

- Other Charges are increasing by \$116.8 million or 15.7%. This category includes items such as aid payments, debt service payments, interest expense, right of way easement purchases, and various contributions to other agencies including trial courts and Community Enhancement and Community Projects program grantees. The increase in Fiscal Year 2007-08 is mainly due to a one-time expense of \$100.0 million for the early payoff of the 2002 taxable Pension Obligation Bonds (POBs), Series C, Public Income Notes (PINES), and \$18.0 million for paying off a principal portion of the \$100.0 million Series B-1 2002 POBs. A net decrease of 3.5% is planned in Fiscal Year 2008-09.



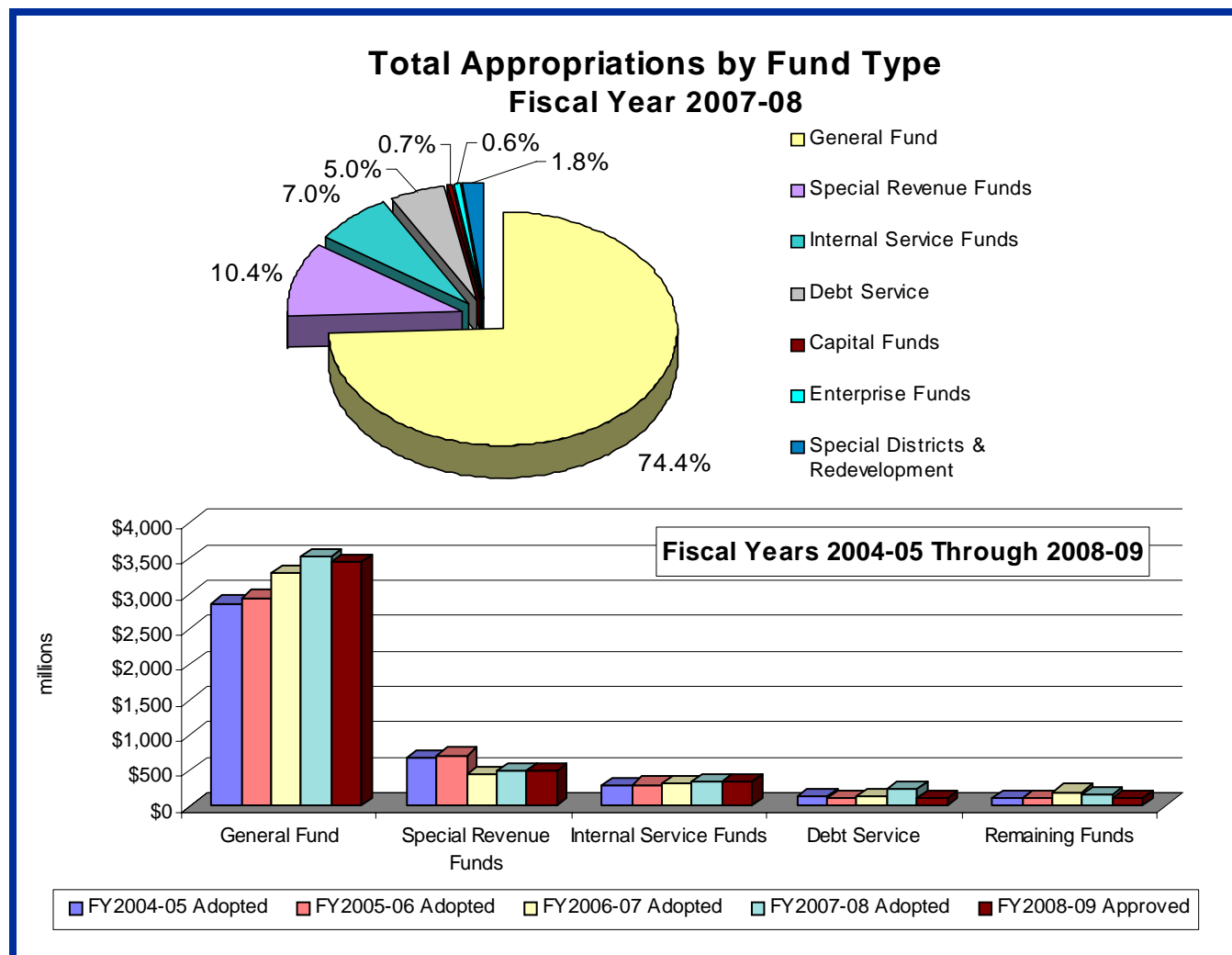
- Capital Assets/Land Acquisition, which includes capital improvement projects and land acquisitions, is decreasing \$57.1 million or 53.6% from Fiscal Year 2006-07. Of the \$49.4 million budgeted for Fiscal Year 2007-08, \$33.3 million is for projects in the Capital Outlay Fund, with the remainder in the Airport Enterprise Fund, and the Alpine, Lakeside, and Spring Valley sanitation districts. Of the \$9.7 million for Fiscal Year 2008-09, \$5.0 million is for the continued purchase of land in support of the Multiple Species Conservation Program with the remainder for projects in the Alpine, Lakeside, and Spring Valley sanitation districts. The amount of money available for new projects or project expansion varies year to year, but capital appropriations at the project level are generally considered to be one-time.
- Capital Assets Equipment, which primarily includes routine internal service fund purchases of vehicles and heavy equipment, is increasing by \$12.4 million or 63.0% from last year. The increase is mainly due to one-time expenditures for miscellaneous equipment, and furniture, fixtures and equipment for the new Edgemoor facility. A decrease of 47.8% is planned for Fiscal 2008-09 due to anticipated lower requirements for that year.
- Expenditure Transfers and Reimbursements are increasing by \$1.6 million or 8.9%. Activity in this account reflects the transfer of expenses to another department for services provided. A transfer can occur because a funding source requires the expenses be recorded in that department for revenue claiming. The Expenditure Transfers and Reimbursement accounts are negative amounts to avoid the duplication of expenditures. One significant example is the agreement between the Health and Human Services Agency (HHSA) and the District Attorney's Public Assistance Fraud Unit. This unit investigates and prosecutes suspected fraudulent public assistance cases for HHSA. The District Attorney offsets the budgeted expenses with a negative amount in Expenditure Transfers and Reimbursements account. HHSA budgets the expense for that activity in a Services and Supplies account offset by the appropriate State/federal revenue account.
- Reserves represent appropriated contingency reserves that are set aside for unanticipated needs during the year. Reserves remain at the Fiscal Year 2006-07 level for both Fiscal Years 2007-08 and 2008-09.
- Reserve/Designation Increases can vary from year to year depending upon the need to set aside fund balance for specific uses. Fiscal Year 2007-08 includes a \$55.5 million technical adjustment to reclassify the general reserve from 'Designated - Contingency General' to 'General Reserve' and an increase of \$1.0 million for replacement and expansion reserves in various water, sewer and sanitation districts.
- Operating Transfers Out, the accounting vehicle for transferring the resources of one fund to pay for activities in another, are increasing by \$49.6 million or 12.5%. Various transfers between funds are increasing and decreasing with the largest increases due to a one-time transfer from the General Fund for the early payoff of the PINES portion of the 2002 taxable Pension Obligation Bonds and to reflect the transfer to the General Fund of projected increases in Public Safety Sales Tax (Proposition 172) revenues. A decrease of 27.0% is planned for Fiscal Year 2008-09 and is primarily related to one-time items in Fiscal Year 2007-08 that are not repeated in the subsequent year.
- Management Reserves are decreasing by \$8.4 million or 22.7%. The level of Management Reserves can vary from year to year. They are used to fund one-time projects or to serve as a prudent cushion for revenue and economic uncertainties at the Group/Agency level.



All Funds: Total Appropriations

Total Appropriations by Fund Type

The financial transactions of the County are recorded in individual funds and account groups. The State Controller prescribes uniform accounting practices for California counties. Various revenue sources are controlled and spent for purposes that require those funds to be accounted for separately. Accordingly, the following funds/fund types provide the basic structure for the Operational Plan. Appendix B: Budget Summary of All Funds and Changes in Fund Balance provides expenditure amounts for County Funds by Type of Fund and by Group/Agency. (See also "Basis of Accounting and Measurement Focus" on page 64).





Total Appropriations by Fund Type (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
General Fund	\$ 2,869.6	\$ 2,943.9	\$ 3,289.5	\$ 3,520.9	\$ 3,448.5
Special Revenue Funds	687.5	720.8	443.4	491.8	488.7
Capital	8.2	7.0	102.4	34.1	5.8
Enterprise Funds	17.1	20.7	17.8	29.4	15.4
Internal Service Funds	295.4	302.6	319.6	333.5	333.9
Debt Service	126.6	110.5	125.6	234.5	111.0
Special Districts & Redevelopment	84.0	81.3	76.6	87.5	84.0
Total	\$ 4,088.2	\$ 4,186.9	\$ 4,374.8	\$ 4,731.7	\$ 4,487.3

Governmental Fund Types

General Fund - accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the County's primary operating fund.

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects). Examples include Road, Library, Asset Forfeiture and Proposition 172 Special Revenue funds.

Capital Project Funds - account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Debt Service Funds - account for the accumulation of resources for, and the payment of, principal and interest on general long-term debt. The Debt Service Funds include bond principal and interest payments and administrative expenses for Pension Obligation Bonds. A discussion of long- and short-term financial obligations can be found on page 51.

Proprietary Fund Types

Enterprise Funds - account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are also used for any activity whose principal external revenue sources meet any of the following criteria:

- Issued debt is backed solely by fees and charges,
- Cost of providing services must legally be recovered through fees and charges, and
- Government's policy is to establish fees or charges to recover cost of provided services

Examples include the Airport and Sanitation District Funds.

Internal Service Funds - account for the financing of goods or services provided by one department to other departments of the County, or to other governmental units, on a cost-reimbursement basis. Examples include the Facilities Management, Fleet, Purchasing and Contracting, Employee Benefits, Public Liability, and Information Technology Internal Service Funds.



Appropriations Limits

Spending limits for the County are governed by the 1979 passage of California Proposition 4 (Article XIII B of the California Constitution) commonly known as the Gann initiative or Gann Limit. Proposition 4 places an appropriations limit on most spending from tax proceeds.

The limit for each year is equal to the prior year's spending with upward adjustments allowed for changes in population and the cost of living. Most appropriations are subject to the limit. However, Proposition 4 and subsequently Proposition 99 (1988), Proposition 10 (1998), and Proposition 111

(1990) exempt certain appropriations from the limit. These exemptions include capital outlay, debt service, local government subventions, new tobacco taxes, appropriations supported by increased gas taxes, and appropriations resulting from national disasters.

When the limit is exceeded, Proposition 4 requires the surplus to be returned to the taxpayers within two years. Appropriations in the two-year period can be averaged before becoming subject to the excess revenue provisions of the Gann Limit. As shown in the following table, the County continues to be far below the Gann Limit.

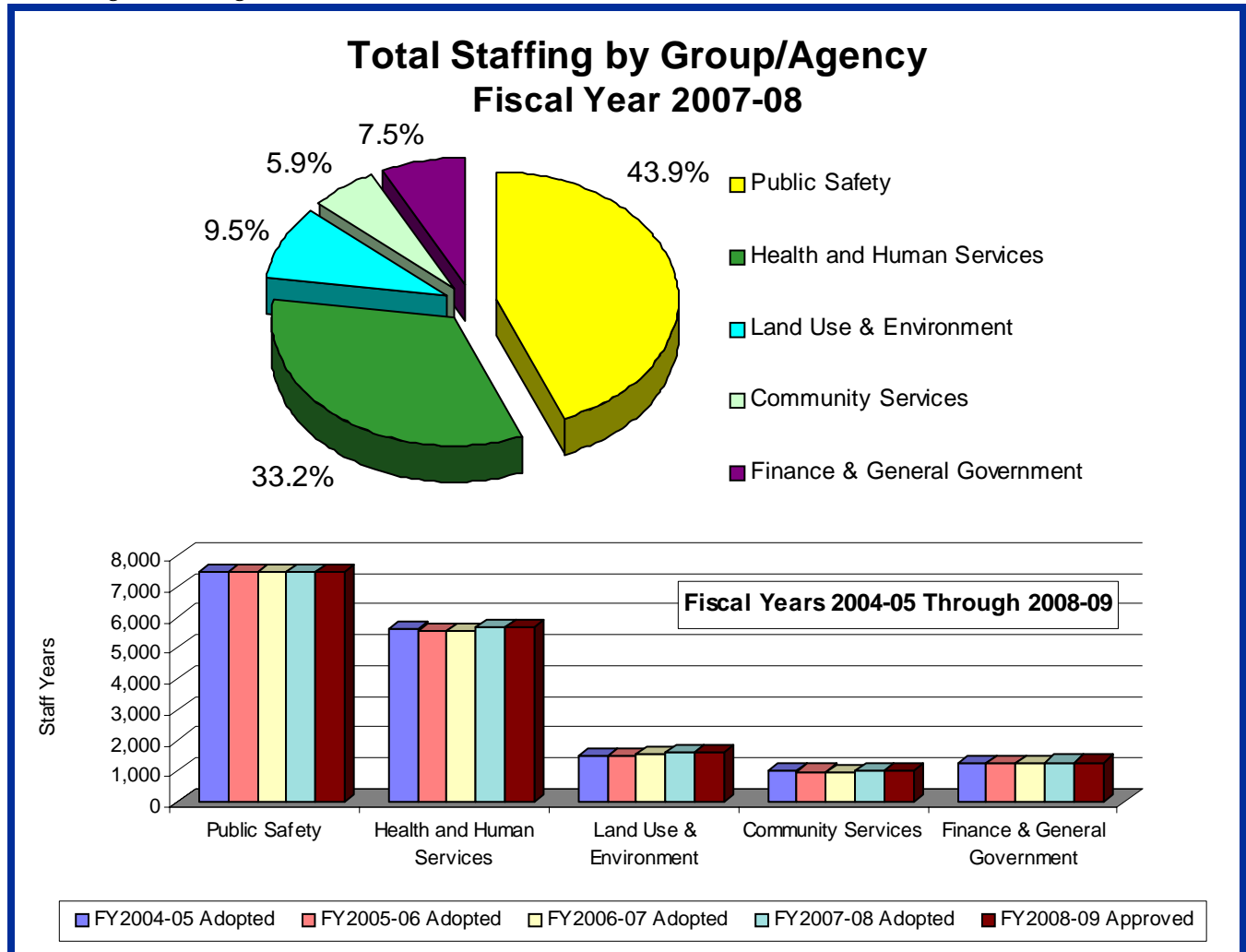
San Diego County Appropriation Limit (in millions)

	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Gann Limit	\$2,832	\$2,949	\$3,081	\$3,300	\$3,433	\$3,619
Appropriations subject to the limit	\$597	\$714	\$717	\$877	\$1,002	\$1,287

All Funds: Total Staffing

Total Staffing

Staff years¹ for Fiscal Year 2007-08 are 196.58 more than the Adopted Budget for Fiscal Year 2006-07, an increase of 1.2% to 17,040.50 staff years. A decrease of 9.00 staff years is expected in the second year of the Plan due to the anticipated expiration of certain grant funding.



¹ A staff year in the Operational Plan context equates to one permanent employee working full-time for one year. County Salaries and Benefits costs are based on the number of staff years required to provide a service.



Staffing—Staff Years

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
Public Safety	7,470.50	7,478.50	7,487.00	7,475.50	7,467.50
Health and Human Services	5,620.62	5,549.92	5,552.92	5,663.00	5,663.00
Land Use & Environment	1,492.00	1,497.00	1,559.00	1,612.00	1,611.00
Community Services	986.25	979.00	974.00	1,009.00	1,009.00
Finance & General Government	1,267.50	1,267.50	1,271.00	1,281.00	1,281.00
Total	16,836.87	16,771.92	16,843.92	17,040.50	17,031.50

The Fiscal Year 2007-08 increase of 196.58 staff years is a net amount with reductions in some areas and increases in others in order to deploy resources to the programs where they can do the most to achieve our strategic goals.

The **Public Safety Group (PSG)** has a net decrease of 11.50 staff years or -0.2%. Child Support Services decreases by 50.00 staff years to align staffing with available revenues. Five other PSG departments have staff year increases. The Sheriff increases by 24.00 staff years associated with the conversion of 44 current half-time positions to full-time and an increase of staff for DNA analysis activities associated with Proposition 69, the *DNA Fingerprint, Unsolved Crime and Innocence Protection Act*. The Sheriff will be directing resources to DNA analysis in the Crime Lab in order to reduce the time to process and deliver DNA sample analysis associated with street crimes, emergency communications dispatch and law enforcement contracts with other jurisdictions. The Probation Department increases by 9.50 staff years to manage services addressing the mental health needs of adult and juvenile offenders pursuant to Proposition 63, the *Mental Health Services Act*, for juvenile crime prevention activities, to pilot juvenile offender supervision services using global positioning system technology, to fully fund two part-time positions supported by SB 618, Inmates: Individualized Assessments and

Treatment Plans and for truancy prevention, offset by a decrease of staff due to the completion of DNA sample collection activities in Phase I of the implementation of Proposition 69, the *DNA Fingerprint, Unsolved Crime and Innocence Protection Act*. The District Attorney increases by 2.00 staff years for the Victim/Witness Assistance Parole Advocacy Program. The Public Safety Group Executive Office increases by 2.00 staff years to monitor and process contract and court ordered payments for indigent defense and to support all PSG departments in human resources activities and systems, and the Medical Examiner adds 1.00 staff year to address increasing toxicology testing caseloads while continuing to meet performance standards for timely test completion.

The **Health and Human Services Agency (HHS)** increases by 110.08 staff years or 2.0%. Child Welfare Services increases by 83.00 staff years to improve child welfare services programs. Behavioral Health Services increases by 30.50 staff years, of which 25.50 staff years are associated with an increase of 15 beds in the San Diego County Psychiatric Hospital, and 5.00 staff years are for the Mental Health Services Act expansion of services. Aging and Independence Services increases by 4.00 staff years due to case growth for the In-Home Supportive Services program. Public Health Services increases 0.58 staff years as a



technical adjustment, with no impact to the total number of positions. These increases are offset by a decrease of 8.00 staff years within HHSA due to reengineering mail courier services. Several staff years were transferred among the HHSA programs, and those changes are discussed in each program's staffing changes.

The **Land Use and Environment Group (LUEG)** has a net increase of 53.00 staff years or 3.4%. Agriculture, Weights and Measures increases by 17.00 staff years to support additional high risk pest exclusion activities, standards enforcement, Animal Disease Diagnostic Laboratory, surveillance through use of Geographic Information Systems (GIS), and the Stormwater program. Environmental Health adds 8.00 staff years for its Food and Housing Program to perform permitted facility inspections and for the Solid Waste Local Enforcement Agency to perform inspections for solid waste facilities and investigate complaints. Farm and Home Advisor adds 1.00 staff year for administrative support. Parks and Recreation increases by 15.00 staff years to expand the hours and public accessibility at San Elijo Lagoon Ecological Reserve, Santa Ysabel Open Space Preserve and Sycamore Canyon/Goodan Ranch Open Space preserve, to add support for development and renovations at park facilities and to implement the Area Specific Management Directives (ASMDs) of the Multiple Species Conservation Program (MSCP), and for more park rangers, maintenance and recreation program coordination. Planning and Land Use has a net reduction of 8.00 staff years. A decrease of 9.00 staff years is related to the projected downturn in building permit and plan check activities. The addition of 1.00 staff year will ensure compliance with the new Regional Water Quality Control Board Municipal Stormwater Permit. Public Works increases overall by 23.00 staff years for increased volume of capital projects in the Road Fund, for increased Watershed Protection program testing and implementation of the new Municipal Stormwater Permit, conversion to an in-house maintenance crew in the Inactive Waste Site Management fund, for increased public counter activity resulting from the closure of two Department of

Planning and Land Use satellite offices, for facilities planning and operations in the Airport Enterprise and Wastewater Enterprise Funds and includes the transfers out of 2.00 staff years to the Finance and General Government Group, reflecting a shift in responsibility for the County's Performance Management Program. The LUEG Executive Office decreases by 3.00 staff years as a result of a transfer of responsibility to the Finance and General Government Group for customer service and website support.

The **Community Services Group (CSG)** increases by 35.00 staff years or 3.6%. The County Library will add 25.00 staff years to support a new branch in 4-S Ranch and a re-opened/enlarged Encinitas branch. Responding to growth in County facilities under management and customer demand for services, the Department of General Services adds 5.00 staff years in its facilities management and real estate and mail services. Animal Services adds 1.00 staff year in its South County Shelter for enhanced medical staff to accelerate the diagnosis and treatment of shelter animals, to get animals healthy faster and reduce wait times for adoptions. The Registrar of Voters increases by 3.00 staff years to support poll worker training, provide administrative support in the financial management of elections, and serve customers at its facilities. Finally, the Department of Purchasing and Contracting adds 1.00 staff year to support its property disposal operation in a warehouse that is no longer adjacent to its office staff.

The **Finance and General Government Group (FGG)** increases by 10.00 staff years or 0.8%. The FGG Executive Office transfers in 2.00 staff years from the Department of Public works for the County's Performance Management Program and transfers out 2.00 staff years to the Auditor and Controller to reflect a change in the organizational reporting structure. In addition to the transfer, the Auditor and Controller adds 1.00 staff year to enhance support for the Community Projects and Community Enhancement Programs. The Office of County Counsel adds 2.00 staff years to address caseload growth in claims investigation and increased financial administrative support. Also reflected in



the increase is the mid-year reorganization of the customer service program, whereby 1.00 staff year was transferred from the Land Use and Environment Group Executive Office to the Chief Technology Office and 2.00 staff years were transferred to the Department of Human Resources. The Department of Human Resources also adds 2.00 staff

years to increase training and development activities for County employees, and to provide support for enterprise-wide initiatives.

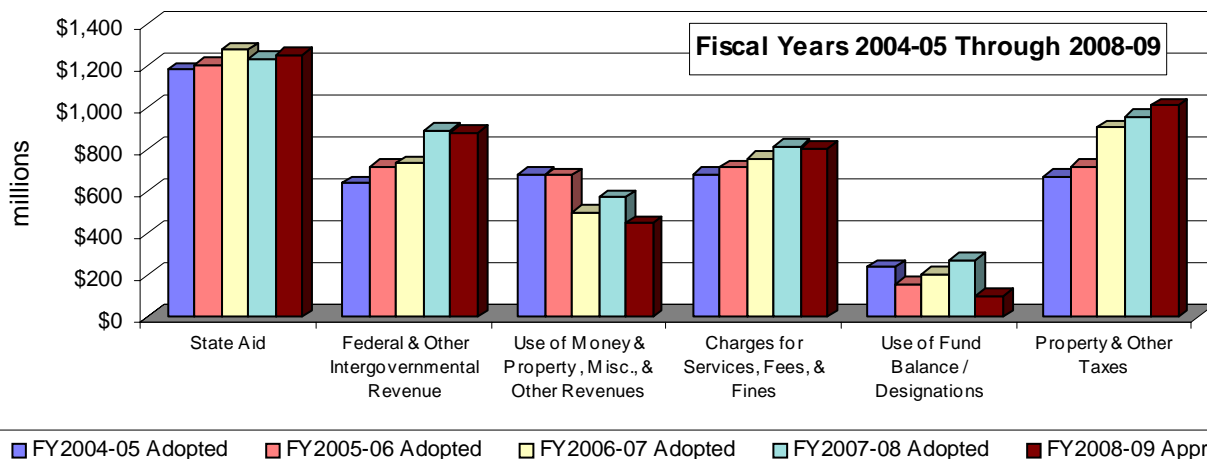
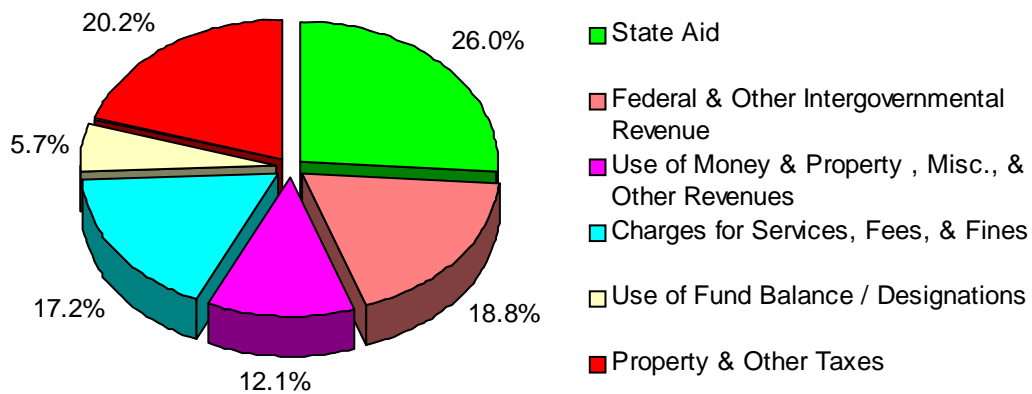
More detail on staff year changes can be found in each department/program section of the Operational Plan that begins on page 77.

All Funds: Total Funding Sources

Total Funding by Source

Total resources available to support County services for Fiscal Year 2007-08 are \$4.73 billion, an increase of \$356.9 million or 8.2% from the Fiscal Year 2006-07 Adopted Operational Plan. Total resources are anticipated to decrease \$244.4 million or 5.2% in Fiscal Year 2008-09. For Fiscal Year 2007-08, State aid (\$1.2 billion), federal aid (\$797.4 million), and other intergovernmental revenue (\$91.8 million) combined supply 44.8% of the financing sources for the County's budget. Another 35.0% (\$1.6 billion) comes from the combination of charges for current services, interfund operating transfers, fund balance, licenses, permits and franchises, reserve/designation decreases, and other miscellaneous sources. Finally,

Total Funding by Source Fiscal Year 2007-08





All Funds: Total Funding Sources

Total Funding by Source (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
State Aid	\$ 1,178.5	\$ 1,205.6	\$ 1,275.4	\$ 1,230.5	\$ 1,250.5
Federal Revenues	549.3	629.5	619.9	797.5	787.7
Other Intergovernmental Revenue	87.4	87.8	112.9	91.8	91.6
Use of Money & Property, Misc., & Other Revenues	678.9	675.5	498.9	572.0	448.9
Charges for Services, Fees, & Fines	682.3	714.6	757.8	811.7	802.8
Property & Other Taxes	671.5	717.6	903.0	957.5	1,006.6
Reserve/Designation Decreases	5.7	5.3	4.2	57.6	1.8
Use of Fund Balance	234.7	151.1	202.8	213.1	97.4
Total	\$ 4,088.2	\$ 4,186.9	\$ 4,374.8	\$ 4,731.7	\$ 4,487.3

locally generated funding sources, including property tax, property tax in lieu of Vehicle License Fees (VLF), sales tax, real property transfer tax, transient occupancy tax, and miscellaneous other revenues, account for 20.2% (\$957.5 million) of the financing sources for the County's budget.*

Overall Change

The \$356.9 million increase in the Fiscal Year 2007-08 Operational Plan is the net of increases in some funding sources and decreases in others. In the table above, Federal Revenue, Charges for Services, Fees & Fines, Interest, Miscellaneous & Other Revenues, Property and Other Taxes, Reserve/Designation Decreases, and Use of Fund Balance increase a combined \$422.8 million. Reductions totaling \$66.0 million are in the categories of State Aid and Other Intergovernmental Revenue.

Change by Source

State Aid decreases by \$44.9 million overall in Fiscal Year 2007-08. This is largely due to re-categorizing certain funding sources in the Health and Human Services Agency with a net decrease in State Aid of \$91.4 million offset by increases in Federal Revenues of \$172.8 million. An example of this funding change is seen in Regional Operations with a decrease in State Aid of \$126.4 million offset by Federal Revenue increases of \$129.7 million due to a change in the claiming instructions from the State of California for CalWORKs Two-Parent families which are to be funded from federal TANF revenue, and a refinement of the budget to more accurately reflect federal funding for Medi-Cal eligibility and child care services that is passed through the State to the County. While an overall net decrease in State Aid is budgeted, some component categories are budgeted to increase, namely in the

* An explanation of the various General Fund Financing Sources by Category and General Purpose Revenues by Source can be found on pages 37 and 41 respectively.



Department of Public Works primarily for transportation projects funded by Proposition B1 revenue (\$15.0 million), Realignment (\$7.6 million), In-Home Supportive Services (IHSS) (\$12.2 million), and Behavioral Health Services (\$32.7 million). See the Summary of General Fund Financing Sources for additional detail on the budgeting of the Realignment revenues in Fiscal Years 2007-2009.

Federal Revenue increases 28.6% (\$177.6 million) primarily in the Health and Human Services Agency for the reasons described above in Regional Operations. A reduction in federal revenue occurs in Public Safety for Emergency Services due to the completion of grant funded activities.

Other Intergovernmental Revenue decreases by \$21.0 million. This is due in part to a shift in Behavioral Health Services of \$3.4 million to the State Aid category and to a decrease in Planning and Land Use of \$17.9 million with the conclusion of the tree removal program in Fiscal Year 2006-07.

Use of Money and Property, Miscellaneous & Other Financing Sources increase by a net of \$73.1 million: \$14.4 million in Use of Money and Property, \$7.7 million in Miscellaneous Revenue and \$51.0 million in Other Financing Sources. The increase in Use of Money and Property is largely in the County's general purpose revenues for interest on deposits and in Public Works from Airport rents and concessions. The Miscellaneous Revenue increases are in the Land Use and Environment Group in Parks and Recreation related to recovered expenditures from insurance proceeds for Firestorm 2003 recovery projects, in Public Works for reimbursements for projects, and in the Pension Obligation Bond (POB) Fund related to the revenues generated through the Interest Rate Swap on the variable rate portion of the debt. In addition, the increase in Other Financing Sources is due in part to an increase in Operating Transfers from the Proposition 172 Special Revenue Fund based on budgeted Proposition 172 revenue growth and the one-time use of Proposition 172 fund balance in Fiscal Year 2007-08. The other change in Other Financing Sources is

the decrease in operating transfers to fund capital projects offset by the increase in operating transfers to fund the early payoff of the Public Income Notes (PINES) portion of the 2002 POBs.

Charges for Services, Fees, and Fines increase by \$53.9 million. Some of the increases across the County are in General Services for increased cost reimbursement associated with contracted services, utilities, fuel, parts, and major maintenance projects; in the Sheriff's Department for increased levels of contracted law enforcement service; in Health and Human Services, for various Inpatient, Alcohol and Drug, and Mental Health Services; and in the Assessor/Recorder/County Clerk a result of additional Property Tax Administration cost recoveries.

Property and Other Taxes increase by \$54.6 million, primarily in the General Fund, as a result of moderate growth in assessed value. (See the section below on General Purpose Revenues by Source for more information on the changes in these funding sources.)

Finally, the **Use of Fund Balance** increases by \$10.3 million due to normal fluctuations in one-time projects, and the use of **Reserves/Designations** increases by \$53.4 million in Fiscal Year 2007-08. The use of \$55.5 million in Reserves/Designations in the General Fund represents a technical adjustment to convert a \$55.5 million fund balance designation to a general reserve as defined in Government Code §29085-29086, which allows the creation of a general reserve and restricts increasing or decreasing the amount to the time of budget adoption. See the individual Group/Agency sections of this Operational Plan for the breakdown of financing sources by department.

Risks to Funding Projections: State of California's Budget

On August 21, 2007, the Legislature passed the 2007-08 Budget Bill and on August 24, 2007, the Governor signed the 2007-08 Budget Act. The budget package authorizes total General Fund spending of \$102.3 billion. The Budget



includes some program expansions, but also contains a number of budget-balancing actions, including a major redirection of transportation funds and reductions in social services.

In 2007-08, budgeted expenditures do not exceed revenues; however, many of the solutions enacted in the budget plan are one-time in nature. Based on the 2007-08 budget plan's policies, the State would once again face operating shortfalls of more than \$5 billion in both 2008-09 and 2009-10. An updated analysis of the fiscal projections will be provided by the State of California Legislative Analyst's Office in November 2007.

Impact on the County's Adopted Operational Plan

Corrections Reform - The 2007-08 budget plan enacts a major policy change under which nonviolent juvenile offenders would no longer be held at State juvenile facilities and new grant programs would be created to support programs for these offenders at the local level.

Health Care Reform - Health Care Reform continues to be a high priority topic in the State of California. The topic contains a number of fiscal risks, uncertainties, and opportunities for local counties. The County is actively engaged in these discussions and is monitoring the potential impact closely.

State Mandates - The State's reading of Proposition 1A (2004) permits them to delay mandate reimbursements until the year after the mandate has been performed and

actual costs are known. The past practice was to make payments to counties based on estimated costs in the budget year along with true-ups for actual costs in the prior year. Under the 2007-08 Budget Act, no reimbursements for Fiscal Year 2007-08 mandated costs will be paid until Fiscal Year 2008-09.

Transfer of Fees - The 2005-06 Budget Act required counties to transfer revenues from certain court imposed fees, fines, and forfeitures to the local trial court that would otherwise have gone to the counties, extending the 2003-04 and 2004-05 transfer for four more years. The County's share was \$2.1 million for 2003-04 and 2004-05, \$0.8 million in 2005-06 and \$0.6 million in 2006-07. For Fiscal Years 2007-08 and 2008-09, the County's share each year is \$0.4 million and \$0.2 million, respectively. One-time resources will be used to fund this requirement.

Property Tax Administration Grant - The 2007-08 Budget Act does not include funding for counties' property tax administration programs. For 2007-08, General Purpose Revenues continue to replace the loss of these grant funds.

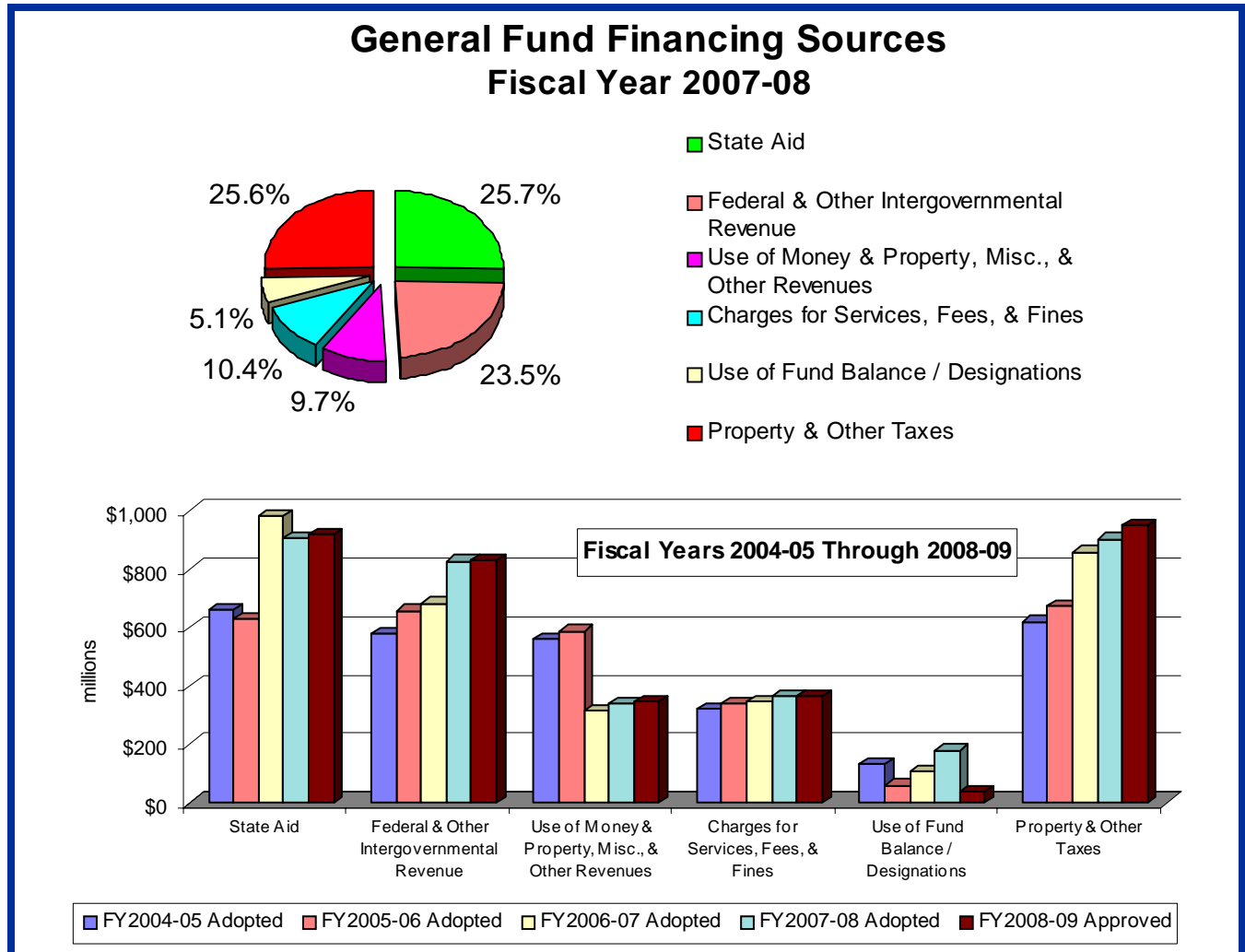
The following sections focus on General Fund financing sources.

Sources: Governor's Budget for 2007-08, State of California Legislative Analyst's Office, and State of California Department of Finance

Summary of General Fund Financing Sources

Summary of General Fund Financing Sources

The largest single fund and the fund that is responsible for most County services is the General Fund. General Fund Financing Sources total \$3.5 billion for Fiscal Year 2007-08, a \$231.4 million or 7.0% increase from Fiscal Year 2006-07. Total General Fund resources are expected to decrease by \$72.4 million or 2.1% in Fiscal Year 2008-09. In comparison, the previous four fiscal years saw growth rates of 4.4% or \$116.6 million in Fiscal Year 2003-04, 3.0% or \$84.5 million in Fiscal Year 2004-05, 2.6% or \$74.3 million in Fiscal Year 2005-06, and 11.7% or \$345.6 million in Fiscal Year 2006-07. A 7.0% increase for Fiscal Year 2007-08 marks a return to a more moderate pace. The contraction in Fiscal Year 2008-09 is largely



Summary of General Fund Financing Sources



General Fund Financing Sources (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
State Aid	\$ 660.6	\$ 628.6	\$ 979.6	\$ 903.8	\$ 919.0
Federal Revenues	513.8	592.2	586.2	753.1	754.2
Other Intergovernmental Aid	64.1	64.5	97.1	74.8	75.5
Use of Money & Property, Misc., & Other Revenues	560.5	586.5	315.8	340.5	345.4
Charges for Services, Fees, & Fines	319.7	338.4	345.6	366.2	365.8
Reserve/Designation Decreases	4.0	3.7	2.6	57.0	0.2
Use of Fund Balance	129.2	56.5	105.8	123.3	38.3
Property & Other Taxes	617.8	673.5	856.8	902.2	950.0
Total	\$ 2,869.6	\$ 2,943.9	\$ 3,289.5	\$ 3,520.9	\$ 3,448.5

due to a projected reduction in the use of Fund Balance and Reserve/Designation decreases (both one-time resources) offset in part by growth in the Property and Other Taxes category.

The charts and table above show the same breakdown of financing sources by account group as shown in the preceding All Funds: Total Funding Sources section.

Because most of the significant year-to-year changes discussed in that section apply to the General Fund, they will not be repeated here.

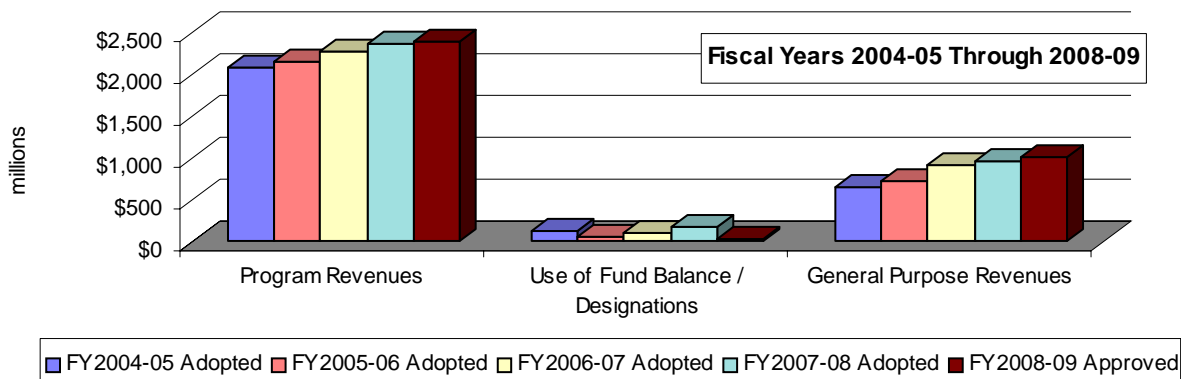
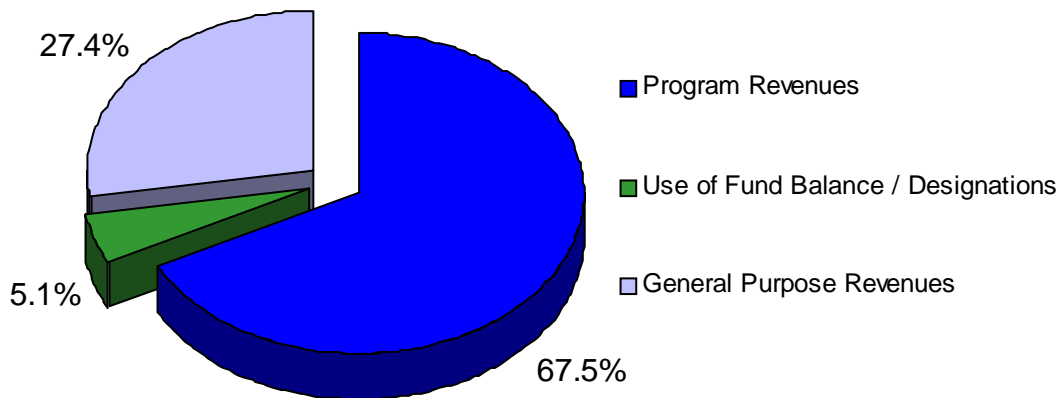
The following section reviews General Fund financing sources from a categorical perspective.



General Fund Financing Sources by Category

The preceding section displayed General Fund financing sources by account type. This section looks at General Fund financing sources according to how they are generated. From that perspective, they can be categorized as one of three funding types: Program Revenues, General Purpose Revenues, or Use of Fund Balance (including Reserve/Designation decreases).

**General Fund Financing Sources by Category
Fiscal Year 2007-08**





General Fund Financing Sources by Category (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
Program Revenues	\$ 2,078.9	\$ 2,162.7	\$ 2,274.7	\$ 2,376.9	\$ 2,395.3
Use of Fund Balance / Designations	133.2	60.2	108.5	180.4	38.5
General Purpose Revenues	657.4	721.0	906.3	963.6	1,014.7
Total	\$ 2,869.6	\$ 2,943.9	\$ 3,289.5	\$ 3,520.9	\$ 3,448.5

Program Revenues, as the name implies, are dedicated to and can be used only for the specific programs with which they are associated. These revenues make up 67.5% of General Fund Financing Sources in Fiscal Year 2007-08, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues increase by 4.5% over the Fiscal Year 2006-07 Adopted Budget. The average annual growth for the last three years was 4.6%. State, federal, and other intergovernmental funds of \$1.7 billion in Fiscal Year 2007-08 comprise 72.9% of Program Revenues. The largest single sources of Program Revenues include:

- Realignment Revenues** (\$323.4 million in Fiscal Year 2007-08 and \$336.2 million in Fiscal Year 2008-09) are received from the State to support health, mental health, and social services programs. The term Realignment refers to the transfer in 1991 of responsibility from the State to counties for certain health, mental health, and social services programs, along with the provision of dedicated sales tax and vehicle license fee (VLF) revenues to pay for these services. Between Fiscal Years 2002-03 and 2006-07, annual revenue growth averaged 5.3%. An increase of 2.4% is budgeted for Fiscal Year 2007-08, and an increase of 4.0% is projected in Fiscal Year 2008-09.
- Proposition 172-Public Safety Sales Tax Revenues** (\$249.9 million in Fiscal Year 2007-08 and \$257.9 million in Fiscal Year 2008-09) support regionwide public safety services provided by three Public Safety Group departments - the Sheriff, District Attorney and Probation. The revenue source is a dedicated one-half cent increase in the statewide sales tax that was approved by the voters in 1993 and is distributed to counties and cities based on the relative levels of taxable sales in each county to the total taxable sales in all qualified counties. Between Fiscal Years 2002-03 and 2006-07, annual budgeted revenue growth averaged 7.1%. For Fiscal Year 2007-08, an increase of 4.8% is budgeted and for Fiscal Year 2008-09, an increase of 3.2% is expected. These amounts are based on projections of statewide sales tax receipts and projections of San Diego County's proportionate share of statewide sales tax receipts. An additional \$7.5 million in carryover funds received but not appropriated in the previous fiscal year is budgeted for specific one-time uses for the designated departments.
- Tobacco Settlement Revenues** (\$29.7 million in Fiscal Year 2007-08 and \$24.2 million in Fiscal Year 2008-09) by Board policy are dedicated to health-based programs. These revenues are the result of the historic Master Settlement Agreement between the Attorneys General of California and several other states and the four major tobacco companies in 1998. The agreement provided



more than \$206 billion in Tobacco Settlement Payments over 25 years in exchange for the release of all past, present, and future claims related to the use of tobacco products. California agreed to distribute its share of the settlement to its counties based on population.

To reduce the risk of non-receipt of the Tobacco Settlement Payments, some counties and states opted to securitize these payments. Securitization is a process whereby the owner of the receivable sells the right to that income stream to a third party in exchange for an up-front payment. The County of San Diego helped to pioneer this process and received \$466 million in January 2002 in exchange for its Tobacco Settlement Payments. In May 2006 the County securitized additional anticipated receipts and added \$123.5 million to the endowment fund. These proceeds will enable the County to fund approximately \$27.5 million of health care programs annually through approximately 2034. The \$29.7 million budgeted to be utilized in Fiscal Year 2007-08 reflects \$5.5 million in one-time, non-securitized Tobacco Settlement funds and \$24.2 million in Securitized Tobacco funds. Another \$3.3 million is appropriated and retained in the Tobacco Securitization Special Revenue fund in Fiscal Year 2007-08. A request will be submitted to the Board if the additional resources are needed.

General Purpose Revenues make up 27.4% of General Fund Financing Sources. Please see the separate discussion of General Purpose Revenues beginning on page 41.

Use of Fund Balance/Designations (\$180.4 million in Fiscal Year 2007-08 and \$38.5 million in Fiscal Year 2008-09), including reserve/designation decreases, represents 5.1% of General Fund Financing Sources in Fiscal Year 2007-08. This resource is used for one-time expenses, not for the support of ongoing operations. Fund Balance is the result of careful management of resources Countywide in past years. The County typically does not utilize all of the anticipated fund balance in preparing its Operational Plan. Instead, needs for one-time resources are assessed on a

continuing basis and proposals are brought to the Board during the fiscal year on an individual basis or as part of quarterly budget status reports. The County of San Diego's audited, unreserved, undesignated Fund Balance was \$225.9 million at the end of Fiscal Year 2000-01, \$234.6 million after Fiscal Year 2001-02, \$269.0 million after Fiscal Year 2002-03, \$215.4 million after Fiscal Year 2003-04, \$264.2 million after Fiscal Year 2004-05, and \$435.4 million after Fiscal Year 2005-06. Audited figures are not yet available for Fiscal Year 2006-07.

In the Adopted Operational Plan, General Fund fund balance is used as the funding source for various one-time or project-specific purposes:

- Death Penalty Indigent Defense,
- Mobile Tablet computers for Child Advocacy Investigators,
- Vehicles in the Public Defender and Alternate Public Defender departments,
- Facility maintenance needs,
- Business Process Reengineering efforts throughout the County,
- Furniture, Fixtures and Equipment for Edgemoor,
- CalWIN projects,
- General Plan (GP) 2020/Zoning Ordinance support,
- Various capital projects, including appropriations for land acquisition for Lakeside soccer fields, Stowe Trail, Ramona Sheriff's station, Fallbrook Library, and for open space, and for the following development projects: Spring Valley Community Center improvements, Agua Caliente Regional Park Pavilion replacement, Sweetwater Trails/Bikeways construction, Tijuana River Valley Trail and Habitat Restoration, Rancho San Diego Sheriff's station construction, Felicita Park wedding area and other improvements, Otay Valley Regional Park (OVRP) Trails development, San Elijo Lagoon Nature Center replacement, and Lakeside Baseball Park construction.



Summary of General Fund Financing Sources

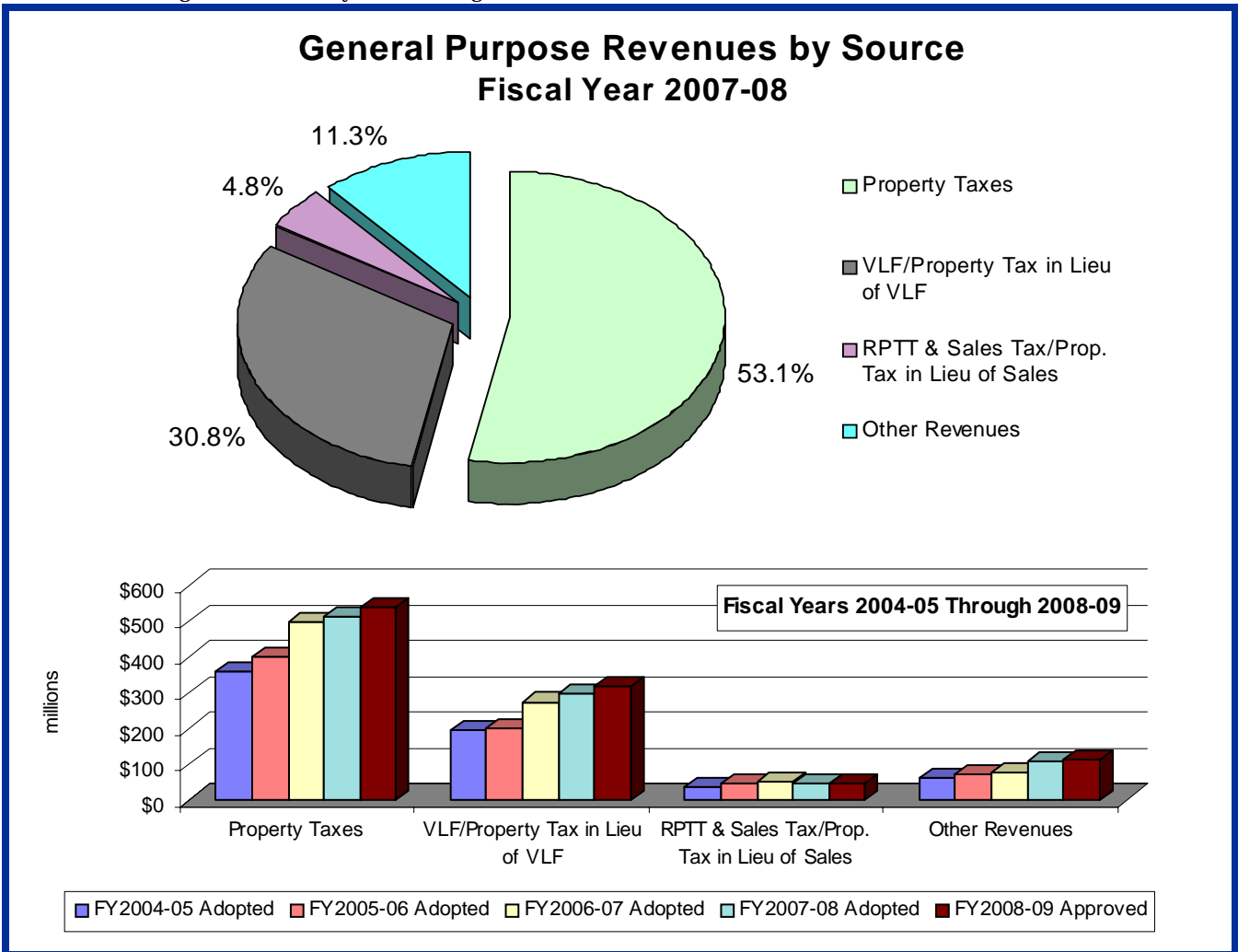
Other improvements include: the Whaley Compound Americans with Disabilities Act (ADA) access, Los Penasquitos Adobe ADA access, County Administration Center (CAC) Waterfront Park development project, and various Ranger Housing improvements,

- North County Animal Shelter enhancements,
- Various Library enhancements,
- Support for the enterprise-wide Documentum document management system,
- The February 2008 Special Presidential Primary,
- Funding for future year Contribution to Trial Court undesignated fee payments,
- Management Reserves,
- Enterprise Resource Planning (ERP) one-time costs,
- One-time technology projects,
- Community Projects grants, and
- Conversion of a fund balance designation to a General Reserve.

General Purpose Revenues

General Purpose Revenues by Source

General Purpose Revenues for Fiscal Years 2007-08 and 2008-09 are budgeted at \$963.6 million and \$1,014.7 million, respectively. As noted on page 37, they represent approximately 27.4% of General Fund Financing Sources. The revenues come from property taxes, property tax in lieu of vehicle license fees (VLF), sales tax, real property transfer tax (RPTT), and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board, therefore, has the greatest flexibility in allocating these revenues.





General Purpose Revenues

General Purpose Revenues by Source (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
Property Taxes	\$ 359.6	\$ 400.5	\$ 499.3	\$ 511.4	\$ 539.7
VLF/Property Tax in Lieu of VLF	196.9	200.5	274.5	297.1	316.4
RPTT & Sales Tax/Prop. Tax In Lieu of Sales Tax	38.6	47.6	54.2	46.2	46.7
Other Revenues	62.4	72.5	78.4	108.9	112.0
Total	\$ 657.4	\$ 721.0	\$ 906.3	\$ 963.6	\$ 1,014.7

The growth in these revenues is principally affected by the local and State economies. While the growth in General Purpose Revenues (GPR) averaged 6.2% annually from Fiscal Year 1999-00 through Fiscal Year 2005-06, the budgeted growth for Fiscal Year 2006-07 was 25.7% (\$185.3 million) over the Fiscal Year 2005-06 adopted budget. This growth was due to unique circumstances related to the restoration of property tax that was shifted to schools under a two-year agreement with the State, a sizeable adjustment to the Property Tax In Lieu of Vehicle License Fees by the State of California, and strong growth in supplemental property taxes combined with a change in the distribution formula that shifted more supplemental taxes to the County as a result of the property-tax-in-lieu-of-VLF legislation. For Fiscal Year 2007-08, GPR growth is estimated to be 6.3% (\$57.3 million) above the Fiscal Year 2006-07 Adopted Operational Plan, which is closer to the historic average. The projected growth rate for Fiscal Year 2008-09 is expected to decelerate to 5.3%. Details of these increases are discussed below.

Property Tax Revenues, (\$511.4 million in Fiscal Year 2007-08 and \$539.7 million in Fiscal Year 2008-09), including current secured, current supplemental, and current unsecured, at 53.1% of the total, is the most significant source of General Purpose Revenues. For Fiscal

Year 2007-08, property tax revenue for these three categories combined is \$12.1 million or 2.4% higher than budgeted for Fiscal Year 2006-07. This increase appears to be a significant drop in the rate of growth compared to the average of 9.7% over the prior seven years, but a portion of the drop is attributed to a change between fiscal years 2006-07 and 2007-08 in the methodology for budgeting and accounting for property tax revenues associated with the Teeter Plan. Previously under the Teeter Plan, all property tax revenues due in a fiscal year, regardless of whether they were paid, were recognized in that year. Now delinquent taxes owed to the County are not recognized until they are paid, which shifts the revenue to the "Other Revenue" category as described below. Disregarding the change in accounting methodology, the overall increase in budgeted property tax revenues for Fiscal Year 2007-08 is 5.0%. Property tax revenue growth of 5.5% or \$28.3 million is projected for Fiscal Year 2008-09.

The modest increase in property tax revenue is based on the slowed demand for housing in the county as evidenced by the reduction in residential building permits, year over year marginal decline in the median priced home in the county, and length of time of property listings. These factors are mitigated by relatively low interest rates, the area's population growth and continued strength in the



commercial sector. The following table presents a summary of historical and projected property tax revenues to show the changes by category.

Current Secured property taxes (\$474.6 million in Fiscal Year 2007-08 and \$501.6 million in Fiscal Year 2008-09) are budgeted to increase by 5.0% in Fiscal Year 2007-08; this increase assumes a 7.5% increase in the local secured assessed value, an allowance for tax increment allocations to redevelopment agencies, and an allowance for delinquent property tax payments. In addition, it reflects the change in the methodology for budgeting and accounting for delinquent property tax revenues associated with the Teeter Plan. Current real estate market conditions indicate that a continued slower rate of growth should be assumed for Fiscal Year 2008-09 as well.

Current Supplemental property taxes (\$20.8 million in Fiscal Year 2007-08 and \$22.1 million in Fiscal Year 2008-09) are derived from additions to the tax roll during the budget year and are therefore more difficult to predict. The actual

amount of these revenues in Fiscal Year 2006-07 was 26.3% less than budgeted (\$23.4 million actual versus \$31.7 million budgeted) as a result of weakness in assessed value growth from the slowing in the real estate market. The adopted budget assumes that this weakness will continue through the next two fiscal years with the Fiscal Year 2007-08 amount being less than the actual for Fiscal Year 2006-07 followed by a small recovery in Fiscal Year 2008-09. The adopted budget also reflects a shift in the budgeting and accounting for delinquent property tax revenues associated with the Teeter Plan.

Current Unsecured property taxes (\$16.0 million in Fiscal Year 2007-08 and \$15.9 million in Fiscal Year 2008-09) do not build on a prior year base. The roll is forecasted based on trends and available information at the time the budget is developed. Growth of 4.3% is budgeted for Fiscal Year 2007-08 over the Fiscal Year 2006-07 adopted budget, with a more conservative projection for Fiscal Year 2008-09.

Property Tax Summary (in millions)

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2006-07 Actuals	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
Current Secured	\$ 452.2	\$ 444.9	\$ 474.6	\$ 501.6
Current Supplemental	31.7	23.4	20.8	22.1
Current Unsecured	15.3	16.4	16.0	15.9
Total	\$ 499.3	\$ 484.6	\$ 511.4	\$ 539.7



Property Tax in Lieu of Vehicle License Fees (VLF) comprises 30.8% (\$297.1 million) of the budgeted General Purpose Revenues in Fiscal Year 2007-08 and 31.2% (\$316.4 million) in Fiscal Year 2008-09. This revenue source replaced the previous distribution of vehicle license fees to local governments. In Fiscal Year 2004-05, the State established initial allocations from the VLF Property Tax Compensation Fund to cities and counties. Per the implementing legislation, revenue levels are now based on the growth in gross taxable assessed value, which was assumed to be 7.0% for Fiscal Year 2007-08 based on a combined projected unsecured and local secured assessed value growth. The actual amount of Property Tax in Lieu of VLF revenues received in Fiscal Year 2006-07 exceeded the budgeted amount, so on a budget to budget basis, the projected amount for Fiscal Year 2007-08 represents an 8.2% growth over Fiscal Year 2006-07. The Fiscal Year 2008-09 growth is estimated at 6.5%.

Sales & Use Tax Revenue and In Lieu Local Sales & Use Tax, (\$24.7 million in Fiscal Year 2007-08 and \$25.6 million in Fiscal Year 2008-09) represents about 2.6% of General Purpose Revenues and is derived from taxable sales by businesses located in unincorporated county areas. Its growth is generally impacted by population and income, but is primarily due to economic development and new business formation in the county. These amounts reflect both the Sales Tax revenues and the In Lieu Local Sales & Use Tax replacement funding that will be transferred from the Educational Revenue Augmentation Fund (ERAF). The In Lieu Local Sales & Use Tax is referred to as the "triple flip" and was effective July 1, 2004. Assembly Bill (AB)7 X1, one of the 2003-04 State budget bills, enabled the State to redirect one-quarter cent of the local sales and use tax to the State to repay up to \$15 billion in bonds authorized by Proposition 57 (March 2004) to help the State refinance its past debt. In turn, the lost local sales tax revenues are replaced on a dollar-for-dollar basis with countywide property tax revenues shifted back from the ERAF. The Fiscal Year 2006-07 In Lieu Local Sales & Use Tax figures were increased slightly based on a settle-up of the 2005-06

initial allocations. This adjusted the allocation on a one-time basis. Retail sales are growing at a moderate level in the unincorporated area with a pre-"triple flip" adjustment sales tax growth of \$1.2 million (5.2%) over the Fiscal Year 2006-07 adopted budget. Sales Tax growth in Fiscal Year 2008-09, including the triple flip adjustment amount, is anticipated to be \$0.85 million (3.4%) over Fiscal Year 2007-08.

Real Property Transfer Tax (RPTT) Revenue for Fiscal Year 2007-08 is budgeted at \$21.5 million, a 30.1% (\$9.2 million) decrease from the Fiscal Year 2006-07 Adopted Operational Plan, reflecting the slowing in residential sales activity partially offset by growth in the industrial and retail sectors. A further decrease of \$0.4 million or 1.7% is expected in Fiscal Year 2008-09. The anticipated drop in Fiscal Year 2008-09 revenues is based on anticipated further slowing in housing turnover and new construction. The Real Property Transfer Tax is paid when any lands, tenements, or other realty exceeding \$100 in value are sold and granted, assigned, transferred or conveyed to the purchaser. The tax rate, set by the State, is \$1.10 per \$1,000 of assessed valuation. The County collects 100% of the transactions in the unincorporated area and 50% of the transactions in the incorporated areas.

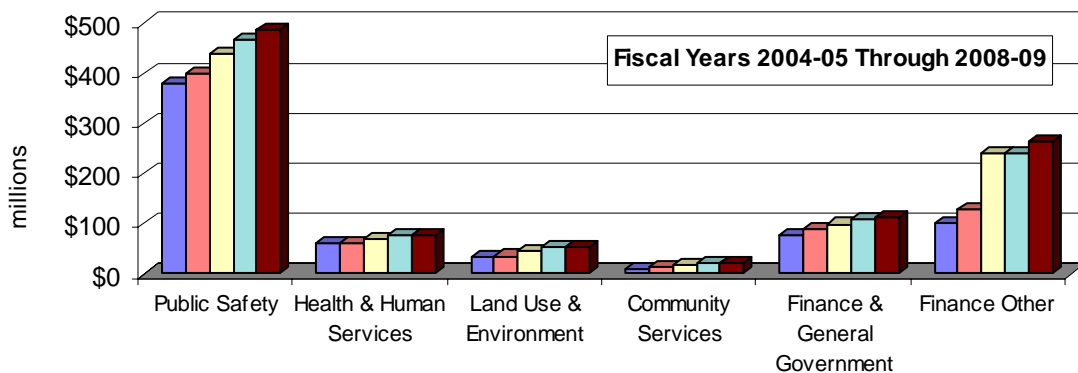
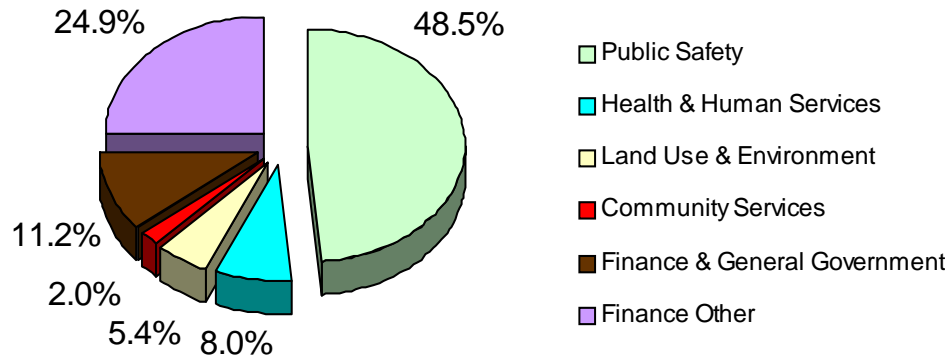
Other Revenues for Fiscal Year 2007-08 total \$108.9 million and increase to \$112.0 million in Fiscal Year 2008-09. The Fiscal Year 2007-08 amount represents a 39.0% or \$30.6 million increase over the Fiscal Year 2006-07 Adopted Budget total. Various revenue sources make up this category including interest on deposits, fines, fees and forfeitures, redevelopment agency tax increment, prior year adjustments on property taxes, franchise revenue, aid from the City of San Diego in lieu of booking fees, and other miscellaneous revenues. The increased revenues are primarily due to growth in redevelopment agency tax increment, prior year secured supplementals, penalties and costs related to delinquent taxes, interest on deposits, and to a shift in the budgeting and accounting for delinquent property tax revenues associated with the Teeter Plan.



Allocation of General Purpose Revenues by Group

General Purpose Revenues (GPR) are allocated annually based on an analysis of available program revenues, federal/State service delivery mandates, and the priorities and strategic direction set by the Board of Supervisors. The Public Safety Group, at 28.9% of the County's total budget, receives 48.5% of the County's General Purpose Revenues in Fiscal Year 2007-08. By contrast, the Health & Human Services Agency's budget represents 36.2% of the County total, but receives 8.0% of the General Purpose Revenues.

**General Purpose Revenue Allocation
by Group/Agency
Fiscal Year 2007-08**



■ FY2004-05 Adopted ■ FY2005-06 Adopted ■ FY2006-07 Adopted ■ FY2007-08 Adopted ■ FY2008-09 Approved



General Purpose Allocations by Group/ Agency (in millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
Public Safety	\$ 379.5	\$ 398.5	\$ 439.5	\$ 467.2	\$ 488.4
Health & Human Services	58.9	60.1	68.0	77.4	77.4
Land Use & Environment	33.3	34.4	45.8	51.9	52.8
Community Services	8.6	14.4	15.8	19.5	19.8
Finance & General Government	77.8	86.9	98.5	107.6	111.5
Finance Other	99.3	126.7	238.9	240.1	264.8
Total	\$ 657.4	\$ 721.0	\$ 906.3	\$ 963.6	\$ 1,014.7

As noted above, the General Purpose Revenues in Fiscal Year 2007-08 have increased by \$57.3 million over the Fiscal Year 2006-07 budgeted level. Fiscal Year 2008-09 allocations are proposed to increase an additional \$51.1 million.

The additional GPR in Fiscal Year 2007-08 is planned to fund such items as negotiated Salaries and Benefits increases, serious and violent crime prosecution and investigation, the Health Safety Net, Geographic Information Systems (GIS) mapping to support agricultural risk surveillance activities, additional West Nile Virus and Avian Influenza testing, park maintenance and accessibility, maintenance of open space lands acquired under the Multiple Species Conservation Program, increased support for the medical examination and treatment of sheltered

animals and in-house spay/neuter surgeries, Countywide records management and document services, election expenses, and the operation of the 4-S Ranch and Encinitas libraries. For Fiscal Year 2008-09, a total of \$26.4 million out of the \$51.1 million increase is allocated to the five operating groups for negotiated Salaries and Benefits increases, with the remainder allocated to Finance Other pending an updated needs analysis that will be done in the course of the development of the Proposed Operational Plan for Fiscal Years 2008-09 and 2009-10. Further detail is provided in the Group/Agency and Department sections that begin on page 77. The above charts and table show the amount of General Purpose Revenues allocated to support each Group/Agency for Fiscal Years 2007-08 and 2008-09 compared to the three prior fiscal years.

Capital Projects

Capital Projects

The Capital Program reflects the County's adopted financial plan of capital project expenditures for the fiscal years 2007-08 and 2008-09. Capital expenditures include expenditures incurred for the improvement to or acquisition of land, facilities, and infrastructure. The Fiscal Year 2007-08 Adopted capital budget for San Diego County is \$33.3 million. The program includes appropriations for new capital projects as well as previously approved, but not yet completed, capital projects. The following chart depicts the distribution of those appropriations.

		Dollar Amount	Number of Projects
Capital Appropriations			
Appropriation Increases for New & Existing Capital Projects (2007–2008)			
Capital Appropriations		\$ 33,297,800	26
	Total—New Projects	\$ 33,297,800	26
Projects Underway			
Public Safety Group		\$ 92,301,433	10
Health & Human Services Agency		57,782,066	5
Land Use & Environment Group		67,516,291	92
Community Services Group		1,678,157	15
Finance & General Government Group		3,384,477	2
	Total—Projects Underway	\$ 222,662,424	124
	Grand Total	\$ 255,960,224	150

The Capital Program section of this Operational Plan on page 447 highlights major projects and includes a schedule of lease-purchase payments related to previously debt financed projects.

Reserves and Resources

Reserves and Resources

The County maintains a prudent level of reserves for various purposes. The tables below display the reserves and other available resources and fund balance designations as of July 1, 2006 and July 1, 2007.

Projected County Reserves and Resources (in millions)

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget
General Reserve	\$ 55.5	\$ 55.5
General Fund Contingency Reserve-Operations	20.0	20.0
Group/Agency Management Reserves	36.8	28.5
Debt Service Reserves	21.8	21.8
Environmental Trust Fund Reserves	71.0	65.4
Endowment Fund Tobacco Securitization	468.9	432.0
Workers' Compensation Reserve	56.7	70.0
Public Liability Reserve	30.1	26.3
Total County Reserves and Resources	\$ 760.8	\$ 719.5

Fund Balance Designations (General Fund only, in millions)

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget
Designated - Sheriff Capital Project	\$ 6.0	\$ 6.0
Designated - Registrar of Voters	1.2	0.0
Designated - Planning and Land Use	1.5	1.5
Designated - Environmental Health	5.4	6.5
Designated - HA Kearny Mesa Lease	0.9	0.6
Designated - Realignment	74.6	74.6
Total Fund Balance Designations	\$ 89.6	\$ 89.2

General Reserve — The \$55.5 million reserve is set aside for any unforeseen catastrophic situations. By law, except in cases of a legally declared emergency, the General Reserve may only be established, cancelled, increased or decreased at the time of budget adoption.

General Fund Contingency Reserve — The Contingency Reserve holds appropriations for unforeseen operational uncertainties during the fiscal year.



Group/Agency Management Reserves — Appropriations are established at the Group/Agency or department level to fund unanticipated items during the fiscal year.

Debt Service Reserves — These amounts represent the portion of bond proceeds for various County certificates of participation that are set aside in a reserve. These amounts provide assurance to the certificate holder that amounts are available in a reserve should the County not be able to make a lease payment from currently budgeted resources.

Environmental Trust Fund Reserves — Proceeds from the sale of the County's Solid Waste System on August 12, 1997 were set aside in trust to fund inactive/closed site management for approximately 30 years.

Tobacco Securitization Endowment Fund — The County established the Tobacco Securitization Endowment Fund in January 2002. In lieu of receiving the Tobacco Settlement revenue on an annual basis, the County securitized the payment stream and deposited the net proceeds of \$412.0 million into the Tobacco Securitization Endowment Fund on a total securitization of \$466.0 million. Based on certain assumptions of portfolio yield, these proceeds would have enabled the County to fund approximately \$24.2 million of health care programs annually through approximately 2020. In May 2006, the original issuance was refunded through a second securitization and an additional \$123.5 million was deposited to the fund. It is estimated that this will extend the life of the endowment fund from the year 2020 to 2034 and allow for \$27.5 million in anticipated proceeds annually.

Workers' Compensation Reserve — Established for Workers' Compensation Claims liability. An annual actuarial assessment is done to estimate the liability and to ensure that the County is maintaining sufficient reserves for current and future claims. As of July 1, 2007, the estimated liability is \$94.7 million, which includes \$26.3 million in expected costs for Fiscal Year 2007-08. The cash balance in the fund is \$70.0 million as of July 1, 2007.

Public Liability Reserve — Established to reflect contingent liabilities. An annual actuarial assessment is done to estimate the liability and to ensure that the County is maintaining sufficient reserves for current and future claims. As of July 1, 2007, the estimated liability is \$16.5 million, which includes \$10.9 million in expected costs for Fiscal Year 2007-08. The cash balance in the fund is \$26.3 million as of July 1, 2007.

Fund Balance Designations (General Fund only) — The Board has determined that certain amounts of fund balance be designated for particular purposes. Balances can increase or decrease depending upon whether the funds are being accumulated for later use or are being used because of fluctuating workloads or to make scheduled payments over a limited time. The current designations include the following:

- **Designated-Sheriff Capital Project** — Established in Fiscal Year 1999-2000, this designation is for future departmental capital expenditures.
- **Designated-Registrar of Voters** — This designation was established in Fiscal Year 2003-04 to provide sustained funding for those election years with few billable participating jurisdictions. The remaining balance of \$1.2 million is scheduled to be used in Fiscal Year 2007-08.
- **Designated-Planning and Land Use** — The Building/Code Enforcement designation is set aside to balance revenue to costs for work in progress in coming fiscal years. The designation ensures that excess revenue over cost paid by Department of Planning and Land Use (DPLU) customers is used only to fund expenses related to building permit activities.
- **Designated-Environmental Health** — In Fiscal Year 2003-04, the Department of Environmental Health (DEH) established this fund balance designation to set aside any excess revenue over cost each fiscal year, for use in a subsequent fiscal year when costs exceed revenue.



The designation ensures that excess revenue over cost paid by DEH customers is used only to fund expenses in DEH.

- **Designated-HA Kearny Mesa Lease** — This designation was established in Fiscal Year 2005-06 to pay the remaining annual lease payments for the Housing Authority Office building located in the Kearny Mesa

area of San Diego. These payments will be made from the General Fund from Fiscal Year 2006-07 through Fiscal Year 2012-13.

- **Designated-Realignment** — This designation was established in Fiscal Year 2005-06 to provide a funding source for future years when ongoing realignment revenues may be inadequate to fund the realigned Health, Mental Health and Social Services programs.

Long- and Short-Term Financial Obligations

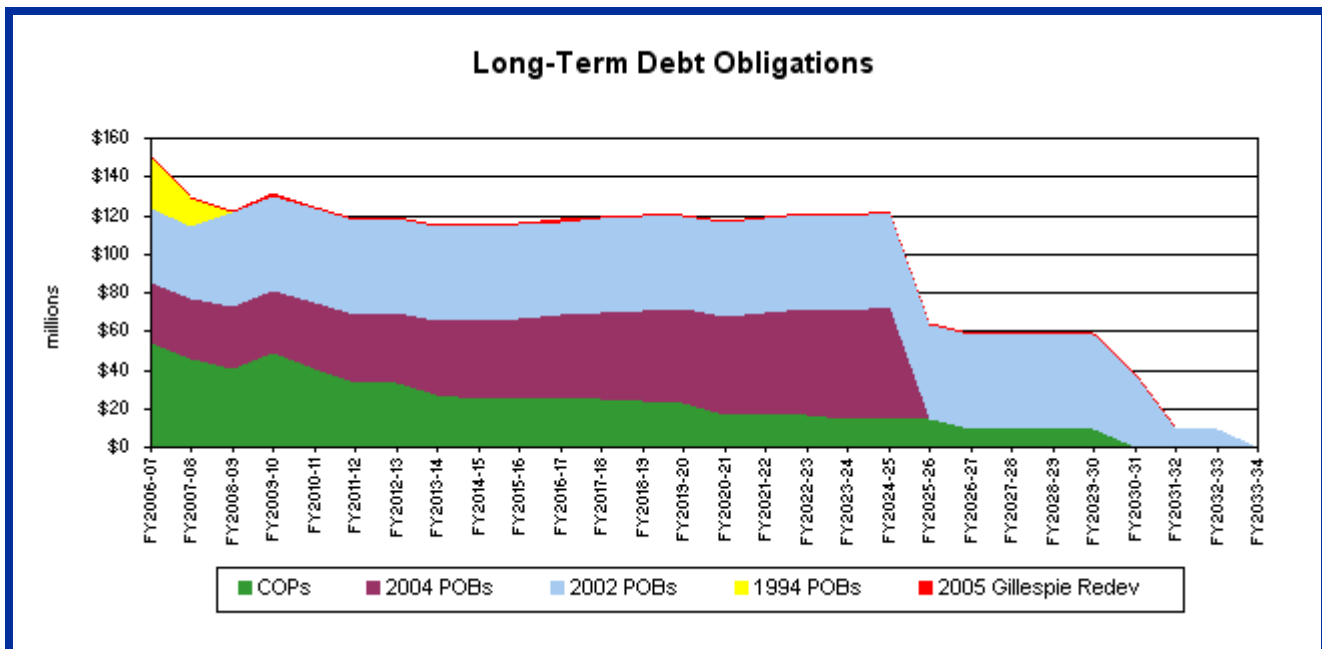
Long-Term Obligations

The County has no outstanding general obligation bonds. The County's outstanding long-term principal bonded debt as of June 30, 2007 is:

Outstanding Principal Bonded Debt (in millions)

	Dollar Amount
Certificates of Participation	\$ 393.6
Pension Obligation Bonds	1,206.9*
Redevelopment Agency Bonds	15.6
Total	\$ 1,616.1

***Note:** Includes prepayment of \$100 million that was made on August 15, 2007



The chart above shows the County's scheduled long-term obligation payments through Fiscal Year 2033-34, which

include certificates of participation (COPs) and taxable pension obligation bonds (POBs).



The following discussion explains the nature and purpose of each of these and other long-term financing instruments used by the County.

Certificates of Participation (COPs) were first used in 1955 with the financing of the El Cajon Administrative Building. Since then, the County has made use of various lease arrangements with certain financing entities such as joint powers authorities, the San Diego County Capital Asset Leasing Corporation, or similar nonprofit corporations. Under these arrangements a capital asset is acquired or constructed with the proceeds from the issuance of Certificates of Participation by the financing entity; the financing entity then leases the asset(s) to the County. At the end of the lease period, the title to the asset is conveyed to the County.

Taxable Pension Obligation Bonds (POBs) have been issued on three occasions by the County to reduce the unfunded actuarial accrued liability (UAAL) of the San Diego County Employees Retirement Association (SDCERA) on a lump sum basis rather than make actuarially determined amortized payments over a specified period of years. The size of the UAAL is determined annually by an actuary and can increase or decrease depending on changes in actuarial assumptions, earnings on the assets of the fund, and retiree benefits. POBs totaling \$430.4 million were first issued by the County in February 1994.

The County then issued \$737.0 million of POBs on October 3, 2002, of which \$550.0 million went to the San Diego County Employees Retirement System (SDCERA) to reduce the UAAL. The remaining proceeds were used to escrow a portion of the County's 1994 Pension Obligation Bonds in order to take advantage of the lower interest rates, and to pay for related costs of issuance.

In June of 2004, the County of San Diego issued a third series of taxable POBs in the amount of \$454.1 million, of which \$450.0 million went to SDCERA, thus reducing the UAAL. The remaining proceeds were used to pay for related costs of issuance.

On September 27, 2004, the County of San Diego deposited approximately \$63.5 million with BNY Western Trust Company (acting as trustee), of which \$45.9 million was General Fund money. Such funds were invested in an Investment Agreement entered into by BNY Western Trust Company and an obligor. The obligations of the obligor under the Investment Agreement were guaranteed by American International Group, Inc. (AIG), which was assigned long-term credit ratings from Moody's Investors Service and Standard & Poor's Rating Services of "Aaa" and "AAA," respectively. Under the Investment Agreement, the obligor was required to make a final payment to BNY Western Trust Company in July of 2007 in an amount sufficient to meet the County's remaining annual payment obligation to a counterparty under a Debt Service Forward Sale Agreement in effect for the County's Taxable Pension Obligation Bonds, Series A (the "1994 POBs") until the final maturity of the 1994 POBs on August 15, 2007. In exchange for the County's annual payments, the Forward Sale Agreement required the counterparty thereto to deposit securities (which required to be non-callable obligations issued or guaranteed by the United States of America or certain instrumentalities or agencies of the United States of America) into the Bond Fund relating to the 1994 POBs, the cash flows of which were sufficient to pay each scheduled payment of principal and interest on the 1994 POBs during the applicable fiscal year. On August 15, 2007, the final maturity date of the 1994 POBs, the POBs were paid in full and are no longer outstanding.

In August 2006, the County converted the Series 2004B Bonds in the amount of \$147,825,000 from Auction Rate Securities to fixed rate interest bonds. By converting these bonds to a fixed interest rate the County protected itself from rising short-term interest rates, secured an attractive

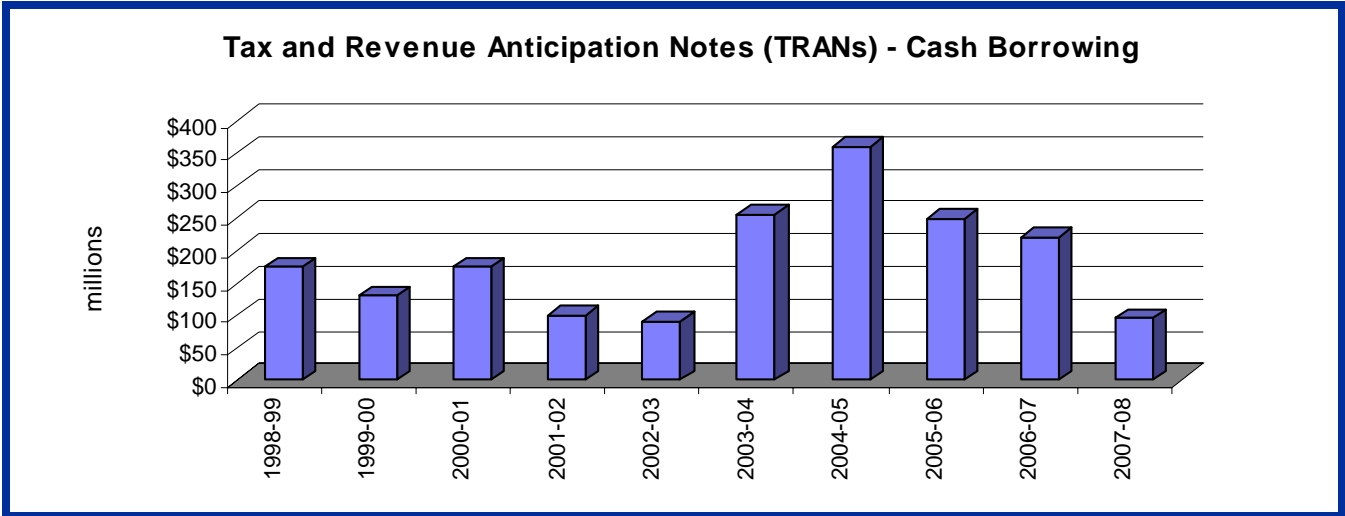


long-term fixed interest rate, and created future variable rate capacity which may provide additional economic benefit as fixed rates increase in the future.

On August 15, 2007, the County prepaid \$100 million of the 2002 POBs. The Long-Term Obligations table and chart on page 51 reflects the elimination of this portion of the debt. See discussion on page 520 for further information.

Redevelopment Agency Tax Increment Bonds were issued on September 12, 1995, as limited obligations of the County of San Diego Redevelopment Agency (Agency) in the amount of \$5.1 million. The Agency was formed on October 14, 1974, pursuant to Redevelopment Law. The 1995 bonds were issued for the Gillespie Field

Redevelopment Project, which is one of the Agency's two redevelopment project areas. The proceeds were used by the Agency to finance the construction of public improvements at the Gillespie Field Airport. On December 22, 2005, the Agency issued \$16 million in Tax Increment Bonds to refund all of the Agency's outstanding 1995 bonds and to repay loans owed to the County's Airport Enterprise Fund. These loans were used by the Agency to finance redevelopment activities in the Gillespie Field Redevelopment Project Area. In connection with the 2005 bonds, the County pledged to make limited payments to the Agency from the Airport Enterprise Fund. This pledge is a limited obligation of the County and is not secured by the County's General Fund.



Short-Term Obligations

During the course of the fiscal year, the County experiences temporary shortfalls in cash flow due to the timing of expenditures and receipt of revenues. To meet these cash flow needs, the County issues Tax and Revenue

Anticipation Notes (TRANS). The chart above shows TRANS borrowing for the past 10 years. The County borrowed \$95.2 million through the TRANS program for Fiscal Year 2007-08.

Credit Rating and Long-Term Obligation Policy

Credit Rating and Long-Term Obligation Policy

The County of San Diego's credit ratings are:

	Moody's Investor Service	Standard & Poor's	Fitch Ratings
Certificates of Participation	A1	AA	AA
Pension Obligation Bonds	Aa3	AA	AA
Issuer Credit Rating	Aa2	AA+	AA+
Investment Pool		AAAf/S1	

Credit Rating

The latest long-term review by the three rating agencies was during the issuance of the County's \$95.2 million Tax and Revenue Anticipation Note Program, Series 2007. At that time two of the three rating agencies, Standard & Poor's and Fitch, upgraded the County's ratings on its outstanding Certificates of Participation and Pension Obligation Bonds from AA- to AA, as shown above. Fitch also assigned the County an issuer rating of AA+ and Standard & Poor's upgraded the County's existing issuer rating from AA to AA+. According to the Fitch Ratings credit research report issued in May 2007, "The rating upgrade is based on the County's positive financial trend, marked by consistent operating surpluses and resulting high fund balances, disciplined pension system funding, and positive actions to limit other post-employment benefit costs, sound underlying economy, and conservative debt management."

The San Diego County Investment Pool continues to hold an AAAf/S1 rating from Standard & Poor's. The rating reflects the extremely strong protection the pool's portfolio investments provide against losses from credit defaults. The pool invests primarily in 'AAA' or 'A-1/P-1/ F-1' rated securities. The 'S1' volatility rating signifies that the pool possesses low sensitivity to changing market conditions given its low-risk profile and conservative investment policies.

Long-Term Obligation Policy

The foundation of any well-managed debt program is a comprehensive debt management policy. A debt management policy sets forth the parameters for issuing debt and managing the outstanding debt portfolio and provides guidance to decision makers. Adherence to a debt management policy helps to ensure that the County maintains a sound debt position and that credit quality is protected. The County Board of Supervisors adopted Board Policy B-65, Long-Term Obligations Management on August 11, 1998. This policy, along with the rating agencies' analyses, has been the foundation for the County's debt program. Key points included in the policy are:

- All long-term obligations must be approved by the Board of Supervisors after approval by the Debt Advisory Committee. Accompanying each long-term financial obligation will be a cost benefit analysis, the identification of the funding source, an assessment of the ability to repay the obligation, the impact on the current budget, commitments to future budgets, maintenance and operational impact of the facility or asset and the impact on the County's credit rating;
- Long-term financial obligations will not be used to meet current operations;



- Variable rate exposure will not exceed 15% of the County's outstanding long-term obligations;
- The County shall comply with all ongoing disclosure requirements;
- The County shall monitor earnings on bond proceeds and rebate excess earnings as required to the U.S. Treasury to avoid the loss of tax exempt status; and
- The County shall continually review outstanding obligations and aggressively initiate refinancings when economically feasible and advantageous.

The County is also a conduit issuer on various financings, whereby the County issues tax-exempt long-term bonds on behalf of a qualifying entity. That entity is responsible for all costs in connection with the issuance and repayment of the financing. Debt issued under the conduit program is not considered to be a debt of the County.

The chart on the following page reflects the County's outstanding conduit issuances:



Outstanding Conduit Issuances

	Final Maturity Dates	Original Principal Amount	Principal Amount Outstanding
Conduits			
1998 Sharp	2028	\$ 112,020	\$ 96,255
1998 San Diego Natural History Museum	2028	15,000	13,200
2000 San Diego Museum of Art	2030	6,000	5,800
2000 Salk Institute	2031	15,000	13,785
2001 University of San Diego	2041	36,870	31,895
2002 San Diego Imperial Counties	2027	10,750	9,750
2003 Chabad	2023	11,700	10,240
2003 San Diego Jewish Academy	2023	13,325	11,720
2004 Bishop School	2044	25,000	25,000
2004 Museum of Contemporary Art	2034	13,000	12,750
2005 Sidney Kimmel Cancer Center	2031	24,500	24,500
2005 Burnham Institute for Medical Research	2034	59,405	58,450
2006 San Diego Foundation	2036	13,500	13,500
Total Conduits		\$ 356,070	\$ 326,845
Housing			
1999 Laurel Village Apartments	2014	\$ 1,670	\$ 897
2001 Village West	2031	4,438	4,059
2002 Spring Valley	2020	3,250	3,038
Total Housing		\$ 9,358	\$ 7,994
Reassessment Bonds			
1997 4-S Ranch Reassessment District Bonds	2012	\$ 21,755	\$ 10,390
Total Reassessment Bonds		\$ 21,755	\$ 10,390



Financing Authority and Bond Ratios

The following table lists the statutes authorizing the County of San Diego to enter into short- and long-term obligations and, if applicable, the legal authority on maximum bonded indebtedness. All short- and long-term obligations must conform to State and local laws and regulations. The basic constitutional authority for State and local entities to enter into short- and long-term obligations is in the Tenth Amendment to the U.S. Constitution. To incur short- or long-term obligations within the State of California, a political subdivision must have either express or implied statutory authority.

Issuance Authority	
ISSUER	LEGAL AUTHORITY
County of San Diego	General: Government Code Section 29900
	Maximum Indebtedness: Government Code Section 29909
	Short Term: TRANS Government Code Section 53850, Commercial Paper & Teeter Revenue: Government Code Section 54773-54783 and Tax Code Section 4701
	Pension Obligation Bonds: Government Code Section 53580
Joint Powers Authority	Government Code Section 6500
Redevelopment Agency	Health and Safety Code Section 33000
Housing Authority	Health and Safety Code Section 34200
	Multifamily Bonds Health and Safety Code Section 52075
Mello-Roos Community Facilities District	Government Code Section 53311
Nonprofit Corporation	Corporations Code Section 5110
Assessment Bonds	Street & Highway Code Section 5005

State constitutional limitations prohibit cities and counties from entering into indebtedness or liability exceeding in any year the income and revenue provided for such year unless the local agency first obtains two-thirds voter approval for the obligation.

However, there are three major exceptions to the debt limit which have been recognized by the California courts. The three exceptions are the *Offner-Dean lease exception*, the *special fund doctrine*, and the *obligation imposed by law*.

The *Offner-Dean lease exception* provides that a long-term lease obligation entered into by an agency will not be considered an indebtedness or liability under the debt limit if the lease meets certain criteria.

The *special fund doctrine* is an exception to the debt limit which permits long-term indebtedness or liabilities to be incurred without an election if the indebtedness or liability is payable from a special fund and not from the entity's general revenue. An example of a special fund would be one



consisting of enterprise revenue which is used to finance an activity related to the source of the revenues, such as the activity of the enterprise.

The courts have applied the *obligation imposed by law exception* to indebtedness used to finance an obligation imposed on the local agency by law. The theory of this exception is that the obligation is involuntary, thereby making the act of putting the question to the voters meaningless.

Bond and Debt Service Ratios

Bond ratios useful to County management, the general public, and investors are as follows:

Bond Ratios				
	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Net Bonded Debt (in millions) ¹	\$ 1,623.8	\$ 1,655.8	\$ 1,597.0	\$ 1,578.7
Net Bonded Debt per Capita	\$ 534	\$ 540	\$ 515	\$ 504 ²
Ratio of Net Bonded Debt to Assessed Value	0.58%	0.52%	0.45%	0.41%

¹ Net Bonded Debt excludes Redevelopment Agency Bonds and reflects the net effect of debt service reserves (approximately \$21.8 million for Fiscal Year 2006-07 as of June 2007).

² Based on the estimated January 1, 2007, County of San Diego population released by the State of California Department of Finance.

Note: If the County were to issue general obligation bonds, the debt limit pursuant to Government Code Section 29909 would be 5% of the taxable property of the County. As of June 30, 2007, the taxable assessed value in the county was \$389.3 billion. The debt limit would, therefore, be \$19.5 billion, far greater than the current debt of \$1.6 billion.



General Fund Debt Service Ratio

Components of General Fund Debt Service Ratio (in \$millions)

	Fiscal Year 2004-05 Adopted Budget	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Approved Budget
General Fund Revenue ¹	\$ 2,736.4	\$ 2,883.7	\$ 3,181.0	\$ 3,340.5	\$ 3,410.0
Total Debt Service ²	\$ 115.6	\$ 120.7	\$ 121.7	\$ 113.8	\$ 121.4
Ratio of Total Debt Service to General Fund Revenue ³	4.22%	4.18%	3.83%	3.41%	3.56%
General Fund Share of Debt Service Cost	\$ 100.4	\$ 104.3	\$ 104.9	\$ 97.9	\$ 104.6
Ratio of General Fund Share of Debt Service to General Fund Revenue ⁴	3.67%	3.62%	3.30%	2.93%	3.07%

¹ General Fund Revenue excludes fund balance and reserve/designation decreases.

² Total Debt Service: **a)** Amounts were restated to include Third Party Debt Service; **b)** Fiscal Years 2005-06 through 2007-08 exclude payments on the economically defeased 1994 Pension Obligation Bonds (see page 52); and **c)** Fiscal Year 2007-08 total debt service amount reflects the one-time payoff of \$100.0 million for the PINES portion of the 2002 taxable Pension Obligation Bonds (POBs). (For more information, see page 520 in the Finance-Other section).

³ General Fund Share of Debt Service Cost excludes debt service chargeable to special revenue funds, enterprise funds, internal service funds, special districts and other governmental agencies.

⁴ The purpose of this ratio is to show only the share of County debt service that is charged to the General Fund.

Financial Planning Calendar

Ongoing

Organizational Goals—The Board of Supervisors provides ongoing policy direction to the Chief Administrative Officer (CAO). The CAO, in conjunction with his Executive Team, reviews the County's mission, strengths, and risks to develop and refine the Strategic Plan, which defines the County's long-term goals.

September–February

Five-Year Goals—The CAO, General Managers, and Chief Financial Officer (CFO) develop the Five-Year Financial Forecast of revenues and expenditures, and a preliminary analysis of key factors impacting this analysis. In coordination with the CFO, the Groups, the Agency, and their respective departments develop preliminary short- and medium-term operational objectives that contribute to meeting the Strategic Plan goals, and allocate the necessary resources to accomplish the operational objectives.

March–April

Preparation of Proposed Operational Plan—The Groups, the Agency, and their respective departments develop specific objectives as part of the preparation of the Operational Plan. Objectives are clear and include measurable targets for accomplishing specific goals. The Operational Plan includes a discussion of the proposed resources necessary to meet those goals, as well as a report of the accomplishments of the prior year.

May

Submission of the Proposed Operational Plan—The CAO submits a two-year Proposed Operational Plan to the Board. The Board accepts the CAO's Proposed Operational Plan for review, publishes required notices, and schedules public hearings.

June

Public Review And Hearings—The Board conducts public hearings on the Operational Plan for a maximum of 10 days. This process commences with Community Enhancement Program presentations.

All requests for increases to the Proposed Operational Plan must be submitted to the Clerk of the Board in writing by the close of public hearings. Normally, the CAO submits a Proposed Change Letter recommending modifications to the Proposed Operational Plan. Additionally, members of the Board of Supervisors, the general public, and County advisory boards may submit Proposed Change Letters.

Deliberations—After the conclusion of public hearings, the Board discusses the Proposed Operational Plan, requested amendments, and public testimony with the CAO and other County officials as necessary. Based on these discussions, the Board gives direction to the CAO regarding the expenditure and revenue levels to be included in the final Operational Plan. The Board's deliberations are scheduled for one week and are generally completed by the end of June.

July

Adoption of Budget—Subsequent to completing deliberations, the CAO returns to the Board at a regular meeting with a resolution that, in compliance with California Government Code Section 29089, formally adopts the budget for the new fiscal year.

Summary of Related Laws, Policies, and Procedures

Summary

The following is an overview of the various laws, policies, and procedures the County adheres to in its financial management practices and uses to guide the County's decision making process.

On April 21, 1998, the Board of Supervisors accepted the General Management System (GMS) as the formal comprehensive guide for planning, implementing, and monitoring all functions and processes that affect delivery of services to the residents of San Diego County. The County developed the GMS process following the severe fiscal crisis that threatened County programs and solvency in the mid-1990s. However, the GMS is much more than a crisis management tool for putting the County's fiscal house in order.

Board of Supervisors Policy A-136, Use of County of San Diego General Management System for Administration of County Operations, enforces the County's goal of providing the best possible services to residents as efficiently and effectively as possible. The GMS helps ensure that sound planning, preparedness, and improvement become permanent organizational ethics. With the GMS as a guide, the County continues to use strong fiscal management practices, while remaining focused on providing superior services to County residents. The principles and procedures outlined by the GMS are meant to apply to every County function on an ongoing basis.

For more detail on the GMS, see Understanding the Adopted Operational Plan section on page 12.

Budget and Finance

California Government Code §29000 through §30200, known as the County Budget Act, provide the statutory requirements that guide the development and content of the County's budget. Government Code §29009 requires a

balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing."

County Charter Section 703 - Establishes the Chief Administrative Officer (CAO) as responsible for all Groups, the Agency, and their respective departments (except departments with elected officials as department heads) and responsible 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 - Budget Procedure and Appropriation, Revenue and Staffing Limitations - Establishes the components and timeline for the budget process and establishes the CAO as responsible for budget estimates and submitting recommendations to the Board of Supervisors.

Board of Supervisors Policies

A-81 Procurement of Contract Services - Outlines the conditions and methods by which all contracts for services may be entered into and defines contract administration responsibilities. Contracts for services, when properly issued and administered, are an approved method to accomplish County program objectives and this policy ensures the establishment of proper safeguards.

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.

B-58 Funding of the Community Enhancement Program - Establishes the funding level for this grant program and delineates eligibility criteria and application guidelines for potential grant recipients.



E-14 Expenditure of Tobacco Settlement Revenue in San Diego County - Establishes guidelines for the allocation of anticipated Tobacco Settlement revenue which is to be used for healthcare-based programs.

H-1 Fleet Services Internal Service Fund - Establishes guidelines for the development, administration, and control of the Fleet Services Internal Service Fund (ISF).

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

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

County Administrative Manual

0030-12 Mid-Year Appropriations - Establishes guidelines for funding new or modified programs, projects, or proposals outside of the annual budget process.

0030-13 Budget Program/Project Follow-Up - Establishes sunset dates to be placed on programs intended to have limited duration so related staff and other resources will not be shifted to other activities without the Board of Supervisors' approval.

Revenue

Board of Supervisors Policies

A-126 Proposition 172 and New Program Revenues in the Sheriff's Department, Office of the District Attorney and the Probation Department - Ensures collaboration between the Board of Supervisors and the District Attorney, Sheriff, and Probation in developing an annual plan for the use of Proposition 172 funds and increased program revenues.

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 and requires County departments to certify that a proposed activity or project

funded primarily by grant funds would be worthy of expending County funds if that outside funding were not available.

County Administrative Manual

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

0030-03 Application and Acceptance of Grants - Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as guidance when requesting the Board of Supervisors approval of the application and acceptance of grants, awards, or revenue contracts.

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 - Defines the conditions by which one-time revenues are to be allocated to ensure that one-time revenue is appropriated only for one-time expenditures such as capital projects or equipment, not to ongoing programs.

0030-17 General Fund Reserves - Provides a plan for the maintenance and ongoing enhancement of a General Fund reserve as needed. This reserve would provide a source of funds for long-term extraordinary events and enhance the County's position with rating agencies.

0030-18 Transfer of Excess Cash Balances to General Fund - Provides for the transfer of excess cash balances to the General Fund from various funds within the County's area of financial and cash management which contain earnings or moneys in excess of those funds' requirements. Transferring these excess cash balances to the County, where



the financing terms require this action, allows the County to offset a portion of the staff time associated with the management of these funds.

0030-19 Revenue Match Limitation - Establishes guidelines limiting General Fund contributions for revenue matches. Revenue matches should be limited to the mandated percentage level unless clear justification is provided which results in a waiver of the policy by the Board of Supervisors.

0030-22 Revenue Management: Auditor and Controller & CAO Responsibilities - Establishes the Chief Financial Officer (CFO)/Auditor and Controller and the CAO as responsible for revenue management by reviewing and evaluating County 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.

Debt Management

Board of Supervisors Policy B-65 Long-Term Financial Obligation Management Policy - Establishes guidelines for entering into long-term financial obligations to meet the demands of growth and that these financial obligations must be entered into and managed using sound financial practices. Please see page 54 for more detail on this policy.

County Administrative Manual 0030-09 Debt Advisory Committee - Establishes guidelines for the Debt Advisory Committee which reviews and evaluates all long-term financing obligations which bear the County of San Diego's name or name of any subordinate agency of the County or any conduit financing, prior to approval by the County Board of Supervisors. Following general parameters, the Committee reviews all proposed financings and based on their satisfactory determination, provides an evaluation for the Board of Supervisors and concurs on any Board letter.

Capital Improvement

The County Board of Supervisors has jurisdiction over the acquisition, use, and disposal of County-owned real property and County-leased property under the authority of **California Government Code §23004**.

Board of Supervisors Policies

B-37 Use of the Capital Outlay Fund - Establishes funding methods, administration and control, and allowable uses of the Capital Program Funds.

G-16 Capital Facilities and Space Planning - Establishes a centralized, comprehensive program and responsible agency to manage the capital facilities program and space needs of the County, and establishes general objectives and standards for the location, design, and occupancy of County-owned or leased facilities, as well as serving as the steward of a Countywide master plan and individual campus plans.

County Administrative Manual

0030-23 Use of the Capital Outlay Fund (COF), Capital Project Development, and Budget Procedures - Establishes procedures for developing the scope of capital projects, for monitoring the expenditure of funds for capital projects, for reporting annually on the life-to-date project costs, and for the timely closure of capital projects.

0050-01-06 Capital, Space, and Maintenance Requests - Provides guidelines for capital, space, equipment and maintenance requests, establishes appropriate criteria and a structured and centralized process for evaluating and prioritizing requests integrated with the General Management System (GMS), and ensures that requests are complete and evaluated for any potential impact on County long-range strategic plans and programs and are included in the budget process.



Other

County Administrative Code Article XII-D Department of Human Resources (DHR) - Designates DHR as responsible for handling all matters arising under the Labor Relations Ordinance, and for representing the Board of Supervisors in the meet and confer process with recognized employee organizations as required by law (California Government Code 3500 et. seq.). The Labor Relations Ordinance (No. 6273) provides the governance for Labor Relations activities at the County.

Board of Supervisors Policies

A-71 San Diego County Economic Development - Defines the County's role in facilitating and maintaining activities and programs that improve the economic health of the region and the quality of life of its residents.

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.

County Administrative Manual 0090-01-01 Policy and Procedure for Conducting Economy and Efficiency Determinations for Service Contracts - Establishes procedures for conducting economy and efficiency determinations pursuant to County Charter sections 703.10 and 916. This item describes the required facts County departments must present to the CAO to support a determination that a proposed use of an independent contractor is both more economical and efficient than the use of County employees to provide a particular service.

All policies, codes, ordinances, and resolutions approved by the Board of Supervisors that relate to County Programs are reviewed periodically. A cyclical process to routinely and

systematically evaluate and reconsider these items is outlined in **Board of Supervisors Policy A-76 - Sunset Review Process**.

Basis of Accounting and Measurement Focus

Government-wide, proprietary, pension and investment trust fund financial statements are reported using the economic measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized when the underlying transactions take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental Funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales tax, interest, State and federal grants, and charges for services are accrued when their receipt occurs within 180 days following the end of the fiscal year. Property taxes are accrued if they are collectible within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. Additionally, capital asset acquisitions and principal payments are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.



Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Financial Statement Presentation

For governmental funds only, current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) and the net change in fund balance.

For proprietary funds, the pension trust fund and the investment trust fund, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net assets) for the proprietary funds (i.e., total net assets) is segregated into net assets invested in capital assets, net of related debt, and unrestricted net assets on the County's Comprehensive Annual Financial Report (CAFR). The net assets for the pension trust fund and the investment trust fund are described as "held in trust for pension benefits and other purposes" in the CAFR. Proprietary fund-type operating statements present increases (e.g., revenues), decreases (e.g., expenses) and the change in net assets. The County has elected not to apply the Financial Accounting Standards Board (FASB) standards issued subsequent to November 30, 1989 in reporting proprietary fund operations.

Differences Between Budgetary and Financial Reports

Governmental Funds- An operating budget is adopted each fiscal year by the Board of Supervisors for the governmental funds. The annual resolution adopts the budget at the object level of expenditures within departments. Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year with the approval of the Board of Supervisors.

The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared in conformity with generally accepted accounting principles (GAAP). The Schedule of Revenues - Expenditures, And Changes in Fund Balance - Budget and Actual presented as Required Supplementary Information is prepared using the GAAP basis. This statement includes the following columns:

- The Original Budget column consists of the current fiscal year adopted budget plus the encumbrances carried forward from the prior fiscal year. Also, the original budget is adjusted to reflect reserves, transfers, allocations, and supplemental appropriations that occur prior to the start of the fiscal year. The County adopts its budget subsequent to the start of the new fiscal year. Therefore, under the circumstances, the complete budget that is adopted by the County Board of Supervisors constitutes the adopted budget, plus the approved carry forward for purposes of the budgetary comparison presentation.
- The Final Budget column consists of the Original Budget column plus budget changes occurring during the fiscal year plus technical amendments that occur after the close of the fiscal year less the amount of the budget carried forward to the subsequent fiscal year.



- The Actual column represents the actual amounts of revenue and expenditures reported on a GAAP basis which is the same basis that is used to present the aforementioned Original and Final Budget.

Authority to carry forward appropriations and applicable estimated revenue for prior year encumbrances is requested from the Board of Supervisors in the annual budget resolution. Any budget amendments are approved by the Group and department managers or the Board of Supervisors.

Proprietary Funds- The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriations, their budgetary controls are the same as those of the governmental funds. Because these funds collect fees and

revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.

Some exceptions are:

- Certain funds are budgeted as governmental funds but are reported as proprietary funds; the most significant difference is that depreciation is not budgeted. Depreciation is not included in the budgets for the Sanitation and Sewer Maintenance Special Districts.
- Adjustments to inventory valuations are not budgeted.

All Funds- Changes in reservation and designation of fund balance in the CAFR are shown as appropriations (expenditures) or revenues in the Operational Plan.

Excellence in Governing

Recognitions of Excellence

Throughout Fiscal Year 2006-07, numerous County of San Diego programs were recognized by local, State, and national organizations, as well as by a variety of industry and professional organizations, for excellence and innovation. The County of San Diego has worked hard to become a best practices organization striving to offer programs that improve the lives of San Diego County residents in ways that are relevant and measurable. We are proud that our leadership in these areas has been recognized for the following:

- Last year the County of San Diego set a personal record of 41 awards at the annual Achievement Awards competition sponsored by the National Association of Counties (NACo). Chief Administrative Officer Walt Ekard praised employees, but added the challenge to staff to "continue coming up with great ideas to better serve the public."

When the winners of the 2007 competition were announced in June, the County found itself in a familiar place—once again San Diego led the nation with 41 programs recognized. This was the third straight year that San Diego had earned the highest number of awards, but the gap between the County and its competition widened substantially. Los Angeles County received the second-most recognition, winning 28 Achievement Awards.

The winning programs, which span all five groups within the organization, were recognized for being innovative and successful, and for promoting quality, efficiency and a responsive county government.

- In 2007, San Diego County won two Merit Awards from the California State Association of Counties (CSAC). The County programs selected include:
 - The Intergenerational Games - created to address health and social issues in the county, namely the alarming rate of overweight youth and the high rate of seniors diagnosed with diabetes and heart disease.

The games pair seniors with local schoolchildren for physical and mental challenges. The games promote volunteerism and intergenerational relationships. More than 2,000 have participated in nine Intergenerational Games throughout the county.

- The Tutor Connection - provides free high quality tutoring services to current and former foster youth between the ages of 5 and 21. The tutors are future teachers who go through additional training on child welfare issues. The Tutor Connection has grown from one class of 30 future teachers to as many as 150 in any given semester. To date, the Tutor Connection has educated more than 1,100 future teachers and offered services to approximately 1,500 students in foster care.
- The County received one of five national **Model Community awards** from the **Terrorism Injuries: Information, Dissemination and Exchange (TIIDE) program** of the **Centers for Disease Control and Prevention**. The award was in recognition of the County's integration of Public Health and Emergency Medical Services, and reflects the steps taken to strengthen partnerships to better protect the community in a mass casualty event.
- The recognition was particularly meaningful because selections were made by the TIIDE member agencies, which include prestigious medical organizations such as the American Medical Association, American College of Surgeons, American Trauma Society and the National Association of Emergency Medical Services Physicians.
- The **San Diego County Taxpayers Association** recognized the County of San Diego with the **Grand Golden Watchdog Award** for the San Diego County Board of Supervisors' proposal to control retiree health care costs.
- The **Center for Digital Government** recognized the County Health and Human Services Agency with the **2006 Innovative Use of Technology Award** for the



Mobile Remote Workforce (MRW) Project - a project which streamlined and improved the way County public health nurses receive, process, and manage their cases. The MRW Project was also recognized by the E-Gov Institute for "Successfully Using Innovative Knowledge Management Practices in a Knowledge Management Solution".

The Mobile Remote Workforce Project uses cutting-edge technology to improve the accuracy of client referrals for Public Health nurses in the field, speeds their ability to visit at-risk clients, and helps them manage their case files more efficiently. To design and implement this new system, County staff collaborated with local hospital staff, county nurses, and Information Technology specialists. The new system will improve health care service for thousands of at-risk clients throughout San Diego County.

Detail of recognitions of excellence received by San Diego County that highlight the County's progress in meeting its strategic goals include:

**Strategic Initiatives -
Improving Opportunities for Kids,
Protecting the Environment, and
Promoting Safe & Livable Communities**

• **National Association of Counties (NACo) -
*Achievement Awards - 2007:***

- Project Keep (Keeping Foster/Kinship Parents Trained and Supported) Implementation - a program focused on enhancing foster/kinship caregivers' ability to manage child behavior problems by providing caregivers with the skills and support tools needed to effectively keep foster children in their homes.

- Child Health and Youth Clinic, Drug Endangered Children II - more timely access to medical evaluation, toxicology screening and safe placement for children who are found during police raids in homes where controlled substances are manufactured and sold.
- Read for A Reason - a County Library partnership with the Department of Animal Services to provide pet adoption fee waivers as one of the rewards during their annual Summer Reading Program.
- Volvo "Keys to Success" - a program, in partnership with Volvo Cars of North America and the Child Abuse Prevention Foundation, to assist foster and former foster youth with obtaining driver's education and driver's training in preparation for obtaining a driver's license.
- San Pasqual Academy Youth Ethics Program - the County's Office of Internal Affairs, program to provide ethics education for the San Pasqual Academy students, a residential education campus that serves only foster youth.
- "You're Not Alone" Radio Campaign - an outreach campaign by the Department of Child Support Services to increase awareness of the department's free services in establishing and enforcing child support orders.
- Youthful Offender Program - a program developed by the Probation Department, with a foundation of evidence-based practices, to address the challenge with high risk youth adults.
- Department of Child Support Services Drug Court Program - developed to reach out to individuals who have not been paying their child support or meeting their parental responsibilities as a result of their past drug problems.
- The **Western Interstate Child Support Enforcement Council (WICSEC)** honored the Department of Child Support Services (DCSS) with the *Award for Excellence*



in Program Awareness The award recognized San Diego's "You're Not Alone" radio advertising campaign and its success in increasing awareness of the child support program among custodial parents in the county.

- The Health and Human Services Agency (HHSA), working in collaboration with HealthLink North County and the Coalition on Children and Weight San Diego, hosted the School Fitness Summit in March 2006. The Summit, which exemplified how public/private partnerships can address the communitywide issue of childhood obesity, was recognized by the **San Diego Healthcare Communicators** with the **2007 Silver Finest Award**.
- The County Library won the **2006 California Library Association's (CLA) Public Relations (PR) and Information Committee Association PR Excellence Award** for the second consecutive year. The award is in recognition of the library's "Youth Service Exchange" staff development newsletter. Library staff are the primary audience for "Youth Services Exchange," which is a monthly, internal digest of news covering such topics as youth services in libraries, practical hints and fun projects to utilize with young clientele, and upcoming training opportunities.
- **National Association of Counties (NACo) - Achievement Awards - 2007**
 - Mixed Construction and Demolition Technical Assistance Grants - to create incentives for a large and mixed Construction and Demolition recycling facility, the County offered funds on a 1:2 or greater match to the solid waste management sector. The facility will significantly help extend the county's landfill space, which is becoming more limited every day.
 - Private Oversight Program (POP) - developed to allow the continued oversight of properties contaminated by leaking underground storage tanks since funding from State and federal funds has remained static but the number of contaminated properties has continued to increase, threatening water quality and the public's health.
- **Regional Permit Enhances Flood Control Capabilities** - Regional General Permit 53 is a five year blanket permit the Department of Public Works negotiated with the State and federal stakeholders that allows for flood control maintenance activities at 1,090 facilities countywide.
- **San Diego Pest Detection Outreach** - pest detection seminars and surveys to educate and alert personnel of local parks, governmental agencies, universities, botanical gardens, and master gardeners about damaging pests and plant diseases.
- A regionally funded public service announcement titled "Ants in Your Plants?" received three **Emmys** awarded by the **National Academy of Television Arts and Sciences-Pacific Southwest Chapter**. The goal of "Ants in Your Plants?" is to raise awareness about not overusing pesticides to kill ants because doing so can harm the environment, especially the water supply.
- Parks and Recreation received an award for **Outstanding Resource Document** from **The State Association of Environmental Professionals** for the Otay Valley Regional Park (OVRP) Habitat Restoration Plan and Non-native Plant Removal Guidelines.
- The **Fire Safe Council of San Diego County** honored the Department of Planning and Land Use (DPLU) with the **Distinguished Service Partner Award** in recognition of DPLU's assistance towards the preparation of Community Wildfire Protection Plans for 14 communities within the county. San Diego County now leads the State, with more approved Plans than any other county.
- The Sheriff's Department received a **National Law Enforcement Challenge Award** from the **International Association of Chiefs of Police**. The department was recognized as having one of the best overall traffic safety



programs because of its ability to combine officer training, public information and enforcement efforts to reduce motor vehicle accidents and injuries.

- Agriculture, Weights and Measures won an ***Achievement in Consumer Education (ACE) Award*** from the **National Association of Consumer Agency Administrators (NACAA)**. The award recognized San Diego County's efforts to post consumer rights information at every commercial/retail scanner, to post failed scanner inspection notices at businesses, and the optional posting of successful scanner inspection notices.
- The **American Society on Aging** awarded ***Pfizer 2007 Healthcare and Aging Awards*** to two Aging and Independence Services (AIS) programs: the popular Cool Zone Program which offers locations throughout the county where seniors can "beat the heat" during the summer months; and the Matter of Balance program which focuses on developing yoga/exercise routines to decrease falls among the senior population.
- **National Association of Counties (NACo) - Achievement Awards - 2007:**
 - Family Disaster Plan/Public Awareness Campaign - a Family Disaster Plan booklet developed by the Office of Emergency Services and mailed out to 1.4 million homes, reaching every household in the County informing residents of the need to be self-sufficient for at least 72 hours following a disaster. In addition to providing the plan, an aggressive public education and outreach campaign was conducted to encourage residents to complete the Plan.
 - Consumer Protection Day - an annual free event for older adults and others to advise them on how to avoid being victims of scams, fraud, identity theft, and financial elder abuse.
 - Driving Under the Influence (DUI) Enforcement Unit - implemented to address the need to intensively supervise the increasing number of high risk and

repeat probationers in the community who have been convicted of offenses involving driving under the influence of alcohol or drugs.

- Undercover Test Sale Program - an undercover program, conducted by the Department of Agriculture, Weights and Measures, to ensure that consumers are receiving the correct payment for their recyclable beverage containers.
- Global Positioning System (GPS) Sex Offender Monitoring Program - targets and tracks the whereabouts of certain sex offenders on probation.
- Citizens Academy - sponsored by the San Diego County District Attorney's Office and the San Diego County Sheriff's Department to provide community members with a transparent view of local criminal justice practices.
- Fire Services Program - the County of San Diego's strategy to substantially improve fire safety in this fire-prone region which is effective and saves money due to its emphasis on coordination, streamlining of administrative processes and practical sharing of resources.
- Adult Protection Services Financial Abuse Training - a campaign to educate financial institutions and their customers about a new State law requiring all banks and credit unions in California to report elder and dependent adult financial abuse to Adult Protective Services or law enforcement.
- Agroterrorism Response Training - in a pilot program, the Department of Environmental Health in partnership with the Western Institute for Food, Safety and Security and the U.S. Department of Homeland Security developed a plan for local jurisdictions to strengthen their ability to prevent, detect, diagnose, respond to and recover from agroterrorism or other disasters in the food systems.



- Inside Anne Frank's House - a County Library walk-through exhibit that replicates two of the rooms in which the teenaged Anne Frank, her family and four friends hid from 1942-1944 during the Nazi occupation of the Netherlands. The exhibit is used for diversity training in county schools.
 - Team Excellence Performance Measurement System - a food safety program involving the Department of Environmental Health and a broad range of stakeholders that has resulted in a 50% reduction of food borne illness risk factor violations in retail food facilities in the County.
 - A Wedding Day to Remember - to help couples fondly recall their wedding day, the County offers numerous keepsakes for civil ceremonies. A portion of the keepsake revenue goes to the Polinsky's Children Center, a home for abused and neglected children.
 - Asbestos Awareness Campaign - a multi-media public outreach program created to educate the public about dangers associated with exposure to asbestos during the demolition or renovation of buildings and structures.
 - Bonita-Sunnyside Branch Library and Bonita Museum Complex - includes a County branch library, community meeting room, historical museum, public safety center, and parking for a municipal golf course.
 - "Get off Meth" Brochure - a collaborative effort by County departments to develop a brochure with information on treatment centers aimed specifically at female methamphetamine users, especially those being released from incarceration.
 - The **National Association of City and County Health Officials (NACCHO)** awarded San Diego County with the **2006 Model Practices Designation** for food safety programs. This award cites the Department of Environmental Health's Food Safety Program as a model for other cities and counties to emulate when developing or reengineering their own food safety programs.
 - The **National Association of Area Agencies on Aging** honored two Aging and Independence Services (AIS) programs for outstanding innovation and achievement. The AIS Aging Summit and AIS Call Center both received **2006 Aging Innovations and Achievement Awards**. The Aging Summit provides a yearly public forum for strengthening services and enhancing the lives of seniors and the disabled. The Call Center handles some 65,000 calls from the community each year, provides information on senior programs, and receives elder abuse, case management, and in-home care referrals.
- Operational Excellence Awards**
- The Purchasing and Contracting Department received the **Achievement of Excellence in Procurement** award from the **National Purchasing Institute**, for the sixth year in a row. The award recognizes organizational excellence in procurement rating criteria such as innovation, professionalism, e-procurement, productivity, and leadership attributes of the procurement function. The County of San Diego is the only government agency to receive this prestigious award six times.
 - For the second consecutive year and the third time in the past four years, the Department of Child Support Services has been honored by the **California Department of Child Support Services** for the **"Most Improved Performance by a Very Large Local Child Support Agency in the Federal Measure of Current Support Collections in Federal Fiscal Year 2006."** San Diego County improved its rate of collection for current support to 49.8% in 2006, a 7.3% increase over the previous year and the largest improvement among the "very large" designated counties including Los Angeles,



San Bernardino, Orange, Riverside and Sacramento. San Diego was the only county among that group whose total amount of child support payments distributed increased from 2005 to 2006. Collections totaling \$164.4 million were distributed by San Diego County during Federal Fiscal Year 2006.

• **National Association of Counties (NACo) - *Achievement Awards - 2007***

- Local Banking Initiative - focuses on placing public funds in the local and regional banks. This program not only provides a way to diversify the County Investment Pool Portfolio and earn a reasonable rate of return, but it also generates a direct positive impact to the local community.
- Business Process Reengineering of the Land Use Permit Application Process - an effort by the Department of Planning and Land Use to improve process efficiency and substantially reduce the processing time for discretionary permit applications.
- Remote Confined Space and Video Pipeline Inspection Program - the Department of Public Works identified an alternative approach (remote inspection system) to achieve desired inspections of the County's extensive inventory of water conveyance facilities; reducing the risk to employees and subsequent costs to the public while continuing to stay compliant with State requirements.
- Public Purchasing Changing Times, Changing Ways - recognizing that the Purchasing and Contracting Department has adopted a number of best-purchasing practices employed by the private sector, saving San Diego County taxpayers tens of millions of dollars.
- Facilities Planning Board - a forum to establish a rationale and strategy for capital programs, facility management, maintenance, and operations while ensuring fiscal accountability.
- The Health and Human Services Agency Audit Response Program - a comprehensive program to significantly reduce audit exposure and potentially save millions in County revenues as a result of successful periodic audits of the State and federally-funded County programs that include over 250 funding sources totaling over \$1.2 billion annually.
- "See the Light, Be the Light": The Process of Ethical Decision Making - training designed specifically for the executive management in the County. Emphasis was placed on recognizing that one of the most important responsibilities placed on executives is to assume leadership in the area of ethics.
- Southern California Vector Education Cooperative - an education cooperative of 13 city and county vector control agencies in Southern California that has allowed for low cost training and networking.
- In-House Training Program - in collaboration with participating State and local corrections agencies, the Probation Department has developed and is administering programs designed to ensure the competency of State and local corrections professionals.
- Tele-Psychiatry Program - the installation of video teleconferencing (VTC) units at two remote Probation camp locations has enabled psychiatrists to meet with clients without the need for travel saving over 830 hours in transportation time.
- Court Calendar Tool - an application that facilitates the scheduling of child support cases between the San Diego Superior Court and the Department of Child Support Services.
- Exception Processing - the development by the Treasurer-Tax Collector of an efficient electronic workflow solution for dealing with time consuming manually handled exception tax payments.



- Identity Theft Project - review of County departments who collect and retain information about employees and the public and the establishment of procedures and policies to ensure that the County is utilizing the highest level of protection possible against identity theft.
- 2006 Retirement Dreaming Fair - an event put on by the Treasurer-Tax Collector's Office, to spotlight the importance of employee's saving for retirement and simultaneously show them that there are some great "dreams" to look forward to in retirement.
- **The International Public Management Association for Human Resources, Western Region** honored the County for its Work Safe/Stay Healthy program. Since the program began in Fiscal Year 2003-04, it has significantly reduced the County's workers' compensation costs at a time when most organizations' costs are escalating.
- The Auditor and Controller's Office of Audits and Advisory Services (OAAS) has been awarded the highest rating by the County of Los Angeles' auditors. The Quality Assessment Review (QAR) report stated that the OAAS "fully complies" with the **Institute of Internal Audits'** International Standards for the Professional Practice of Internal Auditing. The auditors also found that OAAS operates, and is perceived to operate, as "independent, objective, proficient and able to render impartial and unbiased judgments." The Office was found to be well managed, to have effective relationships with other departments in the organization and to be well respected and supported by County management.
- For the fifth consecutive year, the **Government Finance Officers Association of the United States and Canada (GFOA)** recognized the County with the *Distinguished Budget Presentation Award* for the Adopted Operational Plan: Fiscal Years 2006-2007 & 2007-2008.
- The **GFOA** also recognized the Auditor and Controller and the County Treasury with *Certificates of Achievement for Excellence in Financial Reporting* for the fiscal year ended June 30, 2006.

